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A Compilation of Smart Marketing Articles

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Marketing Farm Products

"Smart Marketing" is a monthly newsletter developed for extension publication in local newsletters and for placement in local media and industry newsletters. It reviews elements of successful marketing in the food and agricultural industries. The series is coordinated and edited by Kristen Park as part of the Agricultural Marketing and Management Program Work Team mission at Cornell University. Special appreciation is expressed to the articles' authors who come from many areas of expertise from CornellUniversity, Cornell Cooperative Extension, collaborating universities, and industry. All "Smart Marketing" articles may be found at: http://marketingpwt.aem.cornell.edu/publications.html including past articles beginning in February 1988.

Does Your Marketing Program Have a GPS? Part I

May 2008

Debra J. Perosio, Lecturer
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Now a-days, most people don't travel far from home without a GPS precariously stuck to the front windshield with that rather annoying monotone voice guiding them from turn to turn and, at times, "recalculating the route" to get you back on track!

Like a GPS that guides you into foreign territory and coaxes you back on track, a marketing plan can do the same for your business. Too small to go to all of the fuss?? Think you can do it by the seat of your pants?? Well think again. No matter how small or large a business is a marketing plan is a necessary tool and can be an interesting and informative document to prepare.

Every business at one time or another does some type of marketing. Marketing can be as informal as a hastily placed road sign advertising sweet corn or a more complicated campaign developed to create brand awareness for a new variety of apples or onions. Whether you are a seasonal business, part-time business or a large business every business needs to develop a roadmap to guide them through the marketing process. That road map is a marketing plan.

A marketing plan is a fluid document. It provides you with a guide that you follow at times wandering off course due to changing conditions in the market (that's when the GPS tell you it is "recalculating the route!"). However, despite changes in your product, your customers or the economy, you keep plugging along, changing and modifying the document as you go but keeping your eye on the goal of the plan all of the time. I always tell people to put their plan in a three-ring binder…take pages out, replace others as circumstances dictate, all of the time trying to keep the document up to date and relevant.

This article will cover the first third of a marketing plan. Subsequent articles will focus on the remaining portions of the plan.

The first part of your marketing plan really focuses on the business as it stands today. What type of business is it? What is its mission, vision? What are the business' strengths and weaknesses? Who is your competition? What is the industry like that your business is part of…growing, declining? By answering the following questions you will have the beginnings of your business plan.

Company Description

1. Introduction
   - What is the business? What is its history?
   - Product definition – include a general description of the various products. What benefit is it providing?
   - Problem definition – what, specifically, does the business need help doing?

2. Market Summary
   - Target market/s – what are they and what are their specific wants and needs?
   - Does your business currently have multiple target markets - each with distinctive needs and wants? Please describe them.
   - Why have these been chosen as the appropriate target markets?
   - Is there evidence of target market growth/decline? If so, what are the projections for growth/decline within each target market?
   - Target market profiles: what characteristics best describe each of your business' current target markets?
3. Market Needs
   - What is the specific market need your business hopes to fulfill for each of its current target markets? What value/benefit are they providing to each?

Strategic Focus and Plan

1. What is the mission/vision for the business?
2. What are the goals of the business?
3. What are the core competencies of the business?
4. What is the sustainable advantage of the business?

Situation Analysis

1. SWOT Analysis

- **Internal** strengths and weaknesses
  - *Strengths* – what are the positive attributes of your business
  - *Weaknesses* – what are the weaknesses of your business?

- **External** opportunities and threats
  - *Opportunities* – the potential that can be realized by a well-executed and well-timed strategy; what opportunities exist for your business?
  - *Threats* – Are there any unfavorable trends or developments that will negatively impact your business's revenue/ability to provide the intended benefit?

You can use the grid in Figure 1 to guide you through your SWOT Analysis.

2. Industry Analysis *Note: this section should be well researched and very comprehensive*
   - What are the current trends in the industry? (This helps you uncover possible areas that you may want to pursue for your business)
   - Is the industry in a growth or decline phase?

3. Competitors
   - Who are your business' competitors? Please identify them.
   - What are their strengths and weaknesses – size, market share, etc.?
   - How is your business perceived by target markets relative to these competitors in terms of comparative quality, image, reputation, price, awareness, etc.?

Feel free to use the grid in Figure 2 to guide you through the competitor analysis. You can indicate whether or not the competitor is on par, better, worse than your business or put more specific information into each box to help explain each parameter.

Next time I will discuss the second part of the marketing plan. This component focuses on drawing out the opportunities and needs for the business and articulating them into an objective that will guide your marketing plan and future marketing efforts.

Figure 1. SWOT Analysis Worksheet

INTERNAL FACTORS	STRENGTHS	WEAKNESSES
Management		
Product mix		
Marketing Strategy		
Quality		
Distribution		
Facilities		
Location		
EXTERNAL FACTORS	OPPORTUNITIES	THREATS
Current Customers		
Prospective Customers		
Economic Environment		

Figure 2. Competitor Analysis Worksheet

FACTOR	COMPETITOR 1 (please identify)	COMPETITOR 2 (please identify)	COMPETITOR 3 (please identify)
Price			
Quality			
Product Line			
Service			
Location			
Advertising			
Reputation			
Business Strategy			

Does Your Marketing Program Have a GPS? Part II

June 2008

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In a previous article, the first part of your marketing plan, which focuses on the business as it stands today, was discussed. What type of business is it? What is its mission, vision? What are the business' strengths and weaknesses? Who is your competition? What is the industry like your business is part of – growing, declining?

This article focuses on the second part of the marketing plan. This component draws out the opportunities and needs for the business and articulates them into an objective that will guide your marketing plan and future marketing efforts.

By answering the following questions, you will have the second part of your marketing plan off to a great start!

Marketing Plan Objective

1. Think carefully about your SWOT analysis and answer the following questions:
   a. What are the identified strengths?
   b. What are available opportunities that the business should consider? Specifically, describe 3 possible opportunities.
   c. What can the business do to solve its weaknesses?
   d. What can the business do to defend against the threats?

2. Now you are ready to zero-in on the objective for your business' marketing plan. An objective is derived from your SWOT analysis and addresses the "business need" you identified in Component 1. This really defines what your plan will ultimately focus on.

   a. Develop one objective for your plan. The objective must be one of the 3 opportunities you identified in 1b above.

   b. Each objective MUST be:
      i. Specific
      ii. Measurable
      iii. Implementable and realistic (i.e., feasible for the particular business)

iv. Specify a time frame. Below are examples of objectives…yours should be in this format!

“Increase the purchases of jams and jellies at my farm stand by 20% during 2009 by developing 3 new flavors, new signage at the market and through advertisements in the local weekly newspaper.”

“Increase customers to my corn maze during the fall of 2008 by 25% by increased advertising, development of group rates and three special theme nights at the maze.”

c. How will you assess and measure your success/failure in achieving your objective? Survey? Focus groups? Changes in gross receipts? Other?

While there are many ways to evaluate the success/failure of a marketing objective, typically a survey is a critical evaluation method. The survey can be administered by telephone, in person, by mail or via the internet. For a survey, think about the following:

1. who and how many will be surveyed
2. the specific data to be collected (Provide several sample questions)
3. how the data will be collected (e.g. mall intercept, phone survey, etc.)
4. how the data will be analyzed (i.e. manually or by computer) specifically how the data will be used as a measure of success

3. Target Market(s)
In the objective you just developed you have identified a target market or markets. Now you have to describe this market in detail. If it is the same target market you described in Component 1, you can simply refer to the previous section in your marketing plan for a complete description. By getting to know this target market really well you will be much better prepared to more accurately predict the types of advertising and promotions that will most likely appeal to them.

4. Points of Difference
What currently distinguishes the business in the marketplace? What makes you different? Through the development of your objective, will there be a new or additional point of difference? Why or why not? (there should be points of difference…that is why you are doing a marketing plan!)

Next time I will discuss the last part of your marketing plan. This will focus on developing this new objective fully and creating and advertising and promotional campaign to help “spread the word” to your target market.

Does Your Marketing Program Have a GPS? Part III

July 2008

Debra Perosio, Lecturer
Applied Economics and Management, Cornell University

In two previous articles that focused on developing a marketing plan for your business, the first zeroed in on the business as it stands today, and the second drew out the opportunities and needs for the business and articulated them into an objective that serves to guide your marketing plan and future marketing efforts.

The purpose of this third and final component is for you to develop and explain the marketing program for the objective that you have just completed. Here you will explain in detail how the 4 "P's" of marketing (product, promotion, place, and price) are applied to the new initiatives developed for your business.

By following this outline, you will have the final part of your marketing plan off to a great start!

A. Product

1. Please describe your new product/service in detail.
2. Explain how this new product/service will "fit" into and enhance the existing product/service mix.

B. Promotion

Note: when selecting and developing promotional tactics they must be sufficiently well thought out, so you could implement them tomorrow without having to do a great deal of additional work.

1. Choose and fully develop **2 promotional tactics** (or more) which will serve to advertise and promote the new product/service you are proposing.
    a. The following are some <u>ideas</u> to stimulate your thinking: (NOTE: The tactics that you choose may come from one, several or all of the following categories – or additional categories that you may think of. The choice of appropriate tactics is directly determined by the specifics of your business and the objective that you have previously chosen.) When deciding on promotional tactics, they should include tactics with **both a short- and long-term impact** (eg., a combination of promotional events and advertising).
        - Fundraising activities
        - Public relations and publicity
        - Direct marketing
        - Sales promotions

- Third-party marketing (i.e., cooperative arrangements with companies to act as sponsors)
- Personal selling
- Advertising (print, radio, TV, etc.)

2. You now need to develop a **full-blown implementation plan for both objectives and their corresponding promotional tactics**. This plan should include both a *timeline* and a *comprehensive list of all of the resources that will be needed to carry out each tactic*. You will also need to include a *budget with reasonable cost estimates*. Preparing these financials will enable you to look more critically at each of the promotional tactics and determine whether or not they are truly feasible.

C. Place

Place refers to the distribution process currently established for the business.

1. How does the business currently distribute its products/services to its customers? Please describe this and include a flow diagram illustrating the supply chain for your business.
2. Describe in detail any changes in the distribution system you are considering and utilize flow diagrams (when appropriate) to describe and illustrate these changes.
3. If the new product/service that you are proposing requires a different distribution scheme than already exists for your business, please describe that in detail.

