



HOW TO FIND & KEEP CUSTOMERS

Finding customers

A difficult aspect for many small food business owners is finding customers: they think that a good product sells itself and they focus their attention on making good quality foods that can compete with those that are already on the market. However, even a high quality product that many people would like to buy is not sufficient; it is also necessary to actively go out from the business and find customers or buyers. Note: a distinction is made between customers who buy a food and the consumers, the people who eat it, as these are not necessarily the same people.

There are many different types of customers who buy foods from small-scale processors: they include retailers; food service outlets (restaurants, cafés, hotels, takeaways); wholesalers; or purchasing officers in companies or government departments (Table 1). These people are referred to here as 'buyers' to distinguish them from individual domestic customers.

It is necessary to find enough buyers who will continue to buy products in sufficient amounts and at a price that will make a business profitable. To do this, processors must first know their market in as much detail as possible. For example, they should:

- Know who are the important buyers and 'middlemen' and how do they operate. Which consumers do the buyers supply? What is the level of demand for a product and how is it changing? What is the total value of the market sector and how is it likely to change?
- Assess different market segments (Table 1) and identify which segments they wish to supply.
- Know the strengths and weaknesses of competitors.

It is only by knowing the market that a processor can identify the type of potential buyers and consumers that best suit the operation of the business.



Figure 1: Mr. Amir Munsif from Vatpiary, Bangladesh selling his crops.
Photo: Zul Mukhida / Practical Action.

Market segments	Examples of different types of retail or food service consumers	Examples of foods
Direct sales		
From own 'factory shop'	• Men or women	All foods
Service (or 'custom') milling	• Children and young people	Cereal flours or cooking oils
Retail		
Supermarkets	• Rural, peri-urban or urban households	All foods
Shops		All foods
Kiosks or street vendors	• Wealthy or less wealthy families	Confectionery, dried fruits, roasted nuts, sandwiches, bread and other bakery products.
Food service businesses		
Cafes, restaurants, 'fast food' outlets, take-aways or bars	• People interested in 'healthy' foods	Cooking oil, bakery products, milk, butter, cheese, chilled or frozen meat products, bulk jams or sauces, alcoholic and non-alcoholic drinks.
Hotels/lodges	• People with special dietary needs	Portions of butter or jam, packaged juices or other drinks, bulk cooking ingredients and chilled fresh foods.
Street-food vendors	• Office or factory workers	Cooking oils, chilled meats or fish
Wholesalers		All foods
Local wholesale buyers		
Fair trade organisations		
Regional or national wholesale buyers		
Institutional buyers for:		
Schools		Bulk cereal flours, cooking oils, dried or chilled fruits or vegetables, chilled or frozen meat and fish.
Hospitals		
Military barracks /police		
Local or central government		
Other food businesses		Bulk dairy products, honey, syrups or jam for bakeries.

Table 1: Examples of market sectors, types of consumer and foods (Note: export markets are excluded).

Types of markets

One of the first steps is to identify as precisely as possible what are the likely (or 'target') market segments for a product - or more simply, who do processors expect to buy their food. The types of questions that processors should ask when identifying suitable buyers are shown in Table 2.

- What are the comparative advantages to you of each market segment? Which segment(s) best suit your intended operation and which one will you select as the target buyers?
- Who are the other important producers that are likely to be in competition? What are their strengths and weaknesses?
- Who are the likely customers? Are these people also consumers or are they buying foods that are consumed by someone else?
- What are their age ranges, gender and range of wealth?
- How much do they buy in a given time period and is it changing?
- What are the factors that influence customers to decide to buy the product?
- What is the total volume of food and the value of sales per month and what changes can be anticipated?
- Where are the customers most likely to buy the food, and how often are they likely to buy it?
- How does the product move through the market from the processor to the final consumer and how much value does it gain at each stage?
- How much influence do buyers have over the choices that their customers make when buying the food?

Table 2: Questions for small-scale processors that should be used to decide which market segment to target

Direct sales to individual customers

This type of direct selling can be used at all scales of production, but is more commonly used by micro-scale processors, especially for products that need a short time and distance between production and consumption. Processors may sell their products to friends and neighbours or to people who pass by the production site. The advantages are direct contact with customers and reduced costs to processors because they do not have to transport their foods. The main limitation can be a smaller number of customers than other methods of selling.



