NATURALLY GOOD

BUSINESS SUMMIT

1:30pm - Exporting to the US

Bob Burke, *Principal*
Natural Products Consulting

Summit Sponsor: UNLEASHED

Naturally GOOD

Exporting to the US

Bob Burke

May 31, 2019

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NATURALLY GOOD BUSINESS SUMMIT

Driving Business Growth for Brands, Manufacturers & Distributors

Bob Burke

- Advisory work in assisting bringing natural, organic and specialty products to market across most classes of trade
- Write business plans for raising capital and growth strategies for management teams
- Co-Author/Publisher of the *Natural Products Field Manual, Eighth Edition*
- Co-produce and co-lead seminars on “Becoming a More Effective Sales Manager in the Natural and Specialty Channel” and “Financing your Consumer Products Company”
- Serve as outside director of: EcoFish, Orgain, Saffron Road, King Arthur Flour and Farmwise
- Advisory Board: Go Veggie, Soapbox Soaps, The Chaat Company
- Former director: Stonyfield Farm, Equal Exchange, Stirrings, FoodState,
- Former Co-chair, Specialty Food Association’s Natural and Organic Council
- Admissions Committee, Specialty Food Association
- Prior to consulting was VP Sales and Corporate Development for Stonyfield Farm for 11 years.

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Natural Products Field Manual *Eighth Edition*

- Complete, comprehensive, 4 volume, guide on "how to go to market" for natural, organic and specialty products
- Includes Flash Drive with directory of top natural retailers, mass-market natural buyers, distributors, brokers, industry resources, budget models, new item forms and store logos
- Practical, proven, best practices shared and illustrated by industry veterans
- Rich, insightful guest editorials by notable natural buyers, brokers and CEO's
- $100,000 in coupons
- Half Day consulting by author
- www.NaturalConsulting.com

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Map Out a Plan

- What outcome are you looking to shape?
  - Sell a lot of stuff, make a lot of money?
  - Build a brand in the US, build towards an exit?
- Consider starting online – validate product acceptance, price points, etc.
- Importer or set up your own operation?
- Ideally start in a single region, finger on the pulse, operational shakedown – cracking the code of selling off the shelf.
- Use key customers to leverage into a distributor.
- Be mindful of terms you are agreeing to with distributor.
- Be careful about being offered national distribution before you are ready.

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We Are Living Through A Period Of Great Disruption Around How Consumers Get Products

- Explosion of eComm and DTC
- Amazon/Whole Foods
- Click and Collect – Kroger, Wal-Mart others
- Google Voice and Wal-Mart, Alexa/Echo and Amazon
- Hard discounters – Lidl, Aldi
- Fresh Direct, Peapod, Uber Eats, Grub Hub
- Meal Kits: Blue Apron, Sun Basket, Hello Fresh, Purple Carrot, etc.

- Why?
  - Way we live is changing
  - Generational shifts
  - Technology is central
  - Shopping online is normal
  - Business are adapting
- Concept is that consumers are no longer stopping to shop -- they are always shopping -- shopping is a deconstructed set of behaviors that are integrated into daily flow of life - consumers expect a certain amount of personalization, efficiency and transparency

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Crack the Code of How to Sell off the Shelf

- What is your category management argument?
  - Grow the category, attract a new user, offer something more innovative?
  - Gross Margin, ring, penny profit to the retailer
- “Sell through” much more important than “sell in”.
- What is the optimal price point?
- How to merchandise, promote, demo?
- Activate social media, PR, sampling, in-store demos
- Use available data – WFM Portal, SPINS, distributor data
- Velocity = ultimate evidence of fit with your consumer.

