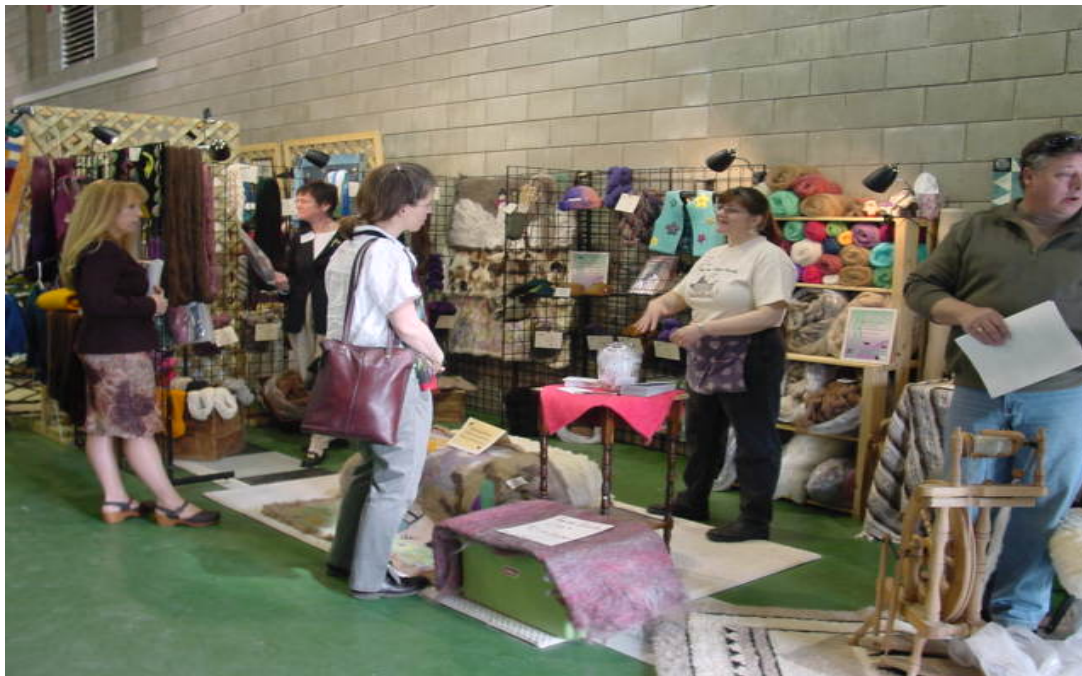


Know Your Market



Jim McConnon
Extension Specialist and
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Overview

- **Basic Marketing Concepts**
- **Key Elements of Market Research**
- **Market Research Applications**
 - **Developing a Customer Profile**
 - **Evaluating the Competition**
 - **Estimating Market Potential**
- **Market Research Websites**
- **Marketing Tips for Business Success**
- **Questions???**

What is Marketing?

“Everything you do to promote your business from the moment you think of the product idea until customers buy your products on a regular basis.”

- Jay Levinson, author of Guerrilla Marketing

What is Marketing?

The process of finding out what customers want/need and satisfying those wants/needs in a profitable way...

- ✓ **Produce what you can sell**
- ✓ **Focus on new opportunities**
- ✓ **Customer determines production**
- ✓ **Target marketing techniques**

Marketing Strategy

❖ Target market

- **Demographics**
- **Lifestyle Patterns**
- **Customer Expectations**

❖ Marketing mix

- **Product**
- **Place**
- **Promotion**
- **Price**
- **Position**

What is Market Research?

Systematic gathering, recording, and analyzing of information related to the marketing of your products...

