

Marketing & Pricing Strategies

Produced for the P.D. Hemlani Foundation's and USDA RBDG Program's
"Guam Leafy Greens Project"

By

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Direct Selling to Restaurants

1. Start Small/Start Local Local, small restaurants often have specialty menu items using the same ingredients, which can be grown locally; ie, papaya, lettuce, green onions, etc.

2. Develop Good Relationships through Communication A restaurant that knows WHAT you have and WHEN you have it, can often work with you to create specials, develop regular menu items featuring your produce, or replace off-island orders with your locally grown items. Keep your customers informed with updated lists and quantities

3. Underpromise, Overdeliver Restaurants have rooms full of hungry people to feed, and have to stick to a budget. Do everything you can to deliver the best looking, freshest, best product that you can. This is number one. Pricing is second. If you are consistently GOOD, they will be able to accept if your prices are slightly higher than imported goods. NEVER cancel deliveries at the last minute or worse, just fail to call. Give them advance notice (and a good reason) if there is a shortage. Better yet, become skilled at predicting conditions, and let them know in advance if you think you may not be able to deliver a particular order they are asking for. You want your customers to TRUST you.

4. What's Different about Your Farm? Are you hydroponic? Pesticide free? Organic? Do you grow unusual items not common to Guam? Let the restaurant owner KNOW what is DIFFERENT, and UNIQUE, and BETTER about your farm and products.



Benefits of Selling Directly to Restaurants

- **Excellent Market for Small Quantities of High Quality items**
- **Relationship between Farmer and Chef results in long term partnership**
- **Farm may be highlighted on the menu and even in the media!**
- **Relationship with one restaurant can lead to relationships with other restaurants as your farm capacity grows.**
- **Higher wholesale Price Point often available at individual smaller restaurants**
- **Restaurants can take non-standard size items, and sometimes Grade B items for certain uses (Dragonfruit for smoothies, etc)**



Challenges of Direct Selling to Restaurants

- **Farmer needs to constantly communicate with restaurant; can be time consuming**
- **Matching delivery times needed by restaurant may be difficult at times**
- **High Quality product must be delivered EVERY time.**
- **Farm may not be able to sell enough quantity to make it work if relying solely on restaurants**
- **MUST have clear invoicing, detailed accounting, and ability to wait for payment.**
- **When approaching a restaurant, ALWAYS make an appointment, try the morning, well before lunchtime, and find out what the best day of the week is.**



Grocery Stores & Hotels

When you are consistently and **predictably** able to produce larger quantities of your produce, you should approach grocery stores. On Guam, you have many sizes, from small neighborhood mom n pop stores, to larger grocery stores, and hotels, with several restaurants requiring large amounts of consistent produce.

Considerations when selling to Grocery Stores & Hotels:

- * You may need to standardize your produce sizes, or grade your produce, or package and label it.
- * You must meet orders and delivery deadlines
- * Constant, daily communication with your buyers is the key to success
- * This can be an opportunity for custom crop growing, and long term partnerships
- * Great market for larger quantities of quality items, and when harvest is more abundant than planned
- * Great opportunity to expose a larger customer base to your products when you want to expand



Pricing!!!

How do I know what to charge my customers? How can I survive if I'm getting undercut by others selling produce at below rock bottom at the farmer's market? We know these are the million dollar questions.

1. FIGURE OUT HOW MUCH IT COSTS TO GROW YOUR CROP (BY UNIT)

(Use the record keeping tools to figure out crop costs)

2. ADD A PERCENTAGE TO THIS COST OF PRODUCTION, TO ACCOUNT FOR

YOUR TIME AND OTHER INDIRECT OVERHEAD. Some crops are more time consuming than others-ie, if lettuce takes 6 weeks to harvest, and pineapple takes 18 months, there are more direct costs, but also more risks, and possibly more indirect expense too. 20-30% is not unreasonable. But for some crops, 100% might be appropriate.



More Pricing.....

- **Next-are you selling to a small restaurant? To a grocery store? To the farmer's market?**
- IN GENERAL: When selling to the restaurant, if they are buying in volume, they will pay more than wholesale, and less than retail.
- For a grocery store, You should consider what they can sell your product for, and consider subtracting 35-45% from that price.
- HOWEVER, if your product is unique, organic, special, or normally a high priced item (ie dragonfruit), then work with the grocery store to figure out a fair price to charge that may be a higher percentage.
- **Farmers Market: Price your produce at top dollar, especially if it is top quality. You might consider grading it, and charging less for the grade B produce.**
- Again, especially if you have a unique product, a unique growing method, or a high value item, do not undersell yourself.
- Find more helpful info at: attra.ncat.org
rodaleinstitute.org/farm/organic-price-report-tool/



Farmer's Market Pricing

Specific Issues for Farmer's Markets:

- Which Farmer's Market are you at? Location...Location...Location
Dededo*Mangilao*Agat*Neighborhood – Location
determines customer bases-and pricing approaches
#fleamarketproblems
- Presentation of your Produce- Looking your best- getting top dollar!
- Grading Produce-Not all bananas are created equal!
- Bulk sale Pricing vs Smaller Quantity Pricing
- Know your Break even point-so you make a PROFIT!



