

# Marketing Strategies: What works for YOU

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# Planning for Business Success

## *Competition and Competitive Advantage*

**Q.** Who's your competition?

**A.** Direct and indirect.

**Q.** What's your competitive advantage?

**A.** Price, Quality, Service, Location, Other?

# Planning for Business Success

## *Marketing Plan and Strategy*

**Q.** What is a market?

**A.** An actual or nominal place where forces of demand and supply operate and where buyers and sellers interact. The market is made up of existing and potential customers who need what you have to sell and have the ability and willingness to pay for it.

# Commodity Markets and the Challenge of Marketing

- A physical substance, such as cattle, food, grains, and metals, which is interchangeable with another product of the same type, and which investors buy or sell, usually through futures contracts.
- The price of the commodity is subject to supply and demand. Risk is actually the reason exchange trading of the basic agricultural products began.
- For example, a farmer/ranchers risks the cost of producing a product ready for market at sometime in the future because he doesn't know what the selling price will be.

# Planning for Business Success

## *Marketing Plan and Strategy*

**Q.** What is a Direct Marketing?

**•A.** selling that is based on a personal, one-to-one relationship that ties farmers and consumers together. Many times this relationship is face-to-face, like at farmers' markets. Other times, the consumer and farmer may not actually meet, for example, for Internet sales

# Planning for Business Success

## *Marketing Plan and Strategy*

**Q.** What are some advantages of Direct Marketing?

- *Convenience*
- *Flavor*
- *Variety*
- *Novelty*
- *Specialty Products*



# Planning for Business Success

## Q. What are your Direct Marketing options?

- Farmers Markets
- Pick-Your-Own
- Roadside Markets
- Community Supported Agriculture (CSA)
- Wholesale Marketing
- Internet or mail order
- Cooperative marketing
- Institutional sales
- Ag tourism



# Fundamentals of Developing a Business and/or Marketing Plan

1. First: Know your Level of Production and Cost of Production
1. Second First: Formulate your own Market Analysis and Plan
1. Pricing Alternatives: Evaluate your Marketing Options

# Consider your Profit Equation

- Profit = (Price x Production) – Expenses
- Breakeven Price =  $\frac{\text{Expenses}}{\text{Production}}$

Expenses

Production

# Plan Ahead, Do Your Homework

- Small farms, by nature are limited resource operations
- 📁 time, labor, scale, and capital are limiting
- Planning ahead helps avoid mistakes and wasting resources
- Producers who take the time to develop and follow through with business and marketing plans have taken a giant step towards profitability.

# Developing a Business Plan

**Keep it simple.** You need an outline of why you are in business, your objectives, and how you will get there.

A mission statement: purpose of your farm/ranch operation (1 or 2 sentences)

A statement of goals, objectives, and strategies: a snapshot of your farm/ranch operation (what you want to do and how you are going to do it)

# Developing a Business Plan

A production plan: details the production process on your farm (be detailed, include production goals, field map, all inputs)

A financial plan: helps to estimate how much money you will need (balance sheet, income statement, cash flow statement, crop budgets)

Staffing and organization plans: details who does what, also if outside labor is needed, where to find them and what they will do in the operation



# Developing a Business Plan

- Management and contingency plans: details what to do when something happens outside your best laid plans (provides some flexibility)
- Develop a **marketing plan**: a critical part and often omitted part of the business plan



# Developing a Marketing Plan

A marketing plan should include elements of the following:

Results of market research: competitors, buyers, suppliers, and trends

Marketing objectives : goals that help you mark your way, typically short term (less than 2 years), and measurable/attainable

Strategies to reach objectives: the process of getting your product from the farm to the customer (product, price, place, promotion)

# Developing a Marketing Plan

- Develop a realistic budget: estimate accurately the cost of marketing (planning here helps you to search out less expensive alternatives)
- Develop an action plan: this is how you are going to carry out your marketing plan
- Measure, measure, measure: monitor the progress of your marketing plan

# Marketing Strategies



Let's look at the 4 P's of

marketing

⑩ Product: needs to stand out, why buy your product over someone else's?

⑩ Price: you need to cover costs to make a profit, you need to find the right price-KNOW YOUR COST

⑩ Place: where you market has much to do with how you market; pattern marketing plan to fit the market

⑩ Promotion: can mean the difference between success and failure of marketing

# Your market has much to do with how you market your product



# Direct Marketing



- When a farmer sells commodities in a traditional marketplace the main concerns are producing the crop, selling it for a good price, and then getting paid.
- In direct marketing farmers have these same concerns plus the added responsibility of marketing.

