FOOD & BEVERAGE PROCESSING in MANITOBA
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Acknowledgements

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Disclaimer

Content

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Food & Beverage Processing in Manitoba – Basic Steps

Food and beverage processing is Manitoba’s largest manufacturing sector. Over 250 companies employ close to 15,000 individuals and produce over $4.5 billion worth of goods each year. These items are sold across Canada and in many export markets through grocery and foodservice distribution channels.

Food & Beverage Processing in Manitoba – Basic Steps is focused on the needs of entrepreneurs and early stage food and beverage processing businesses. It is intended to help these individuals make informed decisions about proceeding with a new business.

The Basic Steps manual provides preliminary information on researching the industry, and outlines several other key aspects of planning, setting up, and running a food or beverage processing business. These topics are presented in the same order that most start up business owners would likely consider them. In practice though, most entrepreneurs will be working on several areas at the same time. This manual is designed to help manage these numerous and overlapping tasks. Websites of organizations and resource providers are included throughout the manual. A glossary of important terms and phrases used in the industry is included in the last section of this document. Also included is contact information for government agencies, trade associations, and other organizations relevant to Manitoba’s food processing industry.

Entrepreneurs that are interested in learning more about the industry and the much more detailed Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017), are invited to contact the association.

Food & Beverage Manitoba

Food & Beverage Processing in Manitoba – Basic Steps is just one of many resources that Food & Beverage Manitoba provides to its members. Food & Beverage Manitoba (originally called the Manitoba Food Processors Association), was formed in 1993. It is a not-for-profit, industry organization that serves over 300 member companies ranging from small, start-up operations to large multi-national companies. Manitoba growers, processors, marketing boards, government agencies, retailers, and industry suppliers of goods and services all enjoy the benefits of membership.
The Association supports its members by:

- Working with food business entrepreneurs to set up their operations, and with established food processing companies in Manitoba by serving as an information resource and a networking system
- Organizing marketing programs and promotional campaigns to increase sales in grocery and foodservice distribution channels
- Providing professional development opportunities for business owners and managers, and training programs for employees
- Providing human resources support and worker recruitment services
- Serving as an advocate for industry and members to government agencies and departments regarding issues that impact the food processing industry
Market Research and Business Planning
Introduction

Before bringing a new food idea to the marketplace, a great deal of research and planning is required. Entrepreneurs need to research the industry, the business environment, the needs of the consumer, as well as the competition. The insights gained from this research can be used in developing a formal business plan, which is an important step for entrepreneurs. The business plan provides focus for future activities and is used for presentations to investors, the management team, regulatory agencies, and others.

Section 1 explains where and how to start research activity and provides several resources for support. For a more detailed discussion on market research, conducting consumer surveys, connecting with key contacts in the industry, researching competitors and a detailed outline of content for a business plan, readers are referred to the Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017).

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The Starting Point

Market research is extremely important for new companies and for existing companies wanting to remain competitive. Market research will help a company identify:

- Markets to pursue and how big they are
- Consumer groups and what they want
- Customers, who they are and what they expect from a supplier
- Competitors, who they are and what they are doing

Armed with this information, a business owner can develop the objectives and strategies that are necessary for the business’ success. Market research can be done online, at government departments, at business resource centres and through interviews. Another option is to hire a consultant to complete a round of primary research.

Researching the Industry

Researching the industry provides an understanding of how the overall industry works. It will highlight trends, important players, competitors, and customers that can be researched in more depth.

Information on an industry can come from several sources:

- Online searches
- Industry associations
- Trade and Government publications
- Industry events
- Interviews with industry members

Industry associations can provide:

- Membership lists
- Leads on published information
- Detailed information on how the industry functions
- Key factors for company success
- Important industry trends

Industry associations exist to serve their members. Joining an industry association provides many benefits beyond gathering information. In Manitoba, key groups include:

- **Food & Beverage Manitoba**
  WEBSITE: [http://foodbeveragemb.ca/](http://foodbeveragemb.ca/)

- **Manitoba Food and Restaurant Association**
  WEBSITE: [http://www.mrfa.mb.ca/](http://www.mrfa.mb.ca/)
Another excellent information source is trade publications such as:

- **Food in Canada**

- **Western Food Processor**
  WEBSITE: [http://www.westernfoodprocessor.ca/](http://www.westernfoodprocessor.ca/)

- **Western Grocer**

- **Canadian Grocer**

- **Western Restaurant News**

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**Government and Industry Sources of Information**

All of the organizations specializing in information, such as public and university libraries, governments, business resource centres, research organizations such as the Food Development Centre (Portage la Prairie), and consulting firms, can help to narrow a search for more specific information.

There are a number of government websites which can provide market information:

- **Statistics Canada**

- **Agriculture and Agri-Food Canada**
  - **Canadian Agriculture Library** has built one of the foremost collections in the world on agricultural and food sciences.
    WEBSITE: [http://cat.cisti-icist.nrc-cnrc.gc.ca/search#cal](http://cat.cisti-icist.nrc-cnrc.gc.ca/search#cal)
  - **Industry, Market and Trade’s** website provides access to a wide range of topics.
  - **Market Analysis Group** provides market information, analysis and forecasting for domestic and international grains, oilseeds, pulse and special crops.

- **Business InfoCentre at the World Trade Centre Winnipeg**
  WEBSITE: [www.wtcwinnipeg.com](http://www.wtcwinnipeg.com)

- **NRC National Science Library**
• Manitoba Agriculture:
  – Markets and Statistics
  – Food and Ag Processing
  – Food and value added agriculture statistics
  – Entrepreneurship Manitoba
  WEBSITE: http://www.entrepreneurshipmanitoba.ca/

Researching the Business Environment
The first step in researching the business environment is to identify the opportunities and threats that are relevant to a company. There are five types of macro forces to keep in mind when considering opportunities and threats:

1. Political and Regulatory Forces
2. Economic Forces
3. Social Forces
4. Technological Forces
5. Competitive Forces

This simple process can be used to identify opportunities and threats:

• Brainstorm a list of opportunities and threats facing the company. Keep in mind the five macro forces affecting the company.
• Go through the list and identify those that are most likely to occur. Place these in a new list.
• From the revised list, identify those opportunities that the company can truly take advantage of. Identify those threats that will most likely affect the company. Prioritize these opportunities and threats.
• This final list of prioritized opportunities and threats contains those that the company should focus on.

Because opportunities and threats are constantly changing, they should be monitored. An opportunities and threats analysis should be completed at least once a year.
Researching Consumer Needs

In practice, each food or beverage processor will have to consider two types of customers when developing products and marketing strategies. The primary customer will be the retailer, distributor, or further processor that buys the product and moves it through the supply chain to the end consumer.

A company must also know and understand the specific end consumers they are targeting so that it can design and develop successful products based on the specific needs and wants of these individuals. Strategies designed for pricing, promotion and distribution are only successful if a company has an in-depth knowledge of the specific target consumer.

Attending industry events and tradeshows can be an excellent way to learn more about consumer preferences, and the priorities of retailers and distributors. Look on the websites of the following organizations to find out when and where the events and tradeshows will be held:

- **Food & Beverage Manitoba**
  WEBSITE: [http://foodbeveragemb.ca/](http://foodbeveragemb.ca/)

- **Manitoba Restaurant and Foodservice Association**
  WEBSITE: [http://www.mrfammb.ca/](http://www.mrfammb.ca/)

- **Agriculture and Agri-Food Canada**

- **Manitoba Agriculture**

Researching the Competition

The food industry is highly competitive. Food businesses need to not only be aware of their competitors but to know how to effectively compete with them. To do this, a competitive analysis should be done. There are three overall steps for conducting a competitive analysis:

1. Define the target market
2. Identify direct and indirect competitors
   (considering both the companies and their respective products)
3. Obtain competitive information

Each step will provide information on competitors’ products and strategies. A competitive analysis can also help set objectives and strategies that differentiate a company and its products to better meets customers’ needs.
Business Planning

It is important to conduct a formal planning process and compile the results in a business plan. The information gathered on the industry, business environment, consumers, market and competitors using the resources and techniques described previously in this Section are the foundation for this planning process. The business plan becomes a valuable tool that will greatly improve a company’s chance of success. A formal plan should be written in the beginning stages of the company, but should also be reviewed, revised, and updated yearly.

There are two main types of business plans – financial plans and strategic business plans. The primary differences are the target readers of the report and the information disclosed within the documents.

1. A financial plan is an external document written to obtain financing from investors, financial institutions, and government agencies.

2. A strategic business plan is an internal document which provides direction to the company. Typically, a strategic business plan contains greater marketing and product information than a financial plan.

Financial Plans

A financial plan is a tool to help a company obtain financing. It needs to answer these key questions:

- Who is the company and what is their track record?
- Why are the funds needed?
- How much will be needed?
- What equity can the owners contribute?
- When are the funds needed?
- What are the risks of this project or business?
- Are there any other sources of funding?

A financial plan must focus on management and their commitment to the business, as well as the nature of the business and its unique aspects. Banks and lending institutions provide advice on writing a financial plan.
Business Plans

A business plan is a vitally important company document because it must clearly and succinctly outline the business’s objectives and how it will achieve them, to investors, the management team, regulatory agencies, and others. With minor adjustments the business plan can be used as a financial plan.

Many startup business owners use templates that are available through most financial institutions or accounting firms to guide the initial draft of a business plan. Others hire consultants or business planners to write the document for them. Either approach is suitable as long as the end document reflects the objectives of the business owners and the steps that will be taken to achieve those objectives.

Remember that a business plan is a living document. As market conditions or the company’s activities change, the business plan needs to be updated to reflect these changes and the revised strategies that will achieve objectives.
Organizing the Business
Introduction

There are four main forms a business can take – sole proprietorship, partnership, corporation, and co-operative. In deciding how to structure a business, an entrepreneur will consider the advantages and disadvantages of each option in terms of tax, risk, and finance issues. In addition to business structure, Section 2 also introduces the need to consider sustainability and social responsibility as part of setting up a new business.

For a more detailed discussion on the advantages and disadvantages of alternative organizational structures, business licensing, GST, setting up an advisory board and mentoring group, or designing a sustainability/social responsibility strategy readers are referred to the Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017).

Section Topics

Organizing the Business 1
Types of Business Structures 1
Seeking Advice 3
Sustainability and Corporate Social Responsibility 4
Organizing the Business

There are a number of issues that must be addressed during the start of a new business in order to avoid problems in the future. Some of the questions that need to be answered are:

- What form will the business take? A sole proprietorship? A partnership? A corporation? A co-operative? What are the pros and cons of each?
- Are there strategic alliances or joint ventures that should be considered?
- What name will the business be under?
- What is the process to register a name for a business?
- Have all the appropriate business licenses been applied for?
- When and how does the business register for GST?

Information resources to help you get started in business can be found at:

**The Business Infocentre at the World Trade Centre Winnipeg**
WEBSITE: [www.wtcwinnipeg.com](http://www.wtcwinnipeg.com/)

**The Women’s Enterprise Centre**
WEBSITE: [www.wecm.ca](http://www.wecm.ca)

**Entrepreneurship Manitoba**
WEBSITE: [http://www.entrepreneurshipmanitoba.ca/](http://www.entrepreneurshipmanitoba.ca/)

 Types of Business Structures

There are four main forms of legal structure that a business can take:

- Sole proprietorship
- Partnership
- Corporation – which can be for-profit or not-for-profit
- Cooperatives

There are advantages and disadvantages to consider with each type. It is advisable to consult with a business/corporate lawyer to find the most advantageous form.

**Sole Proprietorship**

A sole proprietorship is one person in business for his or her self. This person assumes all responsibilities, all profits or losses, has unlimited liability (for both business and personal assets) and is in complete control of the business. This is the simplest way to set up a business.
Partnership
A partnership is made up of two or more people in business together. There are two main types of partnerships:

- **General Partnership** – All members take part in the management and control of the business with partners jointly and individually liable for all debts
- **Limited Partnership** – Under this agreement, one or more members are general partners who control and manage the business, and are subject to full liability, while others are limited partners who take no part in the control or management and therefore are liable only for the amount of their investment. The general partners have unlimited liability

It is advised that a **partnership agreement** be drawn up. Although this can be done by the partners, it is a good idea to check with a lawyer to ensure that all areas are covered adequately and equally. All partnerships must be registered with the Companies Office:

**Entrepreneurship Manitoba, Companies Office**

Corporation
A **corporation** is a separate legal entity. The corporation creates limited liability for the owners, meaning that the business has its own debts and profits and no shareholder/member of a corporation is personally liable for the debts, obligations, or acts of the corporation. If a corporation is formed, use the advice of a tax accountant and a corporation lawyer. A business is incorporated by filing the necessary incorporation documents with the Companies Office in Winnipeg:

**Entrepreneurship Manitoba, Companies Office**

Co-operative
Co-operatives are distinct from other types of business forms in that:

- Co-ops are corporations formed to provide service to members and, as such, may not be wholly profit driven
- Surplus earnings in a co-op are distributed to members on the basis of individual member support or use of the co-op
- Control is linked to membership, not capital invested. The members are the owners
- The members contribute capital equally and returns go to members based on their volume of business with the coop, not based on equity invested. This often makes raising initial or new capital a challenge. The co-operative associations provide support and guidance.
New Generation Co-operative
A New Generation Co-operative (NGC) differs from a traditional co-operative in being more profit-driven, and often has value-added food processing as the major focus. Membership is often limited to those purchasing a specific amount of product delivery rights. Each share is a contract between a NGC and a member for the right and obligation to deliver product to the co-op.

Higher initial investment of equity capital is often required by members. NGCs typically require 30–50% of capital to be raised through the sale of shares linked to delivery rights. Shares are marketable and change in price to reflect the business’ value.

Seeking Advice
Whether choosing to operate a business as a proprietorship, partnership, corporation, or co-operative, there is often a need for objective advice and guidance, especially in the start-up stages of the business. It is appropriate to use accountants, lawyers and consultants that have experience and expertise needed by a new business.

In addition, peer networks can be a forum for entrepreneurs to share information and support. They can be valuable sources of mentors and advice. Food & Beverage Manitoba provides an excellent place to start when seeking advice and mentoring. Other examples of peer networks include: Chambers of Commerce and Canadian Association of Family Enterprises (CAFÉ) MB Chapter.

An advisory board is a group of trusted advisors who meet regularly to provide advice and support to the owners or managers of a business. Unlike a formal board of directors, an advisory board has no decision-making powers and carries no legal liability for the advisors.

If a corporation is used, a formal Board of Directors can be used; similar to an advisory board.
Sustainability and Corporate Social Responsibility

There is a growing awareness that business needs to manage its relationship with the larger society as well as the environment. Entrepreneurs are responsible for their business’s impact on society and the environment, beyond legal and liability reasons. A company’s long-term success is tied to its record on social responsibility, environmental sustainability, and ethics. Business sustainability and corporate social responsibility (CSR) are common terms that relate to these issues.
Protecting the Business
Introduction

Knowing how to manage risk is important for food processing businesses. Insurance is often used to protect businesses against many risks. Commercial risks can be mitigated through trademark protection and patenting key processes. Section 3 introduces when and why a new business needs to protect its confidential information such as sources of ingredients and recipes. Trade secrets and non-disclosure agreements (confidentiality agreements) can be used for this purpose.

For a more detailed discussion on the various types of business and product insurance, patents, trade secrets and non-disclosure agreements (including the critical sections to include in the agreement) readers are referred to the Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017).

Section Topics

Insurance 1
Protecting Employees 1
Export Protection 2
Protecting Ideas and Information 3
Insurance

The main purpose of business insurance is to reduce or eliminate unnecessary risks. When starting a business, entrepreneurs cannot afford to be under-insured as small disasters can lead to the demise of a new business if proper insurance is not in place. Types of insurance include:

- Life insurance
- Business loan insurance
- Disability insurance
- Property insurance
- Liability insurance
- Business interruption insurance
- Bad debt insurance
- Products and completed operations liability insurance
- Product recall insurance
- Directors and officers liability insurance
- Cyber crime insurance
- Commercial vehicle insurance

Many insurance companies provide insurance packages specially tailored to small businesses. When looking for an insurance agent, speak with other food processors and trade associations for suggestions on whom to use.

Protecting Employees

Workplace Safety and Health

To guard against possible accidents and suits by employees, one must ensure that the workplace is safe. The following agency can provide workplace safety guidelines:

Manitoba Growth, Enterprise and Trade, Workplace Safety and Health

WEBSITE: http://www.gov.mb.ca/labour/safety/enforcement.html

Workers Compensation Board of Manitoba

The Workers Compensation Board (WCB) administers both compulsory and optional no-fault insurance for workplace injuries to employees and employers. It supports workers who are injured on the job through both compensation and return to work services. The WCB also provides workplaces with prevention services such as training and consulting on safety and health. All organizations must have an account with the
Workers Compensation Board. The premiums are dependent on the industry and are based on a percentage of the gross wages paid to employees. For more information, refer to the WCB website:
WEBSITE: http://www.wcb.mb.ca/about-wcb

Export Protection
Additional protection is often required when a business is exporting its goods or services and is worried about whether it will be paid in full.

Export Development Canada (EDC)
EDC helps Canadian exporters by providing insurance for export credit and other financial services to support sales abroad. EDC also provides foreign market expertise and advice.
WEBSITE: http://www.edc.ca/Pages/default.aspx

Letters of Credit
Letters of credit (LC) are frequently used in international business to guarantee payment for goods or services. The most important aspect is that the responsibility of payment shifts from the buyer to the bank, thus greatly reducing the risk to the exporter (seller). There are several types of LCs, and they are very technical. Typically, a business will use a Canadian bank or freight forwarder to obtain their experience and expertise in LCs.
Protecting Ideas and Information

There are several different ways that business owners can protect their ideas, innovations and confidential information (such as sources of special ingredients, recipes, equipment modifications, etc.) that belong to the business.

**Trademarks**

Food processors commonly use trademarks. The essence of trademarks is that they identify something that is recognizable to the public, including words and visual symbols. The Canadian Intellectual Property Office, an agency of Innovation, Science and Economic Development Canada, is responsible for the administration and processing of intellectual property in Canada.


**Patents**

A patent protects the rights of the inventor. In the food manufacturing industry, patents are primarily used for protecting inventions of processing technology. Recipes cannot be patented. Patent applications are administered by the Canada Intellectual Property Office.


**Trade Secrets**

Trade secrets are used as the key tool to protect product recipes and many other types of company-specific information from the public and competitors. Any information that a company or its employees produce or acquire for the purpose of the business can constitute confidential information that courts are willing to protect. Increasingly, businesses are using trade secret strategies rather than patents, due to the cost of litigation to enforce patents and stop someone that is infringing.

All companies regardless of size need to develop and monitor their policies and procedures that cover the accessibility and distribution of all business information to employees, suppliers, customers, government officials and the general public.
Non-Disclosure Agreements
There will be times when a company does need to share a portion of its confidential information with another business for the mutual benefit of both parties, but wishes to prevent access by third parties.

Non-disclosure agreements (NDA), also known as confidentiality agreements (CA), can do this. An NDA is a legal contract between at least two parties that outlines confidential material, knowledge, or information that the parties wish to share with one another for certain purposes, but wish to restrict access to or by third parties. An NDA creates a confidential relationship between the parties to protect any type of confidential and proprietary information or trade secrets. It is advisable to consult legal advice when entering an NDA/CA.
Introduction

There is a high degree of risk associated with developing new food and beverage products. Over 90% do not survive their first year in the market. For new business startups, there is even greater complexity attached to the product development process because a new business is usually being put together at the same time. A process model to manage product development, and new business development is introduced. An overview of quality control and quality assurance is provided, and Canada's network of food technology centres is introduced. Financial support programs for R&D are summarized at the end of Section 4.


