

Developing a Direct to Consumer Market

by Frances & David Martin

In Volume 29 Fall 2017 issue of HoofPrint, I introduced producers to some of the challenges of creating a direct market meat product. I also introduced you to The Widget Development & Trading Company, LLC that helps producers or potential producers get their products to the marketplace. In this article, I will provide a basic overview of topics producers need to consider when taking a product from Concept to Distribution.

Creating the Widget: The first question, we are generally asked is “What is a Widget? The term “widget” has multiple uses:

1. A Placeholder name for an object or manufactured device. It is an abstract unit of production.
2. In Law, when discussing a hypothetical situation, the term is used to represent any type of personal property. In such use, the “Widget” has whatever characteristics are relevant to the scenario.
3. In accounting and manufacturing, the term indicates a hypothetical “any product” to indicate that the specific “product” is not relevant to the topic of discussion.

As we Create the “Widget”, the primary principle we want to convey is that at the beginning stage of the development process, the specific qualities of the “proposed product” are irrelevant.

Instead of getting caught up with the nuances of a specific product, we want to emphasize that there are some principles of business and product development that are applicable across the board to the development of any product.

So the question is now? What is your “Widget”, and what has to be done to take your product to market?

Taking Your Product to Market

Is it a new product that is not in the market? If it is not in the market, “Why Not?” Is it because it is a revolutionary idea, or is it because it is not feasible to produce?

We once had someone that wanted to create a “fried chicken skin” similar to pork skins that they had tried at a bar. At the bar, they were served hot and crispy, however, unlike pork skins, when they cooled or were packaged, they were soggy and greasy. Every idea is not feasible as a retail packaged item.

If the product is in the market, is yours a new innovation or improvement, a new package or a new marketing concept? What are the distinctions with your product? Sometimes you can take an item that has been on the market, put it in a new package, add a new marketing spin, and it becomes a success.

Think about this- years ago, in some areas of the country, if you went fishing and caught a Catfish you might have been tempted to throw it back because Catfish were considered bottom feeders. Well, someone developed a marketing spin and now Catfish is sold in packages, at white linen table cloth restaurants, and in several fast food establishments.

The next area of focus is “Who is your potential Customer-Market Segment?”

Are you looking to market your product in conventional retail outlets? There are several options that can be considered.

Some avenues are less intimidating and are designed to assist the new producer. These avenues would be your local Farmer’s Market, Curb Market, etc., which may allow the sale of produce and value added products. Generally, these facilities are not set-up to accommodate producers of meat products because of the health department regulations. One advantage of these type of markets is they are tailored to a local customer therefore, you are only subject to local health department regulations, not to FDA or USDA regulations.

In addition to the markets listed above, you may have a product that can be sold at a “Vendor Fair” or a “Festival” that allows vendors.

Can you prepare your item and deliver it directly to a local restaurant or diner?

Can you provide catering services, and include your product as an “offering”?

If you think that your product is ready for the next level, you can move forward to have it prepared for presentation for the regional retail grocery store in your community.

The other option is having the product developed for bulk sales for the “Food Service/Institutional” sector. There are advantages and disadvantages in doing food service. The major advantages in pursuing this sector, is that you don’t have to spend money on the “fancy” packaging, nor the expense of



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marketing and advertising. The major disadvantage, is that your product will generally not receive any brand recognition because it is served on a food line or on a plate without anyone knowing that it was your product.

Structuring the Business,

If you are serious about moving forward to get your consumable food item to market, you must set up the appropriate structure for your business. Because you are proposing to sell a product to the public, you must create a legal entity to protect your personal assets, from the entity that will be developing, selling or marketing the product.

Even though I had practiced corporate law for many years, it is my recommendation, that the first professional that you talk with about setting up your business is your CPA (Certified Public Accountant), or tax consultant. My main philosophy on business is “that it is not important how much money you make, but how much money you keep”. Generally, this is determined by the tax strategy and structure that are established at the outset of your business venture. It is important to take advantage of the tax write-offs and other business deductions that are available. There are some business tax losses and deductions that can be carried over to help defray your personal tax obligations and liabilities. However, if the business is not structured correctly, then you cannot take advantages of these benefits. You have an obligation to avoid paying taxes: Tax avoidance is a requirement; tax evasion is a crime!! Talk with your tax expert about the difference.

Once it has been decided about the tax strategy and structure, your attorney can create the legal entity to encompass and protect your tax benefits. Once the business has been legally formed, determine if there are any certifications that you and your business can obtain. These would include “Women Owned”, “Minority Owned”, “Veteran Owned” and “Service Related Disabled Veteran Owned”. These certifications may help you secure business opportunities.

The next issue is whether your business requires a type of licensing or zoning. This is really contingent on the types of products that you are proposing to produce.

The next issue is insurance. Realize that you are serving the general public a consumable product that you are producing or having produced for your benefit (more discussion on this later). There is always the possibility that someone can become ill as a result of the product consumption. Most outlets and events where food is served may require that you have produce liability insurance. The range of coverage is generally from one million dollars to five million; however, it can be greater. The next type of insurance is general liability insurance that protects you in the event someone falls or sustains an injury while on your premises, etc. Other insurance coverage is optional, but these 2 are required for your protection.

Then you should apply for a Dun & Bradstreet number. This is the equivalent of your business having a social security number. It may be used to track your businesses credit history, etc. Some companies may require that you obtain a Dun & Bradstreet Supplier Evaluation Rating.

Developing a Team

The other significant thing you will need is a “Team”. The team can include, but is not limited to, the following professionals



The Widget Development and Trading Company was formed to assist clients from around the world develop their products and place them in the global marketplace.

www.widgetdtc.com

or organizations:

- Small Business Development Center (SBDC) (can help develop your business plan)
- Accountant
- Attorney
- Marketing
 - Graphics
 - Printers
 - Writers
 - Media Specialist
- Sales Representatives (Brokers)

Conclusion

There are several things you need to evaluate and understand if you decide to enter into this food industry.

First, it is a “marathon” and not a sprint. In other words, it is not going to happen quickly; it is going to take time to effectively go through all the processes need.

Second, just because you like the taste of your product, doesn't mean that others will think the same. Even if you have presented the product to good friends and family members to try, realize that they may not tell you the truth. As we say, it's hard to tell someone that their baby is ugly so, we lie. It's the same with a food item because folks may not want to hurt your feelings as they realize that the product is your “Baby”.

Third, and this is going to lead us to the next article titled “Marketing Plan”, sometimes it doesn't matter how good it tastes, it's a matter of whether you have a marketing plan that can sell the product. In some instances, a store buyer may not care how the product taste, they are only concerned if you can create a “Marketing Plan” to get the product off the shelf and into the customer's basket.

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