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Drivers of Vendor Satisfaction and Performance at Farmers' Markets

Todd M. Schmit, Miguel I. Gómez, and Bernadette Logozar

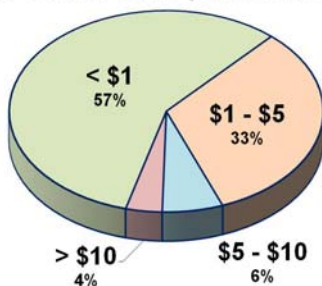
Applied Economics and Management and Cornell Cooperative Extension of Franklin County

With the increased interest in local foods and the growth in farmers' markets (FM), it is important to evaluate input from vendors and market managers on current market and vendor operations and characteristics and how they relate to performance and market success. Despite the strong growth in FMs, recent research shows high failure rates of new FMs and that market success varies significantly across geographic areas and economic market conditions.

FM success depends on a host of vendor, market, and customer factors. In addition, non-financial factors often matter a great deal in assessing performance, and proper assessments need to consider all factors simultaneously. In summer 2008, the Northern New York Direct Marketing/Local Foods Team looked at these issues in an assessment of 27 FMs operating in Jefferson, Lewis, St. Lawrence, Franklin, Clinton, and Essex. FM managers and vendors completed written surveys, while customers participated in Rapid Market Assessments (RMA).

The FMs represented a broad size range, with vendor numbers ranging from 4 to 52 per market, and a 13-vendor average. Based on the data collected, the FMs generate around \$1 million in sales per season. Even so, customer spending was relatively modest, with an average purchase amount per visit of \$17. Vendors selling fruits and vegetables made up the largest proportion of vendors (57%); however, those selling plants and nursery products (33%), processed foods and beverages (29%), and arts, crafts, jewelry products (28%) were relatively prominent. Vendors selling meats and eggs (18%) and dairy products (2%) were found in the least numbers.

Average Vendor Sales per Customer Stop

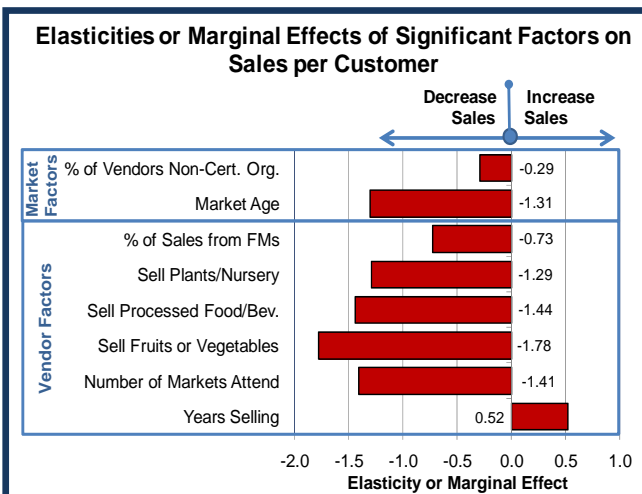
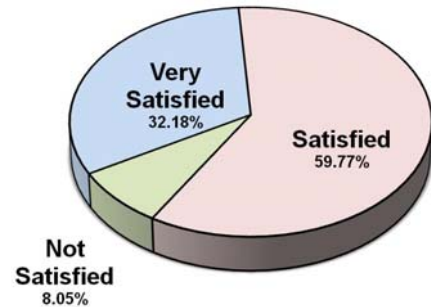


Since vendors may consider both financial and non-financial performance factors, vendors were asked about their levels of sales, as well as how *satisfied* they were with their profitability at FMs. This distinction is important. For example, vendors that utilize FMs primarily as a way to advertise their farm/products or

appreciate the opportunity to interact with customers may well be satisfied if they cover their costs or reach some minimal level of sales. The success of any FM is predicated on the satisfaction of its vendors and evaluating performance in terms of just ‘dollars-and-cents,’ may miss important factors and give misleading implications and recommendations.

