



THE 5 THINGS TO GET RIGHT BEFORE START MAKING PRODUCTS

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Have You Ever Bought the Same Product You did Not Like Twice?



The average consumer goes to Starbucks six times a month. Consumers drink on average three sodas of their choice every day. An estimated 80% of people's grocery shopping lists are comprised of the same food and beverage products that they buy again and again. Americans buy food and beverage products they like and they buy lots and lots of it.

While the taste of a food or beverage product is only an expectation for a first-time purchaser, it is the one and only criteria for repeat purchases. If the consumers do not like how your products taste, they will not buy them again. Seriously, how many times have you bought the same product you did not like the first time you tried it a second time?

Food or beverage brands may use callouts such as "good for you", "better for you", "healthier" or "more natural ingredients" to get people to pick up, buy and try their products for the first time, but without a fast-growing tribe of repeat customers, these brands have no future.

If your food or beverage product does not taste great – or even better – tastes outright delicious, call-outs such as "better for you", "healthier", great social cause or solving all sorts of problems such as low-energy or delivering loads of antioxidants simply won't matter.

While delicious food or beverage products can greatly profit with faster-growing sales, if they also support a great social cause, are better for you or healthier products – a product that is not great tasting cannot be saved by any of that. People are loyal to their own taste buds before they become loyal to your brand and products.

There is no substitute for great taste in any food or beverage product. The first thing you must get right before you make your products is taste. Your products must be delicious in order to have a chance in the market place.



Does Your Product Solve a Problem, Offer an Indulgent Experience – or Both?

Human brains are hardwired to avoid or solve problems and to constantly look for pleasure. Every successful food or beverage product offers either a solution to a problem or it delivers pleasure to its consumers. Some of the best selling products do check both boxes.

There are famous examples of products that solved problems nobody is having (think Segway or TiVo) and therefore there is no real market for them. Me-tooism is also not a great strategy. Too often food or beverage brands try to jump on a bandwagon that has already left the station. Try to redefine your product as something really new and authentic.

Food or beverage brands often try to attribute as many call-outs to their product as possible in order to be everything to everybody in an ill-fated attempt to drag a net as wide as possible. They believe that the wider the net they cast, the more consumers they can attract. They end up creating products with vague messages that appeal to no one in particular and are confusing the consumers about what kind of product they are offering.

Make sure your food or beverage product is positioned to solve one problem and/or deliver one type of pleasurable experience – one controlling attribute that can easily be translated into one simple tag line or slogan. At a later stage you can add many more attributes and offerings to your brand but only things that directly support your main, controlling product idea.

If your food or beverage product does not offer a solution to a clearly defined problem or offer consumers a greatly pleasurable experience, nobody cares. Multiple, vague attributes confuse consumers and make it harder for them to understand what your product is offering.

The answer to confusion is always no. The second thing you must get right before you make your products is clearly telling your consumers what's in it for them.

If Your Product and Labels Stand out, Consumers are More Likely To Buy it - Right?

Not quite. 96% of all newly launched food or beverage products fail within the first three years.

Why?

They had a great idea for a product, worked hard to make sure it tastes delicious. They properly identified the one problem their food or beverage product solves and/or pleasure it has to offer and know exactly who their potential consumers are. They manufacture their products and work hard to get them placed with distributors and retailers.

Guess what happens? Nothing!

Their products sitting in distributors warehouses or on some retailers shelves will become like Old West ghost towns with tumbleweeds blowing down the streets.

These food or beverage brand operators do not realize that the single most important ingredient to their products labels and packaging is not the visual appearance and design, but the words they use to identify their products and explain them.

The coolest flaming, flashy, never before seen graphics or color combination on your labels, the most uniquely shaped bottles or packages will not sell a dime's worth of product. The reason?

It is words that sell products!

The most boring, black-words-on-white-background labels will outperform flashily, colorful labels and packaging every time, if using the right words.

Food or beverage start-ups focus almost exclusively on the visual appearance of their products. Standing out on the shelf is the battle cry among all of them. "Standing out from all the other boring" products, overlooking the obvious fact that these other "boring" products are there on these very same shelves because they are actually selling. If you pay attention you will soon realize that the most "boring" and least "standing out" looking products are often the top-sellers in their categories.

The visual and graphic design attributes of your labels and packaging are important parts of your branding to make consumers feel a certain way about your company and products.

