

GREAT IDEA TO

VIABLE BUSINESS

A BLUEPRINT AND SUCCESS MAP TO NEW PRODUCT DEVELOPMENT





This booklet was prepared with the support of Gary Morton and Peter Chapman of SKUFood.

INTRODUCTION

We are in an unprecedented era where product innovation is no longer optional for an agri-food business. It is undeniable that the food industry is a competitive, global, constantly changing and challenging market environment. Arguably, this may be the best time in history to be developing innovative new food products. Consumers are moving to food products that are unique, stand out, connect with their lifestyle and make life easier for them. Many agri-food businesses and entrepreneurs recognize the opportunities and are stepping up to develop new food and beverage innovations that meet the unique needs of consumer groups in this dynamic and global marketplace.

Success with a food product is no guarantee of future market success. Businesses must become more innovative, delivering food products consumers want to buy, not what their company has historically been set up to produce. Food suppliers are challenged to sustain existing products, markets and business models, while at the same time searching for and developing new product innovations and competitive advantages for the future.

Success is not simply creating great new products; it is the result of creating great products that customers want to buy, knowing how to sell those products, and building strong businesses to support the development and growth. It cannot be overlooked that many new agri-food product innovations will fail to be profitable. New food products fail when the innovators go it alone, ignore the consumer, and don't have a success plan, or mentors to guide them on the new food product development journey.

This workbook was created to help fill that gap, to be a blueprint and success map that breaks new product development down to the essential steps and lays it all out. There is no shortage of new ideas or food products to develop, the shortage is with skilled people capable of turning those innovations and ideas into viable new business opportunities and successfully taking them to market. This workbook is your guide on this exciting new product development journey.



WHY

YOUR NEW PRODUCT DEVELOPMENT JOURNEY STARTS WITH “WHY”?

There is an incredibly strong pull when developing new food products to divert all energy, effort and resources to creating the *product*.

The problem then becomes:

- innovators fall in love with the idea of the *product* and lose objectivity;
- decisions are made based on what to make and how to make it;
- ending up with great products, that no one wants to buy.

WHY is the foundation upon which you build a successful new product. Asking why forces entrepreneurs to think outside of comfort zones and to consider other perspectives. When **WHY** is crystal clear, you will know what to make and how to make it.

The two most powerful questions to ask at the beginning of every new agri-food product innovation journey are:

- Why *am* I doing this?
- Why *should* I do this?

The answers to these questions will define the next steps you take, focusing energies and resources where they will do the greatest good and achieve the most profitable outcomes for your business.

THE SUCCESS MAP - IDEA TO VIABLE BUSINESS

The pathway to new product innovation success may appear to be linear, but you will discover that it is a circular stop and go process. As you progress forward, you learn new information that may take you forward, in alternate directions, or send you back to the drawing board. Every product development project is different because in the beginning, you don't know what you don't know, and that makes planning difficult.

The **Idea to Viable Business Success Map** outlines a proven pathway that has led other food product innovators to success. It will help you develop the product, get it to market and build a strong business. There is flexibility in the process, but resist the temptation to skip steps or jump ahead, as the process is sequential with each step building on the previous step and you don't want to miss important elements. Trust the success map process and you will get better outcomes and results faster than would be possible on your own.



IDEA TO VIABLE BUSINESS SUCCESS MAP

IDEA DEVELOPMENT

- Idea scouting
- Identifying the target consumer
- Idea screening
- Identifying who can help



PRODUCT DEVELOPMENT

- Creating a prototype
- Validation
- Setting the price
- Scale up strategy



ESSENTIAL PLANS

- Business model/business plan
- Customer plan
- Marketing/sales plan
- Food safety plan



AIM AND FIRE

- Launch sequence
- The sales presentation/building trust
- Grow your opportunity



OUTCOMES

- Product aligns with consumer and customer needs
- Product is scalable and profitable
- Strong business in support of product
- Positioned for new growth





IDEA DEVELOPMENT

Idea development is the process of discovering great new food product ideas and concepts worthy of further investigation, development and investment.

There are four key activities in the idea development process:

IDEA SCOUTING
IDENTIFYING THE TARGET CONSUMER
IDEA SCREENING
IDENTIFYING WHO CAN HELP

New food product ideas and opportunities are around us all the time, but are often hard to recognize. Innovations and new idea concepts reveal themselves when we open our mind to new possibilities, off-beat concepts, to asking questions, and by observing the world around us without judgement.

Every great new agri-food product innovation started first as someone's dream (idea) and a belief that it might have market potential. The entrepreneur sees what the rest of the world sees, but then looks deeper, beyond the limitations of others, past dogma and stereotypes to reveal and discover opportunities others have missed or overlooked. Idea development is the circular and ongoing process of finding ideas, screening ideas, aligning ideas with customer needs and identifying people and resources that can help turn those ideas into viable new food products and business opportunities.



Idea Scouting

WHAT IDEAS SHOULD BE CONSIDERED?

If you are lucky, you may already have a great new idea burning a hole in your pocket, but most are not that fortunate and still searching for an innovation to bring them new business success. The new product development journey for most, begins with scouting for ideas. The goal of idea scouting is to cast a big net to capture and gather as many ideas and opportunities as possible. Rarely is the idea you start out with the idea or product that ends up going to market. Therefore, the more ideas you start out with, the better chance you have of finding that unique great new food product innovation.

FACT

Did you know that most new products are not what would be called true or novel innovation? Rather, most are creative reiterations of existing products that someone just made better. While it is important to look outside of the box, remember to also look inside the box for opportunity from what already exists that you could take to a new level.



