



FNQ

# FOOD INCUBATOR

CREATE | INNOVATE | ACCELERATE

## MODULE 2

*Getting Stared in the Food Industry*

# Getting Started in the Food Industry

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Brave or stupid... We guarantee that as soon as you announce your intentions to dip your toes into the world of food entrepreneurship, you'll be ascribed either one of those characteristics.

It's a little bit of a harsh deduction, but we have to admit that any friends or family members who pass judgment on your career choice are possibly not being too unreasonable.

It's a discouraging and disheartening truth, but a dismal nine out of ten new food and drink businesses fail. Super-depressing and spirit-sapping though it may be, we recommend sitting up and paying heed to the cold harsh statistics.

Of course, we're not trying to rain on your parade; we're definitely not calling you 'stupid'; however, before you throw caution to the wind and ditch your day job, let's think carefully about your potential business launch. Let's ask the million-dollar question: Is starting a food business really for me?

## On successful completion of this module you will be able to:

- What does it mean to be Food Entrepreneur?
- Understand the factors that influence food entrepreneurship
- Your appetite for risk
- How to conduct market research

It will be critical that you can answer these questions below in relation to any new products you are planning to develop. If you are unable to answer any, it simply means you must conduct more research.

Being able to answer the questions will help maximise the chances of success of the product. The five key questions are:

- WHO is the target consumer?
- WHAT are they consuming (the product)?
- WHERE are they consuming it?
- WHEN are they consuming it?
- WHY are they consuming it?

At the FNQ Food Incubator we begin reviewing the potential of a new food business idea by analysing eleven crucial business traits. For us, these are the absolute essentials. Get these elements right and your business will be a piece of cake; get more than a few of these fundamentals wrong and your goose will be well and truly cooked.

## FIND YOUR NICHE; KNOW THE COMPETITION:

The shelves of your local supermarkets, food halls and delicatessens are cut throat places. Space is tight and there's a constant land grab afoot. If a product is too similar to competitor products, too obvious, too plain, too downright boring, it won't even get a look in - those making the buying decisions and assigning shelf space will disregard your product entirely. In order to stand even the slimmest of chances of a hallowed spot on the sacred store shelf, your product needs to be 'out of the park' impactful. Ordinary won't cut it; niche is the way to go: specialist, extraordinary, in a league of its own... Well, you get the idea!

If you familiarise yourself with the competition and find unique ways of ensuring that your product is thoroughly exceptional, then your prospects of a sought-after shelf position are just about within reach!

## PERMITS AND PERMISSIONS

Hold on to your enthusiasm for a little while longer. If you truly have your heart set of becoming a food entrepreneur, then you'll need to develop a taste for good old-fashioned paperwork. This is not the fun, creative side of the food biz that drew you to the idea of starting your own brand, is it?

Still, it's essential that you contact your local authority to check the existing laws, permits and licences you'll need to start your food business.

Rules may differ depending on your locality, so it's vital that you check in with your local city and state officials to determine what permits and permissions are required. In most cases, newbie food businesses will be asked to provide their local authority with the following information:

- Your food business classification What types of food you will be serving
- Who will be receiving your food
- Whether or not your food is pre-packaged
- Details of your nominated food safety supervisor

## TIP:

*The savvy food entrepreneur will start thinking about responses to the above questions long before they even consider launching their food products. Trust us, it's important to get all your ducks in a row at the earliest possible opportunity.*

## NOTE:

*Remember, fees and licences will need to be renewed annually (so budget for this expense and set time aside for annual form-filling!).*

## OBTAINING PROPER INSURANCE:

Again, more paperwork; you're probably beginning to wonder if there will be any fun along the way as you journey towards becoming a fully-fledged food business. Oh, there will be... but first, you need to be 100% committed to getting all of those pesky administrative details in place!

Insurance is one of those absolute basics. Despite the tediousness of additional paperwork, it's important to remember that there is an upside: if you're willing to get the crucial necessities right, you'll find yourself in a much more secure and advantageous position from where you can successfully and confidently grow your new business.

