

Introduction

Rosemont Market, Inc. is a local food hub of retail stores located in the Portland area and a major player in the local food movement. They estimate that 40% or more of their annual revenue comes from locally-sourced food, and they aim to increase that even more going forward. They applied for and received a Phase I grant from the USDA Local Food Promotion Program worth \$58,550 to understand more clearly the strategies that would lead to increased local food sales and awareness (USDA).

Since consumers spend approximately 15% of their income on food each year,¹ and are often willing to pay more for local food, there is a sizeable market to be tapped. Consumers are more conscious about their food than they have been in the past, and consumer knowledge is a major driver of food purchases. People want to be more connected to their food, and they're more aware of how their food choices impact their personal health and the health of the planet. For example, farmers markets across the US have increased by over 200% in the last decade as consumers turn away from big box grocery stores and towards local producers².

While these are national trends, they may even more pronounced in the state of Maine, where food is a major industry. Approximately 16% of the labor force in the state is related to the broadly defined food industry.³ Maine is also well known now as a "foodie" destination to visitors and residents alike. Local food helps to keep money in the community, an important consideration especially in the more rural parts of Maine. Overall, the number of farmers in the state has increased since 2007, and specialty agricultural goods like craft beer, seafood from aquaculture, and organic foods have increased sharply in popularity⁴. Consumers love these local products as any visitor to Maine's many breweries, farm-to-table restaurants, or retail outlets can attest.

Rosemont's goal with this Local Food Development Plan (LFDP) is to support local farms by selling and marketing more local food to their customers, which in turn will satisfy increasing consumer demand. To do so, they are creating new business opportunities for new farmers and producers as well as extending their current relationships with suppliers and farms. For example, Rosemont is now participating in events like the Portland Food Fest or Fork Food Lab events and interacting with groups like the Portland Food Council and the Greater Portland Council of Governments. With their current farm partners, they've made efforts to plan on

¹ USDA. "Food Expenditures." USDA ERS - Food Expenditures, US Department of Agriculture, 8 Aug. 2017, www.ers.usda.gov/data-products/food-expenditures.aspx

² Low, Sarah A., et al. Trends in US Local and Regional Food Systems: Report to Congress. United States Department of Agriculture, Economic Research Service, 2015.

³ Gabe, T. M. et al. (2011). "Economic Contribution of Maine's Food Industry." *Maine Policy Review*, 20.1: 36 -45.

⁴ Biemann, B. (2015). "Growing Maine's Food Industry, Growing Maine. The Maine Food Cluster Project." Harvard Kennedy School, Mossavar-Rahmani Center for Business and Government.

longer horizons and are currently building a washroom for farmers to process and package produce directly at the Rosemont warehouse, eliminating the need for the farm partners to do so independently. Additionally, Rosemont has taken staff to visit their farm partners to increase staff education for greater sales at the retail level. They are fully committed to creating tangible outcomes as a result of work accomplished through the USDA's Local Food Promotion Program.

The purpose of this Local Food Development Plan is to outline the implementation strategies Rosemont intends to take based on research findings. Now that they have consumer insights, marketing and branding insights, a supply analysis, and a deeper understanding of transport and processing issues, they are well equipped to take action and truly develop and increase sales for local food through their markets. Improving aggregation and distribution channels, increasing warehousing and processing capacity, and altering their sales, marketing, and branding strategy are the three main ways in which they will accomplish their goals.

Research Results

a) Consumer Insights

In order to learn more concrete information about the local food opinions of their consumers, Rosemont, working with experts at Atlantic corporation and the Maine Center for Business and Economic Research (MCBER) at the University of Southern Maine, conducted an extensive survey of Rosemont customers. The goals of the survey were to understand consumer product preferences, seasonal expectations, local food demand, and price sensitivity. Surveys were conducted via iPads in Rosemont stores and via online links to the surveys distributed in their email newsletter. Because this survey drew from Rosemont's customers, the results of this survey are biased towards consumers who were already shopping at a "local" market and are not representative of the larger population. More information about broader consumer preferences can be found in the Maine Food Strategies Survey from 2014.⁵

