

Growing Food Businesses

Market Trends, Branding and Shared Kitchens

Presentation to Grampians Produce AGM

21 July 2005

Dr Kim Houghton
Director
Strategic Economic Solutions
kim@economicsolutions.com.au
www.economicsolutions.com.au



Market Trends

By 2021 Victoria's population is expected to grow from around 5 million to nearly 6 million, with the number of people over 60 increasing from 930,000 to 1.4 million.

- Between 1996 and 2001:
 - Average household income rose 26%, and average household disposable (real) income rose by \$50 pw, more for higher incomes.
- Next 5 years? Next 10 years?



What will we buy as we feel wealthier – how about buying a customised companion from My Twinn in the US?

- Retail spending projected to increase
 - Access Economics predicted in 1999 that, after inflation, the amount spent on retail goods in Australia would rise by almost 32% between 1999 and 2009.
 - 2004 was a slow growth year, but since 1999 retail spending has grown in real terms by 2-4% per year - on track

New niche markets are big markets:

Upshifters 20% of people employed and 25% of small business owners work more than 50 hrs/wk

Downshifters 23% of people aged 30 to 59 have voluntary downshifted, turned away from the rat race to 'downshift' to a slower paced lifestyle, often out of cities. These are not 'new-age dreamers' that have 'opted out', having made the change for personal not philosophical reasons. Downshifters still consume, quality is the key.

Active retirees Currently 19% over 65, 23% by 2013 and 27% by 2022. Healthy foods are a strong market.



Retail trends

Based on an analysis across the 59 countries, retail product analysts ACNielsen identified three key trends that appear to have driven the growth within the Food & Beverage categories over 12-months to early 2005:

A Continued Focus on Health

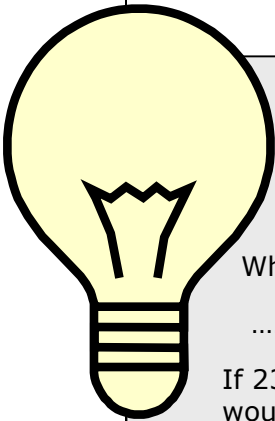
The Need for Convenience

The Growing Impact of Private Label

The fastest growth categories around the world in 2004 were soy-based drinks and drinkable yoghurts. Consumers are looking for products that are healthy, convenient and provide them with good value for money.

Quality and Health

Free range eggs make up around 10% of the eggs sold in Australia, doubling the market share in less than five years. Yet *Choice* measured the average price gap at \$1.80 per dozen in 2004. The 2004 AC Nielsen global survey showed that eggs were the third fastest growing category of grocery sales by value, up 16% – either we are eating more eggs or are paying more for them – or both.



Implications and Market Opportunities

How do your products appeal to Upshifters? Downshifters? Retirees?

.....

Who are your high value customers and why are they buying from you?

.....

If 23% of your customers became more focused on quality than price how would you change your business?

.....

How do you differentiate your products and services across age groups?

.....

How prepared is your business for double the number of customers over 60?

.....

Contact: www.smallbusinessfutures.com.au; www.acnielsen.com.au; www.tai.org.au

Regional Branding

Concept

A **Regional Cuisine** distinctive to your area can showcase your region, its product, and its unique advantages. It can incorporate producers, promoters, preparers, presenters and consumers to celebrate and reflect the qualities of your regional lifestyle.

For successful branding the cuisine needs to be based on the principles of clean, fresh, simple and easily transferable to the home. The concept promotes two industries simultaneously: tourism/hospitality and agribusiness.

Success involves everyone:

1. **The general community, consumers** - increased awareness, greater choice, fresher product and better quality in purchasing;
2. **The growers and producers**, developing networks, clusters, collective sales and marketing, improved pricing structures; and
3. **The service and tourism sectors** including restaurants, improving standards in service, quality of final product, presentation and marketing of the product

The general community, consumers – involved through increased awareness, greater choice, fresher product and better quality in purchasing,

The following themes are important:

- Locally grown and produced
- Very seasonally fresh and perfect
- Maintain clean green image
- Casual and relaxed dining
- Cooking and dining the outdoors
- Eclectic food themes
- Using local crafts for utensils and tableware
- Close relationship between food and the arts.

The growers and producers – involved through developing networks, clusters, collective sales and marketing, improved pricing structures.

Start with development of a data base of Growers and Producers capacity and outputs to give a clear picture of what you have. Additionally a series of workshops and seminars can help develop networks, clusters, opportunities for collective sales and marketing and improved pricing structures.

The seminars should focus on issues facing growers and producers operating in rural and regional Vic. In particular they should target newer, niche market opportunities rather than the well-established industries.