Section Topics

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Product Quality/Assurance 6
Equipment Sourcing 8
Raw Material and Ingredient Sourcing 9
Product Development Facilities 10
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Understanding Product Development

Product development always starts with someone having an idea. It might be an idea for a new product based on a family recipe for a new business to manufacture, or it could be an update of an existing company’s product to take advantage of new ingredients. In this latter example, the existing company’s updating also creates a new product. However, in these two scenarios, the process for developing these new products is vastly different.

For the existing company product development would likely focus on the new product.

For a new food or beverage business with a new product, the new product development process is much more involved and has a much higher degree of risk. In addition to the physical aspects of creating the new product, the entrepreneur has to investigate regulatory requirements for the first time, research and decide on markets and distribution channels for the product, establish and finance the new business, and create the management resources and systems. In fact, when a new business is being established, a comprehensive business plan is needed. (See Section 1 Market Research and Business Planning for more information.) This section provides a new product development (NPD) process model that guides users to deal with all functional areas of a business.

The purpose of this NPD process model is to reduce risk, and time for a successful launch. Because so many products fail, it is wise to minimize early stage spending while still gaining as much information as possible in a progressive set of steps or ‘Stages’. At first, when the risk is highest, modest amounts of money and time are spent. As more research and development (R&D) provides greater certainty and reduces risk, more time and money is spent on each Stage until the marketplace launch.

Process Model to Manage Product Development and its Complexity

Because entrepreneurs (and to a lesser degree existing food and beverage processors) must deal with all the business functions when developing a new product, it is a complex process. It involves countless activities and many critical decisions. A structured process to organize and manage all of these activities is needed to cope with the complexity and to manage the risk associated with each decision. The best ways to manage new product development have been studied for several decades and recommended processes have evolved.
A New Product Development (NPD) Process can best be described as a systematic framework to consolidate all of the activities, analyses and decisions that are necessary when developing a new product, which may also include establishing a new business to oversee product development and eventual commercial production. A detailed, customized NPD Process provides a management tool for entrepreneurs to mitigate risk and increase the likelihood of commercial success. Its key features are the **Tracks, Stages, and Go – No Go Decisions**.

- **Tracks** relate to four functional business areas:
  1. Product
  2. Manufacturing and technology
  3. Regulations
  4. Marketing and business planning

- **Stages** are the steps that the development of a new product moves through as it progresses from the initial idea to the commercialized product launched in the competitive marketplace.

- **Go – No Go Decisions** are the formal decisions required by the NPD Process at the end of each Stage (regardless of the number of Stages) to decide whether to:
  1. Move to the next Stage
  2. Redo work on the existing Stage before finalizing a decision, or
  3. Kill the NPD for this product and move to another product with better potential.

The NPD Process Model described on the following pages is a business tool that outlines how each of these four functional areas (Tracks) must be dealt with at each Stage in the NPD process. It will work for all businesses, but will be particularly helpful for entrepreneurs and startup businesses.

**Tracks (Functional Business Areas)**

The entrepreneur must manage all four of the business functions described below concurrently. As explained previously, existing companies that are developing new products must also manage issues in each of these areas. The key difference is that these existing businesses will already have processes or systems in place to manage some of these activities and decisions e.g. the distribution system may already be in place and all that is needed is to add the new product to the current ordering / warehousing / shipping processes.

Excessive focus on the technical development while ignoring marketing, finance and other business functions has been a frequent cause of new product failures. The NPD process is designed to provide a guide for businesses to overcome this problem.
The four Tracks (functional business areas) are:

1. **Product, Manufacturing and Technology** – includes the tangible aspects of a product and the manufacturing process for making it — both initially in low volumes (e.g. kitchen scale) and then after market penetration in larger volumes (See Section 8 on Manufacturing Strategies.)

2. **Regulations** – includes all the food safety, federal, provincial, municipal and export (if exporting) requirements. (See Section 5 on Regulations, Section 6 on Food Safety and Section 7 on Packaging and Labelling requirements.)

3. **Marketing** – includes all the necessary competitive and market research to define the customer segment, the benefits they perceive, the most competitive supply chain, and the marketing and sales plan for getting customers to buy the new product, rather than a competitor’s product. (See Section 1 Market Research and Business Planning, Section 10 Marketing Strategy, Section 11 Distribution, Section 12 Promotion and Section 13 Pricing.)

4. **Business Planning** – includes addressing all the increases in required human resources/management resources, planning for the costs of development and expanded sales\(^1\), and addressing all strategic aspects of creating and keeping the business’s competitive advantage. (See Section 1 Market Research and Business Planning, Section 2 Organizing the Business, Section 3 Protecting the Business, Section 9 Managing the Business and Section 15 Human Resource Management.)

**Stages (Steps in the Process)**

**Traditional NPD Stages (Up to 7 Stages):**

Each of the four business functions (Tracks – described above) must be dealt with at every Stage. Specific activities appropriate to the particular requirements of a business must be conducted within each Track at each Stage. This is how the Process Model becomes such a useful management tool. It provides a systematic way to monitor progress in all key aspects of developing a new product, and in the case of a startup company, of all aspects of creating the new business that will manufacture the product. The traditional Stages are:

1. **Idea** – market opportunity identified through market observation and research
2. **Concept** – fleshing out the idea with a more detailed description and research
3. **Prototype** – making the first samples to debug by researching all aspects
4. **Pilot Production** – designing the manufacturing system and further revising the recipe so it can be made at the larger volume commercial scale. If a production plant has to be built, this Stage will take a significant investment
5. **Test Market Production** – testing in one or more selected target markets. Tests

\(^1\) Includes: planning for the costs for development, market launch, market penetration/growth (typically the costs for creating awareness and promoting the product must be incurred before significant sales occur), financing capital costs, financing increased working capital (including: expansion of raw material inventory / finished inventory / accounts receivable / and other items), financing operating losses until sales reach profitable levels, and deciding how to make it generate a sustainable profit.
not just the physical product but also the marketing, sales, branding, logistics, distribution chain, supply chain and other aspects of the business. This Stage may require a significant investment

6. **Launch** – full launch in target markets

7. **Grow the Market** – monitor results closely and rapidly, and make changes as needed to improve

**Model Options: Full Process (Traditional) or Short Process (Need for Speed)**

The Full or Traditional Process (above) is needed if there has to be significant capital investments, or high marketing costs incurred prior to launching the product. In this scenario, thorough market testing and prototype debugging Stages are needed to reduce the substantial risks if the product fails and the pilot plant investment or market development costs have to be written off.

The traditional process described above manages risk and increases the likelihood for success, but increasingly it is seen as taking too long, especially as product life cycles have shortened. The following major trends have led many entrepreneurs to shorten the NPD process:

- Increasing use of co-packing, so that a major investment in a pilot or production scale plant is not required until higher sales volumes have been developed
- Improved and new technology for getting very rapid feedback on sales results, and for rapid low cost insight into consumer reactions to the new product e.g. daily reporting by store of test sales, social media monitoring of consumer postings, etc.
- Increased marketing via social media, with its lower cost than traditional paid advertising in mass media (print, radio, television, etc.)

These trends reduce the need to make major investments (buildings, equipment, promotion and advertising) that are a write-off if the product fails; thus reducing risks. The ability to use technology, especially social media, enables monitoring and rapid response to consumer reactions in the market thereby allowing rapid refinement of the product and marketing.

Entrepreneurs and smaller businesses gain a competitive advantage from this trend to more rapid new product development because they are more nimble and decisions can be made more quickly than by larger organizations.

Therefore, the ‘need for speed’ led to a wide variety of shorter, faster NPD processes. A typical faster process is described on the next page.
**Need for Speed NPD Stages (as few as 3 Stages):**

1. **Conceptualization Stage** – This merges the traditional Idea and Concept Stages by reducing the number of steps and their level of complexity to refine the product idea into a comprehensive concept description.

2. **Commercialization Stage** – This merges the traditional Prototype, Pilot Production and Test Market Production Stages into one Stage. The business takes the concept and rapidly prototypes and begins to manufacture and test market.

3. **Marketing and Refinement Stage** – This merges the traditional Launch and Grow the Market Stages into one Stage. The company puts the new product into the competitive market to get feedback. A key requirement is to very closely monitor consumer reactions and then to rapidly (and repeatedly) refine the product and the marketing programs.

The Speed Process is well suited to where three conditions exist:

1. There is great pressure for a reduced time-to-market, partly because the product life cycle is shorter, and/or because of first entrant competitive advantages.
2. Acceptable levels of risk exist in two key areas: manufacturing plant capital cost and/or marketing costs prior to gaining significant test market results/feedback.

3. The ability exists to use technology (especially social media) to monitor and rapidly respond to consumer reactions in the market with refinement of the product and marketing.

However, deciding on the NPD Process (number of Stages) to use is not an either/or decision from the two described above. Instead it is a continuum from one to the other, balancing a need for speedy market entry with the need to mitigate risk.

**Go – No Go Decisions**

To gain the benefits in either of the above NPD Processes, entrepreneurs and business managers need to make a formal decision at the end of each Stage. This Go – No Go Decision must not be made until the research for each of the four Tracks (functional business areas described previously) have been completed. The three choices for each Go – No Go decision are:

1. Continue to the next Stage
2. Redo some of the previous work
3. Completely halt the product development process for this product, and move on to a different more promising new product

For each ‘Go/No Go Decision’ there are two factors that impact the decision. They are:

1. Do the financial, market and technical analyses indicate a reasonable probability of successful launch of the product?
2. Is the cost to conduct the next Stage of the process such that it is a reasonable risk to take in light of factor number 1 above?

These two factors are interactive, so that if the probability of success determined for the first factor is lower, but the cost to conduct the next stage is small, then the decision may be to proceed. But, if the cost to conduct the next stage is very high, then the probabilities of success will have to be higher in order to justify proceeding to the costly next stage.

**Product Quality/Assurance**

One of the expected outcomes of the NPD process is a manufacturing system that consistently puts out finished products that meet target specifications. For food or beverage products, a good definition of ‘quality’ is a finished product that consistently meets specifications.
Quality in a food or beverage product includes:

- Consistency
- Food safety (See Section 6)
- Physical appearance
- Value
- Nutrition
- Shelf life
- Compliance with all relevant regulations

Quality control prevents unsatisfactory products from being delivered to customers through proper production and quality inspections. Quality control is primarily the responsibility of the production staff and should be built into the manufacturing process.

Quality assurance is a set of written specifications and standards created as a preventative measure to avoid the production of unsatisfactory products. Quality assurance is a management responsibility as only management can ensure the necessary programs are developed and consistently enforced.

Typically, there are specification records/sheets for:

- Raw material specifications
- Standard procedures
- Finished product standards
- Daily formulation records
- Product inspection reports

Quality can be tested subjectively, and/or objectively, depending on the characteristic being measured.

Examples of objective testing include physical tests (e.g. weight and/or volume checks), chemical tests (e.g. protein, fat, and moisture content), and microbial tests (e.g. coliform count).

Food quality is also measured by subjective testing, using a number of different sensory tests. During the NPD process, sensory evaluation allows trained specialists to measure response to the product as it is eaten. The goal is to develop a product that has the appearance, flavor and texture that the target consumer likes. Trained panels are conducted under controlled conditions to identify specific quality attributes (e.g. saltiness or chewiness).

Shelf life is extremely important because a processor must know how long a new product maintains satisfactory quality under a variety of temperatures and environmental conditions.
The shelf life must be determined through testing prior to launching a product. The complexity of shelf life trials depends on the type of product, the packaging materials used and the desired shelf life.

There are various laboratories and food technology centres that can assist with testing as part of a quality assurance program:

**ALS Laboratory Group**  
WEBSITE: [https://www.alsglobal.com/ca](https://www.alsglobal.com/ca)

**Intertek Sunwest**  

**Manitoba Agriculture, Food Development Centre**  

**Maxxam**  
WEBSITE: [http://maxxam.ca/](http://maxxam.ca/)

**SGS Canada**  
WEBSITE: [http://www.sgs.ca/](http://www.sgs.ca/)

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**Equipment Sourcing**

Identifying equipment for production of the product is a critical activity that is done during the NPD process. One way to find appropriate suppliers is through trade associations like Food & Beverage Manitoba. As well, there are several publications that cover equipment suppliers:

**Scott’s Directories**  
WEBSITE: [www.scottsinfo.com](http://www.scottsinfo.com)

**Prepared Foods**  
WEBSITE: [www.preparedfoods.com](http://www.preparedfoods.com)

**Canadian Process Equipment and Control News**  
WEBSITE: [www.cpecn.com](http://www.cpecn.com)

**Food Processing Magazine**  
WEBSITE: [www.foodprocessing.com](http://www.foodprocessing.com)

**Food in Canada**  
Raw Material and Ingredient Sourcing

As with equipment needed for processing, the raw materials, ingredients and additives needed for the new product are identified during the NPD process. Before contacting suppliers to source raw material or ingredients it is important to:

- Know specifications and performance requirements
- Know approximate volume requirements so the supplier knows how to price
- Know desired container size that will work with selected processing equipment, batch sizes and the processing site

Things to consider when contacting an ingredient supplier include:

- Packaging sizes needed
- Pricing structures and volume discounts
- Minimum order requirements
- Shelf life and storage requirements
- Product availability if there is any seasonality or scarcity of supply
- Shipping options
- Food safety systems and quality assurance systems employed to ensure consistency and safety in the production processes, ingredients and in the final product
- Whether ingredients meet certifications that might be relevant to the product e.g. Halal, Kosher, organic, sustainable, etc.

There are many ways to find food ingredient and raw material supplies. Talking with other processors, internet searches, reading trade magazines or attending trade shows are some options. Food & Beverage Manitoba has a membership directory that includes raw material suppliers and ingredient distributors. The Food in Canada Buyers Guide can be searched for suppliers by company name or product category.
Product Development Facilities

There is an extensive network of government research centres, laboratories and food development centres in Canada. These facilities offer a wide range of technical assistance to Canadian food companies including entrepreneurs and established processors, on a fee-for-service basis. Typical services include:

- Product development
- Process design
- Nutritional labelling
- Pilot plant facilities and equipment design
- Analytical testing
- Sensory evaluation
- Technical information
- Regulatory advice
- Food Safety Training

As most centres receive provincial funding, companies operating within the same province often receive preferential services and fees. Out of province companies are typically able to negotiate fees and services as required.

**FOODTECH Canada** is a network of food development centres across Canada. The network provides a single door to all the food development centres services. FOODTECH Canada provides a searchable comprehensive database of food industry services, expertise, and equipment.

WEBSITE: [http://www.foodtechcanada.ca/](http://www.foodtechcanada.ca/)

**Manitoba Agriculture - Food Development Centre (FDC)**

Manitoba Agriculture operates the Food Development Centre in Portage la Prairie, Manitoba. This centre is a member of FOODTECH Canada. It has experienced food scientists, engineers and technologists. The pilot plant provides both food processing equipment and innovative technologies. At FDC, clients manufacture products for research, market tests and commercial distribution by renting space and equipment.

CONTACT:

**Food Development Centre**

Phone: (204) 239-3150
Toll-Free: (800) 870-1044

**Red River College – Culinary Research Program**

Embedded in Red River College’s (RRC) School of Hospitality and Culinary Arts is a new product development resource available to Western Canadian food manufacturers and food service facilities. The RRC’s Culinary Research Program was established in 2012 to make culinary skills available to food manufacturers during the product development and research process.

RRC Culinary Research program works with industry partners on applied research activities such as: recipe creation and ideation; menu development for specific health issues; food service application refinement; consumer research in food service setting; and investigating new food service technologies.

**CONTACT:**
Research Partnerships & Innovation – Culinary Research Program Paterson GlobalFoods Institute Phone: 204.632.3960


**University of Manitoba – Richardson Centre for Functional Foods and Nutraceuticals (RCFFN)**

The mission of the RCFFN is to lead functional foods and nutraceuticals research for the improvement of health and nutrition and to support the development of an economically viable functional foods industry in Manitoba and western Canada. Facilities and equipment are available for lease, with process operations completed by RCFFN technicians, or, with appropriate training, a tenant’s technician. RCFFN is licensed as a Health Canada Natural Health Product Site.

**CONTACT:**
Richardson Centre for Functional Foods and Nutraceuticals Phone: (204) 474-9989

**WEBSITE:** [http://umanitoba.ca/centres/rcffn/index.html](http://umanitoba.ca/centres/rcffn/index.html)

**University of Manitoba, Department of Food Science**

The Food Science Department conducts physical, chemical and microbiological analysis of food and food ingredients using both approved and experimental techniques. Staff have expertise in cereal, protein and carbohydrate chemistry, food microbiology, food safety, dairy and horticultural crop processing. Expertise and access to the Department’s food processing and dairy pilot plants are available to industry for product improvement and research and development.

**CONTACT:**
University of Manitoba, Department of Food Science Phone: (204) 474-9621

**WEBSITE:** [http://umanitoba.ca/faculties/afs/dept/fhns/researchfacilities.html](http://umanitoba.ca/faculties/afs/dept/fhns/researchfacilities.html)
Research & Development Financial Support

National Research Council
R & D projects involving technical uncertainty (as in product development projects) may be eligible for funding from the National Research Council (NRC) through the Industrial Research Assistance Program (IRAP). NRC provides innovation and funding services customized to businesses’ specific needs. The purpose is to help accelerate the growth of the business through increased innovation and technology.

CONTACT:
National Research Council
IRAP Program
Phone Toll-free: 1 (877) 994-4727

Federal Research and Development Tax Credits
Governments offer tax incentives to encourage innovation. One of the federal tax incentives for increased innovation is called Scientific Research and Experimental Development (SR&ED). Businesses can apply for SR&ED investment tax credits for expenditures such as wages, materials, machinery, equipment, some overhead, and SR&ED contracts that are spent on R&D. Many businesses use an accountant or consultant that specializes in assisting with SR&ED claims to ensure they maximize the claim.

CONTACT:
Canada Revenue Agency
SR&ED Division
Telephone: (587) 475-3030

Manitoba Research and Development Tax Credits
The Manitoba research and development tax credit is, under some conditions, refundable. It is available to corporations with permanent establishments in Manitoba for SR&ED carried out in Manitoba.

CONTACT:
Manitoba Department of Finance
Phone: (204) 945-3744
Toll-Free: (866) 626-4862
Regulations Governing the Food Industry
Introduction

The food and beverage industry is governed by a complex regulatory framework that entrepreneurs must navigate as they investigate and then pursue a new business. Section 5 outlines the government agencies that oversee and enforce regulations federally, provincially and within the City of Winnipeg. All key regulations are introduced.


Section Topics

General Information About Regulations 1
Federal Regulations 1
Provincial Regulations 4
General Information About Regulations

Regulations for the food processing industry are created by government agencies and are in existence to protect both the consumer and the processor. Processors must be aware of the agencies and regulations, as well as, any changes that may occur in the regulations. Before processing begins, a new business should seek as much information as possible from various agencies to determine applicable regulations.

For Manitoba food and beverage processors, both the provincial and federal governments play a part in regulating food safety. Processing and food handling facilities require permits or registrations and are inspected by government officers. Any facility or location where food is prepared, stored or served to the general public is considered a food handling establishment. This includes restaurants, grocery stores, bakeries, butcher shops, delicatessens, catering facilities, take-outs, mobile vending carts, farmers markets and temporary food events at fairs or festivals.

Food handling establishments such as food processing plants, meat processing plants, slaughterhouse and warehouses are the responsibility of Manitoba Agriculture. There are also federal regulations that apply to all food being produced and sold in Canada, which fall under the jurisdiction of Health Canada.

If a product does not adhere to regulations, regulatory agencies will provide information and inspections, which help processors attain acceptable standards. If fraud or health hazards are evident in the production of food, agencies will work very quickly to resolve the problem. Processors consistently demonstrating noncompliance to the regulation will face escalating enforcement actions from the regulators.

