



Marketing for Profit: Tools for Success

Marketing Training for farmers Curriculum

Module 2 Overview: Market Assessment

Workshops:

- Learning to Look Around, Getting Your Head in the Game!
- How Smart ARE You, Really?
- Building the Marketing Plan

Objectives:

- Provide an understanding of the concepts of a market analysis, as well as why it is important and what are the critical components to a market analysis.
- Provide an understanding of the principles and factors that go into setting prices for your products that will provide adequate profit to sustain your business and family.
- A look at pricing strategies and the impact of each strategy on the farm's bottom line.
- Farmers will understand the importance of creating a marketing plan before launching a new product or business; how it will help steer their business to success, especially if applying for funding.

Target Audience: The target audience is all farmers involved in or considering entering direct-to-consumer sales.

Time:

90 minutes, including Q & A for each workshop

Equipment/Materials/Supplies

- Laptop/projector/screen
- Easel/easel pad
- Marketing pens

Handouts:

- Personal Goals Worksheet

Resources:

For further information on self-assessment, visit:

- <http://www.buylocalfood.org/upload/resource/MarketingManual.2012.pdf>
- http://www.agmrc.org/business_development/operating_a_business/marketing/articles/how_much_should_i_spend_on_marketing.cfm
- <http://extension.oregonstate.edu/sorec/sites/default/files/documents/MarketingPlan.pdf>
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Lesson Plan:

1. Introduce the topic of discussion, encouraging participants to participate in all three workshops in the series, as well as participation in the entire program of Marketing for Profit: Tools for Success.
2. Use the provided powerpoint presentation to present the material to participants.
3. Utilize the notes section of the PowerPoint for discussion points, activities and handouts to present the workshop for this module.

Options for Facilitation

This curriculum is designed to be user-friendly and as easy as possible to incorporate into your programming. The choice of how you utilize the materials is yours. You may use the PowerPoint presentations, play the archived recorded webinar or just use the notes as a guide as you verbally share the information. The amount of interaction you have in your workshop is also your choice. You can use direct instruction and simply share the information with participants or utilize the assignments provided for each session.

Archived Webinar Recordings

Learning to Look Around, Getting Your Head in the Game!

- <https://www.youtube.com/watch?v=z-6d6s0Q5Cw>

How Smart ARE You, Really?

- https://www.youtube.com/watch?v=IY_FBdYZNyg

Building the Marketing Plan

- https://www.youtube.com/watch?v=_gRu77S_4ak

Feedback and Evaluation

This project is federally funded and requires documentation of all outreach efforts and follow-up. After you deliver this module, please email deggert@nyfarmersmarket.com or dgrusenmeyer@nyfvi.org and attach scanned copies of the Workshop Evaluation for or send copies to:

Diane Eggert
Farmers Market Federation of NY
117 Highbridge St., Suite U3
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**If you have any questions or need assistance, please contact Diane Eggert
(deggert@nyfarmersmarket.com) or David Grusenmeyer (dgrusenmeyer@nyfvi.org)**

Learning to Look Around

How to Perform a Reasonable Marketing Assessment
& Getting Your Head in the Game!

Presenter Bio

- **Bob Buccieri, Marketing Professional**
 - Director of Advertising, Chase Pitkin, division of Wegmans Food Markets
 - Regional Marketing Manager, Pepsi-Cola
 - 25 years experience marketing communications for local retail through multinational brands
 - Past Director, Seneca Falls Farmer's Market
 - Past President, Farmers Market Federation of NY

What is a Marketing Assessment?

- A fair, concise, unbiased review of consumer perceptions, market conditions, business vitality and opportunities as concerns your business or products
- More precisely, the need to stop inhaling your own exhaust and get some clear vision

Why is it important?

- Ask Kodak, Sears, Lehman Brothers, Circuit City, Chase-Pitkin, American Motors, Linens & Things, Borders Books.....
- Businesses can easily “gather ranks” and limit information during times of crisis, but an unbiased and accurate assessment process must be maintained to build success. Otherwise.....

What Do we Need To Know

- Everything, But Try to Prioritize Data Among
 - Consumer Perception
 - Products Offered
 - Competitive Interests
 - Pricing
 - Sales Data
 - Demographic Data
 - Branding/Identity Efforts
- AND, Try to cross check data wherever possible

Where do I find this Data?

■ Everywhere

- Census Data for your zip code, county, state
- Google Search of your business, products and others
- “reading” the customer
 - Age
 - Income
 - Education
 - Purchases/Purchase Pattern
- Understanding the Market

How do I use the Data?

■ Consumer Perception

- What do your customers know of/think of you or your business?
 - Good Price
 - Top Quality
 - Local Business
 - Nice family
 - Like their dog
- What is it that motivates your regular customers and why do “new” customers come to you?

Using the Data

■ Consumer Perception

- Talk with customers, ask questions like
 - “Did you enjoy the ----- you bought last week?”
 - “Are you looking for anything else today?”
 - “Anything I can help you with?”

SIMPLE questions can provide valuable insight.

Are your customers local or tourists?

How far do they travel to you?

What do they like/dislike about what they experience?

Using The Data

📄 Google Your Company/Your Product

- 🌱 In 1972, the leading diet supplement in this country was a chocolate wafer/candy named AYDS. Guess what happened to it?
- 🌱 Were you selling Spinach in 2008? Tomatoes in 2009? Eggs in 2010? Strawberries in 2011? Every year has a food crisis that you need to be aware of as SOON AS IT HAPPENS.
- 🌱 Your name, your product, your company all have similar or exact duplicates out there and the foibles and faults of THOSE entities can come to bear on what you do.

Using the Data

- Google and Act on Info!
 - Crisis Communications Plan
 - Set of distinct identifying attributes (the color of your shirts, the type of produce you grow, the name of the farm) which can be emphasized should one other element become a problem.
 - Get the right info out there.
 - Do Not engage in endless blog exchanges BUT get the word out to counter misperceptions or LIES
 - Use the same media and send out consistent info, every week, month so people/media expect it of you

Using The Data

■ Competitive Interests

- If one market/farm suffers a setback, are you prepared to pick up the business?
- If they get more aggressive with a key product of yours, what is your response?
 - Pricing Strategies (BOGO, Bulk Sales)
 - Recipes/Usage (encourage larger purchase)
 - Cross Promote (free “this” with purchase of “that”)
- How ARE they doing?

Using The Data

■ Competitive Interests You Trust

- Ask and ye will know what's up
- Share info and, perhaps, develop parallel plans
- Seek to “compete cooperatively” (Price Chopper, Wegmans or Entenmanns, Freihofers)

■ Competitive Interests you don't

- Try to get as close as you can to get in touch with the “rumor mill” but try not to participate
- Seek out info from common vendors, customers etc.
- Understand what they are doing and might do next

Using the Data

■ Pricing and Sales

- Shop other markets and stands to assess area pricing.
- Visit markets in similar areas (big or small city, resort or blue collar town).
- Understand the “big picture” as corn and soy prices nationally will influence local elements.
- Connect “quality” with pricing. If you are willing to give away “b” grade merchandise, it does not mean to influence your top grade price.
- Understand the “elasticity” of price; good, better, best and how it can be set by market or by product.

Using The Data

■ Demographic Information

- In addition to understanding the consumer, understand the market(s) you are operating in.
- Over a five year period, your county experiences a 20% turnover in residents. This means that 1 in five potential customers could be new to you.
- Over a ten year period, the population of your county aged, or grew younger; shrank or grew.
- Racial and ethnic diversity and its influence on food choices. Hot restaurants? Cuisine? Offerings? Bok Choy versus Cabbage?

Using the Data

■ Aging Populations

- Older customers will have different habits.
 - Shop less frequently but buy more
 - Receive public assistance
 - May grow their own herbs, but cannot grow.....
- Younger customers will have different habits
 - Organic growing
 - Radical mix of products
 - Recipes, herbs, local oils or jams?
- Every customer has **SOME** of these traits, which of them are appearing in your markets and your area?

Using The Data

- Demographic/Ethnic Considerations
 - Reflected in census data, cuisine choices, restaurants opening in the area.
 - Parsley becomes cilantro, oregano becomes thyme, sweet basil becomes lemon basil.
 - No wholesale changes, but subtle shifts that can influence product and market mix.
 - Last ten years; Mexican cuisine and product, next ten years Indian (?) Spanish (?) Ethiopian (?)

Applying the Data

- Your “Brand” is where all this meets
 - Reflects your business identity and the interests of your customers/markets.
 - Is a commitment to a vision that can grow with the business, can be stable and will adapt to new opportunities (don’t be “the cabbage guy” unless you will never sell anything else).
 - Allows for the propagation of new ventures, partnerships or ideas.
 - “local”, “farms”, “foods” all broad concepts

Applying the Data

■ Reflections on Branding

● Branding is VISUAL

- Color of clothing, signage, tents, price signs
- More subtle; typeface, type styling, pricing itself
- Type of outfits; hot pants or overalls?

● Branding is SENSORY

- Everyone knows there is kettle corn at the fair before they even see the booth!
- Greetings, farewells, language is all consistent

● Branding is EVERYTHING

- Look, sound, feel, approach, smell, even taste.

Applying the Data

■ Successful branding turns this;

● “I bought it at the farm stand at the town market. You know the one with the farmer and the produce?”

Into this;

● “I bought it from that farm stand where the people dress in yellow and that young guy always greets you with a smile and a ‘howdy’”?

And even, into this:

● “I bought it at Miller’s”

How often should I do this?

- A market assessment happens, to some degree, with every transaction, every day, and every sale.
- General view of price, product, customers should be performed at least every year.
- Specific insights on image, competition, market conditions every 3 - 5 years OR as events demand
- Google should be viewed every day - What news of the world of ...lettuce? peanuts? Cranberries?

What do I do with it?

- Keep a folder marked “Marketing Assessment” and fill it with articles, census data, random notes and observations.
- Be diligent so that you can follow the significance of the data weeks or even months later (a note that says “taters” may not help!)
- Once a year (at least) write up your key findings and create a true “assessment” that you can refer to and update as needed.

What do I Do with it?

■ USE IT!

- Follow through on what you find to be true
- Test for results on product mix, pricing, demographics, local trends.
 - Just don't test too much
 - Make as much as possible measurable
 - Make certain it is worth testing (don't spend \$20 to make an extra \$5)
- Keep your eye on the market

Where do I begin?

- Get to a computer and “Google” your products, your name, your community
- Also, take a look at the census data
- Identify sources you can tap into for more insights or data
 - Chamber of Commerce
 - Local Schools and Community Groups
 - Cooperative Extension
 - Farm Bureau

How long will this take?

- The rest of your professional life, maybe longer.
- Hard to begin, but easy to maintain and to revise or revisit once begun
- Disastrous never to have done, troublesome to make assumptions that you don't check out

Questions/Thoughts/Discussion

 Thanks!



Learning to Look Around, Getting Your Head in the Game Marketing Webinar for Direct Marketing Farmers

12/4/12 and 12/5/12

Presenter: Bob Buccieri

Workshop Questions and Answers:

1. What is the most efficient way to monitor the competition's prices? Food is a commodity, how can we keep up with the fluctuations and remain competitive?

Like many commodities, it is not the PRODUCT which solely determines inherent elements like price, but also product quality, delivery systems, sales channels and the numbers of steps it takes to bring the commodity to market. Since the product is so easily available and so widely variant, I would suggest the best course is to define the "data field" in as precise a manner as possible.

We do not compare the Lexus to the Kia, nor the price of sirloin to that of ground beef. While they are related as categories, they are distinctly different products. I would suggest that the same could be true in looking at tomatoes; not just their form (grape, Roma, cherry, etc) but also their quality, their packing (bushel or quart) and their method of delivery (Market, CSA< direct farm stand, major chain).

I would suggest define the data field carefully to simulate what it is that YOU plan to sell and seek out information on precisely comparable product.

2. Is there a practical or easy-to-use software that you can suggest using?

To be honest, I think entering data into EXCEL is probably the best software. Although it doesn't get a lot of credit for it, EXCEL is quite robust at analyzing and organizing data, especially when that data is of a limited range.

I have executed surveys which asked people to rate various elements (time of market, money they spend, how far they have travelled, etc.) and then put their answers into a spreadsheet program where I can then figure out the average answer and compare data among fields (does a person who favors a 9 AM market spend more than those that would favor a 4 PM market?) and so "drill down" into the data for further insights.

You DO NOT need further insights to begin, simply assembling a customer count, and sub segments like gender, race, age or the presence of children can be an excellent start for you to review the composition of your customer base and identify opportunities.

3. How do you feel about surveying your customers with a paper survey to assess their shopping habits and attitudes?

Love surveys, but they are like frosted cookies; I could have 20 a day, but they are not really helping me. Put another way, nearly every survey I have designed has become 4 or 5 surveys by the time I finished the project because I had so many things I wanted to learn, so many questions and so little time to truly analyze the resulting data and understanding it.

I like to limit my surveys to 20 questions or less. Or try to design a survey that takes less than 15 minutes to complete with 30 multiple choice or True/False questions rather than short answer option.

