

A Profile of the Specialty Food Retailing Industry in the Eastern U.S.

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This study investigated product introductions, marketing and distribution patterns among specialty food retailers in the eastern U.S. Based on 547 responses to a mailed survey, the results portray specialty food retailers as an extremely diverse group ranging from those who carry small specialty food sections within standard grocery or department stores to those who exclusively sell specialty foods. Respondents reported that new introductions account for about 22% of their total specialty food sales and that on average, they introduce about 23 products in a typical year. When evaluating new products, their most important considerations are quality followed by uniqueness.

In the U.S., sales in retail foodstores are expected to remain flat over the next 20 years due primarily to slower population growth, lifestyle changes, and the aging of the population (Blisard and Blaylock, 1993). However, these same demographic factors have engendered substantial variations in demand for certain types of foods. In particular, the demand for specialty foods stands out as exceptionally strong, as aging, health conscious, convenience oriented Americans develop more sophisticated palates and place greater emphasis on quality. Demand for these types of product has increased to the point that at present, 81% of consumers report buying one or more specialty food items at least once every six months, and about one out of every five households in the U.S. can be classified a medium to heavy consumer of specialty foods (Dietrich, 1992).

There is no consensus on the definition of specialty food but the category generally refers to value-added, premium priced items that are distinguished in terms of one or more characteristics, such as the quality of ingredients, sensory appeal, origin (regional or ethnic), presentation (branding or packaging) or product formulation (Peat, Marwick, Stevenson and Kellogg, 1990). The increased demand for specialty foods dates back to the middle 1980s when the industry experienced

remarkable annual growth rates of 15-20%. (Manning, 1992). Presently the total value of the market for specialty foods in North America is estimated at \$US 20-30 billion per year with an expected growth rate of 10% per year throughout the decade (Peat, Marwick, Stevenson and Kellogg, 1990).

As demand has grown, the number of new specialty foods introduced each year continues to climb, along with the number of retail outlets offering these items. Most supermarkets now have an expanded line of specialty foods, both packaged and fresh (Food Review, 1995). Although consumers today still buy most of their specialty foods at the supermarkets, they are increasingly likely to turn to the specialty food store for a wide variety of particular products (Dietrich, 1992). These outlets continue to be the major showcase for specialty food products and are most accessible to the smaller food processors (Manning, 1992; Dietrich, 1992).

This presents significant opportunities for food processors, particularly in Northern New England where the economic vitality of the rural communities is often reliant on the functioning of the specialty food producers. For the most part, these operations tend to be small, but viable businesses that make-up the largest proportion of the food processing industry throughout New England. With the increasing demand for specialty food products many of these processors now have the chance to reach broader, potentially more profitable markets.

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Many of the larger food processors have already taken advantage of these opportunities as evidenced by the proliferation of new specialty food products. This increased competition puts the small specialty food producers at a distinct disadvantage because they do not have the capital base to invest heavily in national advertising campaigns to attract the attention of buyers. This research was initiated to mitigate the disadvantage and boost the competitive positioning of these small firms by providing fundamental information about retailers who handle specialty foods, with an emphasis on understanding the process of introducing and gaining product acceptance from the buyers. With a better understanding of the retailers, their customers, and the acceptance process, specialty food producers can use this information to fine tune their positioning to attract the interest of the buyers they are trying to reach.

To date, the most comprehensive studies on product acceptance have involved the large supermarket chains (McLaughlin and Rao, 1989; Gerlich, Walters and Heil, 1994). These studies have investigated supermarket buyers' acceptance patterns relative to a variety of different product lines and have identified key influencing factors such as product uniqueness, advertising and couponing activities. This study supplements the body of research in this area by focusing exclusively on the product/supplier expectations and acceptance patterns of specialty food retailers. Toward this end, the study was based on four objectives:

1. To describe the characteristics of specialty food operations in the target market area.
2. To determine the product interests of the customers served by the specialty food retailers.
3. To distinguish the types of products carried by specialty food retailers.
4. To identify the factors that influence retailer's acceptance of new specialty food products.

