



USAID | **KOSOVO**
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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

Fancy Food Show, New York,
June 28 – 30, 2009

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Implemented by
Booz Allen Hamilton

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DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government

GUIDED TOUR OF THE SUMMER FANCY FOOD SHOW, NEW YORK

AN INTRODUCTION AND ANALYSIS OF FEASIBILITY OF EXHIBITION
AND OVERVIEW OF EXPORT OPPORTUNITY TO THE U.S. MARKET
VIA THE FANCY FOOD SHOW, NEW YORK 2010

Kosovo Private Enterprise Program project “Guided tour of the summer Fancy Food Show, New York” ,
Contract No. EEM-I-07-00007-00, TO #2

This report submitted by Booz Allen Hamilton on July 16, 2009

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PURPOSE OF ASSIGNMENT

I. Summary of Purpose

The primary purpose for this assignment was to provide assistance to Kosovo KPEP team attendees during the New York Fancy Food Show June 28-30, 2009. Following were the main objectives:

1. Identify appropriate exhibitors to visit and arrange introductions.
2. Provide support to the Kosovo attendees by providing them with guidance on approaching the food show, establishing contacts, and follow up.

In addition, the assignment led to scrutinizing the feasibility of this show as an entry point to the U.S. export market. As well as preparing for the possibility of hosting a Kosovo booth at the Fancy Food Show in 2010.

II. Component or Sector Objectives Agriculture Export

Kosovo has opportunities for export into the United States as a result of favorable trade status granted in February 2009. Products that have export potential include non-wood forest products and specialty fruit and vegetable processed products. These are clearly specialty products and have limited supply and likely limited demand. These products are also high value products which can serve niches in the US market. The US market differs from the European market for niche and specialty products because the US consumer is a good target with openness toward specialty foods from around the world. The European market has a much greater tendency to target ethnic consumers who are familiar with a regional food.

Although Kosovo has the opportunity to export into the US market, the current product may not be competitive. Certainly high value products, available in bulk, which can meet anticipated international standards are a real possibility for export in 2009. To maximize value Kosovo marketers need to understand the demands and dynamics of the US market. Demand can be defined not only in product expectations but also in terms of sales, customer relations, and guarantees for which the Kosovo producer must stand behind.

Attending the US Fancy Food show in New York City, June 28 -30, 2009 is not only an opportunity to establish market contacts but also an opportunity to learn about doing business in the US specialty food sector which can be extremely rewarding.

The goal of attending the show is to secure at least one sale from Kosovo to the US in 2009 and at least five follow up contacts for future discussion for sales in 2009 or 2010.

III. Assignment Objectives

The consultant shall be primarily responsible for providing assistance to Kosovo attendees to the NY Fancy Food Show June 28-30, 2009. He/she will have the following main objectives:

1. Identify appropriate exhibitors to visit and arrange introductions.
2. Provide support to the Kosovo attendees by providing them with guidance on approaching the food show, establishing contacts, and follow up.

IV. Scope of Work

To achieve these objectives, the consultant shall be responsible for providing support to guide the Kosovo attendees at the NY Fancy Food Show. Specifically, the consultant will have, but not be limited to, the following main tasks:

1. Prepare a plan for the attendees involving which exhibitors are priorities to visit. This can be done by viewing the exhibitors on the Fancy Food web site.
2. Develop a short preparation meeting with the attendees to let them know what to expect at the show and while meeting with exhibitors.
3. Train the attendees on proper follow up practices
4. Attend the show with the exhibitors

V. Deliverables

The consultant will be responsible for the following deliverables:

1. Prepare and execute the plan for the attendees and the preparation work as described in the scope of work
2. Prepare a brief report on the performance of the attendees at the Fancy Food Show and recommendations to improve the pre-travel preparation of Kosovo companies that attend food shows.

BACKGROUND

In September 2008, USAID awarded the Kosovo Private Enterprise Program to Booz Allen Hamilton. USAID designed Kosovo Private Enterprise Program (KPEP) to build on the successes achieved to date and elevate impact by catalyzing transformational change for Kosovo's economy through lasting improvements in private sector competitiveness.

KPEP includes four main components: 1) private sector support in targeted sectors with potential for growth and competitiveness; 2) identify demand driven development for business support services; 3) improve business enabling environment; and 4) workforce development. The Kosovo Private Enterprise Program will also address several cross-cutting areas including gender, youth and minority development. Finally, the program will manage a Strategic Activities Fund (SAF) valued at \$3,760,000.