In Idea Scouting there are no bad ideas, or ideas too crazy; you want idea volume, so hold back on the judgement until later.

New ideas and innovations most often are the result of our encounters with six basic human forces common in our everyday lives.

NEEDS: What is needed? What gap can we fill?

PAIN: How to avoid the pain? Can we solve this problem?

PLEASURE: The pursuit of pleasure. How do we make them happy?

CIRCUMSTANCES: Stuff happens to us. What is the opportunity?

QUESTIONING: Challenge accepted assumptions and ask why?

DISSATISFACTION: When things aren't good enough and we want better.

You generate new ideas by observing the trends, new products, and the technologies of change. What is happening in your life that may also be happening to others? Try looking for new ideas outside of your industry, by watching TV, searching the internet, reading magazines that you normally wouldn't, going to trade shows and striving to gain new perspectives on old things.



TIP

Timing of new products can be everything. Be prepared to act and to move new ideas and concepts to validation quickly to ensure the opportunity is not lost.

Keep a journal and record ideas as they come to you. The best ones always seem to reoccur, as if they are encouraging you to take a closer look.

BRAINSTORMING

If you are having trouble coming up with new ideas, a brainstorming exercise can help you generate a great pool of ideas. Gather a group of family, friends, staff or others and you will be surprised how quickly you will generate a large list of potential opportunities and ideas.

One of the easiest brain storming techniques is to simply:

- gather a group of people;
- throw out a challenge and ask for solutions;
- capture the ideas on paper without judgement;
- identify the two-three best opportunities;
- discuss and challenge them one more time; and
- see which ones emerge and float to the top.





Identifying the Target Consumer

WHO WILL BUY THIS NEW FOOD PRODUCT INNOVATION AND WHY?

A classic food innovator mistake is to assume everyone will want to buy your new product. It is important to know early in the game who is

"There is no bigger waste of time and resources than making products that no one wants to buy."

Ash Maurya (The Lean Startup)

the target consumer (end user) and what is the niche market segment you are focused on.

Product innovation is possible from two directions:

1. create a product and then find a consumer; or
2. find a consumer need and create a product to fill the need.

While not critical in the idea development stage, when you begin with a consumer need or problem you have information to reverse design your products to fill a consumer need gap and gain assurance that there is interest in your product. When you create a product first, you have no choice but to go find customers for your innovation, which will be more difficult, time consuming and risky. It's better to have customers lining up to buy, versus spending all your time trying to find suitable consumers and making a sales pitch. **Unfortunately, most new innovators have trouble defining exactly who the target consumer is because they get focused on the product versus the product consumer.** Strong consumer/product alignment results in profitable product sales and success.

CONSUMER PROFILE

If you were to hire a new staff member you would want to see a resume to ensure that their skills and experience align with your business goals and expectations. The same thing applies to your consumers. When you know who your product is for, build a profile to ensure you understand that consumer.

CONSUMER PROFILE QUESTIONS

The following are key questions to help you build a product consumer profile:

- Who is the target consumer?
- What products do they buy?
- What do we know about this customer segment?
- What unique and significant problem(s) do they need solved?
- Is there a competitive advantage to serving this segment?
- Will they pay for the solution?
- Are there enough consumers with this problem?
- Can these consumers be reached effectively?



Idea Screening

WHICH IDEAS WILL MAKE IT THROUGH THE SCREENING PROCESS?

Idea screening eliminates weak idea concepts and allows the best or strongest one(s) to come forward. Your scouting efforts created a list of potential concepts for innovation. Your customer analysis identified consumer needs and problems to solve. Now you want to learn which ideas score best against your set of established screening criteria. The objective is to be left with only those ideas and opportunities congruent with a target consumer need, with your personal and business objectives and the resources you can assemble to take the product to commercial market success.

SAMPLE SCREENING CRITERIA

The following are sample statements meant to assist you in creating your own list of screening criterion. Every situation is different, so it is best to customize the screening criteria to the specific needs of your situation. Evaluate each idea against the criteria and make a check mark for each criterion the idea meets. At the bottom total the check marks for each idea to find which idea(s) should move forward.

Once you have screened and scored your potential ideas, you will be left with:

1. one or two best idea options to move forward;
2. ideas that need to be reworked; or
3. a situation where no idea meets enough key criteria, so you discard them all and go back and scout for new and better ones.

Sample Screening Criteria Statements	Idea #1	Idea #2	Idea #3
The idea or opportunity is truly unique or superior.			
This project is of interest to our organization.			
It aligns with our personal and business vision, values and goals.			
There is a defined target customer need for the new product.			
It can give us a competitive advantage.			
We have or can access the resources to develop this product.			
We can validate the market size, price and customer base.			
We can gain access to the necessary market channels.			
We have someone to champion the project.			
The risks are acceptable.			
There will be minimal negative impact on existing production.			
We have the time to do this.			
It will create new synergies and efficiencies for the business.			
Staff have the required skills and resources.			
There is a profit potential.			
We can finance and cash flow this project.			
There are advisors and mentors available to help.			
Development and production seem technically feasible.*			
Other:			
Total the check marks for each idea			

*For help with technical feasibility, contact one of our Product Development team members. See page 13 for contact information.



Identifying Who Can Help

WHO CAN HELP YOU MOVE YOUR PRODUCT IDEA TO A PRODUCT PROTOTYPE?

You have aligned your ideas with customer needs, screened them to identify the best potentials. The next step is to develop a prototype to facilitate market validation with the target consumer.

This is for most the beginning of a journey into new and uncharted territory and often beyond existing skills, resources, and in-house abilities. It is time to harness the expertise and resources of others.