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Channels

- The usual suspects…
  - Natural
  - Specialty
  - Grocery (supermarket)
  - Mass (Target, Wal-Mart)
  - Club
  - Chain drug (CVS, Walgreens)
  - C-store
  - Military

- Online – Amazon, Thrive Market, Direct Eats, Goldbely etc.
- Spa
- Table top (Bed, Bath & Beyond, W-S, Macy's)
- Export
- Gift
- Hotel, airport
- Food Service
- Airline

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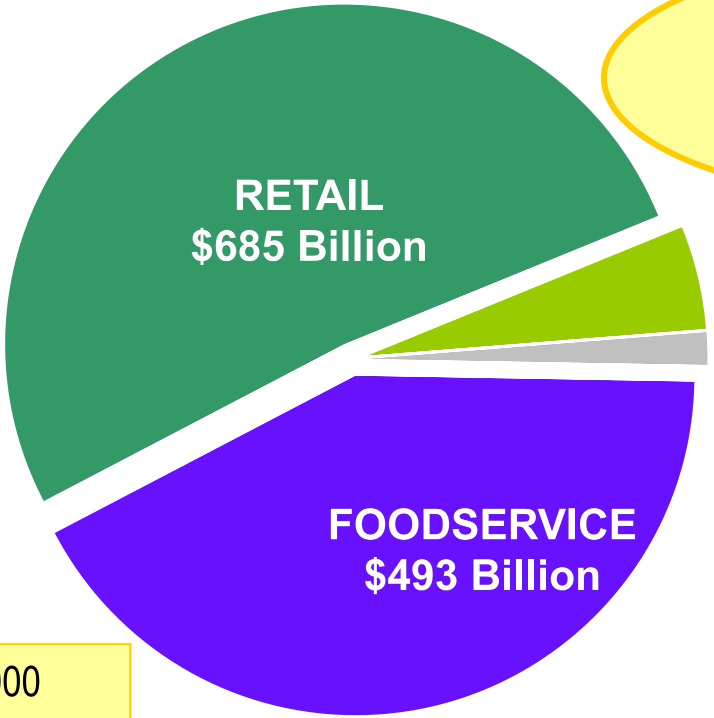
Main US Food Retail Operators

Total US industry sales $971bn (2014)

		Sales ($bn)	% of total US industry sales	Source			Sales ($bn)	% of total US industry sales	Source
1	Walmart stores	190.0	19.6%	Actual	26	Save-Mart	4.3	0.4%	SN
2	Kroger	83.0	8.5%	Actual	27	Roundy's	3.9	0.4%	Actual
3	Costco	64.0	6.6%	Actual	28	Stater Bros	3.9	0.4%	Actual
4	Albertsons	57.5	5.9%	Actual	29	Ingles	3.8	0.4%	SN
5	Ahold Delhaize	43.7	4.5%	Actual	30	Raley's	3.6	0.4%	SN
6	Sams Club (WMT)	33.1	3.4%	SN	31	Price Chopper	3.5	0.4%	SN
7	Publix	30.6	3.2%	Actual	32	Smart & Final	3.5	0.4%	SN
8	7-Eleven	25.0	2.6%	Actual	33	DeMoulas	3.4	0.4%	SN
9	HE Butt	22.6	2.3%	SN	34	Sprouts	3.0	0.3%	Actual
10	Meijer	15.4	1.6%	SN	35	Tops Market	3.0	0.3%	SN
11	Wakefern	14.7	1.5%	SN	36	Weis Markets	2.8	0.3%	Actual
12	Dollar General	14.3	1.5%	SN	37	Schnuck	2.6	0.3%	SN
13	Whole Foods	14.2	1.5%	Actual	38	Spartan Nash	2.3	0.2%	Actual
14	Trader Joe's	13.0	1.3%	Actual	39	Brookshire	2.2	0.2%	SN
15	Bi-Lo	11.5	1.2%	SN	40	99 Cents	1.9	0.2%	Actual
16	Super Target	10.1	1.0%	SN	41	Fresh Market	1.8	0.2%	Actual
17	Aldi	9.8	1.0%	SN	42	Bashas	1.7	0.2%	SN
18	Giant Eagle	9.6	1.0%	SN	43	Big Y	1.6	0.2%	SN
19	Supervalu	9.5	1.0%	Actual	44	Village Supermarket	1.6	0.2%	Actual
20	Wawa	9.3	1.0%	Forbes	45	K-VA-T Food	1.5	0.2%	SN
21	BJ's wholesale	9.0	0.9%	Actual	46	Fiesta Mart	1.3	0.1%	SN
22	Hy-Vee	8.7	0.9%	SN	47	Woodman's Market	1.3	0.1%	SN
23	Family Dollar	7.7	0.8%	Actual	48	Alex Lee	1.1	0.1%	SN
24	Wegman's	7.4	0.8%	SN	49	Marc Glassman	1.0	0.1%	SN
25	Winco Foods	6.1	0.6%	SN	50	Marsh	1.0	0.1%	SN