This also applies to how long you may have to assess what you have learned! If you have a 10 question survey and get 500 surveys back, you have to then gather and assess 5000 pieces of information! Keep this in mind also as you design the survey. Electronic options (such as Survey Monkey) come to mind and can be helpful, but are more difficult to guarantee that you are reaching your customers.

I am also a supporter of the idea that people should be rewarded, or might be rewarded for participating. I have held a drawing and given away gift certificates to local restaurants to entice people to not only complete the survey, but also give me their e-mail address so that I may follow up. Not everyone does, but they might and I do believe it increases participation.

Also, when you consider that you may execute a full-fledged research project for the price of a \$25 gift card, you can see that it is a worthwhile investment.

4. You suggest a large amount of data to be collected, how do you suggest organizing this data?

Think of three “big bowls of data”: Demographics (age, gender, race, etc), Location (large, medium and small markets) and Product Research (price, diversity, packaging, etc.).

Demographics can be further split into two other groups; data on your customers and data on your area, be it city, county or state.

Admittedly, this can be a large amount of data, but there nearly every area may be self-evident in many cases. You can have a degree of certainty about demographics (for instance) if your sales are near a senior center or college campus or tourist destination; you may limit your location data based on the number of markets or location “homogeneity” that you can identify (only large or small markets). Even product info may be easily come by and, while it is still worth gathering, the conclusions may be easily reached.

Still, you may have to look closely at all of these things, in which case I would encourage establishing priorities. There are a lot of reasons that businesses fail to thrive, but the business that faces the greatest crisis are those which feel that “everything is going wrong”. It is nearly impossible to fix everything, unless you can identify, and address the most essential things that need to be addressed.

5. How do you account for market positioning, pricing, etc., when events occur such as droughts, hurricanes, or force majeure conditions, that affect supply and demand?

Simply put, I cannot, except to say that “major events” sweep across all vendors, locations and customers and must be regarded as a “statistical outlier” that will have a profound, but hopefully short term event.

Of greater concern, and of longer impact, may be layoffs at a major local employer or some sort of long term employment change (good or bad) that will effect the market for months or years to come. In a case such as this, I would seek out assistance from local business groups, such as Chambers of Commerce or city or county Industrial Development Agencies for advice or insight because it is not just your business, but the entire community that is trying to fix this problem.

As to your business model and structure, I do not suggest any change which you cannot support long term.

Whether it is cutting prices, or developing value added components like coupons in the Pennysaver or recipes at the point of purchase or “bounce back couponing” (come back next week and get \$2 off your \$10 purchase), ANY of these techniques have costs and implications for your business but EACH of them should be employed for a period of weeks or months as the “crisis” unfolds because your customer will look for them from you, or your competition, to help them along.

6. Word of mouth is always stated as the best from of advertising, but how do we get that started?

Every customer is an opportunity to develop more business and spur recommendations. I once suggested that we give a deep discount to a neighbor because she served as the local school crossing guard and I knew that every school day she met with every parent in the neighborhood who came to pick up their kids from school. Make her happy and the entire neighborhood will know!

At a stand or through a market, look for people who have children (a natural socialization engine, having kids) or travel with friends (three seniors together) or are dressed for work as they are going back to the “office” with their purchase and may be approached by others asking what they got and where they got it.

But at the end of the day, the best way to foster word of mouth and return business is to be memorable by supporting your brand image. Remember the comment in the presentation that branding can convert the “third booth on the left” to the “booth with the kid who welcomes everyone with a hardy ‘Howdy’”? There are plenty of ways to make certain you are memorable and DIFFERENT from others; signage, outfits, product display, props, literature, even the 6 foot Styrofoam chicken can work, but may be problematic, especially if you are selling vegetables!

7. When you talk about testing our research, you indicate that we should make those tests measurable. What kinds of things can we do to measure our results?

Let me illustrate this with a couple of scenarios; Let’s say that we have an “average market” whose attendees may be younger or with a high concentration of Asians (for instance). You place for sale bunches of Bok Choi along with heads of Cabbage and price them the same; do you sell the same amount of each? IF Bok Choi sells more, can you price it \$.50 more than the cabbage and would it still sell?

Or, let's say that Peppers are selling well, but Tomatoes are not; can you sell a "salsa bowl" with three tomatoes and two kinds of pepper (plus cilantro would be nice) or offer a "free" tomato with each pint of peppers sold. How did we do? What did we learn? What can we do to apply this data across markets or products? Simply put, think through what you are trying to learn and try to make certain that when the end of the "test" comes you are able to gather data on results.

Finally, please commit to your test; you will need to execute your test for a few times to have sufficient data. If you are testing to see if offering lollipops brings more kids to your booth but ONLY try it on the day the annual Easter Egg Extravaganza is held at City Hall, chances your test will fail and you assume it just didn't work. Try it two, three or four times and see what results you gain at each event and over time.

8. Can we contact Bob directly and if so, how do we contact him?

E-mail is best; senecabob@gmail.com and I can also be found on Linked In.

9. In something as faced paced as a farmers market, where all staff is making sales constantly, what would you suggest as an efficient way of gathering data about the consumer on the spot?

I would suggest that there is always some degree of "down time" in which to take advantage of market observations, but, even if there is no such thing, you have options. Most certainly you should be noting the attributes of the customers you are serving. This is the most definite reflection of you customer base as they are truly engaged in a purchase.

You may want to ask a friend or family member to serve as a market observer and learn what they can from away from your sales area. Give them a checklist of what you want them to look for (age, gender, etc) and ask that they keep an eye out for people who DO NOT stop at your booth, shop others or are buying product you do not offer.

10. Is seems that you want to find what works/recipes that people will buy and mimic that, but when do you want forge ahead into something new... something no one else is doing?

It depends on the costs/risks you would have to undertake to do this. If Grandma's curry rice rolls recipe is easily available and you suspect that Indian cuisine is on the upswing, investing the time and effort to distribute that recipe would be cheap and easy. On the other hand, if you want to send a staff member on a three day training at the Culinary Institute to learn about Swedish Hot Rock cooking (totally fictional term) you should be more certain there is an opportunity there for your business before investing the time and effort to complete this endeavor.

Look to local college campuses for new trends in food, they are often a good benchmark for things to come. Read over the food column in the local paper, the NY Times, the Washington Post or the Miami Herald (you pick, but try to make them geographically dispersed to get a broad perspective) to see what they are talking about. If you are not a "newspaper person" try Bon Appetit, Food and Wine or similar magazines to see what they are talking about!

Talk to chefs, restaurant owners or hotel & catering managers about the trends they are seeing or feeling. Maybe you could cooperate with a certain recipe served at their place and they could publicize the product came from yours!

Have a culinary school or program in the area? See what they are teaching; not just the name of the course, but see if you can find the syllabus online to better understand what is being reviewed.

11. How do you balance your ideals with the customer? In agriculture, it seems that the grower needs to balance the ideal health of the land with the ideals of the customer. Do you see a middle ground between the producer and the consumer?

I believe the grower needs to lead, rather than try to anticipate the consumer on this one. Customers are more sensitive to concepts surrounding sustainability and organic processes than ever before, yet the level of "expertise" is widely variant and subjected to the prejudice or perspective from which the consumer gleans their information. As such, growers may be performing "ideal land health" but consumers perception or understanding of the issues and activities involved may lag significantly behind.

If you believe this to be important to your customers, helping them form opinions and understanding of these issues may be part of your regular communications and contact with these customers. This could be as simple as

sharing “trade” info as you get it, providing a list of resources on your website or at your point of sale or developing a series of educational pieces to help consumer understanding.

I would hope that just as most of us do not tell our mechanic or our doctor the best way to their job, we would trust the farmer/grower with whom we have a relationship to take a leadership position based on their expertise and deliver to our expectations. They may be able to help us FORM reasonable expectations!

12. Have you ever partnered with other corporations to advertise a product? Do you see a problem with partnering with other farms?

Yes and no! I have partnered with others to help promote products in many categories.

Certainly there are plenty of agricultural examples of partnering as the interest in and aspects of “local foods” continue to expand. A produce farm should build relationship with beef, pork or chicken producers and maybe a baker or two to help cross promote their product, even share customer data or insights if that seems worthwhile.

But even beyond farms, the ability to partner with chefs and restaurants, local schools, healthcare organizations or large employers is all possible. For instance, maybe your school district would be interested in starting a community garden that you could supply with seed and professional guidance in exchange for their buying your product for their cafeteria. The same could be said for local church or community groups, large employers or healthcare organizations. Maybe they want to donate to their local soup kitchen or food pantry and have business to exchange for your benefit!

Partnering opportunities are vast and varied, and could be a complete subset of marketing assessment. They are only limited by the resources of time and imagination which you could bring to them.

13. What are your thoughts on best practices to engage customers with Social Media?

I view social media as still being in its infancy, regardless of the hype and PR being thrust at us from all corners. Facebook, Twitter, Four Square, YouTube etc. etc. are still trying to figure out how to truly engage people and offer unique space to clients, especially businesses.

That being said, I believe the opportunity this media presents is one that requires a distinct strategy to engage the customer and use the interactive nature to develop and maintain a position. Recipes, announcements, pictures of events, engaging “friends” are all good ideas, but can also be maintained through a website and/or e-mail engagement. At the end of the day, It becomes a question of how much time do you have to dedicate to these different outlets, and what is it that you are getting in return.

The potential return through social media (as opposed to e-mail and we) can be considerable as it allows you a much more robust view of your customer. You will know their children, pets, favorite vacation spots and probably a lot more, which forces the question: Do you really need to know a lot of this stuff? Also, do you have the time to truly take advantage of all this information?

I am still a doubter when it comes to social media and see the time and energy required of a small business to be better spent in web and e-mail programming.

14. What would you consider the best type of survey question(s) for e-surveys, like survey monkey, to obtain the most useful insights about our customers?

I would suggest surveys have a specific goal (or very few goals) in mind and learn as much about that particular aspect of your customer or market as possible. Every survey I have ever designed ended up being two surveys (or more) by the end of the process.

I prefer to use either multiple choice or “scale” questions (on a scale of 1 to 5 where 1 is strongly agree and 5 is strongly disagree....) to determine key issues. This method allows for relatively easy computation of the results and ease of use for the customers. You should always provide the opportunity for short answers so that people who really want to share have the opportunity, but remember the more of this space you provide, the more you will need to review and (potentially) respond.

Multiple choices also allow you to manage the answers and the data,, to some degree. If you are asking about where a market may be held and ask people to choose among a) Park, b) Beach, c) By the water, d) in the

Parking Lot, or e) other, you allow for opinion but limit the responses, perhaps avoiding a choice which may be undesirable or forbidden (I .e. inside Wal-Mart).

- 15. Sales data seems a critical tool for assessing marketing success. Some farmers are hesitant to provide gross sales data to our farmers market organization. As an organization, we are spending more on advertising our markets, but are having a hard time justifying these expenditures since it's difficult to measure marketing success without our farmers' sales data. Please detail what (if any) importance there is in establishing baseline for gross profits and monitoring profits over time.**

In my experience, people need to understand WHY this data is needed to better serve their needs. No doubt, this is viewed as "private information" and they may feel uncertain as to your intention or need for it. In this case, you may need to set up some options for them in reporting it. You may just want to approach the data a little differently so that you are not trying to determine "profit" but attempting to assess "activity".

For instance, you can ask farmers to report their sales data as \$\$\$, or you may ask them to report the increase or decrease (in dollars or percentage) from week to week. You may ask them to report sales by product or sales by total items; but at the end of the day, you have created a frame to allow you to assess what is happening one week to the next.

- 16. Bullet points or story. Which is better?**

Bullet points

Seriously, depends on the forum in which the information is delivered. I like stories when you have an audience, a set amount of time and can get immediate feedback (non-verbal or direct) on what it is you are addressing. But, on the web, in a letter, through a You Tube video, people expect quick and easy access to information. Ever try to look up a recipe on line and get a site where you have to read the whole story of how that person's grandmother had to clear a field of rocks and import the soil too grow the crop of squash that they used.....nice story, but all I wanted to do was learn how to make SOUP!

Save the stories for the occasions where they do the most good, when you can easily assess the impact they are having.

- 17. Aside from consumers asking for it, how would you determine if there is interest in a new product for which comparative/competitor information is scarce?**

When you say "comparative/competitor information is scarce" I take that to mean that it is simply "not obvious", which means it will take more time and effort to assess.

Where did you get this insight and can you follow up with that source to learn more about what they have learned and where their trail of information may lead? Is there a group (trade association or consumer group) that has formed to discuss issues relating to this idea? Has anyone (whom you trust) had any experience or can offer any insight to help out?

When I was doing media planning, I was once asked to research advertising opportunities to reach a particular group (you can name the group, this happened quite a bit). No matter what the group was, no matter how obscure the audience may have seemed to me, I ALWAYS found a magazine which was designed to reach them, and nearly always, found MORE than one.

Now, between the web and social media sources, there are groups and sites dedicate dto exploring ANYTHING you can name, I am sure.



