

# **Nuffield Farming Scholarship Report**

## **How to create a premium price in the food service sector**



Paul Kelly 2007

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## NUFFIELD STUDY

### **MY BACKGROUND**

Kelly Turkeys Ltd was formed in 1971 by my father Derek Kelly. I have worked in the business my whole life but joined it full time in 1984 after finishing my studies. I had planned to travel but 1983 was one of the worst years for Turkeys on record so we had to make two of our six employees redundant, therefore I stayed on the farm.

Traditionally a small family business produced excellent quality dry plucked, hung 'white' turkeys, to sell through butcher's shops or from the farm gate but the seventies and early eighties saw a big change in the dynamics of market place. Conventionally the butcher sold fresh and the supermarket would sell frozen. Improvements in food technology and processing techniques such as gas flushing meant that supermarkets could sell fresh turkeys in volume, cheapening production using the large modern breeds.

Our breeding and hatchery business supplying specialist breeds of white turkey to farmers for the Christmas market was now under threat as more and more people turned to the cheaper supermarket turkey which in turn, resulted in a massive decline in butcher's shops. In 1960 there were 63,000 butchers', by 2008 there were only 4000; hence something had to be done if we were to stay in business.

We scoured the country and sought to buy the last remaining flocks of 'pure bronze' turkeys which amounted to 350 birds. We began to promote the bronze turkey as the real farmer's turkey with provenance, suffice it to say, we were the laughing stock of the industry! It was a real struggle and there were many times, in the early years when we wondered if we had done the right thing. Trying to develop a new market and product, without any money was difficult to say the least, and at times disheartening. We stuck with it because we believed in it, and of course, we now know we made the right decision.

In 1984 we had 4 staff, 3,600 breeders, hatching 130,000 poults, growing 6000 Christmas turkeys.

In 2008 we have 28 full time staff, 55 seasonal workers, and 38,000 breeding stock producing 1.6 million poults. We now grow 120,000 Christmas turkeys.

We are focused on the high value niche sector of the market.

There are two distinct divisions in the business:

- Seasonal Hatchery and Breeding  
This part of the business produces hatching eggs and day old poults. We hatch about 100,000 eggs per week in May, June, July and August.
- Christmas Turkey production  
Of our 120,000 Christmas turkeys, 50% carry our own brand, 'Kelly Bronze'

We have sales in the UK of £7 million and a similar figure in Germany, a company of which we have a major shareholding.

We believe that we are the only Turkey Company in the world to have total integration from Pure line Genetics, through to retail from the farm gate.

Our mantra is “What can we do to make it better” and never “what should we do to make it cheaper”

## **THE START OF MY NUFFIELD EXPERIENCE**

We all headed off to Canada what was to become a journey to remember, visiting a multitude of businesses, in some cases - a real eye opener. I will never forget our visit to a Hutterite Community.

The groovy gang Febuary 2007 in Banff Canada



## **MY STUDY: How to create a premium price in a food service sector**

The views expressed in this report are entirely my own and do not necessarily represent the views of the Nuffield Farming Scholarships Trust, or my sponsor, or of my employers, or any other sponsoring body nor of any other organisation with which I am connected. No endorsement of named products is intended and all facts are correct to the best of my knowledge at the time of writing. Where commercially sensitive issues are referred to in this report I may be bound by product or company confidentiality agreements.

Over the past two years my study has evolved into “what kind of a business” you need to be in order to create a premium. We have in our own business been successful in achieving a premium price in the retail market but the food service sector is a tougher nut to crack. Currently price seems to be the only measure of value in just about the entire food service sector. The lowest price wins.

Food is sold through two routes and there are some very distinct and important differences between the two which need to be addressed and considered

### **FOOD SERVICE**

Price driven (cost per portion)  
Consumer is distanced from origin  
Brands are not visible

### **RETAIL**

Price sensitive  
Brands are visible  
Consumer makes the purchase

All of my thinking and rationale is based on the pre-requisite that food is fashion and consumer perception is the ultimate deciding factor for a products success or failure.

To draw a parallel with clothing, the fashion industry has become so exciting with the exposure of brands. Powerful styling within advertng seduces the customer. Designers and celebrities are the human face of the ‘creations’ and consumers buy into the perceived lifestyle.

The days when brands were either positioned in the designer or mass market have long since disappeared. A new "premium" sector has been created bridging the gap between luxury and commodity. New ranges have attacked both markets with diffusion collections such as Georgio Armani developing ‘Armani Jeans’ and in the High Street the introduction of new labels such as ‘Designers at Debenhams’; all linking with famous designers to broaden their appeal and market share, thus increasing their margins.

