SPECIALTY FOODS MARKETING & PACKAGING 101

Shermain Hardesty, UC Davis Ag Economics & UC Small Farm Program









Specialty Crop Block Grant Program

MARKETING IS ALL ABOUT....

- Market research & planning
- Target market identification
- Product development
- Label & packaging design

- Pricing
- Advertising, demos, public relations, promotional events
- Distribution
- Evaluation

SPECIALTY FOODS

- Specialty foods are niche products
- Specialty food categories
 - Cottage Foods http://ucanr.edu/sites/cottagefoods/
 - Organic, sustainably produced, local ingredients, farmstead
 - Ethnic
 - GMO-free/no artificial ingredients
 - Special health needs

COMPETITION

- Fierce competition in the food industry for shelf space & the consumer's dollar
- Differentiation is essential
- 4Ps of the marketing mix are tools for effective differentiation

PURPOSE OF DOING MARKET RESEARCH

- Understand marketplace
 - consumer characteristics, needs & attitudes
 - competitors' products, strengths & weaknesses
- Guide in developing marketing plan
- New product testing

BASIC TYPES OF MARKET RESEARCH

- Sales trends by product category
- Consumers' product usage and attitudes
- Taste testing

Specialty Foods Trends

source: 2015 State of the Specialty Foods Industry

1	TOP 10 CATEGORIES 2014 % Share Change					
		\$ Million		2012-2014		
0	Cheese and Cheese Alternatives	3,708	7.2	8.0		
2	Coffee, Coffee Substitutes, and Cocoa	3,476	6.8	21.5		
3	Frozen and Refrigerated Meat, Poultry, and Seafood	3,189	6.2	26.8		
4	Chips, Pretzels, and Snacks	3,112	6.1	24.6		
6	Bread and Baked Goods	2,351	4.6	16.7		
6	Candy and Individual Snacks	2,082	4.1	27.2		
7	Condiments, Dressings, and Marinades	1,754	3.4	12.1		
8	Frozen Lunch and Dinner Entrees	1,666	3.3	18. <i>7</i>		
9	Yogurt and Kefir	1,568	3.1	20.3		
Œ	Nuts, Seeds, Dried Fruits, and Vegetables	1,339	2.6	4.8		

Specialty Food Sales Trends specialtyfood.com





Retailers' Perspective



What are some key emerging trends in specialty food?

"Local, sustainable, whole grains, humane food production."

"Smoked flavors, healthy foods, pickled everything."

"More gluten-free, use of beets, kale, seaweed, coconut, and other good-for-you ingredients."

"Return to simple, clean, and old-fashioned, e.g., real grass butter, fermented foods, ancient grains."

"Smaller stores, more specialty grass-fed products, home gardening, far greater delivery options."

Local Now...?? Tomorrow





DISTRIBUTORS ON:



SHOPPING BEHAVIOR

Locally grown is one of the cues that consumers use to determine higher-quality foods.

"I look for..."



"...food and beverages that are locally grown or produced"



13% 2007

Source: Culture of Wellness 2013 report

"I buy more..."



"...local products than a year ago"

32/₁ **26**/₁ **28**/₁ Millennials Gen X Boomers 18-35 36-49 50+

Source: Organic & Natural 2014 report





Appeal of Local Food

- Offers greater transparency and trust
- Is fresher and more seasonal
- Tastes good
- Supports the local economy and community

Usage & Attitudes Survey

IMPORTANT FACTORS WHEN CHOOSING SOUP			
To	ital %		
Low sodium	68		
Low fat	55		
Provides a serving of vegetables	53		
No MSG	51		
Low calorie	45		
Is all-natural	42		
High protein	37		
Has whole grain ingredients (such as barley, brown rice, etc.)	33		
Is organic	20		
Endorsement from a reputable health and/or diet organization			
(e.g., American Heart Association, Weight Watchers)	18		
Is kosher	8		
Other	3		

18 to 24
year olds
are the most likely users
of chocolate, salty snacks,
frozen desserts, and other
packaged, ready-to-eat
food and beverages

35_{to}44

year olds

use specialty foods for shortcuts (cooking sauces, baking mixes) and are a target audience for gourmet beverages of all kinds (alcoholic and nonalcoholic)

45+

This age group uses specialty foods for meal prep; younger adults (18-44) buy them for snacking, guests, gifts, and the office