Getting Your Head in the Game

Marketing Webinar for Direct Marketing Farmers

Glossary of Terms

Brand

Your *brand* is your business identity.

Market Assessment

This is the assessment of conditions and opportunities in your market area, including consumer perceptions, market conditions, business vitality and opportunities for your business and/or product.



Getting Your Head in the Game

Marketing Webinar for Direct Marketing Farmers

Session Assignment

A market analysis is the assessment of market conditions and opportunities where you will do business. Learning the critical elements of your market area will help you to make important decisions on how you can be profitable with your target market.

- 1. Identify your geographic market area:**

- 2. Google your business and note where you see your business come up and the main points that are made about your business.**
 - a. Do these points reflect how you want your business to be perceived? If not, how are they different and what kinds of things can you do to change those perceptions?**

- 3. Google your product and note the articles that cover your product. What kinds of things you read will have an impact on your business, whether it is positive or negative?**

4. Within your defined target area, complete the following charts and respond to the questions that follow. (Add more rows as necessary.)

Competitors (list your competition)	Pricing strategy (i.e. high, low, discount)	Promotional strategy (ad messages; sales strategies, etc)	Potential threats to your business	Customer base (approximate numbers & their level of commitment)

- a. Do you see any trends happening within your industry; ie. Greater consumer interest; growth in restaurants featuring your products; increasing/decreasing trends in traditional foods vs ethnic

- b. Now that you have looked at your competitors, identify ways that you can fit into the marketplace; where are your opportunities to stand out and ways to overcome potential threats.

Demographics	Current census	5 years ago	10 years ago
Average age			
Education level			
Income level			
Size of household			
Ethnicity – Top			
Ethnicity – next highest			
Ethnicity – third highest			

- c. Noting any trends happening over time, how might these trends impact your business? If negatively, identify some ways that you can make changes to your business to minimize or reverse that impact.
- d. Based on the numbers and trends, identify those neighborhoods/areas that match your business needs and products. Explain how they match.

Getting Your Head in the Game: Market Analysis

Workshop Quiz

1) Potential sources to find data for your marketing analysis would include:

- a. Google
- b. US Census at www.census.gov
- c. Visiting and talking with business competitors
- d. Talking with and observing consumers
- e. All of the above

2) What is a market analysis?

3) True or False; when I have completed my market analysis, I will understand the following:

	True	False
Who my competition is		
How I can differentiate myself from my competition		
What prices I need to charge to be profitable		
The demographic characteristics of the consumer base in my marketing area		
What are the needs and interests of consumers in my marketing area		
What the demographic trends are in my marketing area		
How to eliminate competition		
What kinds of pricing and promotional strategies are being employed by my competitors		
How to make enough income to retire at a young age		
What the trends are regarding my product and business line		

4) When you find negative comments about your business or product online, you should:

- a. Start a back and forth discussion with those who have written the negative comments, pointing out their errors
- b. Ignore it
- c. State your position, but limit the back and forth, instead offer an opportunity to discuss the issues offline

5) Keeping close tabs on your competition will yield you:

- a. Alerts you when they make changes that could impact your business
- b. Keeps you updated on trends, what's new and what's happening in the industry
- c. A black eye

- 6) If you see an increased number of Mexican restaurants opening in your community, what opportunities might this mean for you?
- a. An opportunity to see more jalapenos, tomatoes and cilantro to these restaurants
 - b. Greater interest in salsa-making ingredients at farmers markets
 - c. I can't foresee any opportunities this could bring
- 7) Branding is:
- a. The slogan I use in my advertising
 - b. My business logo
 - c. The consistent message, including slogans, logo and all other aspects of my message that exudes the image of my business to consumers
 - d. The name I have given my business
- 8) How often should you perform a market analysis
- a. Once I have it, it's done and does not need to be repeated
 - b. Every 5 – 7 years
 - c. Ongoing
 - d. annually

Profit Planning Through Volume/Cost Analysis

The questions are the same ...
only the answers change...

Definition of Success?

- My Definition:
 - Meeting or exceeding business goals.
 - Staying in business
 - expansion
 - Meeting or exceeding personal goals.
 - If you want to put 8 kids thru Yale your price structure will be different.
 - Goals matter! Do you have them and are you meeting them?

Keys to Success!

- A business assessment--what am I doing right and what am I doing wrong?
 - Business Summary Tools
- What are my personal and business goals?
 - Questionnaire (hand out)
- What is it going to take to achieve them?
 - Setting goals (involve whole family/employees)
- Just do it. Develop your life philosophy
- Then ask the questions again, the answers do change!

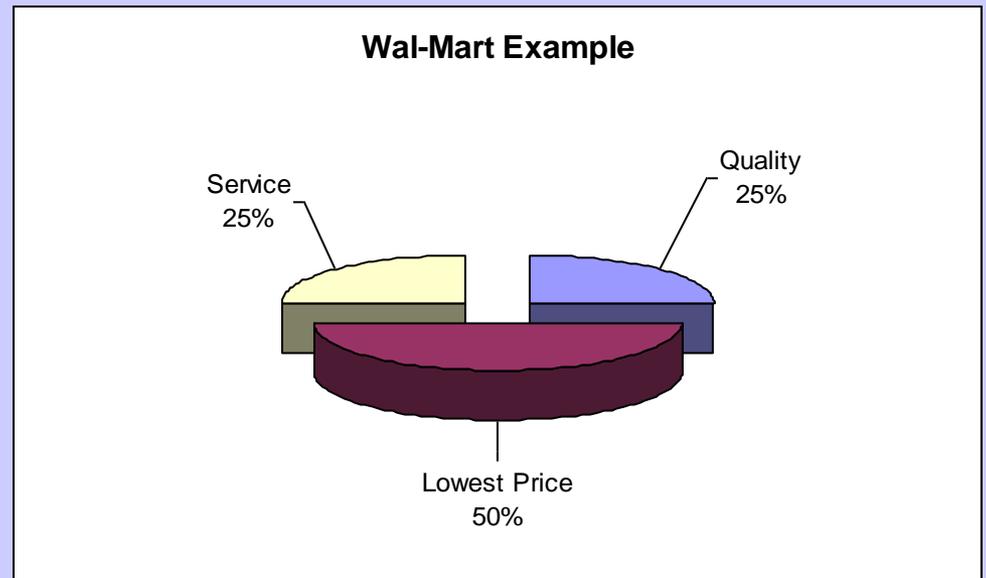
Do Your Business Goals Match Your Philosophy?

Your goals vs. the customer's goals

- What are you in business for?
- Who is your customer? What do they want?
 - Absolute Lowest price, 1 whole unit
 - Absolute Highest quality, 1 whole unit
 - Absolute Best service, 1 whole unit

Do Your Business Goals Match Your Philosophy?

- I absolutely can **only** afford to give **2** total units which ones and how much of each will it be?
- Example: Walmart
 - 1/2 unit of service
 - 1 unit of lowest price
 - 1/2 unit of quality



Do Your Business Goals Match Your Philosophy?

- Example: Custom Shop: one of a kind, made to order products
 - 1 unit of service
 - 0 unit of lowest price
 - 1 unit of quality



So do your business goals match your philosophy?

- Who is your competition, how do they mix their 2 units?
- If your pricing mirrors THEIR pricing, you are pricing to THEIR goals!

The Volume/Price Curve

Custom Shop vs.. Walmart

Where are you?

PRICE



VOLUME



- Questions on
 - Who are you
 - What is your life philosophy
 - What the customer wants
 - What you can afford to give

Profit Planning through Volume/Cost Analysis Do You Price for Success?

- Do you price for profit, or does it just happen?
- What are your goals for profit?
- Cost analysis is the “nuts and bolts” of your pricing strategy **DO THE MATH**

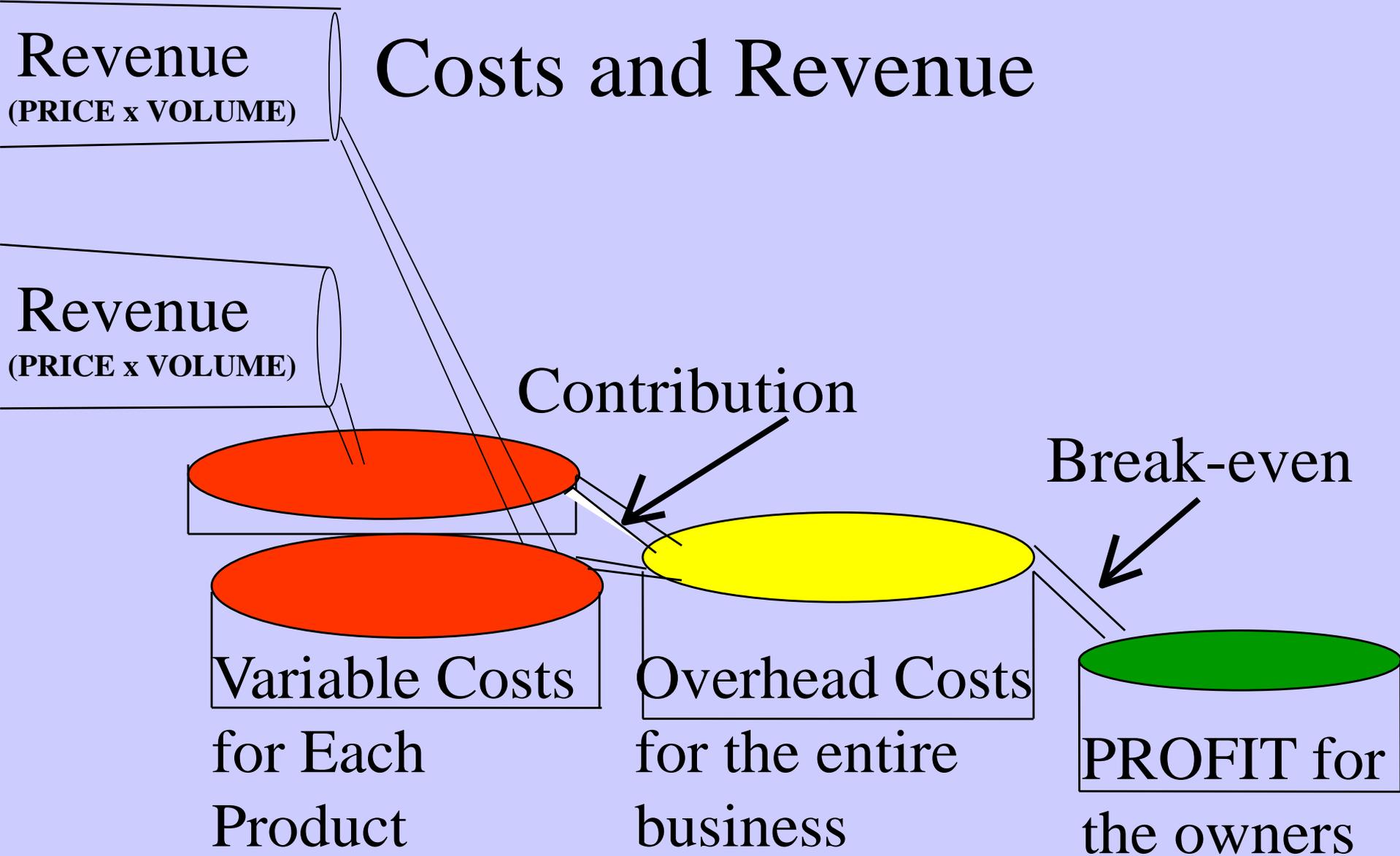
Costs of Production

- **Overhead Costs:** items that **do not** vary with production volume. Some examples are building rent, property taxes, and family living expenses.
- **Variable Costs:** cost items that vary proportionately with production volume. Examples are raw materials, hourly wages.

Characterize the Following Costs:

- Rent
- Repairs
- Heating
- Hourly Labor
- Property Taxes
- Plugs
- Don't forget to add shrink in there!
- Potting Soil
- Owner's Salary
- Gasoline for Truck
- Interest payments
- Pots
- Water

Costs and Revenue



Pricing For Profit

- **Break-even point:** where total revenue equals total cost (variable and fixed).
- **Contribution:** the difference between selling price and the variable cost per unit.
- **Profitability:** when revenue exceeds the total cost of operating the business.
- **Shutdown point:** when revenues do not cover variable costs of production.

What is Your Margin?

- Margin = overhead costs +desired profit
- Your profit should be consistent with your goals set in the beginning
- Don't forget to add family living costs to overhead costs, NOT profit.

Calculating Your Margin

- One method is to translate overhead and profit into a percent of sales.
- Sales are \$410,000
- Overhead Expenses = \$148,000
 $\$148,000 / 410,000 = .361 = 36\%$
- Planned Profit = \$15,000
 $\$15,000 / 410,000 = .0366 = 4\%$

Calculating Your Margin

Overhead is 36% of sales, profit is 4%.

- Margin = 40% of sales.
- Are your sales covering your desired margins?

?

- Variable Costs
- Fixed Costs
- Contributions to overhead?