This new way of thinking has entered into the food sector, a premium market which is between luxury and commodity, supermarket ranges such as 'Taste the Difference' in Sainsbury's and the 'Finest' in Tesco.

Many successful clothing brands have a face behind them, and what is painstakingly apparent to me is that the food business should have, but does not. This has of course come about by the huge multinationals buying up the big food brands and purposely not wanting to personalise them. So, is there a chance for the smaller producer with a face behind the name? My money would say yes.

Before looking at the food service sector in detail I sought to get an up to date overview of the wine and food industry.

## **THE RETAIL FOOD MARKET**

This part of my report was written in the spring of 07 which was a slightly different economic environment than we are in today!

Typically food purchases at retail are a good indicator as to what the consumer is looking for when eating out. Britain is in the grip of a specialty food boom for the country's top supermarket groups. 2007 recorded best Christmas for the grocery industry in years. WM Morrison, Waitrose and to a lesser extent, Marks & Spencer have benefited from shoppers trading up to higher quality foods.

Sales of 'Taste the Difference', Sainsbury's premium own label range, grew by 20% across the board from vintage champagne to jumbo king prawns. Morrisons' equivalent brand, 'The Best', shot up by 40% over Christmas, while Asda's 'Extra Special' reported an increase of 61%.

Figures from the grocery think-tank IGD, predict that the value of retailers' premium private labels will almost double during the next four years, to a shade under £9bn. This is a massive figure the trends of which will filter down to the food service sector.

All of the top grocers have relaunched their premium lines in the past few months. And that includes Asda, a chain hardly renowned as a magnet for the high-spending shopper. Andy Bond, its chief executive, has said: "We see a shift in our range towards more premium lines." He wants to triple the amount of revenues that come from its "best" lines to 10 per cent over the next three years.

Tescos trading update highlights how customers cannot get enough of its Finest ranges, which it recently extended to non-food products from cashmere jumpers to sauce-pans. Sales of its Finest lines are growing at four times the rate of the rest of its business.

In fact, much as they would hate to admit it, all of Tesco's rivals probably owe it a big "thank you" for inventing the premium ready meals genre back in 1998. Tesco was the

first of the big grocers to realise that it could appeal to more customers if it segmented the types of food it sold. The Finest brand is now worth £1bn a year - that's 3 per cent of its annual UK sales.

Sainsbury's is doing better still, relatively speaking. Taste the Difference is knocking at the door of £1bn in sales, which is about 17 per cent of its top line.."

Sainsbury's is attempting to penetrate the premium market even further with a new range of "Super Natural" ready meals that have done away with all of the food nasties still found in even most top-quality lines. The new meals are based around "super foods" such as pulses, beans and pomegranates and contain no additives or trans-fats.

The fact is that retailers that are not involved in the premium market are now the exception rather than the norm.

It isn't just higher sales of up market ready meals that are fuelling the growth in the premium food market. The Government's health drive seems to finally be having some effect., When it comes to sales of super fruits and the so called super foods such as blueberries are booming. Organic sales have also boomed over the past seven years and seem now to be holding market share.

A quote from an The IGD report I read states "One of the key ways in which consumers are trying to eat more healthily is by purchasing organic variants of products, rather than standard versions."

This consumer trend is reflected in the food service sector.

IGD predicts the strongest growth in the premium sector, which makes up about 10 per cent of the food and grocery market, will come from organic and Fairtrade ranges. Again, all of the big grocers have launched a major drive into organic food in recent years. Sainsbury's and Tesco have even piloted organic vegetable box schemes, which for a price get delivered to customers' homes.

All the evidence from the high street retailers would suggest that even in the current financial credit crisis we will not be cutting back on luxury grub.

## **THE WINE INDUSTRY**

The world of wine has always amazed me, and I have marveled at how it has so many brands, that have not succumbed to the pressure to go own label. Wine is a product that the retailers have not been able to successfully brand as own label. Consumers do not want to buy a supermarkets own label wine. Over 96% of sales are private label. It is for me the role model for the food industry. .

In the past 4 years there have been big shifts in the wine market as the Healthy grape crushes in key wine-producing countries, most notably a record harvest in Australia, contributed to a glut of wines on the world market, forcing down prices but simultaneously driving volume sales. These cycles are all too common place in agriculture. Who could have predicted the massive fluctuations in grain prices over the past six months?