# Why Direct Marketing?

- Profits: potentially higher
- Cash flow: customer pays you directly
- Marketing control: can produce what you want and set your own profits
- Diversity: works well with small farms



# Generally, Direct Marketing



Volume: less product is usually sold than with other marketing ventures

Time: requires more of a time commitment

People skills: you are dealing directly with people (need to always wear a happy face)

Marketing skills: its competitive, you are going to have to sell your product

# Some Keys to Direct Marketing

- Key 1: Bring ALL the Players to the Table
- Key 2: Start Small with your best idea, and Grow
- Key 3: Make Decisions Based on Good Records
- Key 4: Find Your Market Niche



# Some of your Direct Marketing Options

- Farmers Markets
- Pick-Your-Own
- Roadside Markets
- Community Supported Agriculture (CSA)
- Wholesale Marketing
- Internet or mail order
- Cooperative marketing
- Institutional sales





**Rule No. 1: When it comes to marketing, there is no substitute for having a good, quality product.**

**Your reputation as a producer depends on the quality of your product.**

# Farmers Markets



**Fastest growing form of direct marketing**

Preparation: requires preparation by producer;  
public enjoys convenience

Startup: minimal costs and marketing skills are  
needed

Direct interaction: best feature is contact between  
customer and producer

Networking Opportunity

No one on your farm

# Farmers Market



Sales person: farmer has to enjoy interacting with people

Time: you will spend the better part of a day at the market. Prep time, Distance to market

Direct competition: competing producers are all together in a small area

Regulations/policies: you have to be able to follow rules set by market management

# Pick-Your-Own or U-Pick



Has long been a successful direct marketing venture

- Customer pays to pick: if it was just that simple, everyone would be doing it
- Cost reduction: biggest advantage (transportation, handling, storage), labor for harvesting is offset by the cost of people movers
- Customers buy more: PYO pickers typically purchase more than other markets
- Crop/Product Mix: not critical

# Pick-Your-Own

Location: Critical

Liability Insurance: insurance companies get “twitchy” about PYO and having people roaming your farm

People on your farm

Damaged crops: customers will pick-over damage crops

Bad weather: will chase away customers; this can be a problem with limited season crops

Labor costs: need cashiers and people movers

Price: PYO prices are often lower; customers expect compensation for their labors

# Roadside Markets



Attracting repeat customers: this is key to the long term success of your market

Save costs: there is cost savings in transportation, packaging, and middlemen

“Catchy” signs/displays: are necessary for attracting customers to stop at the stand

Overhead costs: are higher due to the facilities

Location, Location, Location

# Roadside Stands should look neat and clean with fresh, ripe produce



# Roadside Markets



Planning and Zoning: government red tape

Location: key to success (needs to be near enough to main roads to attract customers and repeaters)

Facilities and buildings: first thing people see of your market (you want to put the best possible look on your stand)

# Community Supported Agriculture



CSA's are, fast-growing direct marketing venture

- Members purchase shares of the farm's harvest and accept production risks
- As the crop matures, it is harvested and divided up among shareholders
- Shareholders get a fresh supply of produce and support local agriculture (urban-rural linkage)

# Community Supported Agriculture

- Shareholders have input into what is grown, varieties, and how it is grown
- Fees are paid in advance, this guarantees the farmer a market for everything produced, the crop is sold before it is planted
- Advanced payment creates working capital for the farm operation



# Community Supported Agriculture

- CSA's allow better off-season planting
- CSA's help to spread out risks, everyone shares in the good and bad times
- Shareholders sign a contract acknowledging the risks to anticipated yields
- CSA's have reduced labor costs (customers help with production)



# Cooperative Marketing

## Advantages

- Large potential for growth
- Pooled resources—purchases, advertising, transportation, etc.
- Product mix and variety of group is greater than any one producer
- Little added infrastructure or demand on your far

# Cooperative Marketing

## Potential Issues

- Now you are part of a group—you may not like all of the decisions
- Legal costs and time to establish a co-op
- Management is critical—hiring professionals may be the best route
- Competition among members (prices go up so I decide to sell my stuff somewhere else, for example)

# Internet or Mail Order

## Advantages

- Reduced physical infrastructure needs
- No one on your farm
- Very flexible hours (weekends and evening are fine!)
- Growth is virtually unlimited



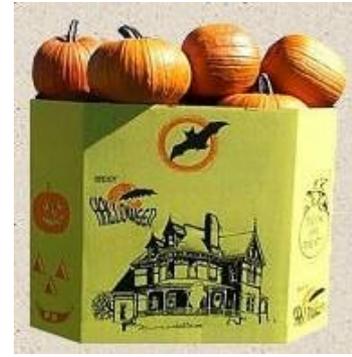
# Internet or Mail Order

## Potential Issues

- Management of website
- Freshness advantage may be lost - not appropriate for extremely perishable items
- Payment mechanism and security of transactions
- Packaging is critical
- Shipping cost and reliability



# Wholesale Marketing



Direct marketing is not for everyone

Profits: selling directly to the retailer, by passing the middleman, is best

Product identity: you can develop your own logo or packaging to enhance the product

Opportunities: they are out there, if you are interested (specialty crops)

Specialty crops: retailers are especially interested in crops not produced by the larger farms

Wholesale marketing requires you to transport your product to the retailer.