Using The Pricing Formula

Revenue = variable cost + portion of overhead

Retail = unit variable cost / (1- margin %)

- Honey Bears bought for resale.
- Cost to purchase (incl. Freight) is \$2.39
 - Retail = $2.39 / (1 - .40)$
 - Retail = $2.39 / .60$
 - Retail = \$3.98

Mark up vs. Margin

- Why not Markup $\$2.39 * 140\%$???
- Margin will not be 40% !!!
- $\$2.39 * 140\% = \3.35
- $\$3.35 - \$2.39 = \$.96$ contribution to profit
- $\$.96 / \$3.35 = 28.6\%$ Margin
- Don't do it.

Consult the Price Points

- Price Point: a group of prices that the consumer perceives as no different than another price.
- Example: \$3.76 to \$3.99 is perceived as the same price.
- Example: \$3.25 to \$3.50 is perceived as the same price.
- You may have to round up or round down but it has to average out. Too many round downs and you will not meet your budget!

Key Price Points

- Key price points are \$1, \$5, \$10, \$20, \$50
- Secondary price points are going to be \$1 intervals in between these key points.
- Tertiary price points are at \$.50 intervals

Price Points: Our Example

- Honey Bears Price Calculation = \$3.98
- Price points would dictate raising the price to \$3.99
- Farm market pricing may be even dollar or 50 cent multiples, learn the price points that work, try options.
- Package size, if you can't get a price point change the quantity to get there.

Reality Check

- Will this honey-bear sell for \$3.99?
 - Does Walmart have this same item for \$.99?
 - Is there \$3.99 of consumer value in this item?
- In your experience with this product: Did the product move at the original price, or only after a mark-down? POS system !!!

Another Example!

- Keep margin at 40% from previous slides.
- Maple Syrup: Cost to buy w/freight is \$2.66 for a small can.
 - Retail Price = $\$2.66 / (1 - .40)$
 - Retail Price = $\$2.66 / .60$
 - Retail Price = \$4.43
- Price point? Where would you set it?
- Reality check, will it sell?

Another Example!

- Sweet Corn variable cost/dozen (planting, cultivating, spraying, picking, packaging)
= \$2.00
 - Retail Price = $\$2.00 / (1 - .40)$
 - Retail Price = $\$2.00 / .60$
 - Retail Price = \$3.33
- Price point?
- Reality check, will it sell?

?

- Pricing formula questions
- Price point questions

What About Discounting?

- When do you discount?
 - When you don't expect the item to cannibalize another item.
 - Seasonal items that are out of season.
 - When cost of storage (incl. shrink, interest) outweighs the reduced contribution by the discounting action.
 - When the neighbor discounts
 - To increase volume

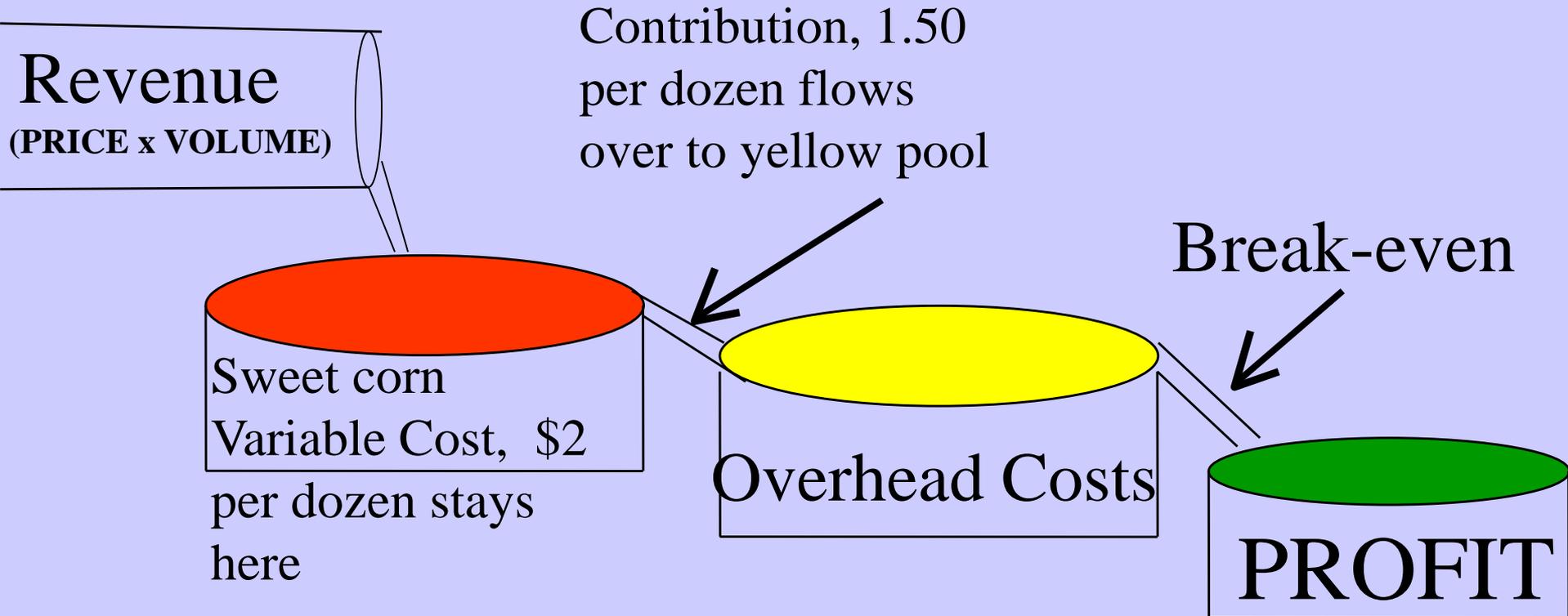
Discounting: Is it worth it?

- Your neighbor has sweet corn for sale for \$3.00/dozen. Do you match it?
- Will I sell more corn? How much more? Hmm I'm not sure... but there is a question I can answer...
- How much more corn *must* I sell in order to make the same contribution to overhead and profit?

Discounting: Is it worth it?

- At \$3.50/dozen, the total contribution to overhead and profit is:
 - \$3.50/dozen
 - Sell 5,000 dozen
 - Variable costs = \$2.00/dozen
 - Contribution = Price - Variable Cost
= \$3.50 - \$2.00 = \$1.50
 - Total contribution = \$1.50 * 5,000 = \$7500

Costs and Revenue



Discounting: Is it worth it?

- At \$3.00/dozen, how much corn must I sell to equal the same contribution to overhead and profit:
 - \$3.00/dozen
 - Variable costs = \$2.00/dozen
 - Contribution = Price - Variable Cost
= \$3.00 - \$2.00 = \$1.00
 - Need to sell = \$7500/\$1.00 = 7500 dozen in order to receive the same contribution to overhead and profit.

Reality Check: Sweet Corn

- If I reduce my price by \$.50/dozen, will I sell an additional 2500 dozen?
- So did I protect profit by discounting?
- Basically, for a 14% discount on price, I need to sell 50% more product!!

So how can a guy increase profitable revenue?

Profit Planning through Volume/Cost Analysis Increase Average Ticket

- Example: restaurants want to sell you the appetizer, the mixed drink, the dessert and the gift certificate in addition to the meal!
- They want to collect more dollars per table, so what can you do?
- We put in upick strawberries and suddenly we sell out of sweet cherries, in 4 hours!

The Opposite of Increased Average Ticket :

Cannibalism

- Cannibalism: Similar products with reduced margins stealing sales from products with full margins.
- Example: Marked down apple “seconds” competing with “fancy” grade apples.
- 25 cent 2nd or a \$1 Extra Fancy
- Don't give them the option!
- Do the math and give them options that add to your bottom line.

When volume Cannibalizes profit.

- Buy 2 get 1 free!!!
 - Move lots of product
 - Increases Average Ticket
 - But what about contribution and profit? Assume an item is \$1, variable cost is .60, with a 40% margin, it's properly priced at \$1 and it contributes 40 cents per sale.
 - $2 \times .40$, is your contribution right?
 - But $3 \times .60 = 1.80$ is your total variable cost, and revenue is only \$2, so your net contribution is only 20 cents!!!! Half of what it was! BAD for the Seller!
 - You have to do the math or you give away the store!

When volume Cannibalizes profit.

- What if cost is .50 on the \$1.00 item?
- 1 item at \$1 contributes .50
- 3 for 2 nets you \$2 revenue -1.50 cost = .50
- The SAME as no deal
- Run this deal when you have too much (fix a mistake) and you want to get your variable cost back and get on with life.
- Buy 2 get 3rd one half off would add to your contribution.
- Volume deals have to start with a proper FULL price !

Bundling

- Requires more math!
 - Figure each item in the bundle separate and together
- Should CHANGE consumer behavior.
 - If 80% of your customers already buy the exact bundle separate, why would you bundle it for them and reduce the price? Why would you work harder for less money?

Bundling

- Buy a honey bear for 3.99 and a maple syrup for 4.99, get 1.00 off.
 - Sounds good
 - Increases average ticket if they don't already buy them from you together
 - Math $2.39 + 2.66 = 5.05 / .6 = 8.41$ min to make full contribution
 - $3.99 + 4.99 = 8.98 - 1.00$ is 7.98 so we are under the 8.41 by .43
 - If people normally get just the maple syrup, then I'm adding .60 of contribution for the transaction and I say great. If they normally get just the honey the bundle adds even more.
 - Choice one is 4.99 $(4.99 - 2.66) = 2.33$ contribution
 - Choice two is 7.98 $(4.99 - 2.66) + (3.99 - 2.39) - \text{discount} = \text{contribution}$
 $2.33 + 1.60 - 1.00 = 2.93$
 - Note: If I correctly rounded up on my prices to a price point, I have more room to discount before it hurts! So price it right the first time!!

What about Dumping?

- When the item will cannibalize sales of similar products in your store, throw it out or give it to a food bank!
- When selling at a reduced price could ruin perceived quality for a particular product, throw it out!
- Quality is so poor, you don't want it associated with your market, throw it out! If the food bank won't take it, why were you selling it?!

Feedback to Price/Volume Curve

- *Did we* make a profit at our volume-overhead level?
- *Can we* make a profit at our volume-overhead level?
- What about alternative products that may make a full contribution to overhead/profit.
- Do we need to adjust our position on the price/volume curve?

Special Cases?

- Are there other reasons for carrying a product if it can't meet the margin test. Should only be done in limited products and quantities. Overhead still rules your bottom line.
 - Adds variety
 - “Loss Leader” **BUT** it must lead the customer to empty their wallet on other profitable items or it's just a **loss**.
 - Does not require additional overhead to carry
 - Does not cannibalize other products
 - Other reasons?

Contact Information

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How Smart ARE You, Really?

Marketing Webinar for Direct Marketing Farmers

12/10/12 and 12/11/12

Presenter: Warren Abbott,
Abbott Farms, Baldwinsville, NY

Webinar Questions and Answers

1. I don't really "do" math so a lot of this went too fast for me. Is there a book you can recommend so I can take it slowly?

Profit Planning through Volume/Cost Analysis by John Y D Tse. It is available through Amazon.com. But you can always revisit this presentation. Substitute your own information into the formulas. For extra assistance contact your county Extension office. They can help you to quantify your costs, do a whole farm budget and arrive at your own pricing formula to meet your farm and personal goals.

2. Why is (1-margin) used in your pricing formula?

Because margin gives you the percent of the selling price that contributes to profit, the standard formula is done this way. (1-margin) equals your variable costs, so mathematically we are expanding the variable cost from a portion of the whole up to the whole amount. Bottom line is, this math works.

3. How do you figure the percent profit you need to make (yours was 4%)

This is based on my farm goals. I know what I need to maintain in profits to do the expansions I want as well as to plan for future needs of both the farm and my family. Using the goals worksheet, you should understand your own goals and determine the profits you will need to achieve those goals. 4 is actually a pretty weak amount, but planning for some profit is a great way to start.

4. Do you have a formula for the choice between putting things on sale and processing for later sale?

We can sell tomatoes cheaper fresh, or process as frozen to sell later. Customers do not want to pay more, but actually want a discount for frozen product. How would you handle this? Compare margins. Run the price formula on each leaving margin the variable, since price is known. You may discover the customer does not want to pay you enough for the frozen work. Unless you use frozen as a way of reducing shrink you should be wary of doing more work for less money?!? If the customer will not pay for the value added work they are telling you not to do it. So don't. In a capitalist society we vote with money. So consumer votes tell you who you are and what to sell at what price. If you freeze to reduce shrink, then technically the tomato cost is zero as you would otherwise throw them out. So you can't charge the frozen product for the tomato when the fresh product should have been charged for it. When you are taking good tomatoes to make a cheaper product you have a problem too. They are no longer shrink and have to be charged at full value to the frozen product. So the answer depends on what you can sell the tomato for the first time you try.

5. How do you choose what margin you want?

The margin is determined by calculating my overhead and desired profit. Having a good handle on your farm overhead and having gone through the exercise of goal setting will give you the information you need to run the formula and determine the margin you need to cover overhead and achieve your profit goals.