A small slice of the US food market is still large

THE ~ TRILLION-DOLLAR+ US FOOD MARKETPLACE



Specialty Foods

Retail	$85.4 B
Foodservice	$24.1 B
TOTAL	$109.5 B**

Trillion = 1,000,000,000,000

Billion = 1,000,000,000

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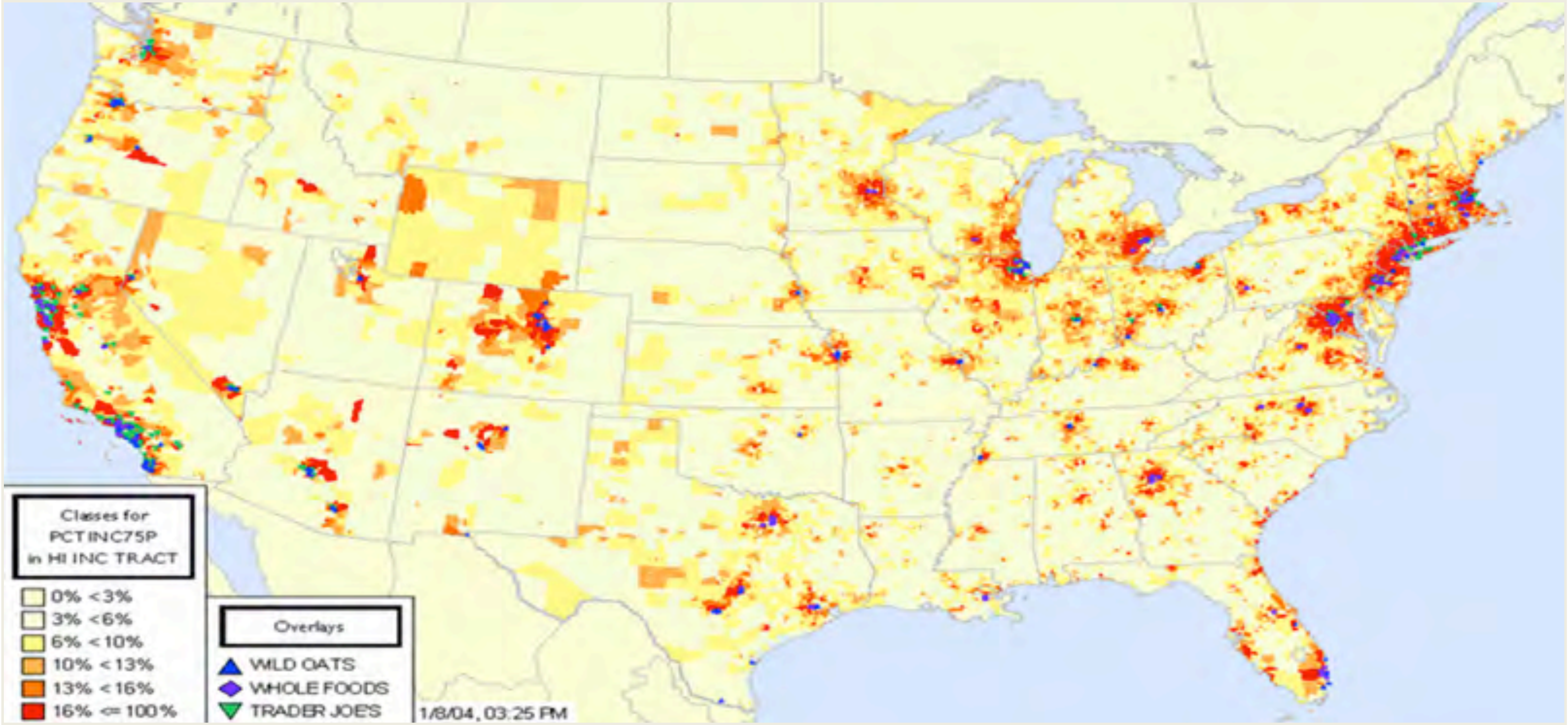
US Census Bureau

