# Module 3:
# Growth Through Marketing

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# Contents




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# Growth Through Marketing

This module introduces the concepts of marketing and discusses how you can use them to help you grow your business. It is important to note that marketing is not just an amusing advert on TV or in a glossy magazine but is a key component of your overall business strategy and covers much of your relationship with your suppliers and customers. The Chartered Institute of Marketing defines marketing as "the management process responsible for identifying, anticipating and satisfying customer requirements profitably".

This section will therefore cover:

- What is a marketing strategy and why you need one.
- Market research.
- Segmentation, Targeting and positioning.
- The Marketing Mix (the 4Ps and 7Ps).

# Developing a Marketing Strategy

## What is a marketing strategy and why do we need one?

Your marketing strategy is a key component of your overall business strategy and goals. We saw in module 2 that a business's strategy is the course of action a business is aiming to take over the medium to long term in order to succeed. Very simply a business's strategy can be thought of as "how we win".

The business's overall strategy focuses on the range of businesses the company is involved in, how the business is structured and financed and its long term returns to its shareholders. The marketing strategy is a subset of that, focussing on how the business will win in individual markets. For small companies, operating in a small number of markets the two strategies are largely the same thing, so we will consider the marketing strategy only below.

Very simplistically, your marketing strategy acts as a long-term plan for the key elements (products, customers, staff, financials) of your business.

By developing a marketing strategy you ensure that there is a consistent approach to your suppliers, operations and customers throughout your business. It is important to stress that much of marketing is concerned with efficiency i.e. getting the maximum impact from your limited marketing budget and time, a coherent marketing strategy ensures that there is a focus and purpose to the activities you undertake.

There is a real temptation for companies, particularly smaller ones or start-ups, to go after every opportunity that may present itself. A clear marketing strategy will ensure that the business has the confidence to focus on and chose only those opportunities that are in the longer term interest of the business.

In addition a clear documented marketing strategy will have the following benefits:

- Encourages the business to identify, understand and plan for the key issues facing the company.
- It will ensure goal congruence, i.e. everyone is clear what the business is aiming for and will be working in the same direction.

- Ensure that responses to external factors over which you have no control are consistent with the overall objectives.
- By adopting a structured approach to the development of a marketing strategy it will ensure that all factors, both internal and external are considered and nothing is missed.
- By developing a planned approach to the business's strategy it helps the business consider, and anticipate change. This is particularly key in relation to opportunities from growing markets or the challenge of declining or increasingly competitive markets.
- By documenting the business's marketing strategy it will provide a communication document for external and internal stakeholders, which can be challenging and motivating for staff and may help the business raise finance.

## Where does a Marketing Strategy Sit in Business Planning?

Business owners are often confused on where marketing strategy fits in relation to business plans and the development of the marketing mix (this is key term which we'll cover later). The following diagram shows the order in which to complete the various levels of planning.


The starting point is setting out your business goals. We saw in module 2 that the mission statement should capture the broad, long-term goals for the business as a whole. Business goals are the highest-level objectives of the business. Your Marketing Strategy should come next, it is the high level plan detailing what marketing efforts you will focus on. It sets out where you want to position yourself in the market and which customers you are going to target. Again these key terms, positioning and targeting will be discussed later.

After you've written your marketing strategy, you will then set out your marketing mix (the elements you will use to reach your target customers and get them to buy your product) i.e. your Product, Pricing, Place (Distribution), and Promotion – again we'll discuss these concepts later.

The final step is to write your marketing plan, which will describe the specific, detailed marketing activities that you plan on engaging in to achieve the marketing strategies and business goals. As we move up the pyramid, we become more detailed, more specific and often our focus is on nearer-term factors.

## Strategic analysis – SWOT

The key first step of developing a marketing strategy is to thoroughly understand the market in which you operate (external factors – opportunities/threats) and your own resources and capabilities (internal factors – strengths/weaknesses). You will then be in a position where you can use your strengths to exploit opportunities or reduce your weaknesses so they are not exploited by threats. You can use a **SWOT analysis** to help structure your work.

Analysing the environment in which you operate requires a structured approach to data collection known as market research. This is covered in detail in the next section.

### Opportunities and Threats

These are external factors, i.e. things that impact everybody operating in your sector. You should attempt to look forward, not just what's going on now, but what do you anticipate?

- At an overall level what is going on in your Market Sector, how is the category performing, is it in growth, static or declining?
- What are the environmental factors impacting on your market - economic, political, technical, social, ecological, and legal?
- Consumers – what are they looking for from products in your sector, what need are they looking to be met, how many different needs are there, can consumers be grouped into clusters by different needs (see later section on segmentation and positioning)?
- Competitors – you need to understand their strategies and how they are meeting consumer needs, who are your largest competitors, why are they successful etc.

By researching the above you should be able to identify where the opportunities are for your business:

- Where the growth sectors are in your market?
- What consumer needs aren't being met or not being satisfied as well as they could?
- What the market drivers are that will open up new opportunities?

Also, and equally as important, the threats should become clearer as well:

- What sectors of your market are in decline and why.
- What external changes are going to affect my business e.g. legislation, changing consumer behaviour.

## Strengths and weaknesses

These are internal factors, i.e. aspects that are peculiar to your company. They can come from resources that you have such as a key location, a strong brand, a patent. Alternatively they can come from competences, i.e. things that you do particularly well, such as adaptability or creativity, a strong customer focus, etc.

Your strengths are the positive attributes of your business and/or product which you can use to your advantage. Your weaknesses are the things that you do less well and which may be holding you back. When undertaking internal analysis you need to understand where you are now, but as with Opportunities, to also consider what you need in the future to support growth.

When identifying weaknesses it is important to be honest about what these are

- What do your competitors do better than you?
- What are the key missing items that could stop you achieving your objectives if you do not address them.

It may be useful to set out your SWOT analysis in a grid form. This will help you look across the quadrants so you can match opportunities the business can look to exploit through its strengths or which weaknesses do we need to address so they don't get in the way of success. Below is a simple example of how your SWOT could look:


Finally you need to be realistic about your opportunities – you can't go after them all! Clearly you will need to focus on those where there is the greatest opportunity or which coincide with your key strengths.

## Objectives

Having undertaken the SWOT analysis it is important that you then move on to setting down a clear set of objectives relating to your overall marketing activities. All objectives should be SMART:

- **S**pecific
- **M**easureable
- **A**chievable
- **R**ealistic
- **T**ime-bound

Objectives should be then be cascaded down through the business, ensuring everyone is clear as to their importance and how they will be achieved. Examples of marketing objectives that fulfil the SMART criteria could be:

- To achieve 5% market share of the cooked meat market in the UK by a fixed date.
- To increase profit by 10% in the next financial year through the development of 3 new products which will deliver higher margins.
- To grow sales by 15% year on year with existing customers for the next five years.
- To increase brand awareness over two years from a base of 25% of shoppers in the category to 50%.

## Market Research

It is important that you approach the data collection element of strategic analysis in a structured and efficient way. This section will therefore discuss the concept of market research.

## What is Market Research and why is it important?

If you are going to be successful producing and selling a product it is important that you understand who your customers are and what they want. As the name suggests, market research enables you to understand the dynamics of a particular market, this will include the size of the market, your competitors, the trends and consumer drivers. This can be at product, category or channel level.

Specifically market research enables companies to:

- Understand the size of the opportunity.
- Understand and quantify trends in a market or category.
- Identify gaps in the market.
- Understand the elements of product specification needed to fill the gap.
- Understand competitors’ strategies.
- Understand trade customers’ strategies.
- Understand their own position and their relationship to the market.

## Different Types of Market Research

Two broad methods can be used to research a market:

- Primary Research.
- Secondary Research.

### Primary or field research

Primary research is where new information is collected from research commissioned for a specific project. The data/information is generally obtained directly from first-hand sources by means of surveys, observation or experimentation. It is therefore data that has not been previously published and is derived from a new or original research study. The main advantage of primary data is that you are getting answers to specific questions. The main disadvantage is the cost and sometimes the time involved. Primary research techniques take the form of either Quantitative Research or Qualitative Research.

**Quantitative Research** is concerned with how people think, act or feel as opposed to why they do. It provides 'hard', robust, statistical and numerical data that can be defended or challenged and is objective rather than subjective. Quantitative research employs highly structured procedures throughout the research process. Data is collected using sampling techniques and structured questionnaires, incorporating a fixed number and order of questions with a closed list of responses (e.g. yes/no or 1 to 5), although a limited number of open-ended answers may be included. Data collection methods can vary e.g. respondents can be interviewed by specially trained interviewers either face to face on-street, in halls or at home or by telephone, by email, via the web or by post (respondents completing their own questionnaires). Face to face and telephone interviews are the most frequently used methods.

**Qualitative research** is used to gain insights into people's attitudes, behaviours, value systems, motivations etc. It is primarily concerned with understanding why consumers behave the way they do and why they make the purchasing decisions they make.  It doesn't rely on statistics or numbers, and is generally based on speaking to a smaller number of consumers compared to quantitative techniques. The main forms of qualitative research are focus groups, in-depth interviews, and accompanied shops.

### Secondary or desk research

Secondary data is data that has been previously published or collected for some other purpose. This type of research is based on information collected from studies already undertaken, this might be at Government agency level, trade associations, research companies etc. Information can also be taken from publications, newspapers, trade journals etc. The main advantages of secondary data is that it will be cheaper (and in some instances free) than commissioning your own primary research. Good secondary data, interpreted correctly can give valuable insight. However the main disadvantage is that it is unlikely to address your specific research requirements. Some examples of sources of secondary data relevant for the food industry are Mintel Reports, Datamonitor and Grocer 'Focus On' Reviews.

## Undertaking Research

Before starting any research project it is important to be clear about the purpose of your project. Having clear objectives will help to determine whether your research should be primary or secondary and in turn, if it is primary do you need quantitative or qualitative answers.

Usually if you are undertaking primary research you will need to employ the services of a specialist researcher or agency and in this instance it will be important to provide them with a research brief.

### Secondary research – data sources

There are a number of data sources for secondary market research. It may be that you already have access to some of the following:

- In store visits and audits.
- Menu analysis.
- Reviewing wholesaler ranges such as Brakes, 3663, Hider Foods.
- Competitor product benchmarking.
- Monitoring trade press such as The Grocer, Caterer & Hotelkeeper.
- Monitoring websites e.g. MySupermarket.
- Attending Trade Shows such as IFE or Speciality Fine Food Fair.
- Visiting local or Business School libraries.

Companies can also purchase market and consumer data from third parties. Purchased data should be up-to-date, if you access it again at a later date you will be able to track your own progress within a market in comparison to competitors. The main drawback with purchasing data is the cost. The type of data which can be bought for the UK market includes:

- **EPOS** – this is data collected through scanning at point of purchase and the main providers in the UK are IRI and Nielsen.
- **Panel Data** – survey that monitors foods purchased for in and out of home consumption, main UK panel data providers are Kantar Worldpanel and Nielsen, Allegra and NPD Crest.
- **Loyalty Card Data** – provides information on the purchasing habits of particular store's shoppers e.g. Tesco Clubcard (DunnHumby data) or Sainsbury's Nectar card (i2c data).

You should note of course that no market research can guarantee success, however, it will lessen the chances of failure. Buyers may not behave in the way they suggested in primary research, secondary data may have been collected for a different purpose to your own, and there may be other environmental changes between the time of the research and your product going on sale.