D. Price

1. Please describe the current pricing structure and pricing objective of the business. Use examples when possible.
2. For your new product/service, please do the following
   - Describe the pricing strategy that you are proposing
   - Describe any constraints you foresee with this strategy

Once you have completed this third component of your marketing plan there are a few more details to attend to. If you will be presenting this marketing plan to a bank/potential investor or other interested and/or vested party you should include a cover page, executive summary, table of contents and conclusion. If you are not familiar with writing an executive summary, typically it should be no more than one page in length and provide an overview of the marketing plan.

As you assemble your marketing plan it should be put together in the following order: cover page, executive summary, table of contents, body of the marketing plan, conclusions, references or works cited and finally, if necessary, add an appendix at the end of the document.

Well, you've done it! Congratulations on developing a marketing plan for your business!

20 Ways Farmers Can Improve Their Marketing Chops

December 2009

David Becker, Friend of the Farmer

The following article was re-printed with permission from David Becker and the website Friend of the Farmer (accessed at http://friendofthefarmer.com/2009/11/20-ways-farmers-can-improve-their-marketing-chops/). David was a recent attendee of the Agricultural Marketing and Management Program Work Team's 2009 Strategic Marketing Conference held on November 2-3. His recent posting weaves in many of the ideas he heard during the conference. For more information on Friend of the Farmer, please go to the website at http://friendofthefarmer.com/, or contact David directly at 917-664-9752 or davidandrewbecker@gmail.com.

Farmers are business people, alchemists, scientists, economists, and stewards of the land. But sometimes they need help with that most basic and necessary of skills: marketing. Last week I sat in on the 2009 Cornell Strategic Marketing Conference organized by the Agricultural Marketing and Management Program Work Team (http://marketingpwt.aem.cornell.edu) on the power of storytelling. Herewith a modest partial list of ways for farmers to craft a story around their products, personalities, and people more effectively, especially at farmers markets.

1. **Create a Narrative**. The story should be real and worth repeating: How you got into raising sheep when a farmer left a flock on your pasture and never came back to reclaim them. (That one's true.) Weave in details that create an image. People want—desperately need—the connection with the farm and an honest day's work.

2. **Smile and Make Eye Contact**: Margo Sue Bittner of The Winery at Marjim Manor found that if you smile and make eye contact within the first 10 seconds of greeting a customer you reduce theft by 20%. Is that a scientific fact? Could be. But even if it's not, it's a great start. You're not running an art gallery that gains its cachet by turning away traffic.

3. **Identify Staffers Who Like to Talk**: Sometimes customers want a simple answer. Is this easy to cook? How should I store that? The kind of questions most workers who staff farmers markets should be able to address gracefully. But not all workers at farmers markets also work on the farm. Have a designated staffer who enjoys talking about the difference between sustainable and organic. What exactly is Integrated Pest Management? Why you grow kohlrabi or celeriac.

4. **Be Honest**: If someone complains that "these carrots are long and stringy" you can respond "Oh God. Can you imagine what they're like to wash and harvest? They taste perfectly fine, but next week we have Spanish Blacks that are gorgeous and very rare."

5. **Presentation is Everything**: Show abundance when you have it. When you don't, display products as if they were featured in Martha Stewart's magazine. Spring for wicker baskets or wooden boxes lined with burlap. You have 10 tomatillos left? Put them in a small basket and highlight them at checkout as an impulse purchase (Make a great salsa verde!).

6. **Tell a Story about Your Area**: The largest producer of cabbage and sauerkraut in America. Best known for artisanal Munster cheese. Benedict Arnold slept there. Pamela Anderson was born up the street. (Actually Pamela Anderson was born in Ladysmith, British Columbia.)

7. **Feature Clear Labels**: Easy to read and laminated. Describe the taste and some potential uses. Not all apples make a great pie but every apple has a use. Same is true for potatoes.

8. **Provide (Easy) Recipes**: There are literally millions of recipes available online. If you don't cook often pick some and try them. Or have your friends test a recipe. Product trade groups often have a wide range of well-tested recipes. Print them out. Offer to provide a recipe with every purchase. Group together items that go into the recipe into preparation (like a Butternut Souffle that includes squash, onions and thyme).

9. **Promote Your Press**: If you've been featured in any newspaper, blog (even this one), radio or TV report, print it out and laminate it. Make copies for journalists who prowl farmers markets looking for story ideas.

10. **Meet Controversy Head On**: When there is a food-borne disease story in the news don't be shy about explaining how your product is different, or how raising your animals is vastly different from a factory operation, and what that means in terms of food safety.

11. **Price for Rarity**: Describe how the breeds you choose are distinct from what you can buy in the supermarket. More flavor, more vitamins. If something is rare or really hard to grow then narrate your journey of bringing this potato, pig, turkey back from the brink of extinction. Assure the consumer that he or she is now playing a role in preserving this heritage breed. And then price appropriately.

12. **Get Good Pictures of Your Farm**: There was a time in our history when almost everyone spent some time on the farm. Understanding what goes into raising plants and animals can be translated with a single photo. "There's our herd of English Black pigs running in a field. There's a chicken pecking for her favorite meal—grubs." Show, don't just tell.

13. **Knock Something Off a Big Buy**. Amazing how rounding down by 50 cents from $20.50 to $20.00 makes people feel like they're getting a deal—and you don't have to spend time making change.

14. **Give Free Samples**. Get people to try more than one. A Winesap vs. a Northern Spy. If you make sausages, get out a hot plate and grill up a platter. The aroma will draw fans and sales.

15. **Offer Paper Bags and Helping Hands**: I sometimes find myself balancing a half dozen butternut squash when a worker comes over and rescues me. Grateful, I turn around and buy something else.

16. **Move Quantity**: You don't want to bring your bumper crop home. If it's getting late, start telling people about making pesto that will keep all year round in ice cube trays.

17. **Selling Meat? Then Show It**: Don't just surround yourself with ice chests and a price list. If meat is vacuum bagged and frozen, get trays of ice and put your meat on a tabletop. Start up a small grill and give samples (see #14, above). The smell will pull in buyers—who will be reassured by visual access to the goods.

18. **Show Where You Live**: If you say your farm is 4-1/2 hours north of Manhattan near Seneca Lake it might as well be the moon for some New Yorkers. Even Albany is a vague location. If you show a map with a pin in it, people begin to get the idea—and how much time it took for you to get to the market to start setting up tables at 6:00 this morning. Customers will leave with a greater appreciation for your hard work.

19. **Ask Customers What They Want**: No, the customer is not always right but they may inspire you to try something new. If a good customer is asking for a rare potato tell her you'll try growing it for her next season. You've won a customer for life —if you follow through.

20. **Maintain a Sense of Humor**: That's not always easy to do if you've already been up for 10 hours and a hard rain is starting to fall. But if you can pull it off then your customer will respond with a smile and bigger purchase. And next week they'll search out your table.

To Buy or Not to Buy…Influencing Your Customer's Purchases

January 2010

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Do you wonder what is going through a customer's mind when they come to your business, pick up a product, look it over carefully, and then put it back and walk out?? Do you ask yourself, "What just happened to that sale?" Consumer decision making is a complex science about how consumers make purchase decisions: is it impulse or planned, do consumers do research, do they consult a friend or use their own judgment? Is there a way you can help convert a store visit into a sale? Consumer decision making can be broken down into several simple steps, many of which, as a business person, you can influence.

We all go through a process when making a decision. For routine items we buy every day, we know well, and that have a relatively low price tag, the decision can be very quick. For other items that are more complex, for which we really don't know much about, or that are very important the process can become complex and lengthy.

All buying decisions are sparked by a need (or an "I want"!): "I just ran out of eggs", "my car broke down", "I love that flat screen TV". Marketers develop our needs and wants further. How? Certainly, forms of advertising can influence us. Advertising can take many forms, reminders for those everyday items, educational for those new items, or persuasive for those items that you may not really need but would love to have. Sales promotions often help, buy one get one free, new flavors, sizes and packages can grab their attention. Signage at the point of sale is a great tool to draw consumer attention. Loyalty programs also help but make sure they deliver real benefits to your customers (some of the best loyalty programs right now are from supermarkets offering discounts on gas).

Once consumers recognize a need, they begin to search for information. Searching for the eggs that I just ran out of is relatively easy. I quickly scan my internal memory for how to get eggs quickly and easily, and I think of the closest place I can go to get eggs. Not much thought or involvement there. But what about searches for a medical procedure or for an expensive new piece of farm equipment? These weighty decisions require an "external" search. You might start talking to friends, do some research on the web, visit equipment dealerships. High risk and high prices typically produce longer and more extensive information searches.

How can you, as a marketer, influence your customers' decisions? Make sure your website is up to date and easy to navigate, and make sure the resources on it are helpful and easy to read.

Today, many people start their information search on the web, and if you don't have a presence there, you may be over looked. Complex decisions require clear information, education, and often extensive customer service. Have educational information readily available, be helpful, offer tours and demonstrations, but maybe most importantly, offer yourself as a personal consultant for your customer, providing information and follow up throughout the search process.

Once consumers have collected their information, their next step is to evaluate the alternatives. "Which doctor should I select for the procedure", "which hospital is best", "what farm equipment dealership has the best equipment", "which brand has the best warranty", "which had the best service department", and "who has the most competitive price"? Usually in these complex situations we decide what attributes are most important to us and set criteria, say maximum price, or best doctor, as our most important attribute when making the decision. As a marketer how can you help your customers work through the evaluation of all of the alternatives? You can find out from them what is most important and work to deliver that attribute. You can boldly compare your product against your competitors' and easily illustrate the differences for your customers (think about insurance companies who do this a lot).

Once consumers have carefully weighed their alternatives, a purchase usually results. Wait! Your marketing commitment is not over yet. Now is the time to help your customers avoid suffering from "buyer's remorse," that nagging feeling you get after making a major purchase; when you start to wonder if it really was a good decision. Consumers want reassurance that they made the right decision, and marketers can help their customers feel confident about their purchases. How about follow-up emails, letters, thank you postcards that can also provide additional information about the product they just bought? And how about a phone call a month or two after the sale…does the customer have any questions, is everything working properly? This is also a good time to remind them of other services/products that you have that may complement or enhance the product they just purchased from you.

Remember, the more complex, risky and/or expensive a purchase decision is, the more "help" a consumer needs in making that decision. As a marketer your chances of converting a visit to a sale is much better if you can influence a customer from need recognition to alleviating buyer's remorse.