6. How do you separate family living from owner's salary? Shouldn't the family living be paid for by the owner (ie the farmer, in this case)? The family living expenses comes from the owners salary. If the owner is drawing a regular salary, then he is covering his family living expenses. This salary is part of the business' overhead and should be planned for. Many farmers do not take a regular salary, but instead pay their family living expenses out of farm income. So those expenses are "salary" and part of the farm overhead. Look at the case of your farm labor. Their salary covers their living expense, but is a cost of business for the farm. It is planned for and becomes a part of the pricing formula to ensure expenses are covered and profit is built in. The farm owner's salary must also be considered a cost of doing business. It occurs with startling regularity so PLAN FOR IT.

7. I find it difficult to see how you can quantify agriculture similar to how you can quantify manufacture. There are so many variables that affect the outcome of your crop you can't possibly quantify profit by numbers of input vs. numbers of output. With discounting, if you have items that are perfectly good and would be thrown away otherwise, isn't it better to discount them so you don't have to bring them back from the farmers' market in the truck and spend the time to restock them? First, on the issue of discounting, there may be times that it would be appropriate. However, you need to think about customer expectations and perceptions. Are you teaching consumers to wait to buy your products at the end of the day when they are assured of paying a lower price? You are then hurting your price structure because you will sell less and less at full value as customers learn to shop late. Also, will this hurt your reputation with your customers? How do early customers react when their neighbor buys the same product for a significantly lower price? Hint, it ain't good! Does the lower price make you appear to the customer as having a lower quality product and thus lowers your reputation? I would suggest that instead of discounting that you find other ways to use the extra product. For example, our extra strawberries in the Spring were frozen and then used in the Fall to add strawberry flavor to apple cider. The value added product used the strawberry "shrink", and gave us a unique product that we could sell at a higher margin and we were able to maintain our price structure and actually improved our reputation in the Fall.

I would argue that farming is not different than manufacturing in terms of risk, it's just that the risks are different. All businesses have risk. The key is to understand what those risks may be and find ways to manage or mitigate them. For example, weather is our biggest risk. Adding irrigation or using high tunnels helps to manage those risks. Car companies, for example, have risks, such as labor strikes, oil embargoes, wrecking the price of plastic etc. They plan for them, as should farmers. When doing your pricing formulas, add a "fudge" factor in to accommodate those often unknown but expected risks that could impact your production and sales. Add 4 to 40% depending on your previous track record at forecasting and how risky the venture is. Does it still work with fudge factored in? Then my confidence is higher that the whole thing will work. Plan for the unexpected. It happens every year... so why is it such a big surprise?

8. Why do you add family living costs into your costs at all? Family living costs are not directly related to production? - at least not in our household.

a. I'm confused, if you add family expenses as a part of your cost you would have to be a sole proprietor, that wouldn't work in a partnership or a coop would it?

Family living expenses are fixed costs regardless of whether family living is paid out as a salary or by each individual expense. Fixed costs are those that cannot be directly correlated with a crop, but are expenses that are always incurred. Family living costs are, and thus is overhead and should be planned for within the pricing formula to cover overhead, rather than requiring them to be taken from the profits. You want to keep your farm profits for farm expansion, such as buying new equipment or land,

adding new products and employees, reducing debt faster etc. If family living expenses are not considered as a business expense, the farm profits would be devoured to cover this. You also run the risk of profits being too small to adequately cover living expenses.

9. What program do you use for your accounting system?

a. Ag squared has received a lot of attention in record keeping...do you use it?

b. Have you tried Square, the mobile POS product?

We use an accounting program that allows us to track income and expense by crop. We use S & S Programming, Computerized Personal Accounting for books and payroll. This comes out of W. Lafayette, Indiana. While this is the only one I use, there are others. But what you need is any accounting package that allows you to track by crop. Quickbooks, is another one, that tracks by class.

In the store I use a point of sale program called QuikRegister to track inventory. We have not done much mobile yet.

10. How do you evaluate your worker's time on a crop (weeding, harvesting, etc)? Do you have a standard 'time sheet'?

All of our workers use a standard time card and punch a clock when they change jobs. Then the farm manager labels the time periods by crop. The bookkeeper can enter their time into the accounting software by the crop. This allows me to know what my labor expenses are per crop.

11. Is there an issue of changing prices over a season so irregularly?

You have to look at customer expectations. When a price is stable, customers know what to expect. So I usually set my prices at the beginning of the season and hold them there. However, there are times when it is necessary to adjust a price. This is usually from outside forces, like the issue with apples this year. Prices had to rise to cover the loss from the early Spring frost. So if there are changes in market conditions, price changes should reflect that. Otherwise, I prefer to leave prices alone. Customers know what to expect when they shop with me, and I am better able to fulfill my crop allocation goals.

12. I have a farm with 100+ species...do you draw the line on getting down to the specifics on EACH crop....i.e. when do you generalize and when do you keep diving into the specifics. Do you ever find that calculating detail on variable costs is not worth it at a certain level of detail?

There are times when I do not spend a lot of time on calculations for a crop. Those are the crops that are an insignificant portion of our expense and income. For example, we raise rhubarb. There isn't a lot of expense in the crop and it's not a large crop for us, so it doesn't contribute a lot of revenue. As such, I only do minimal calculations. However, the test should be whether the crop has an impact on your revenue. If it does, then you should be doing the calculations on each of those crops. It's important to know, understand and plan the contribution of each crop to your farm's profitability so that you can adequately price the product and realize the profit levels you need to meet your farm goals. I would do all 100 at least once. I have to know which crops work and which don't. The rule in retail is 20% of your products make all the margin and 20% consume the margin from the middle 60%. So grow more of the top 20 and quit the bottom 20. So how do you know what are the 20 worst contributors to overhead and profit? How will you know unless you do the math? Year to year this changes so that means you have to do the math... again!

13. Many customers understand the quality of the produce under the organic label. In trying to stress quality to the customer how do you set yourself apart from other organic producers when the produce looks or tastes similar?

It's important to set yourself apart from your competitors in the market. This can be done with your displays, for example. If you can create a more appealing display, it will attract customers. Customer service is another way to set yourself apart. Do you provide recipes or other information about your product that would be helpful to your consumers? This can help build customer loyalty. But the best way is to talk to your customers. Build a relationship with them. Tell them about your farm, your growing practices, etc. Make them feel as though they are a welcome and vital part of your farm. The loyalty that will develop will help to keep them coming back to you every time they come to market.

14. You've referred to various information collection strategies (i.e. counting cars to determine selling doughnuts). Can you suggest other ways to collect information that will better know our customers?

I like to be in the parking lot and see people coming and going. Watch their faces, learn about what they expect and see them come back to the car. Did we blow away their expectations? We put food in our festival because a mom asked me which way to McDonalds.... It was not self-evident to, me, the cheapskate that never eats out.

The previous webinar, Learning to Look Around, provided a lot of information on this. I would suggest that you listen to that webinar, archived on the Farmers Market Federation website, <http://www.nyfarmersmarket.com/work-shop-programs/webinars/program/132.html>

15. Do you differentiate between administrative costs and operating cost?

Yes, administrative costs are fixed costs and are incurred regardless of the crop grown. We can't easily assign them to particular crops, but they have to be accounted for, therefore, they are part of the farm overhead. Operating costs, such as field workers, are tied to specific crops and are part of our variable costs.

16. Isn't this good for a product that is new and you are trying to generate a market for? (Referring to discounting, particularly introductory pricing.)

I don't like to do introductory pricing that gives an artificially low price on a product. It gives the wrong value message to a consumer. I would prefer to sample the product and sell it at the appropriate price. Sampling increases my shrink, but, it incentivizes consumers to buy the product at full value. That way they understand the value/quality of the product and don't come back at a later date, expecting an artificially low price, and being surprised by the full price. In other words, I want customers to perceive the quality of the product through my pricing. I also know that it is very difficult for a customer to accept rising prices. So I don't set up a scenario where I have to raise the price.

17. Could you give some examples of shrink?

a. Would food you take for your personal use be considered shrink?

Shrink is anything that is unsalable or even just a change in grade, down. If produce deteriorates and has to be composted, that is shrink. If a bottle of maple syrup is broken, that is shrink. When I look at food that my family consumes, I look at the value of the product when it is taken off my store shelf. If it is good quality, then I place a full value on it and it is part of my family living expenses. If it is in deteriorated condition, such as bruised apples, then I consider it shrink.

18. So you are basically working backward from your total sales and total overhead, and figuring out how much of the overhead and profit to allocate to each enterprise. Now, if you can't market that enterprise to fulfill its "quota" of overhead and profit, should you eliminate it?

That's correct, you are basically working backward. But when a product does not fulfill its allocation to overhead and profit, I don't immediately eliminate it. First I like to look at a 3 year history of the product, if it's available. Maybe there were extenuating circumstances this year that caused the product not to contribute its quota. If that's the case, I keep the product for another year. If I see a downward trend over the 3 year history, then I most likely drop the crop. But first I will look at whether my allocation expectations were realistic. Can I make marketing adjustments, package size, presentation etc? Can I make adjustments to the crop planning that will help this crop to be profitable and contribute to overhead and profit? If not, then the crop is gone.

19. What do you mean by a 100% allocation?

a. Are you referring to an allocation toward your OH costs or desired profit?

Full allocation for a crop is when it contributes the amount expected to overhead and then to your profits.

20. So, your margin is 40% of your sales, what does that tell you?

Calculating our margin helps us to apportion the overhead amount of each crop/product and ultimately the total contribution each crop will make to your profits. Do not, however, mistake mark-up for margin. Margin is the percent of the selling price that is fixed cost and profit. Mark up is the percentage of the cost price that you add on to get to your price. They are very different and if you only look at mark up, you will be underselling your product and not achieving your profit goals. One is top down and the other bottom up so they cannot interchange.

21. How does one determine the best place for one's specific farm on the volume/price continuum?

The greater the number of outlets you have, you greater the volume of sales you will have. For example, Walmart has 8970 outlets and does approximately \$46 million per year per location. Because they have such high volume, they can sit towards the high volume, low price end of the continuum. Most farms have only 1 location, or maybe 3 or 4 if they are using multiple marketing venues. But the fewer the locations, the smaller the operation, the less volume you have. You will need to be placed on the higher priced end of the continuum to remain profitable. Most farms, mine included, should be very close to the custom shop end.

22. Do you have any suggestions on how to cost out an item with various components like a mixed bouquet?

Use the bundling example in the presentation. Price out each component of the bouquet. That way you know what each flower will be contributing to the bouquet and to your profits. It may help you to understand that what flowers can be used profitably or the quantity of each flower that can profitably make up your bouquets. It will also ensure that you are selling your bouquets for the price that will fully contribute to overhead and profits.

23. I don't understand why, if \$5 is a price point, \$ 4.75 would be a better price at the market. Why not \$5?

It's all about customer perception. (not yours, theirs) There is a big psychological difference between \$5 and \$4.75 or even \$4.99. Once you break the price point barrier, customers may be stopped in their purchasing. If I am looking for a \$20 gift and find an item for \$20.17, I will not buy it because it's over 20! The last 18 cents was too significant for me and breaks the deal. With that said, though, you should have a good understanding of your customer base to know what they will accept and what they won't. You might want to try the price at \$5 and see if it is acceptable. If not, you can always reduce to

\$4.75. (But if you start at \$4.75, it will be difficult to test a higher price!) Prices are funny that way, they do not like to go up! Dollar stores live on: "if it's only a buck it's nothing." They add all those dollars together to get millions. Customer perception absolutely rules. Its irrational, for sure, its profitable when you can work with it.



How Smart ARE You Really?

Pricing Through Profit Planning

Marketing Webinar for Direct Marketing Farmers

Glossary of Terms

Break Even Point

The *break-even point* is where total revenue equals total cost (variable and fixed).

Contribution

Contribution is the difference between the selling price and the variable cost per unit. Contribution refers to the amount that your pricing will *contribute* to profit.

Margin versus Markup

Markup percentage is the percentage difference between the actual cost and the selling price, while gross **margin** percentage is the percentage difference between the selling price and the profit.

Overhead costs

Overhead costs are those items that **do not** vary with production volume, such as building rent, taxes and family living expenses

Price Points

Price points are a group of prices that the consumer perceives as no different than another price.

Profitability

Profitability is when revenue exceeds the total cost of operating the business.

Shut Down Point

Shutdown point is that point at which revenues do not cover variable costs of production.

Variable Costs

Variable costs are those that vary proportionately with production volume. Examples are raw materials, hourly wages.



How Smart ARE You Really?

Pricing Through Profit Planning

Marketing Webinar for Direct Marketing Farmers

Session Assignment

The goal of this workshop is to help you understand how to appropriately price your products. By analyzing your costs, as well as your business goals, you will be able to set a pricing formula to determine the price of your products. Also, you should have an understanding of the impact of pricing strategies on your farm profitability.

Choose your main crop (whether it's a vegetable, fruit, livestock, etc) and complete this exercise.

1. Determine your profit goals for your farm.

- a. How will you split your 2 units and fit on the price/volume curve
 - i. Quality
 - ii. Service
 - iii. Price

2. Identify your farm goals: (for example: farm expansion plans, adding benefits for workers, etc.)

- a.
- b.
- c.