EXECUTIVE SUMMARY

Entering the US specialty food market is a challenge. One that must be met with an in-depth knowledge of what it takes to be competitive. Knowing how to effectively market Kosovo's product to importers and retailers, how to present those products with appealing and relevant packaging, to be acutely aware of the competition, and to set pricing is crucial. Now more than ever, foreign countries are pursuing the U.S. market. And while that market is diverse it is also highly competitive. This year alone, 30% of the Fancy Food Show's (FFS) booths were made up of foreign countries trying to create inroads to the US consumer. Manufacturers and suppliers from South Africa, Lebanon, Palestine, Israel, Italy, Canada, Mexico, France, Turkey, Spain, Argentina, Chile, Columbia, Serbia, Germany, Cote d'Ivoire, Gabon, Cameroon, Burkina Faso, Ghana, Ethiopia; a total of 81 countries were represented at the Fancy Food Show. There were 23,000 attendees who represent international shops and retailers who make up supermarkets, ethnic and specialty markets. At the FFS we toured 2,200 booths.

Currently the US buyer (importer, distributor, retailer and US consumer) is very concerned with pricing. This was a message that was constantly repeated. While quality is a piece of the puzzle, the current economy dictates a need to keep pricing low in order to be competitive. While China has been the "low price leader" there is a large push to move away from Chinese products making entry into the market by Kosovo timely. Currently Kosovo is focused on quality of product, which while essential, needs to be balanced by a market feature on competitive pricing.

The Fancy Food Show was a success for the KPEP team on many fronts. They made many valuable connections and began to see where their products fit into the market. The team made about 60 connections at the show that will require follow through. After many conversations and connections they were successful in making a sale of mushrooms to a US specialty food ingredient supplier.

While much of our time was spent going to booths to make inroads for supply, the Kosovo team was exposed to a great deal of food they were not aware existed. Because of the proximity of the country and lack of import, the team tried many foods that were completely new to them. This experience in itself was incredibly valuable. The specialty food market is very trendy and cutting edge, being aware of those trends will help the team as they begin to develop product to market to the US. For example, the team learned that ginger is being used in many products – teas, juices, candies and baked goods. The KPEP team reported that ginger is grown in Kosovo and may be a product worth developing further for the US market. Also blueberry is also a large trend in the US and is being used in many applications from juice to yogurt to chocolate. Since Kosovo is already producing them it makes sense for them to be aware of other venues for marketing and selling their product.

While in New York City, I arranged a "specialty market tour" for the team and took them to several specialty grocers to give the team an overview of the competitiveness of the retail environment (unfortunately, only Musli Berisha visited stores with me). On this tour we looked at the product mix on the shelves, packaging, evaluated pricing and took photos. We visited four markets in total and talked with the owners, suppliers and other manufacturers who sell to those stores.

While at the FFS I met with a representative of the show staff to discuss booth costs, logistics and arrangements of the show for 2010 so that the team is prepared to display. I also had a lengthy conversation with the Serbian team, now in their 6th year at the show, as well as the Palestinian team (it was this team's first year at the FFS show) who have both

been quite successful in their marketing efforts to the US market in hopes of gleaning information to replicate for the KPEP team. Additionally I met with manufacturers from Lebanon who in past years were here as part of an ACDI/VOCA USAID project however as that contract has expired, these companies are now attending the show on their own.

As the team is well aware, in order to compete in the US market, all companies must be HAACP certified. This process takes one year. It is my understanding that three Kosovo companies are certified or are undergoing certification. This will be a caveat to showing at a Fancy Food Show in the future.

FIELD ACTIVITIES TO ACHIEVE PURPOSES

Specialty Retailer Tour

The day before the show I arranged a tour of four specialty markets that sell products such as dried mushrooms, berries, jams and jellies, pickled vegetables and dairy and cheese items in New York City. The purpose of this tour was to scrutinize packaging, shelving, point of sale displays, evaluate pricing and to get a feel for the overall specialty food market from a retail/consumer perspective. We visited the following retailers:

Dean & DeLuca –

560 Broadway

A world-renowned high-end grocer that offers every specialty food product imaginable including jams, jellies, pickles, cheeses, etc. from all over the world.

Whole Foods Market—

250 7th Avenue

Carries natural and organic products and is the world's largest retailer in this niche market with stores throughout the US and the UK. The store carries every product imaginable in the organic and natural realm.

Murray's Cheese Shop—

254 Bleeker Street

NYC's oldest and arguable best cheese shop provided a good look at cheeses from around the world. The shop carries 300 cheeses and provided a good perspective on Kosovo's interest in making their Sharri cheese available in the US. In addition, the shop carries a small array of jams and jellies and pickled vegetables as well.