Successful Local Marketing

June 2009

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Much has been written about "buying local" from a consumer's viewpoint. Popular press and the media have highlighted the "rise of the locavore" or the "100 mile diet". Less has been written about how producers might successfully market their farm products locally.

In reality, only a limited number of producers can take advantage of this marketing opportunity for the following reasons: farm location constraints, the need to market large volumes of farm output, seasonal production cycles, and limited human resources available to market farm products locally. As in the world of retail – "location, location, location" is one important factor in marketing locally. If a farm is located in a very remote area (hundreds of miles from consumers) that producer is probably not in a position to take advantage of the "buy local" trend. If the number of consumers within the 100 mile (or local) zone is extremely small, a farm would be hard pressed to survive on local sales only. Many farms harvest crops only during a limited period of time, whereas consumers desire food year round. Many farms need to market relatively large volumes of products to remain economically sustainable. Even if a large percentage of the local population purchased their farm products, the total volume of purchases might not generate adequate sales to support the farm. Much of the "buy local" purchases from farms require that a farm have the human resources to support local sales. Marketing through local farmers' markets, roadside stands or community supported agriculture enterprises typically requires additional marketing staff. Some producers possess excellent growing or animal husbandry skills, but might not have time (or the desire) or staff to interact with local customers and buyers.

Clearly, on the other hand, the trend towards buying local offers some opportunities to producers that farm in the right location, overcome seasonal limits to farm production, have production to sell locally that fits well with the whole farm enterprise, and adequate human resources for marketing farm products to consumers or buyers. The question arises, how might these producers successfully market their farm products to local consumers and buyers?

First, producers should consider what type of marketing they are most comfortable with. What type of marketing fits well with the overall farm plan, and generates the greatest economic returns? Some farmers may not be interested in the increased interaction with local consumers or buyers that would be required, while others have the personality or interests that would point towards the required interaction. Seasonality is an issue for many crops, particularly in northern areas with a limited growing season. Product distribution to local markets beyond farm direct marketing would need to be considered if a farm needs to market larger volumes of product.

Some farms and markets lend themselves to increased local production, others may already be producing a high volume of locally produced foods without the consumer even knowing it. The majority of fluid milk that is produced year round is typically sold within a local area given that fresh milk does not travel well. Many canned or frozen fruits and vegetables produced in New York State are grown by local producers, processed in the state, and marketed 365 days a year overcoming the seasonal limitations of fresh products.

As producers market closer to home, a greater emphasis on their reputation and reliability arises because buyers get a closer look at who is producing their food. And so, individual producer reputation can become a key reason for doing business with them. Reputation becomes more important for producers operating in small or local markets resulting in a "small world" of contacts and relationships. Word can travel fast about transactions that didn't turn out well for customers. Reputations can be quickly enhanced or tarnished in markets with a small number of players. A positive reputation can be a key factor in successfully serving a local market.

It is important for producers to remember that the increased consumer interest in buying local does not create an "entitlement" for those farms situated in the local area, nor that they "own" a local market. They must effectively compete to earn the loyalty of the consumers or buyers that are their customers. At the end of the day, a successful local marketing strategy must be based on a number of the basic elements of marketing: quality, service, reliability, and price.

When sweet corn season arrives in our area, our neighbor has built a successful local market for his corn by maintaining his reputation as having the best quality corn at a reasonable price. He offers an attractive stand staffed by service-oriented staff who enjoy what they do. His local sales don't support the whole farm enterprise, but have become a growing source of revenue for his farm. Are his local sales profitable for him? I assume so but like many farmers, he isn't willing to tell. And so, understanding how you might leverage the increased interest in buying local for your farm can indeed be "Smart Marketing".

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

May 2009

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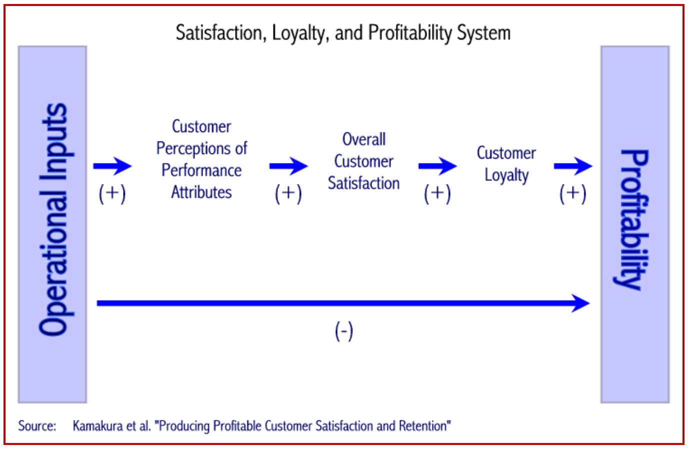
In recent years, consumer interest in local specialty crops (fruits, vegetables and ornamentals) has increased sharply. Consumers want to know how and where food is produced and are seeking a closer relationship with farmers. Although sales of locally grown food still account for only a small share of 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

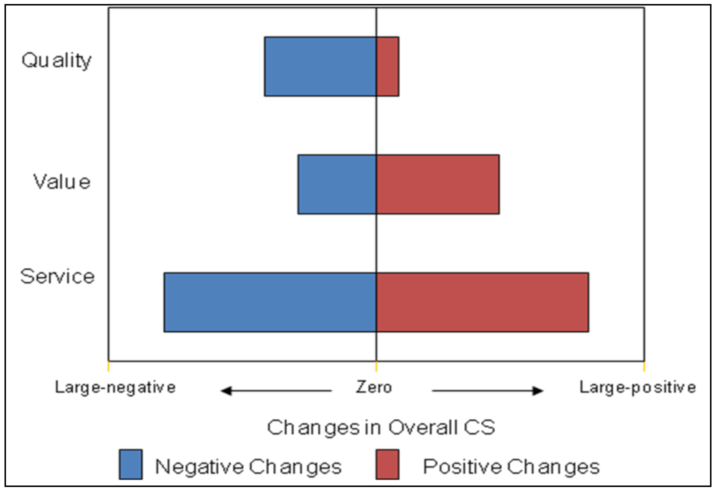


When a specialty crop business sells to wholesalers (i.e. business-to-business) quality and volume consistency as well as prices are the primary drivers of customer satisfaction. However, customer satisfaction in a retail setting is more complex because it involves all factors that affect customers' 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.

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.*

Figure 2. Drivers of Customer Satisfaction in Food Retailing



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Perishable Product Distribution: Marketing Opportunity or Albatross?

March 2008

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For most producers, product distribution decisions may seem a continuous challenge. And for producers of perishable products, that challenge may seem even more daunting in the face of higher product maintenance requirements such as climate-controlled conditions and expedited transit times. For New York perishable product producers though, proximity to so many mid-Atlantic and Northeast metropolitan markets, is an attractive lure. On the other hand, navigating the distribution process can appear complex enough that producers may turn towards other market choices.

In response to this sentiment, a research project was undertaken to better understand perishable product distribution dynamics in nine select East Coast markets. The study was designed to first, highlight the fundamental dynamics of perishables distribution and second, look at how a handful of New York businesses (distributors) are working to find novel strategies for dealing with key distribution challenges. In addition to a distributor survey, the project team also interviewed individual distributors to better understand the finer nuances such as cost structure and operational processes. This latter effort resulted in the development of several case-studies. Following is a synopsis of study results from which five key talking points emerge. Three are presented below.

Key Point Number One: Minimize Marketing Your Risk
Every effort you make as a producer to minimize your marketing risk works to your benefit. And when we talk about minimizing marketing risk, we're really referring to ways that you, the farmer, can make your products as desirable as possible to the buyer. In this case, the buyer is the distributor. So, every effort to increase the distributor's interest in buying your product(s) is essentially a step towards minimizing your marketing risk.

For example, producers that (1) offer high quality product and (2) are consistent and reliable in communicating information about product volume and quality, product traceability records, necessary product packaging, up-to-date post-harvest handling practices, and customer service greatly enhance buyer appeal because this data better helps them market product more efficiently in turn.

For farmers wanting to use *shippers* of perishable product, finding a buyer in advance is a necessity. If working with a distributor however, the farmer's interest in helping to identify potential future buyers demonstrates farmer interest in finding a win-win marketing situation. One of the side benefits may be that the farmer receives a discounted shipping rate for having assisted in finding the next buyer down the line. In general, distributors appreciate the producer who is familiar with both production and marketing costs, conveying a sense of marketing savvy at the negotiation table.

Key Point Number Two: Sleuth out the Distributor
Distributors surveyed indicate that they rely on farmer-initiated calls and word-of-mouth promotion almost to the same extent, 75% and 72% respectively, to identify new suppliers of perishable product. Though time-consuming, farmers can yield positive benefits from taking the time to call potential distributors. It also suggests that making yourself as distributor-friendly a farmer as possible (by providing high quality product and informing the distributor about your product volume, quantity, and harvest schedule), that you increase the chances of those you're already working with passing along a positive referral.

In terms of local distribution opportunities, the feedback suggests that there are smaller, local shippers/distributors with whom many farmers may not be familiar since these shippers may not advertise in the national directories. Keep in mind also that this group may not have a traditional distributor/shipper profile. The FoodLink program (Rochester, NY) is one example of a non-traditional shipper. They are a food bank that happens to offer economical shipping rates to subsidize their already-existing fleet of trucks.

Key Point Number Three: Distribution is a Symbiotic Relationship
It is tempting to look suspiciously upon a distributor's rates, especially as one stands at the edge of the farm gate. There are two points worth noting however. First, supplying larger, more distant markets is more expensive. Additional expense is incurred for obvious reasons like longer transit times and increased fuel usage to get to the market. But buyers in larger, metropolitan markets may also impose more demanding specifications on the distributor in terms of number of deliveries, product volume, and packaging specifications, all of which will increase the cost to the distributor. The hope is that the retail price will also increase by more than the increase in marketing costs for the benefit of farmer, distributor, and retailer. In short, farmers that are well-versed in all marketing costs are better able to evaluate the trade-offs of supplying different market types.

Second, distributors need suppliers too. Not only do they need product, but they are always looking to keep trucks at full capacity to lower the fixed cost per delivery. Survey feedback indicates that 70% of distributors use contracted trucking services to supplement their own fleet that translates to a large numbers of trucks with available cargo space on the road.