# Market segmentation, targeting & positioning

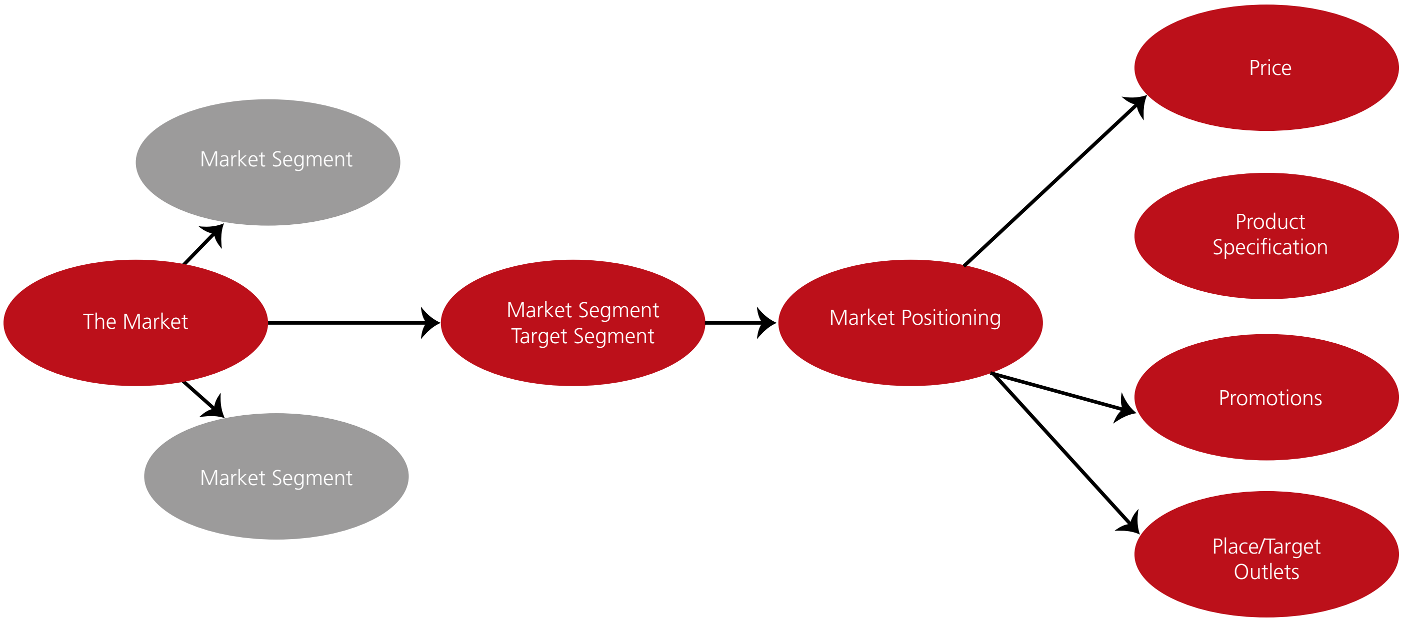
## The process

Segmentation is the way large markets can be broken down into smaller homogenous groups of customers with similar needs and shopping behaviours, for instance families, couples, kids etc. – each group behaves in a similar way and has similar needs.

This enables the business to decide which segment it wishes to sell to, this then becomes the Target Market for the business i.e. the group of consumers you are going to sell to.

The business then attempts to develop products that match as closely as possible the needs of the Target Market. This is the process of positioning itself and its products. It does this using the elements of the marketing mix (4-Ps) which we'll discuss later.

Segmentation, Target Marketing and Positioning are important marketing tools for all businesses irrespective of size. They are particularly important for small to medium sized companies (SMEs), as they help focus limited resources into developing the right products for people who want to buy them. Larger companies obviously have bigger budgets which enable them to market themselves and their products more widely and therefore be in a position to appeal to the mass market.




## Segmenting Markets

The UK alone is a large market with over 65 million potential consumers, it is not realistic for companies irrespective of their size to target the entire UK population, for the simple reason that it is impossible to develop a product which would appeal to everyone. By undertaking market segmentation companies can break down the market into homogenous groups of customers who have similar reasons/needs for buying specific products or brands.

This process has two broad benefits:

- Firstly it enables companies to analyse the market more effectively and efficiently. The company can make judgements about particular segments that it could not do about the market as a whole.
- Secondly it enables companies to identify and focus on individual segments whose needs they can meet.

For example, the market segment for a gluten free cake bakery is consumers who either have a medically diagnosed gluten intolerance or are following a gluten free diet by choice. There would be little point in the bakery targeting all cake consumers as those not avoiding gluten are unlikely to be attracted to a non-wheat based offering.

By segmenting the market into smaller groups of similar customers it enables you to focus your promotional efforts into the channels and use mechanics that are relevant to your target customer. This will save both time and money and stop you from spreading your efforts too widely.

### Bases of segmentation

As stated previously you should use market segmentation to identify your target customers and understand what motivates them to buy the products they do. By doing this, it is possible to ensure that every element of your product, including the taste, size, price, how it is packaged and how it is promoted, will appeal to your target market (see later section on marketing mix).

There are a number of ways or bases that companies can use to break down consumer groups into meaningful segments – these include:

- **Demographics** – such as age, gender, social class.
- **Lifestage** – such as student, couples, young family, older families, empty nesters, pensioners.

However, the shortcoming of segments such as those listed above is that they don't provide enough insight into what drives consumers to make the choices they do. Therefore to segment the market effectively, you will need to think about the consumer motivations that are behind product/brand choices. For example, a purchaser of ice-cream might be:

- Shopping for the family.
- Looking for an adult treat.
- On a tight budget.
- Looking for an accompaniment for a dessert.
- Watching their weight.

In each instance their core motivation, or need, will lead them to buy a different product, therefore you can group together all consumers wanting to buy family treats, or all consumers looking for low calorie products. Clearly the messages/packaging etc. used to appeal to the different segments will vary considerably, but each is a viable segment to target.

You should also note that segments can change over time due to changes in consumer behaviour/trends e.g. Health issues are growing in importance, so the segment that buys a product because of this factor is increasing in size. It is therefore important for companies to monitor consumer trends. Some trends will be evident from press coverage others require companies to undertake their own market research and anticipate emerging opportunities.

## Market Targeting

Once you have identified the different segments, it is important that you then assess the attractiveness of each segment before deciding which market to target. This can be done using the following criteria:

- **M**easurable, you need to be able to work out and measure which customers are inside/outside the segment.
- **A**ccessible – you need to be able to sell to and communicate with this segment (e.g. through adverts in a particular specialist magazine).

- **S**ubstantial – the segment must be large enough to justify developing a product and marketing approach for it.
- **S**table – the segment should be broadly consistent over time.
- **D**efensible – the ideal segment is one that you can access, and competitors cannot.

Market data is essential for evaluating target markets because it can show which segments are growing and which are declining. This data can be obtained from trade publications and reports such as Mintel and Datamonitor, but it is also possible to get data from weekly publications such as The Grocer. Ideally, you should allow a budget for data and market research. Support is also available for Welsh companies through the Welsh Government Food and Drink Division.

## Market Positioning

Once you know which market segment you are going to target, you should 'flex' the features of your product or your approach to selling it to align with the needs of the segment. This is what is meant by product or brand positioning. Different market segments will have different needs and you should adjust this positioning to suit each segment.

The positioning will include:

- The product attributes e.g. taste, smell, texture.
- The product quality and ingredients.
- The pack size.
- The visual appearance of the pack.
- The price.

These elements are components of the Marketing Mix and are covered later in this module. It is important to note that any one element can discourage the target customer from purchasing. For instance a consumer on a tight budget would never buy a retailer's value range if it was priced higher than the leading brand. Each element must ensure that the customer understands that this is the product they are looking for.

### Differentiation

As part of your brand positioning you need to consider how you will differentiate your product or brand from your competitors. This is referred to as product or brand differentiation. You may be targeting the same customer segment as one of your competitors e.g. ice-cream shoppers managing their weight, the challenge is therefore to create a meaningful and clear point of difference to your competitor (e.g. lower in fat and lower in sugar, if your competitor is lower in fat but has replaced the fat with sugar).

Trade buyers will always ask you what your point of difference is, as they do not want to offer products which duplicate what they already have in their range. They will also need to be convinced that your point of difference is one which will appeal to their customers.

Typical points of difference are:

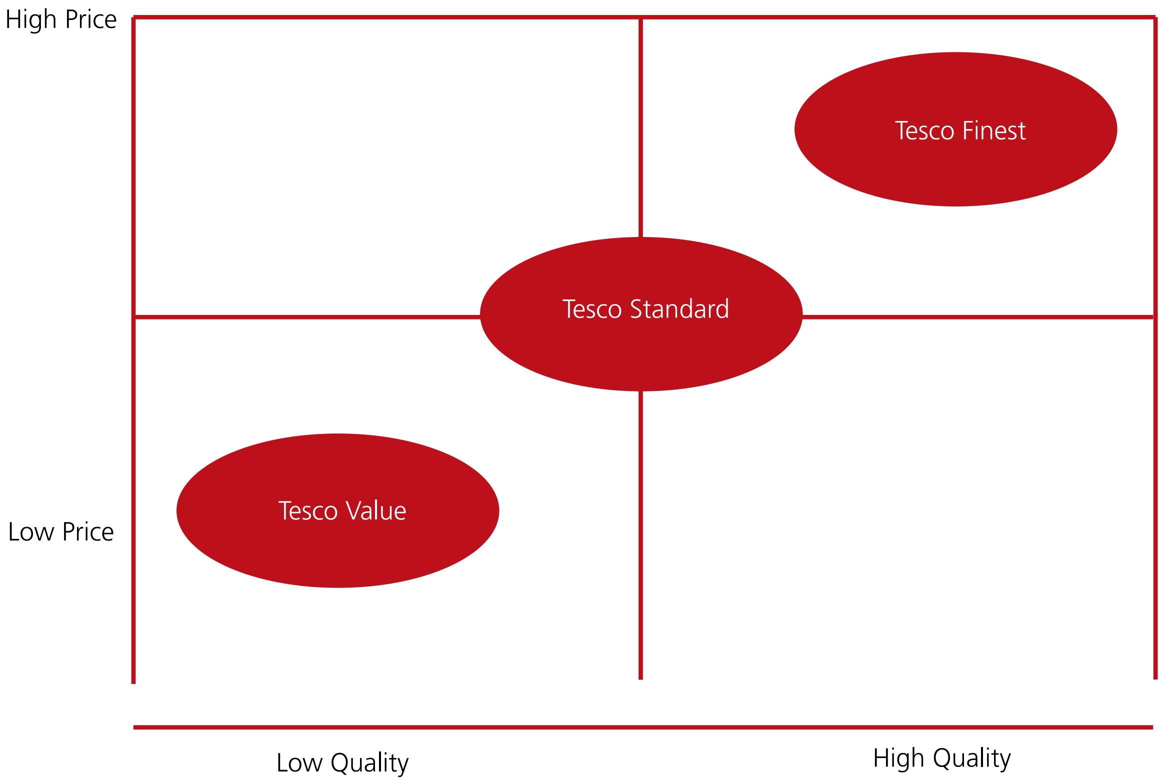
- Better quality e.g. taste, texture.
- Cheaper.

- Healthier.
- Other differences e.g. resealable packaging, wider range of or unusual flavours.

New products may meet all these points of difference.

Position is often a function of quality and price. It can be useful to plot your product(s) on a diagram with these two axes.

Example of a Brand Positioning Map




## Choosing and implementing a positioning strategy

To choose a position you need to consider the size and needs of the potential market in that target market and align it with the objectives and capabilities of your business. For instance if you have a low volume, high cost production process, you will need to position your products at a high price, premium position. However, if you have invested in a large new factory where you need to maximise throughput, you may require higher volume which will demand a more mass-market, lower price product.

Understanding your market, identifying the most attractive customer segment and positioning your products carefully to meet their needs is essential to a sustainable and successful business.

