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Marketing Specialty Cheeses in New York: A Piece of Cake?

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Marketing specialty cheeses looks so easy. They're featured in mail-order catalogues and are described in newspaper and magazine articles using adjectives that tantalize our salivary glands. Specialty cheeses are even highlighted on the big screen, albeit as a favorite food of Wallace, of Wallace and Gromit fame. In short, this degree of infiltration across marketing platforms suggests specialty cheeses are resonating with consumers on a national level.

In the *Smart Marketing* article published in October 2004, we shared some of the product and market characteristics that appeared to be working in the New York specialty cheese maker's favor including proximity to a large urban market (e.g., New York City), increased demand, and available discretionary income for specialty food products on the part of consumers. The marketing report has since been completed, and in each of the three New York markets surveyed (New York wineries, New York City specialty/gourmet shops, and upscale, white tablecloth New York City restaurants) a few key points emerge that further help guide the small scale cheese maker.

New York Winery Market

All market respondents express interest in working with local cheese makers and in having access to their specialty cheeses. Winery respondents are motivated to work with local

cheese makers for two reasons. First, retailers believe they will pay a lower purchase price when buying directly from the cheese maker versus a distributor. Second, respondents indicate a genuine interest in supporting their local economy. Additionally, respondents felt that direct purchases would encourage more information about the cheese's story—animal care, milk production, hand-crafted cheeses, etc.

Two critical drivers in the winery market revolve around product demand schedules and price point characteristics. Relatively small estimated demand volumes (e.g., up to 40 pounds per month), coupled with a strong seasonal component quickly shape the demand picture. While respondents believe their customers would look quite favorably at having a broader scope of local cheese and wine pairings, they note that total market size is still limited. The smaller-scale cheese maker may find this a more attractive market outlet in terms of the timing and volume compatibility of milk production and consumer demand.

Second, there was considerable uncertainty in respondents' perception of what consumers would be willing to pay per pound of specialty cheese. Of those providing price range estimates, respondents thought consumers would be willing to pay an average per pound price of \$6.79. Weak price point interpretation suggests that this will be an area for the winery owner/manager and cheese maker to address early in their marketing relationship. Well-defined production cost knowledge on the part of the cheese maker will work to further enhance the price discovery process.

New York City Specialty/Gourmet Shop Market

The New York City specialty/gourmet shop market offers an opportunity to showcase products to a generous number of consumers. Retail respondents indicate continued growth and consumer interest in local food products, and cheeses in particular. Presently though, imported cheeses not only outnumber domestic cheeses, they are often less expensive. Granted, the production cost structure of specialty cheeses does not lend itself to scale benefits, but cheese makers will want to minimize production costs as much as possible to stay competitive with both domestic and foreign competitors. Collectively, respondents indicate they are typically willing to pay suppliers up to \$7 per pound. In turn, they believe consumers would be willing to pay \$14 plus per pound.

Specialty shop respondents also express concern about ensuring product quality and delivery format (i.e., frequency and volume per delivery) when working directly with cheese makers versus a distributor. On balance, this group's experience with specialty cheeses allows them to provide helpful price points with a certain degree of confidence. They are open-minded about working with individual cheese makers but are also mindful of the logistical challenges associated with self-delivery.

New York City Restaurant Market

Chefs in New York City seek high-quality, locally produced specialty cheeses because their patrons do. Specialty cheeses featured on cheese plates are typically sourced through specialty/gourmet shops in the city offering wholesale services, but chefs also shop the Greenmarket Farmers Market where they can purchase several locally produced food products in one shopping trip. In general, chefs are sourcing their specialty cheeses nationally which suggests that local processors who can achieve low production costs and excellent quality should have a transportation cost advantage over more distant cheese makers. The average per pound price that chefs are willing to pay suppliers is approximately \$20. Because chefs are able to provide multiple samples per pound of cheese, customers still end up paying premium enough to offset the high purchase costs incurred by chefs.

In Summary

Can we really say that marketing specialty cheeses is a piece of cake? To be fair, there is always more work involved in supplying a product to market than appears on the surface. Careful attention to specific retail market characteristics and drivers is certainly a necessary step towards successful product launch. But with strong specialty cheese demand in general, attractive retail prices, and genuine interest in local food products, it may be worth a second look for some on-farm cheese makers.

"Smart Marketing" is a monthly marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews the elements critical to successful marketing in the food and agricultural industry. Articles are written by faculty members in the Department of Applied Economics and Management at Cornell University.

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