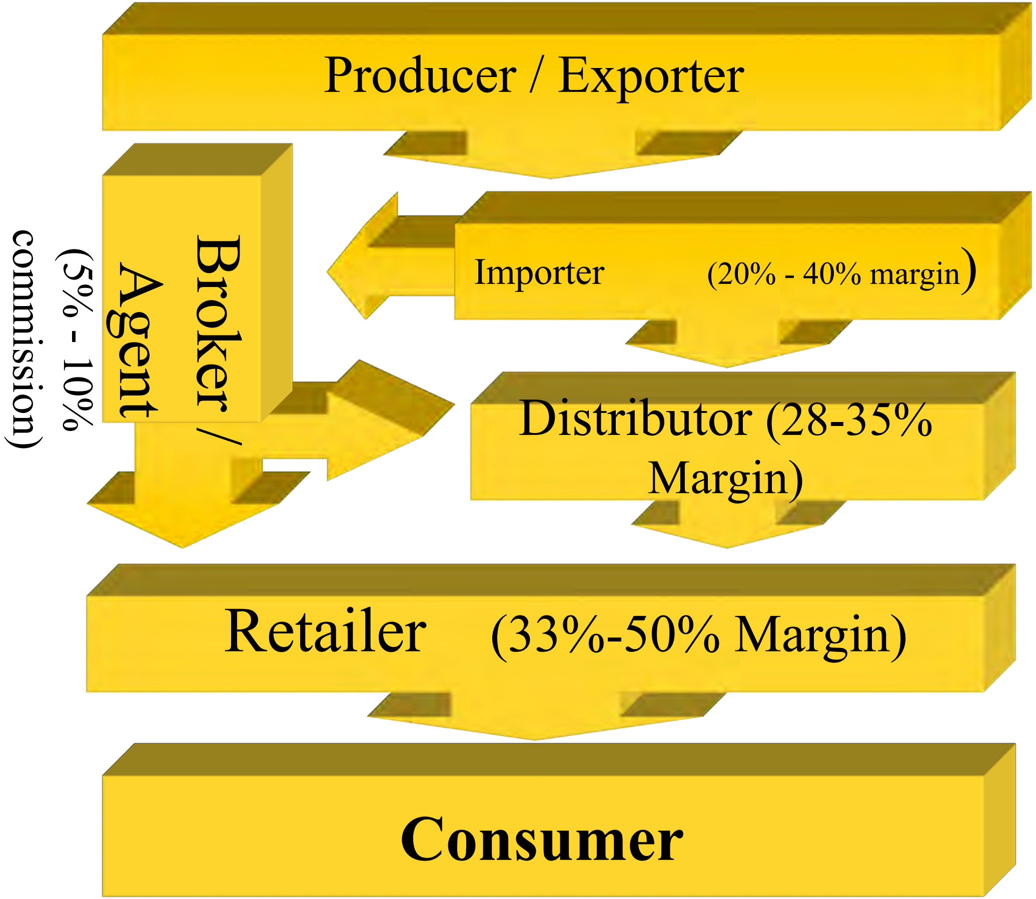
** Mintel / NASFT State of the Industry 2014