Finally, despite anecdotal evidence from producers, the respondent distributors indicate overwhelmingly that they do not impose minimum volume requirements. Of the small group that do, most noted that their volume requirements vary by product or that they work with pallet-increments. Especially for smaller volume, higher-value perishable product, this is encouraging. But really, the only way to verify is to come full circle and contact individual distributors till you find a good business fit.

In conclusion, the project team found that distributors are equally as anxious to identify solutions to the distribution challenge as are producers. Despite the full-time effort that is allocated to production alone, making yourself more market-savvy is a critical investment. The enormity of your production effort is compromised if you can't effectively market your product. Second, distributors still rely heavily on farmer-initiated contact. Without question, this involves greater time commitment than if distributors called you. On the other hand, distributors note that they also depend heavily on word-of-mouth referrals. To the extent that you worked hard up front on production and early marketing efforts, word-of-mouth referrals are actually a return on earlier effort investment. Third, for a variety of reasons, distributors need farmers as much as farmers need distributors. The challenge lies in both parties finding a good economic fit.

Factors Affecting the Presence of New York Wines in Upscale New York City Restaurants

March 2010

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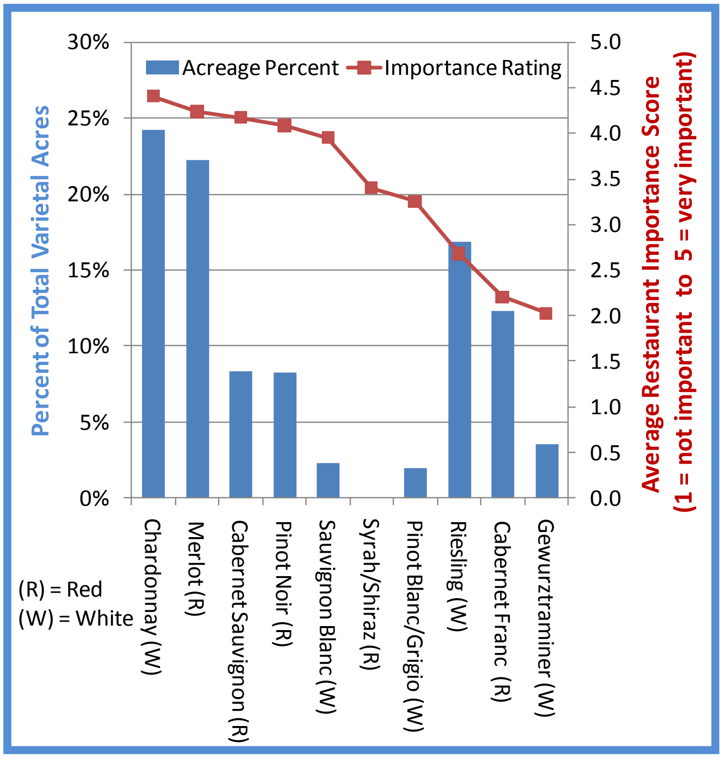
Consumer interest in local foods has increased sharply, including both fresh and processed products. As such, appropriate marketing strategies need to be developed at the firm and/or association level to effectively capture this growing demand. For example, the New York Wine and Grape Foundation has expended significant efforts recently in funding research and outreach programs aimed at helping growers improve quality, as well as in promoting New York's wines and wine-producing regions.

In an effort to target the largest nearby market, recent activities have been tailored to the hospitality industry, including promotional programs with New York City restaurants that pairs NY wines with menus created using NY farm products (e.g., *New York Wines and Dines*). These markets show significant opportunities for NY wines and increased presence would improve NY's image as a quality wine producing state. Still, despite sizable public and private efforts, stakeholders in NY's fine wine sector are questioning why their products are not more broadly accepted in their closest urban market.

To address these issues, we use data from a survey of chefs, sommeliers, wine directors, and general managers of fine dining restaurants in NYC to better understand the factors associated with the presence of NY wines and their preferences for various wine styles, regions of origin, grapes, prices, and other product attributes.

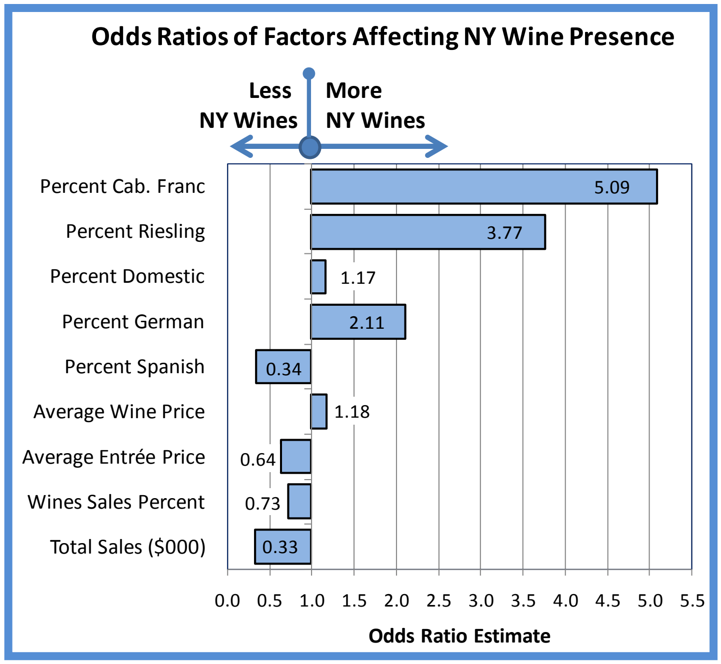
The restaurants' wine lists featured a cumulative total of over 6,000 wines from around the world, or about 120 wines per restaurant. Nearly 60% of the wines were imported, and of those, 58% were French, 28% Italian, and 14% from the rest of the world. As expected, domestic selections were dominated by California wines (88%), and distantly followed by Oregon and Washington (7%), New York (4%), and all other states (1%). Red NY wines were priced, on average, below those from other US states, particularly CA; however, average white wine prices were more similar. Comparable differences in prices were shown for imported wines, with an even larger price premium for red wines relative to NY.



Before assessing the relative market penetration of NY wines, it is useful to understand the overall value that restaurants place on the preferential inclusion of wines made from some grape varieties over others. Surveyed restaurants were asked to rate the importance of various grape varieties to their overall wine sales, where 1 was "not important" and 5 was "very important." As shown below, Chardonnay received the highest average rating (4.40) across all restaurants, followed by Merlot (4.23), Cabernet Sauvignon (4.17), and Pinot Noir (4.08). At the bottom of the ratings were Riesling (2.68), Cabernet Franc (2.21), and Gewurztraminer (2.03). These ratings present both opportunities and obstacles from the NY perspective. While significant plantings of both Chardonnay and Merlot exist in NY, red wine varieties have not been as well received compared to other domestic regions and imports. In addition, significant industry attention has been paid to promoting the quality Riesling wines produced in NY, but this variety rates among the lowest of importance with respect to sales volume of NYC upscale restaurants.

We investigate the effect of restaurant and wine list characteristics on the number of NY wine list placements. Restaurants in the sample (N=40) were categorized by the number of wines on their wine lists: *non-users* with zero NY wines on their wine list (27%), *light users* with between one and four NY wines (48%), and *heavy users* with five or more NY wines (25%). Characteristics considered most important were cuisine style, average dinner entrée price, total sales volume, wine sales' relative contribution to total sales, percent domestic wines, percent red wines, percent Spanish and German wines (given their small market presence similar to NY), average wine price, and percents of Riesling and Cabernet Franc wines.

The primary drivers of NY wine presence in NYC restaurants are shown to the right. The odds ratios are interpreted as the odds of being in a higher user 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, a one-unit increase in the percent of Cabernet Franc listings increases the odds of being in a higher category by over 5 times (5.09).



Summary of Results:

- The type of cuisine and food-pairing preference did not influence the propensity to adopt NY wines, nor did a restaurant's desire to offer a large wine selection or a broad range of wine styles.
- Larger restaurants with higher entrée prices (more 'upscale') and a larger dependence on wine sales (like wine bars and bistros) were less likely to sell NY wines.
- The propensity to include NY wines was positively related to restaurants that offered more Riesling, Cabernet Franc, and domestic wine listings; and the combined listings of Cabernet Franc and Riesling had the largest effect on increasing NY wine presence.
- Listings of German wines also improved the odds of NY wine listings, which make sense since Germany's wine regions have many similarities to the climatic and soil conditions found in NY's Finger Lakes region. As such, similar NY wines may be well situated to expand this area of a restaurant's wine list.
- Higher average wine prices increase the odds of higher NY wine listings, which (as shown above) are generally lower-priced. In context, if there is a higher price generally for wines, perhaps lower-priced NY wines are used to balance the list.

These results should help improve the understanding of wine selection criteria for upscale, urban restaurants and, with it, provide useful management and marketing recommendations to NY wine industry stakeholders. In particular, firms can use these results to better target potential restaurant customers, and for the industry in addressing barriers that may be preventing further acceptance of NY wines in large metropolitan markets.

For more information on this study, please see: Preszler, T. and T.M. Schmit. "Factors Affecting Wine Purchase Decisions and Presence of New York Wines in Upscale New York Restaurants." *Journal of Food Distribution Research*, 40/3(2009):16-30.

Expanding Farm-to-Chef Sales in Your Market Area – Lessons from Columbia County, NY

August 2010

Todd M. Schmit, Assistant Professor, Applied Economics and Management, and Stephen E. Hadcock, Educator, Cornell Cooperative Extension-Columbia County Cornell University

Marketing of farm products to local restaurants is currently seen as a prime opportunity for increased farm sales and broadened consumer exposure to local farming operations. However, the success of farm-to-chef (F2C) marketing depends on a variety of factors, including the development of purchasing specifications, delivery commitments, and a sufficient level of interpersonal communication and management skills to facilitate information exchange. To investigate these issues, we conducted a F2C marketing study during the summer of 2009 in Columbia County, NY to evaluate the performance of existing efforts and the potential for the expanded utilization. Data were collected from agricultural producers, chef/restaurant owners, and restaurant patrons.

Identification of Barriers to Growth
Farmers and restaurants were asked to identify what barriers exist to expanding utilization of the F2C channel. The summarized results are in Table 1. Several consistent themes were revealed from both parties.

Table 1. Barriers Limiting F2C Sales Expansion, by Percent of Respondents.