What do you estimate you will need from profits annually to cover your farm goals?

3. Identify your personal goals: (for example: retirement, college funds, vacation funds, etc.)

- a.
- b.
- c.

What do you estimate you will need from profits annually to cover your personal goals?

6. **Knowing your overhead expenses and goals for expansion, family living and future retirement determine the amount you need to earn in profits. (In the presentation, the speaker knew his overhead and divided that by his gross revenues. He then divided the value of the profits he needed by his gross revenue to determine what percent of his gross revenue needed to be allocated to profits. Finally, he added these two percentages together to arrive at his farm's margin.)**

Gross revenue:

Overhead:

Overhead/gross revenue = _____ = X%

\$ planned profit/gross revenue = _____ = Y%

X% + Y% = Margin

7. **Now that you have calculated the margin you will need to reach your profit goals, test your current pricing against your margin needs. Are you currently meeting your margin or do you need to make adjustments moving forward?**

Total variable costs per unit / (1 – margin) = unit price

8. **In other workshops you have looked at your consumer base and have an understanding of their characteristics. This will help you to determine where your price points will be. Use this knowledge to calculate your actual retail price based on the calculation of your price in step 5.**
9. **You are now ready to make the same calculations for your entire product line. Repeat steps 4 – 8 for each product you sell or plan to sell.**
10. **Compare the pricing arrived at through this exercise with your current product prices. How do they compare and how does the current pricing impact your stated profit goals for your farm?**

How Smart ARE You Really? Pricing Through Profit Planning

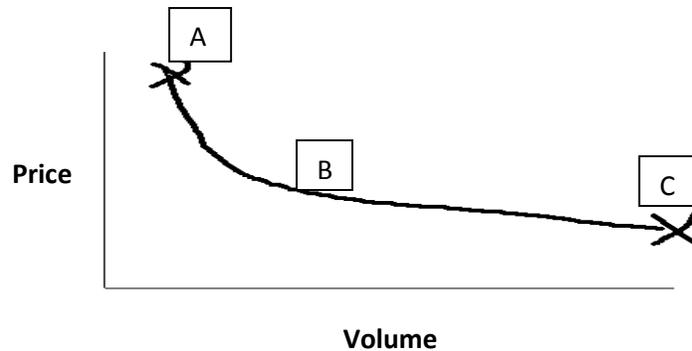
Workshop Quiz

1) On the price/volume curve below, where would you place each of these businesses and why.

WalMart **C**

Rolls Royce **A**

Your business **B**



2) Characterize the following costs:

Cost:	Variable Cost	Fixed (overhead) Cost
Rent	X	
Repairs	X	
Heating	X	
Hourly Labor	X	
Property taxes		X
Potting soil	X	
Seeds	X	
Fertilizer	X	
Tractor repairs	X	
Goods purchased for resale	X	
Family living expenses		X
Shrink	X	

3) The breakeven point is where:

- All variable costs are covered, but there is no contribution to overhead expenses nor profits.
- Variable costs cannot be covered.
- When both variable costs and overhead are covered but there is no contribution to profits
- When both variable costs and overhead are covered and there is contribution toward profits.

- 4) To determine how much each product should contribute to overhead, we calculate:
 - a. the markup of the product, or the percentage we will mark up each product
 - b. the margin we need to charge to cover overhead and attain profit
 - c. Look at what neighbors are charging for their products

- 5) Based on a variable cost of \$2.50 per dozen of sweet corn and a margin of 40%, what does your price calculate to be:
 - a. \$3.50
 - b. \$4.16
 - c. \$4.00

- 6) Complete the following chart to determine what price to sell a product once your price calculations are complete. Take into account price points and price sensitivity of each product.

Product	Price Calculation	Retail Price *	Price Sensitive (yes or no)
Sweet corn	\$3.75	\$3.99	Yes
Grass fed beef	\$5.49/lb	\$5.49 - \$5.99	No
Pack of flower seedlings	\$1.79	\$1.99	Yes
Maple Syrup	\$4.76	\$4.79 - \$4.99	No
Apple Pie	3.79	\$3.99 - \$4.99	yes

- Correct answers could be variable

- 7) If you are selling tomatoes at \$4.00 per quart and another farmer in you market is selling them for \$3.00 per quart, should you reduce your price? Why or why not?

No, my price reflects my farm needs to cover costs and make a profit. Also, my price reflects the quality of my product.

- 8) Bundling can be an effective strategy to increase the volume of sales per customer. What things should you be concerned about when contemplating a bundling program?
 - a. Bundled products should increase the sale of each component, not merely provide discounts on products people are already buying
 - b. When calculating the discounted price of the bundle, the full, accurately calculated price of each component should be considered.
 - c. The amount of the discount should not exceed the total of the rounding used to determine final price
 - d. All of the above
 - e. None of the above

- 9) Dumping is a practice of removing a product from your store or market table where you might consider either composting it or giving to a food bank. When should you utilize this practice?
 - a. When the product will cannibalize another product you are selling.
 - b. When the quality compromises your reputation

- c. When a competitor drops their price below what you are willing to sell for.
- d. When the season has been long and you are too tired to care anymore.



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“Building the Marketing Plan”

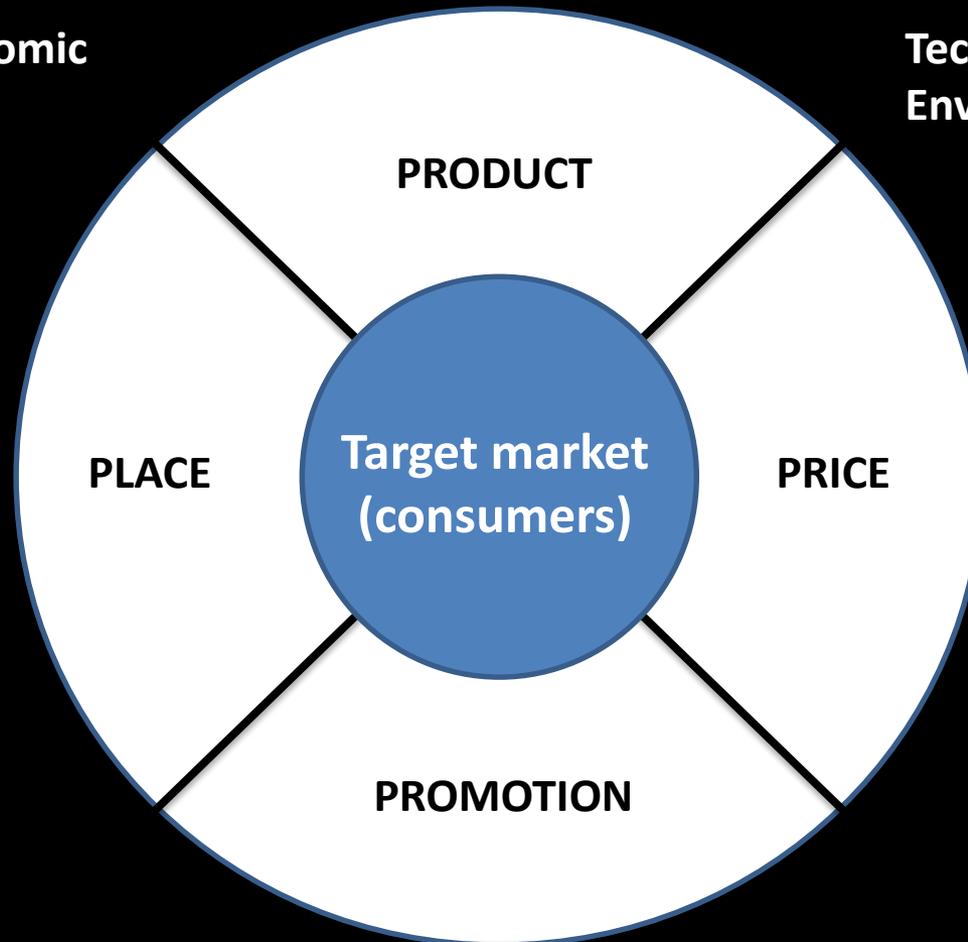


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MARKETING MIX (4 P's)

Demographic-Economic
Environment

Technological- Natural
Environment



Political-Legal
Environment

Social-Cultural
Environment



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PRODUCT

Quality
Design
Features
Brand Names
Packaging
Sizes
SKU'S/UPC

PRICE

List Price
Discounts
Allowances
Payment Period
Credit Terms

TARGET
CUSTOMERS
INTENDED
POSITIONING

PROMOTION

Advertising
Personal Selling
Sales Promotion
Public Relations
Direct
Marketing
Social Media

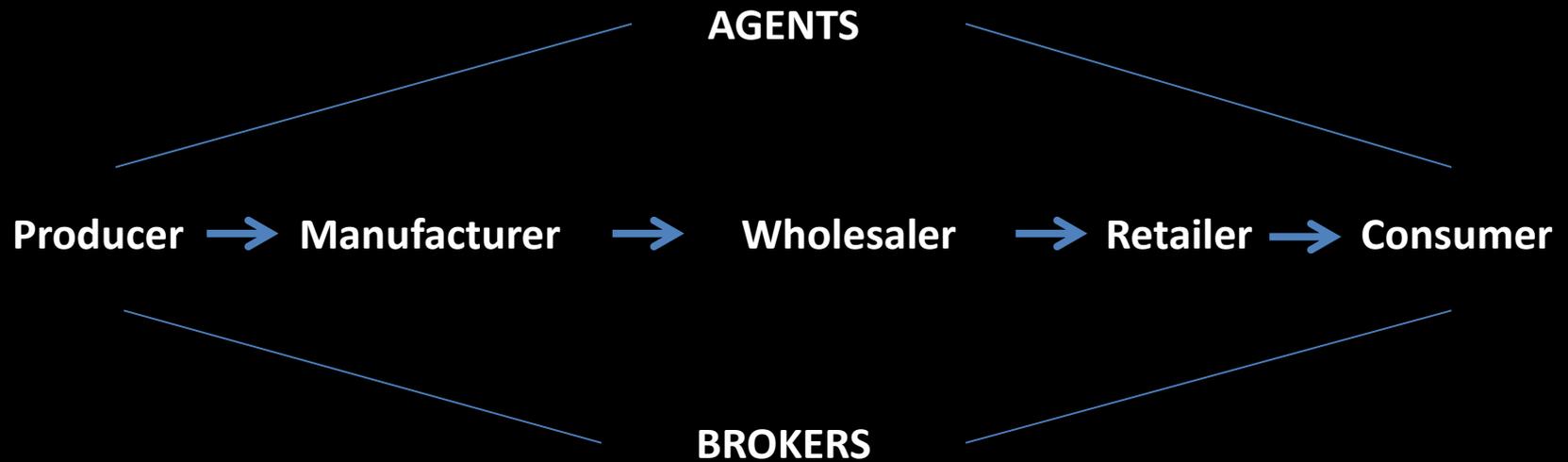
PLACE

Channels
Coverage
Locations
Inventory
Transportation
Logistics



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VALUE CHAIN (Channels of Distribution)





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MARKETING TERMS/DEFINITIONS

NEED – A state of felt deprivation. (thirst, hunger)

WANT – The form taken by human need as shaped by culture and individual personality. (craft beer, specialty cheese, yogurt, grass raised meat)

PRODUCT POSITIONING – Arranging for a product to occupy a clear, distinctive, and desirable place in the minds of target consumers relative to competing products.

MARKET SEGMENTATION – Dividing the market into distinct groups of buyers with different needs, characteristics, or behaviors.

MARKET SEGMENT – A group of consumers who respond in a similar way to a given set of marketing stimuli.

MARKET TARGET – The process of evaluating each market segments attractiveness and selecting one or more segments to enter.



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CONTENTS OF A MARKETING PLAN

- **Cover Page**
- **Executive Summary**
- **Table of Contents**
- **Current Marketing Situation**
- **Threats and Opportunities (SWOT)**
- **Objectives and Issues**
- **Marketing Strategy**
- **Action Programs**
- **Budget**
- **Appendix**



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The Entrepreneurial Path™ - can you move your idea from birth to the final product.

1. Who are you? What skills and attitudes do you have?

Sometimes-2 Often- 3 Always-4

Ranking

A. I am always the victim	Yes	No	_____
B. I am dedicated	Yes	No	_____
C. I shouldn't be working so hard?	Yes	No	_____
D. I have integrity	Yes	No	_____
E. I know it all	Yes	No	_____
F. I give credit when it is due	Yes	No	_____
G. I have humility.	Yes	No	_____
H. I am very open	Yes	No	_____
I. I am very creative	Yes	No	_____
J. I believe in fairness	Yes	No	_____
K. I am assertive.	Yes	No.	_____
L. I have a sense of humor.	Yes	No	_____
M. Lying is fine with me.	Yes	No	_____
N. I ask for help.	Yes	No	_____



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O. I don't ask for ideas

Yes

No

P. My employees take
leadership roles

Yes

No

Q. I do not work as a team

Yes

No

R. I use verbal praise often

Yes

No

S. I take risks

Yes

No

T. I seek diversity in my team

Yes

No

U. I question everything

Yes

No

V. I think differently

Yes

No

W. I learn from failure

Yes

No

X. I don't listen to the market

Yes

No



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Y. List the three greatest strengths that you think you have.