U.S. Locations of Whole Foods and Trader Joe's against High-Income Census Tracts



Source: Online store locators

The US Retail Food Distribution System



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Landscape
Key Players

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Natural Product Channel -- 4 retail groups ~1,500+ stores

National or multi-regional Groups 30+ stores	Large INDEPENDENT groups (national ads)	Local or regional retailers 5-30 stores	Local Independent operators 1-5 stores

WHOLE FOODS MARKET

~479 stores
11 regions
Becoming centralized
HQ Austin ~$16B

SPROUTS FARMERS MARKET

225 stores
Fully centralized
HQ-Scottsdale AZ ~$4B

NATURAL GROCERS.com BY VITAMIN COTTAGE

107 stores
partially centralized
HQ-Lakewood CO

Earth Fare the healthy supermarket

40 stores
Fully centralized
HQ-Fletcher, NC

NATIONAL COOPERATIVE GROCERS ASSOCIATION

136 owners 203 stores
37 states
HQ St. Paul MN
Some centralization

Independent Natural Food Retailers Association

140 owners 333 stores
37 states
HQ Minneapolis, MN
Some centralization

NEW SEASONS MARKET

Lucky

MOM MOM's Organic Market

Richard's

LASSENS NATURAL FOODS & VITAMINS

FRESH THYME FARMERS MARKET

Earth Origins market

JIMBO'S ...Naturally!

MUSTARD SEED MARKET & CAFE

ALFALFA'S

MOTHER'S

GREEN ACRES MARKET Your healthy food experts

LifeThyme ALL-NATURAL MARKET

BERKELEY BOWL MARKETPLACE

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Top 25 Retailers = 75% Natural Product ACV

Kroger
2418 STORES
(1709 NATURAL)

Albertsons Safeway
2410 STORES
(1600 NATURAL)

Publix
1080 STORES
(550 NATURAL)

Target
1921 STORES
(350 Health/Wellness)
1571 other

Stop&Shop Giant Giant
765 STORES
(558 NATURAL)

Walmart
4786 STORES
(600 NATURAL)

Food Lion Hannaford
1512 STORES
(325 NATURAL)

H-E-B
352 STORES
(200 NATURAL)

Wegmans
83 STORES
(83 NATURAL)

Meijer
204 STORES
(160 NATURAL)

A&P Pathmark
305 STORES
(120 NATURAL)

ShopRite
350 STORES
(170 NATURAL)

HyVee
234 STORES
(150 NATURAL)

Giant Eagle
231 STORES
(150 NATURAL)

Winn-Dixie BI-LO
854 STORES
(200 NATURAL)

Harris Teeter
208 STORES
(160 NATURAL)

Raley's
132 STORES
(132 NATURAL)

Roundy's
168 STORES
(70 NATURAL)

Save Mart Supermarkets
225STORES
(80 NATURAL)

Price Chopper
132 STORES
(100 NATURAL)

Ingles
203 STORES
(120 NATURAL)

Schnucks
106 STORES
(106 NATURAL)

Market Basket
71 STORES
(71 NATURAL)

Lowes Foods
102 STORES
(41 NATURAL)

Supervalu
217 STORES
(87 NATURAL)

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Conventional Supermarkets

Major Distributors and Their Key Retailers

DPI

Kroger-Ralph's
Super Valu-Albertsons So Cal
Kroger (various KMA's)
Giant Carlisle (Specialty)
Ginat Landovoer/Martins
Lowes (Specialty)
MDI (Specialty)

HADDON HOUSE FOOD PRODUCTS, INC.