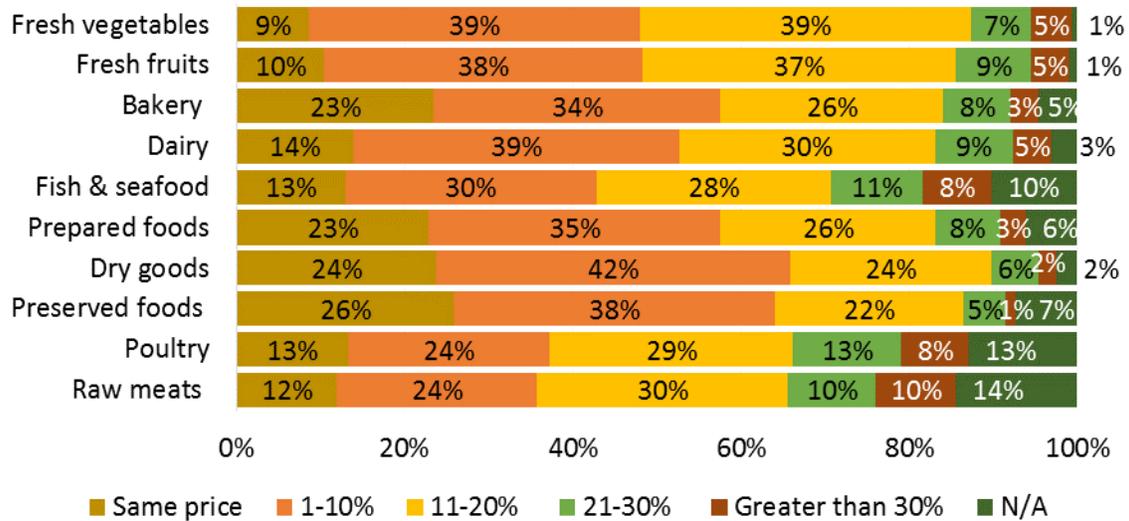
The survey found that the demand for local food is strong, even if no one can agree on a concrete definition of local food. Customers assume that local food comes from 50 miles from their home (21%), the state of Maine (39%), or the region of Northern New England (28%) (Consumer Demand Survey). Consumers are more stringent with their requirements for "local" when the food in question is produce, whereas they are willing to be more flexible with that definition for meat products.

According to the results from the Consumer Demand Survey, there is certainly growth to be had in the local food market. Approximately 3 out of 4 survey respondents said that they expect to increase their local food purchases in the future, and the remaining respondent said that he would keep his local food purchases at the same level. Most Rosemont shoppers are spending 25-50% of their food budget on local foods. No matter what size the household budget is, almost half of the survey respondents spent 25-50% of their food budget on local food. Quality is the number one factor that

⁵ Lapping M, Maine Food Strategy. The Maine Food Strategy 2014 Consumer Survey Report. Portland, ME: Maine Food Strategy; May, 2014.

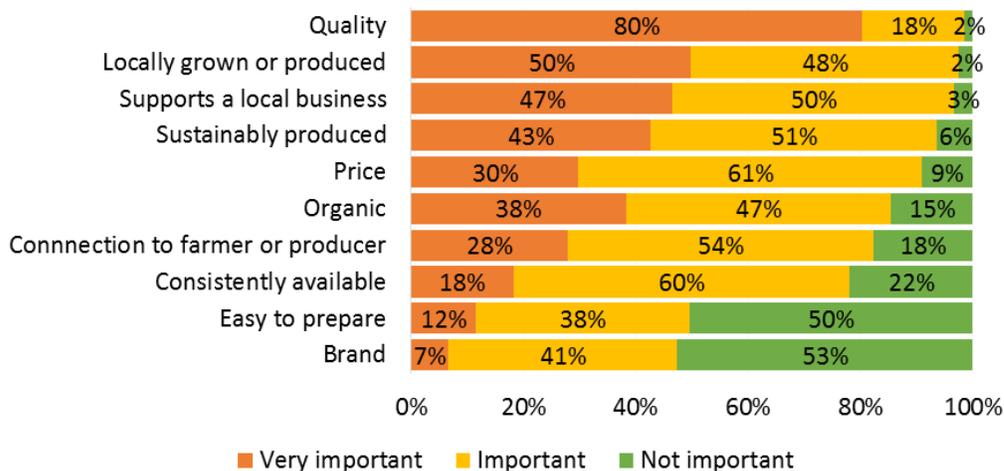
people look for in their local food purchases, rather than price. In fact, the survey revealed that consumers are willing to pay more (1-10% more, 37% of respondents; 11-20% more, 31% of respondents) for local foods (Figure 1). With meat, consumers are largely willing to pay a larger premium: 25% of respondents were willing to pay more than 20% extra for those products. The top selling local food product among consumers is produce, whereas meats are more of a niche market.

