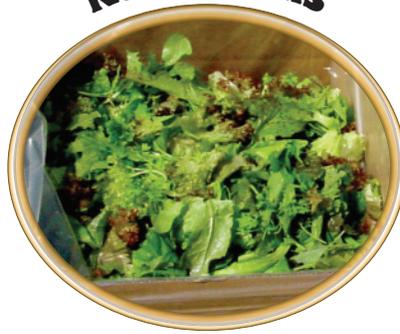


Nalo Farms



Servicing High-End Restaurants

Stuart T. Nakamoto

Dean Okimoto, the owner-operator of Nalo Farms, has built a highly successful business by supplying excellent-quality salad greens and fresh herbs to many of Hawaii's top restaurants. Dean started with one restaurant in the early nineties and has expanded to where his client list today includes most of Honolulu's top restaurants and chefs, who in turn have won international recognition and numerous culinary awards for innovations such as Pacific Rim cuisine and Hawaii regional cuisine. Many establishments prominently feature Dean's signature product Nalo Greens, a premier salad mix, on their menu.

Nalo Farms has prospered where many other produce growers have been squeezed out of business between high costs of production and low prices for competing products imported from the U.S. west coast. While success is greatly enhanced by having the "rich and famous" as your ultimate clientele, it also takes diligence and hard work to gain and then keep that niche. Dean believes there are three keys to successful niche marketing in a restaurant and resort hotel environment: (1) top quality, (2) consistency, and (3) customer service. All are equally important.

Top Quality

The first key is unsurpassed quality of the product. Dean's products are fresher, and hence tastier and higher yielding than the competition's. Nalo Farms' mission statement reads "We cut in the morning, we pack midday, we deliver in the afternoon, and it's on the customer's plate that night." This emphasis on freshness has meant that even air freight deliveries to a neighbor island have been ruled out. From the Farms' base at Waimanalo (hence the name "Nalo") in rural Oahu, it is at most a one- to two-hour drive to clients in urban Honolulu including Waikiki. Although the inter-island flight itself might be only 30-45 minutes, the logistics of serving markets on other islands could easily add an extra three to four hours to delivery, a margin that Dean felt would be cutting it too close.



Instead, Nalo Farms has formed partnerships with growers on other islands who are willing to grow product according to Nalo Farms' standards and under the Nalo Farms name. On Maui, business arrangements started in 1998 have resulted in a current client list of nearly 20 hotels and restaurants.

Consistency

According to Dean, product consistency and delivery reliability—delivering product in quantities desired and at times promised—are keys for maintaining customers. Clients stay with Nalo Farms because the business is able to consistently give the restaurants what they need, when they need it. However, Dean considers consistency to be one of the high-stress points of his business. He observes that whenever quality is poor, or whenever chefs do not get the supplies they expect, it reflects badly on the business. The reputation of Nalo Farms would be tarnished and the door opened for competitors. Dean compensates by always overproducing, which not only assures supply but also enables only the best product to be marketed.

Although costly, the strategy has paid off in a sterling reputation for quality and consistency. Despite year-round production in the eight to nine years that Nalo Farms has been in operation, there have been only two instances totaling two weeks in which it could not supply product (both cases because of big storms). Dean recalls “One storm was at election time; we had nine inches of rain. Our fields were all under water. The restaurants understood, but that was major stress, to have to call these guys and tell them we were out of production. What we ended up doing was flying in greens from the West Coast.”

Service

The third key is customer service. Here Dean goes beyond day-to-day service to include a longer-term view. Especially when a firm is starting out, if that business is going to build its name and reputation, it is important to be overindulgent as far as customer service goes.

Dean shared an experience from early in the history of Nalo Farms, when he had only three or four accounts. A young chef had just started working in a small Waikiki hotel, after returning to Hawaii from the Pacific Northwest. He contacted Dean and invited him to lunch. Dean enjoyed the meal and thought the chef had promise.

“You know, we are pretty small,” the chef started. Then he asked if the restaurant’s size would be a problem.

“No,” Dean replied, then continued: “I almost lived to regret that because we were making the trip from Waimanalo to Waikiki, 20 miles one way, to deliver a \$17 or \$20 order.”