Acquired by UNFI

Weis Markets
Harris Teeter
The Fresh Market
Food City / KVat
Ingles (Specialty)
Wegmans (Select Specialty)

KeHE NATURE'S BEST THE NATURAL PRODUCTS DISTRIBUTOR

Sprouts
Publix
Jewel
Shaws/Star
Acme
ALB S. Cal
ALB IMW
Target
Meijer
HEB
Central Markets
Brookshire
Winn Dixie
Bi Lo
Walmart
Roundy's
Price Chopper
United Texas
Savemart/Lucky
Roche Brothers
Raley's
Safeway
Kings

unfi DRIVEN BY NATURE

Whole Foods
Wegmans (Natural)
Wakefern/Shoprite
Stop & Shop NY (Natural & Specialty)
Giant Landover (Natural & Specialty)
Giant Carlisle (Natural)
Ukrops/Martins (Natural)
Giant Eagle
Tops
DeMoulas/ Market Basket
Big Y (Natural)
Food Town
King Kullen
Dave's
MDI (Natural)
Food Lion
Hannaford
Ingles (Natural)
Lowes (Natural)
Dierberg's
Publix Miami (Green Wise)
Schnuck's
Southeastern Grocers
Heinen's
Harmon's

MARKET CENTRE

Stater Bros
West Coast independents

THE DAVIDSON Specialty Foods CO.

Stop & Shop (Specialty)
Big Y – (Specialty)

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Natural/Specialty Product Distributor Landscape

National Distributors 70+%	Local Market Distributors 15%	Customer Exclusive Distributors 10%
DPI	Associated Buyers	Lomar (Hy Vee)
KeHE	Dora's Naturals	Peyton (Kroger)
unfi united natural foods	Rainforest	Valu Merchandisers (AWG KC)
	Black River Produce	SWD/Kiwi WFM
	Chex Finer Foods	Vitamin Cottage
	Arizona Select	
	Cavallaro	
	Davidson	
	European Imports	
	JC Wright	
	MDI	

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Source, NS Sales, Acosta, Inc.

Distributor Margins and Selling Prices

- Selling price based on "**landed cost**" into distributor
- "**List**" price in catalog is based on a 25% - 30% distributor gross margin
- Note: List price or published wholesale price will be what all your free fills and bill-back allowances will be based on.
- Many customers on some kind of volume discount
- Whole Foods and other major retailers will be on "**cost plus**" programs
- Supermarkets range from "cost plus 10-15% to 25-30% gross margin for the distributor depending on their volume and service level required.

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Retailer Margins and Selling Prices

- Most premium retailers are targeting ~40% gross margin on suggested retail price for most food and beverage categories.
- High velocity categories like dairy and some snacks and beverages could be lower.
- Personal care ~ 50% GM
- Supplements ~50-60% GM

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Issues/Costs of Doing Business

- Deductions
  - Set up fees
  - Terms (merchant terms such as 2% 10, net 20)
  - Sample product
- Introductory deals
- Ad programs
- Forward buying

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What a distributor buyer looks for in a new item…

- Ingredients (if a natural distributor)
- Consumer and retailer demand
  - Placement in some key retail accounts
- Pricing and promotional strategy
  - Participation in distributor programs
- A sales effort behind the line
  - Broker network or direct sales force
- Overall uniqueness and appeal of the product
- Other: shelf life, lead time, minimum orders, ability to pick up

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Small to Medium Sized Regional Distributors *

