Starting a Food Business: Developing a Market Strategy & a Business Plan

One of the first steps in developing a successful food business is to develop a market strategy and a business plan.

**The Market Strategy**

Visit potential retail sites, observe and take notes on details such as competitor products, lighting, packaging graphics and shelf-space allocation. If you plan to market your product on the Web, take note of graphics, product descriptions and the ways used to gain customer attention.

Find out all you can about the range, variation and trends in prices of the product or service. Be fairly conservative when projecting revenues from a new enterprise, especially for future years.

The following questions are intended to help determine the specific product that will be marketed, its price, the place where it will be sold and the means of promoting the product.

**The Customer:**

- Who are your intended customers? What demographic information do you need, such as age, income level, marital status, ethnic group and education level?
- What is the consumer’s lifestyle and how does it relate to this product?
- What is the basic motive for purchase?
- How do consumers intend to use the product, how often and under what circumstances?

**The Location:**

- Will this be sold in a "bricks and mortar" store or on the Web?
- Does my identified customer purchase products at a specific type of retail store?
- What type or types of stores will sell the product?
- How many similar products are there already on the market?
- Where is the proper location to display my product in the store?
- What limitations will be faced on the shelf?
- What are the competitor’s shelf display strengths and weaknesses?
- Are there any shopper patterns for this type of product that should be considered?
- Is this product moving into an existing category or starting a new one?
- What are the retailer requirements in the outlets where the product will be sold?

**The Product:**

- What’s new or different about this product?
- What, if anything, does the consumer perceive in this product as better, different, novel or worse than the competition?
- What can be done to improve or change the product to better meet consumer expectations?
- How does the consumer use the product?
- How often does the consumer use the product?
- Is this a season-specific product?

**The Package Design:**

- What will the product be called?
- Will the consumer understand the product’s name?
- How will the brand mark or logo be used?
• What should be on the main display panel?
• How can the remaining panels support marketing the product?
• How do government regulations affect copy strategy?

The Price:
• What is the lowest and highest price expected for this product in the near future?
• What conditions would create this low and high price situation?
• How should the price reflect the competitor’s price?
• What is the anticipated cost of production, quality, service and labor?
• What minimum volume of product (number of units) do you anticipate would sell in a poor year? What production and market conditions would create this situation?
• What maximum volume of product (number of units) do you anticipate would sell in a good year? What production and market conditions would create this situation?

The Business Plan
Types of Legal Business:

Sole Proprietorship: Single owner, total control and responsibility; simple and least regulated, but owner is personally liable for debts and/or claims.

Partnership: Association of two or more persons acting as co-owners of the business; combines funds and assets; easy to set up; terminates upon death, withdrawal or addition of partner.

Limited Partnership: Owned by limited partner and at least one general partner; liability of limited partners for claims and debts against partnership is fixed at the amount they have invested in the partnership.

Corporation: Separate legal entity formed by filing articles of incorporation with the Secretary of State in Columbia, South Carolina. It is costly and complicated to establish. The owners of a corporation are known as stockholders. Liability is limited for managers and stockholders.

Subchapter S Corporation: Incorporated as a regular corporation but asks for special permission from the Internal Revenue Service to be taxed as a partnership.

Statutory Close Corporation: Small, closely held corporation, professional corporation, or wholly-owned subsidiary corporation. This type is most beneficial to businesses with one to two owners.

Obtaining Business Financing: There are two main ways to finance a business.

Equity: An investment made directly toward business with no set payment schedule for disbursement to investors. Equity is necessary to obtain a loan.

Loan: Necessary when owner’s equity investment is insufficient to finance the company’s startup or expansion. Sources of loans can include banks, government, trade organizations or private organizations.

Location of Business:
• Are you purchasing, building or leasing space?
• How much space do you need? Are there options for expansion?
• Are there special business incentives for starting a business in this location?
• Who is responsible for the building?
• How close is the building to major highways or roads?
• What property restrictions are there?

Registration & Licensing:
Local Requirements:
• Obtain a business license.
• Find out if other licenses must be obtained.

State Requirements:
• Register business with the South Carolina Tax Commission.
• Obtain a retail license unless your business is a service and does not sell products.

Federal Requirements:
• Obtain a federal identification number.
• Find out if other licenses apply such as from Occupational Safety and Health Administration, Department of Health and Environmental Control, Alcoholic Beverage Control, Department of Agriculture, and professional licensing boards.
Promoting the Business

- Plan and include business promotion in the budget.
- Consider using media such as daily or weekly newspapers, shopping guides, flyers, radio, direct mail, trade magazines and business directories.
- Consider joining a local business group and sponsoring charitable events.

Managing the Business

- Do you want to be the manager of your own business?
- Do you want to be involved in the daily activities or manage the overall business?
- What physical and time limitations do you have?
- Do you have the ability to see the "big picture" and do strategic planning?
- Can you delegate duties?
- Where are your skills or talents best utilized in your business (i.e. production or marketing)?

Insuring the Business

Basic insurance may include the following:

- Fire
- Liability
- Crime coverage
- Worker’s Compensation
- Fidelity bonds
- Business interruption
- Automobile
- Employee health and life insurance
- "Key Person" insurance
- Product liability

Bookkeeping & Accounting

Accurate financial records are extremely important for managing the business. Good record keeping is important not only for the Internal Revenue Service, but also for tracking sales, determining cash for payroll, tracking outstanding bills and controlling inventory.

- What system of bookkeeping should be used?
- Should someone be hired to handle the bookkeeping and accounting?
- What software should be used? Does it require training?

Contact the South Carolina Small Business Development Center at Clemson University at (864) 656-3227 for assistance in developing a market strategy and a business plan.

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