Methodology

Data for the study were collected through a survey of specialty food retailers located in the eastern area of the U.S. from Maine to as far

south as Virginia. This area encompasses the markets most accessible to specialty food manufacturers in the Northeast. Moreover, marketing studies have consistently found that in these eastern regions, consumer expenditures for specialty foods as well as the frequency of shopping at specialty food stores exceeds the national average (Dietrich, 1992).

A mailed questionnaire was designed to gather detailed information relative to the objectives of the study. The survey underwent several revisions based on advice from experts in the specialty foods industry and feedback from pre-testing. The end result was a survey consisting of 30 questions which were organized into sections that focused on four different aspects of their operations: 1) store characteristics; 2) customer characteristics; 3) characteristics of product lines and product introduction patterns and; 4) interest in specific specialty food items. The survey was collated into a booklet form that respondents could staple shut and drop in the mail, postage paid.

In collaboration with specialty food industry leaders in Maine, a listing of retailers compiled by *Gourmet News Magazine* was judged as being the most extensive and representative of the industry in the eastern U.S. in comparison to other lists that could be purchased. In November 1995, a total of 2,477 surveys were mailed and after two follow-up mailings, 547 valid surveys were completed and returned. This translates into a response rate of 22%.

The data were organized to give a general descriptive overview of responses. Several cross tabulations were also run to test for statistical differences between subgroups of retailers in the sample. The findings from these analyses could be used to further define particular target groups whose location, business practices and product needs seem an especially good fit with particular specialty food manufacturers.

Results

Characteristics of the Respondents and their Retail Operations

The first section of the survey asked general questions about the respondent's operation in terms of location, size and sales. Table 1 shows

the regional and state locations of the specialty stores operated by these respondents, followed by Table 2 and 3 which present more details on the location of their operations.

Table 1. Distribution of Respondents by State and Region

State and Region	Percent
Connecticut	8.4
Massachusetts	8.1
Maine	2.9
New Hampshire	2.8
Rhode Island	2.0
Vermont	3.1
Total New England:	27.3
New Jersey	16.2
New York	25.0
Pennsylvania	15.1
Total Middle Atlantic:	56.3
Delaware	1.5
Maryland	6.8
Virginia	6.3
Washington D.C.	0.9
West Virginia	0.9
Total South Atlantic:	16.4
Total (n=547):	100.0

Well over half of the respondents operate their business in one of the states in the Middle Atlantic region. The largest proportion are in New York, followed by New Jersey and Pennsylvania. Just over 1/4 are in the New England region and the smallest proportion, about 16%, are in one of the South Atlantic states.

The data in Table 2 show that specialty food retail operations are located in a variety of formats as indicated by the remarkably similar proportion of respondents who operate in malls, downtown areas, and in free-standing buildings. In describing the area in which they operate, more than half of these specialty food businesses are in suburbs while only a quarter are in urban locales. Nearly one out of five businesses operate in a rural area.

Table 2. Location of Retailer's Business

Type of Location	Percent
Shopping Mall	33.9
Downtown street	30.0
Free standing building	35.5
Other	0.6
Total (n=516):	100.0
Description of Area	Percent
Urban	25.8
Suburban	55.2
Rural	19.0
Total (n=520):	100.0

Respondents also provided descriptive information about the characteristic of their business. Table 3 gives a perspective on the different types of businesses represented by these respondents, and Table 4 gives additional descriptive statistics on square feet of selling area in the store, the percent of retail space allocated to stocking specialty foods, the store's total sales for 1994 and the percent of sales attributed to specialty foods.