1.

2.

3.

Z. List the three greatest weaknesses that you think you have.

1.

2.

3.



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Questionnaire from “The Entrepreneurial Path”
Presented by the Community Based Business Incubator Center, Inc.
CBBIC.ORG
Michael V. Franchell – email: MIKEF@CBBIC.ORG
Web site: www.CBBIC.ORG



Executive Summary (SAMPLE)

Our company will bake authentic European breads and pastries using the same baking methods, techniques and ingredients found in the bake shops and food markets of Europe. The challenge is in marketing the company and products in a manner that educates the customer about the difference in our products, in a creative way that attracts attention and entices the customer to want to experience the products, to interest wholesale customers in purchasing large batches of products, as well as cultivate a steady stream of walk-in customers sufficient to achieve operating and financial projections.

Our company will market to middle to upper income households within our target area sufficient to capture 7.68% of the estimated \$4,331,585 spent annually on bakery products and pastries and achieve a goal of break-even financial performance with a positive year-end cash balance, positive income before taxes and a **1.20 to 1.00 debt** service coverage ratio.

Our company will launch a grand opening marketing campaign utilizing a multitude of media and events.

Our company will hire professional staff to maintain an on-going, monthly marketing campaign utilizing digital technology and social media to develop greater customer awareness and encourage repeat purchases.



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Current Marketing Situation

Many breads and pastries sold in the XXX area are marketed as “European” and/or “Old World” when in fact they only faintly resemble in taste and appearance authentic European baked products. Our company's breads and pastries will taste and look like those that are sold in the bake shops and food markets of Europe and will be made using the same baking methods, techniques and ingredients.

Our company will sell bread from \$2.75 to \$7.00 and pastries from \$2.00 to \$6.50. The company will need to insure consistency, availability and high quality will help build and retain customer confidence and loyalty.

Our company will market to middle to upper income households. Historically, these market segments consume the majority of bakery and coffee products sold throughout the country. Households in XXX total 11,916, (expecting to grow by 4.4% by 2016), and are spending an annual average of \$363.51 on bakery products (\$107.70 on bread and \$152.33 on pastries) for a total market of \$4,331,585.



Threats and Opportunities (SWOT)

Our company's primary competition consists of:

Henry's Bread Company (HBC) located in XXX, New York. HBC produces European-style breads in large quantities using all-natural ingredients and distributes its breads to area supermarkets and specialty food stores. HBC's retail breads are priced from \$4.00 to \$5.00. HBC's breads remain on store shelves over an extended period of time (more than three days) in plastic bags (which retain moisture and encourages the unwanted growth of mold) wherein their freshness can diminish.

HBC's bakery products are short of flavor and do not stay fresh for an extended period of time. Our products, made with pre-fermented dough and/or natural sourdough and a combination of unique ingredients, are more flavorful than HBC's breads.



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Peter's Bread (PB) is located in XXX, New York. PB sells a selection of breads that are shaped and scaled for restaurant portion control as well as a variety of pastry products. PB sells bread from \$2.50 to \$12.00 and pastries from \$2.00 to \$24.00. PB partially bakes and freezes their breads and many of their pastries at an out-of-state facility and ships them to their retail locations across the country. Every PB retail location bakes their own supply of partially baked breads and pastries fresh each day. PB makes some of their pastries (such as muffins) using factory supplied pre-mixes. PB uses additives and preservatives in their products to ensure freshness. PB's bakery products are short of flavor and do not stay fresh for an extended period of time. **Our products, made with pre-fermented dough and/or natural sourdough and a combination of unique ingredients, are more flavorful than PB's breads. However, because we do not use preservatives our products do have a shorter shelf life.**



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Sam's Bakery (SB) is located in XXX, New York. SB produces a variety of cookies, Polish delicacies, white rolls and rye bread. SB sells their products at their production location, at a storefront location and wholesales to several areas markets. SB sells bread from \$3.00 to \$6.00, cookies from \$0.75 to \$2.00 and Polish delicacies from \$4.50 to \$8.00.

Authentic European breads are made with natural sourdough and other ingredients. SB uses vinegar, caramel food coloring, are often short of flavor and contain minimal added ingredients (i.e., raisins, cheese and chocolate) and lack visual appeal due to their sometimes squashed appearance. **Our company will not use additives to simulate the taste and appearance, but will use natural sourdough in all of the rye breads in order to produce crackly crusts, chewy crumbs and robust rye flavors and will incorporate a variety of whole grains, seeds and dried fruit to enhance their flavors.**

Many area customers purchase breads and pastries from local supermarket bakeries primarily due to their accessibility and affordable prices (which vary greatly and should not be compared to the prices of baked goods produced at non-supermarket bakeries).



Objectives and Issues

The challenge is in marketing the company and products in a manner that educates the customer about the difference in our products, in a creative way that attracts attention and entices the customer to want to experience the products, to interest wholesale customers in purchasing large batches of products, as well as cultivate a steady stream of walk-in customers sufficient to achieve operating and financial projections.

Revenue forecasts were created projecting realistic monthly sales numbers with the goal of break-even financial performance, a positive year-end cash balance, positive income before taxes and a **1.20 to 1.00** debt service coverage ratio. Our company needs to sell slightly under **88% of product baked, or 295 units daily at an average retail of \$4.34**, and as a result of achieving these projections, capture **7.68% of the total market**.



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Marketing Strategy

Our company will market high-quality artisan breads and pastries to middle and upper income consumers, the market segments consuming the majority of bakery and coffee products sold throughout the country.

Create a grand opening marketing campaign utilizing a multitude of media and events.

Create an on-going, monthly marketing campaign primarily utilizing digital technology and social media to maintain customer awareness and encourage repeat purchases.



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Action Programs

Design a unique and easily identifiable **logo** for signage, packaging and store front, including address, telephone number and web site.

Decorate the interior and exterior of the store reminiscent of a European-style bake shop.

Create a grand opening, multi-media and event, marketing campaign to include:

- 10 days of radio and television.

- Features in the local newspaper and the Mohawk Valley Business Journal.

- Launch web page, social media platforms, Quick Response Code and smart phone app.

- Product tasting events at area stores and restaurants who have agreed to carry products.

Craft an on-going, monthly marketing campaign to include:

- A person dedicated to marketing and social media.

- Using social media to direct people to the web page where they can download the smart phone app and be notified of daily specials.

- Engage customers to share experiences via social media.

- Reward customers for responding to social media alerts.

- Using social media to educate consumer about specific products.

Social media to include: Facebook and Twitter.

Hold quarterly customer appreciation days.

Utilize smart phone technology to allow customers to make mobile payments.

Utilize Quick Response Codes and change up links and information daily.



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Budget

Grand opening, multi-media and event, marketing campaign - \$15,000:

10 days of radio - \$2,500.

10 days of television - \$5,000.

Features and advertisements in the local newspaper - \$800.

Features and advertisements in the Mohawk Valley Business Journal - \$500.

Join Chamber of Commerce and host ribbon cutting - \$500.

Launch web page - \$2,000.

Hire individual to launch social media platforms - \$1,600.

Launch Quick Response Code - \$200.

Create and launch smart phone app - \$1,500.

Product tasting events - \$500.

On-going, monthly marketing campaign - pay salary to an individual to manage social media platforms and content, **Quick Response Code (QR)** links and smart phone app content - \$3,600 per month.

Building the Business Plan For Making and Selling Value-Added Food Products

Tom Serwotka, Business Advisor
MV Small Business Development Center
SUNY Institute of Technology
serwatt@sunyit.edu

315-792-7557



Outline

- What is the market for your product?
- Who are your customers?
- How and when will you get paid?
- Who is your competition?
- How will customers learn about your product?

Outline

- How will you distribute your product?
- Who are your suppliers?
- How much will it cost you to operate your business?
- Who is running your business?
- What expertise do you/they have?

Who is Your Audience for the Plan?

While preparing your business plan, identify who needs to read the document and tailor the presentation to suit their decision making criteria:

- You?
- Commercial lenders?
- Your customers or suppliers?
- Government agencies?
- Your employees?

What Industry are You in?

- Define your industry:
 - Size
 - Historic growth rate and trends
 - Life cycle stage
 - Projected growth
 - Distribution channels, cost structure & profitability
 - Key success factors – economy of scale, technology
- What is the outlook for the industry?
 - Any current or upcoming opportunities or problems?

What is Your Product?

- Describe your product
- Is your product in demand, will fill a need, or solve a problem?
- Will your product meet a feature or benefit?
- When will your product be purchased? Is it seasonal?

What is your Product?

- Will you have a proprietary advantage: patent, copyright, design, process, technology, exclusivity, etc.
- Who is your ideal customer?
Wholesaler/Distributor? Retailer? Consumer?
- Can you sell the product to that ideal customer, cover your cost plus make a profit?

What is your Product?

- Product Features:
 - Size, packaging, quantity and shipping
 - Determine wholesalers' or retailers' needs
- Label:
 - Image and branding – logo, trademarks, color, design, attractive, etc.
 - Regulatory - content, ingredient, nutritional data, warnings, directions, tec.
 - Informational - UPC codes, certifications Ex. Kosher, GAP, Third Party Audits, etc.
- Warranty, repair, replacement and return policy

What is your Product?

- Any barriers to competition, such as high startup or research and development costs?
- USDA, FDA, Any regulatory requirements – Department of Health, NYS Agriculture & Markets, UNYS DEC, local licenses?
- Any potential or pending legal changes in the works?

What is your Price?

- How much are customers willing to pay?
- Is your price a fair value for your product?
- What terms will you offer?
- Discounts and allowances?
- Is there something unique about your product that may justify a higher price?
- Can your price absorb fluctuations in costs?
- Can businesses within the distribution channel make a profit from selling your product?

Pricing within the Distribution Channel

Pricing is a key element in your marketing strategy, market acceptance, and profitability

- The lower you are in the distribution channel, the more important pricing will be to attract your target customer
- There are no hard and fast rules
- How does your price relate to the distribution of your product?
- What is the impact of wholesaler, distributor and retailer markups be?
 - Would the mark-up at each point of distribution make your product too expensive?
 - Or not profitable enough for the wholesaler, distributor and retailer?

Pricing within the Distribution Channel

- How will your price compare to competitive products?
- Is multi-tier pricing required for volume orders?
- A typical food product pricing structure within the distribution channel may look like:
 - Consumer pays the retail price \$1.00, or 100%
 - Retailer wants to make no less than 25% \$.75 cost
 - The Wholesaler/Distributor wants buy at 35% of retail and sell at 75% of retail, transportation and store/shelf management included buy at \$.35 and sell at \$.75
 - The manufacturer (you) need to come in at 35% of the retail price, marketing included \$.35 price

What is your Unit Cost?

- What will your ingredients, payroll & benefits, utilities, packaging, shipping, supplies, equipment maintenance, and sales commissions cost?
- What are your anticipated sales in units so you can schedule production and purchase ingredients?
- Can you purchase in quantity sufficient to help maintain a market wholesale price?
- Is it cheaper to outsource or make yourself?
- How many units do you have to sell to break-even? (pay for your fixed costs i.e. occupancy, insurance)

Who is your Market?

- Who is your ideal customer?
- Who is the potential end-buyer or end-user?
- How would you describe your typical buyer?
- What is the size of your target market?
- How much is the customer or end-user spending annually?
- What is the customer's expectation for your product or service in terms of price, quality, service, delivery, packaging, etc?

Who is your Market?

- What are their demographics for your buyer? (age, sex, income, occupation, education, lifestyle, etc.)
- What is the forecasted growth for this group?
- Where are they located? (geographically)
- What is the market share and number of customers you expect to obtain in a defined geographic area?

Who is your Market?

- Is the market expanding or contracting, and at what rate?
- How or why is the market changing?
- Where will the market be in five years?
- Any current or upcoming opportunities or problems?

Obtain accurate and reliable data and statistics

Who is your Competition?

- Who are your competitors?
- Make a complete list
- Where are they located?
- Where are their products made?
- How long have they been in business?
- How do they distribute their products?
- What is their respective market share?

What is Your Piece of the Pie?

How will your company and product effect the rest of the businesses trying to make a buck?

- The pie is only so big
- If your product and company take some of the market share but everyone else remains healthy, then it appears to be a viable idea
- If your product and company take market share leaving the rest on the edge of failure, what good have you created?

What is your Marketing Plan?

Your marketing plan can be about how your present not only the product but your company to your customers, sometimes referred to as the 8 “P’s”:

- Product – needed, wanted, solves a problem
- Packaging – attractive and convenient
- Price – balancing sales and profitability
- Promotion – advertising, branding, creating demand
- Placement – where your product is sold
- People – who represents the company
- Physical environment – tone of the environment
- Process – differentiate you from your competition

What is your Marketing Plan?

- Who are your target markets?
- What factors will account for your success?
- Quantify your marketing objectives:
 - Where will you sell your product?
 - When will you launch your product?
 - How many will plan on selling – month, quarter, year?
 - How will you increase sales and at what rate?