Figure 2: Nalini Chandrawathie holding a range of packaged tea bags which have been dried and processed by a community co-operative. The herbs are taken to a nearby grinding mill and transported to Colombo to be packaged by Expo Lanka Ltd but they also grind some herbs with pestle and mortar and package them in small plastic bags to sell locally for teas and herbal porridge. Photo: Zul Mukhida / Practical Action.

Retail and food service buyers

For most small-scale processors, the retail and food service market segments are likely to be the most important. Retail buyers include owners of shops, managers of local supermarkets, or in some countries, street vendors. In the food service sector, the owners or managers of cafés, fast-food takeaways, restaurants, bars, guest houses and hotels are each likely to buy processed foods from wholesale companies or directly from local processors. Within the retail and food service segments there are many sub-divisions of customers that have different and specific needs (Table 1). In some countries, producers of street-foods may also buy small amounts of food each day from retailers or directly from processors. Larger supermarkets, hotel chains or fast food franchises usually have centralised buying departments that order foods in bulk to supply each outlet. For these, the volumes required are generally too large for small-scale processors to meet.

Wholesale buyers

In most countries, there are wholesale agents that supply retail and food service outlets, particularly in urban areas. From a processors perspective, these agents are buyers that require

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regular, good sized orders and often collect foods from the processor’s premises. Depending on whom they supply, wholesale agents may also buy processed foods in bulk containers, which reduces transport and packaging costs and requires less effort by processors to find retail and food service buyers or to distribute foods. However, wholesale agents incur their own costs and need to make a profit, and they therefore offer lower prices than most other buyers, resulting in a lower profit margin for processors.

Institutional and industrial buyers

Many institutional markets, particularly in more advanced economies, are not suitable for small-scale processors because buying is centrally organised by government ministries and the volumes of food required are too large. However, where buying decisions are decentralised or within the control of a local authority, there may be opportunities to supply processed foods as ingredients for institutional meals in schools, local hospitals or military barracks. Similar considerations apply to food companies who buy processed ingredients for their products (e.g. jams, dried fruit and dairy cream for bakeries). Large food companies may require bulk orders that small-scale processors cannot meet, but smaller companies may prefer to buy from local processors.

A note on export markets

As a general rule, it is preferable for small-scale processors to successfully supply local or national markets before attempting to export foods. This is because the quality standards required by importers may be more stringent than local markets require; there may be minimum order sizes that are too large for small-scale producers; and the complexities of export procedures are often time consuming and expensive. An exception is the supply of foods to ‘fair trade’ companies and organisations. These aim to build trading partnerships that seek greater equity in international trade and work with groups of producers to improve local community facilities. Typically, the products that are of interest include dried fruits, nuts, chocolate, coffee, honey, cocoa, tea, shea butter, essences and spices. Contact details for fair trade organisations are given in further information below.