DISTRIBUTOR NAME	REGION	ADDRESS	CITY	STATE	Zip	PHONE NUMBER	CONTACT NAME
All Star Distributing	MW	5425 #108 Perry Drive	Waterford	MI	48329	248-618-7746	
Associated Buyers	NE	P.O. Box 399, 5 Commerce Way	Barrington	NH	3825	603-664-2424	Karta Owens - owner
Avenue Gourmet	Mid Atl	11445 Cronridge Drive, Suite Q	Owings Mills	MD	21117	410-902-5701	Patricia Lobel & Lee Cohe
Azure Standard			San Antonio	TX			
Bear Creek Fine Foods	NW-N.CA	14660 NE N Woodinville Way - Box 1836	Woodinville	WA	98072	888-912-7335	Sharon & Mike Chittick
Chex Finer Foods	NE	39 F.R. McKay Drive	Attleboro	MA	2703	508-226-0660	Jeremy Isenberg
Garden Spot Distributors	NE/Mid.Atl	438 White Oak Road	New Holland	PA	1755-9778	800-829-5100	John Clough - President
Global Specialty Foods	SE	5305 Peachtree Industrial Blvd./Dock H Ste	Chamblee	GA	30341	770-399-0414	John Magnuson, Founder
Gourmet Merchants	S. CA	16511 S. Main St.	Gardena	CA	90248	310-808-0960	Bob Chavelle
Jerusalem	MI	6470 Miller Road	Dearborn	MI	48126	313-846-1701	
Kehe Foods	MW	800 N Schmidt Rd.	Romeoville	IL	60446	815-886-3700	Chris Buckler
McMahon's Farm	NE NY	305 Jackson Road	Hopewell Junction	NY	12533	845-227-0120	Tom & Colette McMahon
Midland Foods	OH	4540 Commerce Ave.	Cleveland	OH	44103	800-853-4460	David Gellin
Natural Farms	Wisconsin	2077 S. Stoughton Rd.	Madison	WI	53716	608-663-1060	Jeff Barnhart
Nature's Best	CA, SW, NW	105 S. Puente Street	Brea	CA	92821	800-765-3141	Russell Parker
Neshaminy Valley	NE/Mid Atl.	5 Louise Drive	Ivyland	PA	8974-152	215-443-5545	Phil Margolis
Regional Access, Inc.	Upstate NY?	125 Gayuga St.	Trumansburg	NY	14886	607-319-5150	Gary Redmond, President
Reinhart Food Service	WI	1500 St. James Street	La Crosse	WI	54602	800-827-4010	
Renaissance Specialty Fds	N. CA	310 S. Maple Ave.	So. San Francisco	CA	94080	650-873-5400	Glenn Seymour, President
Rock Island Foods	N. CA	38 Hamilton Drive	Ignacio	CA	94949	415-883-2375	Peter Mello
Soderholm Wholesale Fds	WI	1100 Wilburn Road	Sun Prairie	WI	53590	608-834-9850	Dave Guelzow
Steiner Foods	NE	510 North Avenue	New Rochelle	NY	10801	914-235-2300	Peteer Steiner
Trudeau Distributors	MN	25 West Cliff Road, Suite 115	Burnsville	MN	55337	952-882-8295	Mike Reineck
Unique Food			Atlanta	GA			
Wythe-Will	VA	3612 La Grange Parkway	Toano	VA	23168	7575665360	David Mastricola, Dir. Sale

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* Additional distributor databases supplied with report

Basic Strategy for Entering the Channel

1. Can start online with Amazon and other eComm players
2. Engage with a broker (guidance on go-to-market in their region and channel, access to the buyers, some role in retail execution.
3. For B&M, establish a beachhead with a key retailer, who will serve as a core customer for leveraging the product into a national distributor…repeat.
4. Examples could be a Whole Foods region, Wegman’s, or 30-40 independents
5. Gain distribution in key distributors
6. Run targeted distributor and retail promotions to broaden distribution to key independents “A” and “B” stores.
7. As you establish national natural distribution, work with brokers and distributors to gain distribution in natural sets of mainstream supermarkets

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Typical Costs in Bringing Products to Market

1. Free fill/Slotting – retail, distributors.
2. Flyer advertising – distributor catalogs, retail flyers.
3. Off-invoice and Bill-Back allowances – distributors and retailers.
4. In-store Demos at retail.
5. Sales samples for brokers and distributor sales force.
6. Brokers commissions.
7. Trade shows – industry shows and distributor specific shows, also ECRM buying events.
8. Market visits by sales force.
9. Social media, PR, digital marketing.

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Execution

- Brokers
  - National and regional
  - Usually by class of trade/channel
  - Also some customer-specific brokers (Costco, Wal-Mart, Target
  - Usually work on commissions (e.g. 5% of net sales) but expect to pay on retainers if little existing business. (Could be $10-15K/mo national or $500-$1,500 for a region.)
- They help with GTM, access to buyers, headquarter sales calls and some in-store work.
- Can engage brand management companies (contract sales) if you don't have your own team on the ground.