There are many different people, organizations and consultants in the food product development world with skills and resources that could possibly create part of a team to help move your idea(s) forward to create a real food product prototype. How you proceed is in large part determined by the resources you currently have and the resources that you can assemble.

LOOK INSIDE

The first place to look for help is within your own organization, family and circle of friends. Are there individuals who can help move your new product concept from idea to a viable product? This would include people with unique skills, investment capacity, business and market knowledge, product and manufacturing resources, enthusiasm and moral support.

Who are they?	What are their skills?	What resources can they bring?

LOOK OUTSIDE

You will also want to identify individuals, organizations and agencies outside of your organization who can offer expertise, mentorship and specialized resources. This will include access to equipment, facilities, financial investment, networking, education, marketing, business development, and laboratory services that can short cut the product development process, reduce your risk and help deliver the best prototype product possible. These resources can often supplement and leverage your existing resources so that you can do more and go further, faster. Specific types of expertise to consider looking for could include:

- product and recipe formulation
- product stabilization
- prototype creation
- preparation of minimum viable product
- pilot production runs and scaling of production
- nutritional analysis
- branding
- labelling
- food safety and shelf-life studies
- intellectual property (IP)
- risk management
- accessing program funding and grants
- sales and marketing

Now that you have a team in place, you are ready to move to developing the product.

Perennia Food and Beverage Innovation Centre staff can assist with many of these items. See contact information on **page 13**.



BACK TO
DRAWING
BOARD

MOVE
FORWARD



PRODUCT DEVELOPMENT

In this phase your food product innovation moves from an idea concept to a full prototype product suitable for market testing. A prototype is the minimum viable product (MVP) needed to confirm your assumptions and get you prepared to take the next steps. The MVP is just enough product to get key market feedback, to validate your initial market and risk assumptions and to learn how to make the next version better.

In the Idea Development phase, you mostly used existing in-house resources and kept your project costs modest. Moving into the Develop the Product phase signals the beginning of increased investment; develop the product and formula, basic product and packaging options, validating your market opportunity and getting access to new skills and resources.

There are four key activities in the Develop the Product process:

CREATING A PROTOTYPE VALIDATION SETTING THE PRICE SCALE UP STRATEGY

The Develop the Product phase is the process of attempting to move from uncertainty to product certainty and to determine if your product innovation is worthy of moving on to the next phase Essential Plans.

The desired outcome in this phase is a market-validated prototype product, an understanding of product pricing and a strategy to scale up to market. There will be numerous reiterations of your product prototype so keep your costs under close management and utilize any opportunities to leverage the resources of others.

You will need to be both flexible and tough in the Product Development phase, as you may learn new information that takes you in new directions, requires further product reiterations, or sends you back to the drawing board to start over again.



Creating a Prototype

The prototype is a sample batch of the new food product, typically just enough for testing purposes. This could be a small sample, a few cases of product, or possibly a pallet as with advanced versions of your prototype. The goal should be to produce a prototype MVP as economically as possible. The product will change often, and will go through many versions and reiterations before it is satisfactory to both you and a target consumer.

"When they try it, they buy it. Sampling is your introduction to new customers." **Gary Morton, Morton Horticultural Associates**

PROTOTYPE PACKAGING

You will also need to mock up packaging for your prototype. Printing technology allows for cost effective design and small label runs suitable for prototype testing.

You are not trying to make a profit selling the prototype, rather use it to get answers to important questions like:

- Is there a target customer for this product?
- Do they like the product? Why?
- Will they buy this product?
- What price will they pay?
- Is there repeat sales potential?
- What size should the product be?
- How do customers want it packaged?
- What is the competitive advantage?
- Where do the customers buy similar products?





Validation

Validation is the canary in the coal mine, it lets you know when something isn't right and when it's safe to take the next step forward. It confirms your assumptions and gives you hard facts to base your future decisions upon. Remember, there is no bigger waste than producing products that no one will buy.

The validation process:

- tests and confirms your market assumptions;
- ensures there is product alignment with a target customer segment;
- helps you set pricing;
- identifies best packaging options;
- is an early competitive assessment; and
- gives you the OK to move forward, or sends you back to the drawing board.

TIP

Everyone will have an opinion on your new food product innovation. Your family and friends mean well but are a biased source of information; they can't (or won't) give you objective market criticism. The only opinion that counts is from those consumers willing to trade their hard-earned dollars for your new product.



From your validation efforts, you want to learn:

- Who will buy and why?
- What is right and what is wrong with the product?
- How do you fix what is wrong and make what is right even better?
- Which are the best market channels?
- How should the product be packaged?
- Does your unique selling proposition connect with the consumer?

- Will consumers need to be educated about your product's value before they will buy?
- What is the best way to promote to the target consumer?

The most important skill for validation is to ask questions and listen to the answers. This can be hard when you're excited about your new product, but let people tell you what they like and don't like about your product and don't take it personally. This is information you need to know.

CONSUMER TESTING

The nature of the food industry requires a minimum viable product (MVP) prototype to test and validate the market opportunity with a target consumer segment or group. When it comes to food and beverage, people want the full sensory experience: see, touch, smell and taste. You will need a working food product prototype.

The rubber hits the road when you can test your product with consumers. One of the best and most cost-effective methods to test new food products is at a farmers' market. There is a high volume of random consumer traffic on market day, people are open to try new food products, the environment is friendly, it's easy to talk to customers, ask questions, float prices, judge repeat sale opportunity and product performance. Some product developers have successfully scaled new food product innovations to full commercialization in a relatively short timeframe utilizing the farmers' market network.

Sensory labs have a higher cost, but can give you solid feedback and assessment on the consumer's reaction to specific product features and attributes. Focus groups deliver good information, but are more difficult to organize, costly to execute and the risk is participants can be led to conclusions by unskilled facilitators.



