

HOW TO SELL YOUR PRODUCT TO FOODSERVICE INDUSTRY

BC Ministry of Agriculture Marketing Guide Series



Foodservice is a Growing Opportunity

More Canadians are eating outside the home every year. This trend has resulted in a growing opportunity for food, beverage and seafood companies to become suppliers to the foodservice industry.

The foodservice industry includes restaurants, hotels, hospitals, prisons and recreational facilities and is also referred to as the HRI Trade (Hospitality, Restaurants and Institutions). Foodservice operators actively seek a diverse supply of food and beverage products and the demand for local foods is growing.

The foodservice trade has different requirements than grocery retail, particularly with respect to packaging and labeling. Pack sizes are typically larger and there is no need for labels that appeal to consumers.

Foodservice operators have little interest in “me-too” products. You must differentiate your product from the competition. There are many ways to differentiate a product; packaging, convenience and a company story are just a few ideas. For example, there are a lot of honey products on the market; a new honey could be differentiated from the competition by using more convenient packaging, innovative recipes and telling the unique story of how the company began.

There are two main avenues to sell your product into foodservice:

1. **Direct sales to a foodservice operator through the owner or manager; or,**
2. **Sales to a foodservice distributor.**

DIRECT SALES TO A FOODSERVICE OPERATOR (END USER)

Small farmers and processors often start selling into foodservice by talking to the owners or managers of independent restaurants and smaller hospitality businesses and selling to them directly. This approach allows familiarization of working with a foodservice operator and builds demand for your product. Once you have built demand for your product both you and the end user can approach a foodservice distributor with demonstrated sales, increasing the likelihood of your product being listed by the food distributor.

The steps involved with direct sales to foodservice operators include:

1. Visiting local foodservice operations and talk to the owner or managers about including your product on their menu
2. Making the sale
3. Delivering product
4. Invoicing the operator and
5. Managing the account
 - a. Conducting site visits
 - b. Soliciting orders, and
 - c. Collecting accounts receivable.

Restaurant sales have increased every year for the past 25 years.

~Restaurants Canada

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You Can Never Be Too Prepared

SALES TO A FOODSERVICE DISTRIBUTOR

A foodservice distributor, or wholesaler, purchases your product and distributes it to foodservice operators or end users. Hospitality businesses, restaurants and institutions work with foodservice distributors because it saves them time as they can access many products from one company.

Tip The best way to secure sales to a foodservice distributor is to generate demand from the end user. If a Chef likes your product he/she will want to be able to order it from his distributor.

Contacting a buyer and getting a new product listed with a foodservice distributor can be challenging.

Most foodservice distributors have general contact information online. Restaurant managers, food industry members and networking at industry events are other sources of buyer information. Food industry members are often willing to share their experiences and provide contact information for the buyers they have worked with.

Make sure to identify the right buyer for your product. Foodservice buyers typically have specific categories for which they are responsible. Buyers receive many enquiries and often do not get to all their calls. **Be persistent, keep calling.**

The steps involved with selling to a foodservice distributor include:

1. Conducting market research
2. Ensuring product fit
3. Meeting foodservice distributor requirements
4. Making appointment
5. Presenting your product
 - a. Sales pitch
 - b. Product sell sheet
 - c. Product samples
6. Making the sale
7. Negotiating your Vendor Agreement, and
8. Managing the account.

Regardless of which avenue is chosen, direct sales or sales to a foodservice distributor, it is important to do market research and know the foodservice distributor's requirements.

The remainder of this guide primarily focuses on sales to a foodservice distributor.



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Food Safety is Paramount

MARKET RESEARCH

The foodservice industry is highly competitive, volume driven and is constantly changing. Consumer trends, industry consolidation and regulatory changes all have an impact on your business.

Local and healthy products are currently on trend and foodservice buyers are increasingly sourcing these products from local companies. Keep on top of current trends as they change over time. See the Ministry of Agriculture's "How to Conduct and Use Market Research" guide for information on how to keep on top of current trends.

PRODUCT FIT

Make sure your product fits into the foodservice distributor's product offerings. Some foodservice distributors offer an extensive product catalogue; others focus on specific categories such as alcoholic beverages, frozen foods or produce.

FOOD SAFETY

Food safety is paramount to foodservice distributors. Most foodservice distributors require that products are processed in an approved facility. Generally, the larger the foodservice distributor, the more rigorous the food safety requirements. Large, national and multinational companies require that their suppliers have federally recognized Hazard Analysis Critical Control Point (HACCP) programs in place. Smaller foodservice distributors may accept provincially recognized food safety programs.

UPC AND ECCnet

UPC, Universal Product Codes, are used for inventory control throughout the food industry and at point of sale at retail. UPC codes are required on both individual packages and on each case.

Larger foodservice distributors require that suppliers are registered with ECCnet. ECCnet is an online source of certified product information offering trading partners a single source of electronic data. Information contained in the ECCnet registry includes product details, nutrition facts, ingredients, common allergens and product certifications. Foodservice distributors use ECCnet information in electronic purchasing systems, to populate product catalogues and e-commerce platforms.

UPC codes and ECCnet are managed by GS1, Global Standards One. You must be a member of GS1 in order to obtain UPC codes and be on the ECCnet registry. Fees depend on organization size and number of products.

For information about GS1 membership, Universal Product Codes and ECCnet search for "GS1 Canada".



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Collaborative Relationships are Key

PRICING YOUR PRODUCT

Foodservice distributors sell large volumes of product at wholesale prices to end users. Like other food industry channels foodservice applies a margin percentage to products it purchases.

$$\text{MARGIN PERCENTAGE} = \frac{\text{PROFIT}}{\text{PRICE}} = \frac{\text{PRICE} - \text{COST}}{\text{PRICE}}$$

A foodservice distributor typically adds a 5-20% margin to your product. Margins vary depending on product categories. In addition to their margin, foodservice distributors charge listing fees to cover administration costs, fees for shrinkage or damaged goods and handling fees. Foodservice distributors also rely on sales representatives that charge commissions to sell your product. All fees associated with selling to a foodservice distributor will be outlined in your Vendor Agreement.

Margins, fees and commissions must all be factored into your suggested price. Your suggested price should be competitive, cover costs and contribute to the growth of the company. Work with the foodservice distributor to determine the market value for your product.

Tip Factor in distribution costs right from the start rather than risk raising prices later.

MORE INFORMATION

See the Ministry of Agriculture's Marketing Guide Series for more information and additional topics by visiting <http://www2.gov.bc.ca/gov/content/industry/agriculture-seafood/statistics/market-analysis-and-trade-statistics>

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When selling direct, without a foodservice distributor, it is recommended that you factor distribution costs into your pricing right from the start rather than risk raising prices later.

For more information see the Ministry of Agriculture's "How to Determine the Right Retail Price for Your Product" guide.

PRODUCT PRESENTATION

The "Sales Pitch" is a critical step towards securing a foodservice distributor listing. This is your opportunity to impress the buyer with professionalism as they evaluate you, your company and your product. Be sure to demonstrate that you have done market research and your product meets the foodservice distributor's needs.

When you meet with the buyer take your Sell Sheet, Price List and Product Samples with you. The Ministry of Agriculture has prepared "How to Develop and Deliver a Sales Pitch for Your Product" and "How to Develop and Use a Sell Sheet" guides to help B.C. companies prepare for product presentations.

MANAGE THE ACCOUNT

Be sure to stay in regular contact with your foodservice buyer. Visit restaurants that use your product and talk to foodservice staff to determine how well your product is being distributed and provide feedback to the buyer. Building trust and a strong collaborative working relationship with your foodservice distribution partner are keys to success.