Restaurant Barriers Identified (N=11)	%	Farmer Barriers Identified (N=25)	%
• Don't have time to contact several farmers.	75%	• Can sell all that I produce now.	52%
• Unsure of consistency of products delivered.	75%	• Satisfied with existing markets, don't need more.	40%
• Unsure of quality of products delivered.	50%	• Don't have time to make several stops/small sales.	40%
• Volume can't be satisfied with local producers.	50%	• Would have to hire someone to deliver.	28%
• Farmers have poor communication skills.	25%	• Unsure if can get adequately paid to deliver.	16%
• Prices too high.	25%	• Restaurants aren't interested, too far away.	16%
• Farmers don't offer delivery.	13%	• Variance in quantities and limited product ranges.	4%

LIMITED TIME issues are very important; neither party has the time to deal with numerous buyers/sellers with smaller quantities.

VOLUME REQUIREMENTS can be problematic. For restaurants, local producers are often not able to commit to sufficiently large volumes over an extended period of time. For farmers, production is oftentimes already at capacity and significant investments in capital and/or labor would be required to meet larger demands. In addition, farmers are often faced with quantity demands that vary throughout the season, an issue not easily addressed with existing production schedules, or only a limited range of products is requested.

PRICE AGREEMENTS can be problematic. Restaurants feel that prices requested are generally too high relative to the costs they can pass through to their customers, while farmers are generally resistant to offer prices lower than through other channels and/or are concerned that delivery costs are not sufficiently accounted for when prices are set.

UNIQUE BARRIERS were also observed. For restaurants, assurances of quality and consistency of products over time is deficient and, oftentimes, farmers have poor communication skills making purchasing arrangements difficult to establish and enforce. Farmers often stated that they were satisfied with existing markets and feel that restaurants are not interested in buying local or are too far away to make it feasible. While these issues are numerous and not always easy to address, careful attention to them is required when developing strategies to increase channel utilization.

Consumer Valuation versus Action

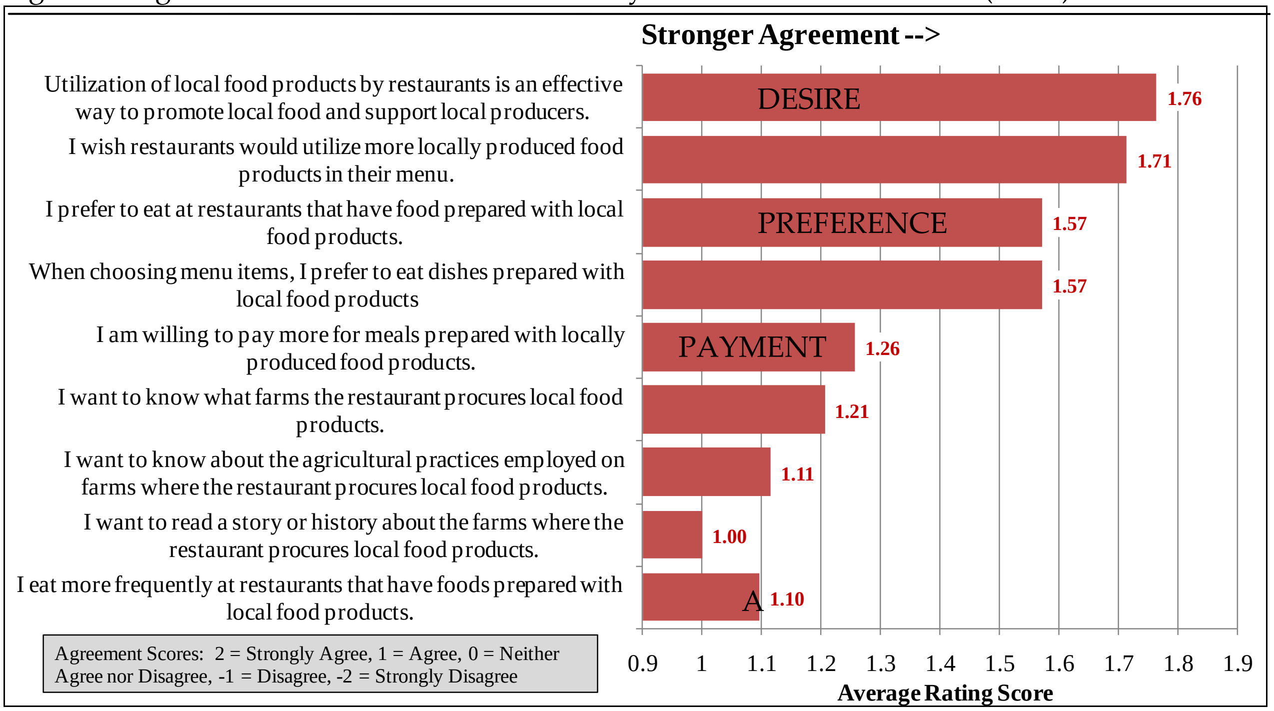
Patrons were asked how strongly they agreed with a variety of statements (Figure 1). Based on the rankings, several important sentiments are apparent. First, the top two statements emphasize the strong desire by consumers to see more local products utilized in restaurants. However, average agreement scores drop nearly 11% when customer's particular preferences are considered. Furthermore, customers are less in agreement when it comes to paying a premium for meals prepared with local ingredients; the average agreement score drops an additional 20%. Customers were also relatively resistant to changing restaurants they frequent based on the presence of meals prepared with local ingredients. Specifically, the average agreement score on whether patrons eat more frequently at restaurants that serve meals prepared with local food ingredients drops an additional 13% and over 30% based on their scores considering preferences alone.

The results highlight that how restaurants publicize their use of local ingredients and price their products can be very important to the success and utilization of local products. Demand is strongly influenced by prices; therefore, assigning appropriate price premiums to menu items will be highly dependent on a restaurant's clientele.

Moving Forward

The estimated volume of sales by farmers through direct purchase arrangements with restaurants was shown to be relatively low, but on net, farmers were expecting growth in the F2C channel. Participating restaurants also saw potential for growth, even though a relatively strong proportion of ingredients were already being purchased locally. That said, F2C is not the only local game in town with restaurants utilizing alternative local sources to procure food product ingredients.

Figure 1. Agreement of local foods statements by consumers at restaurants (N=35).



For farmers, the conditions of limited sales volumes through restaurant channels, more modest prices, and already constrained time commitments oftentimes closes the door on channel expansion. Restaurants, on the other hand, appear ready to buy more if they can get it, but time constraints restricts the number of farmers restaurants are able to deal with to get the quantity and variety of products they desire. In addition, improved communication skills of farmers are needed to better facilitate that exchange, and provide continual updates on product availability and timing. On the product side, consistent quantities and qualities are needed for restaurants to commit long-term.

Cooperative marketing strategies and purchasing arrangements by groups of farmers and/or restaurants can be considered for addressing many of these issues. The existence of collaborative organizations such as Columbia County Bounty and others have been shown to improve the potential for success. However, many markets are highly specialized and spatially unique. As such, addressing barriers to channel expansion is often necessary on a case by case basis.

Acknowledgements:

Funding support provided by the CALS – CCExtension Summer Internship Program, the Cornell Program on Agribusiness and Economic Development, and CCE-Columbia County. The authors would like to thank Columbia County Bounty and Anne Lucke who assisted with our data collection efforts. A full study report is available at: http://www.dyson.cornell.edu/outreach/extensionpdf/2010/Cornell_AEM_eb1003.pdf.

How Much Are Consumers Willing to Pay for Local, Organic, and Nutrition Attributes?

July 2009

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Introduction
Product labels often include health claims, nutrient content, details describing production methods, and information about where the food was produced. Many states have promotion programs for "Locally Produced" foods in order to support products grown in their state. Are consumers more interested in organic products, locally produced products, or nutritional products? Specialty crop producers interested in pursuing niche markets need more information to describe the benefits of various labels.

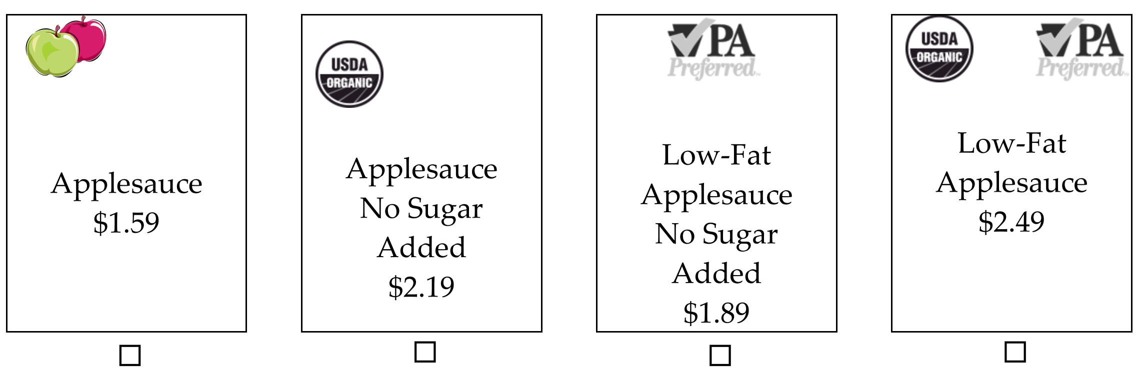
Consumer response to your product's label information should have important implications for product differentiation strategies. We distributed a mail survey to examine consumers' willingness to pay (WTP) for four attributes—USDA Organic, Pennsylvania (PA) Preferred, No Sugar Added, and Low-Fat—in applesauce. Consumer responses to label information on processed fruit products are not well studied, yet these products can easily accommodate labels regarding nutritional traits as well as organic and locally grown attributes. Furthermore, the per capita consumption levels of processed fruit products have fallen between 1998 and 2008 and there is significant interest in ways to increase sales in this category.

The Survey
Our survey was mailed to 3,000 households in Pennsylvania with a response from 1,521 residents. Table 1 shows that our respondents were older and more educated than the state's population but were a reasonably close representation.

A series of questions on the mail survey examined how consumers might "choose" among applesauce products differentiated by label information and by price. One question from the study is shown in Figure 1; here the respondent is asked to select which of four applesauce products differentiated by price and product attributes they would buy. Respondents were presented with four of these choice sets, and each choice set included four applesauce products. The prices of the products ranged from $1.59 to $2.49, in 30-cent increments. This price range was designed to overlap with prices of 24-ounce applesauce products observed in grocery stores at the time the survey was distributed.