## FOOD SAFETY

Are you genuinely trying to stifle a yawn at this point?

Well, here is your wake-up call... Fines, suspensions of your food licence, closure orders and even prosecution are on the horizon for those who fail to comply with food safety regulations.

Yes, the food safety side of your business will involve yet more mundane form-filling, rule-following and implementation of plans and procedures. Plus, if you don't already have a background in food production, you may also be required to attend training courses or seminars.

However, the consequences of not playing by the rules can spell outright disaster for your business. Here is where we weed out the sincerely committed start-up food entrepreneurs – if you're not committed to food safety, then you're not earnestly committed to growing and developing a sustainable food business.

## WRITE A BUSINESS PLAN

Fail to plan, plan to fail... we know you've heard it a zillion times before. But let's make it a zillion and one...

At the FNQ Food Incubator we've worked with some of the most humdrum and banal food businesses, as well as some of the most outlandishly zany start-ups. Each project has its own unique dimensions; but the ones that succeed all have a key characteristic in common: they've taken the time to prepare a flawless business

plan. In many cases, business plans range from thirty to fifty pages; but don't let the daunting length of the document put you off. At the end of the day, the quality of your business plan supersedes the page count. And, on those days when you're drafting page after page of your business plan, do remember that you're working on an actual blueprint for your business. This is the roadmap for your business – destination 'success' – so stay motivated!

## DEVELOP A MARKETING PLAN

While it's important that the data contained in your marketing plan is consistent with the intentions set out in your business plan, it's imperative to recognise that these are two separate documents that demand matching levels of care and attention.

Several hours (or perhaps even days!) will need to be set aside to complete this key strategy document. A staunchly committed food entrepreneur won't mind, however! At this point in the start-up journey, many less hardy wannabe food entrepreneurs will have fallen by the wayside.

Strategy, budgets, a SWOT (strengths, weaknesses, opportunities and threats) analysis, pricing, distribution and brand positioning will all need to be scrutinised in detail.

Once again, if support is needed, seek out the help and advice of a mentor or food business consultant.

## SOURCE YOUR SUPPLIERS

Are you willing to take the time to be super-particular with your supplier choices? If so, then maybe you're about to challenge the naysayers and prove that you're a food entrepreneur worth your salt!

Why worry about suppliers?

- Taste & quality: Your final product will only be as good as the ingredients you use in your production processes so, where possible, choose top quality suppliers.

- For complete peace of mind (and especially where food safety and hygiene are concerned), you need to be sure that your suppliers uphold the same standards as you do.
- Reliability / avoiding late order delivery: If you choose unreliable suppliers, you may, in turn, end up missing order deadlines and disappointing clients.
- Price: While quality is important so is your bottom line. Work with suppliers who offer reasonable prices, thus allowing you to maximise your profit margin (without sacrificing quality).

## DEVELOPING YOUR RECIPE FOR MASS PRODUCTION

There's a big difference between whipping up quantities of thirty or forty, to transitioning to the big league where hundreds (or even thousands) of units might be required at short lead times.

How do you feel about fulfilling large-scale orders at short notice? Can you rest assured that your recipe that tastes amazing when produced in small batches, will remain as flavourful when production is dramatically scaled-up?

Are you happy to up skill in terms of processes and procedures so that you're perfectly poised to take on lucrative orders should they materialise? Think about these practicalities before you lurch wholeheartedly into the realm of food entrepreneurship.

## SOURCE YOUR SUPPLIERS

Here, once more, you'll need to display a commitment to up-skilling and eliminating any gaps in your knowledge. Naturally, labelling needs to be superbly attractive and eye-catching. However, don't forget to pay heed to the statutory requirements relating to ingredient labelling, allergens and nutritional information.

## FINANCIAL CHALLENGES

Unfortunately, passion is not enough to make a success of your new food business. Carefully consider your financials before packing in your permanent and pensionable employment.

While your enthusiasm may not be in question, it's easy to forget that your initial success will largely be based on the cash flow at your disposal. In particular, the early days can be extremely tough - there are a lot of big bills coming in, but you may not get paid in one hit to deal with them!

