

# Hatch Chile Express

## On-Site Report

### Overview of Business

Jo & Jim Lytle farm about 850 acres of chiles in the Hatch Valley. The operation is broken down into two companies: the farming business and the retail store & web site. For purposes of this evaluation the recommendations are limited to the retail store & web site.

The Hatch Chile Express retail store is open twelve months a year, seven days a week from 9 AM – 5 PM. The store sells fresh & frozen green chiles, ristras, dried chiles, chile powder, specialty chile food products, chile themed gifts, cookbooks, dishes and t-shirts. The retail store has been in business for sixteen years and the Internet portion for five years.

The store displays are attractive, clean and well lighted. The best months for Internet, and phone sales are August and September while the wholesale business is strong September through November. I did not receive a copy of the retail sales broken down by month, however, I assume these sales pretty well follow the summer/fall trends.

### 2001 Sales

<u>Enterprise</u>	<u>Gross Sales</u>	<u>% of total</u>
Internet	\$ 38,000	12%
Phone	\$ 92,000	28%
Wholesale	\$ 70,000	21%
<u>Retail Store</u>	<u>\$128,000</u>	<u>39%</u>
Total Annual Sales	\$328,000	

In order to evaluate the profitability by enterprise I would have needed to have a copy of the corresponding expenses by category and by month. Jo told me that she has yet to take a paycheck from this business but her goal is to get a paycheck this year.

### Location

Hatch Chile Express is located on the main road going through the center of town. Travel east from I-25 at the Hatch exit. The city of Hatch is about 30 miles from Las Cruces.

## **Customer Demographics**

The retail gift portion of the store attracts many local customers plus many first time visitors coming to the town. The green chile sales are primarily sold to the local market with significant sales via phone and Internet.

## **Immediate Goals for Increasing Revenue**

- Increase retail gift sales on a year-round basis
- Increase Internet sales
- Attract more tourists as customers
- Explore new retail opportunities

## **RETAIL STORE**

You have wonderful access from the interstate, and you are one of the first retail chile stands that drivers come across as they enter town. Your signage indicates you sell chilies, but nothing else. In fact you have a full array of produce and gifts.

### **RECOMMENDATIONS:**

- The words “Gifts” or “Gift Shop” should be prominently displayed on your outdoor signs. Consider re-painting the red chile pepper and then replacing the word Chile with Gifts. Motivate every tourist car that drives by your business to stop and buy!
- The New Mexico Department of Agriculture has a program called Retail Assistance that provides funds to farm stands. The grant can be as high as \$900 as a match to your advertising dollars. And yes, the grant can be used for signs. Be sure to apply for these funds.

The exterior of your store is very attractive with the colorful hanging ristras and red chiles on the roof.

**RECOMMENDATIONS:**

This is a great idea that can be even better. Imagine if you became known (or “branded”) as the “store with the red chiles on the roof!!” People would pull off the road just to see and photograph this display. Figure out a way that you could continue to have red chiles on your rooftop on a year-round basis. Even if it meant painting wooden chiles or cutting out red roof shingles in the shape of a chile to cover the existing roof you could have a great distinction as the store with “ a red chile roof.”

- Come up with a way to have hanging chile ristras outside your store on a year-round basis. Perhaps you could make some out of plastic red chiles or some other permanent/non perishable medium during the winter months. The ristra’s add much color and visual interest to the front of your store.

You offer such a large variety of salsas and New Mexico food products that, as a tourist, I would hesitate to purchase because I am not familiar with the flavor or how spicy they taste.

**RECOMMENDATIONS:**

- FOOD SAMPLING sells more product. On busy days be sure to offer sampling of a dip, salsa or mix. One taste can turn into a purchase, which will increase the average sale.

## **TAP INTO TOURISM POTENTIAL**

Hatch is identified on the Las Cruces tourism map as “The Chile Capital of the World.” Take advantage of this designation.