Federal Regulations

Manufacturers who produce food products listed under the Canada Agricultural Products Act, the Fish Inspection Act and the Meat Inspection Act that are to be traded internationally or inter-provincially, must be registered by the Canadian Food Inspection Agency (CFIA). Federal registration is the sole jurisdiction of the CFIA. It allows a manufacturer, distributor or importer to sell their product within Manitoba, within Canada or export their product to another country, if they meet the requirements of the importing country.

Federally registered establishments are regularly inspected by the CFIA to ensure compliance with the applicable act or regulation. The CFIA encourages industry to adopt science-based risk management practices to minimize food safety risks. If a food
safety emergency does occur, the CFIA, in partnership with Health Canada, provincial agencies and the food industry, operates an emergency response system.

**Health Canada**

Health Canada is responsible for establishing standards for the safety and nutritional quality of all foods sold in Canada. The department exercises this mandate under the authority of the Food and Drugs Act and pursues its regulatory mandate under the Food and Drug Regulations.

All health and safety standards under the Food and Drug Regulations are enforced by the CFIA. The Agency is also responsible for the administration of non-health and safety regulations concerning food packaging, labelling and advertising.

**Canadian Food Inspection Agency (CFIA)**

CFIA enforces policies and standards, set by Health Canada, governing the safety and nutritional quality of all food sold in Canada. CFIA administers regulations dealing with the marketing, processing, and labelling of food products. The departmental responsibility for food lies under several pieces of legislation that apply to producers of food in Manitoba.

**Food and Drugs Act**

The Food and Drugs Act is the main piece of federal legislation for food safety. It prohibits the sale of unsafe food products in Canada. The Food and Drug Regulations regulates the advertising, sale and importation of foods, drugs, cosmetics and medical devices. The Food and Drugs Act defines ‘food’ to include any article manufactured, sold or represented for use as food or drink for human consumption, including chewing gum and any ingredient that may be mixed with food for any purpose.


**The Canada Agricultural Products Act**

The Canada Agricultural Products Act regulates the marketing of agricultural products in import, export and interprovincial trade. It provides national standards and grades of agricultural products, for their inspection and grading, for the registration of establishments and for standards governing establishments.

WEBSITE: [http://laws-lois.justice.gc.ca/eng/acts/C-0.4/](http://laws-lois.justice.gc.ca/eng/acts/C-0.4/)

**Consumer Packaging and Labelling Act**

The Consumer Packaging and Labelling Act regulates the consistency, completeness, and accuracy of the labelling and packaging of consumer goods. These regulations create a uniform method for the labelling and packaging of consumer goods to assist consumers in making informed choices in the marketplace.

Meat Inspection Act and Regulations

In Canada, both federal and provincial governments play a role in meat inspection. Animals must be slaughtered at either a provincially or federally registered establishment in order to be sold in Manitoba. Meat must also be processed in a government inspected facility to be sold. Meat that is transported between provinces or exported out of the country must be slaughtered and processed in a federally registered establishment.

The CFIA performs inspection activities in all federally registered meat establishments.

[Website: http://laws-lois.justice.gc.ca/eng/acts/M-3.2/page-3.html#h-7]

Safe Food for Canadians Act

The Safe Food for Canadians Act is Canada’s newest Act related to food safety. The act represents a major shift in how CFIA will work with industry, especially small and medium size operations.1

The new inspection model (developed in consultation with industry) includes five key components:

1. Licensing / registration – there are licensing and registration requirements for all companies that import or export food or that manufacture or process food for trade between provinces
2. CFIA oversight – the level of CFIA oversight will vary based on the level of risk associated with the products being manufactured
3. Inspection – a systematic approach to inspection will be employed that will assess the Preventive Control Plans (PCPs) and procedures of regulated parties to ensure that food is prepared safely and complies with regulations
4. Compliance and enforcement – one common compliance and enforcement strategy for food will be used
5. System performance – mechanisms to evaluate the CFIA’s inspection program for consistency, effectiveness and performance will be developed and implemented

PCPs will be required from every license holder importing a food or preparing a food to be sent or conveyed from one province to another.

The CFIA has stated it is sensitive to the needs of small businesses and aware of the importance of finding the right balance between maximizing food safety and minimizing administrative burden. The following two elements of the proposed regulations are essential, regardless of a company’s size:

1. Licensing - CFIA needs to know who is doing what with food for the purpose of oversight and enforcement, if necessary

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1 It is important to note that the Safe Food for Canadians Act is not fully implemented at the time of publication. The information provided is the most current available and will be continually updated as new developments occur.
2. Food safety requirements - basic requirements for food safety with which everyone who prepares food for human consumption is required to comply

Currently, it is projected that the proposed regulations will be fully implemented by the end of 2017.


Provincial Regulations

In Manitoba, two provincial departments are responsible for food safety inspections in facilities that are not federally registered by the CFIA:

- Manitoba Agriculture is responsible for inspecting food processing plants (where the primary business is not direct marketing to consumers, abattoirs and warehouses)
- Manitoba Health, Seniors and Active Living (MHSAL) is responsible for inspecting food service operations and food retailers

Manitoba Health, Seniors and Active Living

Public health inspectors conduct inspections of public eating and food handling establishments on a routine and a complaint basis. These include restaurants, grocery stores, bakeries, butcher shops, delicatessens, catering facilities, take-outs, mobile vending carts, farmers markets and temporary food events at fairs or festivals.


Food Service Establishment Permits

Any company wishing to prepare and sell food to the public must apply for a food service establishment permit before opening. To obtain a permit, the company must complete the Food Handling Permit Registration Form and forward it along with the restaurant menu and a detailed floor plan to their district public health inspector.

To contact a public health inspector:
http://www.gov.mb.ca/health/publichealth/environmentalhealth/protection/contact.html

To access the Food Handling Permit Registration Form online:

Certified Food Handler Training Program

Manitoba Health, Seniors and Active Living is responsible for coordinating provincial food handler training programs. In accordance with the City of Winnipeg Food Service Bylaw, no one can operate a food service establishment unless the person in charge
has successfully completed the Certified Food Handler Training Program. Food Service establishments with less than five Food Handlers must have a person on staff that has successfully completed the Certified Food Handler Training program. Food Service Establishments with more than five Food Handlers working at any one time must have a person who has successfully completed the Certified Food Handler Training Program on duty at all times.


Food & Beverage Manitoba provides the Certified Food Handler Training Program for its members at discounted registration rates using an approved Province of Manitoba trainer.

**Food & Beverage Manitoba**

WEBSITE: [http://fabmbevent.weebly.com/upcoming-training.html](http://fabmbevent.weebly.com/upcoming-training.html)

**Manitoba Agriculture**

Food handling establishments such as food processing plants, meat processing plants, slaughterhouses and warehouses are the responsibility of Manitoba Agriculture. Any company that wishes to commercially manufacture, process, or package food products for human consumption, and is not federally registered or permitted by another jurisdiction is required to have a provincial Food Permit through Manitoba Agriculture.

WEBSITE: [https://www.gov.mb.ca/agriculture/permits-and-licences/](https://www.gov.mb.ca/agriculture/permits-and-licences/)

Manitoba Agriculture officers are responsible for enforcing a number of acts and regulations that affect food businesses in Manitoba.


**The Public Health Act**

Manitoba Health, Seniors and Active Living and Manitoba Agriculture are both responsible for enforcing the Food and Food Handling Establishments Regulation under The Public Health Act. The Public Health Act is the enabling legislation for food and food handling establishments, including abattoirs, within Manitoba. The purpose of this Act is to enable the delivery of public health services to protect and promote the health and well-being of the people of Manitoba.

**Food and Food Handling Establishments Regulation**


**The Public Health Act**

**Provincial Abattoirs and Meat Processing Facilities**

Canadian meat slaughter and processing facilities may be registered or licensed provincially rather than federally. Meat from a provincially registered establishment can be shipped only within that province. Provincially licensed facilities must comply with the Food and Food Handling Establishments Regulation.

**City of Winnipeg**

Within the city of Winnipeg, another set of regulations that impacts food businesses is By-Law No. 5160/89, A By-Law of The City of Winnipeg To Regulate Food Service Establishments. These regulations parallel those found in The Public Health Act and are administered only in the city.

To access the City of Winnipeg Food Service Establishment By-Law: [http://clkapps.winnipeg.ca/dmis/docext/viewdoc.asp?documenttypeid=1&docid=525](http://clkapps.winnipeg.ca/dmis/docext/viewdoc.asp?documenttypeid=1&docid=525)
Food Safety
Introduction

As a food processor, attention to food safety is essential. Clean, sanitized processing facilities need to be maintained and monitored by: ensuring product safety through a Hazard Analysis Critical Control Points (HAACP) based food safety system; putting product recall procedures in place; and knowing when to inform health authorities of incidents. Section 6 provides an overview of Good Manufacturing Practises (GMPs) and the basic elements of a HACCP plan and a food safety management system.

The Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017) contains a sufficiently detailed discussion of GMPs to allow entrepreneurs to develop a suitable food safety program for a start-up application. There is also a comprehensive discussion of food safety management systems and a summary of the Global Food Safety Initiative (GFSI) and all of the Food Safety Schemes that are approved under GFSI. GFSI standards are rapidly becoming the standards for food certification. The US food safety requirements for Canadian exporters are discussed as well. A list of several resource sites and interpretation documents is included in the Reference Manual.

Section Topics

- Food Safety Systems 1
- Good Manufacturing Practices (GMP) 2
- Prerequisite Programs 6
- Hazard Analysis Critical Control Points (HACCP) 7
- Food Safety Management Systems 8
- Global Food Safety Initiative (GFSI)
# Food Safety Systems

Consumers, the food industry and public health agencies drive the need for food safety. Food processors have an obligation to ensure they produce the safest food possible.

Good food hygiene is essential for food companies in order to make or sell food that is safe to eat. Food hygiene is the conditions and measures necessary to ensure the safety of food from production to consumption. Food can become contaminated at any point during slaughtering or harvesting, processing, storage, distribution, transportation and preparation.

Lack of adequate food hygiene can lead to foodborne diseases and death of the consumer. Mishandling and/or misuse can make even the safest ingredients unsafe. To produce safe food, processors must follow specific steps and procedures throughout the entire production process.

For each company producing food, the requirements for food safety will differ based on the type of product or commodity being produced, the production technology in place and where the product is being sold. Generally, however, the requirements and components of a food safety system can be divided into the following levels of assurance:

1. Activities required by legislation
   (See Section 5 Regulations Governing the Food Industry)
2. Good Manufacturing Practices (GMPs) also called Prerequisite Programs (PRPs)
3. Hazard Analysis Critical Control Points (HACCP)

Developing a successful food safety system requires a solid understanding of:

- Food safety system requirements and food safety principles
- Hazards associated with the products being produced
- Controls required to prevent and manage hazards
- Regulatory requirements

Having a properly implemented and maintained food safety system is important for government recognition, as well as for customers, suppliers, insurance companies or anyone else with an interest in a facility. Having these programs is a way to show due diligence if the need ever arises. Due diligence refers to all the actions that a company can reasonably be expected to take to prevent harm to the customer. A company can demonstrate their due diligence by doing everything that they can reasonably do to prevent hazards in the product. GMPs and HACCP are two things that a company can reasonably be expected to have in place to protect their customers. Due diligence implies actions are taken before an incident. These actions are voluntary, but without them, a company could be considered negligent because they did not do everything they could.
Good Manufacturing Practices (GMP) Prerequisite Programs

GMPs and Prerequisite Programs provide a foundation for an effective HACCP system. They are often facility-wide programs rather than product or process specific. The programs deal with the good housekeeping concerns of a facility, whereas HACCP manages specific process hazards. GMPs can reduce the likelihood of certain hazards or may prevent a food safety hazard from occurring.

The following are all considered GMP or Prerequisite Programs:

- Premises / Environment
- Receiving, Storage and Shipping
- Supplier Assurance
- Equipment, Maintenance and Calibration
- Sanitation
- Pest Control
- Traceability and Recall
- Allergen Control
- Personnel Practices
- Training

Premises / Environment
The Premises typically consists of the interior and exterior of the building, and includes the surrounding areas that are not directly connected to food production and storage areas. The environment in and outside a facility, can impact the safety of a product. The facility surroundings can harbor pests that could enter the facility. External contaminants e.g. dust and chemicals can also enter the facility. All aspects of the interior environment of a facility, including the construction, layout, equipment, air, temperature and utilities are potential sources of product contamination. A well designed Premises program will ensure that product is protected from external contaminants and that the facility interior does not present hazards.

Receiving, Storage and Shipping
Food safety starts before food, ingredients, processing aids and packaging materials enter the facility and continues after the finished product leaves the facility.

Receiving is the entry point for all products coming into the facility. If incoming ingredients and other materials don’t meet food safety standards they can bring contamination. If these ingredients and materials are not handled properly they can contaminate the finished product. Contamination can occur during transportation, if
the vehicle is not suitable for transporting food, is not clean, kept in good repair or kept at the proper temperature. Vehicles can also cause physical contamination of products and food contact materials from dust and foreign material, chemical contamination from previous loads or biological contamination from improperly cleaned areas that can cause microbial growth. A robust handling and storage program also ensures that chemicals, allergens, waste and defective product are handled and stored to prevent cross-contamination with food, ingredients, processing aids and packaging materials.

**Supplier Assurance**
The safety and quality of the final food product is ultimately dependent on not only the ingredients themselves but also on the best practices of the ingredient supplier. Sourcing ingredients from approved suppliers is therefore a key program when it comes to ensuring the safety of the finished product. Food from unsafe sources is one of the most common causes of foodborne illness and product recalls. A strong supplier assurance program involves knowing the risks associated with incoming ingredients, a supplier approval process, standards and specifications for incoming materials and ongoing evaluation or assessment of supplier’s and their performance.

**Equipment, Maintenance and Calibration**
An effective equipment, preventive maintenance and calibration program ensures all equipment that could impact food safety works as intended and does not create food safety hazards. These programs help ensure that biological, chemical and physical hazards are controlled. It can also save time and money by reducing unscheduled downtime and unexpected repairs. A comprehensive equipment program considers equipment design and construction, how the equipment is placed/located in the facility, how the equipment is operated, and how it is maintained.

**Sanitation**
Sanitation plays a very important role in producing safe food. There are many sources of contamination, including residue from food, dirt and chemicals. Contamination can also be caused by allergens that are not effectively cleaned from food contact surfaces. Sanitation programs must clearly address all areas of the facility that receive, store, process or pack food, ingredients, processing aids or packaging materials. Cleaning programs and manufacturing operations must be integrated and coordinated. Therefore, selecting an appropriate time for cleaning is essential if both these goals are to be achieved.

**Pest Control**
Pests are insects, rodents, birds and other animals that can contaminate food, spread disease and threaten public health. Pests are known to cause biological, physical and chemical contamination. Pests can contaminate ingredients, packaging and finished
products. The goal of the preventive pest program is to identify hazards that could occur so that controls can be put into place. Preventive pest management systems include a number of activities such as employee awareness, waste management, building repair and maintenance. They also include biological and mechanical controls. By using all of these elements, pests can be managed without depending on chemicals that might create chemical hazards. Pesticides should only be used as a last resort.

**Traceability and Recall**

A recall program facilitates the recall of finished product from the marketplace in the event that food safety is compromised. An effective program facilitates not only recall of finished product, but also the necessary tracing back through a process to ingredients, processing aids and packaging materials at all stages of production, processing and distribution. Every food processor is responsible for the implementation of a recall and traceability program and the verification of its effectiveness. Recall and traceability programs ensure that all suspect products are accounted for and controlled to prevent or minimize food borne illness and injury to consumers.

Traceability is the ability to verify the history, location, or application of an item by means of documented recorded identification. The ability to quickly and effectively recall affected or potentially affected product from customers and consumers is in the best interests of a company. Not only will this help to limit the extent of consumer exposure to a possible health hazard, but the speed of responding to a recall can also play an important part in restoring and maintaining a brand’s reputation in the long run.

**Allergen Control**

If a facility produces or carries products that contain allergens, specific instructions need to be developed for transporting and using them throughout the facility, storing, dispensing and handling the allergens to ensure that non-allergen product is not contaminated. An allergen control plan is a critical component in a company’s food safety program. A company must do everything within its power to ensure allergenic foods and ingredients do not find their way into products for which they are not intended. The allergen control plan is a company’s written document regarding the storage, handling, processing, packaging, and identification of allergenic foods and ingredients.
Each country has a list of recognized or priority allergens that must be identified and controlled within the food production facility. In Canada, Health Canada recognizes the following allergens:

- Eggs
- Milk
- Mustard
- Peanuts
- Seafood (fish, crustaceans, shellfish)
- Sesame
- Soy
- Sulphites (greater than 10ppm)
- Tree Nuts (e.g. almonds, brazil nuts, cashews, hazelnuts, macadamia nuts, pecans, pine nuts, pistachios, walnuts)
- Wheat

**Personnel Practices**

A facility’s personnel, visitors and contractors are a common source of biological, chemical or physical contamination. They can affect food, ingredients, packaging materials, processing aids and food contact surfaces and play a major role in the production of safe food.

Good personal hygiene is a necessary line of defense in the fight against product contamination. This means understanding how microorganisms contaminate food products, the effect microorganisms can have on food products and how to prevent contamination. Personnel health and hygiene policies are critical to any successful food safety program. A written personnel practices program will include policies to reduce potential hazards and minimize contamination risks. A hygiene or personnel practices program outlines a company’s food safety responsibilities, and includes:

- Hand washing and sanitizing
- Protective clothing (including uniforms, footwear, gloves, hair restraints (hairnets and beard nets), etc.
- Personal cleanliness
- Personal behavior
- Illnesses and injuries
Training
Employee training is essential when implementing and maintaining an effective food safety program. A training program ensures employees understand and follow a company’s policies and procedures. Everyone from production line employees, temporary employees, supervisors and management need to be trained.

All plant employees require training on personnel practices before they work on the production floor. This includes training in personal hygiene practices, food handling skills, and hygienic routines. These ensure that the food, premises, and equipment are clean and well maintained.

Employees also require technical training, including the skills and knowledge needed for more specific food handling practices. These include receiving ingredients and supplies, monitoring critical control points (CCPs), sanitation of equipment, formulations (measuring of controlled ingredients, development of new products), packaging, machine operation and monitoring procedures.

Hazard Analysis Critical Control Points (HACCP)
HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

The HACCP approach focuses on preventing potential problems through monitoring and controlling each critical step of the manufacturing process. HACCP applies science-based controls from raw materials to finished product distribution. It uses seven standardized principles:

• **Principle 1.** Conduct a hazard analysis to identify hazards associated with the food and measures to control those hazards. Hazards could be biological (e.g. pathogens), chemical (e.g. toxins) or physical (e.g. metal fragments).

• **Principle 2.** Identify the critical control points (CCPs). These are points of the process at which the hazard can be significantly reduced or eliminated (e.g. cooking).

• **Principle 3.** Establish critical limits for each CCP. A critical limit is the criterion that must be met to ensure food safety in a product (e.g. minimum cooking temperature and time to ensure elimination of pathogens).

• **Principle 4.** Establish CCP monitoring procedures to ensure each CCP stays within its critical limits.

• **Principle 5.** Establish corrective actions to be implemented if the CCP is not within the established limits.
• **Principle 6.** Establish verification procedures to confirm that the HACCP plan is operating effectively and accordingly to written procedures.

• **Principle 7.** Establish record-keeping and documentation procedures that demonstrate that HACCP is working properly.

HACCP plans are designed to prevent, eliminate or reduce to an acceptable level potential biological, chemical and physical food safety hazards, including those caused by cross-contamination. They are designed to control hazards directly related to the finished product, ingredients or process steps, which are not controlled by GMPs or Prerequisite Programs.