# The Marketing Mix

The marketing mix is defined as the combination of tactics used by a business to achieve its objectives by marketing its products or services effectively to a particular target customer group. It is basically elements that you can control or adjust in order to sell a higher volume or at a higher price or otherwise better meet your customers' needs. Each element starts with a P and therefore they are sometimes known as the 4-Ps for a mainly product based company and the 7-Ps for a mainly service based company. The Ps are:

- **Product** – the features of the product or service, the range offered, associated services etc.
- **Place** – where, or how your customer buys the product, including how you get it there.
- **Price** – what your customer pays, including special offers, discounts, etc.
- **Promotion** – advertising, promotional activity, etc.

For services (increasingly relevant to food companies) we add an additional 3 Ps to give a total of 7:

- **Physical evidence** – delivery vans, stands at food fairs etc. are all physical manifestations of what your brand represents.
- **Processes** – such as the process of buying on line from your website, retailers home delivery services, how user friendly is your website.
- **People** – your service is generally delivered by people so this includes training, staff selection, etc.

The marketing mix is a key tool to help you succeed in meeting your customers' needs. It is worth making a couple of fundamental points:

- Although each of the Ps is discrete, no one element of the marketing mix is more important than another – each element supports the others and there should be a consistency in your overall offering.

We have already discussed segmentation, targeting and positioning. As each segment is different, it is logical therefore that the marketing mix that you use in each segment can and should be different. For instance products that you develop for a retailer's budget/value range should be cheaper to produce and cost less than products produced for their top tier range.

We will now discuss each element of the marketing mix in detail.

## Place

### Introduction

Place is all about managing routes to market and distribution in order to deliver your products to customers i.e. in the right place at the right time and of course, at the right price. These routes are known as channels.

You will already have some initial experience of these channels and perhaps are considering additional routes such as farmers markets, on-line sales, small speciality shops or major retailers, or perhaps selling to another business such as food service or contract manufacturing. Whatever the market channel, you need to start with the customer:

- You should start by analysing your customers' needs i.e. do they want to buy locally or through a centralised system?
- Do they to buy from you (the producer) or a distributor, retailer, online, etc.?
- Do they want a range or single lines?
- Identify any constraints of the channel, such as volume, lead times, facilities (such as refrigeration).
- Identify channel alternatives e.g. sales reps, distributors or intermediaries.

Once you have identified and analysed potential channels you should attempt to formally assess or quantify them, such as by writing down the pros/cons of each channel, or the impact on profitability or the extent of control you would retain over this channel.

- It is important to note that the channel chosen has an impact on your perceived market position (just think of products sold in Harrods!) but you can also adopt different positions within each channel.

### Multi-channel

Many businesses will use a multi-channel approach, utilising many routes to market that can have different features and a different marketing mix.

For example, with a multi-channel strategy, you have the option of charging the same price for a product across all channels, or offering your customers different prices, depending on their channel choice. For instance offering customers website prices that are lower than store prices is common practice and reflects the lower overheads in website operations. Your customers also have a choice between lower online prices and personal service in a retail outlet.

## Channel options

From food trucks to street markets, from supplying into large or small retail to foodservice, the UK market is incredibly diverse and offers many options and opportunities. We'll look at a number of the alternative channels below:

### Direct routes to market

The direct routes to market are those controlled and serviced mostly by you and your business. They are likely to be on a smaller scale in comparison to foodservice or major retail. Examples are:

### Street & municipal markets, farmers markets, food fairs

These can be organised by various bodies from local authorities or local co-operative groups to commercial businesses. There is usually a charge for participation. They are characterised by the fact that this will not be a permanent operation and your sales will come from a market stall, van or food-truck. They are a great introduction to trading and because you are interacting directly with the end-consumer give you great feedback and the possibility of quickly refining your products.

Increasingly, special event markets are being held at specific times of the year, in keeping with community or harvest festivals, agricultural shows or calendar events like Christmas and Easter. Consumers are keen to support local suppliers and with producers usually manning stalls themselves, a market is perhaps the most tangible way for them to do this. Local food is also a very important component of food tourism – showcasing foods which are indigenous to a locality and the stories and people behind them.

There is a wide range of foodstuffs sold at these markets and fairs. The market concept is built around authenticity, provenance and on simplifying the 'farm to fork' journey. Food available through markets can broadly be divided into the following categories:

- Food to go: For immediate consumption. The advantage of this type of product range is that repeat purchases are generally higher than for longer-life products. For people who visit markets or fayres as part of their leisure time, expenditure on 'food to go' treats can be high.
- Main meal items: Many stallholders sell products which are destined to be part of a traditional home-prepared meal and, as a result, are consumed in the short to medium term.

Meat, vegetables, fish, breads, cheese, etc. are typical examples of this type of produce/product.

- Added value: Some markets include a food offering where the producer cooks the food. Examples include family-sized meat pies, paellas, and samosas.
- Treats: Customers like to indulge in high quality treats and will often choose a farmers' market to source such products as homemade cakes, ice cream, gourmet confectionery, etc.
- Gifts: Sometimes the purchase is not necessarily for the customer but rather a gift for someone else. Examples include handmade chocolates, cakes and biscuits.
- Pantry fillers: Chutneys and jams are examples of products which are central to the 'traditional foods' element of a market but are generally subject to slower repeat business.
- Organic: Consumer interest in organic products has risen dramatically in recent years. Farmers' markets are an effective channel for selling organic produce/products as the customer base tends to be supportive of the organic ethos. The types of organic product that can be sourced include vegetables, meats, breads and cheeses.
- Health/natural: Freshly squeezed apple juice, natural yogurt, etc. offer the customer a range that is perceived to be healthy, authentic and good for you.
- Artisan: All of the products above command a strong customer following simply because of the way they are made and the ingredients used. 'Handmade', 'handcrafted', 'natural ingredients' and 'best tasting' are all attributes of the artisan offering.

### eCommerce

We are all familiar with eCommerce and its social and business impact. It is an extremely effective direct route to market and is growing at a phenomenal rate. Today it is relatively easy to set up and organise an online shopping experience, although you'll need to consider your distribution methods too. Using the web is also discussed in the **Promotion** section of this module. Some key benefits of establishing an on-line presence are:

- **Global reach:** A website can reach anyone, anywhere, who has access to the internet, so you are only a search or a click away from them. This allows you to compete nationally and even internationally and test new markets you may not be able to reach through traditional channels. With effective packaging and distribution (and regard to any local laws of transit) your product can go virtually anywhere. You also have access to niche segments that would not be cost effective for traditional channels to attempt to reach.
- **24/7 shopping availability:** With an online shopping outlet, it's working even when you're not. It's a permanent sales person. Remember that without the benefit of sales staff your website should answer any detailed questions that customers may have on your product of service, it could for instance include a list of frequently asked questions (FAQs).
- **Intelligence and individualisation:** Traditional marketing techniques such as television, press and radio broadcast your message in a particular time slot on the assumption that the correct target audience is actually attentive. A website allows you to track visitors and see where interaction has occurred and learn quickly which areas are creating interest and give you the ability to react swiftly.  In turn this enables you to tailor your website for individual users, update prices in real time, and generally be much more reactive than you could when selling through intermediaries.

- **Interactivity:** Website content can be entertaining and interactive: Unlike the printed word or television, you can have two-way communications with your customers using instant email responses, forums, or using a regularly updated blog or twitter feed.
- **Cost effective:** It is easier, quicker and therefore cheaper to update your online shop front than refresh or re-site a real life business.

## Retail

A retailer takes your product and displays it ready for the consumer to buy. Retailing is a highly competitive, high throughput business. Retailers have high fixed costs (rent, staff, etc.) to cover so will be looking to constantly increase volume of sales or profit margin or both.

Large retailers have sophisticated systems to give them real time information on turnover, stock loss, margin by areas, top selling products, etc. They will monitor the performance of your product incredibly closely and you need to expect to be squeezed hard by retailers that you deal with.

When you start to discuss your product with a potential retailer they will want the following information from you:

- Product features, how does it fit with their strategy and market position?
- The cost to the retailer per case/unit and your RRP (Recommended Retail Price).
- The margin that the retailer can therefore make.
- The number of units per case.
- Details of who else is stocking the product and alternative sales channels.
- They may also want to know your promotion plans and how you could support the product in store e.g. tastings, etc.

### Independent Retailers

Most small independent retail shops are open to pitches from producers, especially local suppliers. Obviously your product needs to be consistent with their existing range of products and overall market position. You will need to convince them that the quality of the product and your ability to supply it consistently. They will also need to understand your lead time and responsiveness to sudden orders. Like all retailers, they will want a good margin.

The UK is still a nation of shopkeepers and there are thousands of small retailers out there. You'll need to be selective. Use the web to help identify your target stores. You'll eventually need to maintain a regular relationship with your retailers and deal with any issues before they sour the relationship. You also need to consider the process that the retailer will use to place orders with you; whether this is on-line, a regular quantity, or a more ad-hoc system.

**The first order:** consider how many of your product you recommend a new retailer should buy from you – one case that sells out quickly in the first month will be seen as a good seller, 3 cases that take three months to sell will be seen as a slow seller!

### Symbol Retailers

In the UK there are also stores trading under symbol brands i.e. retail marques such as Spar, Nisa, and Londis etc. The stores are independently owned, but benefit from the buying power of a larger organisation. Many lines are bought centrally at the marque's head office, particularly own label lines and national brands, but because they are still mostly owner operated, store owners can list new products at their own discretion (there tends to be a rule of thumb that stores can purchase 5-10% of their range independently from centrally listed lines).

### Multiple Retailers

Dealing with multiples such as large chains of supermarkets can be a complex and potentially bureaucratic process. The large multiples have very structured systems to maximize their businesses and you'll have to follow their procedures. Unlike calling into small stores, you'll need a formal appointment. The relationship with large multiples is considered in more detail in module 4.

Buyers in multiples are responsible for a large £multi-million business portfolios with up to 3,000 SKU's (product lines). A typical buyer will have many meetings a day with different suppliers all trying to push their products. Getting into a supermarket takes time, a lot of perseverance and attention to detail. It can take months to even get hold of the person you need to speak to, let alone convince them they want your product. You need to prove that you are professional and organised enough to be on a supermarket's shelves, and that you can deliver on every part of an agreement you make with them. When you do make that all important breakthrough, you need to have absolutely everything in place

When you meet with a buyer from a multiple you need to bring your market research, product samples, packaging and business documentation to your presentation. Be prepared to quickly tell the buyer what your product is, how it is different from what their store already sells and how it suits their customer base.

To have a successful relationship with the buyer at a multiple you need to know and understand constraints and motives. Buyers may be measured on:

- margin increase
- sales increase
- stock turnover
- wastage
- promotional support
- range reviews for their categories

Buyers in multiples usually work with a system of Category Management. In simple terms the category is a group or range of similar products, or products with similar features. Category management therefore refers to the way a buyer manages their category to maximise sales and profit. The range must provide the customer with the products they are looking for at the right price and be on the shelf when they want to buy them.

They constantly monitor the following:

- number of lines in their range
- number of suppliers
- allocation of space in-store
- profitability
- availability

- promotions
- sales

And they will be looking at taking action such as:

- which lines should be taken out of the range
- which should be extended to more stores
- gaps in the range which must be filled by new lines

It is essential that you as a potential supplier understand what is in the retailer's existing range and how your products would fit into it. Unless the product offers a point of difference (i.e. price, size, or some other difference (known as a unique selling proposition, USP) from existing products, listings will be virtually impossible to achieve.

Many of the multiples have now started to localise their products. Homemade and Artisan style products are placed in regional groupings of stores to add a sense of locality to the in-store offering.

## Product checklist

The checklist below covers all the questions that a potential buyer will consider before even contemplating taking on your product. You should ensure you have answers to them all – forewarned is forearmed!

Item size

- Will the item fit on the standard shelf?
- How many items will fit on the shelf behind one facing?
- Given its likely rate of sale, how many facings will be required to hold adequate stock, and will it sell fast enough to warrant the space?
- Is there any secondary packaging to be removed before display?