	2013	2014
Household Income		
Under \$25K	58	41
\$25K-49.9K	72	49
\$50K-74.9K	78	64
\$75K-99.9K	78	70
\$100K+	83	70

82	58
74	63
77	57
80	67
72	55
70	57
	74 77 80 72

The Why Behind the Buy

- Innovative and exciting attributes appeal to specialty food consumers, but taste is consistently the No. 1 reason for trying a new product, cited by 65% of survey respondents.
- 62% noted they like to try new things. Impulse and referral from friends and family also play a sizeable role in new product trial.
- 42% reported that they try new items as a means of eating more natural and healthy foods free of artificial ingredients and preservatives
- 19% choose foods because they are organic, free of genetically modified organisms, or better for the environment.

SEGMENTATION/ TARGET MARKETS

- Consumers are not all the same
- They differ regarding:
 - buying practices
 - wants
 - purchasing power
- Use segmentation to identify characteristics of consumers intended to buy your products

SEGMENTATION/ TARGET MARKETS

- Variables commonly used to categorize consumer differences to focus marketing activities
 - geographic
 - demographic
 - Boomers, Gen X, Millennials
 - psychographic--based on attitudes & activities
 - STATUS SEEKERS, LOHAS (Lifestyles of Health & Sustainability) and NATURALITES (zealous about personal health)

Specialty Food Consumers



78% enjoy visiting museums

68% enjoy going to the theater, symphony, or other performing arts





51% go to the movies at least once per month



70% are politically active and vote regularly



71% exercise on a regular basis





Four in five specialty food consumers consider themselves knowledgeable about food



Two in three enjoy having parties for friends and family







Three in four have visited a farmers market

The majority of specialty food consumers feels confident about food, is willing to shop for it, often at the source, and shares a love of food with others. Consumers ages 25-34 particularly enjoy entertaining and indicate they do so on a regular basis.

84% say better-quality foods are worth paying more for

read nutrition labels on foods and beverages most/all of the time

say they are always looking for new ingredients to use in recipes

SEGMENTATION/ TARGET MARKETS

- LesserEvil products target the healthy, gourmet food shopper:
 - 70 million adults are "looking for healthy alternatives"
 - They are higher income, well-educated& older (35+)
 - They still demand good tasting products
 - 46% said they "rarely give up good taste for health issues"



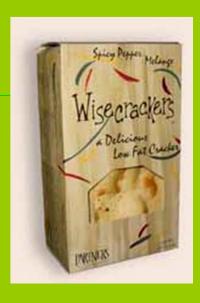
4Ps OF THE MARKETING MIX

- PRODUCT
- PRICE
- PLACE
- PROMOTION

PLUS POSITIONING

PRODUCT

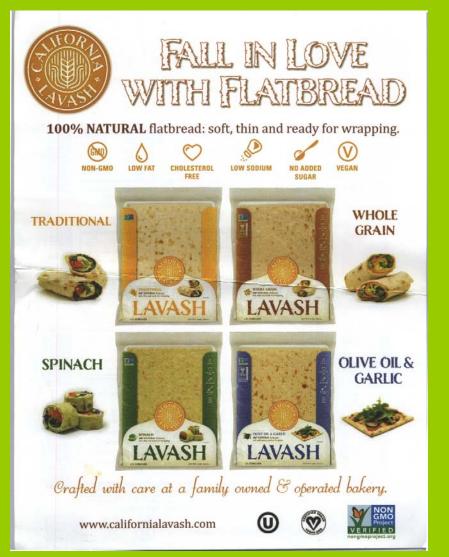
- features, such as
 - cooks in 5 minutes
 - FAIR TRADE
 - gluten-free
- product name
 - Standard of identity
 - Marketability
- brand name—trademarking http://tmsearch.uspto.gov
- packaging--your ultimate tool



PRICE

- List price
- Wholesaler & retailer margins
- Promotional pricing
 - intro allowances (15-25%)
 - on deal
- Payment period
- Sell sheets

SELL SHEETS





Shelf Life: 6 months frozen (shipped frozen), 7 days once thawed Allergen Info: Contains wheat Product of: USA