Depending on the type of food business, HACCP may be a requirement for a company to be able to become registered (e.g. for federally registered meat plants, HACCP is a requirement). Regardless of the regulatory requirements, implementing and maintaining a HACCP system can be one of the best ways to assure the safety of your products for a business and its consumers.

**Food Safety Management Systems**

A food safety management system is comprised of managerial and administrative structures and processes to facilitate the food safety program’s design and delivery, ongoing maintenance, evaluation and continual improvement. A comprehensive food safety management system is critical to the success of the food and beverage business. Beyond basic food regulations and acceptable workplace practice, a company needs contingency plans for potential crises such as product recalls or foodborne illness outbreaks.

A food safety management system is more than a HACCP plan. It is an all-inclusive system that branches out into all prerequisite programs, contract service providers, vendor approval, allergen management programs, food defense programs, etc. A food safety management system is a company’s program strategy for maintaining and executing a food safety program to encompass and adhere to internal and external standards, regulations and requirements.

In addition to HACCP Plans and Prerequisite Programs, there are several other components that can make up a food safety management system, including:

• Management Commitment
• Document Control
• Corrective and Preventive Actions
• Food Defense
• Internal Auditing
Global Food Safety Initiative (GFSI)

GFSI is a collaborative organization that brings together retail, manufacturing and food service representatives, as well as international organizations, governments, academia and service providers to the global food industry. GFSI benchmarks (reviews and approves) existing food standards against specific food safety criteria and looks to ensure these standards have the same core requirements. GFSI standards cover all facets of the food industry. Many food businesses are required to operate food safety to one of the approved schemes by large retail or foodservice customers that want this extra level of assurance from their suppliers.

GFSI
WEBSITE: http://www.mygfsi.com/
Packaging and Labelling

Basic Steps

Packaging and Labelling

FOOD & BEVERAGE PROCESSING in MB | Basic Steps
Packaging and Labelling

SECTION 7
Introduction

Not only does packaging protect a product from physical, chemical and microbiological harm, it also provides a medium for presenting advertising messages, nutritional content and other important information to the consumer. Packaging can be one of the greatest influences on a consumer’s decision to try a product. Effective labelling ties the brand image of the product with the regulatory requirements of nutritional and product information.

Package and label design is discussed in Section 7 from the technical container requirements through to the graphic design process and the essentials of a good corporate brand. The regulatory requirements for food labels in Canada and the US are introduced.

Readers looking for more information on how to integrate package material selection with label design and the development of a logo and a brand for a new business are referred to the Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017). Links to essential guidance documents and specific regulations are found in the Reference Manual for ingredient listings, nutritional labelling, and health, nutrient content and allergen free claims.

Section Topics

Packaging 1
Packaging Materials 1
Package and Label Design 2
Packaging

Food packaging decisions are very important for three reasons. First, packaging protects the product from physical, chemical, and microbiological invasion. Secondly, packaging provides a medium for presenting advertising messages, nutritional content and other important information to the consumer. Thirdly, the combination of the package’s visual appeal and its degree of user friendliness, greatly influences a consumer’s decision to try the product.

Looking at these requirements in more detail, the package must:

• Present the product to the consumer or end user in an attractive and desirable form i.e. reflect the quality of the product
• Protect the product from physical abuse
• Prevent chemical substances and microbes from coming into contact with the product
• Not interact chemically with the product
• Provide a suitable surface on which important information and graphics can be printed
• Show good resistance to breakage or damage due to rough handling
• Be environmentally friendly wherever possible
• Add as little additional weight as possible
• Be tamper proof where necessary
• Be convenient to open
• Be of appropriate size and shape to suit the customers’ requirements
• Operate efficiently on the production equipment
• Store efficiently in the processing plant

Packaging Materials

There are a number of advantages and disadvantages to the various types of packaging materials (e.g. glass, plastic, flexible foil, etc.) that should be considered before designing the package. Variables to be considered include strength, weight, cost, permeability and suitability for merchandising in stores. In Canada, the Packaging Consortium (PAC) is a good source of supplier contacts for packaging needs, as are trade magazines. A number of Food & Beverage Manitoba members are packaging suppliers and distributors.

Packaging Consortium
WEBSITE: http://www.pac.ca/index.html

Packaging World Magazine
WEBSITE: http://www.packworld.com/leaders
package and label design

Packaging is a key part of a marketing strategy. People are often attracted to a product, and then convinced to try it because of its packaging. The quality of the product inside the package will determine if repeat purchases take place.

Packaging includes the materials that are used to form the container for the food or beverage product, and the label which includes the printed information provided for marketing purposes and required by law. Label information can either be printed directly on certain types of packaging materials, or it can be printed onto a secondary material e.g. paper, foil, plastic, etc. that is then attached to the container.

There are four aspects of package and label design to consider:

1. Technical Requirements
2. Graphic Design
3. Corporate Branding
4. Labelling Regulatory Requirements

Technical Requirements of Package and Label Design

The first and most important step to package design is to determine the product’s requirements for the container:

- Package size
- Volume and weights of the different sizes
- Physical packaging attributes which help the customer in using the product
- Protective needs including shipping and handling factors
- The appropriate shape of the container, not only for esthetic appeal but also for efficient shipping and placement on store shelves

The ultimate goal of label design is to produce a label that is educational, user-friendly and adequately markets the product within legal specifications.

Before designing a label, a company should know:

- Regions where the product will eventually be sold, and through which distribution channels
- Consumer information to be included on the label
- Colours and promotional messages that appeal and are suitable for the audience in a specific market
• Manufacturing step required to affix the label to the container (if not printing the label directly onto the container)
• Labelling material options that are suitable for the product environment (i.e. freezer proof, shipping proof, smudge proof, etc.)
• Budget for the label for both printing and application on a per unit basis

Universal Product Codes
Twelve digit, scanner readable universal product codes are now a standard term and condition of trade in the Canadian grocery, pharmacy and foodservice sectors. These bar codes contain product pricing and inventory information which is scanned and processed by the cash register, allowing the retailer to keep up to date product stock and sales information.

Before a company can begin using bar codes, it must create the numbers that will be represented by the bar code. GS1 Canada can issue product code numbers as well as advise on UPC usage and positioning on the package. GS1 Canada is a member of GS1, a not-for-profit organization which has become the leading supply chain standards organization. Codes issued in Canada are suitable abroad.

• GS1 Canada
  WEBSITE: http://www.gs1.org/countries/canada

Graphic Design
Once the technical specifications of the packaging (both the container and the label) have been determined, the design of the packaging can be created to work within these boundaries. Graphic design is an integral part of the overall marketing strategy. Although many new business owners are tempted to design their own packaging, a professional graphic designer can create a design with greater impact for the product. However, it is important to be able to give the designer specific directions since they are not as knowledgeable about the target market as the business owner. The more information provided to the designer on the target market, package structure, and desired image for the company and its products, the easier it is for the designer to create a winning design.

Corporate Branding
For new businesses that are designing their package and label for their first product, the task typically also includes developing a logo, deciding on corporate colours and several other items that will collectively create a brand for the new business.

Branding is one of the most important aspects of any business, large or small, whether selling to retail or to other businesses. An effective brand strategy can provide a major edge in increasingly competitive markets. Before a new brand is developed, it is important to have an understanding of what makes up a brand and the implications for a developing company.
Simply put, a brand is the company’s promise to its customer. It tells them what they can expect from the products and services, and it differentiates a company’s offering from its competitors. A company’s brand is the sum-total of all impressions that people have about the product(s) or company.

The foundation of a brand is the logo. A logo is used to bring the brand ‘top of the mind’ with customers and potential customers, and ideally, it should also reinforce the unique features and characteristics of a company and its products. The website, packaging and promotional materials, all of which should integrate the logo, make up and communicate the brand. Each element of a brand must tie to the other elements to ensure quick recognition. Therefore, to develop an effective brand, each element such as colour, fonts, graphics and text should be carefully considered for uniqueness and recognition.

The company name will be one of the most-viewed elements that customers will ever see. It is extremely important that it looks consistent whenever and wherever it is seen. A company name can be depicted as a wordmark or a logo.

**Labelling Regulatory Requirements**
Canadian food labelling regulations are administered by Health Canada and the Canadian Food Inspection Agency (CFIA). Health Canada is responsible, under the Food and Drugs Act (FDA), for the establishment of policies, regulations and standards relating to the health, safety, and nutritional quality of food sold in Canada. CFIA is responsible for the administration of non-health and safety food labelling regulations related to misrepresentation, labelling, advertising, composition, grade and packaging. CFIA is also responsible for the enforcement of the food safety and non-food safety regulations.

The following issues need to be considered when working through Canada’s labelling requirements:

- Common Name
- Net Quantity Declaration
- List of Ingredients and Allergen Labelling
- Identity and Principal Place of Business
- Date Markings
- Nutrition labelling
- Bilingual Requirements
- Irradiation
- Sweeteners
- Country of Origin
An important reference source for food processors is the Labelling Tool which can be found on the CFIA website.

WEBSITE: http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/eng/1383607266489/1383607344939

**Ingredient Listing**

In Canada all ingredients must be listed by common name, in descending order of proportion. Ingredients for certain formulations of standard products are not required, but these exceptions are different for each country. In Canada, ingredient specifications fall under the Food and Drugs Act, and the Consumer Packaging and Labelling Act.

**Nutritional Labelling**

An ingredient list simply lists the ingredients of a product in descending order. Nutritional labels are more technical and more detailed. They identify actual amounts of proteins, vitamins, calories, fat, etc. per serving.

There are two ways to generate nutrient values. They differ in the manner in which nutrient data are obtained:

* Direct approach – measuring nutrient levels by product sampling and laboratory analysis
* Indirect approach – using information from other sources such as generic product databases to determine nutrient values

In Canada, statements on labels relating nutritional content to diseases or health benefits are limited to those approved by Health Canada. Further, descriptive labelling terms and symbols such as a heart or the term ‘light’ have now been standardized as to their legally implied meaning.

**The Guide to Food Labelling and Advertising** is available online.


Canada’s nutrition labelling regulations have been designed to provide easily understandable information about the nutrient content of food in a standardized format. This allows consumers to make informed food choices toward healthy eating goals.

Nutritional labelling is mandatory for most prepackaged foods and is required to be presented in a certain manner when it appears on a food label. The presentation options for the **Nutrition Facts Table** are available online.


Certain foods or types of foods hold either exemptions or prohibitions from displaying a Nutrition Facts Table. The table may be voluntarily provided for foods that have an exemption. However, when it does appear, the information must be provided in accordance with the Food and Drug Regulations.
Health, Nutrient Content and Allergen Free Claims

Health Canada conducts health claim assessments to ensure claims made for food products are truthful and not misleading. Scientific evidence is required to substantiate all health claims on food labels and advertising. Consult the health claims guidance documents on the Health Canada website prior to placing a health claim on the product label:


Check CFIA’s nutrient content claims guidance documents for specific requirements when making a nutrient content claim on a label:

WEBSITE: http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/nutrient-content/eng/1389905941652/13899059991605

Allergen control in the processing plant is critical to making the right statements about allergens on the product’s label. Check CFIA’s List of Ingredients and Allergens and guidance documents prior to including an allergy-free claim on the product label:

Manufacturing Strategies
Introduction

Section 8 deals with options relating to where and how to manufacture a product. This is a major decision for entrepreneurs and expanding food businesses. It is a particular challenge for startup companies that have limited funds for buildings and equipment. Some of the options available to an entrepreneur are co-packing, using a commercial kitchen, and building a manufacturing facility. For technology-based companies, there are advantages to setting up processing operations in one of Canada’s food technology centres. Each of these options has advantages and disadvantages that must be considered.


Section Topics

Manufacturing Strategies Overview 1

Manufacturing Options 1

Production Site Location 4
Manufacturing Strategies Overview

For a new food processing business to compete effectively in the market place, it must carefully assess options for manufacturing operations and site location. Strategic planning for manufacturing entails consideration of competitor strengths, customer needs, and the resources available to the business when making decisions.

Within these broad categories, there are many specific issues to consider including: investment, unit cost, revenue/pricing, quality, delivery/supply chain (including reliability, timing and flexibility), new product capabilities, and risks.

Many of these business areas have conflicting objectives. For example, producing a very high quality product requires high input costs which results in a high finished product price. Food processors must learn to trade off the value of one performance criterion against another when making manufacturing decisions.

Manufacturing Options

Although start-up business owners can create their own production facility, there are other manufacturing options that might be far more beneficial such as co-packing and commercial kitchens. Both options offer food processors opportunities to begin commercial operations while minimizing capital outlay. Another option is to establish a manufacturing site within one of Canada’s food technology centres. In some cases, a home-based kitchen might be a suitable option.

Co-Packing

Co-packing is a cost-effective way of producing a product, in which co-packers process, package, and even distribute the product on another company’s behalf.

Co-packing is a business relationship where a food or beverage processing company (the co-packer) is hired by a second food or beverage business to process, package, and/or warehouse and/or distribute the second company’s products. Some co-packers exclusively dedicate their processing capacity to manufacture products for other companies. Other co-packers rent out their excess capacity (equipment, facility and personnel) that is not required to manufacture their own products.

There are definite advantages to co-packing:

- Provides a consistent product cost
- Eliminates or postpones the need to invest in facilities and full production equipment
- The co-packer provides the benefit of their manufacturing expertise
- A co-packer provides production personnel who are already trained
- Start-up time is reduced
It is the co-packer’s responsibility to maintain the plant and keep the equipment up-to-date.
There is ongoing technical support from the co-packer’s personnel.
Production time is paced to match the market’s needs.
Time commitments to oversee production are reduced which creates more time to focus on other aspects of a business.

Co-packing is a good option for those who lack the facilities and equipment to produce their own food products, as well as for those who lack the certainty of how successful their food product would be.

Key criteria to consider when selecting a co-packer include:

- Experience making a similar product
- Capacity to handle expected volumes
- Seasonality where peak production periods limit accessibility
- Confidentiality of trade secrets and other confidential information being accessed by the co-packer, or by their other clients
- Equipment suitability based on your product’s requirements

Before choosing a co-packer, visit their production facilities and inquire about their inspection reports, manufacturing procedures, and financial stability. Prior to providing any specific details about your product or business, sign a non-disclosure agreement with the co-packer. (See Section 3 for information about trade secrets and non-disclosure agreements.)

Food & Beverage Manitoba assists its members in identifying and connecting with potential co-packers in Manitoba and the rest of Canada.

- Food & Beverage Manitoba
  Website: http://foodbeveragemb.ca/

Commercial Kitchens
A shared-use commercial kitchen is a facility where food processors prepare their food products for sale and/or distribution in a licensed establishment. Kitchens are often rented out by the hour or day at affordable rates, thereby providing opportunities for start-up and established food businesses to explore or expand product lines. In addition, shared-use commercial kitchens allow food processors to share technical and managerial skills with other users of the kitchen.

Key issues to consider when assessing whether to use a commercial kitchen include:

- Security – assess the trust-worthiness of other users, and the level of security in place to safeguard your own equipment, raw materials, finished goods and business information, when you are on-site and off-site.
- **Regulations** – ensure the facility has a valid Food Service Establishment permit issued by Manitoba Health, Seniors and Active Living
- **Sustainability** – consider the kitchen’s availability from a long-term perspective
- **Availability** – determine if there will be sufficient processing time available for current volumes and allowing for reasonable growth
- **Space** – decide if the available space will allow for growth of your business over an initial time period
- **Equipment** – assess suitability and availability of the facility’s equipment, and space requirements for placement and/or storage for your business’ own equipment
- **Storage** – determine if there is sufficient storage for ingredients and finished product
- **Cleaning Standards** – determine who has which responsibilities and what standards are followed for cleaning and sanitation

A listing of community commercials kitchens in Manitoba is available on a government website.

- **Manitoba Agriculture**
  WEBSITE: [www.gov.mb.ca/agriculture/online-resources/community-kitchens-listing.html](http://www.gov.mb.ca/agriculture/online-resources/community-kitchens-listing.html)

Food & Beverage Manitoba can advise businesses on using a commercial kitchen, or in connecting with other food processing businesses seeking to share use of commercial kitchens.

- **Food & Beverage Manitoba**
  WEBSITE: [http://foodbeveragemb.ca/](http://foodbeveragemb.ca/)

**Food Development Centres**

There are several food development centres in Canada (see Section 4). Several of these facilities operate pilot plants where equipment for processing and packaging can be used for process development and depending on the facility, commercial production as well. This type of arrangement should not be considered as a long term option as the rental costs for space and equipment are quite high. The tradeoff is having ready access to the technical experts that work at these facilities. This can be beneficial in the early stages of manufacturing operations.

FOODTECH Canada has a searchable database of the services and equipment available at eleven of Canada’s food development centres.

WEBSITE: [http://www.foodtechcanada.ca/](http://www.foodtechcanada.ca/)
Home-Based Commercial Kitchens

Municipality/regional zoning may allow commercial kitchens to be operated from a personal residence if it is separate from the domestic kitchen used by the family. Before developing a home-based commercial kitchen, there are a number of issues to consider, including the cost/benefit of creating such a kitchen, zoning bylaws, permits, and the impact to the neighbourhood.

In addition, there are limitations regarding:

- The types of foods and beverages that can be produced in home-based kitchens for commercial sale, based on food safety risk
- Where products produced in home-based kitchens can be sold

Production Site Location

When deciding on a production location there are many factors to be considered such as rental cost, leasing arrangements, customer location, labour force availability, raw material accessibility and trucking access.

To guide the search for an optimal location, a facility space plan should be developed. This plan outlines the space (e.g. kitchen’s needs) and proximity needs of each of the business’s operational areas. Looking at the surrounding businesses will often give a good indication if the area is appropriately zoned for a new business. Check with the city hall or town administrator to determine the zoning bylaws for a business location, as each city and rural area in Manitoba have their own unique set of regulations.

The environmental effects of food processing operations are among the many concerns facing food processors. All development with any amount of environmental impact is subject to a site-specific assessment and approval under Manitoba’s Environment Act prior to construction or operation.

WEBSITE: http://web2.gov.mb.ca/laws/statutes/ccsm/e125e.php
Managing the Business
Introduction

Managing a business is a complex endeavor and involves many moving parts. Implementing effective inventory management and record keeping systems is essential to the success of a business. Understanding financial statements will help an entrepreneur manage his/her business more effectively. From time to time, an entrepreneur may seek advice from a consultant whose expertise is not found within the organization. Section 9 introduces these business functions.

For a more detailed discussion on the inventory management systems and record keeping systems for a new business, the basic elements of income statements, balance sheets and cash flow statements readers are referred to the Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017). The Reference Manual also provides a framework to manage projects for a small business and guidelines on working with consultants.

Section Topics

Inventory 1
Financial Records & Information Systems 1
Financial Statements 2
Managing Projects 2
Inventory

Inventory includes all raw materials on hand for manufacturing, goods in process, and finished products. These items represent a large portion of the business investment and must be well managed in order to maximize profits. Small businesses usually cannot afford the losses that poorly managed inventory can cause.

Successful inventory management involves simultaneously balancing the costs and benefits of inventory. Inventory holding costs include the costs of storage facilities, insurance on stock, loss, breakage, deterioration, obsolescence, and the interest on capital. Holding too little inventory may result in the loss of a sale.

Good inventory management can lead to increased profits by either increasing sales through having better stock availability, or by decreasing inventory holding costs, or both.

There are many inventory management systems that a small business can use. Two of them are ABC Analysis and Just-In-Time.

ABC Analysis states that ‘80 percent of the firm’s total inventory cost is caused by only 20 per cent of all items.’ ABC analysis divides stock items into three classes, A, B, and C, that is, those items accounting for 80, 13 and 7 per cent of total inventory costs. The A category becomes the focal point of management.