The service and tourism sectors – involved through including restaurants, encouraging and enabling high standards in service, quality of final product, presentation and marketing of the product. A good place to start is compiling a data base of cafes and restaurants

EXAMPLE OF ACTIVITIES AND OUTCOMES

ACTIVITY	TIMEFRAME	OUTCOME
Seasonal Cards and Recipes	Quarterly - Ongoing	Marketing & PR
Newsletter	Quarterly - Ongoing	Raising Awareness
Involvement from growers and producers	Ongoing	Raising Awareness
Journalists visits and tours	Ongoing,	Marketing & PR
Radio Recipe spots breakfast & morning	Ongoing - weekly	Raising Awareness
Membership drive	Ongoing	Source Income
Display in Melb	Ongoing	Marketing & PR
Women in Business Lunch	as appropriate	Marketing & PR
Visiting Chefs	2 per year	Raising Awareness
Developing strategic linkages	ongoing	Promotion
Branding strategy		Raising Awareness Marketing & PR
Presentations	ongoing	Marketing & PR
Education and training for industry	ongoing	Raising standards

Contact

Amanda Kenyon, 44 Fig Tree Hill Drive Lennox Head, NSW, 2478

Ph - 02 66876191, Fax - 02 66875181, email – akenyon@nor.com.au

Shared Kitchens and Business Incubation

A shared use commercial kitchen or 'kitchen incubator' provides *specialised facilities, services* and *advice* for three main client groups:

1. Food manufacturing and value-adding businesses
2. Caterers
3. Test kitchen facilities – especially for restaurants.

The *specialised facilities* comprise:

1. A fully equipped shared use commercial kitchen (rented by the hour);
2. Short or long term office accommodation; and (if required)
3. On-site storage – freezer, cold store, dry goods.

The *specialised services* comprise:

1. On-site business development skills and advice;
2. Links to business development, coaching and mentoring support; and
3. Referrals to professional services.

The *specialised advice* focuses on building a successful food-related business and includes:

1. Food technology advice (moving from stove-top to commercial production methods and quantities); and
2. Access to boutique food product markets.

Basics

1. How many food businesses in the region?
2. How many at the right stage?
 - Growers/processors
 - Location/travel time
 - Scalable products
 - Entrepreneurial
3. Frequency of use of shared kitchen?
4. Ability to pay? (see no. 2!)
5. Leads to core value-add of the incubator and determines feasibility

Food Business Development Needs

- Access to facilities for processing, warehousing, distribution etc
- Market knowledge & access

- Food technology expertise
- Business management skills
- Drive to grow
- Passion for food in general
 - or for a commodity in particular
- Top quality product
- Technical skills in growing and processing
- Market nous, knowledge and access
- Desire to grow
- Willingness to “systematise” as growth happens
- Finance usually comes low on the list, after contacts and well after advice on technical aspects like food handling, preparation and certification

If there are gaps or if there is not critical mass then consider pre-incubation programs to build demand, interest and understanding of growth.

Another option to increase demand is to consider multiple sites rather than a single site.

Consider a hierarchy of sites and facilities that meets most needs of most users most of the time? Are their commercial quality kitchens in the region that could be put into service? How about an audit?

The mobile kitchen in the northeast – on the back of a truck, co-funded by emergency services to enable large scale catering to be done at remote sites.

The incubator is really just one link in the value chain – and for it to really work it needs integration with upstream and downstream processing.

Some tricks

Quality products are essential – don’t bother otherwise.

Demand may exist but it may also be fickle – you’ll need to know your market inside out, including your competitors and collaborators.

Rapid expansion can overstretch and overcapitalize – either the shared kitchen itself or even its (successful) users.

Follow the value chain, and integrate advisors, mentors, facilitators and service providers.

Find and exploit a network of specialists - food technology, food safety training, marketing, packaging, product testing, certification.

Love your food technologist!

Australian Economic Forecasts

- The Australian economy still doing quite well, though signals are mixed. We may be affected by world economic growth slowing through 2005.
- **GDP** for 2006 forecast at around 3.0% growth
- **Inflation Rates** forecast to be 2.9% over the next 12 months (below the Reserve Bank's 3-5% 'worry zone')
- **Unemployment Rate** to stay between 5.5 and 6.0%
- **Interest Rates** to stay at around 5.50% for the next 12 months
- The value of the **Australian dollar** could go either way – depends on the strength of the US dollar against its trading partners. If US\$ weakens against them the A\$ will rise.
- The **oil price** is likely to stay high, especially leading into northern winter as this price spike is being driven more by increasing global demand than by supply disruptions.
- **ASX 200** to climb slowly to 4250 in Dec 05 and to 4400 by June 2006
- **Housing prices** are likely to continue to fall slowly or at best stabilise. But this average picture will mask areas of growth and real decline. Watch the drought.

Disclaimer

The information in these notes has been prepared in good faith from sources believed to be accurate. SES makes no warranty on the reliability of the data and forecasts, as past performance may not be a reliable indicator of future developments. The ideas and tips included do not take into account the individual circumstances, objectives or financial situation of readers and should not be seen as advice. SES recommends that readers seek independent advice from qualified sources wherever possible.