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Pure Play eComm Partners

amazon.com

Vitacost.com Since 1994.

Quidsi

iHerb

THRIVE MARKET Wholesome Products. Wholesale Prices.

BEAUTYBAR.com

diapers.com

SOAP.com

CASA.com

wag.com

Boxed

yoyo.com

jet

drugstore.com the uncommon drugstore

Daily Deal Sites

woot!

zulily

GROUPON

And don't forget B&M Partners that are getting serious about their eComm sales

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Key Things

- Stick to the plan 80% of the time, be opportunistic when warranted not scattershot.
- People who own the plan should be co-authors of the plan.
- Foster culture of accountability.
- Incentivize – regardless of the basic comp structure.

- Have fun – it's a rush to see something you conceived, developed and delivered go into someone's carriage and they come back next week for more.

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Glossary of Terms

ACV	All Commodity Volume, refers to the % of market that is carrying a specfic item
BILLBACK	Charge to the manufacturer based on a quantity of cases shipped by a distributor or retailer
BOGO	Buy One Get One Free (Promotional sale price)
CASE STACK DEAL	Promotion given to stores that buy multiple cases of an item
COGS	Cost of Goods Sold
COUPON HANDLING	Charge incurred by manufacturer by a coupon clearinghouse, usually $0.08
CPG	Consumer Packaged Goods
EDLP	EveryDay Low Price, term used by a retailer who sets one price and does not discount
EDV	EveryDay Value, term used by a retailer who sets one price and does not discount
FDM	Food/Drug/Mass, refers to the channel of trade
FOB	Freight on Board, price paid by a distributor when they pick-up product at the manufacturer
FREE FILL	Product sold to retailer at "no charge" in order to gain distribution at said account
FSI	Free Standing Insert, refers to a Manufacturer's Coupon that is placed in a newspaper of magazine
HBC	Health and Beauty Care
HIP POCKET DEAL	Deal given to a retail rep or broker that is only for select accounts
INTRO DEAL	Deal given to a distributor when a product is first authorized
IRC	Instant Redeemable Coupon, this is a coupon that is on the package which is for immediate use
IRI	Information Resources Inc, Company that collects sales data and sells reports to manufacturers
LANDED COST	Distributor Cost for a distributor that picks up product, that includes freight charges
LEADTIME	Time in days that a manufacturer needs to deliver a PO to a distributor

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Glossary of Terms

MCB	Manufacturer Charge Back, Charge to a manufacturer based on quantity of cases shipped to a retailer
OI	Off Invoice, a discount given when an order is placed
P&L	Profit & Loss
POG	Plan-O-Gram, the layout of products in a section
POS	Point Of Sale
ROI	Return on Investment
SCAN DOWN	Promotion given to retail where manufacturer pays for product "scanned" during a specific period
SKU	Store Keeping Unit, refers to an individual item
SLOTTING	Fee paid to distributor or retailer for them to stock a given item
STREET MONIES	Monies representatives have, at their discretion, to spend to drive sales volume
SPIFS	Reward (usually money) paid to a representative for selling a manufacturers product
SPINS	Company that collects sales data (specifically Natural channel) and sells reports to manufacturers
SPOILAGE	Product that is unable to be sold whether through expired code date, damage etc.
SPP	Sales Per Point, determines that amount of volume sold per sales point
SRP	Suggested Retail Price
TPR	Temporary Price Reduction
UNSALEABLES	Product that is unable to be sold whether through expired code date, damage etc.
UPC	Universal Product Code, bar code on a product

Dead Net Pricing: Often used when selling to Trader Joe's or private label. It means a "net-net" price with no provision for returns/spoils, cash discounts, promotional allowances, slotting, ads or other usual cost of sales.

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