What is your Marketing Plan?

- How will you promote your product?
- What marketing activities will you use?
- What promotional activities are used by the competition?
- How will you develop your brand?
- How will you develop and maintain a Proprietary Position in the market place?

What is your Marketing Plan?

- Do you intend to take market share away from the competition or will you be creating a new, niche market?
- How will you maintain loyalty?
- How much will you spend on marketing?
 - As a fixed dollar amount or a percentage of sales?

Who is Your Marketing Team?

- Will you utilize a sales team?
 - External - sales people on the road, distributors, reps
 - Internal - inside sales team, telemarketers
 - Direct - calls, mail, seminars, TV, radio, print ads
 - Indirect - web site, blog, social media
 - Exclusive sales agreements
 - Compensation:
 - Salary
 - Base salary plus commission
 - Commission only

Distribution

Distribution - How your product gets from you to the customer

- Methods :
 - Wholesalers
 - Jobbers
 - Retail stores
 - Direct ship – on-line or mail order
- What does your competition do?
- Who will **warehouse** and ship your product?

Financial Information

Existing All plans must include:

- 3-years of Monthly Cash Flow Projections
- 3-years of Balance Sheets
- 3-years of Profit and Loss Statements
- Notes and significant assumptions used in projected financial statements



Building the Marketing Plan
Marketing Webinar for Direct Marketing Farmers
1/8/13 and 1/9/13
Presenter: Marty Broccoli
Cornell Cooperative Extension, Oneida County

Webinar Questions and Answers

- 1. You mentioned a textbook where I can find a more detailed questionnaire to assess whether I have what it takes to be a successful direct marketer/food entrepreneur. Can you give me that information again?**

“Understanding Business” 10th Edition, Authors, Nickels and McHugh, ISBN: 978-0-07-352459-7. This can be purchased online from several sources.

- 2. Are there any SBDC's in Canada?**

While there are Small Business Development Centers throughout the US, I am not sure about Canada. I would suggest contacting the Department of Agriculture in Ottawa or the University of Guelph. They both work with the food industry and can direct you to assistance.

- 3. What are the best sources for identifying the local population characteristics (to define consumers)?**

Check in with your local Small Business Development Center. They can help you access much of this data. Also look at the 2010 US Census and Demographics Now – Library Edition (<http://www.gale.cengage.com/pdf/facts/DemoNow.pdf>)

- 4. When is the best time to write the Business Plan - before I start farming, while farming or in business?**

Write your business plan before you start, but you will continue to revisit and revise throughout your business. It also must be in writing, not just “in your head”. Writing it out helps you to think through all the aspects of the business. Also, if you are going to a funder, whether a lender or investor, they will require a written plan.

- 5. How often should a marketing plan be revisited? Should it be done on an annual basis or only when trying a new venture?**

A plan should be revisited every few months or whenever you add a new product, change a marketing venue, take on a new partner, require additional funding or whenever you see that your business and marketing plan is not achieving your objectives.

- 6. I'm not clear on the debt service equation. Can you go over that again?**

What this says is the rule of thumb is that for every dollar of debt, you should have \$1.20 in a checking account, accounts receivable or liquid assets. That way you are never “upside down” and operating from a position of strength. And if you have to close the door for whatever reason, you will have your debt covered but still have funds remaining.

- 7. What's the reason for carrying debt if you have enough in your pocket to pay it off and still get a pizza?**

It's a personal decision. But there may be tax advantages to carry some debt.

8. How do you determine your market share?

This is really an assumption or projection that you will make based on your research of the market environment – the competition, the likely customer base for your product and where you think you can fit in.

9. Where can I find resources to determine my current marketing situation?

If you know your gross sales and are able to determine the size of the industry, that is a way to determine, example is veal. Veal consumption is .75 pound per person per year, so if there is say 300 million pounds consumed each year and I am a processor and process 5 million pounds, then I have 2 percent of the market.

10. Are there resources to determine what my local market is for CSA, Farmers Market, direct from farm...

One of the best sources for this kind of information is your local Cooperative Extension Office. They are intimately involved with local agriculture and the community and have this kind of information at their fingertips.

11. How do you approach local competition for their information? Our intention is to create community among our competitors but we also want their information to ascertain our place in the market.

You just start a conversation. Some will be open and others will not. But you must be prepared to answer their question – why do you want the information. You can also network with others in the industry that may know about your competition. You can also Google them on the internet.

12. If you are trying to follow what the shops are doing could you give some examples on what the breads and pastries were that are better for selling

It's not really about what are the best breads and pastries for selling. It's more about acknowledging what your competition is doing and how your product will be differentiated. But, the fastest growing segment of the bakery segment is gluten-free products.

13: Could you name some of the programs that help you design your logos?

There are web companies that can help you, but I would look at people with graphic arts skills that can use the computer to create a logo. This should not be too expensive. Some design companies will charge anywhere from \$3000 - \$10,000 to create a logo. This is an unnecessary expense.

14. What if your budget is not that much, how can you still put yourself out there?

There are a number of things you can do, but anything will take some money. But you should start with social media. This does not have a cost other than time. But you should also have business cards, flyers and signage. These can be done on your own computer. If possible, seek out reporters that may want to do a story on a new start-up business. You may be able to get into newspapers or trade journals for a minimal cost. But remember, it does cost money to make money!

15. In selling to groceries, you say we should expect to get 35¢ for every \$1 retail?

Experience shows this to be the case. Keep in mind that every step of the value chain, i.e. broker/agent, distributor, retailer; all take a piece of the profits. So if you are going this venue, you need to know that

what you are producing can be sourced, grown, manufactured, packaged and shipped for 35¢ on each retail dollar.

16. Where do restaurants fall in this pricing equation?

Restaurants operate much differently than other retailers. First, they traditionally can pay 1/3 of their retail cost. So if they are charging \$15 for an 8 oz steak, they can pay \$5 for that steak. However, historically restaurants are not good at paying quickly, they will play distributors and suppliers against one another for their benefit. Some will pay immediately, but most will take 15, 30 or even 60 days before they pay. The longer the time before payment, the greater the price needs to be to reflect that they are working on your money. But there is no formula that works for all restaurants. However, there are some really good restaurants and if you can establish a relationship with them, they can be a good target market.

17. Please explain Benjamin Butler's "Theory of Entropy".

This is a book that provides theory on how you can look at a market, determine if there is room for you to enter and how you can break into that market.

18. Are the 3 year plans 3 years in the future or 3 years of records from the past? How do you make up profit and loss statements for the future?

These are future projections. The best way to forecast your financial statements is to work with your local Small Business Development Center. They have financial templates that will help you to create these financials by plugging your own information into them.

19. I've seen pro formas for retail businesses...please list what type of info would be included in a "Farmers Market" Pro Forma... P&L, Balance Sheet...what else?

For a stand at a farmers market, the pro forma is no different for any other business, just on a smaller scale. You must include all financials regarding the market stand – cost of space, insurance, labor, etc. For the market itself, again this is no different than any other business.

20. Is there a farm size or break point where it's cost effective to target the wholesale market?

Not anymore. With the local food movement, there is such a demand for local food that brokers and retailers will work with any size farm if it means that they can offer locally grown to their customers. The key is that you have to be able to deliver the product when they want it, in the form they want and at a price point they can work with. If you can do that, you will sell your product before non-local product is sold.

21. Any thoughts on hitting that price point that works? Should small farmers aggregate at the processing & distribution levels?

Any time small farmers can learn to work together and work cohesively it is an advantage in all areas when dealing with the value chain.

22. What is the best way to 'test' the market and see what the customer is willing to pay, provided my product is targeting a niche market.

It's really just trial and error. You can use focus groups. Or use a farmers market for a day or two to sample your product and ask questions of your samplers to get at the value they place on it and what they would be willing to pay. You can also sample at supermarkets

23. I am interested in starting a micro-malting facility. I intend to sprout barley; can this be considered an agricultural commodity or a food product that would require a food processors license?
Cornell Cooperative Extension in Madison county, NY is engaged in this and can answer your question. Contact Steve Miller, sgm6@cornell.edu. He will be able to answer any questions on the malting industry.

24. Take tomatoes as an example. I want to sell to the local restaurant. It takes 70 days to harvest. When is a good time to get with those purchasers?

Make contact as soon as possible. If you wait until you have a crop, then you could be standing in line behind everyone else trying to sell their tomatoes. Go in early, establish a relationship with the restaurateur. Then when your tomatoes are ready, even when every other farmer has tomatoes, yours are the ones the restaurant is looking for.

25. I am starting a small mixed vegetable farm in Maine with several other individuals. Do any of you know of other farm enterprises that are run by several individuals (not married couples), more like a co-op or employee owned company? We are looking for models.

Johnny's Seeds in Maine is an Employee owned company and would be an excellent model. Also contact USDA's SARE program. If they have not funded such a project, they may be interested in funding this to create the model. Otherwise, they may be able to direct you to examples.

26. What do you think is the most important key to all of this?

No one thing is more important than the rest. It's all critical to help guide you through to success.

27. What are some of the errors in marketing plans that you have seen and how does one avoid them?

Keep in mind that most funders, lenders, investors are already pretty savvy. They know the industry and can spot it when someone is blowing smoke. So keep your plan succinct and to the point. Be very honest about your strengths and weaknesses and be sure you have a plan to cover your weaknesses. Include your financials – what funds you already have and what you need.

Don't be flowery with your writing. It does not add to the document and can be a real distraction.



Building the Marketing Plan

Marketing Webinar for Direct Marketing Farmers

Glossary of Terms

Marketing Plan

Your *marketing plan* is how you present not only the product but your company to your customers.

Market Segmentation

Dividing the market into distinct groups of buyers with different needs, characteristics, or behaviors is *market segmentation*.

Product Positioning

Product positioning is arranging for a product to occupy a clear, distinctive, and desirable place in the minds of target consumers relative to competing products.

SWOT

This is a method for analyzing the *strengths, weaknesses, opportunities, and threats* of a business venture.

Value Chain

A *value chain* is a chain of activities that a business performs in order to deliver a product or service to the market.



Building the Marketing Plan

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Session Assignment

A key focus of the marketing plan is on conducting a SWOT (strengths, weaknesses, threats and opportunities) analysis. This will help you perform an in depth analysis of the current market opportunity for your products and business.

- 1. What are your strengths as an individual that will lead to your success as a direct marketer?**

- 2. What are your weakness that will impede your direct marketing success? With each identified weakness, what are your plans to overcome or resolve this issue?**

- 3. What are the strengths of your business that will lead to your success?**

- 4. What are the weakness of your business that will impede success. With each identified weakness, what are your plans to overcome or resolve this issue?**

- 5. Describe competing businesses in your area. What are they selling, what are the characteristics, what are their pricing strategies? Once you have outlined your competition, describe how your business/products will differ and why there is a need for your product in the marketplace.**

Building the Marketing Plan

Quiz

1. What is product positioning?
 - a. Arranging for a product to occupy a clear, distinctive, and desirable place in the minds of target consumers relative to competing products.
 - b. A group of consumers who respond in a similar way to a given set of marketing stimuli.
 - c. A component of a SWOT analysis
 - d. The process of evaluating each market segments attractiveness and selecting one or more segments to enter.

2. The value chain for distribution shows a direct marketing farmer deals directly with consumers. But some farmers will need to use brokers and agents to sell their product. Each segment of the value chain takes a profit off your product. Which of the following statements is NOT true?
 - a. Retailer takes a 25% markup over cost
 - b. A distributor buys at 35% of retail
 - c. If a product retails at \$1.00 and it is sold through a distributor, the product must be profitably manufactured, packaged, marketed and shipped for \$0.35.
 - d. These are all true statements

3. Creating a business and marketing plan, and committing it to paper
 - a. Helps you think everything through
 - b. Provides something you can provide to potential funders to help them understand your business
 - c. Both a and b
 - d. Having it in your head is enough, writing it down is a waste of time.

4. The Executive summary
 - a. Summarizes the plan for readers
 - b. Is written first
 - c. Is written last, but placed first in the plan
 - d. A and C

5. As a general rule of thumb, an investor or funder looks for a positive debt ratio, 1.0:1.2. This means for every \$1000 you borrow, you should have how much in liquid assets?
 - a. \$100 - \$120
 - b. \$2000 - \$3000
 - c. \$1000 - \$1200
 - d. \$5000

6. A standard formula for a marketing budget for an ongoing business is:
- a. 4% of net profits
 - b. 4% of gross sales
 - c. \$15,000
 - d. Marketing is an unnecessary expense
7. Being a direct marketer takes certain personality traits. Which of the following would define someone who has a propensity for direct marketing?
- a. I work well in a team
 - b. I have integrity
 - c. I have no problem lying
 - d. I shouldn't be working so hard
 - e. I am open to new ideas
 - f. I know it all
8. How often should my business plan be revised?
- a. Once it's done, it only needs updating when looking for new funding
 - b. It should be an ongoing process
 - c. Annually
 - d. Once it's done, it does not require updating, just common sense