TRADITIONAL LAVASH



Serv. Size: 1 sheet (56g) Servings per Col Calories 140

Nutrition **Facts**

Sat. Fat 0o Fiber 2g Trans Fat 0g Cholest. 0mg Sodium 140mg

Unbleached Wheat Flour, Filtered Water, Oat Fiber, Citric Acid, Yeast, Sea Salt,

WHOLE CRAIN LAVASH



5 sheets per bag 10 oz per bag 14 bags per case

VVI	IOLL UI	A KAI T	LIKY/KOI I	
Nutrition	Amount/Serving	%DV*	Amount/Serving	%DV*
Facts	Total Fat 1g	2%	Total Carb. 27g	9%
erv. Size:	Sat. Fat 0g	0%	Fiber 3g	12%
sheet (56g) ervings per Container: 5	Trans Fat 0g		Sugars 1g	
alories 140	Cholest. 0mg	0%		
at Cal. 10 Percent Daily Values (DV) are	Sodium 90mg	4%	Protein 6g	
ased on a 2,000 calone diet.	Vitamin A 0% •	Vitamin C 09	% • Calcium 6% • 1	ron 10%

Whole Wheat Flour, Unbleached Wheat Flour, Filtered Water, Oat Fiber, Citric Acid, Yeast, Sea Salt, Baking Soda, Cultured Wheat.



5 sheets per bag

SPINACE	1 LAV	ASH	
Amount/Serving	%DV*	Amount/Serving	%DV*
Total Fat 1g	2%	Total Carb. 27g	9%
Sat. Fat 0g	0%	Fiber 2g	8%
Trans Fat 0g		Sugars 1g	
Cholest. 0mg	0%	Name and the same	
Sodium 140mg	6%	Protein 5g	
Vitamin A 0%	 Vitamin C (0% • Calcium 8% •	Iron 8%
	Amount/Serving Total Fat 1g Sat. Fat 0g Trans Fat 0g Cholest. 0mg Sodium 140mg Vitamin A 0%	Amount/Serving %DV* Total Fat 1g 2% Sat. Fat 0g 0% Trans Fat 0g 0% Cholest. 0mg 0% Sodium 140mg 6% Vitamin A 0% • Vitamin C	Amount/Serving %DV* Amount/Serving Total Fat 1g 2% Total Carb. 27g Sat. Fat 0g 0% Fiber 2g 7/rans Fat 0g Sugars 1g Cholest. 0mg 0% Sodium 140mg 6% Protein 5g

OLIVE OIL & CARLIC LAVASH



LUILOL	A MILLY	C L KY NOR	
Amount/Serving	%DV*	Amount/Serving	%DV*
Total Fat 3g	4%	Total Carb. 22g	7%
Sat. Fat 0g	0%	Fiber 2g	8%
Trans Fat 0g		Sugars 1g	
Cholest. 0mg	0%		
Sodium 80mg	3%	Protein 5g	
Vitamin A 0%	Vitamin C	0% - Calcium 4% -	Iron 10 9
	Amount/Serving Total Fat 3g Sat. Fat 0g Trans Fat 0g Cholest. 0mg Sodium 80mg	Amount/Serving %DV* Total Fat 3g 4% Set. Fat 0g 0% Trans Fat 0g Cholest. 0mg 0% Sodium 80mg 3%	Total Fat 3g

Unbleached Wheat Flour, Filtered Water, Whole Wheat Flour, Olive Oil, Canola Oil, Citric Acid, Sea Salt, Baking Soda, Yeast, Cultured Wheat, Garlic Powder.

Gilroy, CA (800) 634-5502 www.californialavash.com

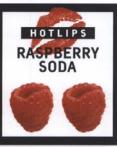






REAL FRUIT SODA

1 case soda - 12 bottles - 16 lb 140 cs/pallet, 70" high w/pallet 2240 lb of soda/pallet 2275 lb total including pallet



Raspberry

Fruit Source: Sandy Farms, Boring, OR

Marionberry

Fruit Source: Sandy Farms, Boring, OR







Pear

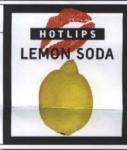
No Sugar Added. 90% Juice Fruit Source: Washington State



Lemon

Fruit Source: Organic California Farmers







Ginger Ale

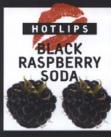
Fruit Source: Kauai Organic Farm, Hawaii



Black Raspberry

Fruit Source: Sandy Farms, Boring, OR





ALL NATURAL **HANDCRAFTED**

Each deliciously refreshing bottle of HOTLIPS Soda begins with real fresh fruit picked at its peak. Cane sugar [except Pear which is all fruit], organic lemon juice and filtered sparkling water are added.