Macy's Marketplace --

36th and Broadway

A specialty area under the retail giant offers cobranded and private label specialty food items.

Minimoto Kitchoan –

608 Fifth Avenue, Rockefeller Center

This specialty shop provided the team a good look at a specific country's attempt at offering an all Japanese specialty shop to an American audience.

The Fancy Food Show

Prior to attending the show, calls were placed to key contacts who were displaying at the show. However, setting up individual meeting with the KPEP team proved a challenge. Due to budget cuts by many companies who in the past sent their director of supply, or their import team, most companies selected to send their sales force. Thus the focus of the show for these companies was sales driven. However once we attended the show, many were willing to provide connections or to talk with the team directly to help them make inroads. By the end of the show, the team left with more than 60 contacts.

The KPEP team attended the Fancy Food Show for three days. The team walked the show floor, saw 2,200 companies and their products, talked with many manufacturers, importers

and distributors and sampled many foods new to their palette. During the show, the team introduced themselves and talked about their product and handed out sales materials and business cards to prospective contacts. While many companies were familiar with Serbian product, many were not familiar with Kosovo products. In addition we collected marketing materials and business cards from as many companies as were relevant.

In addition, I had meetings with teams from Lebanon (a former USAID project that has a booth as independent self-sustaining manufacturers); Palestine (displaying for their first year at the FFS); and Serbia (a BAH project lead by Remer Lane now in their 7th year at the FFS show). The purpose of these meetings was to ascertain lessons learned and gain insight for Kosovo manufacturers and producers to be successful in the Fancy Food Show and/or US arena.

Each day at the end of the show, the team met as a group to discuss what they experienced that day at the show. Each person collected and shared samples of brochures that they liked or thought were relevant. We discussed the following things:

1. What they observed that day at the show
2. What the challenges for Kosovo are in marketing to the US as seen at the show
3. What do they need to do to compete?
4. What did they learn?
5. What are the opportunities?
6. How high is the bar on packaging? What did you like or not like?

The team scrutinized packaging, labels of product as well as displays and layouts of booths. The team feels very confident that they have a product that will compete in this market given the right packaging and product.

On the last day of the show we met with FFS staff to determine what will be needed for a booth in 2010. The Serbian team had a representative from the FFS come to Belgrade to make a presentation to its stakeholders about what it takes to compete in the US specialty market. Apparently this was a very successful and worthwhile investment and they are planning a return trip. It may be worth investigating with the Serbian team the possibility of piggybacking on the return trip to save costs and have them make a presentation to KPEP's stakeholders.

TASK FINDINGS

Specialty Retailer Tour Subsequent Findings

The retail visit was a helpful experience for the team however muddled the waters a bit in terms of pricing and competitiveness. These specialty markets which will be where most Kosovo products eventually land, offer high-end specialty products with a very high price tag. The team saw fresh morel mushrooms for \$200 a pound at Dean & DeLuca, jellies for \$40 for a 12 ounce jar and cheeses for \$42 a half pound. While this is encouraging, the team should not approach the US market with the expectation that Kosovo products will always demand those prices in the US market. Further research must be done in order to determine where the Kosovo products fit into the overall product mix.

The team did gain a great perspective on packaging and point of sale displays. They learned that packaging can be as important in a US retailer as the product that lies inside the package. The bar is high. It would be worthwhile for KPEP to hire a package design expert who specializes in food packaging to help the team develop packaging for the food products of Kosovo. The packaging **MUST** be in English and include nutritional information that meets US standards.

In order to be competitive in the retail arena, the team must do some ground work to determine pricing structures. This will include a thorough evaluation of transportation costs through a formal transportation study. As well as include costs for packaging as recommended by a packaging consultant.

Relationships must also be built with distributors and importers to these markets to determine the viability of Kosovo products being introduced on their retail shelves.

Recommendations and Findings from Lebanon, Palestine and Serbian Teams

From the meetings with other USAID projects, we learned the following important points:

1. If KPEP decides to host a booth in 2010, compelling marketing materials with pricing must be available to prospective clients, produced in English. This includes bottles that are attractive, graphics that are appealing and oriented to the consumer and retail environment, and pertinent information included that the US consumer currently demands such as Nutrition Information and manufacturer websites.
2. All countries said that the one thing that must be included on packaging is the manufacturer's website. Consumers in the US want to ensure the opportunity to contact the company if a product does not meet their standards. Buyers from the US retailers are specifically looking for this information.
3. Manufacturers who participate in the booth, must be able to speak fluent English. Many countries learned this lesson the hard way. The show floor is a very busy place and many times when a translator is needed they are not available. In an effort to best represent their product, the manufacturers must be able to communicate with the customer.
4. There is discussion by Remer Lane about having a Balkan Booth that combines Macedonia, Serbia, Albania and other interested countries. This needs to be discussed further with USAID Agribusiness Project in Serbia.

