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Should Customer Satisfaction Be Part of Specialty Crop Growers' Marketing Strategy?

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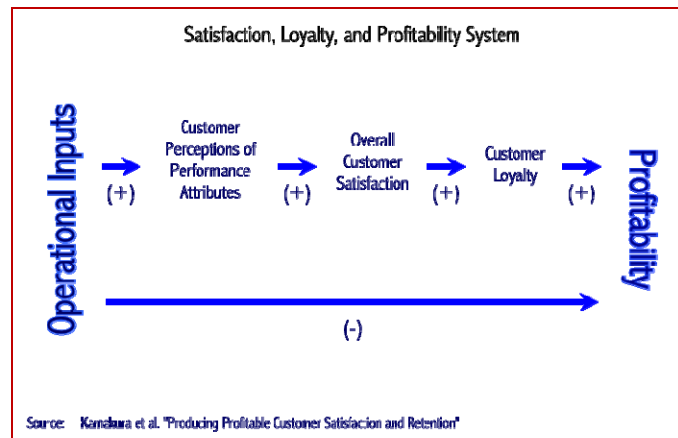
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In recent years, consumer interest in local specialty crops (fruits, vegetables and ornamentals) has increased sharply. Consumers want to know how and where food is produced and are seeking a closer relationship with farmers. Although sales of locally grown food still account for only a small share of total domestic food sales, this is believed to be one of the fastest growing segments of U.S. agriculture. Growing demand for local food products is prompting change. The number of farmers' markets – one important component of local food sales – increased by nearly 150% nationwide between 1994 and 2006 and a growing number of supermarkets and restaurants feature a wide array of local food products.

The growing demand for locally produced goods provides unique opportunities for growers to engage in direct marketing initiatives and to develop closer relationships with retailers (e.g. supermarkets and restaurants). The incentive for growers is to capture a larger portion of the value created along the food supply chain. However, the local food movement also creates challenges to specialty crop growers. In particular, growers need to adopt the mindset of a food retailer. And when it comes to food retailing, customer satisfaction is essential to a successful marketing strategy and profitability.

Why should customer satisfaction be part of growers' marketing strategies? There is a strong correlation between customer satisfaction and profits. Common sense tells us that customers that are completely happy with the products and services provided are less likely to defect. Indeed, companies that are able to reduce customer defections by just 5% have experienced a jump in profits of about 25%. In addition, marketing researchers have estimated that the cost of attracting a new customer is five times higher than the cost of retaining an existing customer. Furthermore, customer profitability tends to increase over time because loyal customers tend to be less sensitive to price increases. These links are illustrated in Figure 1. A positive customer experience leads to increased customer satisfaction, which in turn increases customer loyalty and profitability. However, efforts to create a positive experience for the customer come with a cost. This is why specialty crop growers must identify effective ways to create value through customer satisfaction.

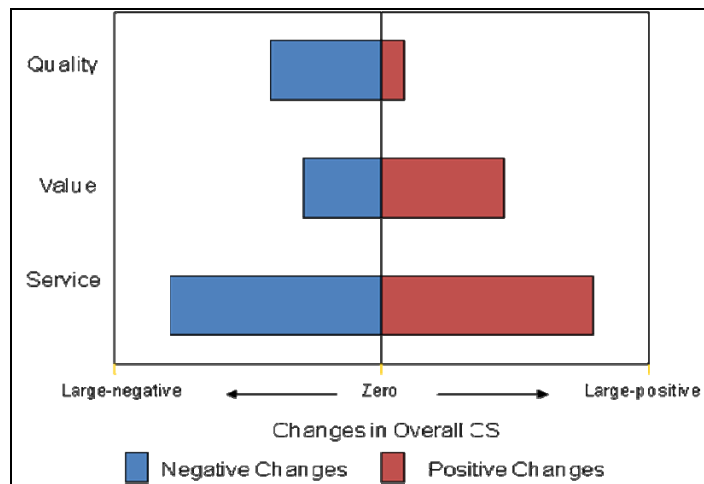
Figure 1: The Customer Satisfaction – Profitability Links



When a specialty crop business sells to wholesalers (i.e. business-to-business) quality and volume consistency as well as prices are the primary drivers of customer satisfaction. However, customer satisfaction in a retail setting is more complex because it involves all factors that affect customers’ satisfaction with their shopping experience. In a series of recent studies, Gómez and collaborators examine the factors driving customer satisfaction in food retailing businesses, including supermarkets and restaurants. The findings of these studies may provide important lessons to specialty crop growers participating in local food distribution channels.

In food retailing, their results suggest that businesses must focus on *customer service, quality* and *value* to affect overall customer satisfaction and its ultimate impact on profits. Their results consider more subtle managerial implications for food retailers. Figure 2 indicates that changes in overall customer satisfaction are particularly sensitive to changes in *customer service*. Both negative and positive changes of customer perceptions regarding the service provided have a relative large impact on overall customer satisfaction and profits. On the other hand, customers may consider *quality* as a pre-condition to satisfaction: positive changes in quality have modest effects on satisfaction and profits, but negative changes in quality result in substantially lower levels of customer satisfaction. However, improvements in *value* have larger impact on overall satisfaction than do negative changes, suggesting that value may be a satisfaction and profitability-enhancing factor.

Figure 2: Drivers of Customer Satisfaction in Food Retailing



So should you care about customer satisfaction? If specialty crop growers want to have an appropriate marketing strategy to take advantage of opportunities in the local food system the answer is definitely ‘yes’. In fact, Cornell is now conducting a promising study to integrate customer satisfaction into the marketing strategy of wine tasting rooms in the Finger Lakes Region. The ultimate goal of this study is to identify what attributes of the tasting room design and of the customer tasting room experience lead to higher overall customer satisfaction and sales. You will learn about the results in future editions of *Smart Marketing*.

Further References

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“**Smart Marketing**” is a marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews elements critical to successful marketing in the food and agricultural industry.

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