

**The 4 P's of launching a food business at the Vermont Food Venture Center  
(VFVC)**

**Product, package, price, and placement**

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We work with food business start-ups to get products to market and it is helpful in terms of looking at the 4 P's and how they impact the cost and time of product roll-out.

**Product-** Is this a product that can be readily made at VFVC? We are well equipped to help people product jarred sauce products of many types. Typically, these sauces are either naturally high in acid or may have acid added in the form of vinegar, lemon juice or powdered citric acid. In other cases, high sugar content helps serve as the preservative, (hot fudge sauce, jams and jellies.) Baked goods, frozen fruit and vegetable products and dry mixes are also frequently made at the Center. We do not have the capability to process meat or poultry products but will add this capability if our planned 2008 expansion and relocation goes forward.

We can often determine if a product can be safely produced at the Center with simple tests we can run and in consultation with food scientists at Cornell University.

**Package-** Selecting a package and having a label printed and designed are often the most time consuming and expensive parts of starting. Packaging should be affordable, (imported fancy glass works for expensive "gift" items but, generally, keep it simple. Go to the local supermarket, see what the "typical" packaging for your type of product is. For example, most salsas are packed in either 12 or 16 oz. jars, pasta sauce in 16 or 22 oz jars.

Labels are the most confusing and expensive part of the process. Most label printers do not do design work but some may take logos that you have and type set the other information around it but you are better off using a professional graphic designer. It is possible to spend tens of thousands on an elaborate design or just a few hundred creating a professional looking label around an existing logo. Shop around.

For printing, it is worth getting several quotes from companies specializing in this process. Local print shops may provide quotes but they often send the job out to other companies. The first printing will be most expensive the initial run requires creation of printing plates, electronic file manipulation and such. Subsequent press runs will be much less expensive. Most of the cost of label printing is for labor; paper and ink are cheap so the difference between one thousand and five thousand labels is quite small.

Finally, make sure that your label fits on your package and has the proper adhesive for the package and processing temperatures you will be using.

Many start-ups are exempt from the Nutritional Facts requirement but the cost is low and, in most cases, it is recommended. Bar codes are another manner. It is possible to purchase single bar code numbers off the "grey market" for around \$50. The totally above board way (which is quite costly) is to purchase a merchant number from the Uniform Code Council for \$750 with a \$150 annual renewal. Under this merchant number, you can have a large number of individual product codes. Large supermarket accounts require the bar code and if they are tied into the national data base, the grey market numbers may or may not work. As a merchant number can be obtained quickly

and bar code stickers printed and applied to the package at a later date, you may consider holding on this expense until there is a clear need and justification.

### **Price-**

Pricing is a combination of art, science and pure dumb luck. There are many different formulas out there but for simplicity, a combination of two methods is recommended. “Bottom up” pricing includes all material and production costs, amortized start-up costs, overhead, production, labor and margin to come up with a wholesale (to distributor) price. Initially, you will pay yourself the distributor mark-up, (around 25% over wholesale) to cover your gas and time to deliver, UPS shipping or whatever means you use. In this way, when you do use a distributor, this cost is already factored in.

This cost plus distribution represents the price the retailer will pay for the product. He or she will then mark the product up. For food stores, coops and natural food markets, this is typically 40 to 50% above their laid-in cost. Gift stores that offer a mix of food and non-food items to tourists may actually double their laid-in cost.

In using the “top down” method, you set a desired “on shelf” price based upon benchmarking your product against similar foods. Your salad dressing will not be competitive with Wishbone or other large national brands; you should instead compare to other high end, gourmet products. After setting your theoretical benchmark, then you subtract all the mark ups and costs you used in the bottom up comparison. Comparing the two will give guidance on the best numbers to use. VFVC staff can provide specific guidance on using these two models.

### **Final notes**

This is intended as a very quick guide. There is actually much more that you will need to do: determine whether you will incorporate, whether your existing business insurance will provide product liability protection or whether you need to purchase stand alone coverage. It is always a good idea to write some sort of business plan even if immediate financing is not required. There are good simple outlines available that can help with this process.