Figure 1 – Willingness to pay for food locally sourced and available in all seasons when compared to a product outside the local region.



Most people are buying their local food at local food stores (98% of respondents) or chains that make a commitment to selling local food (~80% of respondents). They consider the availability of local foods as a major factor when deciding where to shop (Figure 2). Shelf tags and in-store signage are crucial to a consumer’s understanding of where his food comes from. Getting that information to consumers helps them feel more connected to their food and who grew it.

Figure 2 – Factors of importance when making food purchasing decisions.



b) Local Marketing and Branding

As stated previously, many consumers, especially in Maine, love their local food, and most of them are purchasing that local food at independent grocery stores like Rosemont. In response to consumer demand, the potential supply, and feasible distribution, the local food must be marketed in such a way to entice consumers and increase sales.

Customers like it when their grocery stores participate in outreach efforts and increase their selection of local food. They're willing to pay a higher premium, and they often (92% of the time) look at labels to discover where their food comes from (Figure 3). Consumers report that effective marketing and signage increase their purchases of local food. There are different ways to market the product, though, with varying degrees of effectiveness. Rosemont and Atlantic worked with Marketing Strategy Decisions to consider what other local, independent and national grocers are doing to promote their local food selections, and to learn the best practices for marketing local food.

One large regional grocery chain with a presence in Maine has been having a lot of success with their local food promotions. In 2015, a BIZ Magazine reported that the chain's sales of local food were up by 35% over the previous year. Their major marketing campaigns focus on "Close to Home" and the "We Love Local" signs. Both of these campaigns rely on in-store signage to be effective and employ a broad definition of local food. The Close to Home program highlighted products from the state where the store was located, but that program seems to be phasing out in favor of the We Love Local campaign, which considers all of New England to be local (Figure 3).

Figure 3 – A variety of local food marketing techniques, taken at markets around the Portland area. From top to bottom: an example of "We Love Local" shelf tags, an example of permanent signage about the local suppliers, and an example of a shelf highlighting local processed products.



A high-end, national grocer has similar programs in terms of product tags, but has more permanent signage than the regional chain. In the store entryway, there is information about the home state of the store as well as a list of key local suppliers to provide context to the local food within. The store frequently employs shelf tags that let consumers know the name of the farm and its location, and some products have posters with information about local suppliers on them (Figure 3).

A large and independent local grocer proudly announces its commitment to local food as part of the storefront; a large map of Maine is in the entryway identifying Maine products and producers. Other markets have permanent shelves dedicated to Maine made products in addition to having shelf tags. Other small and specialty food markets declare their support for local food on their website materials but do not mirror that with in store shelf tags (Figure 3).

c) Supply Analysis

Agriculture has been growing in the state of Maine to the tune of a 24% increase in production in the past decade (NASS 2012). The increased production has resulted in what some consider to be a saturation of local food in the market, and many farmers have had trouble finding a market for their goods. Another goal of Rosemont's local food development plan is to guide farmers to expand their current markets and reach a larger volume of consumers. To understand supply, Rosemont and Atlantic partnered with the University of Maine Cooperative Extension for Cumberland County (UMaine) to interview and compile potential supplier data and add it to the Rosemont network database.

Almost every farm they interviewed was very interested in having a supplier relationship with Rosemont, and they either have products that are already available to supply or would increase their production plan to make the supply available. All farms that were contacted would be able to deliver to Rosemont directly or arrange delivery through a distributor. In fact, 17 of the farms contacted are located 50 miles or less from Portland. Additionally, 12 of the farms have at least some products that are available all year round. As consumers look for increased availability of products, having year-round local options would be valuable.