Range

- Does each item in the range have a distinctive role to play which is relevant to the retailer's store format?
- How will the range develop as the brand matures?

Pricing

- Is the pricing strategy realistic in light of current market conditions? Can you justify your overall pricing strategy?
- Is the consumer being offered value for money?

Margin

- Will the retailer's category margins be improved by your product, considering their current range?

Barcoding

- Is there a barcode located on the item and the outer case?
- Is it easy for the operators to scan?

Case configuration

- How many items are in a case? (Different customers and trade sectors may have very different view on what is the optimum size for their business).
- How does the case fit in with retailer's minimum merchandising criteria?
- Will this cause too much stock to be held on shelf and cause out-of-date problems?

Pallet configuration

- How many cases on a standard 'Euro' pallet? (1200×800×144 mm)

Launch timings

- When is the product available for shipment and delivery?
- How does this correspond with seasonal peaks? For example, some retailers have a six month listing process or alternatively, list products on particular seasonal cycles.
- Does the first shipment date for the new items fit in with these timings and, if not, what can be done to ensure that it does not have to wait for the next listings cycle?
- What are your lead times, and how does this fit in with what the retailer needs or expects?

Promotion

- Is any planned retailer promotion sufficient to give the product visibility in-store?
- Do the proposed mechanics meet your objectives e.g. trial, volume, brand awareness/loyalty?

USP

- Is there something unique about the product that could be highlighted through point of sale (POS) i.e. shelf edge barkers, or website/leaflets.

Distribution & Logistics

- Can you handle large volume drop offs to regional warehouses or direct deliveries to stores (and perhaps any in-store merchandising).

## Negotiation

We will cover the mechanics of contract negotiation in more detail in module 4, we'll just mention some basics here.

Many small food manufacturers can sometimes feel they lack negotiating power with multiples due to the difference in size of their business. This is true, but remember that the buyer's job is to get great products at the best possible price no matter where they come from, so they are usually sympathetic and will be understanding about the size of your business and listen to your point of view.

If you are struggling to convince a buyer you could offer a trial period, perhaps a small amount of units in a regional group of stores for a couple of months. This would give you a chance to prove your product's worth without leaving the buyer with a big financial risk.

During the negotiation phase, you need to examine any draft contract extremely carefully. Look out for clauses relating to price changes or other potential variations in the terms of the contract. Multiples may try to squeeze you further down the line with extra costs or charges. Don't overlook the worth of professional legal advice.

- Work out different price scenarios in advance of meeting the buyer, vary the price and volume and look at the impact on your profits.
- Decide on the ideal price that you would like to achieve, but also a fall back price that will still achieve a satisfactory profit.
- Carefully calculate and keep in mind the absolute lowest price that you prepared to accept.

A supermarket might only offer you an exclusive contract, but this may mean they'll offer you more support and sales, and it will make your logistics easier. If this happens remember that you will obviously be missing out on sales elsewhere. If you do sign an exclusive contract, try and ensure the exclusivity cause expires within a time-frame you can live with.

Before signing any contract with a large multiple, review every term of the contract along with forecasts of volumes, price and location of sales.

And finally, consider the worst case – what happens if the supermarket does not renew the contract after the initial period, make sure you could cope with that eventuality.

## Foodservice

Foodservice is the channel of products consumed as part of an out-of-home eating experience, i.e. supplying pubs, restaurants, cafes etc. Foodservice can be broken down into two sectors:

- Cost Sector – hotels, leisure, restaurants etc. This sector is about making a profit and covers everything from independent cafes through to international hotel chains.
- Not for Profit – schools, prisons, hospitals etc. These tend to be large Government contracts which are awarded to contract caterers through Public Procurement tenders. Cost has traditionally been the key driver for this sector, but increasingly there is a focus on local sourcing, diversification of the supply base etc. so it may viable to target this sector either directly or through the contract caterer such as Sodexo, Compass etc.

You may already be selling to local establishments which enables you to deliver local food directly to the kitchen, however if you want to widen your customer base you need to consider how you will distribute your products to lots of independent outlets. It maybe feasible to do this directly, particularly if your product can travel via courier etc., however, you may also need to consider working with a distributor/wholesaler who sells into the foodservice sector.

Foodservice wholesalers offer a professional service to their clients with full product ranges, ingredients and value added services such as daily deliveries for chilled and ambient products. These could be local distributors, or they could be one of the larger companies such as Brake Bros or 3663.

Typically these businesses supply the large sectors such as Pubs, Hotels, Restaurants, Workplace Catering, Schools, Universities, and Prisons etc. In many instances they also service large and small retail customers with short shelf life food-to-go products.

The process of getting your products into the foodservice distributors is very similar to dealing with large retailers. The larger the organisation the more structured the process will be and obviously the greater the volume of product required will be.

Sometimes it can be easier to get your product listed with the main wholesalers by selling in first to their customer e.g. Compass, Sodexo, Marriot Hotels etc., if you can demonstrate to the wholesaler that there is a demand for your product within their customer base then they are far more likely to listen to your sales pitch.

Over recent years, the food service businesses have radically altered the way small food manufacturers can deliver their product to market. There has been a growth in central distribution centres, electronic ordering, category management and a host of other tools and supports, so that they can offer as many options to their customers and to their suppliers as possible.

## Manufacturing & other opportunities

If you are manufacturing already, you'll know your current markets and your products well, however it is always worth reviewing your current process and asking questions such as:

- Can you produce a specialist niche product that a larger manufacturer doesn't have the capacity or flexibility to produce themselves?
- Are you making an ingredient needed in manufacturing by others?
- Do you have the capability to make own-label products for a retailer or distribution organisation?
- Is your business able to supply products with a better cost/taste/quality profile than others.
- Are there any by-products or (wastage) of your manufacturing process that could be used by someone else?
- Can you offer start-up businesses knowledge and assistance or a cost-effective facility to test production of their own products.

## Distribution

As part of the 'place' consideration you also need to think about distribution. Distribution takes in both the physical movement of goods and the setting up of relationships with intermediaries to guide and support the movement of products into the wider marketplace.

For many small businesses, distribution is a major challenge. For a small volume business it is often disproportionately costly and complex to manage. You can take the process on yourself or use the services of a haulier i.e. a wheels solution to lift and drop product or you can work with a distributor/wholesaler who will list your product (they are your customer) store in their warehouse and then sell and deliver to their customers (restaurants, delis etc.). In deciding which is the right solution for your business you need to take into account the cost and margin implications of each route, the complexity and time needed to manage hundreds of potential deliveries and invoices vs one central point amongst other things.

### Distributors/wholesalers

It is the job of a third party channel distributor or wholesaler to develop a network of retailers, catering and other outlets that cover a large area so that your product can reach as many end users as possible. When a small business uses channel distribution, it gains access to the distributor's customer base without having to spend the time and money to develop relationships with each individual outlet.

Some distributors may specialise in certain areas such as frozen foods, or fruit and vegetables and channels e.g. retail or foodservice. Larger distribution companies will deal with a broader range.

However, the central activity for a distributor/wholesaler is the physical distribution of goods and related logistics. They will usually run a fleet of trucks and vans to transport goods to the outlet or retailer's location. The items may be stored in their own warehouse, their warehouse staff take inventory orders, pull product from shelves, palletise it up with other goods, and load it into the trucks. They will handle invoices and payments from their end customer.

As a supplier into a distributor/wholesaler they become your client – you will invoice them for goods supplied into their depot and they will then take title to these goods. Getting a list with a distributor/wholesaler can be as important as having contact with their end customer as often times the end customer e.g. Harrods won't take on a new supplier but would be willing to list your product through their preferred wholesaler.

It is very important to remember that once you have a listing with a distributor/wholesaler that you work closely with them to drive sales of your product. Their telesales team will be pushing thousands of lines and yours is likely to get lost unless you are a proactive supplier to them. You should allow a marketing budget for high quality photography in their catalogues, price promotions, telesales incentive days, etc.

### RDC's – Regional Distribution Centres

The multiple retailers, some foodservice operators and the large distributors/wholesalers will have a number of RDC's throughout the country. Some of these will be multi-temperature, others will be temperature specific e.g. frozen goods.

These RDC's enable these businesses to have centralised distribution processes and ordering systems as it would not be feasible for hundreds of suppliers to turn up at the back of shops or restaurants to drop off goods. This means that as a supplier you may be asked to deliver to one central point or perhaps into a few designated regional warehouses. You will need to have a logistics or transportation process which enables you to deliver to the specified warehouse at a specified time slot on a regular basis. Some RDC's may only take deliveries from large delivery lorries and you may need to work with a recognised third party haulier to have your products delivered to the depot.

Distribution must be recognised as a key element within an integrated and well-managed supply chain. It has a significant impact on whether you are perceived as a trusted and reliable supplier and plays a key role in ensuring you deliver 100% service level.

## Promotion

### Introduction

Promotion, as a general term, includes all the ways available to make your business and the products or services you sell known and get them purchased. Essentially, it is communicating with the public or your target audience to influence them toward buying your products. It is a fundamental part of the marketing mix. Without knowledge of your business, your product, its special features, how and where to get it, and at what price – no one will ever know to buy it!

Promotion need not be hugely expensive, with a little experimentation and time, you'll find out which ideas work best for you – and get the word out about you and your product.

This section outlines the various methods you can use to promote your business and products. A lot of the concepts discussed will be familiar to you, after all you are on the receiving end of promotions (as the customer) all the time!

## Promotion terminology – ATL, BTL, TTL

The ways of promoting a business are continually evolving, especially with new digital routes emerging, but marketing professionals continue to use traditional terms. The 'line' referred to in all these titles is old advertising agency speak, and refers to where the agencies earned commission. Work that would appear in pre-booked media such as newspapers or TV, earned a commission so was 'above' the line. Other activities such as price promotions didn't earn commission – and so was 'below' the line.

Through the Line refers to a strategy involving both above and below the line communications. This strategic approach allows brands to engage with a customer at multiple points e.g. the customer will see the television commercial, see an advert online and buy on promotion in store. This enables an integrated communications approach with consistent messaging across multiple media, and today most businesses are adopting this through the line route for promotion.

For small businesses, who will usually have limited financial resources it's important you embrace your limited resources as an opportunity rather than a challenge. By testing new initiatives piece by piece, you'll understand the underlying dynamics and drivers of your offer in more detail and the perception of it by customers.

All businesses have to continuously find smarter, more cost-effective ways of promoting their new products and brand. On the simplest levels you should use every outgoing piece of paper, and every electronic document as business promotion. Use your vehicle to promote your business. Get friends, family, employees and your suppliers on board to spread your news by incentivising them with a free sample. Dedicate time to social media for business promotion purposes.

## Public Relations (PR)

The Chartered Institute of Public Relations defines PR as: the discipline which looks after reputation, with the aim of earning understanding and support and influencing opinion and behaviour. It is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics.

Successful businesses depend on a range of key relationships. Well-managed public relations can turn all these vital relationships into assets for the organisation. The main relationships include:

- consumers
- trade customers
- investors
- legislators
- the media
- employees
- neighbours

Traditionally PR could mean little more than phoning or emailing contacts in newspapers so that a story about you would appear in the national press the following day. The advent of digital media has complicated the process with blogging, social media and websites all being a means of connecting with your target audience.

Large companies often spend a great deal of money employing professional PR firms, however small businesses can achieve some of the same results if the basic principles are understood:

- PR is the creative means of building reputation and credibility.
- PR means effective, timely and targeted communication.
- PR relies on the principle that a good business sets out to earn and keep the goodwill and support of its key stakeholders.
- PR means careful analysis of feedback and information and the ability to adapt to changing circumstances – including crisis management such a product recalls.