If you have a relationship with food brokers, distributors, wholesalers, or retailers you can run the prototype concept past them. They will be helpful in regards to consumer interest, competitive products, pricing, packaging, product size, etc. Testing is the only way to determine the best strategies and methods to connect your product with the consumer's wallet. Validating proves that market opportunity exists, that it's possible to enter a market and that your product can capture a market share.

COMPETITIVE ASSESSMENT

It is never too early to know what's going on in the marketplace with competitive products.

- What products are out there and how does your new product stack up against the competition?
- Who produces those products and what are their capabilities?
- Where are those products being sold?
- Who is their target consumer?
- How are the products sized, packaged, labelled, and priced?

You should not be afraid that there is competition, it proves there is a valid market opportunity. You need to make sure that your product is a new alternative with a strong value proposition or unique selling proposition.

VALIDATION QUESTION CHEAT SHEET

Here are some questions that can help you with validation:

- Would you be willing to tell us what you think about this new product?
- Why did you say that about the product?
- How would you use this product?
- What would be the best way to package it?
- How much would be a fair price for this product?
- Where would you normally purchase a product like this?





Setting the Price

HOW MUCH SHOULD I CHARGE FOR MY PRODUCT?

Everyone struggles with pricing and it is important to determine the right price for your product in a target market. Price is what the consumer pays, but value is what they get. The price should align with the value being delivered to the target customer. As value increases, price becomes less of a purchase issue.

One of the most important pricing criteria is your cost of production (COP). Knowing your COP ensures you are selling your products for more than it costs to produce them.

You may need different pricing strategies for different target markets, so test your pricing strategies in the different categories. Product, place and promotion add value to your products; price is used to capture a product's value.

HOW MUCH WILL THEY PAY FOR MY PRODUCT?

You want to learn the price range a consumer is willing to pay for your product. Price the product too high and you won't sell enough, price too low and you don't make any money. Where is the right balance between product value and price in the eyes of your target consumer?

Price will also determine the market channel to the consumer. The value chain has costs at each level for handling your product. Will there be brokers, distributors and retailers in your value chain? What are the margin expectations or fees you will need to pay to each stakeholder?

MARK-UP VERSUS MARGIN

There is difference between mark-up and margin. Retail sellers talk margin which is calculated from the retail selling price, while product suppliers talk mark-up calculated from their cost. Margins are used by retailers because they are more representative of what

results from the sale, not on how the price was set. You need to know your product category margins, the margins of each stakeholder in the value chain, how to calculate product margins, and the difference between mark ups and margins.

The profit wheel attached on the final page of this booklet will be a quick and easy tool to help you understand price points.





Scale Up Strategy

Scaling Up is about getting the new food product ready for market. There is a big temptation to jump in with both feet and start building a factory. People love making things, but it is premature at this point to take on the risk and investment of a factory unless there are no other options. It is one thing to validate the product opportunity at a pilot scale, and another in a competitive commercial environment. You will need a scale up strategy for product production as sales and markets grow.

Are you ready to deliver on your sales promise to the customer? Are you ready to scale up?

SCALE UP CHECKLIST

You should have:

- ☐ Product recipe or formulation at scale capacity
- ☐ Packaging design, labelling and nutrition facts table (visit the resources page at the back of this booklet for a link to a labelling checklist.)
- ☐ Secured suppliers and timelines for ingredients and other inputs
- ☐ Food safety plan compliance
- ☐ Established standard operating procedures
- ☐ Regulatory compliance and risk management strategies
- ☐ Intellectual property (IP) protection
- ☐ Secured financing, operating credit and cash flow
- ☐ Staff (HR) requirements and training needs
- ☐ Product storage and transport at appropriate temperatures
- ☐ Promotional materials
- ☐ Liability insurance
- ☐ An understanding of the products shelf-life
- ☐ Explored production options. e.g. co-packer
- ☐ Strategies to scale production volumes to fill orders
- ☐ A logistics plan to market

Use other people's resources, facilities, infrastructure and expertise to produce the initial or early runs of your product whenever possible while you build the markets and develop product sales. It may take some time until you are confident there is a market for your product. Therefore, bootstrapping is a prudent risk management strategy until you are sure you have a market winner in your product.



FACT

You won't achieve economies of scale until you get your volumes up, so co-packing could be the most cost effective way to scale your product to a point where you can invest in your own production facilities. Agreements can be crafted to protect your idea when using co-packer services and there are product development agencies with facilities to assist you with pilot runs of products in the initial or early stages of manufacturing a product.

Our Quality and Food Safety Team can help in a variety of ways. Contact **Elaine Grant** by email at egrant@perennia.ca for food safety questions or concerns. If you need help with a regulatory issue, contact **Rick Kane** at rkane@perennia.ca.

Perennia Food and Beverage Innovation Centre staff can assist with many of these items. See contact information on **page 13**.

Bootstrapping: building a company from personal finances without relying on money from outside investments.





ESSENTIAL PLANS

Planning is critical on many fronts for your new food product success. It forces thinking about the larger business environment, key metrics, goal setting and the creation of action plans that become the road map and measuring stick for new product progress and success.

There are four key elements to essential plans for a food business:

THE BUSINESS MODEL/BUSINESS PLAN

THE CUSTOMER PLAN – PATH TO MARKET

THE MARKETING/SALES PLAN – GETTING ATTENTION

FOOD SAFETY PLAN – ASSURANCE

The desired outcome of essential plans is identifying the best strategies to move new products forward to market.