The farmers contacted were excited about the opportunity that selling to Rosemont offers. Many farmers expressed that they wanted to expand their reach, but were having difficulty locating wholesale accounts. Rosemont serves an important link in the food web of local farmers – their low minimum quantities allow even small or midsize farmers the ability to wholesale their products. Plus, to further drive local product sales, Rosemont is increasing their interest in processed or value added foods (e.g. salsa or tomato sauce), which gives farmers a competitive outlet for their products outside of the normal season.

d) Transport and Processing

Rosemont currently runs a robust aggregation and distribution system, with delivery routes going from stores, to vendors, to the kitchen, and to the warehouse on every day of the week. Rosemont currently runs four main delivery lines: the first run,

which runs seven days a week for 83 miles; the second run, which runs seven days a week for 44 miles; the third run, which runs five days a week for 36 miles; and the meat run, which runs two days a week for 14 miles (Distribution Analysis). During any given week, the Rosemont routes cover approximately 1100 miles, which takes delivery drivers almost 42 hours to complete in four different vehicles.

As can be deduced from the frequency and length of delivery routes, Rosemont already has a large volume of goods going through their distribution chain. At maximum capacity, their kitchen, bakery, warehouse, and butchery turn out \$17,500 worth of product per day: \$8200 in warehouse items, \$2200 in bakery items, \$3800 in kitchen items, and \$3300 in meat products. But, the facilities are not always filled to maximum capacity. On average, the facilities produce \$14,600 worth of food per day: \$6600 in warehouse products, \$1500 in bakery products, \$3500 in kitchen products, and \$3000 in meat products (Figure 4). Currently, their facilities operate at 84.4% of capacity, and by increasing that percentage to 100%, they would add \$2900 in additional food value per day.

Figure 4 – Table illustrating Rosemont’s Operational Value Capacity.

Operation	Current Daily Volume	Max Daily Capacity	% Unused / Value
Warehouse	\$6,600	\$8,200	20% / \$1,600
Bakery	\$1,500	\$2,200	31% / \$700
Kitchen	\$3,500	\$3,800	8% / \$300
Butcher	\$3,000	\$3,300	9% / \$300
<i>TOTAL</i>	<i>\$14,600</i>	<i>\$17,500</i>	<i>16.6% \$2,900</i>

Implementation Strategies

The goal of this local food development plan is to outline concrete strategies for increasing the volume of local food sales at Rosemont. The three major strategies that will be implemented involve expanding aggregation and distribution, increasing warehouse space and processing capacity, and improving the sales, marketing, and branding strategy. Taken together, these three initiatives will undoubtedly increase local food sales, benefitting both consumer and farmer.

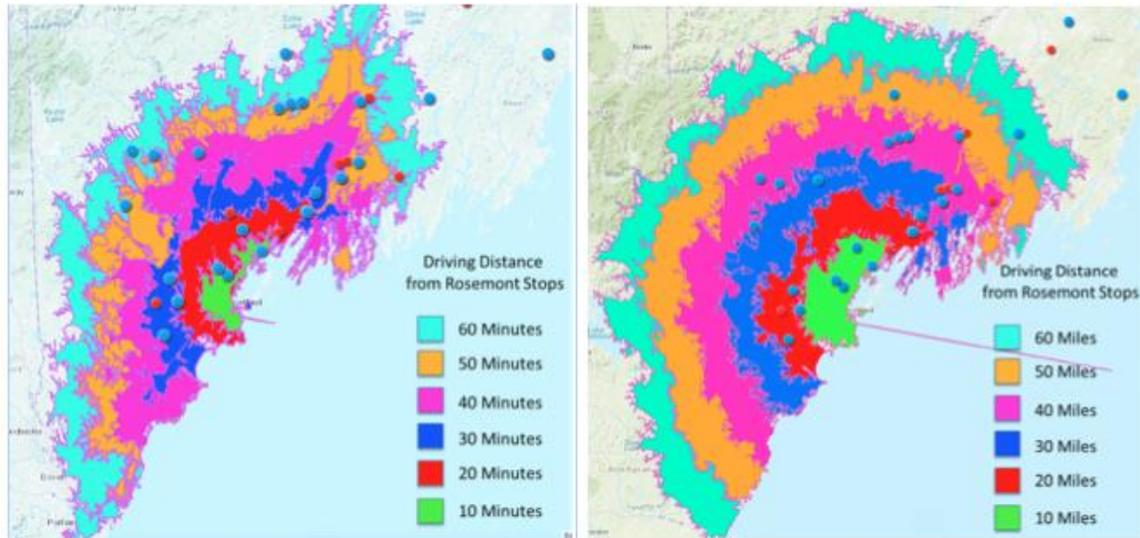
a) Aggregation and Distribution

Increasing local food supply through expanded delivery and aggregation capacity is the key first step in increasing revenue. Rosemont operates at full aggregation and distribution capacity with their current set up, but expanding delivery may be relatively straightforward to accomplish. As part of this local food development plan, Rosemont will increase route frequency, capacity, and efficiency.

