
Working with Retail Buyers

Information for farmers who are considering selling their products through retail stores



Laurie S.Z. Greenberg

UW-Madison Center for Integrated Agricultural Systems

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For more information about CIAS, or for additional copies, contact:

Center for Integrated Agricultural Systems

1450 Linden Drive, Madison, WI 53706

Phone: (608) 262-5200

Fax: (608) 265-3020

Email: cecarusi@wisc.edu

<http://www.cias.wisc.edu>

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Introduction

Who is this report for? This report provides background information for farmers who are considering selling their products through retail stores. It may also help farmers already working with retail buyers improve their business opportunities. Brokers or representatives of farmers' marketing cooperatives will find this report helps build strong relationships with retail buyers.

This report is based on dozens of interviews with retail food buyers. It pulls together observations about buyers and the world in which they work.

Retail marketing is not for everyone, and this report can help you decide if it is right for you. If you are ready to sell your products through retail markets, this report will hopefully help you get a foot in the door.

Preparation for sales: Charting your course

Whether you plan to sell your products at a retail store, in a farmers' market or in any other market, do your homework. At this stage of preparation, you will want to conduct a thorough, objective analysis of three questions: 1) Are you prepared for market? 2) Is retail the right option? and 3) Do you have an adequate understanding of the marketplace?

Whether you plan to sell your products at a retail store, in a farmers' market or in any other market, do your homework.

How can you prepare yourself and your products for sale?

Evaluate your skills. If you grow or process food, then you are already an expert in production. But to sell to retail stores, you will also need some professional skills as an accountant, market analyst, designer, negotiator, and product representative. You don't have to do all these things on your own. But be sure that you or your family members can either learn to wear these hats or are willing to hire people who have the skills.

Select products with care. If you want to earn a premium, select products that have recognizable distinctions. Buyers and consumers will need to see or taste those distinctions, since public education campaigns can be costly. Look at similar products, their distinctions and associated costs. Examine pricing and packaging. What do you want to sell and to whom? Is there a good retail outlet for your products in your area?

Have a marketing strategy and budget. However good it is, your product cannot sell itself. Only a marketing plan will make it sell. Figure out how you will promote and price your product. Who is your market? Brainstorm some ideas for how you might reach this market. Get advice from other producers, buyers and extension personnel. Be prepared to invest time and money into marketing your product, and make sure your profits will cover your time, transportation

expenses, promotion costs, etc. These are all good reasons to include marketing expenses in your budget. Some retail buyers may ask you to donate product for tasting. You may want to print a brochure or sell sheet. Include these activities in your marketing plan and set aside money for them. (See Appendix A on page 11 for a list of resources for marketing plans and budgets.)

Consider investing in an attractive label and packaging. For some products, packaging and labels are the best way to speak to consumers. What is your message? How do others convey similar messages? Design packaging and labels that call positive attention to your products and convey your message.

Before contacting buyers, take the time to assess your business, products and lifestyle preferences to help you decide if retail is a good choice for you.

Is retail the right option for you and your products?

Before contacting buyers, take the time to assess your business, products and lifestyle preferences to help you decide if retail is a good choice for you. There are several things you'll want to consider when making this decision.

Review what you know about the retail marketplace. Look at what people are selling and at what prices. Compare the selection of retail stores you have to choose from. Get a sense of the volume and standards you will need to meet. Are you certain that you are prepared to deliver the product and volume at a price that the retail buyer needs?

Examine your time commitments. What combination of activities are you currently committed to? Are you in the position to take on more? Do you have the time, energy and desire to work with a retail buyer?

Evaluate your production capacity. Can you deliver an adequate and consistent supply of your product(s)? What if a buyer agrees to sell your product and sales really take off? Can you increase supply? Most importantly, can you give the buyer a clear picture of the volume you can offer? Some buyers may be happy to 'test' your ability to work with them for the first season by buying a relatively small quantity of a few things. Others don't have the flexibility to buy small volumes.