The shift towards premium, high-quality wines is underpinned by increasing consumer knowledge about the products themselves, fuelled by the international media, wine clubs, sampling and in-store tastings in Western Europe, North America and Australasia. This growing consumer sophistication has been particularly beneficial to premium red wine, champagne and the growing premium segment of other sparkling wine.

Heavy promotion of the purported health benefits, such as reduced risk of heart disease, stroke and cancer, of moderate consumption of red wine succeeded in driving sales among increasingly health-conscious populations in developed markets. Partly as a result, red wine has acquired an increasingly high social status, frequently perceived as more sophisticated than white or rosé wines.

The wine merchants I visited and spoke to have all said there has been resurgence in still rosé sales as the growing sophistication of wine drinkers provided an opportunity for winemakers to add improved quality, drier rosés to their portfolios.

Sparkling wines continue to trade very well, partly as a consequence of successful strategies to extend consumption occasions beyond key celebrations such as Christmas, weddings and birthdays,

But the manufacturers of fortified wines and vermouth are enjoying little success in their efforts at reinvigorating the old-fashioned image of sherry and port. I had a very memorable lunch with Wheelers Wine Cellars in London where we tried and tasted many wonderful fortified wines that were truly delicious. They should in theory be selling by the truck load. The fact is these types of wines are not fashionable or groovy. Consumer perception and product image yet again wins the day.

Recent heavy promotion by leading brand Martini and “retro” trends in both Germany and Italy have seen vermouth sales show some positive growth. This proves yet again that food and drink is the same as fashion. “What is in today may not be in tomorrow”

A key characteristic of the current wine market as a whole is the shifting balance of power between Old and New World wine producers. On the one hand, Old World wines from countries such as France and Italy remained popular due to their image of quality and sophistication, but domestic consumption per capita continued to shrink as better value wines came onto the market in countries with a deep understanding of wine and an experienced palette.

On the other hand, New World wines from countries such as Australia, the US, South Africa and Chile enjoyed strong growth in demand, in both their own domestic markets and in countries with limited traditions of wine consumption (such as Russia and China). Driving this growth has been the aggressive branding strategies of New World producers, which simplify the purchasing decision and therefore appeal to consumers who are unfamiliar with wine products.

The wine market is now characterized by the targeting of specific consumer groups, with packaging and formulation of both still and sparkling wines aimed at disparate audiences. Innovative packaging featuring colourful graphics and labels is frequently targeted at the important global population of financially independent women, whilst low-alcohol content wines are aimed at older and health-conscious consumers. Increasing acceptance of screw caps and the up market shift in bag-in-box wine is also taking the mystique out of wine purchasing for many novice drinkers.

Why is it that the menu in a restaurant has a wine list that has so many different choices of branded wines, yet the food menu is restricted to a generic offering of a particular food. The main reason is of course that wine has a long shelf life and can be stored. Fresh food cannot. But Just imagine been offered a menu with 10 different types of potatoe to choose from!

### **CLOTHING AND CARS**

The clothing and car industries are masters of branding and creating perceived value. I visited the Paris Fashion week. It is a totally different world and the marketing focus is on seducing the client into a perceived lifestyle when buying that brand. Some of the super luxury brands spend 30% of revenues on advertising. Massive compared to the average of 3% for premium foods brands.

There has been a lot of talk lately about the impact of the economic downturn on luxury brands. Some have asked if we're about to see a number of so-called luxury brands come crashing down to earth with a bump.

Well, as Confucius famously said, "Even in a fair wind a turkey can fly." And I personally can vouch for that, I have seen it many times!!

Consumers are becoming much more discerning about the purchases they make and will interrogate the luxury credentials of the brands they are considering to a much higher degree. Luxury brands that pass the test will survive and ultimately win, both in the short and long term.

The issue is that in recent years luxury has become more ubiquitous. During the 1990s, a lot of premium brands sought to tap into consumer aspirations for luxury. Growing disposable incomes and an appetite for high-end goods created a new marketing concept, luxury and premium goods for mass market consumption.



As a result, these brands tried to position themselves as "luxury", with the pricing to match. We had the opportunity to buy everything from luxury soap to luxury ready meals. While money was plentiful or at least relatively easy to come by, we were happy to pay.

But now, in the late 2000s, are we really buying luxury brands or simply consuming premium products and services that masquerade as something they aren't? This may sound cynical but I have seen too many times in the food world claims that are technically true but certainly not within the spirit of the consumer's expectations.

They use the words and language of luxury -- as well as charging high prices -- but do the propositions stand up to real scrutiny or offer genuine value for money?

If not, we need to ask how we tell them apart.