Budgets will need to become your new best friend!

## TIP:

*As we've previously recommended, if you struggle with certain business development tasks, be sure to seek expert advice - speak to accountancy and finance professionals or draft in a food business mentor who can help you navigate the stormy financial seas of a food start-up!*

## UNDERSTANDING YOUR MARKET & DEVELOPING USPS

Finally, it's worth paying significant attention to the following central business development themes: understanding your market and developing unique selling propositions.

Do you truly know your customer? Are you happy to spend hour after hour contemplating your customer profile and pondering his/her hopes, dreams, motivations and aspirations?

To understand your target market in earnest, you need to face the fact that countless days of research may be required. Workshops, online seminars, evenings spent with your nose in a business strategy book - these are the undertakings that you'll need to realise if you want to pursue a profitable career in food business.

So, now may be a good time to remind you that a gloomy nine out of ten new food and drink businesses fail. In order to rise to the cream of the crop in this competitive profession, it's crucial that you don't shy away from the considerable research that will be needed

Likewise, when considering your unique selling proposition (USP), surveys, face-to-face interviews, competitor analysis, customer observation and product trials will guarantee an arduous research process. Your 'recipe for success', however, will stem from the hard graft you put in at the beginning of your food marketing adventure. In fact, before

even deliberating a brand name for your product range, referring to yourself a 'food entrepreneur' or seeking out a production premises, there's one basic project you'll need to ace – you need to absorb a full and comprehensive knowledge of the market place and how it relates to your business proposal.

Plus, a closing word of advice on research and business development... More often than not, knowing that you definitely **don't** know everything is the very best starting point for growing your new food business.

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USE BY 13/11/2015

**EMMA  
& TOM'S**  
FRUIT SMOOTHIE  
**KARMA  
RAMA**

ORANGE, PINEAPPLE, MANGO,  
BANANA & PASSIONFRUIT WITH  
KOREAN & SIBERIAN GINSENG

AT LEAST  
**2.5**  
SERVES OF FRUIT

NO ADDED SUGAR  
NO CONCENTRATES  
NOTHING ARTIFICIAL

LOOK AFTER YOURSELF  
350ML





Starting any business in today's environment is difficult, but the food business has an advantage over other businesses; we all have to eat! We also have different tastes and desires in our diets which allow very "niche" based food products to succeed.

## IS PASSION ENOUGH TO MAKE A NEW PRODUCT A SUCCESS?

Industry statistics make it clear that you need passion, but practical passion composed of great marketing, product positioning, and shelf strategy is necessary to increase your chances of success in the consumer food arena.

Most food entrepreneurs are high in passion, and like most people new to business have a large degree of "I don't know what I don't know." You probably think all you need is a great tasting product to get on the shelf. Well, that sounds logical because most of us like great tasting food. In the food business, great taste is akin to a car having brakes. When you buy a car, you expect it to have brakes. You do not make your purchase decision based on this attribute of the car.

Great taste is an expectation on the consumer's part. Technically, you can say it is a selling feature, but in reality, it is an expectation the consumer has when they pick the product off of the shelf.

Newcomers to Consumer Packaged Goods (CPG) do not realise this is a distribution channel intensive business with many gatekeepers along the way. Gatekeepers in the business are buyers, merchandisers, distributors, and brokers.

Additionally, the business of food has a high degree of complexity that newcomers don't know about, creating hurdles that slow you down or stop you in your tracks.

## YOUR RECIPE FOR SUCCESS IS KNOWING YOUR MARKET RESEARCH

The competition, both large and small, are becoming very entrepreneurial. They are getting really good at coming up with ideas, determining if the idea is a profitable opportunity and then successfully executing great shelf strategy.

The recent IRI annual New Product Pace Setter report shows less than 20% of new products exceed \$7.5 Million in sales annually within 18 months of their introduction. Each article to follow will present one or more principles to help you learn a lot more than just creating great tasting food to have a chance of getting on the shelf.

The success rate for new product launches in the food and beverage business is around 10%, according to NielsenWire. That's not because the other 90% tasted lousy, or at least many of them didn't. More often, it's because the people who created them couldn't or didn't differentiate them from all of the other similar products out there.