Check the chemistry. Not everybody's personality is a good match for the needs of a retail store and buyer. Review carefully the section on services, both required and potential (pages 6-7). You'll want to be able and willing to provide these services.

Assess the logistics. Evaluate the distance from your farm to the retail stores you have in mind. How much time and mileage is involved? Can you deliver at a cost that is worth your while? Do you have transportation and adequate storage to get your product to market? Is a refrigerator or freezer necessary? Do your vehicle and storage arrangements meet regulatory requirements for food?

Consider your other options. Retail marketing may not be the easiest place for you to start. Other marketing options that you haven't considered—or haven't considered recently—may be more appropriate for you. Is there a farmers' market nearby? Is there a market for your products among local chefs? Are

there opportunities to market through a cooperative? Listen to the experiences of other producers selling their products in each of these different markets.

These and other market opportunities can offer producers a chance to gain sales experience while building financial equity and brand name recognition. Direct sales to consumers can offer greater control of cash flow for your business, compared to waiting for retail stores to process paperwork and write checks. And depending on the circumstances, direct marketing may pay a better premium than selling to retail stores.

Write down your options on paper. Compare the numbers by laying out the products and volume you are capable of producing. Analyze your production and delivery costs, and your time in meeting the needs of the retail store with the prices you can earn. Also consider how each marketing option fits your lifestyle preferences and values.

What do you need to know about the market?

Evaluate your competition. Take the time to read trade journals, attend conferences and study the internet to learn more about your competitors. While it may be evident to you that your product offers advantages over the competition, don't assume that a buyer or customer will see your product the way that you do. Brand loyalty is strong among consumers. If they are satisfied with one product, both buyers and consumers need good reasons to change. What distinguishes your product? In many cases, tasting a product is what gets folks over the hump of buying a new brand. Have you arranged for in-store demos (offering product samples to customers in the store) so you can meet-and-greet retail customers, tell your story and let them taste your products?

If you see no competition for the product you want to market, that could be good news. But this scenario poses challenges, too. People may need to know WHY they need or want a product they've never purchased before. How can you convey this information in an appealing way?

Do not underestimate the potential strength of your competitors, even if they are not out there today. If your product is a success, eventually someone will develop a competing product. When this happens, you'll have to distinguish your product further. And your competitor may undercut your price. Have you got another product in mind? You may need to adapt a new version of your product or create something new to keep your sales up.

Set your price with production, competition and value in mind. Assess, in advance, both your production costs and the prices of competing products. If you can't come close to your competitors' prices, go back to the drawing board. Keep records so that you know the cost of producing your goods. Plan well to be sure you will make money. Spend plenty of time each year reassessing what others are selling, how and at what prices. Make adjustments in your own operation to better position your business.

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Price is important, but VALUE is more important. While value is in the eye of the beholder, there are things you can do to increase the value of your products. There are all sorts of marketable characteristics that demand a premium. Is your product certified organic? Is it produced on farm? Does it have other production characteristics or nutritional advantages that you can document? Can you tell a story about your product or business that makes it unique? All of these characteristics can increase the perceived value of a product. When the perceived value is greater, you can expect to receive a better price for your product IF you are marketing your product in a retail outlet that will reward value. If you choose a discount supermarket, you will need to have rock-bottom prices.

Different stores offer product lines that are directed to specific sectors of retail consumers. Think about the retail stores you are considering approaching. Do your products match their niche?

Match your product to the right store

As described above, certain characteristics can increase the value of a product and result in a better price for you. Study closely the retail niches described below to be sure that the stores you target are the ones that will be interested in the characteristics your product has. Is your product more appropriate for a high-end store or an economy market? Can you produce enough to supply a supermarket or should you consider a smaller, specialty store?