Just-in-time (JIT) means carrying a minimum inventory and buying only as needed or against orders in hand. This form of inventory management requires intense internal management and working closely with suppliers and customers to ensure that shortages of product or ingredients do not occur.

Financial Records & Information Systems

Financial records and information systems are a requirement for a business to be successful and sustain that success. If there is rapid growth, these systems are even more critical.

Information systems must provide information that is focused on managing the business. This information is often much more detailed than what is needed for financial statements.

Advice from an accountant is needed by many business entrepreneurs. Ensure that the person providing advice has experience with similar businesses, and that those businesses are successful.
Financial Statements
Before starting a new business, and each year after, processors must complete a yearly income statement and balance sheet. Most successful businesses and those that are growing rapidly prepare interim statements monthly, or at least quarterly. Accountants are an excellent source of information when designing financial statements. Choose an accountant who has experience in the food processing industry. References from other companies are a good start for choosing an accountant for the company.

Managing Projects
There are many times when a food processing business needs to undertake a special project, such as implementing a new food safety system, developing a new product idea, or installing new processing equipment.

For such projects, there are management systems that have been proven over time to reduce risk and increase success.

Food processing businesses may work with a variety of consultants from time to time. They may include Management Consultants, Project Managers, Product Development Specialists, Marketing Specialists, Safety Consultants and others. Consultants usually provide expertise not generally found within an organization, or not required on an ongoing basis.

Before hiring a consultant, conduct reference checks and ask to see samples of work (confidentiality redacted). It is advisable to have a consultant sign a confidentiality agreement prior to discussing anything of commercial sensitivity.

Businesses should ensure that a Terms of Reference or Statement of Work be developed and serve as the basis of the professional services contract. A typical Terms of Reference or Statement of Work includes:

- Description of services
- Scope
- Deliverables
- Timelines
- Budget
- Contract type
Introduction

Section 10 deals with Marketing. Marketing is the process of planning and executing pricing, promotion, product and distribution to satisfy the consumer’s needs. However, before this can happen, the business must develop a marketing strategy which begins with the vision, mission and objectives of the business.

The Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017) provides a comprehensive strategic marketing framework for entrepreneurs to use when developing a preliminary marketing plan. There is an emphasis on matching new product attributes to consumer requirements and a competitive analysis of companies and their products. Also included is a discussion on exporting and marketing products in the US and abroad.

Section Topics

Marketing 1
Strategic Marketing 1
Marketing

Marketing is a general term used to describe the process of planning and executing pricing, promotion, and distribution of a product to satisfy individual and organizational needs. On a more basic level, marketing begins with the product itself, by making sure that the product matches the needs of a well-defined customer group. Marketing consists of making decisions and implementing strategies relating to the four P’s of marketing:

- Product (see Section 4 Product Development)
- Place (synonymous with Distribution, see Section 11 Distribution)
- Promotion (see Section 12 Promotion)
- Pricing (see Section 13 Pricing)

Strategic Marketing

Companies need to use a process or framework to coordinate and manage making their four P decisions. A suitable framework for food and beverage processors to use, along with an outline of potential options to consider in making decisions about the four P’s is described below. It is a six stage process that is commonly referred to as strategic marketing:

1. Company Vision and Mission
2. Company Goals and Objectives
3. Competitive Strategies
4. Marketing Objectives
5. Marketing Strategies
6. Marketing Programs

Vision and Mission

The first stage in strategic marketing is outlining a vision statement and then developing a mission statement for the company. For start-up and early stage businesses, this work needs to be done before commercial operations begin.

A business’s vision statement outlines where the business sees itself with respect to its customers, partners, and other stakeholders. A mission statement is a brief description of a company, generally no more than a few lines, that describes where the company is and where it wants to go.
Company Goals and Objectives
Once a mission statement has been created, the company can then develop goals and objectives. Goals outline the long term targets that a business aims for. Objectives are short term measurable initiatives which support the achievement of goals. Goals and objectives should align with the vision and mission of the business.

Goals and objectives can often be categorized into the follow types:

- Profitability
- Volume
- Stability
- Non-Financial

Performance measures quantitatively tell business managers something important about products, services, and the processes that produce them. They are a tool to help understand, manage, and improve what organizations do. Each objective should have one or more performance measures. Performance measures can indicate:

- How well the business is doing
- If goals are being met
- If and where improvements are necessary
- If customers are satisfied

Competitive Marketing Strategies
Once a company has determined its objectives, a competitive marketing strategy can be developed. A competitive strategy is developed so that a company can create advantages over the competition. It focuses on four P decisions that specifically address what competing companies are doing in the marketplace and how their products are positioned. For example, a strategy of overall cost leadership refers to being a low cost manufacturer and should not be confused with setting low prices. Cost leadership can be achieved by producing on a large scale or accessing low cost raw materials.

A differentiation strategy involves changing the product so that it is perceived as unique. It can be based on technical superiority or using premium ingredients.

A niche marketing strategy occurs when a product is sold to a small number of the total potential customers that have a particular characteristic or preference. Targeting the specialty food and beverage market is often referred to as niche marketing since products are marketed to a very small group of buyers. Niche marketing requires the business owner to identify customers with similar demands and serve their needs extremely well.
Marketing Objectives
Marketing objectives for individual products can only be developed after the corporate vision, mission, goals, objectives, and competitive strategies have been developed. Typically, marketing objectives are developed within four general areas:

1. Sales volume
2. Market share
3. Cash flow
4. Profitability

The task for any business is to decide on specific targets for sales, market share, cash flow per period and profitability that are challenging yet reasonable considering the resources of the company.

Marketing Strategies
Marketing strategies outline exactly how marketing objectives will be achieved. For example, if the marketing objective is to increase market share by 4%, the marketing strategy states exactly how the market share increase will occur. A marketing strategy is a way to give marketing orientation to a business by deciding to position a product in terms of buyer needs and wants. Inexperienced business people often make decisions based on what they like or want, leaving the customer out of the picture. A marketing orientation brings the customer into the center of the picture.

The marketing objectives for profits, cash flow, and market share can be achieved using the following strategies:

- Increase the number of users by increasing their ability to buy
- Increase the rate of purchase by broadening usage occasions for the product
- Retain current customers by meeting what the competition offers
- Acquire new customers by line extensions (variations of existing products designed for existing markets)
Marketing Programs

A marketing program is the summary of the detailed analyses and resulting decisions relating to four P’s (pricing, product, place, and promotion). The marketing program should be closely aligned with the mission statement, company objectives, competitive strategies, marketing objectives, and marketing strategies adopted by the business.

Here is a simplified example of a marketing program for a new product being developed for a specific target market that has been researched and selected by management.

- **Pricing** – Premium pricing (8% over the market leader) to support the new product’s image of being artisanal (manufactured using a traditional batch process and a generations old family recipe).

- **Product** – Use of premium ingredients; a clean label strategy is employed i.e. avoidance of additives, preservatives and colorants will be emphasized in advertising messages. Packaging and labelling will be selected and designed to support the artisanal product positioning (unique container shape, smaller volume, graphics avoid fonts and colours associated with mass merchandising and value pricing)

- **Place** – High volume discount stores will not be used. Sell in boutique/specialty stores in high income urban centres. Direct store delivery will be used in local markets (within 300 km of the warehouse). Specialty distributors will be used to expand sales in regional markets.

- **Promotion** – extensive in-store sampling will be used to introduce the product to new consumers and encourage trial purchases. Cross promotion with other gourmet foods will be used during sampling to provide ideas for the product’s potential applications. Sale pricing will be avoided. To support the image of a socially responsible community business, communication messages will inform that $1/unit will be donated to a local charity or special needs group. Extensive use of social media will be used to support product uniqueness, quality and to promote availability at retail outlets.
Introduction

Distribution channels are the paths that goods – and title to those goods – follow from producer to consumer. Section 11 introduces alternative distribution channels and a number of factors to consider when deciding which channel to use. The process of obtaining and maintaining a listing with a retailer is discussed. The entrepreneur’s selling skills are extremely important in all distribution scenarios. Selling begins at identifying prospective buyers, investigating their needs, demonstrating the company’s capability, and finally gaining a customer’s commitment.

The *Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017)* provides more detailed analysis of options to sell directly, or indirectly by using a broker/agent, a wholesaler/distributor, or hiring a merchandiser. A detailed discussion is presented on how to choose and work with brokers and distributors. A process to develop skills for a sales presentation is also provided.

Section Topics

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Deciding on a Distribution Channel 3
Listings 3
Distributors and Brokers 5
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Distribution Channels

Distribution channels are the paths that goods, and title i.e. ownership of those goods, follow from producer to consumer. Distribution channels are also referred to as ‘supply chains’.

Well-designed distribution channels serve various functions, including:

- Reducing the number of participants and resulting in a more efficient system
- Matching the requirements of individual consumers to the outputs of various producers
- Standardization to improve the efficiency of the system
- Holding inventory to increase market response and to lower transportation costs
- Physical distribution of products to ensure that they are available for customers to purchase on demand in the right location, at the right time and in the right condition

Types of Distribution Channels

When making decisions regarding the appropriate distribution channel (i.e. direct selling, indirect selling, broker/agent, wholesaler/distributor or merchandiser), businesses should look at competitor practices and consumer needs. As well, food and beverage processors do not always have a choice on distribution channels, as industry norms often determine which channels to use. For example, large retailers (grocery chains, department stores, and club chains) usually purchase exclusively through wholesalers/distributors and agents/brokers.

However, some larger retailers are making exceptions to this practice as they become more focused on featuring foods and beverages from smaller-scale local suppliers. Food & Beverage Manitoba works with specific retailers to gain access for its members through the Building Capacity Program.

- Food & Beverage Manitoba
  WEBSITE: http://foodbeveragemb.ca/marketing/

Direct Channel

Processor → End User

- Preferable when customized individual technical specifications or rigorous performance requirements apply
- The volume of the product delivered to a customer must be of an economic delivery size so that freight is not a penalty, or of such value that transportation costs do not matter
The One-Step Channel (Consumer Markets)
Processor → Retailer → End User
- In consumer markets, the intermediary is usually a retailer
- The processor negotiates directly with the retail chain’s buyer

The One-Step Channel (Foodservice Markets)
Processor → Wholesaler → End User
- The wholesaler takes title to the goods they handle
- The wholesaler’s sales force is responsible for selling to the end user
- The wholesaler can reach hundreds of foodservice accounts more economically than the processor

The Agent Channel (Foodservice Markets)
Processor → Agent/Broker → Industrial User
- The agent becomes the manufacturer’s sales force, making the sale, but never taking title to the product

Traditional Channel (Consumer Markets)
Processor → Wholesaler → Retailer → End User
- Used by thousands of small processors who are each producing limited lines of products and trying to sell to many small and medium size retailers

Agent / Wholesaler Channel (Foodservice Markets)
Processor → Agent/Broker → Wholesaler → End User
- Used when attempting to market a product into a new market area
- An agent/broker familiar in the new market is used to facilitate the wholesaler’s efforts with their customers

All-Aboard Channel
Processor → Agent/Broker → Wholesaler → Retailer → End User
- Used when products are produced by a large number of small companies who then use a broker to bring buyer and seller together
- The broker is an independent sales force, acting for the processor that is used in contacting a large number of scattered wholesalers
- Used when a product can deteriorate and a buyer must be quickly found
Deciding on a Distribution Channel

There are a number of issues to consider when deciding on a distribution channel, including:

1. **Market Factors** - for example, short channels tend to be used where potential customers are concentrated geographically, there is a small number of buyers, orders are few but large and the customer requires regular service.

2. **Product Factors** - short channels are typically used for products that are perishable, highly technical or have a high per unit value.

3. **Financial Factors** - short channels are more likely where costs can be spread over a broad product line and where the processor has its own sales force.

4. **Competitive Factors** - Short channels of distribution are more likely if the manufacturer feels that independent intermediaries are not adequately promoting the product.

Listings

When a retailer puts a product on the store’s shelves, this is often referred to as being ‘listed.’ The term comes from larger grocery wholesalers that sell to a network of stores. Store buyers make their purchases from a central product list of available items. In most cases, store operators within a chain purchase at least 60 percent of the products they carry from their wholesaler’s pre-approved lists. Smaller, independent stores operating outside of a chain may have more discretion to buy from a variety of suppliers.

With each retailer’s shelves always being full, obtaining a listing usually means that someone else’s product will have to be bumped. Although traditional grocery store shelves are dominated by national brands and private label products, there are opportunities for smaller businesses to enter the retail market with unique, quality food products that meet consumer demands. A manufacturer must convince the retailer/distributor of the value it brings to the consumer and the retailer/distributor (i.e. margin and volume-turnover).

Store Selection

To ensure that a product sells well, it must be available where target consumers (i.e. the ones who are likely to buy the product) shop. It has to be available at the quality they want, meet their needs and satisfy their perceptions of value.

For example, in the case of a unique gourmet or specialty product, it is better to approach gourmet stores and gift shops on a region by region basis. If the product would appeal to a value conscious consumer, consider the mainstream grocery retail stores that target the budget shopper.
The Buyer
New food and beverage processors, and existing businesses exploring new retailers, should investigate very carefully the buying policies of the food retail companies to be approached. For most situations beyond an independent single store scenario, new product buying decisions are made at the retail company’s headquarters, not at the store level. With some chains, managers may have input in identifying potential new products for their particular store. However, the majority don’t have the authority to secure listings.

For each chain, identify the buyer responsible for purchasing specific products and get information about the organization’s purchasing policies from the buyer before presenting the product. With some chains it may be necessary to negotiate repeatedly with various departments and regional/national levels.

Purchase Planning Cycles
Retailers/distributors may have specific cycles for certain product categories that fit in with seasonal promotions. For example, to sell products such as bakery, confectionery and poultry products for the Christmas season, approach retailers/distributors at least six months in advance. Become familiar with buyers’ seasonal order deadlines and contracting policies and target sales efforts accordingly.

Presenting the Product
The critical first step to securing a listing with a retailer/wholesale distributor is presenting the product. A person’s presentation skills, the level of detail of the information presented and adherence to correct protocol according to the company’s policy will influence the buyer’s decision to list. Most retailers will require all suppliers to complete a New Product Presentation form. A focus on the business and profit criteria, from the buyers’ viewpoint is required.

Food & Beverage Manitoba’s Building Capacity Program encompasses a number of services and training courses that are designed to prepare companies for introducing their products to retail and foodservice buyers. Market development experts provide one-on-one professional guidance with information that members need to effectively create a brand, market and distribute their products, and increase sales. Specific services include:

- Assessment of new products and package design
- Peer-to-peer mentoring
- Assistance in presentation skills

CONTACT
Food & Beverage Manitoba:
WEBSITE: http://foodbeveragemb.ca/marketing/
Distributors and Brokers

Distributors typically purchase products from processors and resell them to foodservice establishments or to retailers. The distributor requires a margin of 20% to 30% to purchase food products directly from processors, stock inventory, take orders, manage the inventory on the shelf or in the kitchen, service the customers’ needs, introduce new products, deliver the products to foodservice establishments or retail stores, handle returned products and assist in any product recalls. They normally specialize in a category area such as frozen or in a number of areas such as fresh, grocery, or deli but not frozen.

Using a broker is equivalent to hiring a sales force. Before hiring a broker, make sure that the product requires the broker’s assistance. For example, products sold to a large national retailer like Loblaw may need a broker while goods sold to a smaller, regional group of stores like Foodfare stores may not. As a rule, brokers are not responsible for the shipping, invoicing, or inventory control of products at the store level. The broker’s role is to make the sale, represent the line to the retailer, and assist on the pull of the products at retail.

Food brokers will normally charge a fee or commission of 5-10% of the net invoiced price of all products shipped. One of the disadvantages in using the brokerage model is that the broker will not know a product line as well as the manufacturer, and may not be as successful in getting the line listed.

Finding Broker and Distributor Candidates

Food & Beverage Manitoba assists its members identifying potential brokers and distributors. Associations are also good sources of potential candidates:

- Yellowpages.ca
  WEBSITE: [http://www.yellowpages.ca/search/si/1/Food+Broskers/Canada](http://www.yellowpages.ca/search/si/1/Food+Broskers/Canada)
- Westoba.ca
- Food Brokers USA
  WEBSITE: [https://www.foodbrokersusa.com/](https://www.foodbrokersusa.com/)
- Food Service Sales Marketing Association

Food & Beverage Manitoba organizes a number of events that brokers and distributors attend. Attending these member-only networking events provides an opportunity to meet them directly and to meet other processors to get their opinions on good brokers to work with. Federal and provincial government trade development groups also plan and manage trade shows in target market areas. These shows are often cost efficient as a variety of government support programs are available.
Selling and Selling Skills

As described in Section 10, marketing defines the target markets and identifies the competitive advantages that a business’s product offering has over the competitor’s offering. It is only after the marketing research, competitor analysis, and intense analysis of the target market’s needs and values are defined that the selling activities can be well designed.

Whether selling directly to the end user (direct selling) or selling to a wholesaler, distributor, broker, agent or retail store (indirect selling), company personnel must utilize selling skills. These skills involve moving beyond the marketing information/strategy and for each customer or customer segment, undertaking the following process.

Selling involves four steps:
1. Preliminary research
2. Investigating
3. Demonstrating capability
4. Obtaining commitment

Preliminary Research

Before contacting prospective buyers, the processor sales rep must identify the background information on the customer to be certain the customer has:

- The authority to purchase
- The financial means to purchase

Investigating

This is the most important stage to a sales call’s success. Its purpose is to determine the implicit needs of the customer and turn these into explicit needs. Implicit needs are statements by the customer of problems, difficulties and dissatisfactions. Explicit needs specify customer statements of wants or desires.

Throughout the investigation (both before and during the sales call), the salesperson uses four types of questions in order to move the customer from implicit needs to explicit needs.

1. Background Information Questions: a good salesperson gathers as much of the information on the customer’s existing situation as possible in the preliminary research
2. Problem Questions: questions designed to explore problems, difficulties, and dissatisfactions in areas where the seller’s products can help. These questions uncover the implicit needs.

3. Implication Questions: take the customer’s problem and explore its effects or consequences to help the customer understand a problem’s seriousness or urgency.

4. Value of the Solution Questions: questions designed to show that the seriousness of the problem warrants the cost of the solution. The problems that have been uncovered must grow and become big enough to get the customer talking about action (explicit needs). Through questions, the salesperson tries to get the customer to talk about how a solution will help by describing the benefits of the product in his or her own words.

For the four question categories above, a food or beverage processor must keep in mind they must address the needs and problems of their customer i.e. the retailer or distributor, and the needs of the end consumer i.e. the retailer/distributor’s customer. The retailer/distributor’s needs include margin and inventory turns. While the end consumers’ needs include tangible and psychological issues such as value, good nutrition for their family, comfort, convenience and a general sense of well-being.

**Demonstrating Capability**

To properly demonstrate the capabilities of a product, the salesperson must understand the difference between features, advantages, and benefits. And the salesperson must be able to see and describe these from the perspective of the buyer.

- **Features** – describe facts, data, and product characteristics. Highlighting features has little or no impact on the success of a sale.
- **Advantages** – show how products or their features can be used or can help the customer. Highlighting advantages has a slight positive impact on the success of a sale.
- **Benefits** – show how products meet explicit needs expressed by the customer. Stating benefits has a very positive impact on the success of the sales.
**Obtaining Commitment**

1. Develop the relationship - spend adequate time in the Investigation Stage so that customers realize they have an urgent need for the product
2. Understand their needs - check to ensure that key concerns are covered by asking the buyer whether there were any further points or concerns that needed to be addressed
3. Summarize the key points of the discussion, especially the benefits
4. Propose a commitment as the appropriate next step for the customer as it will:
   - Advance the sale or move it forward in some way
   - Be within the achievable limits of the customer
5. After-sales follow-up - following up with the customer is an important step to build goodwill and repeat business
Promotion
Introduction

Section 12 provides information to assist new businesses to develop a promotion plan for their business and products. Promotion focuses on activities designed to inform, persuade, and influence people when they are making the decision to buy. Advertising, publicity, and specific sales promotions such as sampling, coupons, and demonstrations are key promotional activities. Online promotion, especially using social media, has also become popular in the food industry. Other topics presented include using cooperative advertising programs and participating in trade shows.