The main activities included in managing relationships will include:

- Press releases: Generating brand/product/service awareness.
- Product launches: Conveying news about a brand/product/service.
- Photo-calls: Reinforcing advertising and promotional activity.
- Media interviews: Changing/modifying consumer opinion and perceptions.
- Trade events (exhibitions, corporate hospitality days, open days, seminars): helping to maintain/change the market position.
- Holding statements/media training: helping to manage crises.
- Media/internet monitoring: Tracking business specific or industry issues.
- Social media, Facebook, Twitter etc., staying top of mind with customers.

PR can be a key component of the success of an organisation. Its importance should be woven into the culture and decision-making process of the organisation. It is important that the business is clear about the remit of the PR process, its responsibilities and the measures that will be used monitor the success of PR initiatives.

If you employ an external PR agency to operate on your behalf you should chose the agency with care. For them to be successful you will need to share confidential information with them. It is important that a relationship of trust and understanding is built up so they understand your organisation and you in turn trust and rely on their expertise.

A key function of the PR function is the issuing of press releases (messages to the media about your organisation such as new products). The media will be bombarded with press releases every day, it is important to make yours stand out. Key components of a good press release include:

- Headline – Keep it short, snappy and to the point.
- The first paragraph – should capture the key message of the announcement you're making. If your release is about a new product you're launching, make sure you include the who, what, when, where, why and how in the first paragraph. Then include supporting details lower down in the release.

- Quotes – these help bring a release to life. Include one, or two in the release. Remember to give the person's full name and job title.
- Keep it succinct – If the journalist wants more information they can contact you.
- Contact information – give names, job titles, phone numbers and email addresses of people that can be contacted for further information.
- Notes to Editor – include a Company background paragraph with some facts and figures and links to photos or websites.

## New Media

In recent years the amount of money businesses spend on on-line promotion has overtaken that spend on both TV and radio adverts, demonstrating the importance of these new mediums.

### Website

You may have already set up a website as a means of selling your product. However it is also a key means of promoting both your individual products and also your company in general. It is like a shop that is constantly open – always there, showcasing products, imparting information, directing and advising with chat, tips and recipes etc. It is the equivalent of a permanent sales person 24x7.

Your website is often a potential customer's first impression of your business. It needs to communicate the key aspects of your business. It will need strong and clear messaging and needs to be able to provide the right information to customers in the right context. It has to capture their attention, trigger their interests, and keep then looking. They should be able to get to the information they need in the fewest number of clicks (three or less is a good target).

Key to the success of your website is attracting customers to it, optimising your position on search engines such as Google (see SEO later) and providing links for sharing via Facebook, Twitter or Google+.

Remember that the internet is a 2-way medium – your website should have the facility for customers to get in touch with you, whether that is by email, instant messaging or chat boxes.

Make sure that your website does not become stale by regularly refreshing it, deleting old elements and adding new ones. You could add a scroller with seasonal promotions, i.e. ideas for Christmas, Easter, and Valentine's Day etc. This could also be used for special promotional offers or competitions that visitors can share. These new features may help to maintain your website's position on search engines such as google.

An enormous proportion of web-browsing is now undertaken on smartphones or tablets, you should ensure that either your website functions well on these or develop a second mobile version of your site for these devices.

Some key components of an effective website are:

- Strong and clear messaging.
- Easy navigation – three clicks or less.
- Content with key words.
- Community and Links.

## Search Engine Optimisation (SEO)

As a small, new organisation, it is important that potential customers can find you – whether they are looking specifically for you or simply for a company that makes the products that you supply.

It is therefore vital that you appear high up on any website searches. It is possible to pay for sponsored adverts that will appear at the top of the search page. Whoever you use to construct your website will advise you of techniques you can use to help your position. There are also organisations that specialise in helping you achieve a higher ranking. It is important that you research the provenance of such companies carefully as this is a new area of specialisation and companies will have little in the way of track record.

## Social Media

Many businesses have begun to actively use social media such as Twitter and Facebook as a means of promotion and communicating with customers. However the rapid growth in these sites also means that your organisation needs to compete for attention in a very crowded environment do not expect that every social media update you post or blog post you write will instantly go viral!

As more and more businesses utilise social media platforms like Twitter and Facebook hoping consumers will catch a glimpse of their wares, more sophisticated tactics will be needed i.e. compelling images or video that will give your target audience the content they would be happy to see and engage with.

To be successful using social media you need to plan how you will best use them, you should consider:

- Which platform is most relevant and appropriate for your organisation, it is better to choose one or two that you can focus on rather than spreading yourself very thin
- You should allocate responsibility for management of your social media outlets to someone who can allocate sufficient time. You should clearly define their responsibilities in this area
- You need to ensure that you can commit to regular monitoring and posting on the outlets you choose. You will only see regular traffic to these sites if there is regular new information to keep readers interested.
- Social media outlets can be a good area to attempt some creativity, for instance you could consider doing a "behind the scenes" slot. As a small start-up business you have more scope to try new things.

Even if you do not currently feel that social media is appropriate for your business it is worth monitoring how other businesses use it, both within the food industry and outside. This will ensure you keep abreast of developments.

## Blogs

A blog is a discussion or informational site which will contain individual entries or postings. They can be anything from personal diary entries, comments on a particular subject to posts and adverts about your company and its products. A typical blog combines text, images, and links to other blogs, web pages, and other media related to its topic.

Blogs are a great way of promoting products or ideas for the right target market and a way to have a conversation with your visitors and customers on a regular basis to build a level of trust.

Although some blogging is commercially motivated, there are many bloggers who just want an outlet for their passion and subject. These bloggers can be influential and aid word of mouth marketing.

If you use a blog you will have to balance your content. Pure adverts will attract very few visitors, your blogs have to provide regular interesting posts to encourage visitors to visit, stay and return. Like a website, promotion of your blog involves building your traffic to your site through a variety of sources and techniques. It is useful to post on other blogs with references back to your own blog, doing this will help search engines rank you higher.

### Word of mouth marketing and Influencers

As a small organisation you will already be aware of the importance of word of mouth recommendations. People intrinsically trust a recommendation from a friend or colleague with real experience of a product. You may be able to influence this process if you understand:

- What is the something about my product or brand that can inspire a conversation?
- Who are the people who will want to have this conversation?
- Where will they have this conversation?

This word of mouth recommendation can happen in both the physical and digital domain. There are forums, chat rooms, Facebook sites where people have an electronic conversation just as they would do when standing at the water-cooler.

You should be cautious with overtly aggressive marketing. Word of mouth recommendations are driven by influencers, but true influencers will be driven away by things like offers and discounts, because they will feel that you are trying to buy their loyalty rather than earn it. Influencers want to share, not sell, they will be more persuaded by stories of new products, uses for that product, recipes and so on.

### Video content

The increasing power of computers, smartphones and tablets combined with the increasing speed and capacity of the internet makes it ever more feasible to use video clips in your promotions. As a new company with a new product, a video can clearly show the features of your product and can be useful if you, for instance, used a clip to demonstrate someone using your product in a new recipe.

### Advertorials

Advertorials are long blog posts, infographics or videos that aim to inform, entertain and inspire people without directly promoting a product. For example, a banner advert from a meat supplier might promote a Christmas meats offer, but an advertorial from the same supplier might discuss cooking or recipe tips instead. Most native advertisements are tagged with a disclaimer such as 'sponsored content' or 'advertisement feature', but by giving relevant and pertinent information to consumers the engagement process can begin. This type of promotion could be also be set up as your own channel on YouTube or be placed on affiliate sites (pay per click advertising sites).

### Email newsletters

A regular newsletter or email shot to your signed up customers is a valuable way of maintaining contact with those customers, reminding them of your business and products and retaining brand awareness. Collecting contact details from actual and potential customers is therefore a very important process. You may be able to encourage visitors to your sites to sign up using enticements such as a free gift card, an entry into a competition to win money or products, or anything that your reader will appreciate.

It is useful to use an automated email marketing system to reduce the admin burden. Benefits include the ability to manage your subscriber lists as well as gather data on your newsletter's performance. If you are a small business, two providers to consider are Mail Chimp or Constant Contact, both offer free accounts for up to 1,000 subscribers.

You can increase the appeal of your newsletter by encouraging readers to make suggestions for content. You can also make it easy for readers to share by including automatic email, Facebook and twitter share button.

Some key elements of a successful newsletter are:

- Know your audience and speak to them and their needs.
- Determine the frequency and be consistent.
- Remember to balance the content, it should include information, offers, articles that benefit the reader, news, etc.
- Use great titles to grab attention.
- Know the length that suits your audience.
- Appeal to skim readers with short paragraphs, bullet points and clear headlines.
- Personalise your email if possible.

# Product

## Introduction

Your product is fundamental to the overall proposition your business presents to its customers. When we talk about the Product as part of the marketing mix we are including all the features of your product, its qualities (taste, etc.), shelf life, ingredients, the range of products (regular and low-sugar for instance), the range of different sizes, and so on.

As part of the marketing mix you are able to adjust these feature for existing products or for a new product start from a blank sheet of paper and define all of them.

This section will focus on the process of developing a new product, but remember that all of the factors discussed can be adjusted for your existing products.

A subject that is often discussed along with Product is branding and packaging. Although not strictly one of the 4-Ps it has particular relevance to the food industry and there is therefore a separate section on branding and packaging later in this module.

## Customer focus

It's important to have a clear understanding of your customers and their needs and also the overall market before you even start to develop your product you cannot develop the right product unless you have a detailed understanding of your customer's needs. This will come from your existing relationships with customers, from your general knowledge of the market and from the formal market research that we discussed earlier. However you should constantly be scanning the market for opportunities and threats – observing what others in the food industry are doing is a good way to gain insights. Remember to look further afield, for instance look outside your category, take notice of suppliers, products and customer behaviour when you are travelling.

Your overall objective has to be to:

- Attract customers.
- Retain customers.
- Extend customers (i.e. encourage them to buy different products).

The process of developing a new product is:

Idea --> Concept --> Proposition --> Prototype --> Trial production --> Launch --> Review

## Innovation

The UK marketplace is crowded with thousands of products and new products or range extensions are launched daily. In this context it will always be difficult to stand out. When choosing food and beverage products, shoppers are often presented with a huge number of options. Most consumer decisions are made within seconds, out of habit rather than a rational appraisal of all the possibilities.

Innovation is the key to getting customers to reappraise their choice, and consider your products. Innovation is not just developing new products but can relate to all aspects of the marketing mix, such as the packaging, means of delivery, innovative pricing structures, your manufacturing and raw material sourcing and so on.

Innovation can be small in scale, for example making step-by-step improvements to a product recipe, or it could mean launching an entirely new product, range or brand.

Larger companies and retailers tend to have a **Stage Gate** approach to new product development. This is where they have a series of points along the process where they stop and review the viability of the process/product before moving onto the next stage – it is to ensure there are safeguards along the way which enable them to stop projects which may no longer be commercially viable. They also tend to have set time periods between each stage so that new product development works to a set timeframe.

### Idea Generation

Any innovation starts with ideas. It is important to generate as many ides as possible, no matter how "unusual" they at first appear. A number of techniques can be used:

**Environmental scanning** – constant and careful monitoring of an organization's external environment for detecting early signs of opportunities and threats that may influence its current and future plans.

**Own experience and contacts** – encourage your staff (and yourself) to constantly consider how they and their friends and family interact with brands and products.

**Brainstorming and ideas-sessions** – it is useful to get a wide range of people together to 'bounce' ideas around. You should allocate a reasonable amount of time for this exercise, such as half a day to a day and ideally do it away from people's regular work location to avoid the distraction of emails and phones. Techniques you can use to help the session are:

- Discuss innovative products from other companies and what it is that appeals about them.
- Discuss recent trends in your market or in the market of other products, what's driving the change, is it applicable to you?
- With no constraints where do people see your products or company in 5 years?
- Capture ideas as you go using a flipchart or post-it notes. Don't be judgemental, be positive, the concept is to generate as many ideas as possible however implausible they may seem initially.