- ❖ **What are the long-term trends?**
- ❖ **Who are my customers?**
- ❖ **Where can they be reached?**
- ❖ **What do they want to buy?**
- ❖ **What influences what they buy?**
- ❖ **Who are my competitors?**
- ❖ **What is the market potential?**

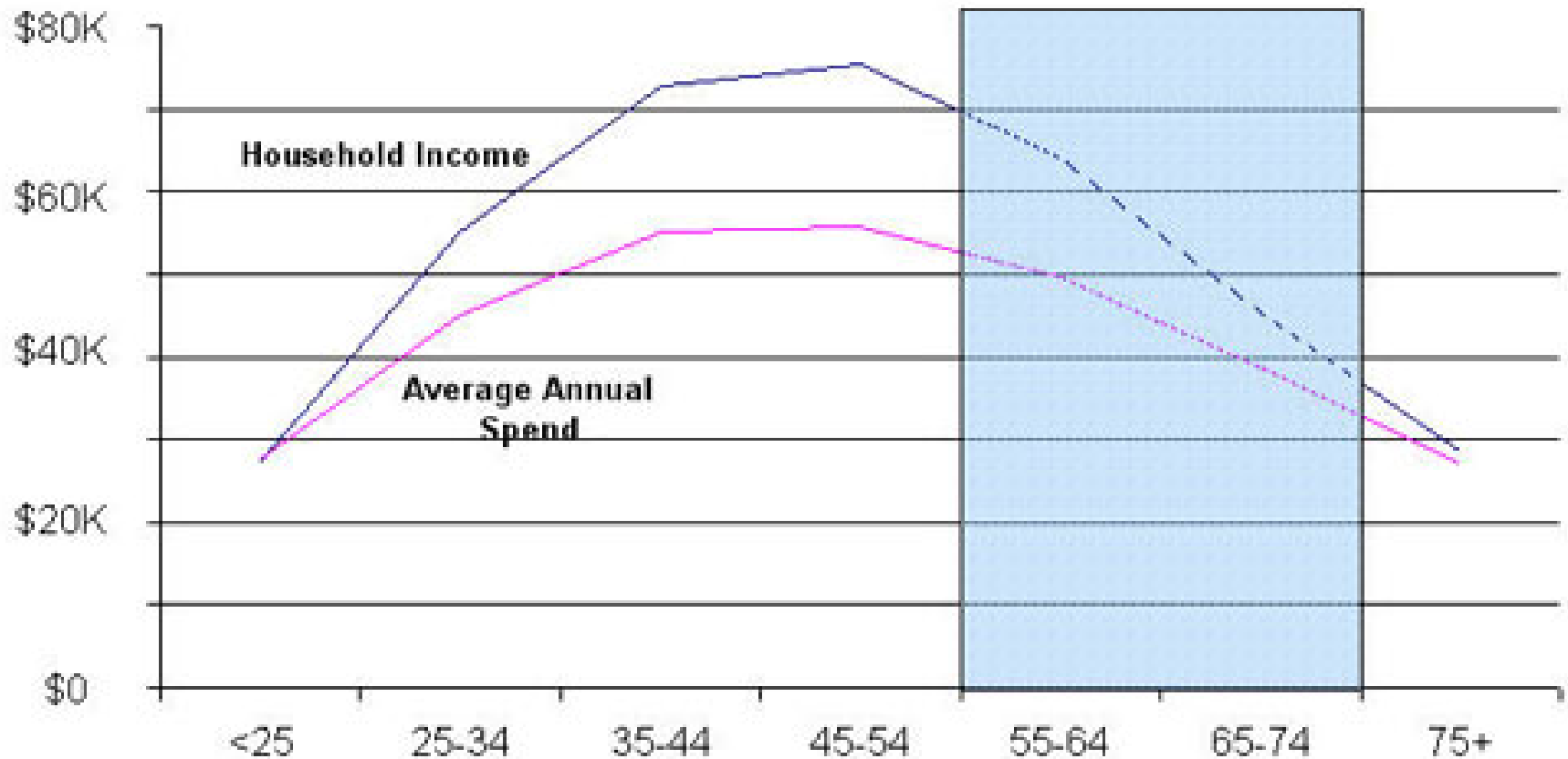
Demographic Trends

Generations as Percent of the U.S. Population, 2015F

Cohort	Dates of Birth	Age in 2015	Population (000s)	% of Population in 2015
Matures	Prior to 1946	70 +	31,169,269	9.7%
Baby Boom	1946 to 1964	51 to 69	73,970,380	22.9%
Generation X	1965 to 1980	35 to 50	66,155,427	20.5%
Millenials	1981 to 2000	15 to 34	86,105,837	26.7%