Rosemont currently runs four delivery routes spanning 1,100 miles and could either pick up goods from partners along the way or at designated points. Out of Rosemont’s 27 current farm partners, 41% are located 30 minutes or less from a current delivery

stop. When that time is increased to an hour or less, the percentage of farms that would be covered jumps to 78% (Figure 5).

Figure 5 – GIS maps showing current suppliers (blue dots) and prospective suppliers (red dots) within 60 miles and 60 minutes of Rosemont aggregation and distribution routes.



Because one of the goals of the local food development plan is to bring on new farm partners, Rosemont would also likely be able to incorporate new farms into their delivery route. Out of an initial 10 prospective partners, 50% are located within 30 minutes or less from a current delivery stop. When the radius is increased to an hour away from the delivery stop, the percentage of farms that could be included jumps to 80%.

Increasing the range of Rosemont’s delivery routes will allow both current and prospective farm partners better access to Rosemont’s customers. Customers in turn will benefit from having a larger selection of goods from the new partners, as well as increased availability of the goods from the current partners. Rosemont expects that doubling their aggregation and distribution staff and fleet of vehicles will allow them to double their current volume. This expansion in resources would allow them to, minimally, double aggregation and distribution of local products, satisfying both the needs of the consumers and the farmers.

b) Warehousing and Processing

The larger bottleneck to local supply is Rosemont’s processing capacity. Rosemont currently has six types of processing and production facilities: bakery, kitchen, butchery, warehouse, and an office for administration in addition to their retail locations. All of these facilities, running at maximum capacity, process \$17,500 of retail revenue per day. With new suppliers and the goal to increase local food volume, Rosemont needs to allocate funds to augment existing facilities and increase that processing capacity. Processing the additional local products will of course take a substantial amount of resources in terms of additional equipment, increased labor

costs, and an expansion in space. To meet the demand of consumers and handle the influx of new products, Rosemont will need to invest more capital in those six facilities.

The first step is to increase the capacity of the warehouse. Rosemont’s warehouse is already well equipped to handle a large volume of goods, but in order to double the amount of local food moving through the chain, the warehouse needs to be expanded to add approximately 2100 square feet of space. Rosemont, working with Portland-based Coastal Equipment, had plans to add approximately 600 square feet to the current warehouse space through construction of a mezzanine level. During the course of completing the research reported here, it became clear that that the additional space would only serve as a short-term solution and implementation of the LFDP would find them at capacity in short order. The company projects a need for twice as much warehouse space and over \$200,000 worth of extra equipment with increased personnel to double its warehousing and handling of local food.

What’s more, there is a great need to increase the capacity of the bakery, kitchen, and butchery. The bakery will need to add an additional 800 square feet of space and add essential pieces of equipment like dough mixers and convection ovens. The necessary equipment will cost \$151,000. The kitchen carries a similar cost footprint; that facility needs to add 1200 square feet of space and \$146,000 in equipment. Expanding the butchery is a more modest project. The butchery needs 500 additional square feet and \$46,000 in equipment. Each expansion comes with a corresponding need for more personnel.

In total, across all six facilities, Rosemont estimates the need to expand operational square footage by 72%, increase staff by 50%, and invest \$684,000 in equipment (Figure 6). Rosemont also plans to increase the number of retail outlets and total retail square footage with this local food development plan, doubling their current retail footprint. In order to accomplish that, they will need to expand their staff 104 to 156 individual employees.

Figure 6 – Table showing the monetary value of the LFDP Operational Needs.