Table 3. Type of Business

Type of Business	Percent
Specialty Foods	38.2
Gifts/Gift Basket	23.3
Convenience Store/Other Retail	11.0
Deli	10.0
Candy/Confections	7.0
Health/Natural Food	3.8
Supermarket	3.0
Other	2.4
Wines/Liquors	1.5
Department Store	0.4
Total (n=532):	100.0

The types of businesses represented by these respondents range from those that focus almost exclusively on specialty foods, to convenience stores, in which specialty foods are one of several product lines, to gift basket operations where a large percentage of the business is conducted through mail. Specialty food stores constitute over 1/3 of the group and another 1/4 classified their business as Gifts/Gift Basket. Less than 1% operate department stores and a similar small percentage have a wine/liquor store. Supermarkets,

(independently operated since chain supermarkets were intentionally excluded) and health/natural food stores each account for another 3 to 4%.

Table 4. Descriptive Statistics of Retailers' Operations

Retail Square Footage	Percent
Less than 750	23.0
750-1499	35.0
1500-2999	25.0
3000 and over	17.0
Total (n=508):	100.0
Average:	2,365 sq. ft
Percent of Retail Space Dedicated to Specialty Foods	Percent
Less than 25%	32.0
25 to 49%	16.0
50 to 74%	17.0
75-100%	36.0
Total (n=505):	100.0
Average:	50.0%
Total 1994 Sales	Percent
Less than \$125,000	33.4
\$125,000 to \$400,000	33.2
More than \$400,000	33.4
Total (n=431):	100.0
Median:	\$245,000
Maximum:	\$400,000,000
Percent of Sales from Specialty Foods (1994)	Percent
Less than 25%	32.0
25 to 49%	19.0
50-74%	13.0
75 to 100%	36.0
Total (n=479):	100.0
Average:	50%

The average size of the selling area reported by respondents was 2,365 square feet, but more than half reported less than 1,500 square feet. The percent of retail space allotted to specialty foods averaged 50%. However, responses clustered around the low and high ends of the scale with about 1/3 reporting less than 25% of their space allotted to specialty foods while another 1/3 said they use from 75% to 100% of the selling space for specialty foods. The available retail space also relates to the capacity for refrigerated casing; 57% said they have refrigeration and not surpris-

ingly, the likelihood of refrigeration increases with the size of store.

Total sales for 1994 further illustrate the diversity of the group; the range was from \$0 (reported by 10 respondents who were not in business during 1994) to \$400,000,000. The median sales figure was \$245,000 indicating that the high range figure was unusual. In fact, one out of three retailers had sales of less than \$125,000. On average, respondents estimated that about 50% of sales was generated by specialty foods. Consistent with the amount of square feet dedicated to specialty foods, there is a distinct clustering of responses on the low end in which 32% said that specialty foods accounted for less than 25% of their sales, and on the high end, in which 36% said that the proportion of specialty food sales was 75% or more.

This descriptive information indicates there are two fairly distinct groups of retailers; one consists of those with limited investment/interest, in terms of dedicated retail space and sales, in specialty foods. The other group includes retailers with high interest in these products. The smallest group are those retailers in the middle area who seemingly have moderate investment and interest in specialty foods.

Taken together, this information portrays specialty food retailers as an extremely diverse group. The great variation in types and size of business makes it difficult to formulate a profile of the typical specialty food retailer. The businesses range considerably from small start-up operations to very large stores with high volume sales, from those with minimal investment in the products to those who are entirely dedicated to specialty foods. The benefit of this diversity is that it suggests that under the proper conditions, manufacturers can position their products to fit most any retail business format.

Types of Specialty Food Products Carried by Retailers

The wide variety of product lines available to specialty stores creates innumerable options for the retailer to mix product offerings to fit the preferences of the local customer base. Consequently, an overview of the types of specialty food products carried by retailers gives important insights into the retailer's positioning and the de-

mands of his/her customer base. Table 5 contains a list of food categories handled by respondents. The categories are in order from most to least often carried by respondents.