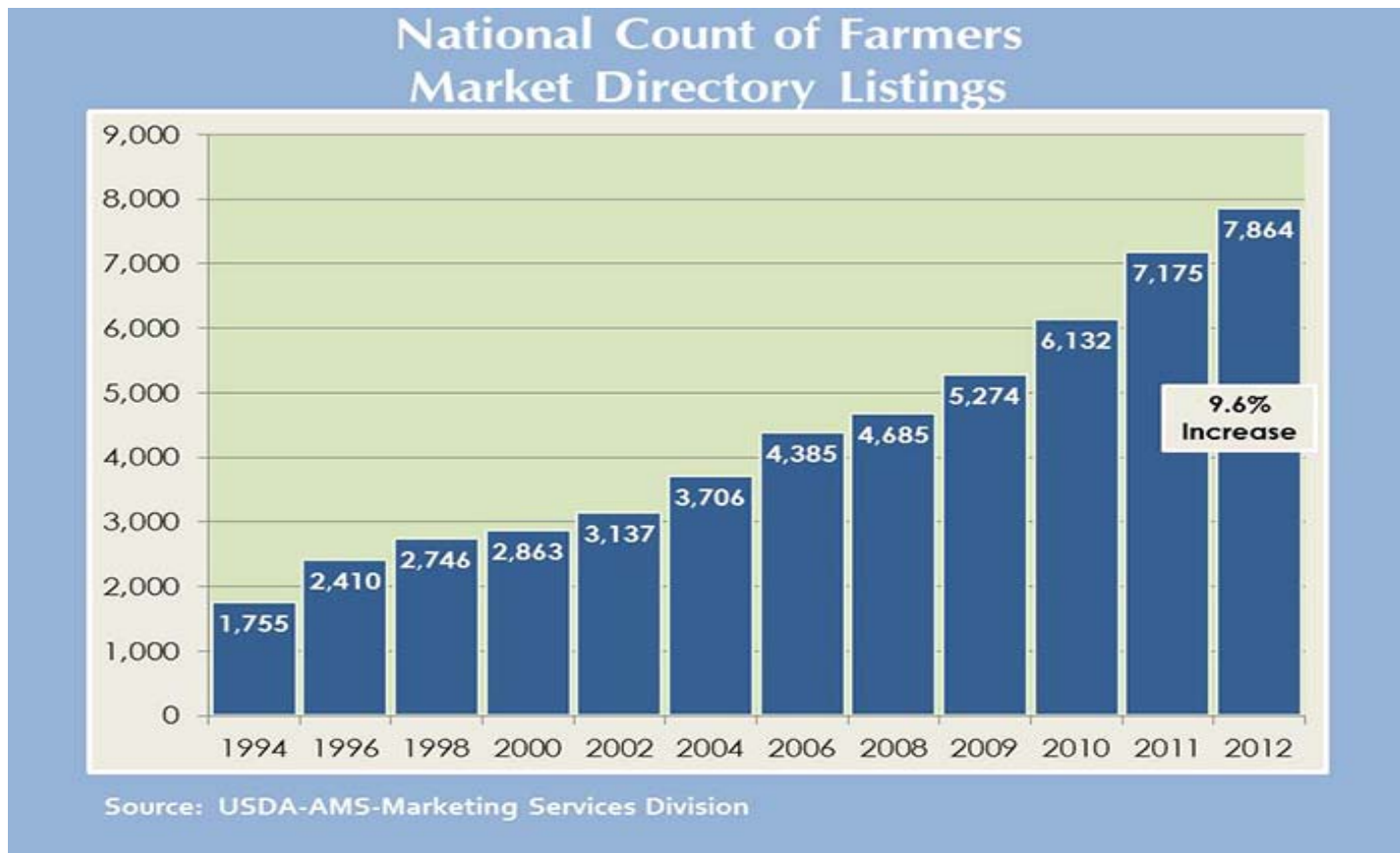
Source: U.S. Census Bureau

Household Income and Average Annual Spending by Age



Source: US Bureau of Labor Statistics, 2005

Growing Interest in Local Foods



Why Conduct Market Research?