Operation	Current Sq/Ft	Weekly Staff Hours	Needed Sq/Ft	Needed Staff Hours	Needed Equipment Costs
Bakery	4,000	302	4,800	452	\$151k
Kitchen	2,400	850	3,600	1,250	\$146k
Butchery	1,000	280	1,500	420	\$46k
Warehouse	2,100	400	4,100	600	\$209k
Administration	432	80	1,000	120	\$6k
Retail Stores	7,500	2,240	15,000	3,360	\$126k
<i>TOTAL</i>	<i>17,432</i>	<i>4,152</i>	<i>30,000</i>	<i>6,228</i>	<i>\$684k</i>

With the gains made by this Local Food Development Plan, Rosemont estimates that they will hit their maximum operating capacity soon. To combat that and allow for even greater expansion, they have committed to consolidating all operations into one new facility. This 12,000 square foot facility will be the most cost-effective way to accomplish their goal of doubling sales of local food over the next three years.

Increasing local food offerings will be accomplished in current stores with increased seasonality, products from new suppliers, and the substitution of non-native products for local ones. Customers surveyed said they wanted their local food to be available for longer periods during the year, and some of the most common items they wanted more of were salad greens (35% of respondents), berries (29%), fish (27%), apples (23%), and tomatoes (23%) (Consumer Demand Survey). Rosemont has already started to meet this demand through the initiatives of the LFPP – for example, they added a new supplier of greenhouse-grown salad greens and are working with farms to can tomatoes for winter and spring sales – and sales will increase even more as they expand offerings.

Products from new suppliers serve two purposes in expanding local food in stores: consumers are able to have multiple local options for one type of product, or are able to enjoy a wider selection of local food options. The most frequently purchased local food items are fresh vegetables and fruits, and new suppliers are able to add that produce to Rosemont's offerings. Of the prospective new suppliers identified, 11 of them are able to provide products like mixed vegetables, heirloom tomatoes, and/or root vegetables (Supply Analysis).

Plus, new suppliers added in the last year have done much to diversify Rosemont's local products and many of those can be substituted for non-native products. Where customers would once purchase tortillas from California, they now have the option to purchase tortillas right from Portland, Maine. Other local products that will now be options for a locally minded customer are energy bars, barbeque sauce, sriracha sauce, soda and tonic water, and potato chips. For the 71% of consumers that are looking to increase their local food consumption, having these options highlighted with signage right alongside of the national product will likely result in a purchase of the local product over the national product – a win-win situation for increasing local food sales.

c) Sales, Marketing, and Branding

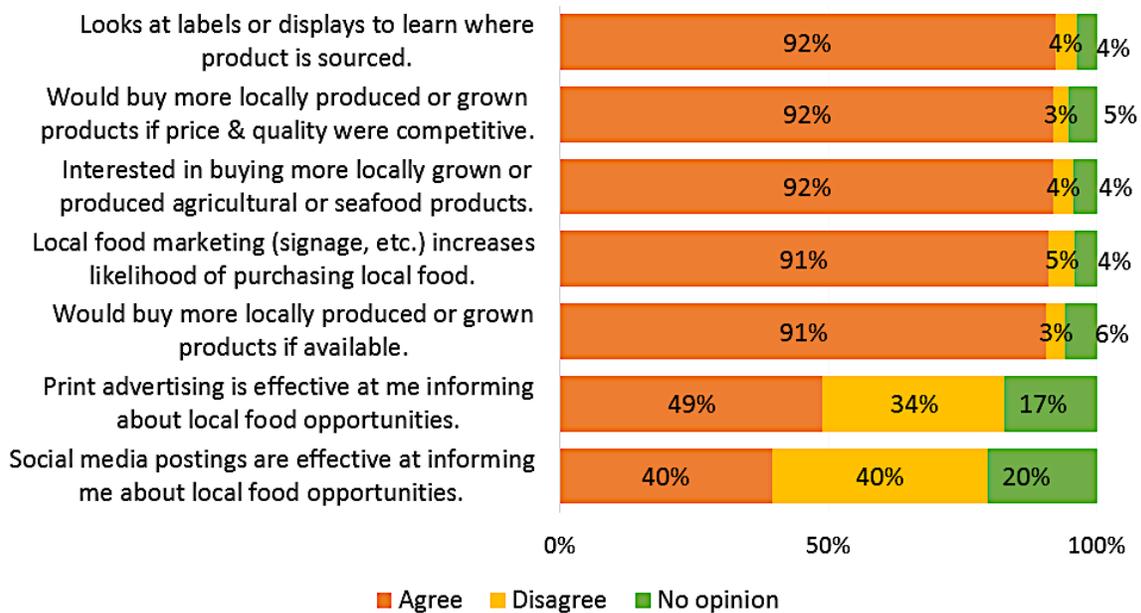
Of course, once all the local products are aggregated and processed, they must be sold to full realize the goal of promoting and selling more local foods. Revenue expansion from these local products will come from a different pricing strategy. Customers reported that they were willing to spend more money on local food when compared to a product sourced from somewhere else (Figure 1). For produce, most people (78% of respondents) were willing to pay anywhere from 1-20% more. For proteins like poultry, meat, and fish, customers were more willing to pay more, with approximately 50% of respondents saying they would pay 11-30% or more for those products. These results suggest that Rosemont can capitalize on consumer demand for local food and charge more for these products, thus increasing revenue.

