



Tips for growing your market

This how to guide provides you with information and tips on how to grow your market and find the right distribution channel for you, your business and product(s).

Are you ready?

Below are a few key items to consider to determine if you are ready to grow your market.

- Where will I sell my products?
- Are you considering selling more products locally, directly to customers, through wholesalers, retail and/or distributors, or to the food service industry?
- What do I need to consider if selling online?
- How will I get my products to market? What is my supply chain? Do I need to consolidate freight in order to make expansion profitable?
- Do I have an efficient system in place to get my products to customers on time and in a quality condition?
- Have I considered shelf life and storage options?
- What transport do I require?
- Do I meet the criteria and requirements of potential retail customers?

Market research

It is important early to know and understand the market you are considering. Identify gaps in the market and points of entry. You may need to tailor your product, design, labelling or packaging to meet customer requirements.

Use market research to:

- test the viability of the product. Can you sell it for a profit?

- look at markets but don't make assumptions – different states have varied requirements to entry and market conditions
- evaluate before entering a new market, test the market and get feedback from potential customers
- provide evidence to prospective financiers that there is a gap in the market
- inform yourself. Knowledge is power but tread warily, be wise, use your intuition and industry knowledge to make informed decisions

Be smart about how you use market research. In order to get the most out of it, you should:

- determine the market size and how much of it you can target. This applies equally to local interstate and global markets
- budget carefully
- use existing research. Chances are someone may have already done the hard work and you could find this by searching online reports, magazines or industry reviews. You may need to also consider purchasing research information from a reliable source.
- use social media and find out what customers are making comments on. Search YouTube, blogs etc.
- check out Google trends or Google consumer surveys

How will you sell your product?

There are a number of ways to sell your product and they may change as you increase volumes and or change your product or the number of lines you produce. Ensure you understand the implications for the business carefully when considering selling/distribution options. Each method will affect your profitability differently. You may well use all four listed below.

- Sell directly to your customers
- Sell to retailers
- Sell to a distributor
- Sell to the foodservice industry

Direct Sales

The general public are becoming increasingly interested in where their food comes from. Recognising the opportunity, some food producers are focusing on direct sales to their customers. Examples of direct sales include selling at farmers markets, directly to restaurants and stores and through internet sales.

Direct sales to your customers generally provides a good return for the product and is a sales method that you should pursue if the product is feasible to distribute lucratively and you have the time and resources to manage the promotion and sale of your products.

Direct sales can be a preference for boutique sellers that rely on low volume high price products.

There are a few critical issues to consider with direct sales these include:

- 1) Equipment (cold storage, vehicle, farmers market stall equipment)
- 2) Promotion (website, social media, flyers)
- 3) Payment gateway (ecommerce, electronic payment system)
- 4) Relationship management (client management system to capture detailed client information)
- 5) Food safety and labelling requirements - see http://www.dhhs.tas.gov.au/publichealth/food_safety for more information
- 6) Delivery options – which can be as simple as delivering yourself, using post or a courier.

Retail Sales

Selling to retail stores provides an avenue to a broader market. It generally requires more volume and therefore another pricing strategy. Retail stores require a margin for profitability and to hold stock and they rely on you having the supply to meet demand.

Retail sales can be the stepping stone for you to reach a new level and appoint a distributor. Your retail sales performance will provide you with a track record and sales history to present to a potential distributor.

Be aware that retail sales are time consuming for you and the retailer. Owner operator stores may favour a distributor of many items they purchase simply to reduce the time it takes to order, invoice and pay for multiple purchases.

Distributors

A distributor buys products and then on sells to local retailers or consumers. In some cases, the distributor may sell to other wholesalers who then sell to local retailers or end users. Distributors may carry complementary and competing products. Distributors are paid fees by adding a margin to products. Distributors add value by dealing directly with your customers, work with you to build your markets, address the freight logistics and invoicing requirements, may undertake promotion activities with retailers.

There are a number of factors to consider when appointing a distributor. If working well you should be reaching multiple retail outlets or customers, and be building your market presence and volumes.

Factors to consider:

- How much profit can be made per item?
- Do you have the capacity to scale up production to meet additional demand?
- How does your product compare with others?
- Is there a gap in the marketplace or an edge to enable sales of your product?
- Will the product fit within the distributor's normal marketing program or will it require additional marketing dollars?

- Will you contribute to support the marketing of your product or do you expect the distributor to do this on your behalf?
- What are the inventory levels to support sales cycles?
- What are the costs of freight and delivery and how do they work?
- Can the distributor sell multiple products for you?

The benefits of appointing a distributor are as follows:

- You may be able to immediately open up into a wider marketplace using the scale and reach of the distributor
- You may be able sell more and potentially generate income more quickly
- Distributors may have good relationships with resellers and retailers
- You may be able to deal with less contacts and reduce administration costs
- You may benefit from their knowledge of how to market and promote your product
- You may be able to open up sales opportunities for other products
- Distributors may have the ability to take stock and warehouse some of it, freeing up space and assisting in smoothing out your production peaks and troughs.

Foodservice

The foodservice industry includes restaurants, aged care facilities, hotels, hospitals, prisons and other catering facilities. The foodservice trade has different requirements to retail, particularly when it comes to packaging and labelling. There are two options for selling to the industry: direct sales and through a distributor.

1) If considering direct sales, below are some steps to take into account.

- Visit the foodservice operations and talk to the owner/manager about including your product on the menu. Ask questions about quantity, packaging, delivery times. Ensure that you have your sales pitch and point of difference established prior to the initial meeting. Perhaps even take a product sell sheet and samples with you to the first meeting.
- If the business is interested then discuss a potential contract and what they need from you.
- Ensure that you manage your relationship with a regular feedback loop.

2) If considering a distributor then you may want to conduct market research, ensure product fit and determine if you meet the distributor requirements prior to making an appointment and presenting your product. Food safety is paramount to foodservice distributors. See http://www.dhhs.tas.gov.au/publichealth/food_safety for more information.

For more detail on the legal, operational and business issues in the retail and wholesale trade industry, please see these Australian Government fact sheets <https://www.business.gov.au/info/plan-and-start/develop-your-business-plans/industry-research/retail-and-wholesale-trade-industry-fact-sheets>

Consolidation of freight

The efficient movement of freight is important for Tasmania and more particularly to keep the business's overhead costs down. For information on the Tasmanian Freight Equalisation Scheme see: <https://www.humanservices.gov.au/organisations/business/services/centrelink/tasmanian-freight-equalisation-scheme>.

Below are some tips on how to prepare for the discussion with a freight forwarder or carrier when negotiating rates:

- Determine the best type of carrier and ask for options for volumes or if they will consolidate your goods.
- Consult with your industry association to determine if a group deal can be negotiated. An example in Tasmania is Wine Tasmania which has negotiated a parcel rate with Australia Post.
- Look around your locality and consider collaborating with other suppliers for consolidation or service collection/pickups by freight companies.

Some other items to consider include: classification of goods, whether the freight forwarder can accurately consolidate freight with other goods and load the pallet or container efficiently, packaging and labelling, volumes, documentation requirements, method i.e. air, road, rail, sea or a combination, and handling requirements.

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