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Emerging Food Hubs: What's in It for You?

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This article is the second in a series bringing presentations from the Strategic Marketing Conference sponsored by Cornell University's Agricultural Marketing and Community Development program to you. The conference gathered representatives from food hubs, collaborative marketing ventures, online marketing services, and online market development businesses.

Attendees heard about two new models being rolled out in New York. The models are Good Eggs, conceived and initiated first in San Francisco and being brought to New York City, and Wholeshare, a new version of the consumer buying club being implemented in regions across the United States.

Good Eggs NYC

Presenter – Josh Morgenthau

Good Eggs NYC started home deliveries in Brooklyn, NY October 2013 (with Manhattan scheduled to begin in the Spring of 2014). The model uses an online marketplace to take customer orders while workers put together the orders from a food hub warehouse or fulfillment center and deliver the orders throughout the borough. The twist on this home delivery service is that Good Eggs is working with local growers and food makers to deliver locally grown and locally made foods direct to consumers.

The food hub or fulfillment center is only one piece of the supply chain. Good Eggs chooses which farms or food maker to partnership with based on first and foremost consistent and high quality, products their customers want, and compatibility with existing products to “protect” current producers. It maintains a direct connection from consumer to the farm or food maker by maintaining a “grand central” website from which a customer can either shop by product or shop by individual farm or food maker. Although the farm manages its own web “farm stand” on Good Eggs’ website, the stand is built by Good Eggs with the same look, layout,

and organization as all farm stands. Good Eggs also will send a photographer to the farm or food maker to photograph the products for their website.

The farms manage their own stand's:

- product photos
- pricing, discounts, availability limits, inventory limit (count)
- daily orders from customers and can interact with customers via email

This self-management is a major benefit to the grower as it allows them to coordinate sales through Good Eggs with their existing harvest schedule, availability, transportation schedule to the NY City region, etc. A participating grower is able to know their products are pre-sold, limits quantities available for sale when there is a short supply, and set their own prices.

Many of the growers offer their CSA shares through Good Eggs. Farms in the Hudson Valley can benefit from this expanded customer base as there are some indications of CSA saturation in Hudson Valley.

Farms and food makers bring the products that are ordered by their customers to the fulfillment center where they are then assembled with the rest of the order and delivered. The fulfillment center operates "just in time" which means that it does not hold product that has not been ordered and empties more or less daily. In general it takes about 36-48 hours between shopping online and delivery to the customer. Orders are what is termed "skip day" orders, which means orders taken by Good Eggs on day one are sent electronically to the grower first thing on day two for harvest with shipment to Good Eggs for receipt early on day three where orders are sorted and delivered by the end of day three.

Good Eggs receives 25% commission on product sales. For instance, if one roll costs \$1, the food maker receives \$0.75 and Good Egg receives \$0.25. In turn, it charges customers a very competitive delivery fee of \$2.99 or \$5.99 depending on the delivery time and delivery window.

The primary difference between this food hub and a wholesale food supply chain is not the use of technology or online ordering system or even home delivery. Rather it is maintaining product identity through the supply chain to the customer and giving the customer direct access back up the supply chain to the farm. Jenna Wortham, reporter for *The New York Times*, tested Good Eggs home delivery and stated, "... the true thrill of getting food from a local grower is that it removes the degrees of separation from its source."

Wholeshare

Presenter – Peter Woo

The Wholeshare has identified that 96% of the food purchased is through traditional retail outlets. This means that most direct marketing methods used by farmers (Farm markets, CSA, etc.) are missing a major potential source of sales. So, the Wholeshare model works to bridge this gap by focusing on linking consumers together (aggregating consumer purchase power) so that they may purchase directly from wholesale entities in a region.

Wholeshare has over 100 groups in New York and Northeastern Pennsylvania, often run by farmers. To make this happen Wholeshare relies on a network of buying groups (clubs) that are connected to or “housed” at a farmers’ market, CSA, farm stand, or similar type of direct marketing channel. There is a designated coordinator who is the main interface for order placement, communication, and distribution. The coordinator earns 5% commission for ordering, managing orders, and breaking apart deliveries into orders

Wholeshare groups are often started with the coordinator establishing a group with 3-4 families who then expand the club via word of mouth recruitment until it has reached its maximum or desired size/composition.

Some keys reason for a grower to consider becoming a Wholeshare coordinator is the ability to select the source (selectively block) products being sold to the buyers in the Club. That is to say, that when club member’s strawberries are in season those farm’s berries would be the ones listed and sold to the buying club. Another aspect is the control of markup percentage on a product by product basis. So, the produce that comes in and requires additional washing or other handling requirements can be assigned a markup percentage to account for the Coordinator’s or Club staff’s time to handle these product needs.

What makes the Wholeshare model interesting is the opportunity and ability to bring a wider selection of local, sustainable, or source identified food products to a greater geographic region.....not just to urban, or high population density areas in the state.

The Wholeshare system is flexible. It permits presale of products, with Wholeshare facilitating payment from the consumer, and to the grower as well as on-site sale of products by the Coordinator who then handles the flow of payment from the buyer to the grower.

References:

Wortham, Jenna. “Good Eggs, a Virtual Farmer’s Market, Delivers Real Food,” *The New York Times*, November 13, 2013.

Videos of the presentations at the 2013 Strategic Marketing Conference conference website can be viewed at: http://aem.cornell.edu/outreach/strategic_marketing_conference.php

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