5. It was recommended that KPEP develop a consolidation plan to deliver products to the US at full container rates.

6. In my experience with prior projects at the FFS it is also crucial to conduct training for the stakeholders who attend the show prior to them being on the floor show. Many times they do not understand their role and the important task of marketing their product interpersonally. The more prepared they are to meet the buyer the better the experience at the FFS will be. This may be something for KPEP to consider.

Fancy Food Show General Findings

It is my recommendation that the KPEP team consider the feasibility of hosting a booth in 2010. If your manufacturers and producers obtain HACCP certification it is very possible for Kosovo products be introduced at this show in 2010. However, I suggest the following issues be investigated and due diligence be completed to truly obtain competitiveness in the US market.

Pricing:

It is my hope that the KPEP team and the subsequent stakeholders and producers have realistic expectations for competitiveness in the market place. The team was very excited to have made connections in the US market however, research shows that only 1% out of every 100 contacts results in a sale. In addition, I have found that most foreign countries expect to enter the market with very high profits and want to demand a higher price than is realistic for entry into the US market. My hope is that the pricing structure is realistic. There are also issues of buyers not wanting full containers that must be addressed as well in pricing considerations. Pricing that is too high is a deal breaker and can break the success of the export program. I realize that this can be a sensitive issue that under the direction John McKillop and the KPEP team, possibly with expertise from outside consultants, are equipped to handle.

One of the benefits that Kosovo offers is the duty free status which saves the buyer 5-7%. In this market this is a key feature that should be included in the marketing of Kosovo product. Especially as Chinese substitution is sought.

Packaging:

The team noted that many countries (Italy and Switzerland) have beautiful packaging. Much of the design includes the shape of the jars and bottles that are used as well as the label design itself. The US has very advanced packaging in comparison to what Kosovo currently apply. It was noted that the graphics are bright, clear and vibrant and make the consumer want to pick the bottle up off of the shelf. It would be most helpful if the team hired a food package design consultant from the US who can provide perspective on how to bring the packaging to the level required to be competitive in this market. If the packaging is attractive it can help justify a higher price in the marketplace.

Packaging can also include smaller sizes for use in restaurants and hotels which would open up a broader category for KPEP stakeholders to compete in.

Challenges:

The team addressed the following challenges:

1. Packaging. This can easily be resolved with the right expertise.

2. Product. The jams and jellies are too thick for US consumption. They need to be thinned out so as to not tear bread when spread. This was duly noted when testing samples of other products. It was the opinion of the group that quality is not going to be an issue. This stands to be thoroughly tested by the market.

3. Shipping Costs. The team needs to investigate this further.

4. Margins. It will be a challenge to find margins that work for supplier and buyer.

5. Thinking too small. The world of food was opened up to the team at this show. There were thousands of products that had never been seen or tasted before. They all expressed a feeling of lack of exposure to what the US specialty food market has to offer. Being at the show as a “tourist” was a wonderful and extremely beneficial experience. The team got a real hands-on look at what they are up against and are better prepared because of it.

Opportunities

The team feels that competitiveness is not a problem in dried fruits, white cheeses such as the Sharri cheese, peppers stuffed with cheese, pickles and mushrooms. They expressed concern about jams and jellies being a saturated market. However, unique products like rose hip jelly are very viable. It may also come down to how a product is titled and marketed. For example, Strawberry Jelly pales in appeal in comparison to Fresh Strawberry Jelly with Wild Ginger. Naming of product can be a real advantage when trying to compete.

It may be worthwhile for the team to investigate partnerships with other companies that allow for greater distribution for the benefit of being a steady supplier.

CONCLUSIONS AND RECOMMENDATIONS

It is commendable that the KPEP team had the foresight to send a group to this show rather than trying to put together marketing opportunities without the benefit of this experience. Because Kosovo has been relatively isolated, the ability to sample and take it all in was very worthwhile. Future marketing efforts will benefit greatly from this trip. The team, while extremely overwhelmed by the experience, did a wonderful job of looking for opportunities and being candid about Kosovo's ability to compete. They were professional, engaged and interested in learning as much as they could. It was unfortunate that they did not all participate in the Specialty Market Tour however my and Musli's findings can be transferred to some degree.