Table 1. Socio-demographic Characteristics of the Study Sample and Total Population

Socio-demographic Characteristics	Study Sample	Population of All 67 Counties in PA
	percent	
Gender		
Male	53.2	47.3
Female	46.8	52.7
Age		
Less than 45 yrs	25.5	47.2
45–59 yrs	35.8	25.8
60 yrs & over	38.7	27.0
Education		
< High school grad	8.0	18.1
High school grad	29.0	38.1
Some post high school	29.6	21.4
College grad & over	33.4	22.4



Results and Implications

The findings from the study were used to calculate WTP values for the various attributes; economists use WTP measures to describe the additional value that consumers place on an attribute found in a product. Here the WTP values refer to the additional dollars per 24 ounce container of applesauce. A negative WTP indicates that the respondent would have to be compensated in order to choose a product with the attribute. Since preferences for food products vary among consumers we decided to split our sample into four subgroups. The four subgroups were developed based on responses about past purchase patterns, and include consumers that purchased i) neither local or organic products, ii) local but not organic products, iii) organic but not local products, and iv) local and organic products.

The WTP values are shown in Table 2 for the four market segments. The first column highlights how different consumers are often willing to pay different amounts for the same attribute. Some consumers would need to be compensated to accept the organic trait; however, other consumers were willing to pay as much as $0.35 for the organic attribute, about a 20% premium. The PA Preferred attribute had a positive and large effect on the likelihood of a product being selected by all consumers. The WTP for the PA Preferred attribute ranged between $0.28 and $0.51, a price premium of between 15% and 30% relative to the range of prices included in our survey. Consumers had a positive WTP for the No Sugar Added attribute and this result was most important for consumers that purchase organic products. The Low-Fat attribute was expected to have an insignificant impact on the likelihood of a product being selected, since applesauce is naturally low in fat; however, the results show that including a “Low-fat” label would decrease the likelihood of the product being selected.

Table 2. Willingness to Pay for Product Attributes

Consumer Characteristic	Product Attribute			
	USDA Organic	PA Preferred	No Sugar Added	Low-Fat
No Local and No Organic Purchases	–0.01	0.28	0.09	–0.29
Local yet No Organic Purchases	–0.10	0.42	0.06	–0.51
Organic yet No Local Purchases	0.31	0.41	0.35	–0.34
Local and Organic Purchases	0.28	0.51	0.45	–0.36

This study has shed some light on the effects of product attributes on consumer choices among applesauce products, and how those effects vary among four market segments. While further study would be required to determine if the relationships found here apply to other products or other consumers, several findings may be useful to producers that are exploring market opportunities for specialty crops. Our findings suggest that the locally produced attribute (PA Preferred) was by far the most important to consumers, followed by the No Sugar Added and then USDA Organic.

Organic Shoppers and Supermarket Retailers Talk about Organics

December 2008

Kristen Park, Extension Associate, Debra J. Perosio, Lecturer, and Edward W. McLaughlin, Professor
Food Industry Management Program, Cornell University

Today's economic turmoil has put pressure on sales of high priced items. So far organic sales seem to have held out; however, organic marketers in the US are anxiously tracking sales of organics to see if sales will slip.

More than ever, organic marketers need to understand how consumers think and feel about their products. This is critical in order to construct profitable marketing and merchandising strategies and to weather the stormy year(s) that are probably ahead.

In a national study, the Food Industry Management Program at Cornell interviewed over 500 produce shoppers about organics. Forty mid- to senior-level supermarket executives from across the US were also interviewed. These interviews provided insights into how consumers feel about this farming alternative and opportunities producers and retailers may have to market and merchandise organic foods.

Surprisingly, almost half, 47.3%, of Conventional Shoppers from the study think that organically grown fresh fruits and vegetables are healthier. And over two-thirds, 68.4%, of the Conventional Shoppers say that organics are readily available where they shop. Why then is organic produce not in their "produce shopping consideration set"? The reasons for this appear to be twofold:

- **Price**. 60.2% of Conventional Shoppers said that they would like to buy organic produce, but it is too expensive.
- **Segregated Displays**. Many retailers operate separate organic displays. However, due to segregation, conventional produce shoppers very frequently ignore the organic section entirely. In addition, many conventional shoppers appear to be interested in purchasing organics during sales when they are price close to conventional items, but because of segregation or low visibility, these consumers often miss advertised sales because their path through the produce department never takes them by the organic section, and sales go unnoticed.

Even among committed Organic Shoppers, price is a consideration. Over one-third, 35.4%, of Organic Shoppers feel that low-price retailers can provide them with the organic produce they want, despite the belief by some upscale supermarkets that the organic consumer is somehow immune to looking for a "good deal".

Supermarket retailers might do the additional research to consider bolstering their organic offerings. While 46.5% of Organic Shoppers select their primary food store because of its organic selection, it appears that the remainder may be willing to shop multiple outlets to complete their shopping. In addition, 39.5% of Organic Shoppers cannot find the organic produce they are looking for in their primary food store. Thus, an opportunity exists to include more variety in organics and eliminate the need for their organically-inclined shoppers to make a separate trip to the farmers market.

Improved signage and packaging and a change in the position of organics in the produce department flow are merchandising strategies vital to organic sales. A substantial proportion of Conventional Shoppers, 31.2%, indicated they find it hard to tell which produce is organic and which is conventional.

The majority, 62.2%, of Organic Shoppers appear to prefer organic produce in a separate area of the produce department. The challenge in having a separate display are as follows: how can the retailer prompt conventional shoppers to buy organics if the section is isolated from the conventional shopper's traffic pattern, and conversely, how does one manage integrating organics produce, often in bulk, next to conventional produce given government regulations, certification standards, and labor challenges?

Retailers who maintain separate organic displays indicated:

- Integrating organic with conventional produce is harder to manage and stock properly.
- It is easy to compare prices when product is integrated. This is good when organic items are priced close to conventional, for instance carrots are priced closely, but bad when organics are priced a lot higher.
- Organic certification for retailers is strict. As one retailer said, "If I had to integrate, it would be an operational nightmare and we would fail our organic certification. Our certification gives customers more confidence that it is truly organic."

Retailers who integrate their organics products with conventional products indicated:

- Integrating helps lift the sales of organic items, because shoppers shop for the product category first, such as apples. By integrating into the mainstream apple category, organic apple sales increase.
- Conventional shoppers become more exposed to organic product, and although organic shoppers do not like it, organic sales increase due to increased sales to the conventional shopper.

Mis-rings at the cash register for bulk organic produce are large and controlling them requires either constant cashier training or using packaged organic produce, which is already coded. However, over two-thirds of Organic Shoppers (68.6%) preferred to buy organic produce loose to reduce packaging waste in the environment. Many retailers understand how organic consumers feel, but as one retailer indicated, "I know 30% of organic products are mis-rung. I think this is a bigger reason than government standards or customer preferences for retailers to use packaged."

Another retailer indicated, "The reason most [retailers] have chosen to use packaged is to get the correct ring. Otherwise, the organic shopper wants bulk. We did a test in an existing store. We almost doubled the movement out the door when we used bulk, but we got only a 10% lift in sales.

If a retailer can train cashiers to ring up bulk organics properly, profitability of organics can increase, "Getting the cashiers to ring it properly is a nightmare. But we can't afford to have our cashiers govern how we operate; organics is a huge opportunity. We looked at bananas last fall and found we were getting 30-35% mis-rings. Now, we have a new training program and we are getting 16%. We are also looking at other ways to solve this. For example, our conventional green onions come washed and cleaned and are in a wrap with a bar code, and all our organic green onions are bulk."

Food Safety: The Effect on Marketing

August 2008

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The subject of food safety has never been so publicized and so sustained. In the last 24 months we have lived through e. coli in packaged spinach; e. coli at Taco Bell; dog food contaminant (found later in other sectors of the animal industries); the pesticide aldicarb found in imported ginger from China; the e. coli beef recall that shuttered Topps meat processor; and the list goes on.

The associated food safety recalls have drawn attention to weaknesses in food security. Individual food industries and the government are working to improve certification programs, testing programs, production practices, and traceability practices. Consumers are asking for transparency and results. But as the industry supply chains become more complex, encompassing greater geographies, farms, suppliers, product formulations, etc., the problems—and the solutions—also become more complex. Outside of very real changes needed in production through retail, what marketing practices can we use *now* to help our business?

Consumer Perceptions

First, it is useful to know what consumers think about food safety. In a national shopper survey in June 2007, the Food Industry Management Program at Cornell asked shoppers their perceptions about some food safety issues specifically in fresh fruits and vegetables (since this study surveyed shoppers specifically about produce, caution is needed before assuming that the results apply to other industries). A table summarizing some of the results is presented below (Table 1).

- A large majority respondents are concerned about pesticides, 83.4% agreed to the question (Table 1).
- About half, 50.2%, of respondents are concerned about germs.
- We also asked a question about imports, and almost 73% of respondents agreed or strongly agreed that they were concerned about imports. We might guess that the impact of the numerous recalls for products produced in China will last quite a while and that these recalls have shaded opinions about imports from other countries as well. One consumer responding to the Cornell survey said, "Imported produce makes me nervous to the point where I will not buy anything from China for me or my animals."

TABLE 1. Consumer Concerns over Food Safety Issues in Fresh Fruits and Vegetables

Food Safety Concerns	Percent Responding "Agree" or "Strongly Agree"
"I am concerned about pesticide residues on my fresh fruits and vegetables."	83.8%
"I am worried about germs on my fresh fruits and vegetables."	50.2%
"I am concerned about the safety of fresh fruits and vegetables imported from other countries."	72.6%
"I would pay extra for fresh fruits and vegetables certified as being grown under safe farming practices."	73.3%
"I believe organic fresh fruits and vegetables are safer than regularly grown produce."	53.3%
"I feel that locally grown fresh fruits and vegetables are safer than produce that is transported long distances."	66.4%

Source: *Inside the Minds of Retailers and Consumers*, McLaughlin, Edward W., Kristen Park, and Debra Perosio. Food Industry Management Program working paper, September 2007.