Genuine premium luxury brands share a number of key characteristics:

**Firstly**, they have real authenticity. Typically this stems from an inner conviction or belief that created the business or brand in the first place. For example, Hermes with its artisan approach to leather and saddles, BMW with rear wheel driving and Mont Blanc with highly crafted pens that can work at high altitude.

The authenticity of the design, craftsmanship or service clearly signals "luxury" to a potential customer. Patek Philippe watches even position the brand as an heirloom in waiting, with the "begin your own tradition" strap-line

**Secondly**, luxury brands are icons. They exude utter confidence in what they do and how they do it. This usually manifests as examples of over-engineering that signal to customers an obsession with quality or delivery beyond normal expectations.

For example, Rolex has created a watch to work at up to 200m below sea level and Range Rover's passion for performance ensures its cars can cover more than 40,000 miles off-road continuously. Examples of over-engineering also provide great alibis or reasons to believe in the authenticity of the brand.

**The third** key characteristic is scarcity or rarity. Increasingly, customers want to feel a sense of connoisseurship or discovery with the brand they choose. Gucci has recently suffered a dip in results which it attributed in part to over-exposure and too many entry-level products.

Interestingly, BMW has managed the clever trick of being the fourth largest-selling car marque in the UK without losing the brand cachet. It amazed me recently to find out they sell as many if not more 3 series' than Ford sells Mondeo's! How can they do this and yet maintain an air of exclusivity and luxury?

The Kelly bag by Hermes is, of course, the best example of this -- openly publicising the long waiting lists and encouraging customers to wait in line for "their turn". It is the name Kelly that is key to the success I am sure!!

Using these principles and approaches, real luxury brands can retain their status and remain relatively unaffected by economic turbulence. They can hold their nerve.

The key is to avoid the temptation to chase sales by broadening their product portfolio, opening up distribution or even discounting products. This can cause real long-term damage to the reputation and brand. Pierre Cardin's lengthy period in the wilderness and gradual comeback to date are testament to that brand's overexposure in the 1980s.

For premium brands that run the risk of being caught out in the middle -- neither value for money nor luxury -- the solution is to quickly adopt a brand-building approach that focuses on key luxury brand behaviour. Companies like Audi and Duchy Originals must be looking hard at themselves and asking if they are truly luxury enough.

All of the above in my opinion apply to premium food, if not more so. Certain elements are integral to a real premium brand: building an authentic story; creating alibis that evidence that story; developing the notion of rarity or scarcity; and allowing customers to create a sense of connoisseurship. Only that will separate the wheat from the chaff.

Bentley are selling like hotcakes because they know how and where to advertise to the individual who can actually afford to buy a Bentley rather than talking to those who cannot afford one. For a long time media has carried unnecessary waste. At the end of the day, no matter how great a brand you have, if it's not selling, it's dead. If it's not being talked-about, it will be killed-off by competitors. The whole purpose of advertising is to generate talk that creates a desire to buy, but if you're talking to the wrong people, you're simply wasting your time and money. Price provides a value of exclusivity, and only those who are prepared to pay beyond reason will acquire the quality of product they desire. This is their guarantee, the price they pay for exclusivity. Most cars run on four wheels, it's simply a matter of how you wish to arrive, and the wealthiest individuals in society have always liked to arrive in style since Egyptian times. The new Bentley showroom in Moscow is going a storm. Why? Because they have opened in a pocket where the money is, and where the money is where the premium brands are.

## **MY TRAVELS**

UK Smoke Houses, Free range egg producers, Ocado home delivery service. Whole host of chefs. Food service suppliers Wine Merchants and Wine producers. Car dealerships and Fashion Houses

HOLLAND – Le Place restaurant chain

USA- Chicken and turkey processors, fruit growers and packers, vegetable growers and packers, Food service suppliers and retailers , food outlet chains

GERMANY- Kramer cooking and FP plant, Denree Organic wholesales

FRANCE- LDC Processors, and fine dining restaurants. Fashion Houses

MOVERS AND SHAKERS- Long talks to food media and celebrity chefs who shape the way we think



### **Flying off on my first assignment, the money ran out pretty quick!**

My first port of call was to one of the leading food service suppliers in the country who are a long standing and established food service supplier and are at the cutting edge of changing consumer habits.

I met with the company nutritionist who was able to give me a great insight into what was happening in the market place. As the nutritionist she had to approve every product that was listed and also oversee all the NPD work that was in progress, so had an excellent insight into old and new.

