

# Revenue Strategy & Phased Growth For Food Businesses



# Contents

## Session Objectives

- What are various paths to revenue for food businesses?
  - Who is your customer?
  - Pros and Cons about different revenue paths
- Which revenue path to start with?
- How and when to add other revenue paths?
- Raising Investments
  - When and Why?



# Only 3 Ways To Revenue – Ok Maybe 4

- 
- Retail
  - Wholesale
  - FoodService
  - Online Retail



# Who Is YOUR Customer?

- Is it the PRICE Conscious? Chains can beat you on price!
- Do you know who is your best customer?
  - What does research say?
  - What do your sales figures say?



# Three Types Of Food Customers

**Recreational** – These are hedonistic and spend regularly on high quality foods. Recreational consumers buy a lot of specialty foods

**Novelty** – These are driven by an eagerness to try something new and are either regular or impulsive . They are highly driven by quality and taste but also brand loyal.

Novelty consumers make up the brunt of specialty food consumption

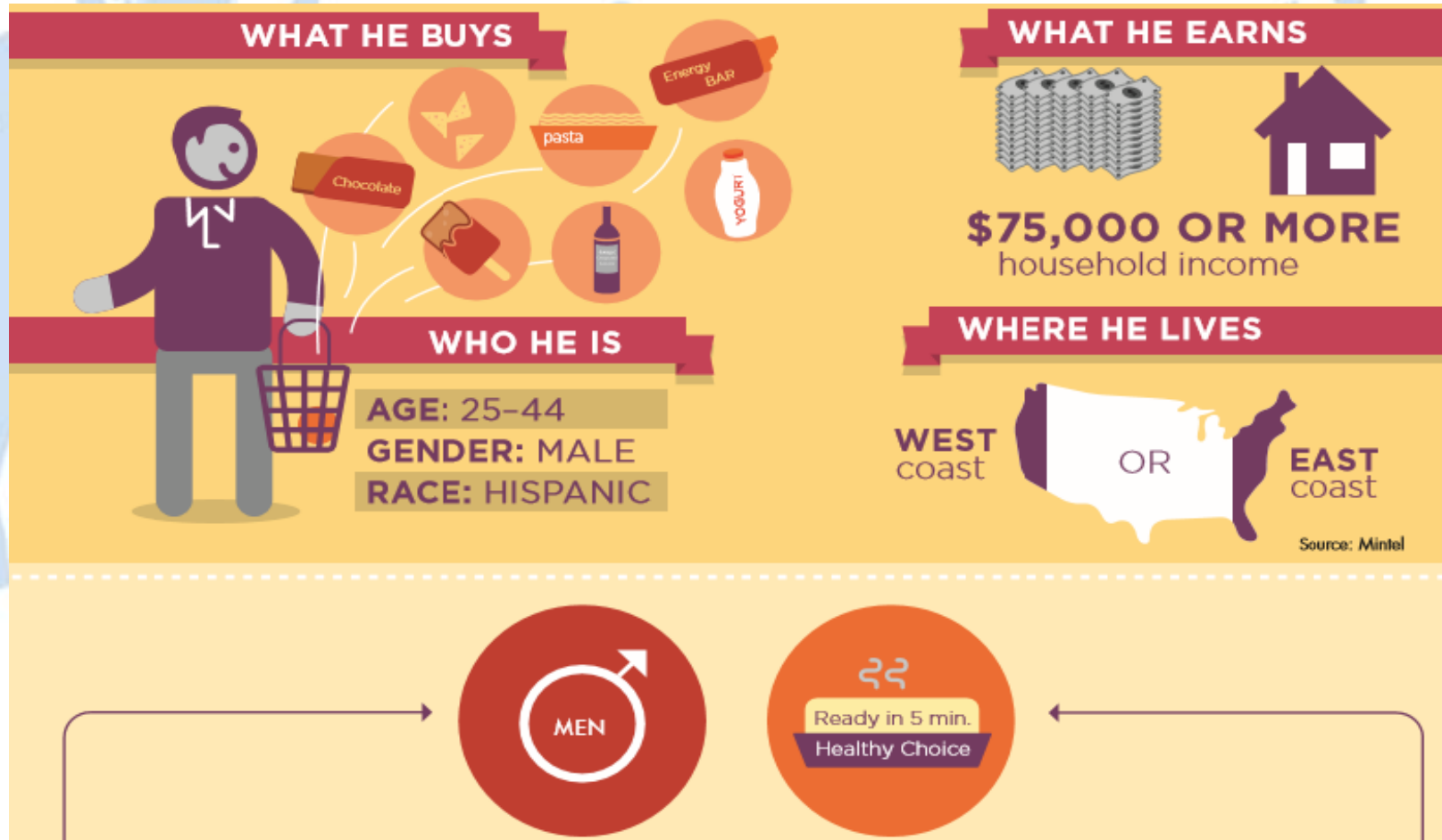
**Price** – A large part of food expenditure is driven by price. These consumers are NOT brand loyal