Many discount supermarkets have no interest in organic products. An upscale store or specialty shop may not care about your low price if your product doesn't meet their quality standards. Some stores may not be interested in your product unless you package it to their specifications. For example, some stores will not accept products delivered in recycled boxes. Others may require UPC coding.

Examine the different types of outlets in your area and the niches that these stores fill for consumers. Different stores offer product lines that are directed to specific sectors of retail consumers. Think about the retail stores you are considering approaching. Do your products match their niche?

There are many ways of categorizing retail stores. Here is a simple one that describes the retail opportunities in most urban settings:

Mainstream supermarket chains. This group can be categorized further into high-end, mid-range and discount stores. Mainstream supermarkets dominate the retail landscape, both in numbers of stores and volume of sales.

Natural food cooperatives. While carrying a relatively minor proportion of the market, natural food cooperatives often strive to connect producers and consumers. They can be a good place to get your feet wet.

Specialty food stores. These stores are often (but not always) independently owned. They often carry a high-end line of products, so their purchasing criteria can be rigorous.

Plan for a long-term marketing relationship. Selling to a buyer is the first step, not the final goal, of retail sales. While preparing to take your product to a

retail buyer, you will focus on getting in the door and convincing the buyer to purchase your product. At this stage, it's very easy to forget that retail marketing does not end when the buyer offers to stock your product or pays you for your first delivery.

Your efforts to establish your product in a retail store can disappear into thin air if you fail to provide your buyer with good service. What does this involve? Each store is different, so you'll have to ask your buyer outright how you can meet his or her needs. (See pages 6-7 for likely services a retailer will expect from you.)

Understanding retail buyers

Before you approach retail buyers, it's not a bad idea to understand their work environment and constraints. Be sure to spend time in the stores that interest you. Study the products and prices. Return regularly to stay up-to-date on stores you want to approach. Here is some background that may help you understand where buyers are coming from.

Buyers have a lot of people to please. Buyers need to satisfy both their store managers and customers. Managers want a steady flow of satisfied customers and assured income, preferably with increasing sales. On the other hand, store customers have their own needs and desires. They want certain products and pricing. If they don't get what they want, they take their business to another store.

So remember that buyers may have a very narrow space to negotiate on price, new products and new vendors. It's not that they are necessarily difficult people. It's likely that they can't afford a change. And if things are going well, they may have no interest in a new account like you. From a buyer's point of view, if things are going well, why rock the boat?

Buyers are busy people. Because they have little time, buyers may prefer to work with a distributor that supplies multiple products. They may not see sufficient value in products available directly from farmers to justify the time it takes to work with individual suppliers. If you are going to sell to buyers who normally work with a distributor, they will probably expect all of the services and support they get from the distributor—plus more—to justify the extra time it will take to work with you.

What do buyers want in a buyer-seller relationship?

While not all buyers openly discuss the relationships they have with their suppliers, those who do place a lot of emphasis on these qualities:

Direct communication. Even if you are communicating bad news, a buyer wants to hear about it from you rather than discover it on his or her own. If your delivery will be late, call and let the buyer know. That will give him or her

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time to fill in with something else while waiting for you.

Honesty and integrity. Anyone who has been in the business for a while has had experience with people who are less than honest. Most people prefer to do business in a way that's more satisfying.

Long-term partnership. Many buyers see the relationship with sellers as a mutually beneficial partnership where each side fulfills its obligations. When things go well, that partnership can last a long time—in some cases for decades. What could be better for both the buyer and the seller than a reliable relationship for years to come?

Most people approach retail sales by thinking about their own needs—to sell their products at a certain price within a specified time frame. But you may have better success if you try to solve a buyer's problems or point out a new opportunity your product offers.

What do buyers need?

Most people approach retail sales by thinking about their own needs—to sell their products at a certain price within a specified time frame. But you may have better success if you try to solve a buyer's problems or point out a new opportunity your product offers. Look for a situation where you are selling something that a buyer is looking for—maybe it's organic broccoli to complement conventional broccoli. Or perhaps you can offer the buyer a better price because you're local. Or maybe your product has some other novel characteristic—like antibiotic free or pasture-based.

