

A Fruitcake Business Plan

The key is to view a fruit cake fund raiser as a business and do the things that make businesses successful. One of the best ways to do this is to get a club member who has successful business experience to head up your effort. This person will need help.

Important tasks include visiting outlets during the day or early evening to work out details with the store managers, delivering the cake, setting up displays, and coming back every week or two to check the display and restock as needed. Paper work, including invoices, billing and payments, must be done in an accurate and timely manner. Last, but not least, if you want back in the same store next year, is to pickup and pay for any unsold cake after the selling season, which incidentally ends in mid-January - not December 24. Club members not on the Fruit Cake Team can help in the traditional way by selling to friends, neighbors, and family.

The project should be underway by late summer. The Fruit Cake Chair should pull the team together to develop the business plan. Here are some elements to consider:

Who can do what? This addresses your people resources and includes interests, experience, skills, and available time. Before finally deciding how many and which stores you will approach, you need to feel comfortable with your ability to service them during the selling season. You will find some people are willing to go out making sales calls while others are scared to death of this, but will be happy to service the store after the sale is made. Next in importance is who will setup and manage the paperwork systems and deal with billing and refunds. This person does not have to be the club treasurer, but needs to work closely with the treasurer. Does someone have a business with a truck loading dock where you can have the fruit cake delivered?

What stores will you offer cake to? Initially stay local and try to cover the outlets close to home. The sale may be easier and servicing through the selling season will be easier. Your outlets can include both locally-owned businesses and chain stores. It is very okay to sell through competing stores; in fact, it is only fair to give everyone a shot at selling a great product. Don't offer a store or chain an exclusive!

Define your sales campaign. The fundamental message is that carrying Claxton Fruit Cake is good business. Stores can price it to get good markups, and it sells well at a typical retail of \$4.00/ pound. Further, your club is local and in position to service the store(s) during the selling season and will take back unsold cake at store-cost at the end of the season. Once the sale is made, then you can tell store people about how your Claxton project benefits your club and community. Most will be interested and will work to get you good display throughout the season.

Select products to be offered. Keep it simple. I recommend one and two pound, light cake only. These two items represent the bulk of Claxton's sales and one-pound outsells two-pound by three to four times. Offer a free display. I recommend the \$5.00 (your cost) corrugated shipper, which gets thrown away at the end of the season or before (if you let it get empty). It is also cheaply replaced if damaged. Much more expensive reusable, wire racks are also available from Claxton, but you have to watch them like a hawk so stores don't throw them out.

Set fair pricing. First and foremost, you must set wholesale prices that adequately reflect the service you will need to provide your resellers. Where you do direct store delivery, which can include setting up the instore display initially and must include checking the store during the season and restocking as needed, your selling price should be at least \$3.00 per pound. (Note that Claxton Fruit Cake sells very well at \$4.00/pound retail, providing a normal grocery markup. Don't let a store make you cut your price! If they don't like your price, don't sell to them.) Where you sell cake to a chain for delivery to their distribution center and where they do the final distributing, your price can be less. Assume that you will be responsible for taking back unsold cake and include some insurance to cover this in your price. You must offer the same deals to each of your resellers.

Some clubs are in the situation where their prices have been well below those mentioned above. In the worst case, low prices have not returned profits to a club consistent with the effort they put forth, and they have dropped selling fruit cake. In any case, there are concerns that raising prices will cut sales, and possibly leave the club stuck with unsold cake at the end of the season. If this is your situation, consider the following points.

(A.) In the Southwestern Ohio area, we raised prices \$0.25 per pound in 1993 and again in 1995 and saw no loss of sales in either chain stores or our direct sales. And, we are not a high cost-of-living area. Further, we sell Claxton very well at \$4.00/ pound in stores that also stock competitive cakes at \$3.00/pound.

(B.) If you choose to raise prices, a \$0.15 to \$0.25 per pound increase per year seems like a reasonable increment even if it does not bring you to your final target price immediately.

(C.) If you are worried that sales will suffer from a price increase, order less than normal initially, watch how sales are going at the new price, and order more as needed say the first or second week of December. Any loss of sales should be modest if any, and you should show a higher final net even if total cases drop a bit.

Cake sold by club members individually to friends and neighbors and sold by others as a service to the club without them taking a markup can be priced differently. I would suggest \$3.50/pound or \$72.00/24 pound case (\$3.00/pound). Don't worry what your resellers are selling the cake for. Individual sales by club members will not detract from store sales and will increase you total sales. If your prices are now below these levels, follow the above strategy to slowly raise prices until your target level is reached.

Finally, Claxton has made a major effort to keep their prices to you stable. There was no price increase in 1998, and it is only \$0.02/pound for 1999. This means that once your pricing is right for your club's situation, you should be able to hold it for some years and concentrate on increasing sales.