What was made very clear from the outset was is that there are two very different sets of customers in the food service sector

1. Schools and Hospitals
2. General restaurants and food outlets.

Both have totally different sets of criteria which can be summed up as follows

#### Schools and Hospitals

- Nutritional values are key
- Plate coverage (size of portions) is not important
- Flavour is secondary to nutrition

### Food Service (restaurants)

- Nutritional values are becoming an issue but only in a small minority of cases.
- Plate coverage is key to perceived value
- Flavour takes priority over nutritional value.

The obvious way to get premium products into food service is to reduce portion size and charge the same? It was apparent this was only an option in a very limited number of restaurants, and these would typically be fine dining and not fast casual outlets.

The FSA (food standards agency) is playing a big part in shaping food service with new guidelines for Salt and saturated fat content of all institutional dining.

I spent two weeks in America which is probably the food capital of the world when it comes to food production and consumption

The points that stood out in the US market compared to Europe are

- The scale on which food is produced and consumed!
- The cutthroat margins with inherent low profitability for primary producers.
- The high labour input in processing plants, compared to European countries.
- There is a big shift in the market towards natural / free range / organic food. All the growth is in this sector of the market.
- They do however have over supply problems as too many large producers have entered the natural / free range / organic market in the search for profit with little or no regard for the balance of supply and demand. In most cases the producer is getting a poor return whilst food brokers and retailers are making very healthy margins.

The food service sector has been naming brands for several years, coca cola, Pepsi; Oreos MMs have been part of the American way of life for decades. What has been less common is for fast-casual restaurants to advertise the names of their poultry suppliers, and indeed food suppliers across the board. Some chains have begun to showcase their suppliers on menu boards, websites, and point of sale material and even in television commercials.

When speaking to one of the chain managers his quote was “To us and consumers we feel that by promoting our supplier it really shows a sign of quality if the brand is well respected”

They did not focus on one brand and support just one brand; they promoted several suppliers of chicken through one chain.

Fine dining establishments have a long history of promoting their suppliers on menus and this trend seems to be trickling down to the fast – casual restaurants. It may not be out of the question that this trend will trickle down to the quick service sector like McDonalds etc. The problem is there are so many product categories in restaurants that have many suppliers, which makes it difficult to decide which ingredients to support.

According to Harry Belzer who is vice president of consumer and foodservice information provider NPD group, promoting a well known food brand is beneficial to both restaurant and supplier.

My quest for looking for a perceived value other than price was answered by Harry Beltzer. He said **“It’s about providing consumers with the equity that the brand brings to the restaurant”**

With that equity restaurants can build better and stronger bonds with consumers, at a time when consumers are in frenzy about food scares and food safety.

70% of the 10 food service outlets I visited were very interested in points of difference for products that had provenance and were local. I did though get the impression that they were more interested in the story and words that went with the product, than the quality of the product itself!



**A Typical “Breakfast in America” Steak Eggs and a good bottle of red wine !**

I decided to see if it really was possible to get a premium for a high cost price product, and achieve decent volumes in a fast casual type outlet. All the theory in the world could say yes, but it needs to be done in practise.

Holland is renowned for its reputation of having tight or should I say careful consumers, when it comes to paying for food. I researched the market to find a chain that was expanding with a high capitalisation and therefore probably forward thinking. The Chain that stood out was La Place who currently has 220 restaurants, and opening 1 per month.



A newly opened “Le Place Panini” Takeaway



**The counter at one of Le Place eat in restaurants. The range of choice was tremendous; add to this the theatre of the cooking, and it created a unique experience.**



**The soup counter at Le Place. The shop floor is used as the store room to demonstrate just how fresh the ingredients were.**

It was an inspiring trip and met with Guido ten Hengel who is the fresh foods buyer. It was probably the most fascinating two days I have ever spent. I was bowled over by the use of database management and the detailed analysis of the buying habits of these customers. In Belgium and Holland. The management in store of the prepared food and shelf life recording was simple and brilliant.

The database has been recording sales patterns over 15 years of trading. Every meal sold has been recorded. This has enabled them to have programs that calculate what a given store will sell on a given day at a given time. It takes into account the weather as well.

Every week the restaurant manager is supplied with a printout of what the sales predictions are for that week so he can order the ingredients. For the week. Every day there is a refined sales prediction which takes into account on the weather.

This information from head office allows the manager to concentrate on managing the restaurant and the merchandising instead of spending time on the catering and menu. Centralised control is often derided but in this particular case it works. The manager can of course overrule anything if he wants and is encouraged to if the menu is not working.

Wastage at Le pace is 2% compared to the industry average of 6%. This 4% saving is used to buy a better quality food which in turn produces customer loyalty and repeat business.

