Distributing Your Product within Hawaii

Taking your product to market, do you have to do all the work?

Overview
There are many ways to get people to buy your wonderful Hawaii-grown or -made product. Customers can come to your business and buy it directly from you, you can take it to a farmers’ market and sell it to them, you can take it to a restaurant, a wholesaler can send a truck to your farm, or it can be a combination of distribution options. Each one of these options has its positive and negative sides.

In this lesson the costs of distribution will be discussed, along with the pros and cons of different distribution models. Some local resources also will be given.

Why is this important?
Unless you sell all of your product from your farm or business, you are limited in your number of customers because only a limited number are willing and able go to your place of business (in addition, you may have insufficient parking or be located far from your customers). It is in your best interest to get your product in front of as many potential buyers as possible, national or global is often best, but statewide is a great start.

What does it cost to distribute products?
It is far easier to reach out to more buyers if someone helps you do some of the distribution work. You probably produce a very nice crop or processed food product, but if you also want to deliver that product to market, you might be diluting your focus. It might help to focus on the things that you do best and outsource things that might be better done by someone else.

For example, let’s assume that you want to deliver your product to a number of restaurants. One question is, does it make more financial sense to personally make the delivery or would it be better to have an employee do the delivery? Or, instead of an employee, would it make more sense to pay a distributor (it could be another grower or a distribution company) to deliver your product as well as other peoples’ products to your customer? Or, perhaps you want to make the deliveries for yourself and for others in your area, and start a dedicated distribution arm of your own.

To start making these types of decisions you need to know how much your time is worth. If you are making $20/hour working on the farm (wage plus some amount of the profit), but you can hire someone for $12/hour to deliver products – it may make more financial sense to hire someone to make deliveries. Driving in traffic and delivering your product may not be wise use of your time; however, making the delivery might help you build relationships and get useful feedback from customers. Determine whether your business is making more money, overall, by your staying on the farm. If so, stay on the farm and pay someone else to deliver your products.

The amount of money you will be paying for distribution is:

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<th>wage and fringe plus some part of the profit, truck cost, insurance, gas.</th>
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<td>You</td>
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<td>Your employee</td>
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Distributor flat fee per pound or unit or mile, and/or percentage of the (farm gate / wholesale) value of the product.

**Pros and cons of distribution options**
Each distribution option has good things and not-so-good things about it.

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<th>Delivery option</th>
<th>Pros</th>
<th>Cons</th>
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<td>You deliver</td>
<td>You get to meet customers and get feedback.</td>
<td>You are away from the farm. It may cost you more in lost productivity than you would pay someone to do the job.</td>
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<tr>
<td>Employee delivers</td>
<td>You can focus on high quality production.</td>
<td>It will cost you labor wages. Your employee is now the “face” of your company with your customer.</td>
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<tr>
<td>Commercial distributor</td>
<td>You can focus on high quality production. Distributor might have a better (refrigerated, covered) truck than you. Distributor might help you get into even more markets.</td>
<td>Cost you some amount of money. Will not be the “face” of your company with client as they represent many product lines.</td>
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As you can see, each option has trade-offs. It is important to think through your options carefully so that you are efficient with your use of resources (time and money).

**Using your own truck to deliver**
Your truck provides your products with protection from the weather and dust. Many growers deliver in uncovered and un-refrigerated trucks, and that is not a good practice as shelf-life will be reduced. When shelf-life is reduced your product goes bad faster and shoppers might not want to buy it again.

Your truck is also a rolling advertisement for your company. What does your truck say when it is dirty outside and inside and someone else’s name is on it? Here is a great example of a moving advertisement.

**Negotiating with distributors**
As mentioned earlier, using food distributors has a number of advantages which you will need to pay for. Discuss the following with potential distributors:

- **Cost.** How can you get the lowest cost and maintain the same quality service?
- **Shipping service quality.** Are the trucks cleaned daily and are all produce kept on pallets? Is there a refrigerator unit in the truck and is it well-maintained?
- **Insurance coverage.** How will your product be covered by insurance and what is the process for filing a claim?
- **Expanding markets.** Where else might your product be sold within your shipper’s present route?

**Where to find distributors**
There are a number of food distributors on Oahu. The yellow pages lists them under “food brokers” and “food products –
“Wholesale and manufacturers.” You can also talk with friends about the service providers they are using. Many wholesalers make farm visits to pick-up crops as well.

Shipping inter-island

Boat or air shipping is available to the neighbor islands (see the lesson on Exporting for information about shipping to the mainland and overseas). Like working with a distributor, working with a shipper requires that you know how your product is going to be handled under all circumstances (bad weather, power outage, employee strike). Ask your prospective shipper:

- Cost: How can you get the lowest cost and maintain the same quality service?
- Shipping service quality: Are the containers cleaned daily, and all produce kept on pallets? Is there a well-maintained refrigerator unit?
- Insurance coverage. How will your product be covered by their insurance and what is the process for filing a claim?
- Staging: Where will your product sit in transit? Will it be in a covered area or out in the sun? Will it be cooled or kept frozen?

Getting your product to market

The more you can get your product out to more people, the better chance you have at selling it. You can distribute your product or hire someone else to do it for you. In any case, spend some time evaluating the pros and cons of your options and pick the one that suits you best. From time to time, evaluate your decision, and make necessary changes.

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