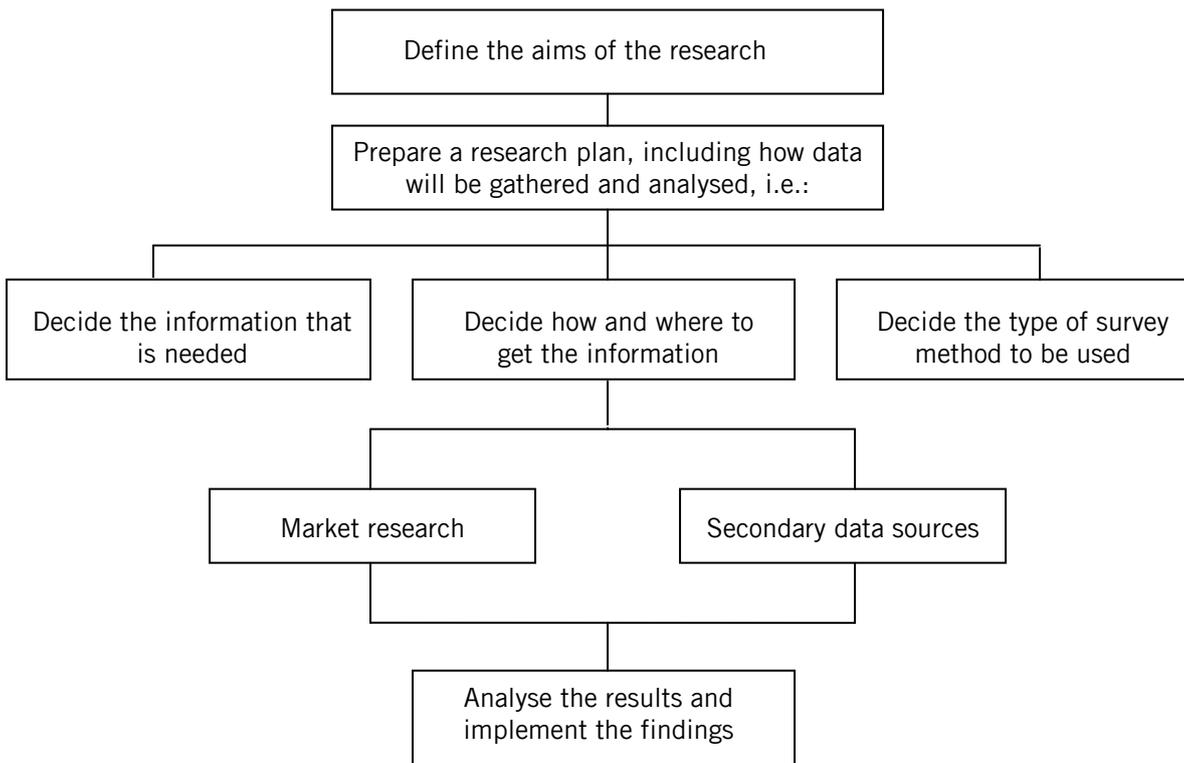


Figure 3: General procedure for conducting market research (Adapted from Fellows and Axtell, 2001).

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Market research

Where foods are sold through wholesale agents or to distant buyers, processors may not know the customers or consumers individually and hence they do not know their requirements. It is therefore essential for processors to gather as much information as possible about all aspects of the markets in which they wish to operate. To do this, they should conduct 'market research'. This is the process of systematically collecting and evaluating information about customers' and consumers' needs and preferences for both existing and potential products. The process also includes finding out the needs and requirements of buyers who supply these customers. The general procedure for doing this is shown in Figure 3. Market research also includes gathering information on how foods move from the producer to the consumer through a distribution chain and the activities of competitors.

It is often easy to collect too much information, which may confuse decisions rather than helping make them clearer. Processors should therefore decide from the outset which information they *must* know, which information they *should* know, and which would be nice to know. Only information in the first category is essential; the rest depends on the time and budget that are available. There are two ways of getting this information: written (or 'secondary') sources of information and conducting a market survey of customers and/or buyers. Written information (Table 3) is relatively inexpensive and quick to collect and can be highly valuable in making reliable decisions.

The following source of information are useful to help make decisions on finding customers:

1) Before production starts:

- Catalogues, advertisements or price lists of competitors' products.
- Items about competitors, their sales outlets or their products, featured in newspapers and magazines and on radio or TV.
- Articles in trade publications on new products or technologies.
- Publicly available reports and statistics (e.g. census data, family expenditure data, agricultural production surveys, import statistics) from government ministries, universities, or other national and international organisations such as the World Bank, IMF, UNCTAD and FAO.
- Free or purchased information from chambers of commerce, manufacturers' association year books or trade directories.
- Purchased information from studies by commercial research organisations (e.g. analysis of advertising in different media, consumer buying habits).
- For those with access to a computer, an Internet search using relevant keywords in a search engine (e.g. a search for "beef+producers+argentina" produced 2,600 results). It is important to use " " and + signs as shown to narrow the scope of searches and obtain the most relevant information.

2) Later studies when production is established:

- Reports from sales staff of discussions with customers or buyers.
- Analysis of sales records and product performance (e.g. average order size by geographical area, by buyer or distribution channel; sales by pack size).
- Returned products or customer complaints.
- Financial data on the costs and contribution to profits of each product.

Table 3. Sources of information on customers

There are many different types of market surveys but one of the most useful for a small-scale processor is a survey to find the size and value of a particular market. This should also provide information about who will buy a food, when, where from, what quantity and for what price. (Market size is the total weight or volume of a food bought per month or per year, and market value is the total amount of money spent on a product each month or year). Although commercial market research companies exist in most countries, it is preferable for small-scale processors to conduct their own market research. Not only is this cheaper, but it also means

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that processors can properly understand their customers' needs, their competitors, and how the market actually operates.