**RECOMMENDATIONS:**

- Contact the Las Cruces Convention & Visitor Bureau. Tell them you want to join and ask about all the benefits and services offered. This is a membership-based organization whose mandate is to promote its members. They do this usually through brochures, literature, website, PR, and promotions to the motorcoaches driving down I-25. (This will be critical since your convenient I-25 location makes it very easy for motor coaches to stop at your retail store.)
- I spoke to Edward Avalos and recommended that there be a brown-colored interstate sign on I-25 just before the Hatch exit (in both directions) that reads: “Hatch – Chile Capital of the World.” (These are the signs on interstate highways that list tourist attractions coming up at the next exit.) Edward said he will speak to the person in charge of the New Mexico Highway Department about this sign. Follow-up with Edward on behalf of your community to be sure this gets accomplished.
- Work with the Las Cruces Convention & Visitor Bureau and Dona Ana County to assist in the promotion of the “Hatch Chile Festival – In the Chile Capital of the World” to draw more visitors to the area and to your retail store.
  1. Ask their assistance to have statewide Press Releases mailed for this event to build your community awareness and attract visitors from further distances throughout the state.
  2. Tie-in activities at your farm stand as part of the weekend city event.

3. Participate at the city event with a booth or some activity where you can pass out literature, coupons, etc. that will motivate these visitors to stop at your store before they leave Hatch. .
- Since your farm is so conveniently located off the interstate, it could easily become a popular tourist destination. Research the cost of a billboard on I-25 (particularly to tie into the brown tourist attraction sign if Edward is successful in having this put up.) If you choose to put up a billboard, apply for another Retail Assistance grant from the New Mexico Department of Agriculture.
  - Position the Hatch Chile Express as a tourism destination in order to build monthly retail sales. Create a single-panel rack brochure with wonderful color photos of the exterior and interior of your retail store. These brochures can be distributed via the Las Cruces Visitor and Convention Bureau to I-25 rest stops, and through an Albuquerque company called Certified that distributes to hotel lobby display racks. Contact them for information about their service. 800-799-7373 (See samples of brochure format.)

## **WEBSITE SALES**

Your website sells chilies and ristras at [www.hatch-chile.com](http://www.hatch-chile.com). I conducted a search on the Internet (through [www.google.com](http://www.google.com)) for: green chilies shipped, Hatch green chiles, green chiles and ristras shipped. The Hatch Chile Express webpage did not appear on any of the first ten pages displayed.

### **RECOMMENDATIONS:**

- You need to have your website come up earlier in a search. Research how to do this or hire a web designer to solve the problem.
- A resource could be <http://listings.looksmart.com/?synd=zdd&chan=zddresults> which, for a one-time \$200 fee, helps you get your main key works to come up higher on searches.
- This issue may be due to your service provider BizE. In researching their site it appears that they no longer strongly support retail sales.
- Another resource for e-business is the Yahoo store. Investigate its costs and services to compared to Biz-E. I believe that Yahoo would provide you more visibility and better database management.

Most of the websites offering chiles are not Hatch-grown, but rather are New Mexico retailers *claiming* to be selling Hatch Chiles. Take advantage of the Hatch name recognition and your farm location on the website.

**RECOMMENDATIONS:**

- Add a page to your website that informs customers that they are dealing directly with a grower from Hatch and that the product is PICKED FRESH DAILY! The page should also make an emotional connection to the Lytle farming operation, including the personal family history, family photo, photo from harvest, etc.
- Tell the story of “Hatch – Chile Capital of the World.” Let people know why your growing conditions are the most ideal for flavorful chilies.
- PERSONALIZE the home page so customers know you are a family-owned and operated business. Identify the photo as your retail store and encourage people to come by to see you. Add a photo of your retail staff as well as the interior of your store.

Increase Internet sales by expanding beyond chilies, ristras and chili-food products. Take advantage of the FED EX and UPS computers that you have and ship gifts year-round.

**RECOMMENDATIONS:**

- Your store has a wonderful year-round selection of chile-themed gifts products. (Dishes, tote bags, mugs, men’s tie, socks, placemats, cookbooks, etc.) Photograph them and sell them on your site.
- Make Hatch Chile Express THE web store where displaced New Mexico natives can find chile gifts for their friends.
- Mark-up on gifts sold over the Internet can be greater than the price in your retail store.
- Combine products from your store to create unique New Mexico gift packages. The coming holidays would be a great time to give this a try. For example:

HATCH MORNING SUNRISE:

Red pepper coffee mugs with pinon coffee and placemats

THE HATCH CHEF’S DELIGHT: Chile cookbook, dried chiles, chile powder with a mixing bowl and spoon.