Business Model/ Business Plan

WHY AND WHEN DO YOU NEED A BUSINESS PLAN?

The most common excuse for not preparing a business plan is “By the time I get the plan done; it’s already out of date.” There is good news, in the early stages of new product development a traditional business plan is not necessary and can slow things down. Business plans are a lot of work, costly and take a fair bit of time to prepare. Since one cannot accurately predict a return on investment on the unknown, or the size of potential markets based on assumptions, a business plan is a guess at the future and pretty much ineffective in the early stages of your new product development.

However, this does not get you off the hook for planning. Instead you will need to prepare a business model canvas. There are various versions of the business model canvas. Diagram #1 illustrates a standard business model canvas from Business Model Generation by Osterwalder, A. & Pigneur, Y. (2010) New York, John Wiley & Sons.

The business model defines relationships, dependencies and success interactions between nine key business elements. The business model is basically a one page summary of what would be in your business plan. The business model runs lean so it can be changed quickly, remain current and help keep you organized and your thinking focused on what is most important in a fast-paced new product development environment. It can also easily be shared with your development team, business investors, and other key stakeholders to keep everyone abreast of any changes.

The business model connects the dots and tracks how your project is doing, and aligns a profitable model with your vision and value proposition to the customer/ consumer. The goal of a business model is to get your innovation to a sustainable profit model as quickly and efficiently as possible. A formal business plan comes into play after you have validated the product opportunity in the market, tested the different channels and have gathered real facts to back up your business plan strategies as you move to scale up for full production.

The business model matters because it:

- makes the connection of company product benefits with the consumer;
- shows how value is delivered to customers and consumers;
- rationalizes how the company will create, deliver and capture value;
- identifies how profits will be created; and
- forces you to make decisions based on customer insights.

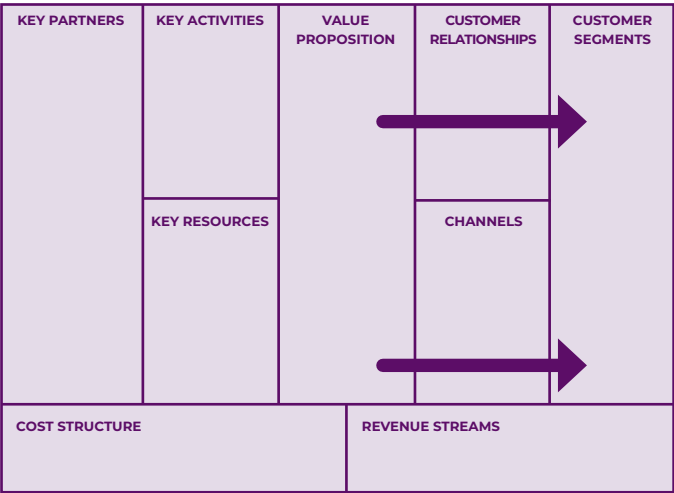


Diagram #1 Osterwalder, A. & Pigneur, Y. (2010) Business Model Generation, New York, John Wiley & Sons



ESSENTIAL PLANS

Value Proposition: The value proposition is the bundle of benefits that your product offers the target consumer to grab their attention. This is derived from the price point, customer service strategies, uniqueness to the market, improved product attributes, innovative packaging, customized solutions, product design, brand, cost reduction, warranty, convenience and communication.

Key Resources: Key resources are the important assets required to make the business operate and function effectively. These include facilities, equipment, education, human resources, intellectual property, distribution channels, financing capacity and cash flow.

Key Activities: The key activities are the important actions for the business to operate successfully. Included are: distribution logistics, order fulfillment, customer relationships, marketing initiatives, revenue streams, production capacity, product quality, volume and efficiency.

Key Partnerships: Key partnerships include the network of suppliers, stakeholders, people, customers and businesses that will make your business model work more efficiently and be more functional.

Cost Structure: This includes all costs incurred to run the business operation. There are fixed costs, variable costs, and economies of scale that can be achieved that will impact the cost of business operation.

Customer Segments: Customer segments define the different groups or clusters of customers the business will serve. Since you cannot serve everyone, it's important to define exactly which customer segments you plan to target and which to ignore. Your business model is designed around the specific needs of your target customer segments.

Market Channels: The market channel is the product pathway to the target consumer. You may sell to your consumers directly or via channel partners such as distributors, brokers, agents, wholesalers, retailers or on-line. The market channel chosen determines: how your business will communicate with customers, distribution logistics, and communication styles.

Customer Relationships: Each target customer group requires its own unique customer relationship strategy. How will you connect with your customers, build and maintain strong relationships and trust?

Revenue Streams: The revenue stream is how cash flow will be generated from the different customer segments. Revenues could include: product sales, leases, licensing fees, service fees, royalties, etc.

BUSINESS ESSENTIALS

Once you leave the fun of product development behind, it's time to get serious as the rubber hits the road. Now the hard work begins to ensure that you have a strong business and team in support of your new product innovation.

REMEMBER:

A product is not a business.



You need a strong business that is capable of:

- governing and leading your business development and growth;
- administration of daily operations;
- communication with investors and stakeholders;
- executing your plans and strategies;
- managing the operations and expansion of your production line;
- finding, maintaining and growing sales and markets;
- executing a food safety strategy;
- customer service;
- building and managing a team (human resources) that can take you to the future;
- identifying the next innovation; and
- growing the business.



Customer Plan

We have talked about the consumer in previous sections and now we look at the customer plan. Depending on your channel to market, the customer may or may not also be the consumer.

DEFINITIONS:

Consumer – the end user of your product.
Customer – the reseller you directly sell your products to.