Delicately sweet, packed with true fruit flavor, flecked with real pulp and balanced with soft, smooth bubbles. pack: 12 single bottles/case bottle: 12 oz brown heritage







HOTLIPS BEST NEW CARBONATED BEVERAGE

PRODUCED IN OREGON, USA

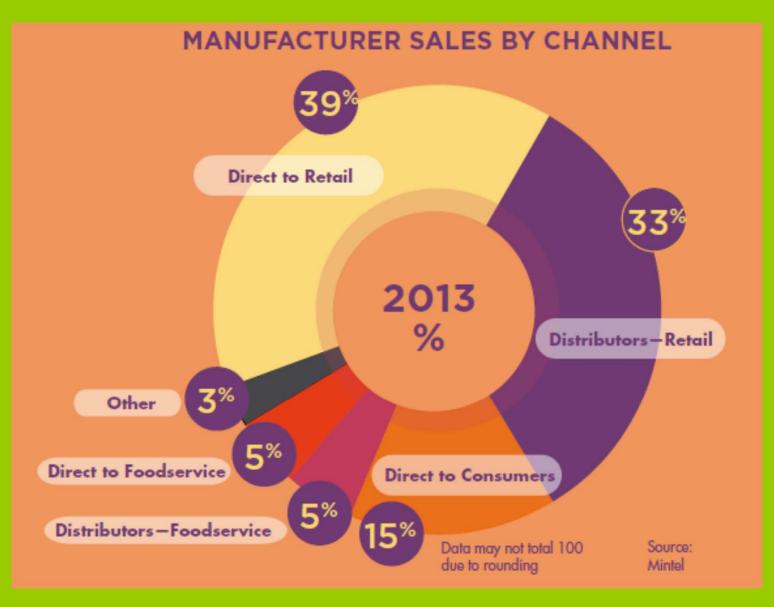
HOTLIPSSODA.COM

updated 1/15

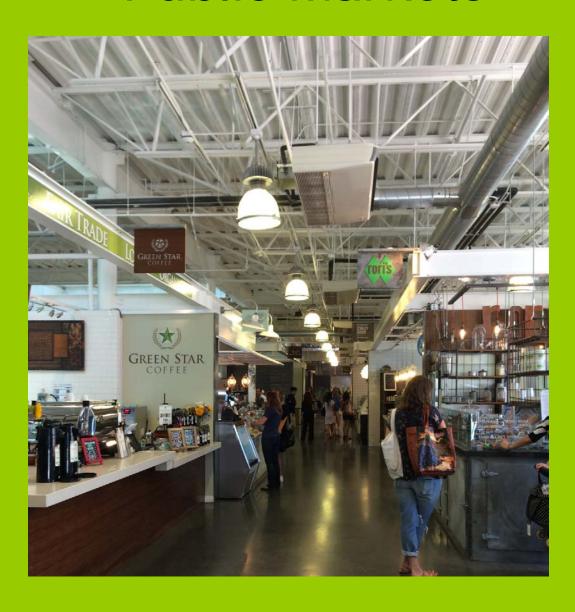
PLACE=DISTRIBUTION

- grocery stores
- specialty/gourmet stores
- health/natural foods stores
- club stores
- restaurants & other food service establishments
- direct marketing

How Specialty Food Sales are Made



Public Markets



SPECIALTY FOOD

SALES BY RETAIL CHANNEL

	2014 \$ Million	% Share	Change 2012–2014
Mainstream Stores*	41,989	82.0	18.6
Specialty Food Stores	5,546	10.8	18.5
Natural F∞d Stores	3,697	7.2	27.7
Total	51,232	100.0	19.2

^{*} MULO or Multi Outlet, representative of following channels: Total U.S. grocery, mass, total U.S. drug, total Walmart, dollar, military, and club. Does not include private-label sales, random weight (PLU) items, or sales through Trader Joe's or Whole Foods Market.
Source: Mintel/SPINS/IRI

Whole Foods' Unacceptable Ingredients

http://www.wholefoodsmarket.com/about-our-products/quality-standards/food-ingredient