Readers looking for more information on the benefits of each promotional technique are referred to the Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017). The Reference Manual also discusses processes to follow when selecting and using trade shows and coupons as part of the promotional strategy. These processes are appropriate for a start-up food or beverage processing business.

Section Topics

- Promotion as Part of Marketing
- Types of Promotion
- Promotion Objectives
- Promotional Strategies
- Online Promotion
- Email Marketing
- Co-operative Advertising
- Determining the Costs and Benefits of Promotion
- Trade Shows
- Publicity and Media Relations
- In Store Demonstrations
- Coupons

1 1 1 2 2 3 4 5 6 7 7 8
Promotion as Part of Marketing

As described in Section 10, marketing defines the target markets and identifies the competitive advantages that a business’s product and service offering has over the competitor’s offering. With this marketing work done and the marketing information already developed, the promotion activities can be well defined for any product and target market.

Types of Promotion

Promotion includes all activities designed to inform, persuade, and influence people when they are making the decision to buy. Promotion is made up of:

- **Advertising** - the non-personal communication transmitted through the mass media
- **Publicity** - free promotion through news stories in newsletters, newspapers, magazines, television and social media
- **Sales Promotion** - includes communication not found in advertising and personal selling, including cost effective methods such as direct mail, co-op advertising, social media, product demonstrations, coupons, volume discounts, rebates, contests, exhibits, trade allowances, and point-of-purchase displays

In designing a promotional plan one must clearly spell out:

- The objective(s) - there are five general objectives for promotional activities: to provide information, increase demand, differentiate the product, accentuate the value of the product and stabilize sales.
- Specific messages
- The target audience
- The criteria to be used to measure success

Promotion Objectives

Promotion objectives need to be clearly stated and measurable. They must be compatible with the objectives of the company as well as the competitive and marketing strategies. Objectives will vary for different products and different situations. For example, processors must promote differently to brokers than to wholesalers. When promoting to a broker, the processor must promote what the broker is to present to the wholesaler. This should include both company and product attributes like corporate history and community involvement, and product benefits the consumer will appreciate
like ease of use. When promoting to a wholesaler, the processor simply wants the wholesaler to purchase the product, so the emphasis is on price. However, the benefits of the product to the end user must also be communicated.

Promotional Strategies

When developing a promotional strategy, the food or beverage processor must consider the following issues:

- The target audience
- The goal(s) of the promotion
- The types of promotion to be used (newspapers, magazines, television, telephone, outdoor advertising, direct mail, internet)
- The desired effect the promotion is to have on the customer
- A process to assess which specific promotional activities are working
- A process to assess which specific promotional activities are not working
- The costs of the promotion compared to the benefits

Online Promotion

Online promotion\(^1\) represents another marketing tool available to food processors. As with any tool, the business must decide if it is right for the situation and then commit to its successful use.

A company’s website should be at the heart of all online promotional activities. All of online activities (e.g. social media profiles) should serve to drive traffic to the website. Websites range from simple business card sites to complex multi-product retail sites complete with customer reviews. Determine marketing goals, and then assess which type of website will best fulfill corporate objectives.

Social Media

Social media allows businesses to be accessible to those who are interested in their products and makes them visible to those who have no knowledge of their products. Through social media platforms, businesses can create buzz, as well as learn from, and target customers. Customers can post reviews of products and services, rate customer service and ask questions or voice concerns directly to companies through social media platforms.

\(^1\)Adapted from eMarketing – The essential guide to marketing in a digital world. 5th edition. Rob Stokes and the Minds of Quirk. 2013.
There are a number of advantages to this type of promotion over traditional marketing strategies, including:

- Less expensive than traditional print/radio/TV advertising
- More interactive with consumers
- Can be used to build a relationship of trust with the consumers
- Can be easily updated

Social media platforms currently popular, include: Twitter, Facebook, Google+, Linkedin, Yelp, Instagram and You Tube.

A blog (short for weblog) is a regularly updated website or web page, typically run by an individual or small group, which is written in an informal or conversational style. For a marketer, blogs present opportunities to learn how others perceive a company’s brand, and to engage with the audience.

A company’s brand can be enhanced through informative and entertaining podcasts which are a digital audio or video programme downloadable from the internet. Podcasts can be a valuable marketing tool because they are targetable, measurable, controllable and relatively inexpensive.

**Email Marketing**

Email marketing is a form of direct marketing that uses electronic means to deliver a message to an audience. It is a tool for building relationships with both existing and potential customers. The key to email marketing is an opt-in database – a list of subscribers who have agreed to allow a company to send them emails with marketing messages.

Advantages to email marketing include:

- Very cost effective
- Highly targeted
- Can be easily customized to various market segments
- Its effectiveness can be measured

Disadvantages of this type of marketing include:

- Many consumers become email fatigued. To address this issue, businesses need to be both innovative and dedicated to create emails that will be read.
Search Advertising

Search advertising, also called pay-per-click (PPC), is a way to advertise a business or product directly on search engine results pages, where the advertiser pays only for each click on their advertisement. Advertisers choose the keywords for which they want to appear.

The main advantages to search advertising are:

- Inexpensive to set up
- Able to trace advertising fees down to the keyword level, thereby learning what works and what doesn’t
- Able to target potential customers who are already expressing intent to buy

Search advertising, however, requires monitoring. Adjusting the keywords over time to ensure the efficacy of this advertising medium is often necessary. There is also a potential for ‘click fraud’, which occurs when an ad is clicked on by someone who is not a legitimate potential customer.

Co-operative Advertising

Co-operative advertising should be looked at as a way to enhance consumer awareness of a product (or brand) in a local market by including both the food or beverage processor’s brand and a compatible second brand in the same advertisement or promotion. Second brands include those of a retailer or a regional product identifier such as Food & Beverage Manitoba’s Manitoba Made logo or the federal government-run Brand Canada logo. With cooperative advertising these complementary brands help to sell a product by paying part of the expense to promote the product in the local market and reinforcing key messages.

Co-operative expenditures should be examined in the same way that other advertising, public relations, and promotional plans are examined.

Co-operative advertising with a grocery retailer averages around 2 to 5 percent of the invoice value. The value is put toward purchasing newspaper ads in conjunction with the retailer.

Food & Beverage Manitoba’s program with the Red River Co-op Stores is a good example of a co-operative program. It is designed specifically to support smaller scale companies although larger scale well-established brands see the value in actively participating.
Determining the Costs and Benefits of Promotion

Promotional and media costs are the most difficult to allocate because their effectiveness is hard to measure in a concrete manner. Before looking at the dollar costs of different promotional mediums, the following should be considered:

- Mediums that are most likely to reach the target audience
- Mediums that suit the image of the product
- Product specific features that make one medium more appropriate than another (i.e. is a visual demonstration necessary)
- The promotional budget

Common errors to avoid are:

- Trying to focus efforts on too broad a market
- Decreasing the quality of promotional items to increase distribution
- Lack of planning and co-ordination of promotional efforts
- No measurement of effectiveness
- Relying on one source of media

Some issues to consider when setting a promotional budget include: market share, sales from new products, market growth, plant capacity, product price and quality, and the breadth of the product line.

Results of advertising are difficult to measure. They are both objective and judgmental in nature. It is necessary to plan each campaign so that results are measurable to assist in focusing future advertising in the most beneficial way. The alternatives of publicity by hiring a writer to draft articles for trade journals, or other forms of publicity, need to be compared to the cost of advertising.

Working with Agencies

Most large urban centres have a variety of advertising agencies and services to choose from. An initial screening with these criteria will develop a list of potential candidates:

- Check for services offered e.g. advertisement development, graphic arts and packaging expertise, result measurement, etc.
- Copyright services and protection
- Conflict of interest if the firm serves a direct competitor
- Check if the firm works with a single or limited media group
- Rapport and compatibility
- General idea of media prices for budgeting
After the initial screening, candidates should be selected for in-depth interviews to discuss promotion objectives on a confidential basis.

Once the agency has been selected, be sure to confirm the arrangements in writing. Reserve the right to terminate the relationship at any time based only on your dissatisfaction, with liability limited to the fees and expenses for services to the date of termination.

**Trade Shows**

Although trade shows are relatively expensive, they are widely used in the food industry. A trade show offers a highly focused way to:

- Establish a presence in the market place with distributors and wholesalers
- Gain an overview of the industry and insight into competitors
- Efficiently obtain a list of serious potential buyers

Trade shows offer the potential for a high return in sales and contacts if planned properly and presented well. Several months to a year may be required to obtain a well located booth and prepare the appropriate materials and displays.

**Objectives**

Trade shows offer the potential to develop relationships and turn contacts into sales in the future. At a trade show, there is a potential to:

- Make contact with local distributors or retailers
- Introduce new flavours or product lines
- Identify potential joint venture or investment partners
- Introduce the company to local media and trade publications
- Research competitive products in the market or at the show

**Choosing the Trade Show**

There are a number of local and regional trade shows that would serve as a good introduction to this promotional tool.

- Food & Beverage Manitoba Holiday Reception
- LocalFare Trade Show – sponsored by the Manitoba Restaurant and Foodservices Association and the Manitoba Hotel Association

From the list of potential trade shows, choose to participate in the one(s) that:

- Attract the most appropriate customers, not necessarily the largest volume of customers
• Will draw an audience from the geographic market that is targeted
• Are well supported by others in the industry (i.e. if the competition never misses it, there could be a reason)
• Are well organized and promoted

Publicity and Media Relations
Publicity provides free promotion through news stories in newsletters, newspapers, magazines, and television. To create publicity about a business or its products, send a media release to the various radio, television, newspaper, and magazine offices.

Establishing a good relationship with the local media will also aid in the handling of any future public relations issues, such as an expansion, fire, recalls, and labour relations.

In Store Demonstrations
Demonstrations, sometimes referred to as product samplings, are an effective means to promote a new or existing product. Since they do not provide wide market access, they are only used for particular market segments.

Live Demonstrations
Live demonstrations include a staffed area with an activity such as sample preparation. This is best with a new product that requires information or answers for questions, or for a product that requires special preparation. One advantage of a live demonstration is that you can encourage the customer to purchase the product. One disadvantage is that a great deal of time is required for the demonstration and therefore costs can be high.

Mobile Demonstrations
A mobile demonstration is a form of live demonstration and occurs when a demonstrator walks throughout the store offering samples. The demonstrator usually has a base operation near the product sales display. Not all stores allow for this type of demonstration.

Static Display
A static display includes an area displaying the product and offering unattended samples. Although cost effective, there is no control on how much sample is used or on the purchasing decision of the consumer. This type of demonstration requires consumer familiarity with the product.
Coupons

Coupons can be an effective way to increase sales and profits but there are certain costs that a company should be aware of:

- Costs of physical distribution, mailing coupons, placing advertisements and paying the retailer a handling charge for redeeming the coupons
- Reduced contribution margins associated with the fact that coupons are price reductions
- Coupons will be used by new customers as well as existing customers who would have bought the product at the regular price

Key issues to consider when planning to use coupons include:

- Prior performance – of similar coupon initiatives in similar markets
- Redemption rates – the percentage of buyers responding to the incentive
- Displacement sales – made during a promotion but which would have otherwise been made to regular buyers at the regular rate
- Acquisition rates – non-regular buyers who purchase the product during the promotion
- Stock-up rates – sales made during a promotion that are borrowed from future periods because the customer stocks-up on the product at the discounted price
- Conversion rates – the conversion of non-regular buyers into regular buyers

Coupons can be distributed in a variety of ways, including: in or on the product, in the media such as newspapers or flyers or instore. Couponing support partners involved in the use and distribution of coupons include:

- Manufacturer’s Redemption Agents
- Retailer Clearing House
- Retailer Billing Agents
Pricing
Introduction

Pricing is an important strategic issue because it is related to product positioning and affects other marketing mix elements such as product features, distribution decisions and promotion. Section 13 has several tools and strategy suggestions to help decide on product prices. In setting prices, companies must take into account their own costs as well as the fees charged by the various players in the supply chain. There is a demonstration and sample calculations to show the relationships among price, markups and margins at the processor level and at the retailer / foodservice distributor level.

The Food & Beverage Processing in Manitoba Reference Manual (Third Edition, 2017) provides a more detailed discussion on approaches to using pricing strategies to achieve sales and marketing objectives. Analytical techniques to tie pricing strategies to profitability are provided as well. There is a detailed presentation with examples of the trade terms, deals and allowances that retailers and distributors expect from food and beverage suppliers. The implications of these cost factors are discussed and their impact on prices, margins and markups is explained.

Section Topics

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<td>Calculating Markups and Margins</td>
<td>6</td>
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Pricing Strategies

Pricing is one of the four key components to any marketing strategy. It is an important strategic issue because it is related to product positioning and affects other marketing mix elements such as product features, distribution decisions, and promotion. There are a number of ways marketing strategies can be supported by pricing strategies.

Penetration Pricing

A low price to stimulate demand, used when:

- Lower prices result in overall increased growth in the market volume or increased demand for the company’s product
- The company sells higher margin complementary products that are being pulled along with the sale of lower priced products (i.e. loss leaders)
- The company enjoys economies of scale
- Competitors have high cost structures

Parity Pricing

Setting the price near or at competitive levels and using other marketing variables to implement strategies, used when:

- Total market volume will not grow with lower prices
- Competitors can easily match any price decrease

Premium Pricing

Setting a price above competitive levels, used when:

- A company can differentiate a product in terms of higher quality or special features
- A company has little excess capacity and where it is difficult for competitors to enter the industry

Monitoring Costs

A multi-product company needs to track costs for each product in order to tell which products are doing well and which need additional marketing support.

To gather all the relevant information, a company needs to track two types of costs:

- **Variable costs** – (direct costs of manufacturing): costs specific to the manufacturing of a particular product (i.e. labour, raw materials, and supplies)
- **Fixed costs** – ongoing costs that occur whether a business is shut down for a period of time or in full production (i.e. depreciation, insurance, taxes, selling and administration costs, utilities, and other costs)
Fixed costs can be broken down into two kinds of costs. Traceable fixed costs are those that can be related to a product line on a non-arbitrary basis. Non-traceable fixed costs are incurred on behalf of the business as a whole and cannot be assigned to a specific product line.

**Contribution Analysis**

Contribution analysis studies how the final selling price will contribute to fixed costs. Ideally, a product would cover all the fixed costs and contribute a net profit but this does not always happen.

The following table is an example of monitoring the contribution of various product lines.

<table>
<thead>
<tr>
<th></th>
<th>Company Total</th>
<th>Product One</th>
<th>Product Two</th>
<th>Product Three</th>
<th>Product Four</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$1120</td>
<td>$300</td>
<td>$450</td>
<td>$220</td>
<td>$150</td>
</tr>
<tr>
<td>Variable costs of goods sold</td>
<td>205</td>
<td>50</td>
<td>70</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>$915</td>
<td>$250</td>
<td>$380</td>
<td>$180</td>
<td>$105</td>
</tr>
<tr>
<td>Other variable costs</td>
<td>30</td>
<td>0</td>
<td>20</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Variable contribution margin</td>
<td>$885</td>
<td>$250</td>
<td>$360</td>
<td>$170</td>
<td>$105</td>
</tr>
</tbody>
</table>

**Traceable fixed costs:**

- Sales salaries: 280 70 95 65 50
- Manufacturing salaries: 180 50 70 40 20
- Packaging salaries: 105 30 25 20 30
- Advertising of specific product lines: 115 30 50 20 15
- Rent and utilities: 70 20 30 15 5

Total: $750 $200 $270 $160 $120
Total contribution: $135 $50 $90 $10 ($15)

**Non-traceable fixed costs:**

- Company advertising: $40
- General and administrative overhead: 60

Total: $100
Net operating profit: $35
Salaries can be split according to hours spent on a product or some other reasonable basis. Rent and utilities can be split based on volume allocations. Company advertising and general and administrative overhead cannot be allocated to specific products.

Which products should receive additional support becomes clearer after we calculate the **percentage variable contribution margin (PVCM)**.

\[
PVCM = \frac{\text{Selling Price} - \text{Variable Price}}{\text{Selling Price}}
\]

PVCM shows which products contribute the greatest amount to overhead and profit for each additional dollar spent to increase sales.

<table>
<thead>
<tr>
<th></th>
<th>Company Total</th>
<th>Product 1</th>
<th>Product 2</th>
<th>Product 3</th>
<th>Product 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PVCM</strong></td>
<td>0.79</td>
<td>0.83</td>
<td>0.80</td>
<td>0.77</td>
<td>0.70</td>
</tr>
</tbody>
</table>

From the above example:

Although Product 2 has the highest total contribution, additional dollars should be spent on Product 1 because this is where the greatest gains will be enjoyed.
Setting Prices

Two tools that are important for setting prices are:

- Break-even analysis
- Cost-volume relationships

Break-even Analysis

Break-even analysis can be used as a tool for initially setting a product’s price or for calculating the effects of a price change.

The break-even point is where total revenue (price times volume in units) equals total cost. Below the break-even volume of units sold, losses are incurred. Above break-even volumes, profits are realized.

Sunk costs such as research and development used to develop a product should be ignored. Depreciation per unit should be used as a cost rather than the full cost of a piece of equipment.

\[
\text{Break-Even Point (C)} = \frac{\text{Total Fixed Costs (B)}}{\text{Unit Contribution (A)}}
\]

The following table shows an example of a break-even analysis for five different prices of one product, and clearly shows the optimal price and volume target.

<table>
<thead>
<tr>
<th>Unit Selling Price</th>
<th>$21.95</th>
<th>$23.95</th>
<th>$25.95</th>
<th>$27.95</th>
<th>$29.95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit Variable Cost</td>
<td>$7.95</td>
<td>$7.95</td>
<td>$7.95</td>
<td>$7.95</td>
<td>$7.95</td>
</tr>
<tr>
<td>Unit Contribution (A)</td>
<td>$14.00</td>
<td>$16.00</td>
<td>$18.00</td>
<td>$20.00</td>
<td>$22.00</td>
</tr>
<tr>
<td>Estimated Sales</td>
<td>27,500</td>
<td>27,000</td>
<td>25,000</td>
<td>20,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Revenue</td>
<td>$603,625</td>
<td>$646,650</td>
<td>$648,750</td>
<td>$559,000</td>
<td>$539,100</td>
</tr>
<tr>
<td>Fixed Costs (B)</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Variable Costs</td>
<td>$218,625</td>
<td>$214,650</td>
<td>$198,750</td>
<td>$159,000</td>
<td>$143,100</td>
</tr>
<tr>
<td>Profit (loss)</td>
<td>($15,000)</td>
<td>$32,000</td>
<td>$50,000</td>
<td>$0</td>
<td>($4,000)</td>
</tr>
<tr>
<td>Break-even (units) (C)</td>
<td>28,571</td>
<td>25,000</td>
<td>22,222</td>
<td>20,000</td>
<td>18,182</td>
</tr>
</tbody>
</table>
Cost-Volume-Profit Relationships

Economies of scale measure the impact of changes in volume on fixed costs. In many cases, a company’s ability to increase the volume of output allows them to decrease the unit cost. The following table demonstrates this effect.

Increases in volume have the greatest impact on products with high PVCM because most of the costs are fixed for these products.