In order to 'get in' with a buyer, you'll need to meet at least basic qualifications. Most buyers will require all of the following from you:

Consistent product quality. Buyers have a store (or chain) reputation of quality goods to uphold, and everything they buy must meet their quality standards. Study the products in the store and ask the buyer to describe these standards. Once your product meets those standards, the buyer will expect that same quality to be maintained. If you have any changes in product quality or appearance, most buyers want to hear about it in advance.

Product meets packaging and labeling requirements. Familiarize yourself with government standards for labeling and packaging. Buyers may have additional standards, so check with them about packaging and labeling requirements during your first conversation. This will affect your costs and needs, so make it a part of your calculations when you discuss price. Be prepared to meet the buyer's standards.

Timely delivery. If a buyer has a particular arrival date in mind for your product, do everything possible to make that date. If you know that you will not be able to deliver on time, tell your buyer right away. Advance warning may enable them to cover for you.

Consistent and professional service. When dealing with buyers, be sure to convey a consistently professional image. Give the buyer confidence that you are reliable. Communicate clearly and honestly. Make eye contact. Put time and energy into establishing and maintaining a long-term relationship with retail

buyers. If you are marketing with a co-op, dedicate one person to be the co-op's retail representative and be certain that this person can project the image your co-op wants to convey. Give your representative plenty of information for answering questions about products and the farms that produce them.

Handling low sales levels. If there is a problem with a product, what do you plan to do about it? Are you prepared to take a price cut? Buy back? Discuss this with the buyer, in advance, so that expectations are clear on both sides.

What other services might a buyer want?

Some buyers may expect other services from you. These are more likely to be negotiable. These are also issues to discuss up-front to avoid surprises. Some of these additional services are likely to come up if you sell to a distributor.

Advertising money. When introducing your product, a buyer may see the need for a special promotion in order to attract customer attention. Some stores or distributors may expect you to contribute something to cover the costs of the promotion.

Free product for demos. Most buyers recognize that giving consumers a taste of a new product often gets them to buy it. Demos are an excellent means to get customers to taste and buy a new product. If the store wants a demo, you may be asked to donate products for it. You may also be asked to supply a representative for the demo or pay for one that the store hires.

Production and processing information. While not all buyers care about this information, some stores focus on being the connection between the producer and their customers. These stores will want to have this information available for customers.

Price cuts. Some buyers may ask you to offer a price cut as an introductory promotion in order to get customers to try your product. Likewise, the buyer may expect you to promise a deep price cut if they are unable (for whatever reason) to sell your product and the store needs to unload it.

Knowledgeable person to host demos. A store that is promoting locally produced goods may want the producers or a producer representative there to hand out product to the customers. Make sure that the person doing in-store demos for you is knowledgeable, professional, well dressed and enthusiastic about your products. They should be able to answer questions about the product, production, farm and farmers. Handouts can convey information to consumers about care or preparation of the product.

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Advantages and challenges of selling locally produced goods

Most retail buyers have experience buying from a range of sources, including distributors, wholesale vendors and directly from farmers or farmers' cooperatives. Here are some of the advantages and problems retail buyers have had when buying directly from farmers.

Some retail stores see their niche as connecting the producer with their customers. Help these buyers find ways to feature you and your products through demos, signs, flyers, photographs, etc.

What do buyers like about local products?

Buyers cite many reasons why they like to buy locally raised and produced goods:

Better quality. Some buyers prefer the quality of locally produced goods. For perishable goods especially, many buyers recognize that they can get product from you that is fresher than any distributor can deliver.

More accountability. Some buyers may feel that they get better service from a producer than from a distributor or wholesale company.

Knowledgeable salespeople. Who is more knowledgeable about a product than the person who produces it? Seek out buyers who value this knowledge.