# Wholesale Marketing



- Transportation costs: you will have to deliver your product to the retailer
- Special handling and grading: some retailers have particular requirements and standards for products; these vary by retailer
- Special packaging: some retailers are very “picky” about how you deliver product
- Limited diversity: less diversity is risky
- Pooled production: small farmers will need to work together to meet production demands

# Wholesale Marketing

## Selling to Restaurants

- Comfortable Marketing: you will develop relationships with chefs and others
- Consistent income: price is established for the season
- Frequent deliveries: lack of storage at restaurants may require more transportation
- Liability: a law suit on a restaurant could reach you if your product was involved
- Out of business: the turnover is high in the restaurant business, so be careful

# Advertising and Promoting



## Mission: Attract Customers

- First identify what kind of business you are, who your customers are, and what you are going to provide.
- You will need an image that fits your personality.
- You will need a promotional campaign that you are sure that you can live up to and fulfill the promotion ads.





FARM FRESH  
Veggies

# Advertising and Promoting

## Develop a promotional plan

Objective: what do you want to accomplish? “measurable” (increase sales by 10%, 15% more customers, etc.)

Message: to be conveyed in campaign

Audience: who do you want to hear your message Strategy: how are you going to deliver your message? Includes public relations, ads, news releases

Budget: what will it cost to get your message out?

# Pricing



- Difficult: price received needs to cover your costs and return a profit. KNOW YOUR COST
- Competition: top of list (need to be competitively priced unless you can show a difference)
- Quality: important (a premium price commands a quality product), often a high price infers quality

# Pricing

Specialty products: limited supply, or competition helps set price

Perception: low prices may infer that your business sells inferior products

Location: customers will pay for convenience

Time of Year: early bird gets the worm

Customer acceptance: ultimate test for pricing

Know the break-even price: this is the price that covers your costs; remember that you are in business to make money



# Customer Service



Farm Business: success will depend largely on how you treat your customers

Customer service: reduces loss of current customers, gains new ones, and makes current ones happier

Data: shows that caring about customers can reduce the number of lost customers by two-thirds

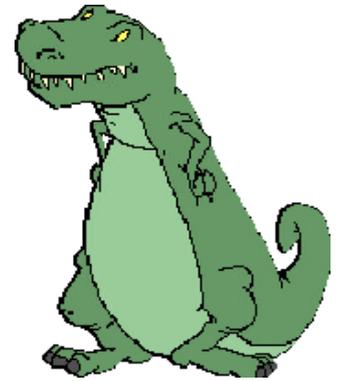
# Customer Service



  **Basic building blocks of customer service:**

- Find out what customer wants or needs
- Build a relationship with your customers
- Always help your customers
- Always keep work area neat and clean
- Recognize customers at once

# Customer Service



## Some more customer building blocks

- Tell customers what you can do, not what you cannot do
- Angry customers should always be handled with care
- The owner/operator should always set the example for customer relations
- All employees should be familiar with the customer service policy of the business

## 10 Remember the customer is always right

# Customer Service

## The reasons why customers leave:

1% die

3% move away

5% stop where friends work

9% competitive reasons

14% product dissatisfaction

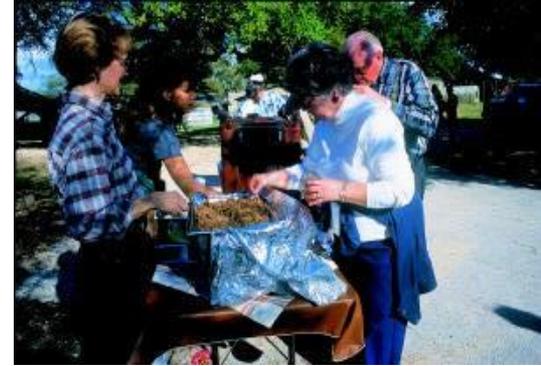
68% indifferent attitude of staff

96% of unhappy customers will not complain, reasons why:

1 usually don't get results

2 think you don't want to hear complaints

3 for every complaint, 24 do not complain



# Customer Service

➤ Dissatisfied customers can ruin your business

Unhappy customers will relay their unhappiness to 9 or 10 of their friends

Usually, 12% tell more than 20 people  
30% will stop buying your product

# Customer Service



## Be thankful for complaining customers

- They alert you to problems you missed
- Most can be turned loyal again
- 95% will remain good customers if you act quickly to resolve the problem
- Once the problem is solved, they will tell 4 or 5 friends about their experience
- It is estimated that it costs 5 times more to get a new customer than to try to keep an existing one

# Thank You and Good Luck!