“But I thought to myself, when you do these restaurants, a lot of times if these guys are good—and I liked this fellow’s cooking—then they’ll move on to other places. Within a few years, that one restaurant ended up being four accounts totaling \$30,000 per month in sales, as that young chef and his workers moved on to larger restaurants. So, you shouldn’t overlook a restaurant only because it is small. And, when you go into a restaurant, if there are ‘kids’ that are interested in what you are doing, take the time to explain it. You never know who is going to go on to be an executive chef at other restaurants, or move up at that restaurant. Never alienate anyone.”

“There are three keys to successful niche marketing in a restaurant and resort hotel environment: top quality, consistency, and customer service.”



Marketing Issues

The right contact. Marketing for Dean starts by using the right contact in the client firm. Dean tries to deal only with the chefs or the person in charge. Especially in corporate-type organizations, there is a tendency for salespeople to be sent to the purchasing managers. "Purchasing managers are not concerned with quality, they are concerned with price. Our Nalo Greens may cost twice as much per pound as a similar imported product, but when you plate it up, it will come out to exactly the same price. You're able to plate up more because it's fresher so has more 'fluff.' You don't have to use as much. One ounce will fill a seven-inch plate and will look really full. The mainland product is flatter and will take about two ounces to fill the plate. So the cost per plate for the chef is essentially the same. Then when they taste it, it sells itself."

In fact, Nalo Farms is at the point where its reputation and its customers do much of the sales work. "We just got a new account when I ran into Al (the restaurant owner) and we started talking. Al told me about recently eating Nalo Greens at another restaurant. He said, 'The flavor is so much more intense than what we're serving at our restaurant. We're buying (U.S.) mainland greens. Then I found out that you get more yield from the Nalo Greens. Why don't we take a look at it?' So we talked some more and I got the business."

Market research. Dean and his staff are constantly talking to the chefs to find what their needs

are and what they want. It's also important to be computer literate or have staff that can use computers. One big use is to track trends and busy seasons. For example, on Oahu the peak season is from November to mid-January whereas on Maui, the busy period is between January and March. This may be due to a different visitor-to-resident mix of diners. Consequently, the company gears up planting at different times for the different islands. Maui clients also seem to be more price sensitive, perhaps due to the much larger size of the Oahu market.

Dean considers the San Francisco area to be a mecca of new agricultural products. He often travels there to find new ideas. "There are some open markets that are just humongous," he says. "There are probably 150 different varieties of just tomatoes. It's fantastic, it's unbelievable."

Charity events. It is also part of Nalo Farms' business philosophy to give back to the community. "You've got to give back to get back," says Dean. "Besides, when we do these charity events, we generally gain business from that. At the beginning, we probably gained one or two customers at every event. It's not only the people who patronize the event, but also the people who are serving. So, we not only give back, but it can make good business sense as well."

Business expansion. Dean does not consider any farmer in Hawaii as his competition. "Hawaii imports so much—I consider imported mainland produce as my competition. That is what I work towards, buying less from the mainland and having people buy more locally." Toward that end, Nalo Farms is considering expanding its operations beyond its restaurant and resort hotel niche, perhaps into mainstream supermarkets. Dean admits it is an attractive idea, but the main problem is he does not want to have the same product for the general public as is in the restaurants. As Dean puts it, "We would shoot ourselves in the foot if we did that. Part of the reason the restaurants are using Nalo Greens is because it is not widely available in the market. We may offer a different mix and call it something like 'Nalo Wonder Greens' so people are aware of the difference."

Key Points/Guiding Principles

- High-end niche markets, in this case top restaurants and resort hotels, are attractive, potentially lucrative opportunities. Top quality, consistency in quality and supply, and customer service are keys to establishing and maintaining a market presence.
- The firm's good name and high reputation are powerful assets that must be protected.
- Price is not necessarily the most important factor to buyers. Instead, a focus on value—the perceived benefits for the price paid—can be more important.
- Planned overproduction can be a useful risk management tool; it assures adequate supplies and enhances high quality as well.

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