The food was inspiring and the merchandising excellent. When you saw the food you wanted to eat it.

Key points were

- All food was fresh
- No more than five ingredients for any one recipe
- All staff had central training at head office in Utrecht before starting work.
- Raw material was 30% of selling price
- Wastage was 2% compared to the industry average of 6%
- The visual appeal was excellent with lots of theatre
- All meals were prepared in front of the customer



**The salad counter at Le Place**

The main drivers for the chain over the coming years were provenance, and carbon footprint. But taste was number one.

The trial we have set up is to put KellyBronze turkey on the menu. It will be a whole bird that is roasted every morning and carved during the lunchtime menu and served in a hot sandwich format. We will use graphics in store along with a story board to Merchandise the product well.

The idea is supported by the buyer but has yet to go through the director panel for final approval. It should be on the menu for March 2009 when our production in UK starts. It will be a two month trial and hopefully repeated yearly as a seasonal recipe. We did sell six hundred KellyBronze Christmas turkeys for Christmas 2008. This looks set to treble for 2009.

The cost price premium to the food service outlet is 80% over standard turkey.



The trial in Holland led me to do the same in Germany where it would be relatively easy to set up as we have an established business there.

Our sister company in Germany has historically sold organic chicken and turkey nationally and has also built a strong local trade. We have for four years supplied a local hotel and restaurant with organic turkey.

We asked them to promote our brand and how local it was on the menu. There was a kick in sales of 22%. More and more consumers are genuinely interested in where their food comes from and will on balance buy local production if possible.



**On my tour of Germany I got a car hire free upgrade to a Porsche 911. Thank you Nuffield for creating this event. I had to show this picture !**

I visited a company called Kramer in Mecklenburg. They are a smoke and cooked meats company supplying both retail and food service. It is a fascinating business, with 260 different lines. Smoked and cooked products added about 160% in value to the raw material cost.

The food service sector was a growing business for them as convenience and pre cooked foods in many fast / casual type restaurants was becoming more and more attractive. The option to use relatively un skilled chefs and therefore lower paid as the meats were already prepared more than offset the increase in the cost of the meats. Kramer was getting a big premium on the raw material by adding value for the food service customer.

## **THE REALITY SOON HIT HOME**

How could I translate the dynamic marketing mix used by other industries into the food world. The big food giants such as Nestle and Unilever do a great job at maintaining brand identity and protecting their brands from generic pirates. But at the luxury end of the food market there are very few high profile brands. Wine is the exception, and again I say this industry should, I believe be our role model. Wine and Champagne houses have done the ultimate job of differentiating and creating an aura and perception that consumers buy into.

Luxury foods such as Caviar, Foie Gras etc have generic names but the brands within them have not come to the fore. Restaurants have to have a host of branded Champagnes and wines because the brands are so strong. This is not the case for foods.

What will make a company or product succeed or fail is actually just good business sense and a passion for sales and marketing that will set you apart from the rest. So I then concentrated on identifying key points that successful companies have in common.

Over 40 years ago, the four Ps of the Marketing Mix were Identified by marketer and author J. McCarthy. These are:

**Product:** what is it about your product or service that meets Customers' needs? What are those needs and wants? What problems does it solve? What are its unique or noteworthy characteristics?

**Price:** how much will you charge for your product or service? What will the cost be to the customer? How can you add value to what you offer?

**Promotion:** what marketing and promotional tools will you use to communicate your core marketing messages? Via PR, classified or newspaper advertising, in-store promotions, networking, telemarketing, incentive schemes, online, via customer newsletters, TV, radio or direct mail?

**Place** (or route of distribution): which location will you operate from? Where will your customerbase be located? How convenient will buying from you be? What will your position within the marketplace be?

In addition to the above all the successful companies I visited had a very strong understanding of People and Relationships. In today's world of IT and modern communications, personal relationships and face to face meetings have reduced in frequency. This has of course led to huge savings in travel costs and improved efficiency of peoples time due to less time wasted during travel. But the companies that I visited all ensured that they did have close and personal relationships with key customers and

suppliers as they are crucial in creating an effective marketing and sales strategy. It is these relationships that help entrepreneurs to grow a business effectively, to spread the word about their brand and use their influence. Relationships in business are king,

### **The Importance of PR**

PR is one of the most cost-effective marketing strategies available to businesses of all sizes. By gaining coverage across a variety of media, from newspapers and relevant magazines to TV, radio and the Web, individuals and companies can raise brand awareness to a large audience with minimal outlay. Press coverage also makes it feel like there is a buzz around your product or business, and there is the implied endorsement that comes with getting a positive mention within editorial as opposed to paid-for advertising.