The two important questions to answer in regard to the customer plan are:

1. How will your product get in the hands of the end consumer?
2. Who is the best customer to take the product to the consumer?

SUPPLY VALUE CHAIN

This is a diagram of a typical supply value chain; you have input and ingredient suppliers and you may or may not require the different stakeholders to get your product in the hands of the end consumer.



By selling through various middle businesses you can increase and leverage the volume of possible sales and gain access to larger markets. Try to minimize the stakeholders in your supply value chain and find the ones who offer the most value in getting products to the consumer. This could include but not be limited to brokers/agents, distributors, direct sellers, retail (grocery, club, drug, independent), food services and on-line.

The following are questions that will help you build a customer profile. You will want to create a profile for each different customer.

Key questions when building a customer profile:

- Who is the target customer?
- What products do they buy?
- What is known about this customer segment?
- What unique and significant problem(s) do they need solved?
- Is there a competitive advantage serving this segment?
- Will they pay for the solution?
- Are there enough customers with this problem?
- Can these customers be reached effectively?





Marketing/ Sales Plan

HOW WILL THE PRODUCT BE MARKETING AND PROMOTED?

*"It's not about making great products to sell;
it's about selling the great products you make."*
Peter Chapman, SKUFood

Creating a great product is just the first step in getting your product to market.

It's your job to create product awareness and maintain product interest to get them in the consumer's shopping cart. Your marketing plan includes:

- A marketing/promotional strategy
- Brand development
- The internet strategy
- A unique selling proposition (USP)
- A marketing funnel
- Competitive advantages

Marketing Strategy: Your marketing plan outlines the strategies of how you plan to get your product in front of the target consumer and convince them to buy. Ultimately, you are responsible for the consumer pull (demand) for your product off the retail shelf. It's your job to create and maintain product interest and get it in the consumer's shopping cart. There are many forms of traditional advertising commonly used to promote food products. These include: television, radio, magazine, trade shows, trade missions, point of sale, flyers, etc.

Branding: Branding and promotional advertising are common activities to build customer awareness, loyalty and to differentiate your product or service so it stands out in a sea of consumer products. What is your brand building strategy?

Internet: Today, product promotion and awareness can be achieved effectively on-line using a website and social media. It can be powerful and economical as a marketing tool. The Internet allows you to give people information in a variety of forms and educate them about your product benefits and to let them know when and where the products are available to purchase. Use social media to:

- Connect and build customer relationships.
- Link to product research to add third party credibility.
- Promote and sell the product benefits to the user.
- Tell customers where to buy your products.

USP: Every product needs a unique selling proposition (USP) that connects it with the target customer. A USP is a market positioning statement that outlines the superior value and benefits of your product, or service. An effective selling proposition has a strong promise of value for the customer, and is packaged and delivered in a manner so they absolutely believe they will receive the value being offered.

Marketing Funnel: A funnel is a series of steps that lead a potential customer along a path to buy your product. Most customers don't jump from see product to buy product, they need to be informed, groomed and convinced of the product value before opening their wallets. It's called a marketing funnel because you start by getting your product marketing message out in front of as many potential customers as possible with a goal of connecting and getting them to take action that eventually leads to a sale. Step-by-step potential customers are converted into buying customers.

This example compares a traditional brick and mortar store funnel with an on-line funnel.



Funnel Phase	Retail Store Funnel	On-line Funnel
Awareness	Advertising draws consumer to store	Social media connects with potential consumer
Discovery	Merchandising in store creates product interest	Consumer sent to website, opts in to email to get product information
Educate	Staff or P.O.S. materials interact with consumer about products	Newsletter, webinars, videos inform consumers about products
Engagement	Consumer puts product in cart	Product offer is made
Purchase	Consumer buys product	Orders and pays on line
Retention	Coupon encouraging return visit	New offer

SALES PLAN

The sales plan is a roadmap of how you plan to develop sales, maintain sales, grow sales and put more sales dollars to the bottom line.

A great sales plan will address:

- sales growth targets;
- how products will be sold;
- how much you will sell and when;
- identify target customers;
- identify your competitive advantage;
- how you measure success;
- the potential obstacles to success;
- competitors impact on the sales plan success;
- how you will stay relevant to your customers; and
- how you will promote your products for your customers.

The sales plan is an important element of almost every meeting you will have with your customers. The plan defines and outlines your sale supporting investments and when you will make them.

You have different tools at your disposal to drive product sales. In store investments with your customers are called trade spend and outside the store are market spend. The sales plan should address both.

Trade Spend: Your customers expect you to invest in driving the sale of your item in-store. The shelf or on-line (virtual shelf), is where consumers make the decision to buy, so any initiative that impacts the point of purchase decision of the consumer is important to your customer.

Trade spend examples: ads, in-store specials, loyalty programs, product demos, shelf signage, special events in store, etc.

Marketing Spend: You have many options at your disposal outside the store to promote your products including traditional mass advertising and social media. The objective is to find the right ones for your products to meet your sales goals.

Market spend examples: on pack promotions, paper coupons, on-line coupons, social media, recipes, mass advertising (radio, TV and newspaper), events, sponsorships, public relations, etc.

Forecasting Sales: No one has a crystal ball, so you must use the information you have, your knowledge of your products, and any available market information to predict your sales. If you are a new product supplier, you need to determine what your sales per store should be and start with that information. Some customers will provide guidance around that sales metric. Ultimately, food business success is about moving your products from the retail shelf and into the consumers shopping cart.

The sales plan is what changes you from being an order taker to becoming an order maker. It lays out how you and your customer are going to win at selling your product by outlining the monthly sales targets and annual growth strategies. It is your responsibility that your product sells, you are responsible for the consumer pull from the shelf. The sales plan is the strategy of how this is going to happen.