## THE WHY BEHIND THE BUY

What drives specialty food consumers to purchase a food or beverage? Simply, the desire to try new things, according to two-thirds of respondents. Quality and health are also important drivers, and to these consumers, health increasingly refers to the absence of artificial ingredients.

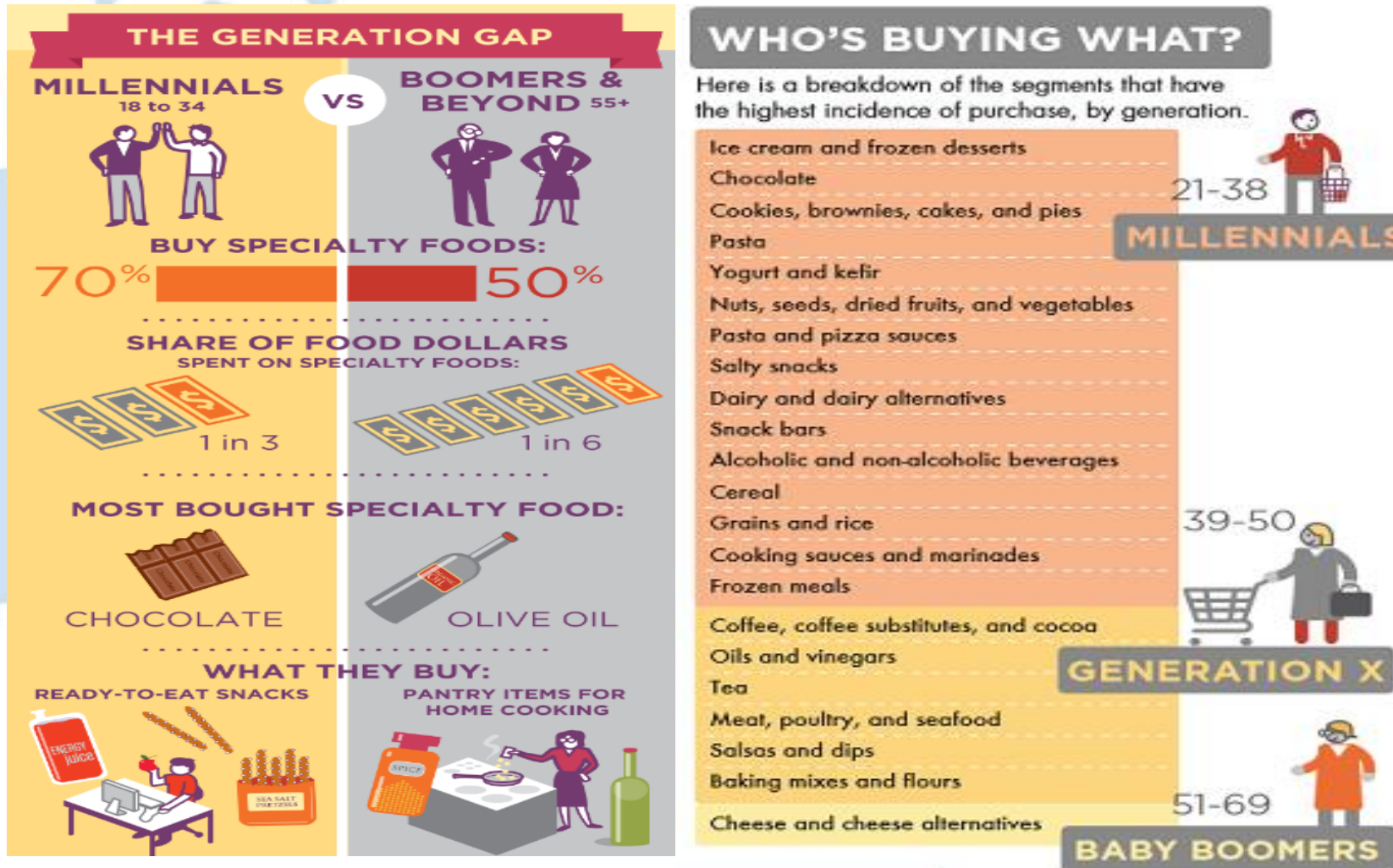


# Core Specialty Food Customer

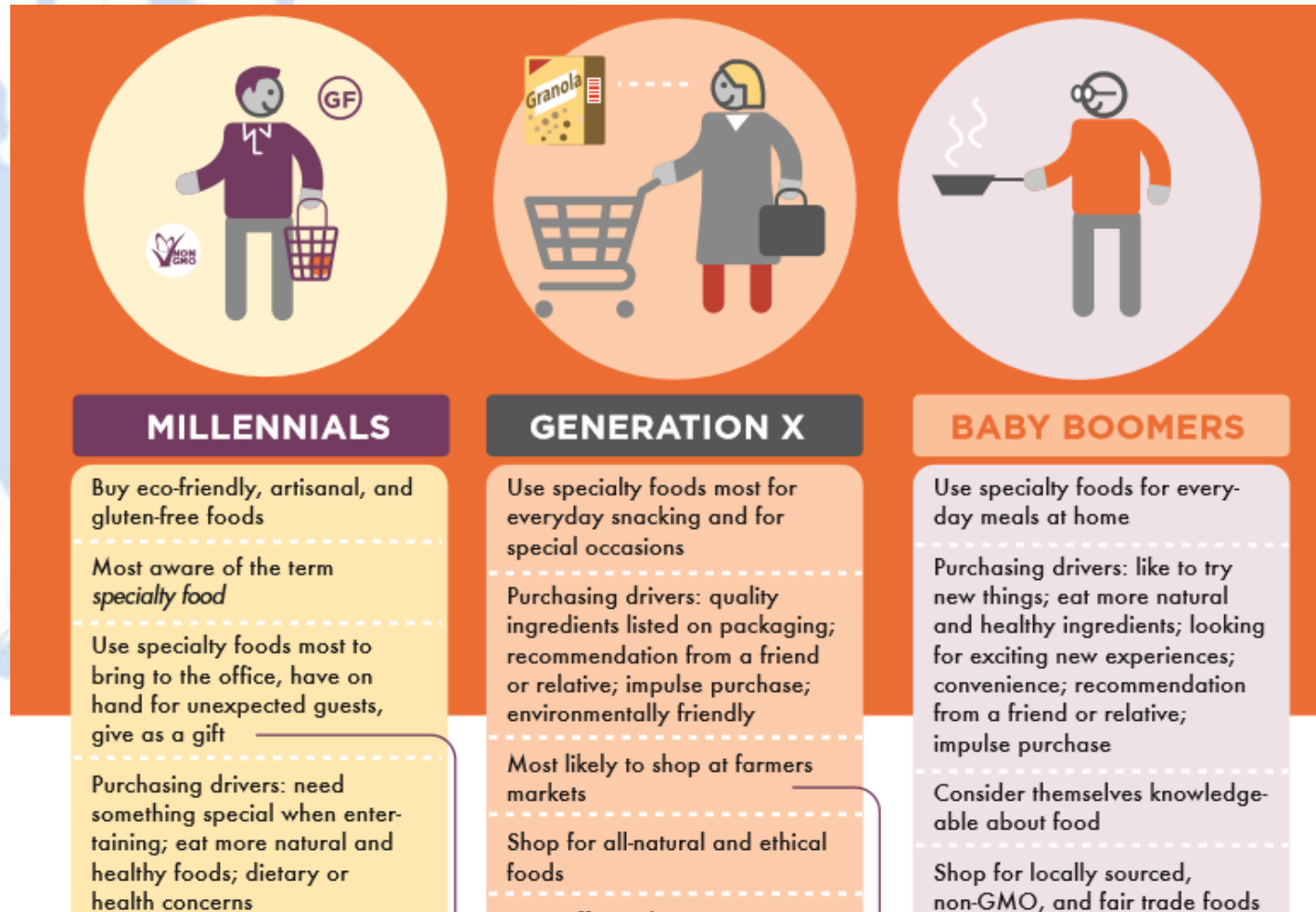




# The Full Range Of Customer Behavior



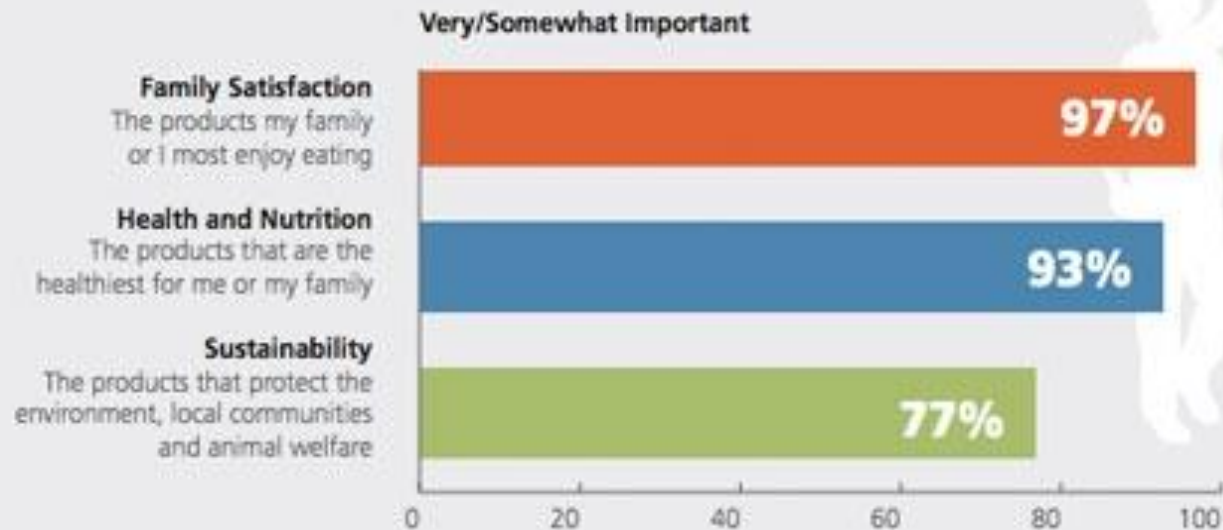
# Purchase Drivers





# Purchase Drivers In General

Americans believe many factors are important when deciding what food products to purchase for their families...