<table>
<thead>
<tr>
<th>PRODUCT 1</th>
<th></th>
<th>2000 units</th>
<th>4000 units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit Variable Cost</td>
<td></td>
<td>$40</td>
<td>$40</td>
</tr>
<tr>
<td>Total Variable Cost</td>
<td></td>
<td>80,000</td>
<td>160,000</td>
</tr>
<tr>
<td>Total Traceable Fixed Costs</td>
<td></td>
<td>240,000</td>
<td>240,000</td>
</tr>
<tr>
<td>Total Direct Cost</td>
<td></td>
<td>320,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Divided by Volume</td>
<td></td>
<td>4000</td>
<td>8000</td>
</tr>
<tr>
<td>Average Unit Cost</td>
<td></td>
<td>$80/unit</td>
<td>$50/unit</td>
</tr>
</tbody>
</table>

Experience Curve Effect

In the 1960’s, consultants at The Boston Consulting Group observed that costs characteristically decline by 20-30% in real terms each time accumulated experience doubles. This relationship was called the experience curve: the more experience a firm has in producing a particular product, the lower are its costs.

Experience curves may be due to:
- More efficient production processes
- Higher discounts due to greater volumes of purchases
- Workers becoming more efficient

1 The Experience Curve. The Economist, September 14, 2009.
Calculating Markups and Margins

Companies must take into account their own costs as well as the markups required to cover costs of promotion, discounts and many other allowances, as a product moves toward the consumer when setting prices. In the food business, the terms mark-up and margin are both used. They mean different things. The food processor must understand the differences and the relationship between the two terms when setting their wholesale prices. A mistake in the use of these terms can lead to price setting that is substantially too high or low, resulting in lost sales or lost profits, respectively.

Margin (also known as gross margin) is selling price (or wholesale price), minus the cost of goods sold (manufacturing cost). For example, if a product sells for $10 and costs $7 to manufacture, its margin is $3. Or, stated as a percentage, the margin percentage is 30% (calculated as the margin divided by selling price times 100%).

Markup is the amount by which the cost of a product is increased in order to calculate its selling price. To continue with the example above, a markup of $3 from the $7 cost yields the $10 price. Or, stated as a percentage, the markup percentage is 43% (calculated as the markup amount divided by the product cost times 100%).

To derive other markup percentages, the calculation is:

\[
\text{Markup} = \frac{\text{Margin}}{1 - \text{margin}}
\]

For example, if the retailer or foodservice distributor uses a 30% margin,

\[
\begin{align*}
\text{Markup} & = \frac{30\%}{1 - 30\%} \\
& = \frac{.3}{.7} \\
& = 43\% 
\end{align*}
\]

When the markup is known, to calculate the margin:

\[
\text{Margin} = \frac{\text{Markup}}{1 + \text{markup}}
\]

Using a 43% markup,

\[
\begin{align*}
\text{Margin} & = \frac{43\%}{1 + 43\%} \\
& = \frac{.43}{1.43} \\
& = 30\%
\end{align*}
\]
As a rule of thumb, retailers’ margins average around 30% with distributors’ margins being as high as 30% depending on what services are being provided. From the discussion above, this equates to a retail markup of 43%. Keep in mind that we are now working from the product’s wholesale price and adding a retailer / distributor markup to determine the retail selling price.

Continuing with our original product example with a $7 cost to manufacture and a $10 wholesale price that provides a gross margin of 30% (or 43% markup) to the processor:

The selling price to the end consumer can easily be twice the manufacturing cost.

\[
\begin{align*}
\text{Wholesale price} & = \text{Manufacturing cost} + \text{Processor markup} \\
& = 7.00 + 0.43 \\
& = 7.00 + 3.00 \\
& = 10.00 \\
\text{Retail price} & = \text{Wholesale price} + \text{Retail markup} \\
& = 10.00 + 0.43 \\
& = 10.00 + 4.30 \\
& = 14.30
\end{align*}
\]

To summarize the example above: The product with a manufacturing cost of $7 has a gross margin of 30% added to it to cover the processor’s distribution costs which produces a wholesale price of $10. The retailer or distributor adds their margin of 30% to cover their operating costs which produces a retail price of $14.30. The food or beverage processor must understand these price relationships as they are bringing a product to market. The selling price to the end consumer can easily be twice the manufacturing cost.
Trade Terms, Deals and Allowances
When a food or beverage processor sells to a retail chain or foodservice distributor, various costs, discounts and trade allowances must be negotiated and added to the manufacturing cost as a markup to calculate the wholesale price. These discounts and trade allowances include listing fees, volume purchase allowances (discounts), allowances for damaged goods, promotion, co-op advertising, warehousing and freight charges and several other cost factors.

Depending on the terms negotiated with a specific retail or foodservice distributor, the net result of discounts and trade allowances could be a 30% to 45% total rebate off invoice. This must be understood when wholesale and retail prices are being calculated. For example, using a $10 manufacturing cost, in order to cover this range of rebates, the wholesale price range is:

\[
\text{Wholesale price} = \text{Manufacturing cost} + \text{Processor markup of 30% to 45%} = \$13.00 \text{ to } \$14.50
\]

Now, using retailer markups ranging from 35% to 50%, creates a retail price range of:

\[
\text{Retail price} = \text{Wholesale price} + \text{Retailer markup of 35% to 50%} = \$17.55 \text{ to } \$21.75
\]

If instead of markup, a margin was being calculated, it would be based on the price after markup was added, compared to the price without markup. Margin calculations for the wholesale level of above example shows:

\[
\text{Wholesale (processor) margin} = \frac{\text{Wholesale price} - \text{Manufacturing cost}}{\text{Wholesale price}}
\]

\[
= \frac{\$13.00 - \$10}{\$13.00} = 23.1\% \text{ compared to a markup of 30%}
\]
\[
= \frac{\$14.50 - \$10}{\$14.50} = 31.0\% \text{ compared to a markup of 45%}
\]

When negotiating and setting prices, the food processor must be clear on the differences between margins and markups, and remember there are two different markups added to the manufacturing cost to calculate the retail price.
Financing the Business
Introduction

Section 14 deals with options for financing a new business. The ability to secure financing is intrinsic to developing a business. Whether it is debt or equity financing, entrepreneurs need to understand the costs, benefits and risks of the financing they choose. A summary of government programs that may be a source of financing for food processors is provided.


Section Topics

Types of Financing Available 1
Raising Financing 3
Types of Financing Available

There are two basic forms of financing:
1. Debt Financing
2. Equity Financing

Debt Financing
With debt financing a lender does not assume any ownership in the business. Instead fixed amounts of repayment and interest are required.

Debt financing is useful in:
- Meeting short-term or seasonal deficits in the cash-flow (e.g. with an operating loan)
- Financing lower-risk projects where the cash surpluses will be available in time to meet payment obligations

Equity Financing
The money that is invested in the company that is not debt is considered equity financing. Equity financing usually results in the investor gaining some ownership in the business. The investment is not repaid unless the company redeems the capital or the shares are sold; however, a dividend might be paid to the equity capital holders.

Equity financing does result in dilution of the ownership of the company. Therefore, it is advisable to select the investors carefully.

Equity financing is appropriate for:
- Large projects that require additional time and expertise
- High-risk ventures where it might be too costly to obtain a loan
- Companies that are growing rapidly and constantly need additional financing
Types of Equity Financing

Common Shares
- The controlling shares of a corporation
- Carry the right to attend shareholder meetings and to vote
- Earn dividends

Preferred Shares
- Represents partial ownership of the company
- Preferential right to repayment over common shares
- No right to vote at shareholder meetings
- Can be redeemed by the company

Debt and Equity Combinations
Some specialty lenders and equity investors will offer terms that can combine a combination of equity and debt. For example, they may reduce the interest rate well below what would be normal for a loan, and offer flexible repayment timing, in return for gaining a portion of the net income or increase in value of the business.
Raising Financing

When approaching an institution for financing, a company must have a financial business plan outlining the company and its requirements. Before approving a loan, banks need to be assured that the owner and the business meet specific credit criteria. These are sometimes referred to as the 7 C’s of credit:

- **Character** - one’s personal and business credit ratings are important, as are their background and character
- **Capability** - the ability and willingness to repay the loan; past record will be considered
- **Capital** - debt-to-equity ratio of the proposal i.e. is there a lot of debt and how much of the owner’s cash is going in?
- **Circumstances** - analysis of the particular industry, business competition, and product / target markets one is trying to enter
- **Coverage** - will the money be protected should something happen to the business, therefore, net income relative to the payments and the insurance coverage is very important
- **Cash Flow** - is the projected cash flow healthy and does it include all relevant costs and expenses
- **Collateral** - review of the value of the assets that are being offered as security to repay the loan if the business fails

Potential sources of financing for Manitoba food and beverage businesses include Canada’s major banks and credit unions. Additionally, there are financiers that will finance specific accounts receivable (often referred to as factoring), asset based lenders that will provide term loans for specific pieces of high value equipment and some forms of leases create the equivalent of debt obligations.

In addition, there are several government departments and private sector groups that provide program support to companies that are innovative:

- **Western Economic Diversification Canada (WD)** supports innovative businesses, especially if they are strategic to an industry sector. [WEBSITE](http://www.wd.gc.ca/eng/259.asp)
- **Canada Small Business Loan Financing Program.** Innovation, Science and Economic Development Canada (ISED) assists new and existing small businesses to obtain intermediate term loans to help finance specific fixed asset needs. [WEBSITE](http://www.ic.gc.ca/eic/site/csbfp-pfpec.nsf/eng/Home)
- **Export Development Canada** provides Canadian exporters with financing, insurance and bonding services as well as foreign market expertise. [WEBSITE](http://www.edc.ca/Pages/default.aspx)
• **Business Development Bank of Canada (BDC)** helps create and develop Canadian businesses through financing, growth and transition capital, venture capital and consulting services, with a focus on small and medium-sized enterprises. 
  WEBSITE: [http://www.bdc.ca/EN/Pages/home.aspx](http://www.bdc.ca/EN/Pages/home.aspx)

• **Farm Credit Canada (FCC)** is Canada’s leading farm and agri-business lender. 
  WEBSITE: [https://www.fcc-fac.ca/](https://www.fcc-fac.ca/)

• **National Aboriginal Capital Corporations Association (NACCA)** is a network of Aboriginal Financial Institutions (AFIs) dedicated to stimulating economic growth for Canada’s Aboriginal peoples by promoting and underwriting Aboriginal business development. 
  WEBSITE: [http://www.nacca.net/](http://www.nacca.net/)

• **Venture Capital Firms** provide financing for companies in exchange for an equity position in the company (often a majority position) as well as taking an active role in management. These firms can be accessed through the Canadian Venture Capital Private Equity Association. 
  WEBSITE: [http://www(cvca.ca/membership/member-directory/](http://www.cvca.ca/membership/member-directory/)

• **Business Start Program** is a loan guarantee program with an educational component. Loans to new owner-managed businesses are provided through participating financial institutions and guaranteed by the Manitoba government. 

• **Other Government Funding**
  There are numerous support programs and services that help all sizes of food and beverage processors. For the most up-to-date information, check the Canada Business Network about grants and financing. 
  WEBSITE: [http://www.canadabusiness.ca/eng/page/2868/](http://www.canadabusiness.ca/eng/page/2868/)
Human Resource Management
Introduction

Good human resource (HR) practices, based on knowledge of the rights of employers and employees, can ensure that the business is operated by a competent and committed team. Section 15 introduces the hiring process and outlines key elements of an effective employee retention strategy. The section concludes with strategies for succession planning, an overview of key employment legislation and hiring incentive program information.


Section Topics

Human Resource Management Overview 1
The Hiring Process 2
Employee Retention Strategy 6
Effective Succession Planning 6
Employment Legislation 7
Provincial Incentive Programs for Hiring and Retaining Employees 8
Federal Incentive Programs for Hiring and Retaining Employees 8
Human Resources Training and Development 9
Human Resources Support 10
Human Resource Management Overview

Finding and keeping good people for production, sales, maintenance and all other areas of the operation is an ongoing challenge for any company regardless of its size.

Human Resource Management is the practices, policies, and systems that influence employees’ behaviour, attitudes, and performance. There are several external forces including social, economic, technological, global, environmental, cultural, political and legal factors that influence how a company conducts its day to day business, its culture, and overall operations.

Figure 15.1
Diagram of Factors Affecting Human Resource Management

- **External Factors**
  - Global
  - Environmental
  - Cultural/Geographic
  - Political
  - Social
  - Legal
  - Economic
  - Technological

- **Organizational Factors**
  - Legal Structure
  - Mission
  - Organization Chart
  - Culture
  - Size
  - Operations

- **Human Resource Management**
  - HR Planning and Analysis
  - Equal Employment Opportunity
  - Staffing
  - HR Development
  - Compensation and Benefits
  - Health, Safety and Security
  - Employee and Labour/Management Relations

- **Organizational Goals**
  - [Diagram of Goals with various sections and relationships to other factors]
its structure and how it manages its Human Resources. Figure 15.1 displays these factors graphically. With respect to human resource management the diagram outlines the specific practices, policies and systems that are impacted by external factors.

The Hiring Process

Conducting the Job Analysis

Effective job analysis is the first step to preparing a strong job description. The following should be addressed when conducting the job analysis:

- **Position Identification** - job title, location, full-time/part-time, hours, pay structure, reporting structure, benefits, etc.
- **Job Summary** - clarification of the role of the department within the company and the purpose of the position
- **Tasks and Responsibilities** - the main duties of the position, for what and to whom they are accountable, performance measures that will be used and type of decisions within the position’s authority
- **Job-Specific Knowledge and Skills** - any tools or devices that will be used, which job specific skills and knowledge are mandatory upon hire and which can be learned on the job or through training
- **Essential Skills** - reading, writing, math, working in a team, thinking, oral communication, and continuous learning
- **Other Considerations** - legal and regulatory requirements, physical demands, working environment and occupational health and safety considerations

Designing Jobs that Motivate

Jobs must be interesting and satisfying to keep employees motivated and doing their best. Characteristics that contribute to motivation include; skill variety, completion of tasks from beginning to end, individual decision-making and ongoing feedback.

Preparing the Job Description

Well-written and effectively developed job descriptions are communication tools that allow both employees and candidates to clearly understand the expectations of the role, the essential duties, the competencies and responsibilities, along with the required educational requirements and experience. A job description can have many uses in an organization including; recruitment, training and development, compensation, performance management, recognition and rewards, discipline, return to work programs and succession planning.
The essentials of any job description are:

- Title of the job
- Administrative information – division, department, supervisor’s title, date the description was written, name of the writer and other information for administering the human resource activities
- Brief statement of the job’s purpose
- Detailed outline of the duties involved listed in order of importance including any physical requirements, the other positions this one interacts with, and the required results to be accomplished. A sentence stating additional duties as required
- Qualifications and experience required (e.g. HACCP certified, 2 years HACCP experience)
- Equipment and resources used to do the work and the skills required to use them (e.g. forklift – ability and willingness to be forklift certified)
- Work benefits (e.g. vacation, travel, perks)
- General working conditions (e.g. scheduling, outdoor work, fast paced)
- Specific competencies required (e.g. continuous learning, team-building, good communications skills)

Given the importance of employment equity today, it is vital that all job descriptions reflect diversity and do not discriminate.

Human Resources and Skills Development Canada and Statistics Canada have created a tool to provide information about jobs in Canada’s labour market. This is called the National Occupational Classification (NOC).


Creating Job Postings

The job posting is a valuable tool used to attract the most qualified job applicants and to paint an appealing, attractive and motivational work environment. In addition to the duties, knowledge and skills, education and experience required, include a brief description of the company and how the position fits within the organization. Ultimately, the goal is to be perceived as an employer of choice in a competitive market.

Advertising the Job Posting

There are many ways to advertise a position including using an agency and online. The appropriate vehicle will depend on the target audience for the posting e.g advertising on-line would suit computer programmers. Online recruiting on websites can provide inexpensive, worldwide access to employees. In fact, over 80% of job seekers now have access to these types of services:

- **Monster**  
  WEBSITE: [http://www.monster.ca/](http://www.monster.ca/)
Online recruiting is also on the rise in the government sector. The federal government has its own site where employers can post job openings across Canada:


There are also other sites that can be utilized for free:

• Local Job Shop
  WEBSITE: http://www.localjobshop.ca/

• Indeed
  WEBSITE: http://www.indeed.ca/

Collect Applications and Screen Applicants

Start by eliminating those candidates who don’t meet the basic training or experience requirements. The best way to quickly and effectively screen resumes is to create 3 piles. The ‘A’ pile is yes review further – they have most or all of the qualifications. The ‘B’ pile is potentially to explore further as they have some of the qualifications, and the ‘C’ pile is no do not proceed with these – they are not qualified for the position. Select no more than five or six candidates to interview. If, after the interviews, the desired candidate is not found, invite other applicants for an interview or re-advertise.

Interviewing Candidates – Interviewing Techniques

Many first time employers and rapidly growing companies feel like they are in unfamiliar territory when it comes time to conduct an interview. Here a few things that may help:

• Remember, you are in control of the interview
• With proper preparation you can make the interview a positive experience for both the applicant and yourself
• The applicant is also interviewing you, whether you realize it or not. Part of your task is to sell the job so that your top candidate will want to work for you
Choosing a quiet, comfortable place in which to conduct the interview will help the applicant feel at ease and ensure effective communication. Be certain to ask the same questions of each candidate and listen carefully. The applicant should do 80% of the talking. Be aware of questions you should not ask such as race, religion and ethnic origin. A complete list of prohibited grounds can be found in The Manitoba Human Rights Code.

Website: [http://www.manitobahumanrights.ca/contact.html](http://www.manitobahumanrights.ca/contact.html)

Prior to hiring, see The Worker Recruitment and Protection Act for detailed information on acceptable recruitment activities.

Website: [http://web2.gov.mb.ca/laws/statutes/ccsm/w197e.php](http://web2.gov.mb.ca/laws/statutes/ccsm/w197e.php)

**Reference Checks**

Once two or three top candidates are short listed, contact the references provided by each. While reference checking is important, be aware the information provided may not always be entirely accurate. Listen carefully to the tone (e.g. enthusiastic or guarded) of the person providing the reference. Think about what wasn’t said. For example: ‘She gave me no problems,’ is very different from ‘She did her job well.’

**Make the selection**

Now that the candidates are screened, interviewed and references checked, it’s time to decide which of them to hire. In some cases, an applicant will have the perfect personality for the job and would be a great fit within the team but may not meet all of the hiring requirements of the position. Rather than hiring a person that doesn’t fit your organizational culture, hire the one with the fit and train them in the skills that are lacking. You may be able to train the skills however you cannot train for ‘fit’.

**Job Offer and Unsuccessful Candidates**

The job offer should be made in person or by phone followed-up by a written offer. The offer should include; duties, hours, pay rate, benefits and probation period. The candidate should be asked to sign the letter to accept the terms of the offer. When a signed copy of the offer letter is received, communicate via telephone to the unsuccessful candidates of the decision.

**Orientation/Onboarding**

Be sure to establish an orientation process to help new employees become familiar with their specific responsibilities as well as the organization’s policies, practices and procedures. Regular, documented feedback during the probation period is essential to communicate how the candidate is performing and where any improvements are required.
Employee Retention Strategy

Now that the right person is hired for the job you don’t want to lose them to your competition, the cost of turnover is high and a good employee is hard to replace. Include the following seven concepts in the company’s retention strategy.