Table 5. Product Categories Carried by Respondents

Product Category	Percent
Fancy Coffee/Tea/Cocoa	86.7
Candy/Chocolate	78.9
Gourmet Gift Baskets	72.8
Preserves	70.0
Oil Vinegar/Salad Dressings	67.8
Premium Snacks	66.1
Water/Soft Drinks	65.7
Condiments/Relishes	63.0
Pasta/Rice/Grain/Cereal	62.0
Honey	60.0
Fruit Juice/Cider	59.8
Sauces	59.4
Seasonings	59.0
Soups/Stocks	56.5
Desserts	56.1
Olives/Pickles	48.3
Fancy Bread	46.3
Maple Products	45.9
Appetizers	43.5
Dessert Toppings	43.0
Meats/Game/Pate	38.2
Dairy Products	34.1
Seafood/Caviar	31.1
Ice Cream/Frozen Confections	30.9
Prepared Entrees	30.7
Fruits/Vegetables	30.6
Alcoholic Beverages	17.8
Fancy Cheese	10.1

The most popular product line was Fancy Coffee/Tea/Cocoa. This category includes retailers who offered these as prepared products and those who sold them as packaged products. Candy/Chocolate was the second most commonly handled category followed by Gourmet Gift Baskets and Preserves. The categories of Seafood, Ice Cream, Prepared Entrees, and Fruits/Vegetables were carried by less than 1/3 of the respondents. The low prevalence of these items may be due to the comparatively lower shelf life of many of these products. Fancy cheeses, carried by only 10%, may be another category that is avoided be-

cause of limited shelf life. The potential perishability of these types of products may increase the risks of carrying them particularly for the smaller, lower volume stores.

Customer Profile and Product Interests

The second section of the survey asked for information on the respondents' customers, their product interests and purchasing behaviors. In describing their clientele, 56% felt that most could be classified in the age category of 35-44. About 32% catered to slightly older customers, between 45-54. Very few listed either older or younger customers as their typical patron. These age groups are consistent with other research on specialty food purchasing in showing that the younger and oldest age categories have the lowest incidence of purchasing or using any specialty food item. The key target group appears to be the younger portion of the middle aged group (Dietrich, 1992).

Studies show that customers buy about 60% of their specialty foods at the supermarket. But approximately 1/3 of these customers also report shopping at other outlets for specialty food items at least once every six months (Dietrich, 1992; 1991). To better understand the motive underlying this shopping pattern, respondents were asked to give the primary reason they believed customers patronized their particular store. Their responses varied considerably and ranged in depth of description from "to buy food" to detailed descriptions about the quality of products and services. But overall, gift buying topped the list of reasons, followed by the uniqueness of items offered at the store, and the quality of the products. Respondents supplemented this information by rating the importance of particular factors in influencing their customers' purchasing decisions. These results are shown in Table 6.

About 95% said that product quality was their customers' most critical concern. Just over 82% believed product uniqueness was another key consideration. Packaging also plays an important role, as noted by 73% of the respondents. Healthfulness of product and convenience were less importance, but still drew a high rating from approximately 60% of the respondents. Price was viewed as important by just over half of the retailers, but only 28% also felt their customers

were swayed by introductory deals. This suggests that retailers perceive price as having some influence, but it plays a secondary role to other considerations, most notably, product quality. Other influential factors specified by retailers include demos, brand reputation of the product, and recommendation by a store's salesperson.

Table 6. Percentage of Respondents Rating Various Factors as Important/Very Important in Their Customers' Purchasing Decisions

Factor	Percent identifying it as important/very important (n=547)
Product Quality	95.1
Product Uniqueness	81.7
Product Price	54.8
Packaging	72.7
Introductory Deals	27.7
Convenience	57.3
Healthfulness	61.4

Respondents were also asked if they felt regional origin or state identification of the product was important to their customers. In this area, opinions were evenly split; about 1/3 felt it was not at all or only marginally important. Another 1/3 listed it as somewhat important, and the remaining 1/3 rated it as being either important or very important.