## Idea screening

Having generated lots of ideas the next stage is to focus on developing the best ones further. It is important to assess all of the potential ideas objectively so you can choose to focus on a smaller, more achievable range. A suitable criteria would be:

- Relevance: Why do consumers need this product? Is there clear need for your idea?
- Difference: Is it different from current offers in the marketplace? Will it stand out?
- Credibility: Can you deliver it? Do you have the capabilities to produce it or will consumers see it as credible if you supply it?

Do not totally discard ideas which appear challenging for you at this stage. The aim of this process is to ensure you have identified both the potential benefits and challenges in delivering the idea.

## Concept development

Once you have chosen the best few ideas it will be necessary to further develop and refine them. The process of shaping a first idea into a more developed proposition is called concept development.

Note that this is not at this stage developing a prototype, it is simply refining the idea into a more detailed plan. It may include quantification of elements of the concept such as market size. In the final stages (known as concept testing) it may involve obtaining feedback about the idea from internal and external stakeholders.

Concept development reduces the risk of failure before even making a prototype.

Key elements that you may capture during the concept development stage include:

- Definition: What is it? A brief description of the product/packaging/communications, i.e. the consumer experience.
- Consumer insight: Who is it for? Consider who the key target is. Why do they need it? When will they eat or drink it?
- Consumer benefits: What does the consumer get from it? Think of both functional benefits (e.g. unusual flavour combinations) and emotional benefits (e.g. experimentation).

- Reason to believe: Why will consumers believe in it?
- Visualise the idea: sketching the idea will help clarify the idea, does everyone have the same notion of the product?

### Proving the proposition (testing, analysis, production trials)

The final stage in ensuring your proposition will succeed as a physical product is to prove that it can be made and produced successfully and that it appears as you imagined i.e. you need to produce a prototype. However, as a volume manufacturer you also need to know that it could be produced in the batch sizes you'll need and can be produced consistently to the standards you will set for it.

Large companies often have the resources internally to be able to do complete prototype, testing and trials in-house. As a small business this can be extremely expensive and complex. There are a number of food development centres in Wales that you can call on to help.

The following centres play a strategic role in product innovation and technical support for the Welsh Food Industry. They have the equipment and facilities to help you develop a great new food product – or even a wide range of products.

**Food Centre Wales, Llandysul** – www.foodcentrewales.org.uk

**Foodtech, Llangefni** – www.foodtech-llangefni.co.uk

**Food Industry Centre at Cardiff Metropolitan University** – www.zero2five.org.uk

They support food businesses by providing the knowledge, facilities and resources to help companies develop and test new products.

They can help you scale-up your recipes, train you in the use of equipment and set processing conditions – all necessary for your manufacture. Their technical facilities are designed to allow food producers to manufacture products on small industrial scale.

There are food technologists available to assist across a variety of food disciplines including baking, confectionary, dairy and meat, vegetables.

The services that they can provide include:

Product development

- Help develop recipes for products.
- Find the right ingredients for new products.
- Evaluation.

Technical facilities

- Sensory testing and analysis on a scientific basis – not just subjective.
- Determining shelf life.
- Testing microbiological risks.
- Nutritional analysis tests such as fat content, sugar levels, salt and protein etc.
- Comparative product sampling.
- Setting quality control standards.

Product assessment and advice

- Hygiene management.
- Packaging formats.
- Operational efficiency.
- Advice on labelling requirements including ingredient declarations.
- Establishing cooking instructions.

## Price

A key element of the marketing mix is the price you charge for your product. The first module discussed the factors you should bear in mind when setting your price and we will remind you of those here and consider them in more detail.

## Selling to retailers

If you are selling a food based product to retailers or foodservice operators then the price that you charge your trade customer is obviously not the same as the price that the end consumer pays. The retailer or foodservice operator must make a profit and will therefore pay a lower amount to you.

Clearly if you could sell your entire production directly to the customer through a farmers' market or via the internet the price you charge could be higher, however by selling to an intermediary such as a retailer you will be able to reach a much wider market and sell significantly higher volumes. You then reap the economies of scale such as lower distribution costs if you are delivering high volumes to a central depot. In addition your contract with a retailer may guarantee a certain sized regular order that helps you plan your production and other operations in advance, therefore you can justify selling to them at a lower price.

When you are selling to a retailer or a foodservice operator you need to consider the price that the end consumer will pay – the gap between the final sales price and the price you sell to your trade customer needs to be sufficient for them to make a profit.

### Recommended Retail Prices

By law in UK you are not allowed to set a minimum price that a retailer can sell your product for and as mentioned previously buyers will not discuss retail prices with you. However you can still influence the price by suggesting a recommended retail price (RRP). You can also use RRPs in your adverts which will mean that consumers will expect a certain price in the store.

## Calculating the price

When considering the price you charge it is useful to think of the 4Cs:

### Customers

This is simply what will, or can, your customers pay?

**Retailers:** the price you charge a retailer will depend on the contract you have negotiated. Large multiples (such as supermarkets) are in a very strong position in UK as they dominate the grocery market (currently in 2015, over 70% of UK groceries are bought in the 'big-4' supermarkets) and therefore you can expect them to drive a hard bargain with you.

**End consumers:** whether the customer is buying your product in a supermarket, at a famers' market or over the internet the price they will pay will be a function of how much they can, or want to, pay. They will consider all the features of your product (the Product category of the 4-Ps) and the alternatives, direct competition, and other calls on their money.

## Costs

Obviously your price has to be higher than your costs otherwise you won't make a profit. In the first financial forecast module we discussed the distinction between fixed costs (such as rent) which do not vary as you sell more or less of your products and variable costs such as raw materials or electricity which do. We also discussed the concept of contribution which is a subtotal in the profit and loss account made up of revenue less variable costs.

A lot of small start-up businesses do not make a profit in the early years as their contribution is not big enough to cover all of the fixed costs. As their volumes rise the contribution should rise proportionately and, once it overtakes fixed costs, the business will start to generate a profit.

It is therefore important as your business grows and you consider the price you will charge, that you are clear about the costs that are relevant.

**Short term:** for short term decision making, such as a one-off order the only costs that are relevant are variable costs. In fact there is a specific term marginal cost which is the cost of making one more item. Marginal cost could be different to average variable cost if you trigger bulk discounts on supplies or have to pay overtime. As long as the revenue from the one off order is greater than the marginal costs of producing it, in purely financial terms it is worth accepting the order. There will be an extra contribution towards your fixed costs.

You should however consider any knock-on impact of a short term low price deal. You will struggle to charge that customer a higher price in the future or other customers may find out about it and expect the same price.

**Long term:** in the long term your total revenue must cover all your costs, both variable and fixed, otherwise you will not make a profit. Large, stable companies accomplish this by using something called absorption costing; a proportion of the fixed costs is "absorbed" into the costs of the product every time you produce and sell one.

For instance if a company produced just one product with variable costs of £10, and it was budgeting to produce 1000 per year. If the rent of its factory was £5,000 pa, it would allocate £5.00 (£5000 ÷ 1000) extra cost to each unit. The total cost card would then look like this:

| | |
|---|---|
| Variable cost: | £10 |
| Allocated rent: | £5 |
| **Total** | **£15** |

The company would therefore know that its selling price would have to be greater than £15 for the business to make a profit, so it may set the price at £20 and would expect to make a profit of £5,000 (1000 units x £5 profit per unit).

The main problem with absorption costing is when the volume and mix of products is not steady. If in the above scenario, the company only sold 500 units, its profit and loss would be:

| | | |
|---|---|---|
| Sales (500 x £20) | £10,000 | |
| Variable cost (500 x £10) | £(5,000) | |
| Rent (paid in full) | £(5,000) | the fixed cost must be paid regardless of volume |
| Total profit | £0 | |

So because in this example the sales volume is significantly lower than budgeted and therefore, because the rent must always be paid, there is no profit left. Absorption costing can only predict the profit accurately if the sales volume is in line with budget.

So absorption costing is a useful technique for understanding the level of total costs your revenue needs to cover but you need to consider different volume scenarios to understand the range of likely profitability.

## Mark-up and margin

We mentioned these concepts during the forecast module but they are particularly relevant when considering price and cost.

As a seller it is natural to calculate your costs and then add on an extra amount (the mark up) which will be your profit, or contribution if you are only considering variable costs.

For instance if your variable costs are £30 per item and you uplift this with a mark-up of £20 to give a sales price of £50, then your profit per item is £20 and you have a mark-up of:

£20 / £30 i.e. 67%.

However most retailers and distributors will think in terms of margin rather than mark up. The numbers are the same, but the calculation of the percentage is different because the bottom of the fraction is the sales price not the cost.

The example below shows the calculations. It is obviously extremely important that you are clear about the distinction when discussing with retailers – you could make a very expensive mistake!

| | £ |
|---|---|
| Sales | 50 |
| Variable costs | -30 |
| Contribution | 20 |

$$\text{mark up} = \frac{50 - 30}{30} = 67\%$$

$$\text{gross profit margin} \quad \frac{20}{50} = 40\%$$

## Multiple margins

If your product passes through a number of intermediaries, you should be careful that you allow for each of them to make a reasonable margin on your product and should be aware of the impact on the final price. Consider a simple example where you, a distributor and a retailer all wish to make a 25% profit margin and each of them have their own variable costs. The simple example below shows the compounding effect of this:

| | Producer | Distributor | Retailer |
|---|---|---|---|
| Sales | 13.3 | 24.4 | 39.3 |
| Purchases | -10.0 | -13.3 | -24.4 |
| Variable costs | 0.0 | -5 | -5 |
| Profit | 3.3 | 6.1 | 9.8 |
| Profit margin | 25% | 25% | 25% |

Note that because there are the people all looking to make a margin, the final price in the shop is three times the price we receive from the distributor.

## Competitors

If you are selling pies (for instance) at a farmers market, then the only direct competition are other foods in that particular location. It is easy to walk around the market and potentially adjust your price up or down to compete with the other sellers.

As your business grows you will be competing on a wider and wider stage but in the same way as at the farmers market you still have to have a good understanding of your competitors' offerings and the price they charge. This is more difficult if you are selling to an intermediary or retailer as the price is not in the public domain.

You may also have to adjust your prices in response to competitor actions, which is more difficult when there are intermediaries between you and the final customer.

As you grow, you become more noticeable to competitors, it becomes more likely that a competitor may take aggressive action against you, such as selling their own product for a very low price to attempt to drive you out of a particular market. It is also more likely that if you adjust your prices, they would do likewise to stay competitive with you.

Finally it should be noted that price is only one of the bases you can compete on and is a difficult one to do so. There can only ever be one supplier with the lowest price (known as the cost leader) and to do so requires enormous economies of scale. In general it is better to compete on the basis of the quality of your product and service. This is more likely to encourage a long-term relationship with your customers.

## Corporate Strategy

Finally your price should be consistent with your overall approach – are you attempting to be an up-market differentiator, where high prices would be what your customers will expect, or are you a cost leader attempting to be profitable through high volumes and low prices.

Over time you will develop a brand that stands for a particular set of values. It is important that there is a consistency in all aspects of the 4-Ps that supports the gradual development of this brand.

## Price changes

There are two specific circumstances where we need to consider changes in price.

### Permanent price changes

It is obvious that there is a relationship between price charged and volume sold. Food is like most products, if the price is lower it is likely that you will sell more. The relationship between the two is called Price Elasticity of Demand (PED) and is defined as:

$$\text{PED} = \frac{\text{\% change in quantity demanded}}{\text{\% change in price}}$$

So if you put your price down by 5% but your volume goes up by 10%, PED = 10%/5% = 2.0

If PED is greater than 1.0 this is described as elastic PED and it means that volumes are very sensitive to small changes in price. If PED is less than 1.0 it is described as inelastic.