Food Safety Plan

Making the move from the farm gate, farm market or other forms of direct selling to retail, be it local, countrywide or exporting to another country can be an exciting but stressful time. Questions such as “Can I scale up at my present location?” and “What licenses or approvals do I require to do this?” will come up.

The following are some food safety considerations you must think about prior to signing that contract.

WHERE AM I GOING TO PRODUCE, PACK AND STORE MY PRODUCT?

If you are unable to produce additional product or develop and produce a new one at your current location you may need to consider using a co-packer, an alternative storage location for your product or its components or explore using a commercial kitchen to make or pack your product. There are a few things you need to look into before you make the leap.

Can your potential co-packer, storage facility or commercial kitchen supply proof of any of the following controls?

- Certification, 3rd party or 2nd party food safety inspection results.
- Procedures for allergen control, sanitation, pest control, water testing, preventive maintenance on communal equipment, recall and traceability.

It's also important to ensure that co-packers have a good training and hygiene program. It is your right to see these procedures and practices in place as it affects the quality and safety of any products that are produced. Tour the facility, conduct your own 2nd party audit, and watch how the employees handle the products produced or stored there.

Commercial kitchens supply different community groups with a provincially inspected location to produce food for others.

Make sure that you transport your equipment, ingredients and packaging with product safety

in mind or lock it up on location to ensure it isn't used or tampered with. Allow time for cleaning and inspection prior to starting your production as well as after. Document that cleaning.

WHAT DO I NEED TO DO IF SOMETHING ABOUT MY PRODUCT CHANGES?

Whenever you change an existing product, develop a new one, bring in new or modify existing equipment it can potentially affect the quality and safety of your product. Here are some things to look for in such a situation:

- When adding an allergen to a product or process know what is considered an allergen in the country you are supplying. Not all countries have the same priority allergens. Allergen-containing products should be run after products without allergens and followed by a thorough cleaning and inspection.
- Make sure your labels reflect any ingredient or recipe changes; including changes to products produced on the same equipment (i.e. allergen risks).
- Any change of packaging can affect the quality or potential safety of your product depending on your type of product. For example fresh mushroom containers must have perforations to prevent harmful bacteria from growing; fresh smoked fish is another example.
- Equipment that comes from another country may not meet Canadian Safety Standards, may not have operating instructions in a language understood by your staff, and may not be compatible with other electrical or mechanical equipment.
- Be careful when choosing equipment. If equipment is not intended for food production it may not be able to be cleaned properly and may have dead spots where harmful bacteria could grow.

When changes occur such as the addition of new equipment, removal of prior equipment, changes to product formulation or packaging, or the introduction of a new product, they can impact your process flows, hazards to other products, existing HACCP/PCP plans, procedures, records, product pH, allergen program, product shelf life, etc. Make sure you have done your research and can continue to provide a safe, quality product for your customers.

RETAIL

Prior to signing contracts and promising delivery dates ensure that you are clear as to what certifications, inspections and/or food safety documentation needs to be in place and sent to your customer. If you require a third party audit, find out what standard or scheme your customer requires you to obtain in order for you to be a supplier. Fully develop and implement your food safety program or at least be well on your way to completion prior to booking an audit with a certification body (e.g. NSF or SAI Global). Most auditors are booked up several months in advance (two to six months, or even a year). Advance planning will help with preparation and ensure a successful experience.

If you require federal licensing to ship out of your home province it can take time, facility upgrades and resources, to meet and maintain regulations.

EXPORT

You must have a label in place on your product that complies with regulations in the country to which you are shipping. Allergens differ from country to country as do other labelling requirements. Familiarize yourself with these and other requirements prior to production or you may be faced with additional costs to repackage or re-label product or risk having it rejected on receipt.

Plan where you want to be in two months, six months, one year and five years time. Having a roadmap in place will help manage the workload and ensure you are prepared to meet the challenges that will arise in the days, weeks and months ahead.

Do you have the resources or know how to successfully develop and implement any food safety requirements? Do you understand what is being asked of you or where to start? If not, Perennia has e-learning and in-person training opportunities available as well as a team of specialists that can coach you through the process.



PERENNIA QUALITY AND FOOD SAFETY

199 Dr Bernie MacDonald Drive,
Bible Hill, Nova Scotia B6L 2H5

Phone: 902-896-0277

Fax: 902-896-7299

Email: info@perennia.ca



AIM AND FIRE

Are you primed and ready to launch and fire your product to the world?

At this point you have a market-validated new product and have put the necessary plans in place to get that product to the market; now it's time to take aim, fire and launch. For many it is scary moving from the comfort zone of developing products and getting ready for market, to taking a new product to market. This is where you find out if it all has been worth it and if the product succeeds. While there is no guarantee of market success, by following the steps in this guide, you have positioned your product and business for the best outcomes.

There are three key activities in the Aim and Fire process:

LAUNCH SEQUENCE

THE SALES PRESENTATION/BUILDING TRUST

GROW YOUR OPPORTUNITY



Launch Sequence

CHECKLIST TO PRODUCT LAUNCH

- outline the sequence and steps to product launch
- secure the logistics to market
- ready to scale up production for order fulfillment
- able to execute the marketing plan
- ready to assess and adjust as required

There are few things more exciting for new product developers and entrepreneurs than the product launch. It's full of anticipation and is the final step in getting a new product to market. It is assurance that all the product development hard work has been worthwhile. A successful product launch gets the product on the shelf, gains a foothold in the marketplace, establishes a market share and starts generating the important cash flow.