- artificial colors
- artificial flavors
- aspartame
- BHT (butylated hydroxytoluene)
- bleached flour
- certified colors
- cyclamates

- high fructose corn syrup
- hydrogenated fats
- irradiated foods
- nitrates/nitrites
- sulfites (except in wines, meads and ciders)

PROMOTION

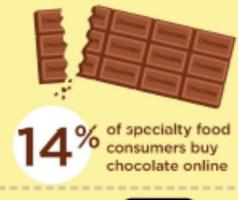
- website, blogs, Facebook, Twitter,Instagram, Pinterest
- demos
- public relations
- shelf talkers
- necktags, recipe cards & booklets
- Your Packaging!
- Use various forms to tell your story



DIGITAL TRENDS



87% of adults spend at least 2 hours online daily for reasons other than work 51% NO 51% NO 49% YES





of specialty food consumers use their phone to find store coupons or restaurant discounts



use their phone to scan products in-store to learn about nutrition or allergens



From Specialty Food Association--Specialty Food Consumer 2014

23%

of specialty food consumers use Pinterest

66%

of Pinterest users use it to connect with restaurants and retailers, the

highest across all social media channels

PROMOTION

Specialty display materials





PROMOTION

- Trade Promotion
 - Trade shows-- Fancy Food Show, Natural Products Expo, Fiery Foods Show
 - Trade Publications--Specialty Foods, Gourmet News, Gourmet Retailer, Natural Products Merchandiser

POSITIONING

- A theme, a message conveying meaningful differences that distinguish your product from your competition using the 4Ps
- Your positioning should be a decisionmaking tool
 - where to distribute, what product features, how to price & promote

SOME POSITIONING STRATEGIES

- Product features
 - special ingredient
 - hot
- Benefits
 - Gluten-free
 - NonGMO







POSITIONING

- specific usage occasion
 - gift
 - portable breakfast
- user category
 - men--coyote nuts, BBQ sauces
 - environmentalists
 - adults







POSITIONING

- "Place Based"
 - Locally grown
 - Made in _____
 - Direct from our farm

















DIFFERENTIATION

- Outcome of positioning
- To differentiate is "the act of making something different from that which surrounds it"
 - to get consumers to notice it
 - to convince consumers to buy it
- "Effective differentiation...can be a matter of business life and death in the specialty food world."--founder of Zingerman's

THE 5 Ps YOUR MARKETING TOOLKIT

- PRODUCT
- PRICE
- PLACE
- PROMOTION
- **POSITIONING**



3 PURPOSES OF PACKAGING & LABELING

- 1. functional features
- 2. information components
- 3. promotion (communication) components
 - "LAST 5 SECONDS OF ADVERTISING"

FUNCTIONAL FEATURES

- convenience
 - easy to carry, store, open, pour, reseal
- protection
 - from damage, air, light, heat, tampering
- package size
 - # of servings

REFRIGERATE

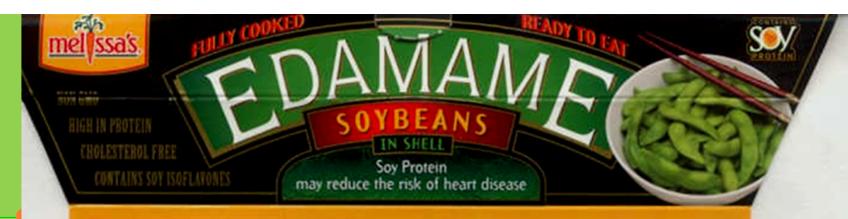
TOP LOAD ONLY

SONIOIVA BRINERY

TRESH PICKLES & SAUERKRAUT

INFORMATION FEATURES

- Preparation instructions
- Serving suggestions
- New products can be "education intensive"



For centuries, Edamame has been enjoyed as a delicious, nutrientrich essential in Asian cuisine. Melissa's Edamame is fully cooked, ready to eat and convenient for snacking!

To Eat: Serve cold or briefly steam or microwave. Sprinkle with salt if desired and enjoy right out of the pod! Serve as an appetizer or quick snack. Use Edamame in soups, stews, stir-fries and salads. Edamame pods are not edible. To shell: Gently squeeze beans out of the pod. Rinse.