- ✓ **Keep abreast of changing market conditions**
- ✓ **Reduce business risks**
- ✓ **Spot problems in the current market**
- ✓ **Identify and profit from sales opportunities**
- ✓ **Assist in developing a successful marketing strategy**

Types of Market Research

- ▶ **Secondary Market Research = Use Existing Data**
- ▶ **Primary Market Research = Do It Yourself**

Secondary Market Research

- ❖ **Public libraries**
- ❖ **Colleges or Universities**
- ❖ **Federal and state agencies**
- ❖ **Trade associations**
- ❖ **Competitors**
- ❖ **The Internet**

Primary Market Research

- **Personal Interview**
- **Telephone Interview**
- **Mail (e-mail) Survey**
- **Focus Group Interview**

Why Survey Customers?

- **Learn about their expectations**
- **Determine their level of satisfaction**
- **Develop a solid customer profile**
- **Identify areas for improvement**

Market Research Applications

- **Developing a Customer Profile**
- **Evaluating the Competition**
- **Estimating Market Potential**

Identifying Your Target Market

Your target market includes the people that you are trying to attract

❖ **Suggestions for targeting your market:**

- ✓ Focus on a particular geographic area
- ✓ Focus on your best selling product
- ✓ Focus on those most likely to patronize your business

❖ **Consider the 80/20 rule:**

- ✓ 80% of your profits come from 20% of your customers
- ✓ 80% of your sales come from 20% of your normal product line

Developing a Customer Profile

➤ Demographics

- Typical age
- Income level
- Educational level

➤ Lifestyle Patterns

- Common interests
- Beliefs
- Behavior patterns

➤ Expectations

- Quality
- Service
- Product mix
- Price

Customer Profile for “Best Customers” of the Non-White Bread” Market in the U.S., 2010

<i>Demographic Category</i>	<i>Demographic Profile</i>	<i>Avg. Household Spending</i>
Age of Householders	35-54	\$69
Household Type	Couple with School-aged Children	\$89
Household Income	\$50,000+	\$62-\$94
Education Level	Associate’s Degree+	\$60-\$80

Evaluating the Competition

- **Identify key competitors**
- **Determine what customers they serve**
- **Analyze their strengths and weaknesses**
- **Identify key factors to evaluate**
- **Summarize the key competitive advantages**

Estimating Market Potential

- **Define the market size for the target audience**
- **Estimate market share**
- **Determine average yearly consumption**
- **Estimate an average selling price**

Estimating Market Potential – Con't

$$\mathbf{MP = N \times MS \times P \times Q}$$

Where:

MP = market potential

N = number of potential customers

MS = market share - % of customers buying from you

P = average selling price

Q = average yearly consumption

Artisan Bread Business - Example

N = town of 10,000 - 10% are potential customers

MS = currently 3 competitors (estimate = 15%)

P = average retail price per loaf of bread (\$4)

Q = average person buys 2 loaves per month

MP = 1,000 x .15 x \$4.00 x 24 = \$14,400

Estimating Market Potential: Selected Resources

Estimating Market Potential Checklist – Wolfe, University of Georgia

<http://www.caes.uga.edu/center/caed/pubs/2006/documents/CR-06-08.pdf>

Estimating Market Potential: Is there a Market? – Mundy, NC State

http://plantsforhumanhealth.ncsu.edu/extension/marketready/pdfs-ppt/business_development_files/PDF/estimating_market_potential.pdf

Estimating Retail Market Potential – McConnon, University of Maine

<http://extension.umaine.edu/publications/3012e/>

Selected Market Research Resources

Agricultural Marketing Resource Center: www.agmrc.org

Agricultural Marketing Service (USDA): www.ams.usda.gov

Bureau of Labor Statistics (U.S. DOL): www.stats.bls.gov

Economic Research Service (USDA): <http://www.ers.usda.gov/>

National Sustainable Ag Information Service: www.attra.org

Survey Monkey: www.surveymonkey.com

Supermarket Facts: <http://www.fmi.org/research>

U.S. Census Bureau: www.census.gov

U.S. Census of Agriculture: www.agcensus.usda.gov

Selected Market Research Resources (Con't)