## IDENTIFY YOUR NICHE

Consider what makes your food and beverage product different from all of the others like it on the market. That is your niche. To

be clear, it takes more than a great tasting product to pitch the supermarket buyer and then to get the customer to try your product, much less buy it again. Your product must be positioned as truly different from the competition.

You have to separate your emotional investment in the product to really answer that question. Do we really need another premium-priced barbecue sauce, unsweetened tea, chocolate, or olive oil? An entrepreneur starting a food business can spend precious product development dollars only to run into trouble getting into retailers whose shelves are already stuffed with variations of the same thing. Yet some of those "me too" products are going to thrive despite competition from the many private-label store brands of foods that aren't very different and cost less for the same ingredients. The answer is branding.

## **BUILD YOUR BRAND**

Build a brand that speaks to your consumer, and your image and packaging may be the distinct proposition that leads to your success. What was so different about Late July snack chips from the other chips out there? It was an image and

packaging that appealed to a particular subset of consumers. The brand thrived and ultimately was acquired.

## **COMMUNICATE YOUR DIFFERENCE**

The maker of a new brand of carrot cake ran into some trouble right at launch. You might well ask who needs yet another carrot cake. It was a good question in this case, and the maker initially wasn't answering it to the satisfaction of potential retail or consumer buyers. They finally hit on an answer: This was not just another carrot cake. This was an authentic Southern-style carrot cake made with all-natural ingredients. That difference allowed them to credibly pitch supermarket buyers that this product was unique and would bring new customers into their bakery departments.

There's a big difference between saying, "We make carrot cake," and saying, "We make an authentic Southern-style line of gluten-free and all-natural cakes and cupcakes that look and taste like homemade." Which one would you buy?

Although there's plenty of different ways to validate your idea, the purpose is the same, to get a clear signal as to the actual buyer interest in your product and niche selection. Below, we're going to explore some of the most common methods of product validation that you can use and apply to your product ideas immediately. You shouldn't feel compelled to utilise every tactic listed here, however, carefully choosing one or two of the outlined methods can significantly increase your understanding of the demand for your product and niche selection.

## PRESELL THROUGH SOCIAL MEDIA AND EMAIL

Depending on your product and niche selection, contacts on your social networks and in your email contact list might be a great fit for testing your product idea with.

Nothing beats actually making sales before sinking a lot of time and money into a business. Noah Kagan from SumoMe did just that when he was trying to validate his idea of a subscription beef jerky service. Using his social accounts and personal email contacts, Noah contacted friends and acquaintances he thought would be interested in his new potential service and asked them if they wanted to purchase (all before even having any product to sell).

## CREATE A LANDING PAGE

Another simple and popular method to better understanding interest and demand is to set up a one page landing page with your value proposition and an email collection box. By driving traffic to this site and collecting emails, you can start getting a better sense of true interest in your product as well as begin building a relationship with potential customers.

You can use Shopify's prelaunch page and embed an email sign up form from a email provider like Klaviyo or Aweber.

<https://www.smartpassiveincome.com/product-idea-validation/>

# Carman's

Real food made with real passion.....

## CAROLYN CRESWELL, THE CEREAL ENTREPRENEUR BEHIND CARMAN'S FINE FOODS

Carolyn Creswell is storming supermarket cereal aisles around the world with Carman's Fine Foods and a never-give-up attitude. Nukte Ogun discovers the ingredients for Creswell's export success include quality Aussie produce, mixed with a lot of passion.

Carolyn Creswell first learnt how to make muesli at a small bakery in Hawksburn Victoria. She was 18 when the owners told her the business would be sold and she would most likely lose her part-time job. And so began what would become a multi-million dollar success story.

Rather than sulk, or look for work elsewhere, the young entrepreneur made plans to buy the

business—or at least the recipe for the muesli—together with one of her workmates, Manya van Aken. "I thought well, I already make the product and know the product's great. We put in an offer of a thousand dollars each, bought this little business and continued it in a partnership," says Creswell.

