

HOW TO MAKE MONEY IN THE KITCHEN PRODUCTS BUSINESS

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There are many business possibilities that can be built on products from your kitchen: candies, jams, pies, egg rolls, and special recipes of all descriptions, and the same general business approach will work with most of them.

You can produce any one or more of these or other kitchen products -- or specialize in one category, such as diet foods (sugarless pastries), ethnic dishes (strudel, lumpia rolls), breads, or old fashioned meals. Whatever your specialty, the business applications are similar.

Your first decision is to select a line of products -- a decision that will be heavily influenced by what you are good at!

Another influence should be what will sell in your area. If there are a lot of a particular ethnic group, that may be good or bad for a potential business: good because people will know what makes your dishes are; bad because every housewife makes the same thing.

Many Vietnamese restaurants have failed because they advertised vietnamese food, most of which is delicious, but still not well-known in this country.

Accordingly, most of their clientele were other Vietnamese -- who can cook their own Vietnamese dishes.

Some of those who did quite well specialized in Chinese food -- which is similar but more importantly it is well known here.

Once the patrons were inside, they found both Chinese and Vietnamese cuisine on the menu! The message here is that it is usually better to start a new business with a known product. Give your product a name that will be recognized by your intended market!

Next, you should decide whether to wholesale or retail your products (or both).

Where you live will have a lot to do with type marketing you use. In rural area, you might check with stores to carry your products, or it might be better to build a route and deliver fresh to several stores and/or individuals on a daily or weekly basis.

An alternative is to preserve your products (freeze, can, dry so they can be accumulated and sent over longer distances. Shipping and advertising costs are higher in rural areas, but operating costs are lower.

In more densely populated areas, you have more choices and more marketing opportunities in the immediate area. Sometimes you can simply advertise your products for pickup or special order and be in business.

When you wholesale, you are spared the extra effort (and worry) to find and collect from individuals and have less waste because

you fill orders -- but you don't get as much for your products.

The question is, can you make more profit by concentrating your efforts on production? If so, you will rely on your retailers to find, sell to and collect from the customers.

Or, should you do all that yourself and pocket the extra markup?

The answer might well be influenced by your personality as well as other, more practical considerations like how much time you have and the size of your market.

An easy way to handle your price list is to print retail prices only and simply inform the client of his discount. This way, the client and store clerks can refer to a ready-made price list -- it is easy for your retailers to sell your products.

It is also a good idea to leave a margin between your name and the prices -- so the retailer can fold or cut it off and post it for his customers.

For some products, it would be wise to have stands or display cartons made to help assure your products will be displayed tastefully and to make it easy for the retailer to show and sell your products at their best.

These could be cardboard or Masonite, and you can have your name or brand put on them to prevent them being used for other products. You can even lend them to the accounts with an understanding as to their use.

As your wholesale business grows, you should consider advertising now and then -- it will help retail sales, which in turn, helps wholesale sales. Although some of these may sound like little things -- making your products easy to display, price and sell is the way to make BIG THINGS happen!

Retailing definitely requires advertising.

Since you do not have a store, where many people can see your products each day, you need some way to get out the word and keep your products before the public.

Word of mouth is great (highest quality), but painfully slow in the beginning.

Think about an ad in the local paper, a pair of magnetic signs on your car (a cake logo, your name and phone number), renting a display window, notices on community bulletin boards, even announcements on the local radio or cable station.

Arrange to have some of your products given away as prizes at community affairs or auctioned at fund raisers, anything that will help make people aware of your products.

A third option is to "wholesale" to the public. This is simply taking orders for subsequent pick-up. You can set minimum orders for small items (a dozen tamales) and give discounts for large (or family size) orders.

This option does not necessarily require delivery and there is

very little waste, Since you know ahead of time how much will sell. You will either make a little more profit this way, or you can lower your retail rates about 20%.

Whichever option you use, plan your activities carefully to take fullest advantage of your capabilities.