In the early stages of our company's growth late in the mid 90s, we did everything on a shoestring. Unfortunately we had no option, as we had no money. We used the poultry world photographer and various friends who enjoyed photography to come onto our farm and help us create graphics that would be interesting for the media to use. We would identify stories about the business and write it up in a way that would make the reporter's job easier and hopefully improve our chances of getting a good mention.

Eventually when we could afford it we employed a small one-man PR company, so we would have a more strategic approach that could be taken through a media PR campaign. He took our raw office ramblings and ideas, and created press releases for us at a key time in the business's development. These professionally written press releases resulted in a considerable amount of interest in the "KellyBronze story". We started to get a lot of editorial in the glossy food magazines and many of the UK's national newspapers.

To begin with we focused on very localised and targeted PR... From a business perspective, we've always done PR ourselves via interviews that spread the word about our business. We sent a KellyBronze turkey to leading magazine editors, inviting them to try our turkey with no catch. Subsequent coverage evoked interest from potential customers in both retail and food service, other media and potential partners, as well as customers. Once the PR ball starts rolling it gains momentum and can start to build exponentially. I have used my expertise in the turkey business to get quoted as an expert as well as raising awareness, this helps establish credibility within an industry. Local food producers supplying the local market have a great story to tell. One small vegetable and fruit packer I was with in California had a round selling his seasonal fruit and vegetables into restaurants in the area. He spent one whole day a week on what he called marketing. He wrote a column in the local paper every month on the products he was growing for the coming season and some ways of cooking them. He had three open days a year on his farm where he showed locals his green houses and his business from start to finish. He did not spend one penny on advertising but consistently got great PR from being open and providing interesting and educational articles for the locals. Demand for Green Ridge Produce was very strong from the local community.

## **Sales the lifeblood of a company**

This was absolutely the number one driver in all the companies I visited and a view I also share. Without sales a business cannot exist and thrive.

Peter Jones from Dragons Den gives a very clear and defined way of approaching sales.

1. **Focus on clear targets**, objectives and rewards to deliver more than the competition. We've got a very small sales team, but we focus on that team going out to the market under a specific plan of attack with a specific strategy. We know at the start of the year exactly what we want to achieve and how we're going to achieve it. Every month staff is set very clear objectives which they're rewarded upon delivering.

2. **Prepare your sales team**. Take the gladiator approach. Gladiators were successful because they, were very well trained, well honed and were given the right tools and strategies for the job in hand. When a gladiator stepped into the ring, they delivered 99 times out of 100. Make your sales team the gladiators. Give them clear objectives, the tools to deliver the job and the training that's required to be more effective than your competition..

3. **Encourage communication** between the sales team and your customers. People buy from people they like and respect.

4. **Get feedback**. Use positive feedback to generate repeat business. Also use it as customer testimonials on your sales literature. Ask for referrals from happy customers. Use positive feedback to fine-tune your offering.

5. **Deliver on your promises to customers**. Go the extra mile where necessary.

## **THE MOVERS AND SHAKERS**

Celebrity chefs make a big difference to eating habits and consumer awareness. I am lucky enough to get to talk to most, and the current topics of local and nutritious will become more evident in the next few years. Welfare and organic has been the buzz word over the past decade but it looks as if the next crusade will be on nutritious seasonal produce not imported, and simple cooking. Going back to basics.

Love them or hate them, whether right or wrong they have huge influence on the public at large. Look at the impact that Jamie has had on school dinners and high welfare chicken production. What Delia Nigella and Gordon say pretty much goes. So as food producers we ignore there themes at our peril

## CONCLUSIONS

I honestly thought I could find a “business recipe” so to speak, that the premium food producer could use, to get the returns needed to enable financial success in the food service sector.

The reality is that excellent leadership and entrepreneurial skills are what is needed to be successful. There is no one formula that can be followed to achieve this goal, but the odds on failure can be reduced by taking time out to look at what other successful companies have done to set themselves apart.

Food business entrepreneurs will shape and influence consumers buying habits, but market forces and the economic climate will ultimately dictate what we produce. The change in the world economic climate from when I started my study in the spring of 2007 could not have been more dramatic.

Currently our business is not a supplier to the food service, except for a few very high profile restaurants. I am still not sure whether we want to be in it the market other than at a local level.

Supplying the retail sector is a much more robust sector. People will always have to eat but not necessarily in a restaurant. Food Service is more susceptible to economic downturns than retail.

