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Marketing Fundamentals – One Key to New York Specialty Cheese Markets

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With the right confluence of product characteristics and market conditions, new value-added products need not be a challenge at all. But then this is the equivalent of asking the planets to align... if only it were so simple.

In the case of farm-produced specialty cheeses, however, it really may not be so complicated, at least from a marketing perspective. Initial inquiry into market dynamics suggests that attention to a handful of marketing basics can yield positive results for cheesemakers. Providing a high quality product, in addition to keeping a close eye on low production costs, are the key targets. This is in contrast to marketing issues that often plague producers trying to get their finished products to consumers. It would appear that marketing concerns (e.g., advertising and product distribution) present less of a challenge than we first expected.

Funded through a USDA value-added grant, the Cornell Program on Dairy Markets and Policy (CPDMP) is conducting a market analysis of specialty dairy products in select New York markets. The three identified markets include New York wine trails and New York City specialty/gourmet shops as well as restaurants. Consumers in these markets are increasingly well-versed in ethnic cuisines through travel, heritage, or self-inquiry and exhibit the

discretionary income associated with purchasing high-quality specialty foodstuffs. In short, many consumers are looking for new taste experiences and have the wherewithal to experiment.

In general, the report is focused on all value-added dairy products though specialty cheeses play a prominent role. Although a number of interesting questions exist concerning this market, marketing was perceived as a potential hazard for many dairy producers who may not gravitate toward issues surrounding consumer demand and product distribution. As such, CPDMP identified this as a first step in providing information to New York State dairy producers interested in initiating new venture processing operations on-farm.

While still on-going, some interesting early feedback is emerging from the project. It seems that a number of product and market characteristics come together to work to the small New York cheesemaker's benefit. First, the proximity of Northeast dairy producers to East Coast markets, and particularly New York City, provides access to a large, diverse customer base. At the same time, geographic proximity works to minimize potential product transportation costs which are critical to providing perishable dairy products to niche markets.

Second, the strength of consumer demand for specialty cheeses translates to consumers "pulling" for product from their end of the supply chain. Producers, distributors and retailers alike have noted such strong consumer demand that it appears consumers are assuming some of the marketing responsibility (e.g., information sharing/consumer requests) in an attempt to bring new-found cheeses to their retailer. It would appear that positive consumer reaction travels quickly, both up and down the supply chain. In their interest to find new specialty cheese products, consumers are sharing their cheese finds with others, including their local retailer. Consumers who taste product at a farmer's market may well follow up with requests at their local retailer, creating an ideal situation for the cheesemaker.

Sales data offer another perspective on category growth. Information Resources Inc. (IRI) data indicate sales of specialty and artisanal cheeses topped \$1.4 billion during the 52-week period ending May 2004. Relative to the same time period the previous year, this is an increase of 13 percent (DairyField, 2004).

Third, consumer interest in food production is growing. The story behind the specialty cheese often serves as a real catalyst luring new customers. Producer investment in promoting farm location, feed type, and cheesemaking techniques (i.e., pasteurization, mold-ripened) on

labels and brochures is well-received by consumers who are increasingly interested in simpler, less processed production processes.

Fourth, and in a similar vein, niche products tend to highlight special consumer interests. For example, consumers may be drawn to organic products, or other production characteristics, for which they are willing to pay a higher price above commodity products. And, in fact, retailers are noting the growth of the organic dairy and raw milk cheese markets. Though little formal data is available on these types of products, retailers and producers both comment on increased consumer interest in these product categories. In short, consumers want to know where their food came from.

Moreover, niche markets are highly dynamic, and uniqueness of product is a priority. Specialty food stores are anxious to find one-of-a-kind locally produced cheeses. Assuming high product quality, retailers may be more inclined to relax some of their vendor “rules” as a means of working with small producers. For example, early discussions with cheese buyers at New York City specialty food stores indicated they are willing to work with producers in terms of delivery frequency and/or volume delivered in order to be able to carry a quality, novel product.

This combination of market factors, including producer proximity to market, increased demand, and available discretionary income for specialty food products, creates a favorable environment for specialty cheesemakers. These characteristics work to the on-farm cheesemaker’s advantage to alleviate some of the marketing and product distribution effort.

That said, successful marketing of specialty cheeses in New York markets is still conditioned on paying careful attention to a handful of fundamental tasks. Lack of attention to marketing basics renders other questions secondary, such as whether or not to employ a distributor. In the specialty cheese market, it is important to

- Know the market (i.e., competitors, size of market)
- Provide quality product consistently
- Know product price points relative to production costs, and
- Provide the cheese “story.”

In addition, those producers who are entering cheese competitions are finding that the publicity and recognition from winning awards can pay marketing dividends, simply from ensuring a superior quality product.

In sum, value-added dairy ventures can be challenging. Dairy producers looking to initiate on-farm value-added enterprises should certainly compile as many pieces of the new venture puzzle as possible. With respect to marketing, attention to the fundamentals is a necessary springboard to other marketing issues. Fortunately for New York State dairy producers, hitting the fundamentals is likely to be positively rewarded by both other supply chain participants and, ultimately, cheese aficionados.

"Smart Marketing" is a monthly marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews the elements critical to successful marketing in the food and agricultural industry. Articles are written by faculty members in the Department of Applied Economics and Management at Cornell University.

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