



HOT STUFFING:
Events you don't want to miss

Juice HACCP
February 3 & 4, 2005
NYS Agricultural
Experiment Station
Cornell University
Geneva, NY
Cost: \$295

Contact Nancy Long - 315-787-2288,
 Randy Worobo - 315-787-2279, or
 Sarah Lincoln - 315-787-2274

Recipe to Market
April 2, 2005, Saturday
Battenkill Kitchen
Salem, NY

Contact Paula Schafer- 800-548-0881

Meat Workshop
April 2005
Dates to be announced
Dutchess County
Cooperative Extension

Contact Bob Weybright - 845-677-8223

Better Process Control School
May 2-5, 2005
Ramada Inn on the Lake
Geneva, NY

This is a FDA certification course for manufacturers of acidified and low-acid shelf-stable foods.

Contact Judy Anderson -315-787-2273 or jla2@cornell.edu

Sell Value – Not Price

Bob Weybright, New York Agricultural Innovation Center, Cornell University

This is the first of two articles written by Bob Weybright, New York Agricultural Innovation Center, Cornell University for Smart Marketing

Given the current “market winners” in the selling world, one would think that price is the primary reason people buy a product or service. Some evidence of this would be the phenomenal growth of such chains as Wal-Mart, Home Depot, Dollar Store, etc. To be able sell at the lowest price, these chains are continually pushing, if not demanding, that their suppliers give them lower prices as well. Under these conditions, one might conclude that selling at the lowest price is required to be successful in today’s market.



I would agree that unless you are without a doubt the lowest cost provider or producer, you cannot and should not sell merely based on price. This then raises the question of how can one expect to survive in today’s environment if an increasing number of potential market outlets for our products and services are squeezing to get the lowest price possible? The premise of my argument is that all organizations and people will buy, and continue to buy, if they believe that value has been received as a result of the transaction. What this means is that in addition to price, there are other benefits, both tangible and intangible, which must be present in order for a buyer (corporation or an individual) to feel they have received value. The purchase must include an appropriate level of total benefits to satisfy the needs that drove the purchase in the first place.

To illustrate this, let’s apply the concept using a simple, real-life situation. Let’s look at two different types of coolers widely used in the summer. When identifying what value is being delivered in a cooler, the obvious one is that it keeps food and drink cold when used as directed with ice or ice packs. More subtle, but nonetheless important, is the unique and/or specialized value being delivered by the respective coolers beyond initial purchase price. It is this deeper value that is a key element to identify and incorporate into the selling and pricing decision.

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Entrepreneur Profile

Miss Betty's Down Home Sauce "Cookin' to Motown!!" Transplanted Southern Cook Makes Good Up North!! It's Slammin'! Rochester, NY www.missbettyssauce.com

When Betty Smith's friend, Ed Anna, told her about Dr. Olga Padilla-Zakour, the Food Venture Center, and how her recipe for "Miss Betty's Down Home Sauce" would need to be evaluated as a shelf-stable product, she knew that "something was about to happen." Betty brought her ingredients to the Center's lab, where the staff assisted her with measuring and weighing the ingredients so she could produce a batch of sauce. "I was excited and nervous, but the process gave me strength," she said.



Growing up in the South, Betty originally developed her special sauce to serve with the game her husband, an avid hunter, brought home for family meals. After moving to Rochester, Betty introduced co-workers, neighbors, and friends to her sauce. Soon she began to sell the sauce home-canned in quart jars. Several years went by. In 2000, determined to get her product to market, Betty took Mayor Johnson of Rochester some of her sauce along with homemade fried chicken, potato salad, and biscuits. She told the Mayor that she wanted to mass produce her product but didn't know how to take it public. Before Betty even returned home, two messages had been left on her answering machine by the Mayor, recommending that she contact the Urban League of Rochester. Betty soon completed the business training course (similar to the NxLevel™ curriculum also offered by the Food Venture Center) sponsored by the League. Mayor Johnson informed her that he had been approached by dozens of potential food entrepreneurs, but that Betty was the first to actually bring him dinner in order to sample the product!

