OVERVIEW OF U.S. MARKET
U.S. MARKET

- Country of Immigrants
- Almost 50 million Americans of German descent
- Approximately 16 million U.S. Military Personnel were stationed in Germany
- Food imports from Germany exceeded $1.5 billion

The U.S. is *NOT* comparable to European markets
- Geographic Size
- Demographics
The area of Germany is 357,021 square km, or 137,847 square miles, slightly smaller than the state of Montana (MT).
MAIN POCKETS FOR FOOD & BEVERAGES IMPORTED FROM GERMANY

- States on both coasts
- The Midwestern States (Cincinnati, Chicago, Minneapolis)
- The Southeast: Florida – Tourists and Snow Birds from Europe and the U.S.
- The South: Texas - Immigrants via Galveston, Houston, Dallas, San Antonio
DISTRIBUTION NETWORK

○ Importer

  ● Technical Responsibilities
    ○ Import Handling
    ○ Warehousing
    ○ Logistics
    ○ Labeling

  ● First and Foremost a Marketing Function
DISTRIBUTION NETWORK

- Broker
  - Important connection between Importers, Distributor, & Retailer
  - Gives arms and legs to an importer’s sales force
  - Functions as the Importer’s eyes & ears regionally
DISTRIBUTION NETWORK

- Broker (continued)
  - Provides feedback on market conditions:
    - Competitive retails
    - Competitive products
    - Category Analysis
DISTRIBUTION NETWORK

- Broker (*continued*)
  - Important contributor to an Importer’s business plan proposal to a manufacturer
  - Maintains local business
DISTRIBUTION NETWORK

- Distributor

  - Distribution service to individual stores
  - Pack-Out / Shelf-Stocking
  - Shelf Merchandising: bad movements, out of codes, de-listings
  - Shelf space struggle
  - Product Rotation (example: larger retail chain)
DISTRIBUTION NETWORK

○ Distributor *(continued)*

- Geographic & demographic particulars
- Chain Authorization
- Store Distribution Management
- Regional feedback vital for the importer to establish a business plan
- Importer-Broker-Distributor-Retailer
AVENUES OF DISTRIBUTION
(Services through a Distributor)

- Ethnic Distribution
- Specialty Distribution
- U.S. Military Installation
  - Commissaries (DeCA)
  - Exchanges (AAFES)
- Supermarket Chains
- Natural Food Distribution
AVENUES OF DISTRIBUTION
Direct Importer-Retailer Distribution

- **Mass Merchandiser**
  - Wal-Mart (Wal-Mart Super Centers): approx. 2,300 stores
  - Target: approx. 1,500 stores
  - K-Mart: approx. 1,400 stores

- **Drug Chains**
  - CVS: approx. 7,000 stores
  - Walgreens: approx. 6,200 stores
  - Rite-Aid: approx. 5,300 stores
AVENUES OF DISTRIBUTION
Direct Importer-Retailer Distribution

- Warehouse Clubs
  - Business to Consumers
  - Business to Business
  - Membership Fees
  - Major contributor to profit structure
  - Mark-up supports cost of operation

- Sam’s Stores: 450 stores
- Costco Stores: 450 stores
- BJ’s Stores: 125 stores
National Accounts:
Warehouse Clubs, Drug Chains, and Mass Merchandisers

- Costco - Issaquah, WA
- Target - Minneapolis, MN
- Kmart - Chicago, IL
- B's Wholesale Club - Natick, MA
- Walgreens - Deerfield, IL
- CVS/pharmacy - Woonsocket, RI
- McLane - Temple, TX
- Walmart - Bentonville, AK
- Sams Club - Bentonville, AK
AVENUES OF DISTRIBUTION
Niche Accounts, Direct Importer/Retailer Transactions

- Trader Joe’s: Liquor, Condensed Food Assortment, Private Label, High quality up-scale assortment – approx. 320 stores

- Cost Plus: Boutique chain, liquor, specialty food, strong confectionery focus – approx. 300 stores
AVENUES OF DISTRIBUTION
Niche Accounts,
Direct Importer/Retailer Transactions

- Houseware Chains: Confectionery (Bed, Bath & Beyond)
- Office Supply Chains: Confectionery (Staples, Office Max, etc.)
- Cash Register Locations – Impulse Buys, no commodities
- Gift Packers: Specialty Food, Attractive Labels
Niche Accounts