Edamame Salsa

1 1/2 cups Melissa's Edamame Soybeans, shelled

1/4 cup Vinalgrette Dressing (bottled)

1 cup Roma Tomatoes, seeded and finely diced

1/4 cup Red Onion, finely diced

1 to 2 Melissa's Jalapeño Chiles, seeded and diced

1 Clove Garlic, peeled and minced 2 tsp. Melissa's Basil, chopped 2 tsp. Fresh squeezed Lime Juice

Mix the soybeans and vinaigrette together in a bowl. Allow to marinate overnight. Combine remaining ingredients and mix thoroughly. Makes 2 1/2 cups.

Melissa's Pacific Rim Soybean Salad

2 cups Melissa's Edamame Soybeans, shelled 1/3 cup Ginger Sesame dressing (bottled) 1/2 cup Melissa's Dalkon, peeled and diced 1 ea. Melissa's Fire Roasted Jarred Red and

Green Chiles, diced

Mix the soybeans and dressing together in a bowl. Allow to marinate overnight. Combine remaining ingredients and mix thoroughly. Makes 4 to 6 servings.

Nutrition Facts

Serving Size: 2.5 oz. Servings Per Container: about 4

Amount Per Serving

Calories 100 Calories from Fat 30

Carrier and	% Daily Value*	
Total Fat 3.5g	5%	
Saturated Fat 0.5g	3%	
Cholesterol 0mg	0%	
Sodium 50mg	2%	
Total Carb. 8g	3%	
Dietary Fiber 4g	14%	
Sugars <1g		

Protein 8g

Vitamin A 8% • Vitamin C 8% Calcium 6% • Iron 10% • Iron 10% • Iron 10%

1/2 Cup of Soybeans Contain 10 grams of Protein

PERISHABLE KEEP REFRIGERATED





TCHO INVITES YOU TO DISCOVER THE FLAVORS OF CHOCOLATE.

PureNotes explore the pure flavors inherent in cacao.



DARK CHOCOLATE
Extremely rich and
"CHOCOLATEY"



DARK CHOCOLATE
with layers of
"FRUITY" notes



mark chocolate with subtle "nutry" notes



DARK CHOCOLATE
with light and
"BRIGHT" notes

DO YOU REALLY KNOW WHAT CHOCOLATE TASTES LIKE?

Dark chocolate is typically classified by percentage and/or country of origin. But this doesn't tell you what it will actually taste like.

Cacao percentage has no standard definition. A 65% bar can be 50% cacao solids and 15% cocoa butter; or 65% cacao solids with no added cocoa butter. Obviously, each bar tastes very different.

"Origin" doesn't necessarily tell you about flavor, either. Within a single country, different regions grow different genetic varieties of cacao, in different climates and soils — each can greatly affect flavor. An Ecuador chocolate from one region can have nutty flavor notes, and from another, floral flavor notes.

ONLY THE PURE FLAVORS OF CHOCOLATE.

We developed TCHO's Flavor Wheel to express the pure flavors found in cacao beans — such as "Fruity," "Citrus," and "Nutty."

We use our Flavor Wheel to search the world for just the right beans that express these flavors. Then we guide their fermentation, oversee their roasting, and work a special blend of art, science, and love to craft them into the exceptional chocolate you hold in your hands.

Needless to say, we add no flavorings to our chocolate. This is what chocolate really tastes like.

TCHO. NEW AMERICAN CHOCOLATE.

"Chocolate isn't just one flavor. Join us as we exp the flavors of chocolate.



Brad Kintzer Chief Chocolate Maker

FDA's Labeling Requirements

www.fda.gov/FoodLabelingGuide

- Statement of Identity/name of food
 - Jam vs Fruit Spread
- Ingredients statement
- Net weight statement
- Name & address of manufacturer, packer or distributor
 - Street address required if firm name & address not listed in current city directory or phone book

List FDA's 8 Most Common Food Allergens e.g. "Contains Wheat and Soy"

- Milk
- Eggs
- Fish (e.g., bass, flounder, cod)
- Crustacean shellfish (e.g. crab, lobster)
- Tree nuts (e.g., almonds, walnuts, pecans)
 - Peanuts
- Wheat
- Soybeans



FDA's Nutrition Facts Labeling Requirements

- Exempt from filing notice with FDA, and from Nutrition Facts labeling for <u>any</u> product with annual sales less than 10,000 units if:
 - company has fewer than 10 FTE employees; and
 - no nutrient content claim, health claim, or other nutrition information is provided on the label, or in labeling or advertising