Worked example: Calculating market size

A processor interviews 16 hotel and restaurant owners in the town. The number who said they would buy cooking oil at the stated price = 10 (or 62.5% of total).

And the amount they would buy = 11 litres to 25 litres (average 14 litres) per owner per month.

The total number of hotels and restaurants in the town and surrounding areas (from the telephone directory) = 148

Therefore:

The total potential demand for oil per month:

= (Total N° owners) x (% who said they would buy oil) x (average amount they would buy)

= 148 x 0.625 (or 62.5%) x 14

= 1295 litres per month.

Business promotion

To find customers and keep them coming back, a processor should promote the business in as many ways as possible, and not as a one-off activity but on an ongoing basis. Initially, most small-scale processors look for customers themselves, but as the business develops they may also employ sales staff to do this. Processors should first decide who are the target customers and buyers for their food(s), and these are the people who should be made aware of the products. Where buyers are retail or food service outlets, processors should visit the owners or managers to explain the benefits of products compared to competing brands; and also explain the service that can be provided, as well as any special deals or offers.

If the target buyers are institutions or other food businesses, it is necessary to know which individuals are responsible for both deciding the specific purchase requirements and for actually buying the products, as these might be different people. Focusing on the right person is critical: the most cost effective way is to contact the company and ask for the name of the person who is responsible for buying foods (e.g. the Purchasing Manager). Then arrange a face-to-face meeting to discuss how they make decisions when they want to buy a product, their buying procedures, and any specific requirements that they have (e.g. minimum order size or delivery requirements). The meeting should also be used to promote products using free samples and printed product information, so that the buyers remember the product when they next wish to place an order.

Buyers may hear about products in different ways and from different sources, and the more often they come across the name of a processor or a particular product, the more likely they are to consider what it has to offer. Processors should therefore promote their business and products in a number of ways:

- Get business cards printed. This is the least expensive form of advertising and cards are essential for any processor. A card should have the business name, logo, the person's position in the business and contact information. The design should be attractive and not over-complicated. Processors should leave cards with all customers in their target market and potential customers they meet at business or other events.
- Look in daily and weekly newspapers for contact information about potential customers (e.g. people in relevant local businesses who have been promoted or honoured in some way, a new supermarket manager who has just been appointed, or people who have opened new businesses that might buy your foods). Processors should send these people personal letters that describe the benefits of their products and the service offered, along with a request for a meeting.
- Research business-to-business contacts and new business registrations in public libraries, national trade directories and trade publications. New businesses are a good prospect because they may not yet have suppliers for the products that they need.
- Customers often prefer to buy products from people they know and trust. Join local business groups, manufacturers' associations or the chamber of commerce; attend trade fairs, conferences and seminars that bring potential business customers together

(termed 'networking'). Similarly, join community, religious or sporting groups to locate potential buyers who are members. By becoming an active participant in business and community groups, processors can become known in the group and meet the type of people that they want as customers.

- Ensure that everyone in a business or community network spreads positive information about your company or product by word of mouth. This type of promotion can be an important source of customers, and is more effective and lasting than media advertising because it is earned rather than purchased.
- Contact the organisers of sporting, cultural or trade events and offer free samples of products or a competition prize during the event in exchange for product or business promotion. Follow up potential customers after events to find out their level of interest in products, and also any of their business associates who may be interested in buying your products.
- For advertisements in publications, use a number of small adverts that run over a long time, rather than a single large advert: the repetition builds recognition of the company or product name among potential customers. Register under multiple category headings in business directories or telephone 'Yellow Pages' (e.g. under both 'food processors' and 'fruit juice suppliers').
- Ask for referrals by existing customers to their business colleagues who may have a need for the same products. Additionally, find processors who sell different products in the same market and ask them to refer their customers, with a reciprocal arrangement, thereby providing customers for both businesses.
- Devise a system for collecting, compiling and continuously updating lists of customers' details and potential buyers (or 'leads'). This can be done using card indexes or a computer spreadsheet programme. If computerised lists are used for direct mailing, frequent updating reduces the numbers of letters that are not deliverable.
- For processors that have a computer, join one of the free Internet-based business-to-business networks (e.g. www.linkedin.com) or subscribe to a national business network or forum.
- If there is more money to invest, consider buying membership lists from chambers of commerce or trade associations, or information on subscribers to trade publications - each may provide a large number of new leads.