Having overcome a number of many life-altering circumstances—from being virtually orphaned at the age of two, left with various 'relatives,' enduring physical abuse, severe childhood asthma, poverty, an abusive marriage, drug addiction, and heart disease—Betty, at age 56, now markets three popular sauces, with yet another awaiting release. In 2002, this intrepid entrepreneur was featured in the high-gloss regional magazine, *Lake Effects*. The article included a full-page color photo spread for the piece, entitled called "A Picture, 1000 Words." In October 2004, Betty was featured again in a front-page article in the Sunday "Business" section of Rochester's Democrat & Chronicle newspaper. This year she was awarded the title of "Regional Entrepreneur of the Year" from the state Office of Vocational and Educational Services for

Individuals with Disabilities (VESID), and she also received a call from Senator Hillary Clinton. In November, a film crew from the local public television station spent three weeks documenting Betty's life, including the development of her products.

Betty cooks to Motown music. She says that the rhythms of "The Temptations" provide her with her most creative inspiration.

"Miss Betty's Down Home Sauces" are now featured in twenty-two stores and sold at local festivals. The sauces are co-packed at Private Label Foods in Rochester; Betty distributes her products right out of the trunk of her car. She can't afford to rent storage, so in exchange for using the basement of CEPHAS House, a half-way home for former Attica inmates, Betty volunteers weekly at the House, teaching cooking classes, featuring her sauces. Betty uses the

A graphic for Miss Betty's Down Home Sauce. On the left is a circular portrait of Betty Smith smiling, with the text "Miss Betty's Down Home Sauce" below it. To the right of the portrait is contact information: "Miss Betty Smith Owner", "P=585.234.7843", "F=585.544.6612", "PO Box 17741", "Rochester, NY 14617". At the bottom left is the website "www.missbettyssauce.com" and at the bottom right is a logo that says "It's Slammin'!" in a stylized font.

example of her own life's experience to encourage the men "to rise above all obstacles, to believe in yourself, and to surround yourself with people who are smarter than you."

This last suggestion, she asserts, is the key to having been able to progress with her business. The "Pack-Rat Team," as they call themselves, a seven-person management team, all volunteers, have assisted Betty with all aspects of her business. This talented group came together within her church congregation and helps her with marketing, publicity, graphic design, business planning, and financial issues. Betty likes to share the following wisdom: "It took me eight years to do it the right way. If it is not your passion, it is not going to work."

For example, a widely available low-cost foam cooler does not cost much more than a couple of dollars, and buyers usually only expect them to last one, maybe two uses before they are ready for the trash can. A unique value is that when there is high risk of losing or damaging a cooler, a relatively low-cost cooler that is expected to be thrown away very soon will provide adequate value for money spent. For basis of comparison, one could state that a \$2.00 foam cooler used once and then thrown away would result in a \$2.00 per-use transaction fee.

Now consider a high-end Coleman cooler with metal housing at a price range of \$80-90. Who would ever buy an expensive cooler like that? This type of cooler has a much longer life expectancy. In fact, I have had one for over 19 years, with perhaps 45 uses total (a conservative 2.4 uses per year). This particular cooler has a per-use transaction cost of approximately \$1.66, based on a purchase price of \$75 in 1985. Even at today's cost of \$90, it would match the per-use transaction cost of the lower cost foam cooler which was \$2.00. If one believes that low price is the only basis upon which buying decisions are made, then I would not or should not ever consider using the foam cooler with its per-use transaction premium of more than 30 cents.

So, what does this comparison exercise tell us, since both types of coolers are widely sold today? To sell simply by price, one would first need to define low price because, as in this example, it could be initial cost or per-use transaction cost. An interesting paradigm is that while the foam cooler has a lower initial cost, its per-use cost ends up being higher than that of the metal-clad Coleman. To make the comparison even more interesting is the fact that the Coleman cooler with its lower transaction cost also keeps items colder for a longer period of time because of its superior insulation and construction. So, based on per-use price and basic function, one could question why anyone would buy the lower-cost foam cooler. What becomes evident in this example is that there are different aspects of nonfinancial attributes that contribute to the value proposition for a particular product. Therefore, selling based on price alone would be a flawed tactic.