You would tend to have inelastic demand where the product is a necessity, such as water, or petrol = no matter what the price is, people would tend to consume the same amount.

The food industry is very competitive so it is likely that you will face PED, if you increase your price to just a little higher than similar offerings from competitors your sales volumes are likely to fall. It is therefore important that you have a good feel for the dynamics of your market place, competitors prices etc. This is also the reason why it is important that you establish another basis of differentiation rather than just competing on price.

### Temporary price changes

One-off discounts and special offers are common in the food industry as a means of stimulating demand, particularly when combined with new product launches, refreshed product or packaging and so on.

It is important that you work carefully with other parts of your business and your suppliers and customers if you are contemplating such an initiative. For instance a special offer needs to be publicised widely, you will need to ensure that your suppliers and own production can cope with the increased one-off volume. You should liaise closely with your distributors and retailers so they can cope with the volume, allocate increased shelf space and possibly coordinate your promotional activity with their own.

Finally you should ensure that you monitor the results of any such initiative very carefully so you can calculate its effectiveness, both in the short term and long term and therefore learn lessons for the next time.

# Branding and packaging

## Branding – Introduction

Branding is a collection of elements that represent a company's products or services and convey its personality. It is much more than just the logo or name. A brand is the set of connections that a customer makes with a business and its products.

These connections are both tangible and intangible. The tangible elements are: name, logo and colour scheme. A successful brand also has strong intangible elements which evoke emotional triggers in consumers such as:

- How does it make me feel?
- How does it make me look to be seen buying/eating such a brand?

A strong brand should have the power to persuade customers that your brand is their preferred choice to satisfy their personal needs and desires. A strong brand is a very valuable asset as it can increase the volume of sales and also persuade your customers to pay more for it.

In 2014 Coke's brand was valued at over $80bn. This represents the extra profit that the company can generate compared to an unbranded cola manufacturer.

A good brand can change a simple commodity item into a desirable purchase, and help your product to stand out in a busy marketplace. Take a look at some of today's best exponents of food and drink branding i.e. Coca Cola, Innocent drinks, or Rachel's to see the strength of their visual appearance, messaging, and personality.

## How to create and define your brand

Your brand should capture the following elements:

- The big idea – what is the essence of your business?
- Values – what do you believe in?
- Vision – where do you want to go?
- Personality – how do you want to be perceived?

We will deal with each one in turn:

### The big idea

The big idea should capture what you offer, what makes you different from others, all other elements of the brand should flow from this.

You need to define your big idea by asking the following questions:

- What is your overall offer?
- What makes you so different from others?
- How can you stand out?
- What's your 'personality'?

A marketing consultant or a brand design consultancy will help you define this and has the benefit of seeing your business with an external, objective perspective.

This big idea should influence your product ingredients, taste, design, packaging, advertising, events, online experience, staff training etc. These in turn should ensure that consumer's understanding and expectation of your business is consistent with the brand.

### Values

Your brand values capture what you stand for as an organisation and can be either clearly expressed in communications or indirectly in what you do. Typical brand values are quality, openness, value, innovation, individual responsibility, teamwork, fairness, respect for the individual, empowerment, pride and passion. They are clearly individual and a function of the history, ownership, and people that make up your business.

The values you portray and communicate have to be genuine and upheld in the way your business operates. Consumers will quickly see through brand values that have no authenticity.

### Vision

Your vision is where you want to be in the long term.

A well-considered vision is the starting point for your overall strategy and consequently every business decision you make. If you don't know where you are heading, you won't get there.

### Personality

Once you have determined your big idea, values and vision, they need to be communicated to consumers. The way you decide to present this communication – e.g. your tone, language and visual design – is the personality of your brand.

Personality characteristics could be business-like, efficient, friendly, witty, irreverent, etc. It could be personality-led in the way that Jamie Oliver is the figurehead for the various food products and restaurant concepts.

Here are some examples of different ways of communicating this personality to your customers:

- **Visual design:** Should it look scientific, corporate, retro-vintage or should it have soft, friendly characteristics?
- **Tone of voice:** Is the language you use (verbal, written, online) formal, efficient or relaxed?
- **Customer service:** How will staff communicate with customers? What level of customer service will you provide?

## Brand positioning

We have already discussed positioning earlier in this module. Your brand positioning should capture this position in the customer's mind so they instantly associate the brand with that position.

Positioning requires the strategic balancing of every element of the marketing mix. This derives from your big idea, vision, values and personality. In order to successfully position your brand you need to be clear about the following:

- Who you are and what do you really do? (What business are you in?)
- What do you offer that's different?
- What are the genuine benefits?
- Who are your customers and what are their needs and desires?
- Who are your competitors and what are they offering?
- What do you want people to say or feel about your brand when you are not there?

Once you know the position that you are attempting to occupy, you can convey this to your customers. This positioning often appears as a strap-line that comes from your values (think of over-arching lines such as 'Every little helps' from Tesco) and is used in conjunction with a logo, or even as an on-pack message. Brand positioning can be feature-driven, aspiration-driven, quality-driven or problem/solution driven, and it is important to consider various alternatives before making your choice.

## How to develop a brand strategy

We have come across the concept of strategy before. It is the long term, broad plan that works towards your objectives. We can apply the same concept to brand. A brand strategy is a plan for the development of a brand so that the business can meet the goals and objectives in relation to the brand.

The brand strategy gives you a plan to follow and also a plan to measure your progress against.

We will now consider the steps bringing your brand to life.

### Brand Name

When we name something – a baby, a pet, etc., we put a lot of thought into it. The same factors are relevant for a business's name:

- Will it fit their personality?
- Can you pronounce it?
- Is it memorable?
- Will it still be relevant in years to come (e.g. Carphone Warehouse).

Choosing a name can be a difficult task in itself, but it's made even harder because so many names are already in use and registered or trademarked. Be very sure to check carefully that any names you're considering for a company, product or service aren't already in use and protected by law (See Protecting your investment section later).

Names fall into different categories such as:

### Descriptive

Names which say what the company/brand does.

- Sainsburys Basics – no frills, basic quality.
- Tesco Finest – quality products.

### Evocative

Names which suggest associations to the brand but don't describe the offer exactly.

- Innocent – pure, no guilt, fruit smoothies.

**Abstract**

Names that break rules and stand out. They make no real reference to the nature of the business.

- Red Bull – no indication that this is a drink brand.

**Provenance**

Names that evoke visions of the countryside or old family firms

- Cathedral City – respectability, splendour.
- John Smith's – honest, humble, brewer.

It is possible to use the services of an experienced branding and design consultancy to help you choose a name or do it yourself. The process is below:

**Step 1:** Naming Workshops (To generate name suggestions e.g. descriptive, evocative, real names, abstract names, combined names or names evoking provenance)

**Step 2:** Initial name clearance (does anyone else already own it?)

**Step 3:** Naming shortlist (reducing the options)

**Step 4:** Focus or clinic groups (to test what your real or potential customers think)

**Step 5:** Name selection (the final choice)

**Step 6:** Clearance searches (legal searches carried out by a trademark lawyer)

**Step 7:** Trademark registration (to protect your name)

The result should be a unique name that reflects your business, is easy to pronounce, is relevant to your target market and is legally protected.

### Start-up businesses advantage

If you're starting a new business, you're in a great position to create what is called a 'challenger brand'. You can take a look at a market sector from the outside, assess all the other businesses, opportunities and gaps in the market and then launch your product with a brand that challenges and shakes up the conventions of the sector. It's harder to do this once you are established as there's so much more to change, so do think carefully about how brave and 'rule-breaking' your product or service can be if you're about to launch to market.

Another benefit you may have as a start-up is that the business is likely to be small and therefore responsive and adaptable. You've got a great chance to do something exciting, comparatively cheaply in comparison to bigger businesses, so don't be afraid to go for it.

## Brand Identity

Following the steps of the brand strategy, the next stage of the process involves creating the visual identity (logo, colour scheme, typefaces and communications) for your brand. This is incredibly important, it is the first 'hook' that grabs the customer and should be instantly recognisable, even from the combination of colours (e.g. green and purple for Wimbledon tennis)

You could use an experienced branding and design consultancy, we will discuss the process of Selecting and briefing a design agency later in this section.

## Pack format and design

Whether you are developing a new brand or launching a product under an existing one – getting brand presentation and packaging consistency is important. Successful brands are built around consistency of implementation.

The design on pack will help you to make the important connection with your customers, your packaging is one of the greatest touch points your customers will have with your brand (see also Packaging your product section).

Your packaging and brand needs to be consistent across different products and also consistent with your overall position. Key features of your packaging and brand are:

- **Your brand as hero**. A consistent brand presence on pack means that your brand always lives in the same place at the same size, to make it easily identifiable among your customers.
- **The architecture** of the pack should be consistent across your range of products.

This architecture will dictate the layout and structure of the packs, and will ensure your product range appears uniform on shelf.

- **A tone of voice** should be developed for your brand and packaging. This will communicate the personality of your brand and help to represent the product within or the makers or its provenance.
- **Brand attributes** such as quality, freshness, innovation should be featured and could be also represented both in the type of materials used in the packaging.

### Brand Launch Programme

If you are launching a new brand or a significant refresh of your brand you will need to plan for a structured launch programme using marketing support, PR, promotions, merchandising, advertising, website etc.

### Monitor your performance

It is important to monitor performance closely so that any problems can be spotted and rectified as soon as possible. You can do so simply by monitoring the impact on sales. You can also perform market research to find out what customers think about the new brand.

## Alternatives

There are a number of arguments for manufacturing what are known as own-label products i.e. products you make for a retailer or trader and they sell under their own-label or brand.

- There is no expensive brand to set up and 'nurture' so marketing costs are lower or even nil.
- You can expect relatively predictable consumption rates (particularly true for commodity goods).

However profit margins will inevitably be significantly lower. In addition control shifts from you to the retailer/buyer.

## Selecting and briefing a design agency

If you have decided to employ specialist advice in relation to branding, names, logos and pack design you should appoint them with care. They will be generating what will become 'the face of your company'.

### Know what you want to achieve

As with any business decision you should set out your objectives for the process in advance. You should lay out what you want for your product or brand in an [initial briefing document, see Downloads].

### Choosing an Agency

The agency you choose is a key decision for the development of your brand. As with any other professional appointment use any existing experience you have and word of mouth recommendations as a starting point. The Design Business Association (DBA) [dba.org.uk] have listings of their registered designers.

A potential agency will be able to submit a portfolio/credentials, or arrange a presentation to you. Clearly the more agencies you meet, the better feel for the sort of work they do and produce you will get.

Key factors that will help you make a decision include:

- Past work and ability – quality of portfolio, showing positive creative design thinking, problem solving and specialist skills (previous branding and packaging projects) and ideally, some knowledge of your sector.
- Staff – quality, experience, capability and motivation.
- Interpersonal skills – personalities and teamwork.
- Recommendation – a good word from a trusted source can save a lot of time, and effort.
- Costs.

## Shortlist

The better your initial briefing document, the better potential design agencies will be able to gauge the extent of their work and quote for timeframes and cost. The better the feel an agency has for your company, brand and product, the better they will be able to capture the essence so that it performs as a brand or on your packaging.

Give the agency as much information as possible, including any future plans you might have. For example, if you are planning on launching one product now, but two more variants next year, they will need to consider line extensions now to ensure that there will be sufficient flexibility in any pack design.

You could invite potential agencies to carry out some initial exploratory visual concept work or mood boards (themes and inspirational design directions).

If you choose to do this you should be prepared to pay a flat fee to each of the agencies to cover their time and any expenses that they will incur.