1. Create a friendly and inviting work environment
2. Set clear and measurable goals
3. Provide timely, regular feedback
4. Ensure regular communication
5. Insist on a healthy work/life balance
6. Invest in and support training and development including cross-training and mentorship programs
7. Ensure a skilled management team

Effective Succession Planning

Identifying and preparing high-potential employees for advancement is what succession planning is all about. It is essential to be engaging and developing these prospective high performers so they will be ready to fill in and take on the responsibilities of a more senior position. An effective succession plan increases the availability of experienced and capable employees to assume roles as key leadership positions are vacated. By doing this, you will ensure the business can continue running smoothly.
Employment Legislation

All employers should develop and maintain knowledge of the employers’ legal requirements regarding recruiting, employees’ rights, health and safety, worker’s compensation, etc.

- **Human Rights Code of Manitoba**
  WEBSITE: [http://www.manitobahumanrights.ca/contact.html](http://www.manitobahumanrights.ca/contact.html)

- **Employment Standards Code**
  WEBSITE: [http://web2.gov.mb.ca/laws/statutes/ccsm/e110e.php](http://web2.gov.mb.ca/laws/statutes/ccsm/e110e.php)

- Also see **Manitoba’s Labour Relations Act** for information provided by Manitoba’s Labour Relations Board, which applies to unionized workplaces.
  WEBSITE: [http://web2.gov.mb.ca/laws/statutes/ccsm/l010e.php](http://web2.gov.mb.ca/laws/statutes/ccsm/l010e.php)

- **Manitoba’s Workplace Safety and Health Act and Occupational Health and Safety Regulations.** It is mandatory that all employers have safety procedures outlined and written up in a safety manual as well as posted in the workplace.
  WEBSITE: [http://web2.gov.mb.ca/laws/statutes/ccsm/w210e.php](http://web2.gov.mb.ca/laws/statutes/ccsm/w210e.php)

- **Worker’s Compensation Board.** Most employers are also required by the Manitoba’s Workers Compensation Act to register with the Worker’s Compensation Board of Manitoba and to pay premiums.
  WEBSITE: [http://web2.gov.mb.ca/laws/statutes/ccsm/w200e.php](http://web2.gov.mb.ca/laws/statutes/ccsm/w200e.php)

- **Canada Revenue Agency**

- **Payroll Deductions and Remittances.** Canada Revenue Agency’s Employer’s Guide for Payroll Deductions and Remittances and Guide for Canadian Small Businesses can assist small businesses comply with regulatory requirements for payroll deductions and remittances.

- **Record of Employment.** Employers must complete a Record of Employment (ROE) whenever there is an interruption in an employee’s earnings (quits, lay-offs, terminations, etc.). Service Canada uses the employment history information on the ROE to decide if a person qualifies for EI benefits and, if so, what the rate and term of the benefits should be. Follow the link below for full details.
Provincial Incentive Programs for Hiring and Retaining Employees

There are incentives available for hiring and training food and beverage processing employees. For more information and links to funding programs and support services in Manitoba, see the Manitoba Agriculture website.

WEBSITE: http://www.gov.mb.ca/agriculture/

Between May and August of each year, Manitoba Youth Job Centres coordinators provide free summer employment referral services to local employers; matching qualified job seekers with summer employment opportunities. To learn more about summer jobs for students in Manitoba, check the website.

WEBSITE: http://www.gov.mb.ca/cyo/youth/services/manitobayouthjobcentres.html

Federal Incentive Programs for Hiring and Retaining Employees

• **Apprenticeship Job Creation Tax Credit.** This is a federal incentive program designed to help employers offset the cost of hiring and training employees who have entered into an apprenticeship contract.
  

• **Hire a Student! Service Canada** can help employers fill summer positions with students.
  

• **Young Canada Works (YCW).** YCW sponsors three summer job programs: 1) YCW for Aboriginal Urban Youth, 2) YCW in Heritage Organizations, and 3) YCW in both official languages. Indian and Northern Affairs Canada provides funding through the First Nations and Inuit Youth Work Experience Program for secondary and post-secondary students.
  
  WEBSITE: https://www.canada.ca/en/canadian-heritage/services/funding/young-canada-works.html
- **Summer Jobs.** This is a federal program that supports hiring youth. Applications from employers are due each year before the end of February.  

- **Youth Employment Program** (part of Industrial Research Assistance Program – IRAP). Food manufacturing companies that are looking to develop new products or improve their technical production processes may qualify for funding to hire an intern through IRAP. This program provides financial assistance to innovative Canadian small and medium-sized enterprises to hire post-secondary graduates to work on innovation projects.  

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**Human Resources Training and Development**

Food & Beverage Manitoba offers a broad range of training programs and initiatives that are relevant, accessible and affordable to members. Following extensive consultation with membership, Food & Beverage Manitoba has designed and organized human resources training and development initiatives to meet the specific needs and requirements of entrepreneurs and early stage food businesses. Courses are facilitated by experts in their field. They are presented in a variety of formats to accommodate members’ busy schedules. The association can also provide customized training programs, tailor-made for a company. All Food & Beverage Manitoba members receive discounts on registration fees and assistance in sourcing and evaluating training options. See the Food & Beverage Manitoba course calendar for details.  
  WEBSITE: [http://fabmbevent.weebly.com/upcoming-training.html](http://fabmbevent.weebly.com/upcoming-training.html)
Human Resources Support

To stay competitive, food and beverage companies must seek out new ways to improve their businesses – through products, processes, and people. However, small businesses, new startups and growing companies may lack the in-house capacity to build their human resources to their fullest potential, especially when they are needed most.

Food & Beverage Manitoba’s human resources team provides its members with expert, one-on-one advice on everything from staffing to leadership training, ensuring the workforce is made up of the right people in the right jobs at the right time. Having a good understanding of the food industry, Food & Beverage Manitoba partners with members to achieve their human resource goals in the following areas:

- Recruitment and selection
- Leadership training and professional development
- Employee and labour relations
- Legal compliance
- Compensation and benefits
- Occupational health and safety
- Employee handbook and policy writing

To learn more, please visit the Food & Beverage Manitoba website:

WEBSITE: [http://foodbeveragemb.ca/human-resources/](http://foodbeveragemb.ca/human-resources/)
Glossary
ABC Analysis
ABC analysis divides stock items into three classes, A, B, and C, that is, those items accounting for 80, 13 and 7 per cent of total inventory cost. The business then focuses inventory cost management on the A category.

Accounts Receivable Financing
Accounts receivable financing allows a company to use its receivables as collateral in a financing agreement.

Act
An Act (also called a statute) is a law enacted by the Legislative Assembly. A bill becomes an Act when it receives royal assent. Before receiving royal assent, a bill must pass through various stages of review and approval in the Legislative Assembly.

Allergen
An allergen is a substance that causes an allergic reaction.

Blog
A blog is a regularly updated website or web page, typically run by an individual or small group. It is written in an informal or conversational style.

Brainstorming
Brainstorming is a problem solving technique in which its participants spontaneously contribute a list of ideas.

Brand
A brand is the company’s promise to its customer. It tells them what they can expect from the products and services, and it differentiates a company’s offering from its competitors’. A company’s brand is the sum-total of all impressions that people have about the product(s) or company.

Break-Even Point
This is the point at which cost or expenses and revenue are equal; there is no net loss or gain.

Broker
A food broker is an independent sales agent that works in negotiating sales for food and beverage processors. The broker’s role is to make the sale, represent the ‘line’ to the retailer, and assist on the ‘pull’ of the products at retail.

Business Functional Areas
These are the four functional areas of a business including:
1. Product, Manufacturing and Technology
2. Regulations
3. Marketing
4. Business Planning (including finance)
Commercial Kitchen
A shared-use commercial kitchen is a facility where food processors prepare their food products for sale and/or distribution in a licensed establishment.

Contribution Analysis
Contribution Analysis computes how each unit sold will contribute towards recovering the fixed business costs.

Co-operative Advertising
Co-operative advertising is used to enhance consumer awareness of a product (or brand) in a local market by including both the food or beverage processor’s brand and a compatible second brand in the same advertisement or promotion. Second brands include those of a retailer or a regional product identifier such as Food & Beverage Manitoba’s Manitoba Made logo or the federal government-run Brand Canada logo.

Co-Packer
A co-packer is an established food company that processes and packages a product according to the specifications of the hiring company.

Corporate Social Responsibility
Business owners are responsible for their business’s impact on society and the environment, beyond legal and liability reasons with the goal being to have a positive impact in the local community, regionally or globally.

Corporation
A corporation is a legal entity that is separate from its shareholders. A shareholder of a corporation is not personally liable for the debts, obligations or acts of the corporation. Incorporation can be done at the federal or provincial/territorial level.

Demand Loan
A loan with no fixed term or set duration of repayment. It can be recalled upon the lenders request.

Differentiation
Product differentiation (or simply differentiation) is the process of distinguishing a product or service from others, in order to make it more attractive to a particular target market. This involves differentiating it from competitors’ products as well as a firm’s own products.

Direct Competitors
Direct competitors are companies that stand to gain or lose market share as a direct result of a company’s actions.
Direct Mail Marketing
Direct Mail Marketing uses a mail service to deliver promotional printed material to a target audience. The marketing materials could include brochures, catalogs, postcards, newsletters and sales letters.

Distribution Channel
Distribution channels are the paths that goods, and title (i.e. ownership of those goods) follow from producer to consumer.

Distributor
Distributors (also called wholesalers) typically purchase products from producers and resell them to retailers or to foodservice establishments.

Due Diligence
Due diligence refers to all the actions that a company can reasonably be expected to take to prevent harm to the customer. A company can demonstrate their due diligence by doing everything that they can reasonably do to prevent hazards in the product.

Economies of Scale
Economies of scale is the cost advantage that arises with increased output of a product. The greater the quantity of a good produced, the lower the per-unit fixed cost becomes because these costs are spread out over a larger number of goods.

Factoring
Factoring is a type of debt financing in which a business sells its accounts receivable to a third party (called a factor) at a discount. A business will sometimes factor its receivable assets to meet its present and immediate cash needs.

Financial Plan
A financial plan is an external document written to obtain financing from investors, financial institutions, and government agencies.

Fixed Costs
Fixed costs, indirect costs or overheads are business expenses that are not dependent on the level of goods or services produced by the business.

Food Defense
Food defense is the protection of food products from intentional contamination or adulteration intended to cause public health harm or economic disruption.

Food Hygiene
Food hygiene is the conditions and measures necessary to ensure the safety of food from production to consumption.
Food Premise
Any facility or location where food products are manufactured, processed, prepared, packaged, stored or serviced.

Food Safety Management System
A food safety management system is comprised of managerial and administrative structures and processes to facilitate the food safety program’s design and delivery, ongoing maintenance, evaluation and continual improvement.

Four P’s of Marketing
Marketing consists of making decisions on the ‘four P’s of marketing’:
Product, Place, Promotion and Pricing.

Global Food Safety Initiative (GFSI)
GFSI is a collaborative organization that brings together retail, manufacturing and food service representatives, as well as international organizations, governments, academia and service providers to the global food industry. GFSI reviews and approves existing food standards against specific food safety criteria and looks to ensure these standards have the same core requirements.

Goals and Objectives
Goals outline the long term targets that a business aims for. Objectives are short term measurable initiatives which support the achievement of goals.

Good Manufacturing Practices (GMPs also called Prerequisite Programs or PRPs)
GMPs are practices and conditions needed prior to and during the implementation of a Hazard Analysis Critical Control Points (HACCP) system and which are essential for food safety.

Hazard Analysis Critical Control Points (HACCP)
HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

Human Resource Management
Human Resource Management is the practices, policies, and systems that influence employees’ behaviour, attitudes, and performance.

Indirect Competitors
Indirect competitors supply substitute products or services that can affect the demand for a company’s product.

Just-In-Time Inventory Management
Just-in-time means carrying a minimum inventory and buying only as needed or against orders in hand.
Keywords
A keyword, in the context of search engine optimization, is a particular word or phrase that describes the contents of a Web page. Keywords are intended to act as shortcuts that sum up an entire page.

Letters of Credit
It is a letter from a bank guaranteeing that a buyer’s payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.

Listing
When a retailer puts a new product on the store’s shelves, this is often referred to as being ‘listed.’ The term comes from larger grocery wholesalers that sell to a network of stores. Store buyers make their purchases from a central product list of available items.

Listing Fee
These are normally single payments made to retailers or distributors to encourage them to carry products. The listing fee accounts for one-time set-up costs for administration, warehousing, computer listing, quality control and consumer advertising.

Margin
Also known as gross margin, is selling price (or wholesale price), minus the cost of goods sold.

Marketing
Marketing is a general term used to describe all the steps that lead to final sales. It is the process of planning and executing pricing, promotion, and distribution to satisfy individual and organizational needs.

Markup
The amount by which the cost of a product is increased in order to calculate its selling price.

Merchandiser
A broker (or individual) who does detail selling to retail shops. Typically, this includes active placement / replacement of stock on shelves and ensuring the attractiveness of the client’s displays.

Mission Statement
A Mission Statement is used as a way of communicating the purpose of the organization. They are normally short and simple statements which outline what the organization’s purpose is and are related to the specific sector an organization operates in.
New Generation Co-operative

New generation co-op (NGC) is a type of co-operative that uses a system of delivery rights and obligations to encourage business loyalty and provide a form of vertical integration. NGC’s are particularly suitable to ventures involved in value-added agricultural processing and marketing.

New Product Development (NPD) Process, Tracks, Stages and Go – No Go Decisions

A New Product Development Process is a systematic framework to consolidate all of the activities, analyses and decisions that are necessary when developing a new product, which may also include establishing a new business to oversee product development and eventual commercial production. A detailed, customized NPD Process provides a management tool for entrepreneurs to mitigate risk and increase the likelihood of commercial success. Its key features are the Tracks, Stages, and Go – No Go Decisions. Tracks relate to the four functional business areas, defined above. Stages are the steps that the development of a new product moves through as it progresses from the initial idea to the commercialized product launched in the competitive marketplace. Go – No Go Decisions are the formal decisions required by the NPD Process at the end of each Stage (regardless of the number of Stages) to decide whether to move the next Stage, redo work on the existing Stage before finalizing a decision, or kill the NPD for this product and move to one with better potential.

Niche Market

A niche market is the subset of the market on which a specific product is focused.

Non-Disclosure Agreement

A non-disclosure agreement, also known as a confidentiality agreement, confidential disclosure agreement, proprietary information agreement, or secrecy agreement, is a legal contract between at least two parties that outlines confidential material, knowledge, or information that the parties wish to share with one another for certain purposes, but wish to restrict access to or by third parties.

Non-Traceable Fixed Costs

Non-traceable fixed costs or common fixed costs are not traceable to a specific segment within the business. These are costs that fund people, resources or activities that support more than one segment within the business.

Opt-in Permission

Opt-in permission is a term used when someone is given the option to receive email. Typically, this is some sort of mailing list, newsletter, or advertising. Without obtaining permission before sending email, the email is unsolicited bulk email (spam).
Overall Cost Leadership
This strategy is used by businesses to create a low cost of operation within their niche. The use of this strategy is primarily to gain an advantage over competitors by reducing operation costs below that of others in the same industry.

Packaging
Packaging includes the materials that are used to create the container for the food or beverage product, and the label which includes the printed information provided for marketing purposes and required by law.

Parity Pricing
This pricing strategy involves setting the price near or at competitive levels and using other marketing variables to implement strategies.

Partnership
A partnership is an arrangement in which two or more individuals share the profits and liabilities of a business venture. Various arrangements are possible: all partners might share liabilities and profits equally, or some partners may have limited liability.

Patent
A patent is an exclusive right granted for an invention. It gives the inventor the right to exclude others from making, using or selling his/her invention from the day the patent is granted by the government to a maximum of 20 years after the day which the patent application was filed.

Pay per Click (PPC) or Search Advertising
Pay per click (PPC), also called cost per click, is an internet advertising model used to direct traffic to websites, in which an advertiser pays a publisher (often a search engine) when the ad is clicked.

Penetration Pricing
This strategy is designed to capture market share by entering the market with a low price relative to the competition to attract buyers.

Percentage Variable Contribution Margin (PVCM)
The Percentage Variable Contribution Margin (PVCM) is the difference between a company’s sales and variable expenses, expressed as a percentage.

Podcast
A podcast is a digital audio file made available on the Internet for downloading to a computer or portable media player. It is typically available as a series; new installments can be received by subscribers automatically.
Premium Pricing
Premium pricing strategy establishes a price higher than the competitors. This strategy can be effectively used when there is something unique about the product or when the product is first to market and the business has a distinct competitive advantage.

Preventive Control Plan
A preventive control plan (PCP) is a written plan outlining the measures and actions taken to ensure that food:
- is safe for the consumer
- is fit for human consumption
- conforms to safety and labelling requirements as prescribed by all applicable Canadian food legislation

Product Recall Program
A recall program facilitates the recall of finished product from the marketplace in the event that food safety is ever compromised. An effective program facilitates not only recall of finished product, but also the necessary tracing back through a process to ingredients, processing aids and packaging materials at all stages of production, processing and distribution.

Promotion
Promotion refers to the activities that communicate the product, brand or service to the target market. It is one of the four basic elements of the market mix, which includes the four P’s: price, product, promotion, and place.

Quality
Quality is a finished product that meets specifications consistently.

Quality Assurance
Quality assurance is a set of written specifications and standards created as a preventative measure to avoid the production of unsatisfactory products.

Quality Control
Quality control prevents unsatisfactory products from being delivered to customers through proper production and quality inspections. Quality control is primarily the responsibility of the production staff and should be built into the manufacturing process.

Regulation
A Regulation is delegated legislation. It is made by a person or body under the authority of an Act passed by the Legislature. The regulation-making body is specified by the Act. Usually it is the Lieutenant Governor in Council, a member of the Executive Council, or a board, commission or tribunal.
Shelf Life
Shelf life is how long a product (in its packaging) maintains satisfactory quality under a variety of temperatures and environmental conditions that will occur as it moves through the distribution channels to the consumer.

Social Media
Social Media is electronic communication (as web sites for social networking and microblogging) through which users create online communities to share information, ideas, personal messages, and other content (eg. videos).

Sole Proprietorship
A sole proprietorship is an unincorporated business with one owner who pays personal income tax on profits from the business.

Strategic Business Plan
A strategic business plan is an internal document, which provides direction to the company. Generally, a strategic business plan contains greater marketing and product information than a financial plan. In practice, the term ‘strategic business plan’ is usually shortened to ‘business plan’.

Succession Planning
A succession plan is the company’s strategy to increase the availability of experienced and capable employees to assume roles as key leadership positions are vacated.

Sustainability
A term that describes the policies and business practices used by a company to ensure its present operations will not impair the needs of future generations or negatively impact the natural environment.

Traceability
Traceability is the ability to verify the history, location, or application of an item by means of documented recorded identification. Traceability is the backbone of any quick and efficient product recall program.

Traceable Fixed Costs
This is a cost for which there is a direct, cause-and-effect relationship with a process, product, customer, geographical area, or other cost item. If a company wants to cut a product line, then the traceable fixed costs associated with that product line would be eliminated (e.g. marketing manager of that product line).

Trademark
A trademark is a recognizable insignia, phrase or other symbol that denotes a specific product or service and legally differentiates it from all other products.
Trade Secret
A trade secret is a process used to protect product recipes and many other types of company-specific information from the public and competitors. Trade secrets are generally considered to include information contained in, but not limited to, a formula, pattern, plan, compilation, computer program, method, technique, process, product, device or mechanism.

Universal Product Code (UPC)
Twelve-digit barcode printed or affixed on virtually everything sold in retail stores for automatic checking-out at the cashier counter. The UPC not only identifies an item, it also provides real-time information on quantity sold, store traffic patterns, inventory and ordering information.

Variable Costs
Variable Costs are those costs that vary depending on a company’s production volume; they rise as production increases and fall as production decreases.

Vision Statement
A business’s vision statement outlines where the business sees itself with respect to its clients, partners, and other stakeholders.
If you’re interested in receiving the full version manual, plus learning about other services we provide please visit our website or contact us at 204.982.6372.