National Specialty Food Association: www.specialtyfood.com

Easy Analytic Software: www.easidempgraphics.com

SBA National Information Clearinghouse: www.sbdcnet.org

Baking Business: www.bakingbusiness.com

Bread Bakers Guild of America: www.bbga.org

IBISWorld Industry Reports: www.ibisworld.com

Entrepreneur Magazine: www.entrepreneur.com

The Fresh Loaf: www.thefreshloaf

Marketing Tips for Business Success



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Tip #1: Research Your Market

- Sell products/services that customers want!
- Learn as much as you can about your market
- Set aside time/money to research your market
- Develop a list of key questions to ask
- Write up your results

Tip #2: Target Your Market

- Identify the customers you are trying to attract

- Develop a customer profile:
 - ✓ Demographics
 - ✓ Lifestyle patterns
 - ✓ Expectations

- Focus your marketing efforts on this target market

- Sell products that customers want!!!

Tip #3: Educate Your Customers

- **Share background information about yourself and business**
- **Emphasize the key features of your products and services**
- **Test market new products and services**
- **Provide samples and develop flyers, brochures & displays**
- **Consider placing Quick Response (QR) codes on displays**



Tip #4: Price Your Products for Profit

- **Determine the profitable prices for your products**
- **Price for your target market**
- **Stress quality and uniqueness**
- **Be flexible in your pricing**