## Working with your agency

Once you have appointed an agency your feedback is imperative to the success of the design project, so you should feel free to give direct and clear feedback on the work you receive. It is all about having an open an honest working relationship with the agency. Although you may have strong ideas, it is the professional skills of the design agency that you are paying for to translate them into a design that is visually appealing, that will be printable and give shelf-impact.

## Packaging your product and design impact

The design of your packaging is a key component of your marketing strategy and an area where your design agency will be closely involved. The diagram below gives an overview of the design cycle:

Design life cycle

## Purpose of packaging

The primary purpose of packaging is to contain and protect the product i.e.:

- Physical transportation to retail.
- Post-purchase from store.
- For health reasons to protect from bacteria or dust.
- Retention of freshness.

Packaging also performs the major secondary functions of presenting your product in the best possible way to your target market, communicating your important brand messages, your key product attributes, engaging consumers through tone of voice and promotions on price, size or other marketing-mix activities.

Packaging is a 3D format and there are many decisions to be made including: physical format, style, materials, texture and consumer usability – i.e. how easy it is to get into the pack!

'A good pack should save more than it costs'. This wise old business saying still rings true today – that the costs of a pack should not overpower the value of the product within.

## Pack Format Considerations

Packaging must be cost effective, both in terms of the variable cost per item, but also the considerable capital investment in setting up a packaging plant.

Consumers buying decisions are often so the initial impression your product makes is key. You should aim to create something cost effective that sets you apart from your competitors – the Jif lemon pack is a great example.

You should research what your competitors are doing, have knowledge of the format conventions in your category, understand your packaging material's technical performance requirements and be aware of the costs.

You should research new materials and technical innovations for opportunities to create something distinctive e.g. the latest polyester-based 'cook-in' bags that are capable of withstanding high temperatures.

- Can you break the rules of market conformity and create a point of difference by offering your product in a different pack format from your competitors?
- What advantages are there to be gained by switching?
- How would this affect your costs, not just for the primary pack but also for production and distribution?

Any packaging selection you make needs to be compatible with any existing production facilities that will be used. Are you using a contract packer or are you producing through a supplier.

Your pack format may also be influenced by the need for specialist materials to retain freshness, aid cooking, microwaving, freezing, be breathable etc. or it may be a hanging product so will need somewhere robust to position the euroslot hole.

Across your range of products the architecture of your packaging should always be as consistent as possible. Your architecture dictates the layout and structure of the packs, and will ensure your product range appears uniform on shelf (brand positioning, product name, imagery, style etc.).

Consumers today have to make choices in their home on waste packaging. You should view packaging from your customers perspective i.e., can I re-cycle it, can I re-use it, do I keep it for instructions or do I throw it the bin?

A brand that wishes to be seen as being green and environmentally friendly would target the use of sustainable materials like wood based paperboard, re-cycled or recyclable materials in its packaging – and give out clear messaging on pack about the wise choices and environmental benefits of the materials used.

The smaller your business, the more opportunities you may have in completing/finishing the packaging process by adding extras that could enhance the customers brand experience creating a hand-made feel with ribbon trimmings or special stickers etc.

If you are distributing to wholesalers or retailers then you will also need to consider the secondary packaging. This could just be the Outer Cases used to transport the products or could additionally be Shelf Ready Packaging (SRPs) that are used for easy replenishment of your products on a retail shelf.

## Packaging Format Checklist

Listed below is a checklist relating to you packaging from a number of different perspectives:

**The Product:**

- Does the pack protect and contain the product?
- What technical performance features/materials should the packaging have to meet your product's requirements of freshness/freezing/microwaving/cook-in bag etc.?
- Will the packaging last for the duration of its life-cycle?
- Does the pack appearance relate to its contents and does it fit with other products in your range?
- Is the packaging compatible with production facilities or adaptable to existing production?
- Is the pack competitive in shape, size, and appearance?
- Is there enough space for your visual branding elements to work effectively?

**The Consumer:**

- Does the pack attract attention?
- Does it meet the needs of your consumer?
- Is it easy to open, close, handle, dispense, carry and store?
- Is the date code easy to view?

**The Retailer:**

- Have you taken retailer requirements into consideration?
- Does it fit its shelf space?
- Is it shelf stable?
- Is it easily replenishable?
- Does it work for the logistics chain i.e. Outer Cases/Shelf Ready Packs (SRPs)?

**The Environment:**

- Is the pack environmentally sympathetic?
- Is there any excess packaging that could be engineered out?
- Can the pack be recycled easily?

**Shelf-impact:**

The following is a checklist to help ensure your pack will succeed on the shelf:

- Is your brand identity clear and visible on pack, considering the distance the consumer will be looking at it from?
- Can the consumer read the product name and function easily without having to search for it?
- Are your different flavours or variants easily identifiable?
- Is the tone of voice on your pack going to help your target market to connect with your brand?
- Are there any conventions that the consumer expects in your category? (e.g. colour coding: red for beef products, green for semi skimmed milk etc.)
- Does your pack have some clear points of difference from its competitors?

**Pack Design Sequence:**

If you use a design agency to product your pack design the stages are:

- Briefing of design agency.
- Design concepts.
- Fine tuning of the preferred design (and/or planning of full range).
- Sense checking or further research using mock-up packs can usually be made after the fine tuning design stage.
- Product photography or illustration.
- Artwork (the preparation of the full final design to fit your specific package shape keyline diagram). This stage will also require all the on-pack legalities (see later Packaging Legalities section).
- Proof reading.

The design agency will then hand over the data to your specialist printer or packaging contractor or supplier.

- After this is the reprographics process, where the artwork is turned into print media (colour separations, printing plates etc.), usually by the packaging material printer.
- Proofing of print ready materiel/colour checking.
- Print production and delivery to packing site.

### Packaging Recovery Legislation

The Producer Responsibility Obligations (Packaging Waste) Regulations were introduced in 1997 with the aim of reducing the amount of packaging waste ending up in landfill. Your business will have to comply with these packaging obligations if all of the following points apply to you:

- Your annual UK turnover exceeds £2 million.
- You own the packaging or packaging materials that you handle.
- You perform a relevant activity on any of the packaging you handle.
- You handle more than 50 tonnes of packaging and/or packaging materials per annum.

However, there are various Government approved schemes that you can join to offset your direct obligation in this area (see Valpak web link below).

## Useful websites:

For packaging formats, equipment and suppliers: directory.packagingnews.co.uk

For packaging inspiration: thedieline.com / uk.pinterest.com/packagingdiva (categorised examples)

For packaging waste obligations information: valpak.co.uk

## Packaging legalities and declarations

There is a lot of legal information to declare on a food pack and there is a real art to fitting it all on clearly and neatly. Simply reviewing competitor's products will give you a good idea of what your packaging needs to include.

Initially you should visit The Food Standards Agency website (or contact The Food Standards Agency in Wales) to review and understand the latest requirements.

The EU's Food Information for Consumer Regulations which came into force in 2014 applies to all businesses making and selling food products. The new regulations considerably changed existing legislation on food labelling, including nutrition information on processed foods, origin labelling, the manner of allergen labelling, and minimum font size (the size of text) to be used for clarity for the consumer.

Major retailer's packs will generally show nutritional 'traffic lights'. There is no legal obligation to do this just yet, but if you do choose to use them you will have to follow the guidelines carefully. The aim of these traffic lights is to provide consumers with at-a-glance nutrition information so that they can make informed food choices and can balance their diets and control their energy intake. It allows voluntary repetition on pre-packed foods labels some elements of the mandatory nutrition declaration that are of key importance for public health such as:

- Energy value (kJ and kcal) alone; or
- Energy value (kJ and kcal) plus amounts (in grams) of fat, saturates, sugars and salt.

This mandatory nutrition information you should already have from your product development process, but if not, you will need to have your product tested in a laboratory to determine the food energy values. The Food Standards Agency based in Cardiff can help direct you to an appropriate laboratory. This information, along with ingredients, allergens, bacterial risk, sources of the ingredients etc., is usually collated in a Product Technical Specification Document [see Downloads].

This document is the definitive point of reference for your food product. This information can be used by your packaging designers who can include it on pack during the artwork stage.

You will need a barcode on pack to sell your product in most retail environments. Barcodes enable you and retailers to uniquely identify your products, not just at the point of sale, but also throughout the supply chain. See module 2 for details.

Here's a list of the essentials you should include when collating the information for your packaging. In Wales, there is help and assistance for you on the legal packaging requirements from the Food Standards Agency based in Cardiff, or you can have your pack double checked by one of the commercially available services (e.g. Strawberry Standards listed below). This list is by no means exhaustive …!

**Primary Pack:**

- Brand Mark
- Product Name
- Product Descriptor
- Weight/Net e symbol
- Best Before Date*/Batch Production Code (*Use by for fresh produce)
- Storage Instructions
- Opening Instructions
- Ingredients
- Allergen information
- Nutrition information
- Any warnings (if applicable)
- Product of/ Made in...
- EAN Barcode Number
- Organic/Kosher/Halal symbols
- Recycle information/Litter symbol
- Cooking/Microwaving instructions
- Freezing instructions
- Your contact details/address or PO Box
- Are there any language considerations?

**Outer Case:**

- Brand Name
- Product name/description
- Number of units in the case
- Country of Origin
- Your address or PO Box
- Weight of Case
- ITF Case Code (this is a 14 digit barcode that is the same number as your primary barcode except with a 0 (zero) on the front and set in a different format)
- SKU number (Stock Keeping Unit – if supplied or requested by a retailer)
- There may be other information required requested by a retailer, e.g. references to Purchase Order Numbers etc.

## Useful Websites:

food.gov.uk/wales 029 2067 8912 Food Standards Agency in Wales

strawberrystandards.co.uk 0845 548 8900 (commercial organisation)

## Trademarks – protecting your investment

A trademark is a word, name, symbol or device that is used in trade with goods, to identify the source of the goods and to distinguish them from competitor goods.

Once you begin trading using your chosen brand name, then you have some rights to exclusivity from other manufacturers copying your work. As we have seen your brand and name can represent significant value to your organisation.

You should therefore register your name and logo as a trademark as this enables you to take legal action against anyone who uses your brand without your permission, including counterfeiters and also to sell and license your brand.

You can register your brand as a trademark within particular legal classifications of goods and services through the UK Trademarks Registry. You can do this yourself or employ the services of a specialist Trademark Lawyer.

When registered it will entitle you to use the little ™ or ® marks alongside your brand name. The more classifications you register your trademark in, the more expensive it is, but also the more protection you gain. Your trademark is important as it prevents others from using a confusingly similar mark. It will not stop others from selling the same product under another brand or name. You can register your trademark in the UK. If you want to trade in another country you need to register your trademark there as well.

### Registering

The process of registering your trademark or name can take over a year and involves three stages:

**1. Search**

In order to complete a search you will also need to decide on which countries you may be trading in to see if there are any potential conflicts. A Trademark Lawyer is usually best placed to complete the search stage through classifications and Countries and advise you appropriately.

However, for your benefit, it is important to be as thorough as possible on this stage. Internet trawling will confirm or deny initial name thoughts, and the UK trademarks registry has a search function where you can enter any words you are planning on using to check if anyone else is using the same or similar words in your class of goods.

The UK Companies House database is another place to cross check, as this contains all the names of Limited Companies.

**2. Registration (approx. 3 months)**

You need to specify the trading classifications in which the brand will operate and register precisely the name or the name and graphic device. The registration can be objected to by other interested parties during this period.

**3. Filing (1 year from date of search)**

If there have been no objections the process normally takes about one year to complete.

Useful Websites:

gov.uk/intellectual-property/trade-marks

or for EU trademarks/designs oami.europa.eu/ohimportal/en/rcd-route-to-registration