Direct link between producers and customers. Some retail stores (such as natural foods cooperatives—as well as others) see their niche as connecting the producer with their customers. Help these buyers find ways to feature you and your products through demos, signs, flyers, photographs, etc.

Why would buyers not want locally produced goods?

While locally raised products can have numerous advantages over those that are shipped in from a distance, buying locally can raise problems for a buyer. Most buyers have at least a few horror stories to tell about how a local producer disappointed them. Below are some of the reasons buyers have cited for not buying directly from producers:

Inconsistent product. Most buyers cannot work with products that are inconsistent in quality, form or flavor. One buyer described a shipment of apples that were not graded and melons of assorted sizes. Another had problems with meat shipments of varying quality.

Costs more time and money. Many buyers point out that it takes more time to buy directly from producers. It is cheaper and easier for them to order multiple products from one distributor than to work with many individual growers.

Insufficient volume. Meeting a buyer's need for a particular volume of product may be challenging. If it is hard for you to supply the volume that a buyer needs, make sure that working with you is worth it to the buyer for other reasons—the varieties that you offer or the 'home-grown' label, for instance.

Risk of working with someone new. For many buyers, their purchasing choices boil down to what they are accustomed to and comfortable with. If they have worked their entire careers with distributors, they are likely to feel insecure about initiating a new buying relationship—especially with someone who is new to the retail world. You may be able to convince them that you are worth a risk, or you may need to take your product elsewhere.

Less reliable supply and delivery. Some buyers feel that a producer cannot offer the same services as a distributor. If they run out of product, buyers can call their distributors and get extra shipments. This may not be possible with individual producers. Some buyers have had experiences where a producer agreed to deliver and didn't arrive when anticipated.

Restricted to company warehouse. Some retail buyers have very little or nothing to say about what produce they can buy. Before investing too much time in a particular chain as a potential market, be sure that the buyers have the ability to make direct purchases from someone like you. Some chains have to buy from the chain warehouse or are required to buy a specific percentage of their goods from “in-house” sources.

No time for you. A buyer may see the potential in you and your products, but may not have time to get you up to speed on their standards and needs. Know that this is not a reflection on you or your products. Leave your card and take your products elsewhere. You can check in with that buyer down the road. You may be able to find a time or circumstance where they can use what you have to offer.

Some retail buyers have very little or nothing to say about what produce they can buy. Before investing too much time in a particular chain as a potential market, be sure that the buyers have the ability to make direct purchases from someone like you.

Putting it all together: Approaching retail buyers

In summary, if you decide to sell to retail stores, you will be approaching retail buyers with several questions in mind:

- Is there a good match between product and store?
- Will the price be right?
- Will this business negotiation solve a problem or provide an opportunity for me?
- Will this person be a responsible partner in a business negotiation?

You may be surprised to realize that retail buyers are asking themselves the same questions about you! You are more likely to have success with a retail buyer if you understand how the buyer will analyze these questions. Take a look at these same questions from the buyer's perspective:

Is there a match between product and store? Have these producers done their homework? Are they familiar with our current line of products? Do their products match the quality that customers look for in this store? How can these products be distinguished from those already in our store?

Will the price be right? Does this producer have a realistic perspective on price? Is there a match between product value and price? How much space for negotiation exists in setting the price?

Will this business negotiation solve a problem for me? Will this producer's goods satisfy some gap in the products we currently have to offer? Can the transaction be accomplished in a minimal amount of time ?

Will this person be a responsible partner in a business negotiation? Does this producer understand 'what it takes' to sell to retail stores? Will this producer deliver a quality product as promised? Will it arrive on time? How honest will this producer be? Can I count on this person?

Once you've put together all you need to approach retail buyers, give it a try! Selling to retail stores can be an important source of income to complement your other economic activities. And you may find it to be a rewarding experience.

Appendix A. Marketing references

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