NY METRO ETHNIC ACCOUNTS
Abraham Natural Foods
Fancy Specialty Foods
Hyun Dai International Food, Inc.
J&J City Distributors, Corp.
Morning Calm
Royal Foods International

Bed, Bath & Beyond
Building 19
Capalbo’s
Jack’s World
Lantev Distributing Corp.
MarMaxx/Concord Buying Group
Nantucket Distributing
National Wholesale Liquidators
Ocean State Jobbers
Sandler’s Gift Baskets
Setton Intl.
Staples

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IMPORTER
First and Foremost a Marketing Company

Step One

- Product Assortment
- Competitive Analysis
- Price Positioning
- Example: Top-Down Calculation – from the Retail to the Manufacturers ex factory price in Euro
- Two examples will follow
An importer usually presents a 3-year business plan. Analysis is required to justify extended distribution proposals from year to year.

- Projected Sales Volume for the next 12 months
- Marketing budget to support volume
- Test product line in areas of distribution which do not require a huge investment (ethnic/specialty/military)
- Build your brand to get ready for Step 2.
Step # 2

- Target up-scale grocery chains, boutique chains, niche accounts, etc.
- Listing Fees
- Propose budget for three price promotions per annum; example: 3.99 / 3.49
Step # 2 (continued)

- Be prepared for high volume during promotional periods (70%)
- Coupons / FSI’s
- Volume projection to justify investment
- Continue to build your brand and prepare for Step #3
Step # 3

- Target distributor and larger regional chains
- Pick divisions of national chains
- Use “Success Stories”
- Consider regional food consumption
Step # 3 (continued)

- Listen to your broker’s proposal for the right assortment
- Prepare store distribution breakdown and profit projection for the chain (to ease buyer’s decision)
- Consider store locations (demographics) in your store distribution breakdown
Step # 3 (continued)

- Aggressive promotions in the first 12 months to support movement and constant shelf presence (your distributor should be a great help)
- Very close cooperation between Importer/Broker/Distributor
- Movement reports
Step # 3 (continued)

- Back-up promotions, etc.
- High volume during promotional periods
- Order IRI-Nielsen data for category reviews
- Get ready to approach mass merchandising / drug chains
# IMPORTER
## Top/Down Calculation

<table>
<thead>
<tr>
<th></th>
<th>Every Day Retail</th>
<th>Promotional Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>35% Retail Mark-Up</strong></td>
<td>$2.59</td>
<td>$2.27</td>
</tr>
<tr>
<td><strong>30% Distributor Mark-Up</strong></td>
<td>$1.81</td>
<td>$1.59</td>
</tr>
<tr>
<td><strong>30% Importer Mark-Up</strong></td>
<td>$1.27</td>
<td>$1.11</td>
</tr>
<tr>
<td><strong>10% Import</strong></td>
<td>$1.14</td>
<td>$1.00 (in $ ex factory)</td>
</tr>
<tr>
<td><strong>ROE 1.40</strong></td>
<td>0.81</td>
<td>0.71 (in Euro ex factory)</td>
</tr>
</tbody>
</table>

*Mark-Up includes warehousing, freight out, and broker commission*
## IMPORTER
Top/Down Calculation (Direct Distribution)

|  |  |  |  
|---|---|---|---|
|  | Every Day Retail $3.99 | Promotional Retail $3.49 |
| 40% Retail Mark-Up | Importer to Retailer $2.39 | $2.09 |
| 30% Importer Mark-Up | Importer’s Cost $1.67 | $1.46 |
| 10% Import | Freight/Duty $1.50 | $1.31 (in $ ex factory) |
| ROE 1.40 | Euro 1.07 | 0.935 (in Euro ex factory) |

Direct business provides more room for investment:

- 3 Promotions / Flyers
- High listing fees (example: Target $ per sku)
- Cash Register Positions
CONCLUDING COMMENTS

- $1.5 billion exports of the German Food Industry
- Currency Fluctuation, Recession, Trade Conflicts
- U.S. Market still showed growth over the past years
- Why? This industry is more recession proof than most other industries
- High quality image
- Ethnic Heritage
CONCLUDING COMMENTS

- Effective trade promotions and PR campaigns (former CMA)
- Constant request for repeat promotions demonstrate this success
- The German Food Pavilion at U.S. Trade shows communicates a strong profile.
IMPORTER REQUEST:

- Be aware of other European countries’ activities.
- Don’t allow the expertise and connections of the CMA field offices to die.
- The U.S. will look for other opportunities if the current vacuum is not replaced.