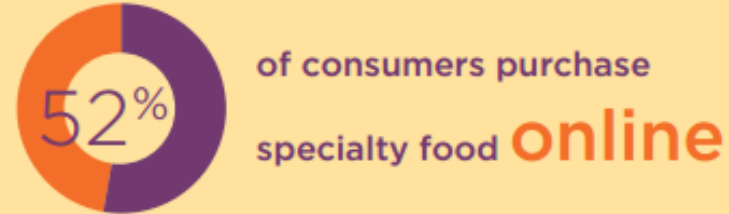


# Even Children

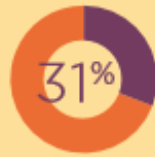
**Table 1 - Average degree attributed by the subjects to the variables, in order of importance**

Variable	Average	Standard deviation
Quality	4.75	0.72
Expiration date	4.59	0.88
Nutrients	4.49	0.98
Flavor	4.46	1.02
Healthiness	4.23	1.15
Quantity	4.03	1.20
Purchasing history	3.99	1.07
Discount	3.98	1.12
Family	3.89	1.24
Consistency	3.89	1.22
Preserving the environment	3.87	1.06
<i>Having light and diet versions</i>	3.86	1.23
Promotion	3.63	1.36
Packaging	3.49	1.13
Low price	3.47	1.25
Appropriate price	3.45	1.37
Price I can afford	3.33	1.46
Appropriate to the climate	3.17	1.29
Personal taste	3.11	1.22
Appropriate to sex	2.90	1.16
Perceived hunger	2.79	1.28
High price	2.58	1.30
Appropriate color	2.53	1.20

# Super Important Statistic



## Using or seeking **online delivery service:**



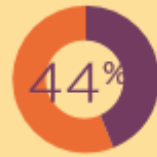
of consumers



of men



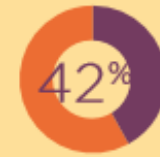
of women



Ages 25-44



of Hispanics



Pacific region residents



# How Do The INFORMED “Buy”?

- They want to Buy
  - APPETIZING
  - HEALTHY and nutritious
  - DIVERSE and unique
  - Sustainable
  - Interesting RECIPES
  - From REAL people
  - Word of Mouth - Based on FRIENDs’ recommendations
  - ONLINE