Of course, revenue will not increase if Rosemont does not effectively market local products; their marketing strategy is a key component to increasing local food sales. In terms of promoting the local food offerings, many of the current marketing strategies will remain in place, but the approach to marketing will become more cohesive. Rosemont's current advertising for local food incorporates elements of

many productive marketing techniques: permanent signage, a tagline announcing their commitment, and clearly labeled produce. Rosemont also has reviews written for some local products as shelf tags, similar to staff picks found in a bookstore.

It is essential for consumers to know that the food they are purchasing is local: 91% of people said that shelf tags increase their likelihood of purchasing local food, and 92% of respondents said that they look at labels to learn where food is sourced (Figure 7). Without effective signage in stores, the investment in adding more local products would be wasted. The revised marketing strategy incorporates a plan to be consistent and comprehensive with shelf tags identifying local products and to use permanent signage in high visibility areas to communicate the store’s commitment to local goods.

Figure 7 – Marketing and local food demand statements taken from the Consumer Demand Survey.



More extensive employee training is going to play a large role in effective marketing of local food. Rosemont will equip their employees with local product information so that if consumers have questions, they can confidently answer them. Plus, employees will be involved in actively promoting these local products through initiatives like “Ask Me About Local” buttons worn on uniforms.

In addition to Rosemont’s efforts, supplier point-of-sale materials can be leveraged to increase sales and will be a feature in the revised marketing strategy. Using these materials in addition to Rosemont’s materials will highlight the commitment to the local supplier, as they will get more exposure as a result of the signage. To complete the loop of local commitment, Rosemont will also work to promote key suppliers and showcase materials that give consumers additional information about where their food comes from.

To further demonstrate their involvement in the local community, Rosemont will also work on offering educational and community programs that emphasize all things local at both their retail stores and elsewhere in the Portland area. Another way they will further ingrain themselves in the local environment is to have a community board that reinforces the local feel of the store. The key is to make Rosemont the destination for local goods and to have it be a prominent feature in the community.

Online and print materials will also be used to promote local food. When asked, only 40% of respondents agreed that social media is effective at informing them about local food (Figure 7). However, there are ways to be more effective with social media. One of those ways is to leverage and cross-promote local supplier social media so that readers will see a variety of content. Another way is to use e-mail as a vehicle for a newsletter showcasing local farmers and seasonal goods. More consumers thought that print advertising for local goods was effective (49% vs 40%), so print marketing efforts will also focus on highlighting local food. Taken together, these marketing techniques will be instrumental in capitalizing on consumer demand and increasing local food sales.

Conclusion

Rosemont's commitment to local food is unparalleled and their goal is to double local food sales in the very near future. Indeed, Rosemont has already met or exceeded many of their goals in the LFPP. They have added new partners, expanded their business to business relationships, increased seasonality with existing products, and built new market opportunities for their partners. As a result, they have seen their customers increase by 2% overall, and their sales of local food have increased 25.8% in just one year. To further increase sales, they plan on constructing a new consolidated facility that will house all of their operations under one roof and will be more cost effective than having disparate facilities. Additionally, they plan on adding additional aggregation and distribution capacity on an as-need basis. They also plan on increasing their retail outlet space to bring more local products to consumers, and have a correspondingly robust integrated sales and marketing plan to make the most of that additional space. Rosemont's efforts through this Local Food Development Plan will satisfy farmers, suppliers, and consumers, all of which share the same goal of increasing local food consumption.