Virtually all retailers identified substantial fluctuations in customer demand for specialty foods throughout the year. Their seasonal sales patterns are shown in Table 7.

Table 7. Average Percentage of Specialty Food Sales for Each Season

Season	Percentage of Sales (n=482)	
	Mean	St. Dev.
Winter	17.9	14.0
Spring	18.9	9.2
Summer	20.8	16.6
Fall	42.3	19.7

The sales patterns for Winter, Spring and Summer are remarkably similar, with respondents indicating that sales of specialty foods during any of these seasons accounts for an average of about 20% or less of their total specialty food sales. Not

surprisingly, the major revenue period is during the Fall or the holiday shopping season. The average sales volume doubles during this period to about 42% of specialty food sales. This agrees with the general perception among retailers that many of their customers buy specialty food as gifts.

Product Introductions

The third section of the survey gathered information on the process of evaluating new specialty food products. The series of questions asked about the importance of different factors and their role in the respondent's decision to carry a new specialty food item.

Respondents were first instructed to rate the importance of seven factors that they might consider when evaluating a new product. The ratings were based on a five point scale in which a 1 indicated "unimportant" and 5 represented "very important." The averages calculated from these ratings are presented in Table 8.

Table 8. Respondents' Ratings of Factors used to Evaluate New Products

Factor	Average Rating Score	Number Responding
Expected ability to add to sales volume	4.4	525
Expected ability to build traffic	4.0	514
Competition currently carries product	2.9	504
Competition currently does NOT carry product	3.6	509
Uniqueness of product	4.4	521
Diversification of current product offerings	3.8	497
Quality of product	4.7	513

Scale range of 1 = unimportant to 5 = very important

The most important factor retailers consider in their decision to carry a new item is the quality of the product, as indicated by the high rating score of 4.7. This conforms to the respondents' impression that product quality is the key consideration in their customers' purchasing decisions. Other important factors include uniqueness of the product and the expected ability to add to sales

volume. Both had an average rating of 4.4. Diversification of current product offerings was moderately important with an average rating of 3.8. On the low end of the scale, retailers are only marginally influenced by the fact that a competitor carries a particular product. It is interesting to note that retailers indicated it is more important if the competitor does not carry a product. Certainly, this would enhance the store's image of uniqueness, one of the primary reasons retailers felt that customers patronized their stores.

Survey questions next focused on the process of introducing, retaining and deleting products. Respondents estimated the number of all specialty food items they carried and the number of items they decided to discontinue during the preceding year. Table 9 reports the total number of different items respondents carried during 1994.

Table 9. Number of Different Specialty Food Products Respondents Carried During Preceding Year (1994)

Number of different products carried	Percent of Respondents	Number Responding
1-25 products	29.2	135
26-100 products	40.1	185
More than 100 products	30.7	142
Total:	100.0	462

Average: 270.0
St. Dev.: 725.5

This information gives an overview of their general pattern of product handling over the course of a year. Retailers reported handling an average of 270 different specialty food items in the preceding year. But there was tremendous variation, as indicated by the standard deviation of 725. The range was from 1 to 8,000 products. The majority of retailers carry more than 25 different specialty food products, but just under 1/3 of the group carry a comparatively limited selection of 25 different products or less.

Table 10 gives an indication of the percentage of different products retailers typically discontinue during a year.

Discontinued products accounted for an average of nearly 16% of the total number of products. But there is marked variation across the group; 68% of the group reported discontinuing a

percentage that was lower than the average reported here.

Table 10. Percentage of Specialty Food Products Respondents Discontinued During the Preceding Year (1994)

Percentage of Products Discontinued	Percent of Respondents	Number of Respondents
1-5%	29.4	145
6-15%	38.8	191
More than 15%	31.8	101
Total:	100.0	437

Average: 15.7%
St. Dev.: 16.8

Respondents next provided specific information about product introductions. They were asked about the number of new items they took on in 1994, the length of the trial period they generally allow a new product before deciding whether or not to continue handling it, and the percentage of their specialty food sales generated by new specialty food products. These statistics are shown in Table 11.