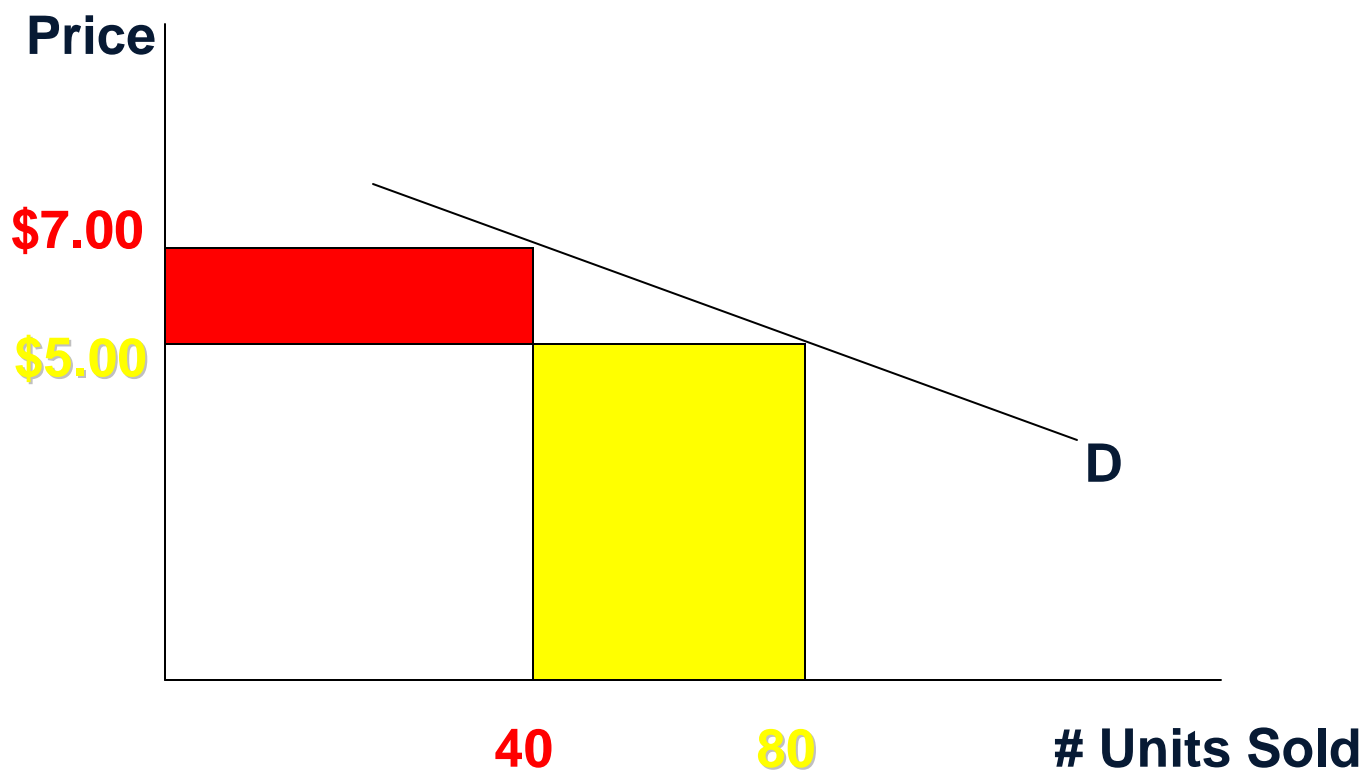
Price Elasticity of Demand

How responsive is quantity demanded to changes in price?

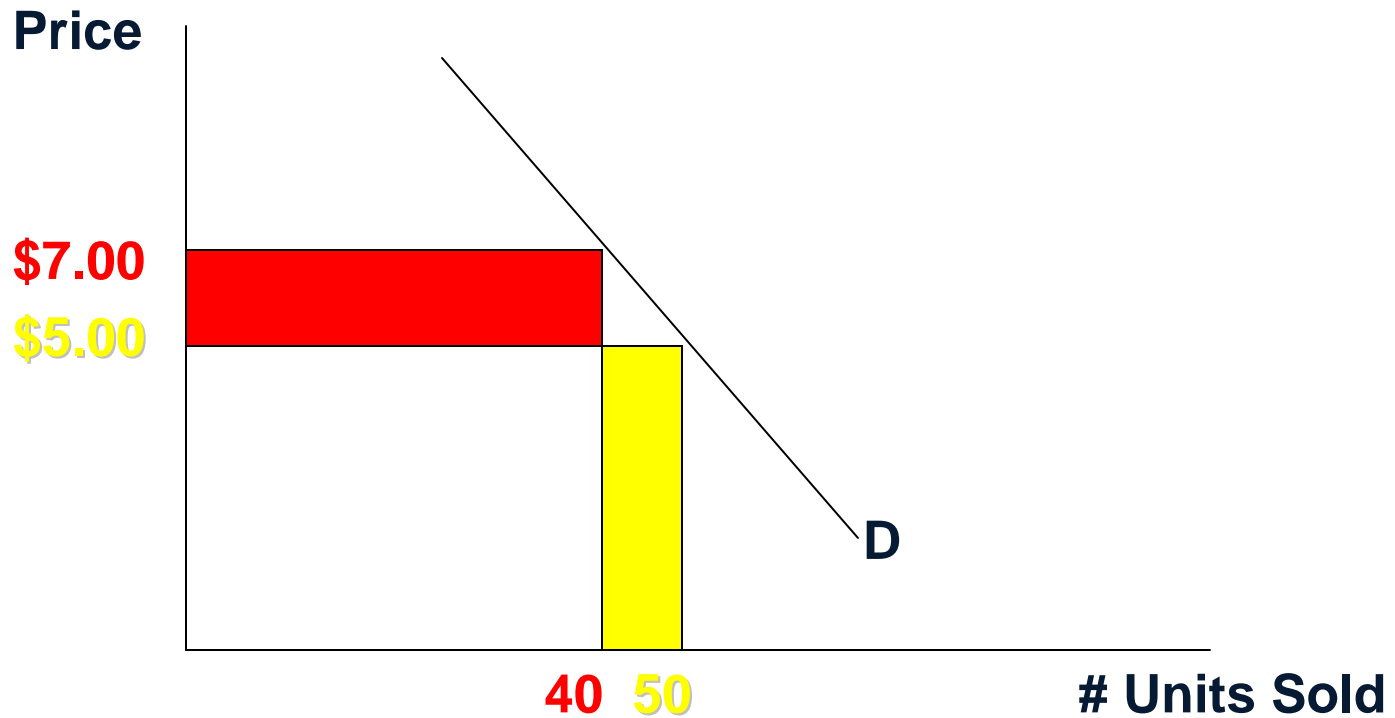
➤ Price Elastic...% change in $Q >$ % change in P