For example, if you are filling an order for 6 dozen cookies, always make the maximum amount you can at one time.

If you can bake up 15 dozen cookies at one time and you have a way to keep the overages fresh, NEVER bake fewer than 15 dozen UNLESS YOU CAN USE THE VACANT PART OF THE OVEN for something else.

The same holds true for the batter -- if your mixer will make dough for 15 dozen cookies, make as much as you can and store any excess. This will save you time, your equipment and your sanity!

Whenever you produce a less than your capacity, your production costs per item go UP; your profits go DOWN. it is also good business to select products and ingredients that do not spoil easily -- things that can be frozen, canned or dried.

In this business, like any other, you must keep records to tell how you are doing, learn from your experience and keep out of trouble with the IRS.

As long as you are a one person (or family) business there need not be complex records keeping.

Keep a notebook by the phone and systematically write down all incoming orders -- and "suspense" them with a circle or box that you check off as the orders are filled. This lets you tell at a glance which orders are still pending. Use the same notebook to write down any information that could help your daily or long-term activities.

DO NOT TRUST THEM TO MEMORY.

Those "I won't forgets" soon get lost in the confusion of a new business. This is a LESSON that many beginners PAY DEARLY to learn.

If you have a tax person, all you need is an accurate (and complete) record of what you spend for the business and what you take in form it.

Many single proprietorship use a simple single-entry ledger.

Put down all business transactions that involve money in Chronological (by date) order: date, name or company, action, amount.

If the money is paid out, put the amount in a column marked OUT or EXPENSES;

if it came in, put in the other (IN or INCOME) column. At the end

of each month, total them both to see how you are doing.

This record, along with ALL RECEIPTS and checks will be the meat of what your tax person will need to make out your taxes.

Kitchen products can, but need not remain a small operation.

While it is easy to stay small (raise prices when business gets "too good," cut back on advertising, etc.) it is also quite possible to "graduate" to supplying gourmet dishes to restaurants or delicatessens or package your products for supermarket sales.

Always keep your eyes open and your imagination alive. Be on the lookout for that special need that YOU can fill!

A couple of possible problem areas are licenses and insurance.

When you process and sell any type of food, you may come under any number of state or local regulations.

Some of these will prevent you from making doughnuts in your kitchen and selling them to the local market.

Admittedly, sometimes these rules are more to prevent competition than protect the public, but they must be obeyed just the same. Most rules are quite logical -- if you make sandwiches, your kitchen should be open to health inspections from time to time, and your area and procedures should meet minimum standards. If you run up against "one of those" rules, consider alternatives.

For example, if it is illegal to make doughnuts in your kitchen, perhaps it is legal to open a snack shop or rent a corner of local cafe for your operation.

The second area to watch is insurance.

Ironically, passing a health inspection is not an absolute guarantee that someone won't sue you.

If you wholesale AND retail, it is very important to maintain your prices. If you cut prices to retail customers your wholesale accounts will feel betrayed.

The best way to handle this situation is to give your wholesale accounts "suggested retail" prices -- which are actually your own retail prices.

Of course, you can't control what they charge, but they can't accuse you of underselling them if you sell at your own "advertised" prices.

To price your products, you should scientifically compute the exact cost of all the ingredients, containers, wrappers, shipping or delivery, plus an estimate of the utilities (gas, electricity).

Then, add your labor (what it would cost to hire someone to do the job). Add these and double the result for your wholesale price.

This formula will give you a quick and easy way to price your

foods, and allow for some spoilage and waste.

Now, add another 66.7 percent to get the "suggested retail" price (this equates to a 40% profit margin for your retailers).

For example, if a loaf of your homemade rye bread costs fifty cents to make (counting all costs), your wholesale price would be \$1.00 (double).

To add 66.7 percent, punch in 1.00 on your pocket adding machine then "+," then 66.7, then "percentage." This will give you \$1.6667, which rounded off to \$1.67. Note that 40% off that (1.67 - 40% is 1.002(rounded off to a dollar)).