Figuring out the right words to explain your products to consumers so they want to buy them is what fuels the booster rocket that transports your product sales into the stratosphere. The best part? Words are free!

The only thing that sells products is words. The third thing you must get right before you make your products is using the right words to explain your products so consumers want to buy them.



Do You Have All Your Ducks in a Row?

“It’s the disease of thinking that a really great idea is 90 percent of the work. And if you just tell all these other people “here’s this great idea,” then, of course, they can go off and make it happen.” – **Steve Jobs**

The product idea, it’s formulation, designing the product packaging, developing the copy, creating a great website and finally get to sell your new food or beverage product is naturally exciting to most people. A lot more exciting than things such as regulatory compliance, proper bar codes, permits, processing authority, verification of claims and product liability insurance.

Getting your products made as soon as possible and put in front of your potential consumers is the single most important goal for any startup operation. Many of the administrative necessities such as book-keeping, taxes, and standard operating procedures you can be added and perfected as your company grows.

The fourth thing you must get right before you make your products is to get the eight most important regulatory and administrative ducks in a row: 1) formal batching process, 2) nutrition panel, 3) food distribution permit (varies from State to State), 4) processing authority, 5) UPC barcode, 6) compliant product labels, 7) have your claims verified and 8) get product liability insurance.

What Happens When the Dog Actually Catches the Car?

Getting into Safeway, Whole Foods or Walmart seems like the ultimate achievement for a nascent food or beverage brand, right?

Food or beverage startups often chase some of the largest national retailer accounts right from the start. Mass-market grocery chains offer far-reaching distribution, but they have been the downfall for many food or beverage startups. Like the dog chasing cars, food or beverage startups never consider what happens when they actually catch it.

If a food or beverage startup somehow does get a deal with one of the major retail accounts, nine out of ten times they disappear from the shelves in the first six months, failing to drum up enough demand. There is no benefit to having your product at a heavily-trafficked retailer if it's just sitting on the shelf. If a product isn't generating sales quickly enough – often in as little as three months – it'll be kicked out. And once it's out, it's nearly impossible to get back in.

Food or beverage startups frequently don't account for the additional marketing dollars needed in order to push their in-store sales. If you spend all your capital on a huge PO, you won't have enough marketing dollars to put behind the product and it might just sit on the shelf.

First test-market your products in a small area (one large urban population center, a few cities in the same State etc.) and establish your brand in more targeted channels, like independent groceries, retail chains like Publix or Wegmans that allow rollouts in just a few of their stores in a specific area, or direct-to-consumer sales from your website or Amazon.

Once you have a solid customer base, some brand recognition, economies of scale, and confidence in your performance and products, then consider if a move to mass or conventional retail makes sense.

It is crucial that you operate with the right pricing based on healthy unit economics. Consumers are willing to buy great food or beverage products at a fair price. Even after massive, national success brands like “Arizona Ice Tea” and “Ice” work hard to keep their unit retail price at one dollar. How do these hot CPG companies succeed at such low pricing? By managing their gross margin.

No matter how much buzz you generate or how much customers love your product, if the unit economics – the direct revenues and costs associated with a particular product unit – don't work, your company won't work.

If your gross margins are not healthy enough either your prices are too low or input costs are too high. It is possible to compress manufacturing costs as you grow into larger volumes, but economies of a scale rarely increase margins by more than 10-15%. Hiking prices to improve the margin is nearly impossible without alienating your consumer base.

Even the most efficient brands such as “Arizona Ice Tea” with minimal overhead are unlikely to break-even with gross margins below 20%. You must aim for 35-50% margins in order to scale and protect against price and manufacturing volatility (e.g., changing commodity prices).

The fifth thing you must get right before you make your products is a proper plan for a limited test-market rollout, making sure consumers accept your price, leaving enough margin to sustain your company.

THE **5** THINGS YOU MUST GET RIGHT BEFORE YOU MAKE YOUR PRODUCTS:

1. Taste, taste and taste.
2. Explain to your consumers what is in it for them. The answer to confusion is always no.
3. Words sell products. Use the right words to explain your products so consumers want to buy them.
4. Get your basic administrative ducks in a row (formal batching process, nutrition panels, food distribution permit, processing authority, UPC bar codes, compliant product labels, claims verification and product liability insurance.)
5. Start with a limited test-market roll-out. Make sure that your pricing is agreeable with the consumers while delivering you enough gross margins to sustain and drive your company.



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