- Some consumers, 73.3%, say they are willing to pay more for produce certified as "safe".
- Almost 54% of all respondents say they believe organics are safer than regularly grown produce. And some consumers perceive they are paying for "safety certification" in the form of price premiums for certified organics.
- At least some consumers, 66.4%, correlate food safety and the distance food has traveled and feel that "local" is safer. One shopper commented that they feel that anything shipped is somehow "preserved" or treated with hormones. One shopper said she preferred "local" produce because it wasn't "gassed". A focus group participant in the study said, "I feel local produce is safer. It is not packaged with chemicals to make it last longer."

Marketing PRO-actions

Many companies in the supply chain have acted swiftly in response to the recent food safety challenges—most of these efforts are focused on changes in production practices and monitoring and testing for contamination along the supply chain. Traceability needs to be improved significantly.

In general, all efforts are totally opaque to the general public and there is a significant opportunity to tell consumers about efforts made to ensure a safer food supply. THIS is your marketing opportunity.

- Retailers receive their point of sale information primarily from suppliers. Actively engage with your own promotion/advertising group or trade association to provide a well-researched statement of industry actions in providing consumers with safe food. Proactive information provided in supermarkets—AND OTHER PLACES—about pesticide safety and judicious use might help alleviate or reduce consumer concerns. Certified grower programs such as Integrated Pest Management could be highlighted proactively by retailers to inform consumers about efforts to reduce pesticide usage. At the very least, providing consumers with more information about current food safety practices could not hurt. It could be that reassurance and information is really what the consumer is looking for.
- Major U.S. growing regions, with arguably the best technology and safe growing programs in the world, need major help in communicating this to the consuming public. They are losing the confidence of consumers to local establishments.
- Whether from the farm down the road or halfway around the world most consumers are interested in knowing where their produce is grown. In addition, as people no longer grow what they eat nor have a close connection with where their food comes from, they may feel a loss of control over what they eat. Imported food is a concern for 72.6% of shoppers surveyed, AND "local" is sought by almost 70% of shoppers.

Since consumers embrace local programs and feel that local is "safer", NYS producers should take advantage of this opportunity to work with markets to establish or expand local, in-store programs. Simultaneously, retailers should only be working with local producers that employ the safest production and distribution practices from farm to store.

Give consumers the certification that they have asked for. It is up to you to do your best to provide a safe food supply, and there are certification programs available that can help you do this. You can contact Elizabeth Bihn, National GAP (Good Agricultural Practices) program coordinator, at:

Cornell University
Department of Food Science
9 Stocking Hall
Ithaca, NY 14853
Ithaca phone: 607-254-5383
Geneva phone: 315-787-2625
Fax: 607-254-4868
E-mail: eab38@cornell.edu
http://www.gaps.cornell.edu/contacts.html

Increasing consumer perception of the relevance of local or regional foods and shorter supply chains and the desire to know the source of their food represents a major opportunity for NYS agriculture. The challenge for NY's agriculture sector will be to seize the opportunity by delivering food with the quality and security that the State's consumers expect.

“Terroir” or “Tastes Better”: The Combination of Cultivation and Culture

November 2009

Bob Weybright, Weybright & Associates, Inc. and
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Cornell University, Geneva Experiment Station

For several years, there has been a lot of discussion in the US about the survival of local agricultural production. The suggested strategies all have merit and may be part of the many tools a modern agricultural business will need to be competitive. For the purposes of this article, I thought we would take a look one strategy that has received a fair amount of press in the past decade, “terroir”. The reason is, it is my good fortune to live in France – arguably the originator, or at least hot bed, of “terroir” – and I would like to shed some light on why the French are known for their passionate embrace of terroir, based on living as an American in the south of France.

First and foremost the concept of terroir ties into to the fact that the French really, really love good food. Food is an essential part of each day and is a key element to a quality of life that is not easily replaceable. For example, an hour-long lunch (time for a “proper hot meal” as we were told early in our tenure here) is quite normal. In fact it is not politically correct to eat at your desk (at work), and you can expect to be told so if you do. Because food is such an important part of the lifestyle here, there is a solid understanding of what foods are supposed to taste like. The French’s love of food means it is common knowledge when foods taste best and where it comes from (no mandatory COOL here!!!). Place of origin includes knowledge of the specific growing region, not just the country of origin. Produce, meats, cheese, and dairy products all have tags or labels that identify what country and region it is from. It is the passion for taste that drives purchase decisions. Indeed, the French hold no grudges when it comes to quality food. For example, as soon as Florida grapefruit come into their prime season they are brought in to replace the Spanish fruit, but this does not happen with the oranges. Taste trumps location!!

Selection of foods for intended use is paramount. At a typical market there are 6 varieties of tomatoes, 4 varieties of plums, 6 varieties of potatoes, 4 varieties of onions, 2 varieties of carrots, 3 varieties of strawberries (when they were in season). Each variety is used differently based on the recipe. A gratin dauphinois cannot use the same potato as a frite to be sure.

To make it worthwhile financially for the farmers, a quality and use-based pricing system is used. For example tomatoes have a range of prices based on ripeness, method of ripeness, and intended use. Regardless, they all get worked “down through the system” daily. For example

(Euro's converted at a rate of 1€ equal to $1.42 US) fancy vine ripened cherry on stem, $8.24; the ones that fell off the vine yesterday $6.82; small vine ripened on stem, $5.24; vine ripened that fell off the stem (left over from yesterday), $3.69; hot house vine ripened, $3.27; and Roma $2.13. A similar pricing structure is used with cheeses as well. Comté prices vary as much as $2 per pound depending on its age and reputation of the creamery. This is a perfectly acceptable range in prices, because consumers make their decision based on intended use. There is nothing worse than getting a young cheese when you need a nicely ripened cheese for your recipe, it just doesn't cook up the way you want.

Pricing is clearly indicated according to each individual item and according to quality. Individual vendors will then further differentiate from each other by their produce knowledge and by their interaction with the consumer. At the local market where I shop there are at least 4 vegetable vendors selling right next to each other. It is not uncommon for all of them to have pretty much identical produce (much like a US farmers' market) selling for as much as $0.09 per pound different from each other. It is clear that pricing is not done based on vendor consensus but according to their financial needs. At the same time each vendor is working to establish a relationship with each of their customers (even an American with limited French). Each time I go to buy produce, I must first be greeted and asked how I am doing by the fruitier; it is then expected that I return the courtesy (if I want to be part of the "regular" crowd). We then ring up and pay for the produce; but that remains an incomplete transaction until…we then wish each other parting wishes (merci beaucoup, au revoir, est bon journay). All this does not take a lot of time, but it does make for a solid and human connection that is based on respect and appreciation of each other. Will this work in the US where seconds count in the day, I can't say. But it is something to be aware of when training staff to interact with your customers.

Another noticeable element in the French markets is that there is always someone on staff to provide help with finding specific items or to answer questions about the food items. There is always a sample for people to taste (with fruits, vegetables, and wines) or to examine the interior. Customers need access to information about the varieties you are selling, and you need to be able to explain why you chose those varieties…hopefully it relates to taste and not just because you can grow a ton of it easily. Yes, growing to satisfy tastes takes more work than growing what the guy/gal/farm/business down the road grows, but the rewards and customer commitment to your business are worth it.

Links between Dietary Recommendations and Farm Income for Horticultural Crops

February 2009

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Recent evidence reports that 65% of Americans are either overweight or obese, and this percentage rate is nearly double what it was in 1995. In an effort to combat the obesity epidemic, there is an increased focus on the health benefits associated with consuming fruits and vegetables. If consumption patterns moved towards a diet with a greater share of fruits and vegetables, the health costs associated with obesity would decrease; it would also lead to benefits for producers of specialty crops.

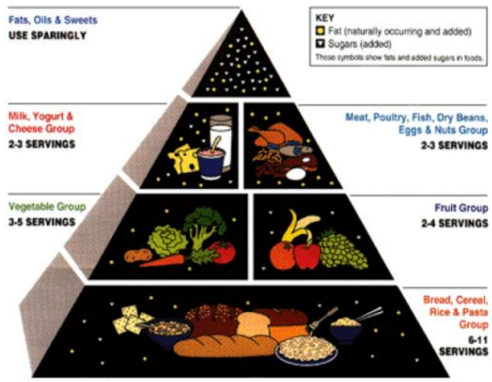
One mechanism that has been used to combat obesity is dissemination of nutrition information and food guides. Although the USDA food guides have been the most visible, others are achieving increasing public recognition. Quite often the recommendations from non-USDA food guides differ significantly with respect to the consumption of foods such as grains, plant-based oils, meat and dairy products, fruits, vegetables, and even wine. Alternatives to the USDA food guides include Harvard's Healthy Eating Pyramid, the Mayo Clinic Pyramid, the Traditional Mediterranean Diet Pyramid, Atkins Model, and the Dietary Approaches to Stop Hypertension (DASH) plan, among others.

Based on the current consumption patterns in the United States, we highlight the economic effects that compliance with four different dietary plans would have for selected agricultural markets (Figure 1 provides illustrations of the four dietary plans examined here).

The first step in our analysis extracts nutrient recommendations for each of the four diet plans. Implications for agricultural products from consumer compliance with dietary plans are assessed in a two-step approach. First we simulate required changes in the demand for nutrients, and second, we calculate the changes in revenues for horticultural crops given the nutrient composition of the product.

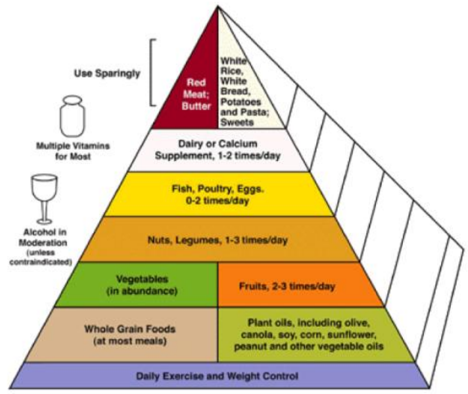
Figure 1. Illustrations of the Four Food Guides

The USDA Food Guide Pyramid



Source: USDA: Center for Nutrition Policy and Promotion, 1992.