If you wanted to give your retailers a 40 percent markup (which is not the same as a 40% profit margin), you add 40% to the wholesale price (1.00 plus 40%) you would get a suggested retail price of \$1.40 per loaf.

The more markup you give your retailers, the more incentive they will have to push your products, as if most of your business is wholesale, consider the bigger markup. Your retailers can always lower the price.

For clarification, MARKUP is the amount the dealer adds to his wholesale cost.

An item that costs him one dollar and he sells for 1.25 is marked up 25 percent.

PROFIT MARGIN is the percentage of the sale price that is gross profit.

If the item costs him a dollar and he sells for \$1.25, the 25 cents is only 20 per cent (5 quarters in \$1.25, each = 1/5 of 20% of the total) of the total sales price (profit divided by sales price, or .25 divided by 1.25) -- or, a 20% profit margin.

To set up an area wholesale business, call on prospective retailers, let them know of your plans and ask for their suggestions.

If possible leave a few samples with them, and ask for an order. Do this early, so if any needed production adjustments can be implemented before your procedures are finalized. Tell the prospective retailers what you have to offer, what it costs, how much profit then makes, and when you deliver.

It is extremely important that you do exactly what you say you will.

If you say you deliver on Monday's make it a point to drop by those who have not yet ordered -- just to show them they can rely on you.

If your products could be blamed for something that would involve a lawsuit, consider some general liability insurance.

Check with (more than one) commercial insurance agents to find out how you can be protected against such an eventually. This is an area where conferring with others in similar businesses is a

particularly good idea.

BUSINESS SOURCES

FROSTY, Box 8014, Blaine, WA 92830. Offers a booklet showing how to set up an ice cream making business - \$12.

OZARK COOPERATIVE WAREHOUSE, Box 30, Fayetteville, AR 72702. Consumer owned warehouse that sells mostly to privately owned food buying clubs; over 1,000 items; Catalog \$4.78.

FOOD SERVICE MARKETING, 2132 Forden Ave., Madison, WI 53784. Monthly trade journal for the food service industry.

SO-GOOD, INC., Union, IL 60180. 815/923-2144. Supplies local distributors with specialty foods (bar-B-Sauces, etc.) for restaurants, church groups, etc. Free info.

OLSON PUBLICATIONS, INC., Box 1208, Woodstock, GA 30188, 404/928-8994. Publishes monthly FOOD PEOPLE for retail food industry (not restaurants).

HBJ PUBLICATIONS, INC., 131 W. 1st St., Duluth, MN 55802, 218/723-9343. Publishes SNACK FOOD, monthly trade magazine for manufacturers and distributors.

WHOLE FOODS COMMUNICATIONS, INC., 195 Main St., Metuchen, NJ 08840. Publishes WHOLE FOODS, "Largest circulation in the natural food industry," monthly for health food dealers.

EDWARD HAMILTON BOOKSELLER, Falls Village, CT 06031-0358. Discount reference books, including cookbooks.

DISCOUNT BOOKS, INC., 427 Ferry St., Newark, NJ 07105. Discount and close-out books, including cookbooks.

BARNS & NOBLE, 126 Fifth Ave., New York, NY 11011. Discount books, clip art, stencils, etc.

QUILL CORPORATION, 100 Schelster Rd., Lincolnshire, IL 60917-4700, 312/634-4800. Office supplies.

NEBS, 500 Main St., Groton, MA 04171, 800/225-6380. Office supplies.

SWEDCO, Box 29, Mooresville, NC 28115. 3 line rubber stamps - \$3; business cards - \$13 per thousand.

ZPS, Box 581, Libertyville, IL 60048-2556. Business cards (raised print - \$11.50 per K) and letterhead stationery. Will print your copy ready logo or design, even whole card.

WALTER DRAKE, 4119 Drake Bldg., Colorado Springs, CO 80940. Short run business cards (\$250 - \$3), stationery, etc. Good quality, but no choice of style or color.