



IT'S ABOUT YOUR PRODUCT'S PROFITABILITY.

AVOIDING THE TRAP OF "PRICE PER POUND"

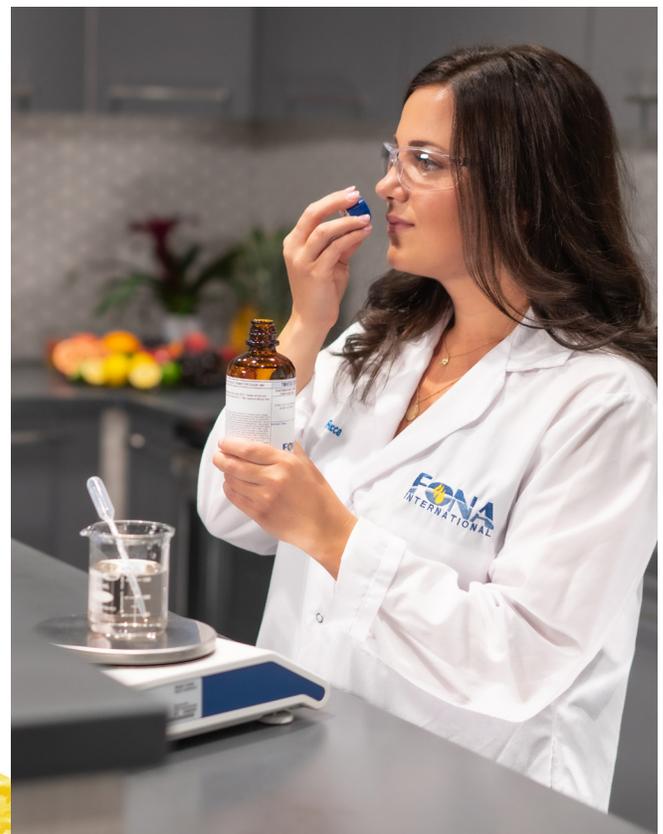
You deserve to understand the real cost of your flavor.
Your overall margins and profitability are at stake.

When purchasing flavor, it may be confusing at first glance to understand why a \$20/lb flavor might actually be less expensive than a \$5/lb flavor. That's because the real price is better captured by "cost in use." It all comes down to usage levels in your end product. You're better off with that \$9 flavor at a lower usage level — price-per-pound just doesn't capture the full picture.

Many procurement personnel and product developers still find themselves in what we call the "trap" of price-per-pound. They might understand that price-per-pound isn't the most accurate picture of flavor spend. Unfortunately, the focus on "price-per-pound" isn't just inaccurate – it can be a missed opportunity for you and your business. At stake: a rare chance to improve margins and increase profits.

A REAL LOOK AT FLAVOR SPEND

\$/LB. FLAVOR	USAGE	COST/100 LB. PRODUCT
5.00	0.50%	\$2.50
20.00	0.10%	\$2.00
8.75	0.30%	\$2.625





THE PRICE-PER-POUND TRAP

A GAME OF CONCENTRATION

In the limited view of “price per pound,” less concentrated flavors may appear to be less expensive. However, it takes more of that flavor to deliver the same impact of a more concentrated flavor. Cost-in-use gives a more accurate picture of the full-product cost.

MORE CARRIER, MORE BULK

In a less concentrated (lower “price per pound”) flavor, you’re contending with more bulk and more freight. That means you’re essentially paying freight on flavor carriers (such as glycerin or ethanol). Of course carriers and food-safe solvents are important to flavor — but it’s not what’s contributing to taste. A more concentrated flavor might make more sense if you’re looking to deliver the most impact on your product for your shipping costs. Good stewardship of freight costs and accompanying fossil fuel usage is something to consider if sustainability is a priority for your brand.

YOU MIGHT BE MISSING OUT

An unseen risk of the price-per-pound trap? Missing out on better quality taste solutions. If you set parameters strictly by price-per-pound, your flavor supplier will do their best to adhere to your pricepoint. They will often send flavors strictly within those guardrails. Unfortunately, this means they aren’t using their full toolbox. Unleash your taste experts by communicating your target cost-in-use instead — and you’ll get closer to your taste target, and sooner.

LET THE COMPETITION FALL BEHIND

The good news for you: Many of your closest competitors are still focusing on their flavor’s price-per-pound. That means they’re falling behind. If you’re able to get your procurement team and product developers focused on the more accurate cost of flavor — you can optimize your full-product spend, price your product accurately, deliver on taste, and win over consumers. You’ll put yourself in the best position to win over consumers with a more profitable and sustainable product. ■

SPEAKING OF CONCENTRATED FLAVORS...

There are considerations to purchasing highly concentrated flavors, such as flash-point, and storage or dosing requirements. Even if these considerations play a role for you, there are benefits in optimizing cost-in-use over thinking “price per pound.”

At FONA, we’re ready to help you weigh out your options.

Reach out with any questions.

COMMUNICATE YOUR TRUE COSTS

You deserve true accuracy around your product’s total cost. You deserve the opportunity to improve profitability and margins on your spend. Open communication with your taste solutions partner can help you balance the variables to optimize your end product.

Not only does cost in use give context that is more truthful and accurate — it gives you more and better quality options to deliver what you need on taste, label and functionality.

Need guidance around your cost-in-use targets? Have questions? Let’s break through the complexity and unleash the power of you & your team. The team at FONA is ready to help, every step of the way.

LET’S TALK.

Reach out to your Account Executive, or:

(630) 578-8600 | WWW.FONA.COM/CHAT