➤ Price Inelastic...% change in $Q <$ % change in P

Price Elastic Demand



Price Inelastic Demand



Tip #5: Diversify Your Marketing Strategies

- **Don't "put all your eggs in one basket"**
- **Consider wholesaling and retailing**
- **Try co-marketing with others**
- **Add value to your products**

Tip #6: Market for Quality

- ❖ Learn how customers define “quality”**
- ❖ Ensure freshness of all products**
- ❖ Train employees in product handling**
- ❖ Stress benefits of products to customers**
- ❖ Guarantee customer satisfaction**

Tip #7: Practice Excellent Customer Service

- **Solicit feedback from your customers**
- **Seek training for yourself and your employees**
- **Develop a written customer service policy**
- **Practice the “Golden Rules” of customer service**

Tip #8: Connect with Customers Through the Web

- **Create a well-designed website and promote it widely**
- **Use web-based tools to communicate with customers:**
 - ✓ **Facebook**
 - ✓ **Twitter**
 - ✓ **LinkedIn**
 - ✓ **YouTube**
 - ✓ **Blogs**
 - ✓ **Emails**
 - ✓ **Instagram**
 - ✓ **QR codes**
- **Carefully manage your web-based tools:**
 - ✓ **Start small**
 - ✓ **Unify your profile and branding**
 - ✓ **Link everything**

Tip #9: Create a Brand for your Business

Your brand is what your customers know and believe about your business and is your way of differentiating yourself from other businesses in the marketplace.

✓ Brand = Reputation + sum of all customer experiences

➤ **Key steps in creating a brand:**

- ✓ **Find out what is unique about your business that customers want**
- ✓ **Determine what the key benefits are of doing business with you**
- ✓ **Identify what brand promises you've made to your customers**

➤ **Once you've created a brand use it on everything**

Tip #10: Develop a Marketing Plan

- Create a marketing plan that reflects the ways you market your products

- Include the following key components:
 - ✓ Current situation
 - ✓ Objectives
 - ✓ Strategies
 - ✓ Budget
 - ✓ Action Plan
 - ✓ Evaluation

Marketing Plan For Wildwood Farm

Marketing Plan	Marketing Situation	Marketing Objectives	Marketing Strategies	Budget	Action Plan	Evaluation
Products	Fruits & Vegetables	<ul style="list-style-type: none"> ◆ Add value-added products ◆ Diversify vegetables & fruit Summer & Fall 	<ul style="list-style-type: none"> ◆ Maple syrup products ◆ Grow apples and pumpkins 	\$500	Years 2 - 5	New products selling well
Customers	Families	<ul style="list-style-type: none"> ◆ Attract University families ◆ Provide recreational activities 	<ul style="list-style-type: none"> ◆ Landscape the eating and resting area 	\$250	Years 2 - 3	Customers are spending more at the farm
Channels	<ul style="list-style-type: none"> ◆ U-Pick ◆ Produce Stand 	<ul style="list-style-type: none"> ◆ Mail Order ◆ CSA 	<ul style="list-style-type: none"> ◆ Collect customers names and addresses ◆ Try special events 	\$200	Years 3 - 4	<ul style="list-style-type: none"> ◆ Mail order business is taking off ◆ CSA not working out
Competition	<ul style="list-style-type: none"> ◆ Grocery stores ◆ Farmers Markets ◆ Other farmers 	<ul style="list-style-type: none"> ◆ Match competition on quality and exceed on service 	<ul style="list-style-type: none"> ◆ Improve quality, service and atmosphere 	\$150	Years 1 - 5	Survey shows high customer satisfaction
Advertise	<ul style="list-style-type: none"> ◆ Classified ads ◆ Signage ◆ Radio ads 	<ul style="list-style-type: none"> ◆ Brochures ◆ TV display art ◆ Feature story 	<ul style="list-style-type: none"> ◆ Contact graphic artist ◆ Call newspaper representative ◆ Contact local TV station 	\$300	Years 1 - 5	TV ads drew many customers



Questions???



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