What do customers expect at these Markets?

What do you expect from them?

Dededo Farmer's Market

- Bargaining
- Lower Prices
- Customers expecting “deals” not top dollar, regardless of quality
- People come prepared to buy produce
- Mostly locals
- People want local flavor produce-almost anything we grow

Chamorro Village Market

- More of a relaxed environment
- Higher prices
- Less bargaining
- People don't like to carry a lot around-they came to eat
- Locals mixed with tourists and temporary residents
- People want a variety of fruit and greens –a sampling of local items, but more of what the grocery store has; grown locally



New trend: **Neighborhood Farmer's Markets**-only farmers, shorter times, conveniently located

Neighborhood Events -Food Trucks, etc.

- People still expect to eat, but they are expecting to pull in, get food, and go. They don't expect to shop long, so they may be more likely to carry more home with them.
- Higher Traffic, take advantage of the advertising from the food trucks
- Money spread around to more vendors.

Neighborhood farmers market where CSA's can be picked up

- People coming already are there to pick up produce.
- They want extra that's not in the CSA box
- A few farmers join together to have a small venue in a location with high quality customers who don't question prices, and just want quality local produce
- you must show up, you must have first quality goods,



Presentation

- **RIGHT**

- Use baskets, signs, table covers, to make your table/booth look inviting
- Grade your produce-don't mix grade A produce with grade B or lower quality produce. Put out your best
- CLEAN your produce!
- Separate Ripe from Green
- Price Grades, Ripes, Greens, at different rates. (Pros & Cons: Selling Green vs Ripe, Shelf Life vs Selling everything)
- Showcase your best on the top
- Label unusual items.
- Consider having a "Last Chance" bin for Grade B items at a reduced price, but separate it from all your other produce
- Bring your biggest and best to farmers market

- **WRONG**

- Leaving things in plastic bags or boxes where people can't see them ("grab bag" thinking)
- Not washing produce
- Mixing Grade A with lower quality produce.-not removing rotten items or items with insect damage
- Selling all your best produce elsewhere and bringing less than best to farmer's market.-bring your best.
- Underselling your best produce, overselling rotten produce.



BANANA CROP PROFITABILITY		
SCENARIO 1: PRICE BY VENUE/CUSTOMER TYPE		
NET INCOME FROM BANANA SALES		
MAY-JULY	Farmers Market 1.00 x 200#	\$ 200.00
MAY-JULY	Farmers Market 1.50 x 100#	\$ 150.00
MAY-JULY	Farmers Market 2.00 x 300#	\$ 2,200.00
MAY-JULY	Farmer Market 3.00 x 500#	\$ 1,500.00
MAY-JULY	Restaurants 1.00# x 200#	\$ 200.00
MAY-JULY	Restaurants 1.50# x 200#	\$ 300.00
MAY-JULY	Stores 1.50lb x 700#	\$ 1,050.00
MAY-JULY	CSA Boxes 1.50lb x 300#	\$ 450.00
3 Months	TOTAL INCOME 2500# Bananas	\$ 6,050.00
	Average Price=\$2.42/lb	
EXPENSES		
May-16	100 Banana Seedlings	\$ 500.00
May-16	5 loads Chicken Manure	\$ 250.00
May-16	Fertilizers-Other	\$ 100.00
May-16	Pesticides-Other	\$ 100.00
May-April	Water x 12 months	\$ 600.00
May-July	Harvest, Sales PT Help 100 hrs x \$9	\$ 900.00
May-July	transportation@225 miles/week x 12 weeks	\$ 1,500.00
12 Months	TOTAL EXPENSE raising crop 100 trees	\$ 3,950.00
	CROP PROFIT AFTER EXPENSES	\$ 2,100.00
	Hours Spent Planting	24
	Hours Spent Watering	100
	Hours Spent Harvesting	12
	Hours Spent Selling	50
	Total Hours Spent	186
	Your Hourly "Rate" for this crop	\$ 11.29

BANANA CROP PROFITABILITY		
SCENARIO 2: SAME PRICE FOR EVERYONE		
NET INCOME FROM BANANA SALES		
May-July	All Banana Sales	
	Market/Restaurant/Stores/CSA	
	2.25/lb	\$ 5,625.00
3 Months	TOTAL INCOME 2500# Bananas	\$ 5,625.00
	Average Price=\$2.25/lb	
EXPENSES		
May-16	100 Banana Seedlings	\$ 500.00
May-16	5 loads Chicken Manure	\$ 250.00
May-16	Fertilizers-Other	\$ 100.00
May-16	Pesticides-Other	\$ 100.00
May-April	Water x 12 months	\$ 600.00
May-July	Harvest, Sales PT Help 100 hrs x \$9	\$ 900.00
May-July	transportation@100 miles/week x 12 weeks	\$ 1,200.00
12 Month	TOTAL EXPENSE raising crop 100 trees	\$ 3,650.00
	CROP PROFIT AFTER EXPENSES	\$ 1,975.00
	Hours Spent Planting	24
	Hours Spent Watering	100
	Hours Spent Harvesting	12
	Hours Spent Selling	50
	Total Hours Spent	186
	Your Hourly "Rate" for this crop	\$ 10.62