Sales staff

Sales staff who contact individual buyers may go out to meet the buyers at their offices or shops, or they may work at the processing site selling products by telephone ('tele-sales') or for those with computers, using e-mail or the Internet. Tele-and Internet-sales have increased in economically advanced countries owing to improvements to communications and the lower costs compared to sales representatives visiting buyers. These methods are likely to increase in less economically developed countries as computer use and mobile phone networks become more widespread. The main advantages of sales representatives who visit buyers are that they can provide information about new services or product developments; they can deal with any problems; find new customers; and collect information about any changes to competitors' behaviour or other market conditions. However, to be effective sales staff must be properly trained, motivated and supervised. It is sometimes possible to avoid the high costs of employing sales staff by using salespeople from another business that is not in competition but knows the target customers, or hiring salespeople from a specialised agency, but neither method is commonly used by small-scale processors.

Keeping customers - customer care

Many food processors fail to realise how important it is to develop a good relationship with buyers and to look after them: there is no point spending money trying to get new customers if the existing ones are dissatisfied. The basic concept behind customer care is the recognition that buyers are the most important people in a business. It can only survive if they are satisfied with the product and the service, and come back for repeat purchases. To achieve this, processors must develop attitudes, ways of thinking, and actions that reflect the importance of their customers.

Type of survey	Uses
Customer satisfaction surveys	To measure the satisfaction of customers with your products and be alerted to any negative responses.
Customer service surveys	To measure satisfaction of each customer with the service you provide.
Other customer surveys	To collect information from customers for promotional case studies, success stories, testimonials, reviews of your product or the service you provide, or contact information.
Account closure surveys	Anonymous feedback to find the reasons why customers who do not wish to continue selling your products close their accounts with you.

Table 4. Types of customer surveys

Methods that focus on satisfying customers' needs include for example:

- Finding out what customers like about the product or level of service you provide (Table 4) and reinforce or expand this.
- Making sure that all staff have customer-orientated attitudes so that customers feel valued when staff deal with them. The most important people in a processing business are qualified and well-trained staff who are committed to good customer service, as without these all other efforts to meet customers' needs will be wasted.
- Developing a procedure that guides staff through the process of managing customer complaints and giving staff the responsibility to effectively handle complaints and make any decisions they consider necessary.
- Reinforcing the idea among staff that 'the customer comes first' or 'the customer is king'.

Note: the idea that the customer 'is always right' is clearly not true: some customers make unreasonable demands, others have unreasonable expectations and some simply do not tell the truth. Too many processors believe that good customer service means bowing to the whims of every customer who has a complaint. Clearly processors are not able to give all customers what they ask for, but they can get them to understand what is possible and what is not, in a way that they will find acceptable. In summary, know when there is a real problem that needs addressing and fix it, but do not let people walk all over you.

Customer service training is available in most countries from commercial training agencies and although it can be expensive, it may be worth considering if a number of small-scale processors join together to fund a short course, or organise it through a small business association or chamber of commerce.

The two most common complaints by customers are that a processor supplied products that did not meet the agreed quality or specification, or that the delivery was not on time. Whatever their nature, all complaints should be dealt with efficiently and promptly. If a complaint is handled fairly and quickly, the customer is likely to respond positively and feel that their complaint has been taken seriously. This can turn a problem into a benefit, improve the reputation of the business and help develop customer loyalty.

All buyers want to do business with trustworthy companies, and processors must have a reputation for high integrity so that both customers and suppliers trust them. This trust must be earned continuously and it can take time to develop. But it is worth it because satisfied customers may also tell others about the treatment they have received and so generate new customers. Trust can also be lost in an instant by poor service: if customers are dissatisfied with the way their complaints are handled, they may tell others not to buy from this processor again.