While this is a simple example, there is evidence throughout the country that illustrate this concept. Brands such as Rolls Royce, Jaguar, Lincoln, Ford, and Hyundai all demonstrate the ability to satisfy a broad range of value propositions in the transportation industry. More relevant might be an example from the food industry's coffee category. Folgers, Maxwell House, and Hills Brothers are working hard to maintain their sales, yet companies like Starbucks and Green Mountain Coffee are growing their sales in leaps and bounds. The value being sold and delivered by Starbucks and Green Mountain Coffee, in addition to a quality coffee, is pampering in a complex and difficult world, cult membership, mental links to a scenic location (Vermont), and images of vacation and relaxing fun-filled times. While the other national brands have a price advantage, their value is not equivalent to that of the newer premium brands in the eyes of the consumer.

While this might be a simplified example, the bigger question remains: How can I compete in today's environment? Simply stated, it means that one must look carefully at their product and service. Marketers need to assess the competitive climate in the region, country, and world to determine how it might affect the value of what they have to offer; learn to identify what the purchaser needs to see or experience that supports their sense of value while satisfying the needs that drove the purchase initially; and finally, apply what is learned when making a decision as to where products or services are to be sold, who (in the case of large organizations or commodity products) to sell to, and at what price.

The key to success is that price and value must be a conscious decision on the part of the company. Wherever the price and value position is for your product or service in the market right now, it can be changed. An example of a large

company working to move its products up the price and value scale is Subaru. They are actively and carefully working to change the value proposition of the brand. The Subaru Company has accepted that they will most likely alienate some of their existing customers, in fact losing them to competitors, but still believes the changes in value proposition and price is where they want the company to be to maximize its sales and viability.

Is this concept easy to state on paper? Most certainly yes. Is this concept easy to implement? Most certainly no. It takes time and practice to develop an accurate picture of the value proposition. It is, however, a concept that can be worked on and applied over time to slowly improve the selling price and business position. While the examples I have cited are not specifically from the food or agriculture sectors, they can be learned from. Sales, buyers, and customers share common attitudes across all aspects of the business sector. Looking to other industries to learn from their success and mistakes can shorten the learning curve and help us to improve our business practices over a shorter time period.

"*Smart Marketing*" is a monthly marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews the elements critical to successful marketing in the food and agricultural industry. Articles are written by faculty members in the Department of Applied Economics and Management at Cornell University.

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The federal funding to support the Northeast Center for Food Entrepreneurship ends on January 2005. We will continue publishing the newsletter under the NYS Food Venture Center program at Cornell University but only in electronic format. The new issues will be posted on our website for you to read along with a printer friendly format for people that prefer to read a paper document:
www.nysaes.cornell.edu/necfe/pubs/pubs.html

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We thank you very much for your interest in our newsletter. As before, we will keep providing you with technical information, news, entrepreneurial profile, food processing and food marketing information. If you have suggestions or comments, please do not hesitate to contact us.

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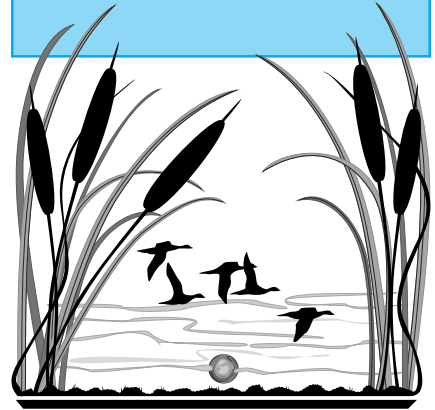


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CLARIFICATION Maple Cream Processed Developed By Cornell University

We received several comments regarding the new procedure to produce shelf-stable maple cream. Please check with your local and state regulations before using the new process as in some states the term 'maple cream' is regulated and you might need to use a different term such as maple spread.



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