YOUR Customer

EYE  
GET IT



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Source – North American Consumer Trends by MINTEL



# Retail

What: Your own Store, Farmers market or other Events

Margin: Full price – production cost – transportation/event cost

Ex: \$7/unit - \$2 production - \$1(distributed transport/event) = \$4

Pros: High Margin, You can speak to customers to convince to buy or offer spot discount, You can gauge and understand their reactions to product

Cons: Low traffic and volume. Not easy to scale





# Wholesale

What: On Shelves of Others' Stores or Chain Stores

Margin: Store price – Store Markup – Distributor Markup – Production cost

Ex: \$7/unit - \$3 Store - \$1 Distributor - \$2 Production = \$1

Pros: High Volume POSSIBLE, Can Scale

Cons: Further seasonal store discount, Freefills, Bulk Returns/Chargebacks, Slotting fees, Need store demos, Low Margin, Difficult to sell through.







# Is REVENUE GROWTH Assured If

## You put your product on a lot of shelves?



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# Revenue From White Label?

How do your customers find you?

How do they know they should contact YOU and not a competitor?

Your unique story matters!



# Foodservice

What: Restaurants, Hospitals, Mess Halls, Organizational Dining Rooms

Margin: Foodservice bulk price – production cost

Ex: \$30/unit - \$20 production = \$10 (about 12 retail units)

Pros: High Volume Possible

Cons: Difficult to control scaling, Low Margin, No control on sell through



# Online Retail

What: Dedicated website, Amazon, Affiliates

Margin: Full price – production cost – transportation cost

Ex: \$7/unit - \$2 production - \$0.5(distributed transport/event) = \$4.5

Pros: High Margin, You can speak to customers to convince to buy or offer spot discount, You can gauge and understand their reactions to product, You can sell nationwide, volume can be built up. Brand can be built faster.

Cons: Digital experience must be carefully managed. Scaling is not easy



# What Can You Do? Preconception Preconception!

- Labeled and Unlabeled Taste Test
  - Which Chocolate is tastier? Swiss or Chinese?
  - Which Wine is better? Italian or Indian?





# Common Problems & Digital Roadmap



## Engagement

- Text heavy, Stale, Navigability, Visitor Intent not addressed,



## Calls To Action

- Weak, Absent, Too many



## Social

- Network not leveraged, Enthusiasts not Empowered, No Strategy or Custom Content



## Outcome Tracking & Optimization

- Analytics absent or not used, Insights not actioned



## Traffic

- SEO: Code, Keywords, Content, Links inadequate
- Custom Content



## Personalization

- Lack or absence of Visitor Specific Content or Paths

## Responsive

- Not accessible on all devices, Not Mobile enough for SEO



# Cool Website Examples ... Not Expensive!!!

- [Caviar Store](#)
- [Sugary !!](#)
- Code platform is ready!
- Just fill with your content
- Adopt the right digital strategy



# Revenue Path Comparison

## Retail

- high margin, lower volume
- low traffic but you can directly influence sales
- easier to stabilize but difficult to scale

## Online

- highest margin, volume can be large
- can be high traffic, you control sales
- easy to stabilize, possible to scale
- Best & REQUIRED for Brand

## Wholesale

- low margin, high volume
- high traffic but can't influence sales easily
- freefills, chargebacks, slotting fees
- moderately difficult to stabilize, possible to scale

## Foodservice

- lowest margin, possibly highest volume
- high traffic, you do not influence sales
- no freefills no charge backs, no slotting fees
- difficult to stabilize not easy to scale



# Revenue Path Strategy

- Test Market
- Generate Retail / local sales (Farmers markets or Store Front)
- Go Online and drive interest/sales and BRAND RECOGNITION
- Start wholesale to local stores (samples and conversations)
- Generate regional demand to attract distributors
- Add on regional distributors and brokers (stabilize)
- Add regions, slowly go national. Add national distributors (stabilize)
- Seek and add Foodservice distributors





# Landing Investments For Growth

- Raise money and give away equity
  - For GROWTH activity – going to conventions, careful marketing, research, certifications, testing sell through mechanisms
  - To Investors that (don't just give you money but)
    - Connect you and bring you business
    - Educate and strategize with you
- Do not take money and give away equity for
  - Production – that should be merely a loan - keep the margin payoff loan!
  - Build a production facility – commercial kitchens and copackers are a different business. Maybe when you are bringing in millions in revenue ...





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