To succeed in getting premiums from food service you either have to be

- Small supplying unique low volume lines that the big catering suppliers cannot or will not supply. Typically these will go into privately owned restaurants that are probably in the fine dining or upper end of the sector.
- Or large volume driven providing food supplies at a very competitive price and competing with commodity pricing most of the time. Niche premium lines are seen as a service rather than a producer of significant cash margins.

As a generalisation lip service is paid to provenance and quality in the majority of food service outlets. They talk the talk but have not really looked to drive forward a local supply base. UK grown Beef and Turkey only has about 30% of the food service market where as it has over 90% of the retail market.

If legislation enforced that all food service had to supply country of origin on its menus the task maybe a little easier. This legislation will not be in place in the short to medium term.

The wider picture makes it even more difficult as agriculture is still a political trade off. The EU will continue to reduce tariffs on imported food in the bid to raise the standard of

living in third world countries whose economies are based on agriculture. Reducing food miles is playing a role in combating the huge amounts of cheap food coming into the country, but I do believe “Green beans from Kenya” will continue to be imported.

The food market will, I believe split even further than it is today into niche designer food and main stream commodity food to feed the world.

There is a huge gap in the middle to fill, but the dominance of the multiple retailers and foodservice providers in keeping their own label, makes it very difficult for suppliers to express themselves through promotion and differentiation.

There is a wider choice within given lines but the foodservice supplier is reluctant (understandably) to let the best suppliers and best products shine through, and command a premium over other suppliers within the sector.

Well branded products with provenance and customer loyalty can carry an 80% cost premium, over commodity food, and still sell in volume in food service if a cash margin per serving is the measure and not gross profit per serving.

I.e. More cash revenue will be generated by sell a £6.99 premium dish with a GP of 55% than a £4.99 value dish with a GP of 70%...Offering premium high quality dishes on the same menu, priced to give the same cash margin will create a sense of good value for the food service outlet.

The words that stick in my mind are **“It’s about providing consumers with the equity that the brand brings to the restaurant”**

What has struck me from all the companies and individuals I have visited is how the smaller family / private companies seem to be trading very well and making inroads into the markets that are traditionally dominated by the big multi nationals. Less overhead and the ability to react quickly seem to be more of an advantage in today’s market place than economies of scale.

I do believe there has never been a better time for smaller UK companies to increase market share. Supply into the food chain with approval schemes like SALSA (BRC accredited) make the hurdles and barriers to entry possible to jump.

Private label brands could, should, and will, play an ever increasing role in the food service sector, and local rather than national brands will become more important than ever. But it will take skillfull entrepreneurs to guide these small businesses through the myriad of obstacles and to build a brand that stands out on a menu.

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**MY IDEA OF A WELL BRANDED MENU****Entrees**

Native Maldon Oysters from Weybridge Basin	6	£5
	12	£8
Comfit of Kelly Bronze Turkey from Danbury palace woodlands		£7
Jimmys Farm Carpaccio with sweet limes and		£7

**Main Course**

Suffolk Red Pole Sirloin Steak from the Crix Little Baddow		£14
Sea Bass line caught from river Stour		£12
Rack of Layer Marney salt Marsh Lamb		£12
Talapia from Humphreys farm Great Waltham pan fried in butter		£ 8

**Deserts**

Plate of Suffolk farmhouse cheeses with homemade oatcakes		£ 5
Abberton goat praline ice cream		£ 4
Jules and Sharpie lemon meringue pie		£ 4

**A MENU WITH NO PROVENANCE****Entrees**

Oysters	6	£5
	12	£8
Confit of Norfolk Turkey		£7
Beef carpaccio with sweet limes		£7

**Main Course**

Scottish Sirloin Steak		£14
Fresh Sea Bass		£12
Rack of Lamb		£12
Talapia pan fried in butter		£ 8

**Deserts**

Cheese platter		£ 5
Praline ice cream		£ 4
lemon meringue pie		£ 4



## WHAT WILL I IMPLEMENT AS A RESULT OF MY STUDY

- Communicate to our team that “Sales is our number one priority. Our business is going nowhere without them”. I have always aspired to this fact but realize I have not made the very simple step of telling other members of the team that this must be number one focus and not just part of the business mix.
- Use our data base to get a better understanding of our customers buying patterns and profile so we can focus our marketing spend to achieve maximum benefit.
- Ensure that personal relationships are continued and strengthened with key customers and suppliers
- To produce a range of turkeys products to test market into the local restaurants and pub trade alongside a retail unit selling turkey’s products and recipe dishes.