Trust can be achieved by ensuring that the quality of products is always maintained at a high standard and that all contact with customers is courteous and knowledgeable. This includes the manner in which telephone calls are answered and the way in which face-to-face meetings are conducted. In all situations, processors and their staff should be open, pleasant,

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cooperative and helpful towards customers. Ensure that any problems are addressed and solved with a minimum of effort on the customer's part, and any mistakes are admitted and corrected quickly. A summary of ways to improve customer care is given in Figure 4.

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| 1. | Treat customers with dignity and do not be annoyed at them for complaining. |
| 2. | Go beyond the minimum needed to solve a customer's problem: the customer will remember it and you will get positive word of mouth advertising. |
| 3. | A good maxim for all employees is 'under-promise and over-deliver'. |
| 4. | Don't make excuses: if it is your fault, say so and tell the customer that an error been made but you will put it right. |
| 5. | If it is your fault, don't try to blame the error on the customer, a supplier, or anyone else. |
| 6. | Do not take complaints personally - the customer may be angry about the situation, not at you specifically. |
| 7. | Listen to what your customers are saying and do not assume you know what they want. |
| 8. | Pay close attention to what you're promising, and don't let a customer talk you into more than you can deliver. |
| 9. | Give the customer your attention and do not be distracted when talking to them. |
| 10. | Address problems straight away. |
| 11. | Follow up a problem by a visit or telephone call after it has been dealt with to make sure that the outcome is satisfactory. Do not try to sell anything during this call or meeting, but use it to find out the information you need. |
| 12. | Allow customers to express their anger without interruption until they calm down; then explain that you wish to help find a solution. |
| 13. | Make an effort to put yourself in the customer's position. Regardless of who is at fault, the problem is real and needs to be addressed. |
| 14. | Offer an apology - sometimes this is all that customers want. |
| 15. | Ask questions that help you understand the problem and its cause. Listen carefully to the answers because a complaint may indicate a deeper problem. |
| 16. | Identify and explain the causes of the problem and let the customer know what you will do to rectify it and make sure it does not happen again. |
| 17. | If the customer requests something that is not possible, offer alternatives to solve the problem. |
| 18. | Act straight away and do not put the problem on your 'to do' list. |
| 19. | Keep the customer informed of progress in addressing the complaint. |
| 20. | Consider offering the customer additional compensation for the poor experience: this does not need to be financial compensation, but it should be something that the customer will value. |

Table 5: Twenty tips to improve customer care.

It is important to recognise that when a customer reports a problem there is usually a reason why the problem occurred. After finding a solution that satisfies the customer, it is important to look at the business operating procedures to prevent it from happening again. Although complaints may appear to negatively affect the image of a company, they help to find problems and improve the quality of products or the service offered. More importantly, complaints are an opportunity to show customers how valuable they are and to strengthen their loyalty. All companies fail to deliver a good service occasionally, but the difference between good companies and the others is how they respond when they make a mistake. The best processors understand the value of complaints and have clear procedures to address them.

Further information

- Customer Service Articles, Hints, Free Book Excerpts, Bacal, R., undated. available at <http://expert.customerservicezone.com/artcs/index.htm>
- Designing and Using Questionnaires, Walonick, D.S., 2000, available at www.philselfsupport.com/questionnaires.htm
- Eleven ways to find customers, Attard, J., undated, available from Business Know How, Attard Communications, Inc. available at www.businessknowhow.com/startup/findcustomers.htm ,.
- Finding and keeping customers, Anon, 2010, Microsoft Corporation at www.microsoft.com/uk/smallbusiness/business-goals/find-customers/Default.aspx
- Finding customers for your new business, Attard, J., undated, available at www.businessknowhow.com/marketing/find-customers.htm.
- Perfect Phrases for Customer Service: Hundreds of tools, techniques and scripts for handling any situation, Bacal, R., 2005, McGraw Hill.
- The Complete Manual of Small-scale Food Processing, Fellows, P.J., 2012. Practical Action Publishing, in preparation.

Websites for fair trading organisations

European Fair Trade Association: www.european-fair-trade-association.org/

Fairtrade Labelling Organisations International: www.fairtrade.net

FLO-CERT: www.flo-cert.net/flo-cert/

International Resources for Fairer Trade: www.irft.org

Network of European Worldshops: www.crossing-borders-fair-trade.com/network-of-european-worldshops.html

World Fair Trade Organisation: www.wfto.com/

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