Promote your website address in all that you do.

**RECOMMENDATIONS:**

- Your web address and 800 number should appear on every product label, business card, brochure, printed piece, billboard, letterhead, envelopes, shipping box, etc. This way a tourist who has purchased something from you will have an easy time remembering how to get back in touch.
- The New Mexico Department of Agriculture has another grant funding program called Label Assistance. You can apply for up to \$400 (yearly) towards the cost of your labels as long as you incorporate its logo: “New Mexico Grown with Tradition.”

Update your existing website: look for copy errors, improve food photography and rewrite copy as needed.

### **RECOMMENDATIONS:**

- In several places the copy reads, “There are one products in this category.” Correct to read: “There is one product in this category.”
- Several of the ristra photographs are TOO DARK and don’t show off the product very well.
- Ristra photographs don’t always seem to match descriptions and size.
- Testimonial page does not come up when selected.

### **BUILD MAIL-ORDER LOYALTY**

Maintain regular communication with your direct-ship customers. Your goal is to turn a single-order customer into repeat business.

### **RECOMMENDATIONS:**

- Whether from the Internet or your phone orders, past customers are your best customers for future business. Develop a database with these names, and contact them frequently announcing new gift offers when you add more chile gift products on your site.
- Another approach for these communications is the newsletter service [www.constantcontact.com](http://www.constantcontact.com). Their service – which is very easy to use – offers template newsletters to be used with gift photos.
- Be sure to ask all of your phone customers for their email address so you can add them to your e-database and maintain regular contact with them.

- If your current Internet provider BizE does not provide a database service, you should change providers. I do know that on Yahoo Store they have wonderful management and database reports.

On your Phone Sales start practicing the technique of up-selling.

**RECOMMENDATION:**

- For every phone-order contact, offer the customer another product to purchase at the close of the sale. This is a common technique by mail-order catalogs. And, it works!

**Example of phone conversation:**

“May I suggest that in addition to our fresh green chilies today you consider our dried chile powder. Just \$2.00 a bag additional.”

OR

“We have a special today, that if you purchase 20 pounds of frozen chilies instead of the 10 pounds, we will give you a FREE gift of a special New Mexico cookbook. This is a \$7.95 value.”

(Be creative and design the special offer or give-away.)

**PUBLIC RELATIONS OPPORTUNITIES**

You want to establish Hatch Chile Express as the *premier chili producer and shipper*. To do this, you need to have your farm and retail business featured in the “food” circles just like you have done with the Food Network.

**RECOMMENDATIONS:**

- Develop a database of all food magazines and the food editors of major newspapers in the USA. Check the library for a resource book called Bacon's Magazine Directory.
- Write and mail press releases to this list several times a year. Topics to include:
  - Why Hatch is the Green Chile Capital of the World?
  - The Harvest is Green in Hatch, New Mexico – crop forecast & time to ship
  - Using Hatch Chilies in Christmas Recipes (or other holidays)
- All releases would include a recipe, postcard photo of your retail business and information about your family.
- Contact the Las Cruces Visitor and Convention Bureau and your State Department of Tourism to see if they could provide assistance in the writing and release or hire an outside PR firm.
- Work with a recognized chef in Las Cruces to tie-in with secret native recipes.

## **ADDITIONAL REVENUE OPPORTUNITIES**

As you build your tourism business, consider offering a food and beverage menu at your retail store. This would not only be a potential for additional revenue, but also create an opportunity to showcase your store products.

### **RECOMMENDATION:**

- Consider use of your patio, covered pavilion or the small house as a Cocina. The city of Hatch has very limited food offerings and yours is an ideal location.

If the wholesale business is profitable, make an effort to expand it. Your annual sales of \$70,000 are significant and could be grown.

### **RECOMMENDATIONS:**

- You mentioned that you “used” to have a REP. Aggressively find another one or several. Perhaps you could call other non-competitive New Mexico food processors and ask who they are using, or even partner with them.
- Contact Jean Gibson, Executive Director of the New Mexico Specialty Foods Association (505-856-5147) to see if her organization could be of any assistance to you.