Table 11. Number of Different Specialty Food Products Respondents Introduced During the Preceding Year (1994)

Number of Products Introduced	Percent of Respondents	Number of Respondents
0-5	34.5	163
6-15	32.4	153
More than 15	33.1	192
Total:	100.0	508

Average: 23.3
St. Dev.: 21.5

The data in Table 11 show that these retailers introduced an average of 23 products in the preceding year. Based on an average of 270 items handled overall as reported in Table 9, the average number of new products accounts for close to 9% of the total number of different products carried. But again, the large standard deviation shows there is considerable variation within the group. The range was from 0, listed by 3%, to a high of over 100 product introductions, as reported by 4% of the group. More than 2/3 of the group reported introducing 15 products or less over the course of the year.

Respondents give these products a probation period of approximately five months, as reported in Table 12. Just under half of the respondents allow only three months or less for a trial period and another 38% give a new product up to six months to prove itself. About 17% reported a trial period of more than six months, typically up to one year.

Table 12. Number of Trial Months Respondents Typically Allow New Products

Number of Trial Months	Percent of Respondents	Number of Respondents
1-3	45.7	232
4-6	37.6	191
More than 6	16.7	85
Total:	100.0	508
Average: 5.2		
St. Dev.: 3.6		

Table 13. Percentage of Total Specialty Food Sales Generated by New Specialty Food Products

Percent of Total Specialty Food Sales	Percent of Respondents	Number of Respondents
less than 10%	22.2	97
10 to 19%	29.1	127
20 to 29%	24.4	107
30% or more	24.3	106
Total:	100.0	437
Average: 21.7		
St. Dev.: 21.5		

The percentage of specialty food sales generated by these new products indicates that their contribution is significant; on average, respondents reported that about 1/5 of their specialty food sales comes from sales of new products. Although 20% of the respondents figured that new products generate less than 10% of their specialty food sales, another 1/4 of the group estimated the value at 30% or higher.

Respondents also identified allowances they generally expect when they decide to handle a new item. The most common allowance was for sampling, an expectation reported by 71% of the respondents. About 40% said they usually receive free merchandise and a similar proportion said they expected a demo allowance. Only 1/3 of the group said they expected special terms.

In addition to analyzing general trends in adding or deleting products among the retailers, other survey questions focused on the effectiveness of different methods of presenting new products or information about products to these prospective buyers. Seven conventional methods of product discovery were listed in the survey and respondents were asked to rate the importance of each. The average scores are reported in Table 14.

Table 14. Respondents' Ratings of Selected Methods for Discovering New Products

Method of Discovery	Average Rating Score	Number of Respondents
Trade Shows	4.3	523
Trade Journals	3.9	519
Customer Requests	3.9	514
Sales Representatives	3.5	507
Advertisement	3.14	493
Mail Solicitation	2.8	486
Brokers	2.6	456

scale of 1=unimportant to 5=very important

Trade shows drew the highest score of 4.3, indicating that this is one of the most effective means of exposing new products to potential buyers. Altogether, 82% of the group gave a rating of either "important" or "very important" to this method of discovering new products. Trade journals and customer requests each scored 3.9, suggesting that these two methods are also effective. Sales representatives drew an average importance rating of 3.5, and advertisements had an average rating slightly below that. Respondents gave their lowest ratings to mail solicitation, with an average of 2.8, and to brokers, with an average of 2.6. These two methods appear to be the least effective in attracting the attention of retailers.

Respondents were next asked about the types of sales support they feel are most effective in helping them introduce and sell products to their customers. The activities they listed are shown in Table 15.

The data in Table 15 show there is a clear consensus that sampling is an effective sales support activity. These respondents appear to be well aware of the powerful impact it has on customers; several studies have found that about 70% of customers in specialty food stores will accept a sample and nearly 1/4 of these people will buy the

item after sampling (Dietrich, 1992; Kuryllowicz, 1990).