The team was coached on how to follow up with contacts that they made at the show. They should follow up with email's reminding the contact about their meeting at the show then follow up with personalized letters, marketing materials, pricing and other pertinent information discussed at the show. A month to two weeks (depending on how long it takes to receive in the US) after mailing, phone calls should be placed to make contact, make sure questions are answered and attempt to close the sale. After that pursuing a sale every three months is a realistic expectation just to inquire about whether the buyer has questions, wants samples or needs further information.

If pursuing the Fancy Food Show is something KPEP wants to consider, I have made recommendations for how best to proceed.

1. HACCP certification should be priority as the team pursues US export. This is costly and takes one year to complete. Steps should be in place to drive this requirement forward for a show in 2010 or simply to sell to US importers.
2. Recommendation for a Fancy Food Show Booth in 2010. I suggest that the consultant or the KPEP team gather costs for putting together a booth and making a decision no later than October 2009. A bid must be obtained from Freeman, a company who sources all of the materials needed for a booth – signage, fixtures, carpet, tables and chairs, etc. We can easily work with Freeman to gather the appropriate costs. We would also work with the FFS to determine the dimensions and location of the booth. Costs should also be gathered for production of marketing materials to be handed out at the show. (see note below)
3. If you decide to proceed with a booth, it is worthwhile for the KPEP team to enter into discussion with Serbia about having a FFS representative making a presentation to your stakeholders and splitting the costs. It is my understanding that Cherif (our contact) would be going back to Belgrade in October.
4. A decision will need to be made by stakeholders who will attend the show. Invitations should be extended to those who meet requirement in November and decisions about who will attend should be made by December.
5. Hire a consultant to help design and source the food packaging for US market. Product samples will need to be packaged and shipped well in advance of the show.
6. The consultant or the KPEP team will need to handle the writing and development of marketing materials and sell sheets that will be handed out at the show. These materials will need to be written in English and produced. This effort should begin in November and ready for shipment in late March. Since materials are being produced for a US market it makes

sense that they would be compiled by a US consultant (I am able to do this for the KPEP team if needed) who can appropriately address the needs of the prospective customer.

7. As I stated earlier, packaging needs to be designed addressing the issues brought forward in this report. Serbia used a Serbian company to develop their packaging however I am leery to make this recommendation in Kosovo after meeting with several marketing companies while in Pristina. I am not convinced that any of them have the expertise to assist in this area.

8. I highly recommend that as part of setting a pricing structure for products, a transportation study be completed by the team to determine shipping prices. These prices will need to be available in a printed format for buyers who may not have time to have a later conversation with stakeholders at the show. Also because of the distance from the US and logistics in communication, having all materials available is extremely helpful and makes the buying decision easier.

9. A press kit will need to be developed for the show to place in the media room. Hundreds of media attend this show and it is a very good opportunity to educate them about Kosovo products. Because much of what America and its retailers and buyers see is covered in the show daily and through food trade media this is an opportunity that should not be missed. There are many components to the press kit that make a success. I can easily compile one on behalf KPEP. In addition, it may be worthwhile to schedule one-on-one interviews with the trade media to educate their readers about Kosovo, what makes it unique and what products they are offering. This creates a demand from the food industry that I have found to be extremely valuable.

10. The logistics of the booth will need to be well thought out. For some booths playing a promotional video of Kosovo gives buyers a feel for the flavors, scenery and culture of the country. These can be real selling points and attract buyers to your booth. Some countries have dancers from their country do a performance which is posted in the show daily. Remember it is all about driving traffic to your booth. Once the decision is made to attend, one cannot assume "if you build it they will come." A concerted marketing effort is needed to draw people in. You have 2,199 other booths to compete with. Also electricity needs, product sampling, serving pieces and utensils will also need to be identified for organized preparation.

11. Postcards should be sent one month prior to the show to invite show attendees to the booth to Experience Kosovo. The postcard should be visually appealing and simply inform attendees that Kosovo is making its debut appearance at the FFS.

12. I have had success with other clients hosting a dinner or cocktail hour where buyers, importers and perspective clients are invited to mingle with the KPEP team. This is strictly social and is a nice gesture for entertaining your pertinent audience one evening during the show. I recommend renting a reception area at a local hotel and featuring products from Kosovo if possible.

13. It will be worthwhile go schedule sales training for stakeholders who haven't been to the FFS before while they are in New York prior to the show. It can be an overwhelming experience and the more they are prepared the better they will do at the show.

14. If the team is interested, I would recommend creating a 100 Day Plan for preparation for this show. It would include a detailed schedule and timeline for the KPEP team and its stakeholders to best prepare for a show once the decision is made to participate.