While there is no guarantee of product market success, following the steps in this booklet will give you a level of confidence that your product is properly aligned with a consumer demand and that you have the strategies required to get your new product to market. Now all you need to do is take action and see.

The Sales Presentation/ Building Trust

Executing your marketing plan and generating sales will require that you meet with target customers and make presentations to sell your products. There is a lot more to selling than can be covered in this manual and the food marketplace is unique so you need to be well prepared for sales meetings, a great sales presentation and pitch.

You will be drawing on all the information you have developed to this point:

- understand who you are selling to (customer/consumer) and their unique needs

- promote and present the new product benefits in a manner that aligns with the customer needs
- present a sales plan that is win/win
- work at building a long-term relationship of trust (consumer/customer/supplier)

Grow Your Opportunity

Congratulations on a job well done. You have achieved a lot to get to this point. You have created a great new food product, launched it in the market, and grown a unique business in support of that product. At this point you may feel like sitting back and milking the cow of success for a while or like many entrepreneurs you're eyeing up that next new rising star product.

However, the job is never over with new products, you will need to protect and maintain what you have established in the marketplace, continue to grow your opportunity, the market share and interest in your product. New product success brings new demands and challenges such as managing the cash flow, securing new financing and investment for growth, hiring good people and building a strong team, establishing new levels of leadership and positioning the business for the future.

What are the growth engines you need to harness to take your product and business to the next level?

To grow your opportunity, you have options going forward. Most entrepreneurs don't stand still for long because they have the potential to develop:

- more and new customers
- on-line sales
- direct to consumer sales
- new market channels
- regional, national and export sales
- generate new revenues and profits





OUTCOMES

Your Idea to Viable Business journey has been a long process. The success map (see page 5) has helped you develop your idea and turn it into a viable product. It has helped you get the essential plans in place to launch your product into the market and positioned your product and business for future growth and success.

It also should have led you to these four key outcomes:

PRODUCT ALIGNS WITH CONSUMER AND CUSTOMER NEEDS

PRODUCT IS SCALABLE AND PROFITABLE

STRONG BUSINESS IN SUPPORT OF PRODUCT

POSITIONED FOR NEW GROWTH

Developing new food products is a continual learning process and new products have the potential to change the market. This workbook has given you an overview of the process of taking a new food product idea to a viable business opportunity.

If you would like to go deeper with your learning and access the assistance of valuable mentors the Idea to Viable Business training is the answer you are looking for. We will guide you through every step and you will build your own capabilities at the same time.

Check out the details at www.perennia.ca/agri-food





RESOURCES

This booklet is one resource to help you on your journey of developing a product. There are many other resources available that can help. Find additional resources on the following page to help you with your continued success.



Additional Product Development and Food Safety Resources

PERENNIA QUALITY & FOOD SAFETY RESOURCES

www.perennia.ca/foodsafetyresources/

PERENNIA PRODUCT DEVELOPMENT RESOURCES

www.perennia.ca/productdevelopmentresources

PERENNIA PRODUCT DEVELOPMENT

www.perennia.ca/product-development/

PERENNIA QUALITY AND FOOD SAFETY

www.perennia.ca/quality-food-safety/

FOOD LABELLING FOR INDUSTRY

<http://www.inspection.gc.ca/food/requirements-and-guidance/labelling/industry/eng/1383607266489/1383607344939>

MY CFIA

<http://www.inspection.gc.ca/about-the-cfia/my-cfia/eng/1482204298243/1482204318353>

UNDERSTANDING THE SAFE FOOD FOR CANADIANS REGULATIONS: A HANDBOOK FOR FOOD BUSINESSES

<http://www.inspection.gc.ca/food/toolkit-for-food-businesses/handbook-for-food-businesses/eng/1481560206153/1481560532540>

NOVA SCOTIA FOOD SAFETY LAWS AND REQUIREMENTS

www.foodsafety.ca/laws-requirements/by-location/nova-scotia

FOOD SAFETY GUIDELINES FOR PUBLIC MARKETS

novascotia.ca/agri/documents/food-safety/publicmarketguide.pdf

FOOD PRODUCTION FACTSHEETS & PUBLICATIONS

<https://novascotia.ca/agri/programs-and-services/food-protection/factsheets-publications/>

FOOD SAFETY REGULATIONS MADE UNDER SECTION 105 OF THE HEALTH PROTECTION ACT

<https://novascotia.ca/just/regulations/regs/hpafood.html>

NOVA SCOTIA FOOD RETAIL & FOOD SERVICES CODE

<https://novascotia.ca/agri/documents/food-safety/NSFoodCode.pdf>

BENEFITS OF NUTRITIONAL LABELLING

www.youtube.com/channel/UCSfgJQBrAvx2wURxIX499Cw

SKUFOOD YOUTUBE CHANNEL

www.youtube.com/channel/UC6yQ7MMelbRf3Q0QYhoeBVQ

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PROFIT WHEEL

SEE THE RESOURCES SECTION ON PAGE 31 FOR LINKS TO THE SKUFOODS YOUTUBE CHANNEL.
THERE YOU WILL FIND VIDEOS THAT WILL HELP EXPLAIN THE PROFIT WHEEL.

PERENNIA FOOD AND BEVERAGE INNOVATION CENTRE

173 Dr. Bernie MacDonald Drive,
Bible Hill, Nova Scotia
B6L 2H5

Phone: 902-896-8782

Fax: 902-896-8781

Email: innovation@perennia.ca

QUALITY AND FOOD SAFETY

199 Dr. Bernie MacDonald Drive,
Bible Hill, Nova Scotia B6L 2H5

Phone: 902-896-0277

Fax: 902-896-7299

Email: info@perennia.ca