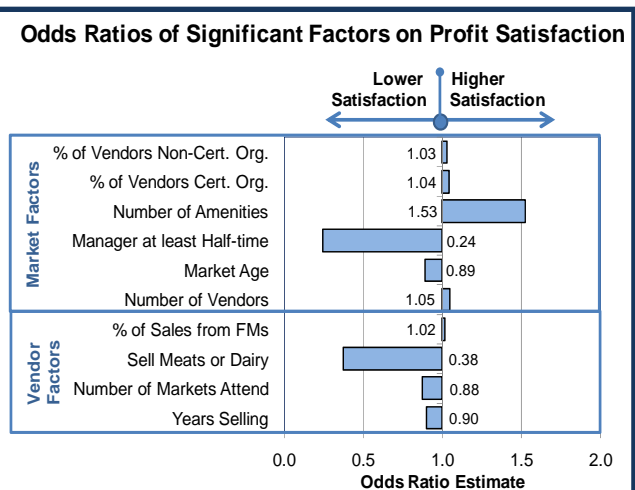
We investigate the effect of various factors on vendor performance and satisfaction to serve as a valuable planning tool for vendors and managers. Market-level factors included: manager employment status, number of vendors, market age, number of amenities, vendor composition by production practice, and minimum percent requirement of selling own-vendor products. Vendor characteristics included: years of selling experience, number of FMs attended, percent of total sales from FMs (a measure of channel diversification), farm employment status, and product types sold. Customer factors included the average purchase amount per visit and customer travel distance (from the RMA) to measure customer disposable income and population density, respectively.

Vendor Profit Satisfaction



The primary drivers of *vendor sales performance* are shown to the left. The figure measures the percentage change in sales per customer for a 1% change in each driver (denoted as elasticities in the figure). For example, a 1% increase in years of sales experience leads to a 0.52% increase in sales per customer. The binary product-type variables are interpreted as the change in sales per customer if that particular type of product is sold relative to all products on average.

The primary drivers of *vendor profit satisfaction* are shown to the right. The odds ratios are interpreted as the odds of being in a higher satisfaction category when that factor is increased by one unit. An odds ratio greater than one implies that the odds of being in a higher category increase with a higher value of the variable, while an odds ratio between zero and one implies that the odds of being in a higher category decrease when that variable increases. For example, for each additional year of selling, the odds of being in a higher satisfaction category are



reduced by 10% (1-0.90).

Generally, our results show that vendor satisfaction depends on more than just sales performance and that when considering changes in market or vendor operations, both factors should be considered. We summarize the overall findings below.

Summary of market, vendor, and customer factors on vendor performance:

- Sales experience led to higher sales per customer, but lower satisfaction.
- Both sales per customer and vendor satisfaction decreased with number of markets attended.
- Vendors selling meats & dairy products were less satisfied, even though sales per customer were lower for fruit & vegetables, processed food & beverage, and plants & nursery vendors.
- Vendors selling more exclusively at FMs tended to be more satisfied, but sold less per customer than those more diversified.
- Vendor satisfaction increased with market size (number of vendors), even though sales per customer were the same (total sales were higher).
- While not affecting customer sales, vendor satisfaction increased with the number of market amenities.
- Older markets tended to have lower sales and lower vendor satisfaction.
- Markets with more organic vendors had higher vendor satisfaction, even though markets with more non-certified organic vendors had lower average sales.
- Markets with management's employment status at less than half-time had more satisfied vendors on average.
- Neither average consumer purchase amount nor travel distance affected vendor performance or satisfaction.

Distinct differences in satisfaction and sales performance across products sold highlights the difficulty for managers in providing a wide range of products to customers, while maintaining vendor satisfaction. Overall vendor performance would appear to be enhanced by considering FMs within a broader marketing strategy, and concentrating on a limited number of larger markets, with higher numbers of amenities, and a variety of production-based vendors. Finally, growth in new FMs in the region may be having a competitive effect on established markets, emphasizing the need for effective market advertising and consideration of new market features or activities to maintain and improve market attendance. A complete study report is available at http://aem.cornell.edu/outreach/extensionpdf/Cornell_AEM_eb0908.pdf.

“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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