

Kaua`i Coffee Agricultural Business Plan Competition Top Takeaways from Alan Tang's Presentation (03/13/12)

The 4 Ps of Marketing:

(1) PRODUCT

- a. **Do your market research and know what sector of the market you're addressing with your product:** East & West Gourmet (EWG) knew it wanted to hit Hawai`i Regional Cuisine
- b. **Distinguish your product:** EWG's salsas had a higher percentage of fruits in its salsas where most other salsas were higher in tomato content. This allowed them not to have to compete with Mexican salsas. EWG made sure its salsa were positioned as different from Mexican products.
- c. **Do product tasting:** get direct feedback

(2) PLACEMENT (aka "Slotting")

- a. The best placement ensures the highest and most effective visibility and convenient accessibility by your target customer
- b. It may even cost you more to get your product on the right level and tier of shelving in retail spaces.

(3) PRICING

- a. **The customer has to understand: "You're paying PREMIUM for a PREMIUM product"**
 - i. EWG knew its product would be higher than any other entry product.
 - ii. Don't aim to be the cheapest just to sell product. Convey the image "you're paying premium for a premium product"
 - iii. Branding is very important – customers needed to understand they were getting the "Rolls Royce" of salsas.
- b. **The customer has to believe: "Buy our product not because it's a Hawai`i product, but because it tastes good!"**
 - i. The lure of Hawai`i was good, but not the primary differentiator
 - ii. Also be careful on the integrity of your marketing – i.e., was the product made in Hawaii or only shipped from Hawai`i? Was it made from locally grown ingredients, etc.?
- c. **EWG went to tradeshow and conferences (e.g., fancy fruit shows) all around the mainland**
 - i. Attending these shows were key to accessing specialty retailers around the US
 - ii. EWG made a very "Hawai`i" booth to attract interest
 - iii. EWG wanted to sell pallets, not merely cases
 - iv. EWG invested the time and money to make many trips to do demos (be in the store meeting real people and real customers)

(4) PROMOTION

- a. Conducted a survey**
 - i. To determine what its customers liked and did not like
 - ii. Then determined what could be done with the things that were not liked
- b. Determined what pricing/incentives to offer**
- c. Utilized positive testimonials from the survey**
- d. Demonstrated various uses of the salsa** (i.e., not only with chips, but with fish and other dishes)
 - i. **Found creative ways to engage the customers** (e.g., conducted a contest via its website to solicit recipes on new ways to use the salsas)

Manufacturing FYIs:

(1) Equipment

- a. Clearly determining your business' purpose clarifies your stand on equipment**
 - i. EWG did not make large investments into equipment because its model was to be a distributor)
 - ii. EWG wanted to get as big as possible and wanted co-packing plants coast to coast
 - a) In Hawaii, it stuck close to quality control because there were limited choices for packets
 - b) On the mainland, there were more choices and EWG could find the right expertise and skills to ensure quality control there
- b. If you buy equipment, check out reliability of equipment and service that comes with it**
 - i. Remember that some equipment may affect your food standards, so look into FDA and other applicable regulations

(2) Benefits of using co-packers on mainland

- a. EWG did have non-disclosure agreements (NDAs) with co-packer
- b. Co-packer also provided research & development (e.g., has resources to explore new flavors with you)

Question & Answer:

(1) How do you find a co-packer?

EWG was able to find some at industry conferences. Jim Hollyer mentioned there was a Natural Foods Conference just last week and that the teams should research what's out there and find out dates of important relevant tradeshow and conferences.

(2) Did you change your marketing approach (from your Hawai'i strategy) when you got to the mainland?

For the "Hawai'i Regional Cuisine" approach, EWG sold both "great taste" and "Hawai'i brand". On the mainland, EWG focused on taste first, then the lure of being a "Hawai'i product". But, EWG was careful how it labeled its salsa as a "Hawai'i product" because it wanted to be authentic (i.e., could you still call it a Hawai'i product if it was now manufactured on the mainland?)

(3) How do you convince local supermarkets and retailers to carry your products?

The two top things retailers look for:

a. SERVICE

1. EWG started with a distributor (Long's) first and racked the product themselves to ensure nice arrangement, constant replenishing, etc.

b. WHAT RESOURCES DO YOU BRING WITH YOU?

1. Retailer wants to know what you will do to promote your product, how quickly can you move it, and how quickly you can replenish it.

(4) Who were your top 3 distributors?

- a. EWG worked with a racking company first
- b. Then EWG went on to a company named 5-0 Marketing
 - i. 5-0 Marketing found new markets for EWG and put their product in a warehouse so it didn't need to hold onto product
- c. EWG also joined the Hawai'i Food Manufacturers Association and participated in their programs/events

(5) What were your shipping costs?

- a. Be careful when considering shipping options; it can eat away the bulk of your profits
- b. Lots of services will pool different customers together to ship together to share the costs
- c. Look at which shipping services and other warehouses are located near railroad lines (trucking is good, but considerably more expensive)

(6) How do you justify and how do you mitigate risks in entering a new market?

- a. ECW worked with a broker – when EWG entered Colorado, it found a broker who worked on commission.