Barcodes



- UPC/Barcodes
 - Company prefix + item codes 12-digits
 - GS1 US, Dayton, Ohio 937 435 3870
 - One-time fee begins at \$250, plus annual renewal fees starting at \$50
 - http://www.gs1us.org/get-started/im-newto-gs1-us
 - Considerably cheaper ones available from: https://speedybarcodes.com/ or search for something like "Barcodes for Food Products"

USDA Organic



- Multi-ingredient products that contain (by weight or fluid volume, excluding water and salt) at least 95% organic ingredients can use the USDA organic seal
- Synthetic fertilizers, sewage sludge, irradiation, and genetic engineering may not be used in any of the ingredients used in a product with the USDA organic seal

FDA seeking input on Natural Food

- Through May 10, 2016, FDA accepting comment from the public & food industry on whether it's appropriate to define what natural means, how it should be defined and how it should be use on food labels
- Submit comments at: http://www.regulations.gov/#!docketDetail;D =FDA-2014-N-1207



FDA seeking input on Natural Food

- Consumer groups have filed lawsuits again manufacturers over use of term "all natural" and have had some successful settlements
 - Kellogg no longer using "All Natural and "Nothing Artificial" on certain Kashi cereal products
 - Pepsi dropped "all natural" from Naked juices

INFORMATION FEATURES

- Viewability
 - Does the consumer need to see the product?











PROMOTIONAL COMPONENTS

- Your package is often the first salesperson
- Packaging generates awareness & brand recognition
 - distinguish from competition
 - entice trial

BLONDIE by Dean Young & John Marshall







Always Apricot



Click image to enlarge
79% Cooked down California
Apricots
-tangy

A Red Duet



click image to enlarge
78% Cooked down Strawberries
mixed with seedless Raspberry Puree
~ lovely

Berry Blue



Fig Pizzazz



Serving State (Vilgo
Serving Serving

Nutrition Facts

Serving Size. (20g) Servings Per Centerer			
Account Pay Spring	_		-
Calcries 25	Cale	as bor	n.Fet
		3.66	y Vein
Total Fat Op.			0
SHUMMITH.	ig .		- 20
Trains Pat 0g.			
Charlesteed Dro			0"
Bodium Drug			0
Total Carbiohydi	nin fig		- 2
Dietary Fiber 0	W.		- 27
Score for			
Protein Oc.			
-		-	
Vitamin A DN Calcium (No	* Vb	me D	9%
		276	

Nutrition Facts

IMAGE DESIGN ELEMENTS

- SIZE
- SHAPE
- COLOR

- MATERIALS
- FONT
- GRAPHICS
- COPY

COLOR

- CONSIDER INTERACTION BETWEEN
 - LABEL & PRODUCT
 - LABEL, LID, NECKBAND





MATERIALS



- Consider unique materials—"outside of the box"
- But don't forget about display ability



FONTS



Bold san serif = strength SCRIPT

Serif = high quality
SCRIPT

Script = elegant, feminine SCRIPT

Fun Funk = fun, funky
SCRIPT



GRAPHICS





COPY

- Copy elements
 - Tell your story
 - unique qualities—best ingredients, organic, locally grown, family made, regional specialty, ethnic, special process
- Choose your words carefully

This artisan caramel is infused with applewood smoked sea salt to strike the perfect balance between sweet and savory. Pairs especially well with grilled pineapple. www.pralinepatisserie.com

Handcrafted with love in San Diego, CA 92113

INGREDIENTS

PURE CANE SUGAR, CREAM (milk, carrageenan) SHOKED SE SUGAR, CREAM (milk, carrages)
SMOKED SE SUGAR, CREAM (milk), APPLEWOOD SMOKED SEA SALT.



Maintain Family Image







Packaging Considerations

- Make sure that all elements are consistent with positioning
- A graphic designer is an investment you can't afford **not** to make
- High printing volumes can reduce unit costs, but start small at the beginning

4 Rules For Package Design

- 1. You have to design a package that will first make somebody notice it
- 2. You have to have them touch it
- 3. Make sure the product performs
 - if the packaging oversold, they won't fall for that one again
- 4. Your packaging may be your first & only salesperson