They named the new business Carman's Fine Foods, an amalgamation of their names, and it was quite a juggling act in the beginning as she ran the business while completing an arts degree.

Within two years Creswell bought out her partner and shifted her focus, concentrating solely on



CARMAN'S *is* PASSIONATE *about*  
CREATING DELIGHT EVERY DAY... 

THIS MEANS EVERYTHING *we do* FLOWS FROM THAT – HOW WE SOURCE *our* INGREDIENTS, CARE *for our* CUSTOMERS & SUPPLIERS *and* HOW WE APPROACH EVERY ELEMENT *of our* BUSINESS. THIS MEANS BEING BRAVE AND DOING THINGS A LITTLE DIFFERENTLY *but* ALWAYS *with an* UNCOMPROMISING COMMITMENT *to* QUALITY. IT'S ABOUT DOING *what we* BELIEVE IN; BEING PROUDLY AUSTRALIAN OWNED *and* MAKING a DIFFERENCE IN PEOPLE'S LIVES.

IT'S ABOUT PUTTING OUR  
PASSION *for food* FIRST, BECAUSE  
*it's what we* LOVE



the business, which will turn 15 in December. Carman's now offers three types of muesli and muesli bars, alongside a fourth tropical flavour to meet export demands. While Coles and Woolworths have been stocking the products for years, recently Qantas, Virgin Airlines, and Lite n' Easy joined the ranks. In this time, the company's annual turnover has gone from \$80,000 to \$10 million.

Creswell attributes a worldwide soaring of muesli sales to a shift in eating habits. "The trend has moved from 99 percent fat-free and products that have lots of numbers and [unnatural] ingredients to being much healthier. People are more concerned now with what they eat and want to look at the ingredients list.

The real change that promoted expansion came after two years, when Creswell decided to outsource the manufacturing and free herself to focus on growing the business. "At the end of the day, an oven is an oven and it's what is in your ingredients and your process that make your product what it is," she says. "It's given us an amazing production capacity that we wouldn't have had otherwise."

A natural progression into export soon followed. As a first step, Creswell applied for and received Austrade's Export Market Development Grant (EMDG). The grant reimburses up to 50 percent of export promotion expenses. Next she signed up for Trade Start, which helps young companies to export. "[Austrade] will meet you and introduce you to buyers and take you to supermarkets, and they give you a partner in each country." Carman's now exports to supermarkets in 15 countries, including Park n Shop in Hong Kong and Sainsbury's supermarkets in the UK, its biggest overseas market.

A lot of thought has gone into making the product suitable for export. In terms of packaging, each box of muesli bars has four instead of six. The design also changed to red rather than black specifically for Asian markets. "In Asia black is perceived to be pretty dowdy, while in Australia black is quite stylish," she says. "In Asia red is the colour of prosperity."

Carman's connects with international customers through a personal approach to marketing.

Creswell's email address is on the packs, a newsletter with photos of her children is sent out, and a referral program posts a small gift to anyone who recommends Carman's. "We are a lot closer with our customers than some big companies that just have a toll-free number and are not really as accessible. We've always tried to treat people the way you want to be treated yourself, so we get a lot of great feedback like that," Creswell says. "The more I know about my consumer the better my product and business can be."

Creswell's approach to stockists, too, has always been very personal, from delivering the product to cafes to having Coles personally close the door in her face. But success lies in persistence and Creswell refused to give up, and kept knocking until Coles agreed to stock her muesli in 20 stores.

"I drove around the semitrailers with my little hatchback and delivered my one carton as opposed to a whole truckload of products, and would then run around the store and pick up the products and put them on the shelf. The store managers all knew me," says Creswell. Despite the small start, the brand was quickly picked up nationwide.

Using Australian produce wherever possible, Creswell says the drought has been devastating at times. Not only do ingredients become more expensive, it's also tough dealing with quality standard requirements. In fact, she had to act quickly when she recently found a batch of the product not up to her usual standards. "We pulled it off the shelves to protect our brand, and that was the right thing to do."



*Carman's*  
Real food made with real passion.....🐝