Table 15. Percentage of Respondents Who Evaluated Various Sales Support Activities as Effective

Sales Support Activity	Percent of respondents who rate it as an effective support (n=529)
Offering Samples	92.0
Displays	68.0
Recipes	60.0

In addition to sampling, sales displays were felt to be effective by more than 2/3 of the group, and well over half valued recipes as sales support. Offered in combination, these three primary supports, sampling, sales displays and recipes, would give effective pull-through actions that retailers are likely to find very appealing.

The proportion of product bought from distributors and manufacturers, shown in Table 16, gives a final perspective on the buying patterns of these respondents.

Table 16. Percentage of Specialty Food Products Respondents Purchase from Distributors and Manufacturers

Percent of product purchased	Purchases from	Purchases from
	Distributors (n=510)	Manufacturers (n=511)
	-----percent-----	
None	5.5	9.6
1% to 25%	15.7	26.0
25% to 49%	10.6	20.6
50% to 74%	25.5	19.9
75% to 100%	42.7	23.9
Total:	100.0	100.0
Average :	57.1	42.2

These retailers tend to purchase a larger portion of their products from distributors, but they also rely on manufacturers for a significant percentage of supplies; nearly 1/4 said they buy 75% or more of their items from manufacturers. Less than 10% said they do not buy any products from manufacturers. This is an encouraging finding for the smaller specialty food producers since it illustrates the potential for effective marketing

through direct contact with retailers as well as through relationships with distributors.

Summary and Conclusions

The distinguishing feature of specialty food retailers in the Northeastern U.S. is that the variation within the group is so marked, it precludes the possibility of formulating a profile that distinctively characterizes the typical specialty food retailer. The diversity of the group suggests that these retailers are versatile and have adapted to many different situations. In fact, many respondents felt that they drew customers because of the uniqueness of their store and the products they offered. This apparent flexibility suggests that as potential buyers, these retailers are receptive to many different marketing approaches from suppliers. Further, the wide variety of product lines carried by these stores points to extensive opportunities for manufacturers to position their products to fit the product mix of any one particular retailer. For example, coffee, tea and cocoa were the most extensive lines and commonly handled products among these respondents. This suggests that retailers may be especially responsive to expanding an image of specialization in this area by adding another product to the line. On the other hand, diversity of product mix is also important, and as a result, a particular retailer may be more interested in adding a product to one of his/her shorter product lines.

Sales of new products figure prominently in their revenues and account for an average of approximately 22% of their total specialty food sales. Over the course of a year, retailers introduced an average of 23 new products and allow these products a fairly generous trial period of 5 to 6 months. When asked about the importance of different mediums for learning about new products, respondents gave their highest ratings to trade shows. This indicates that participation at key trade shows is perhaps the most effective, efficient way for manufacturers to expose their products and instigate contacts with prospective buyers.

Of all product and marketing considerations, however, quality is key to gaining the retailer's acceptance. Although the respondents' definitions of quality were not quantified in this study, this factor alone overrides the significance of price

and introductory deals in the retailer's evaluation of a product. This reflects their perception that their customers are more concerned with product quality than with price. Consequently, manufacturers are better off allocating their resources to more effective methods of influencing buyers and their customers. In particular, this study found that respondents overwhelmingly felt that sampling was one of the most beneficial sales support activities. A support proposal which offers a combination of sampling, sales displays and recipe cards is likely to be perceived as desirable, effective pull-through efforts.

This research further indicates that specialty food retailers are accessible and amenable to purchasing directly from the smaller manufacturers. It also points out there are several opportunities for reaching these prospective buyers at affordable levels of effort and promotion. The challenge is to devise marketing strategies that are flexible and versatile enough to appeal to a broad variety of specialty food retailers while also maintaining the continuity of the product image and marketing effort.

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