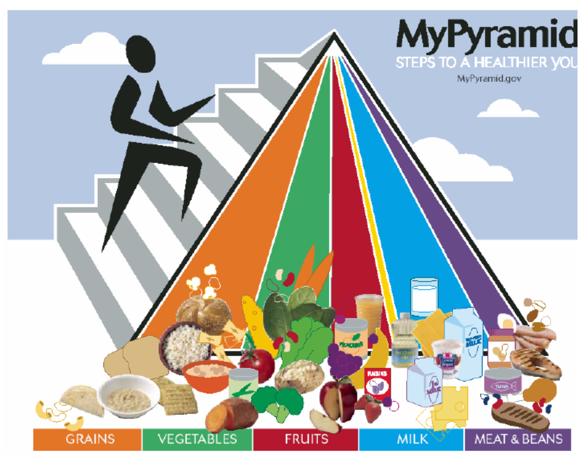
Harvard Food Guide Pyramid



Source: Willett, W.C., 2001.

Mediterranean Food Guide Pyramid

Source: Cloutier, M., 2001.



Source: United States Department of Agriculture: Food and Nutrition Service, 2006.

Given compliance with the selected diet recommendations, Table 1 shows the changes in revenues for fifteen horticultural crops that are grown in New York State. Compliance with each diet plan would increase revenues for all of the horticultural products listed, however, compliance with the Harvard diet plan would most often generate the greatest revenue gain. For many horticultural products, compliance with the diet regimes would increase grower revenues by at least 20%. Revenues for the selected products would increase by an average of 29.5% under compliance with the Harvard diet plan. However, compliance with the USDA regimes and the Mediterranean regime showed results that closely trail those for the Harvard regime; for these diets average revenue would increase by at least 14.1% and up to 24.5%.

Table 1. Percent changes in revenues of agricultural products under alternative diets

Selected Agricultural Products	USDA FGP 1992	Harvard	Mediterranean	My Pyramid 2005
	Percent change			
Apples	15.4	31.7	23.7	13.2
Bell Peppers	20.8	49.9	36.0	21.2
Broccoli	21.1	49.2	39.1	22.5
Carrots	18.3	45.6	30.8	17.4
Cauliflower	22.8	55.5	41.3	24.2
Cherries	14.0	26.1	21.6	11.2
Fresh Tomatoes	18.0	40.9	30.7	18.4
Grapes	11.4	16.9	16.2	7.6
Onions	14.2	26.6	22.5	11.6
Peaches	14.2	27.7	22.4	12.6
Pears	16.4	34.9	25.7	14.4
Potatoes	14.1	25.8	22.2	11.4
Spinach	21.8	53.7	42.0	24.2
Strawberries	18.3	41.1	29.8	17.2
Sweet Corn	13.6	25.1	21.6	11.8
Average	14.4	29.5	24.9	14.1

Source: Rickard and Gonsalves. 2008.

Reference

Rickard, Bradley J. and Jana L. Gonsalves. 2008. How would compliance with dietary recommendations affect revenues for agricultural producers? Food Policy. Elsevier Ltd. 33. January 2008.

15 Case Studies on Local Food Supply Chains

July 2010

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Researchers at Cornell were fortunate to participate in a series of case studies sponsored by the US Department of Agriculture – Economic Research Service (USDA – ERS) and just released this summer. The case studies looked at a total of 15 different food businesses in 5 different states with the purpose of examining the way in which local food products are being introduced or reintroduced into the broader food system along with the potential barriers to expanding markets for local foods. The cases included the following products and locations, with 3 different businesses examined under each:

- Apples in Syracuse, NY
- Blueberries in Portland-Vancouver-Beaverton, OR-WA
- Spring mix in Sacramento, CA
- Beef in Minneapolis-St. Paul-Bloomington, MN-WI
- Fluid milk in Washington, DC

Despite increasing consumer interest in locally grown and processed food, not very much is known about how supply chains that move local foods from farms to consumers compares with the "mainstream" supply chains that move products through supermarkets. With funding from USDA's Economic Research Service, a team of researchers from Oregon State, University of California – Davis, University of Minnesota, USDA – ERS, and Cornell University conducted a coordinated series of case studies on supply chains for local food products. For each of the product-place combinations listed above, case studies were conducted on:

- The predominant grocery supply chain for a product category (mainstream supply chain)
- A supply chain for a local product that is marketed directly by producers to consumers (direct market supply chain)
- A supply chain for a local product that reaches consumers through one or more intermediaries (intermediated supply chain)

What did the study find? *(report summary)*:

Case studies of mainstream supply chains and two types of local food supply chains reveal the great variety of ways that food products can move from farms to consumers. Products from local farms may appear in mainstream and local supply chains, and products from more than one supply chain may be present in the same outlets. Businesses in all types of supply chains face challenges to reduce production, handling, and transportation costs. Higher per unit costs in local supply chains (relative to the mainstream chain) do not preclude success.

Farms that participate in local food supply chains tend to have a diverse portfolio of products and market outlets. In some cases, diversification may help spread out large fixed costs across a number of different revenue streams. Other farms may be large enterprises that participate in mainstream supply chains and use local supply chains as a residual market. In total, local supply chains handle a relatively small portion of total product demand, and in some cases local products fill a unique market niche as a differentiated product.

Local food supply chains, particularly direct market chains, are more likely to provide consumers with detailed information about where and by whom products were produced. However, this information alone is unlikely to be sufficient to sustain price premiums for local products. Price premiums are observed when products exhibit additional differentiating characteristics. Prices in local supply chains are also determined differently. They tend to be decoupled from national commodity market prices, particularly in direct market supply chains. Instead, prices are influenced by local supply and demand relationships and by product differentiation based on attributes other than local.

Producers receive a greater share of retail prices in local food supply chains, which is often a motivating factor for choosing to sell through them. In all the direct market cases producers assume responsibility for additional supply chain functions, such as processing, distribution and marketing, to capture revenue that would otherwise accrue to an outside party. These supply chain functions can be costly and often involve the operator's own unpaid labor. Although farms in direct market supply chains retain nearly 100 percent of the retail price, additional costs incurred to bring their product to market can reduce their net returns by between 20 and 60 percent.

Transportation fuel use is more closely related to supply chain structure than the distance food products travel, and product aggregation to reduce per-unit costs is an important determinant of transportation fuel efficiency. Local supply chains require fewer food miles to move products from farms to consumers, but fuel use per unit of product in local chains is often greater than in the corresponding mainstream chains. In these cases, greater fuel efficiency per unit of product is achieved with larger loads and logistical efficiencies that outweigh longer distances.

Findings from these case studies are presented in *Comparing the Structure, Size, and Performance of Local and Mainstream Food Supply Chains,* USDA, Economic Research Service, ERR99 (http://www.ers.usda.gov/Publications/ERR99/). While the case descriptions were condensed in the ERS report due to length, expanded descriptions of all the case studies are available from http://foodindustrycenter.umn.edu/local_food_case_studies.html :

- Apple Case Studies in the Syracuse, New York MSA, http://foodindustrycenter.umn.edu/vd/LFSCAppleCaseStudies.pdf
- Blueberry Case Studies in the Portland-Vancouver MSA (http://foodindustrycenter.umn.edu/vd/LFSCBlueberryCaseStudies.pdf)
- Spring Mix Case Studies in the Sacramento Area (http://foodindustrycenter.umn.edu/vd/LFSCSpringMixCaseStudies.pdf)
- Beef Case Studies in the Minneapolis-St. Paul-Bloomington MSA

  http://foodindustrycenter.umn.edu/vd/LFSCBeefCaseStudies.pdf)
- Fluid Milk Case Studies in the Washington, D.C. Area (http://foodindustrycenter.umn.edu/vd/LFSCMilkCaseStudies.pdf)

Estimates of Produce Sales through Retail and Foodservice Channels

April 2009

Kristen Park, Extension Associate
Applied Economics and Management, Cornell University

Industry marketers often have questions about commodity sales and trends through various marketing channels. For decades, the US consumer has been eating out more often and foodservice expenditures have been catching up to food-at-home expenditures. Before the recent recession, marketers often viewed this foodservice channel as potentially lucrative. The increase is not only due to an increase in volume of consumption—more consumers eating out more often—but also in a slight increase in restaurant prices relative to retail (at-home) prices. But a closer look at produce sales through retail versus foodservice channels indicates that this might not always be the best decision. Therefore, sales estimates are extremely useful in responding to requests.

The researchers estimated 2007 sales of produce through retail and foodservice channels to look at changes in trends. This was secondary research using information from the Economic Census, industry trade associations, and other academics.

The retail produce sales estimate for 2007 was $63.2 billion, an increase of 24.8% from our 2002 estimate of $50.7 billion. This increase was greater than the CPI for fresh fruits and vegetables from 2002-2007. Most of this increase is simply due to a larger population. While all store formats as defined by the Census saw an increase in sales, only 'Warehouse Clubs and Supercenters' saw an increase in their *share* of total produce sales.

Foodservice sales attributed to produce for 2007 was estimated at $47.2 billion, an increase of 42.5% from the 2002 estimate of $33.1 billion. Foodservice sales of produce includes an estimate of produce used in preparation of all foods sold through foodservice establishments, hotels, recreation, hospitals, educational facilities, etc.. The large increase in the estimate is driven by an increase of total food sold through foodservice channels and not by an increase in the proportion of produce consumed when eating out.

Assuming 2007 retail sales of $63.2 billion and foodservice sales of $47.2 billion, 57% of consumers' total produce purchases were made at retail stores, and 43% of total purchases were made at foodservice. USDA-ERS reports Food Away from Home in 2007 as 48.8% of total food expenditures in the US (USDA-ERS, Table 1. Food and Alcoholic Beverages: Total Expenditures). Therefore, it appears that produce is a smaller share-of-plate when ordering out than when eating at home. Despite important inroads made by salad entrees and Happy Meals' sliced apples, produce still does not reign when dining out.

While it is important to understand where consumers are spending money for produce, it is also important to understand how much volume, or pounds, of produce is consumed via each channel.

Retail and foodservice sales were discounted by gross margin to derive an estimate of the proportion of produce volume moving through retail versus foodservice. We used a 77% gross margin for foodservice (National Restaurant Association) and 34% gross margin for retail (*Progressive Grocer,* Oct. 2008). An estimated 73% of produce by volume moved through retail stores in 2007, whereas only 27% moved through foodservice. Therefore, the volume of produce moved through foodservice channels is much lower than that through retail due to the much lower demand for produce from foodservice operations.

Table 1. Comparison of Retail and Foodservice Channels for Produce, Sales Versus Purchases

Channel	2007 Sales Estimates	% of Total Sales	2007 Purchase Estimates	% of Total Purchased
Retail	$63,233,125	57%	$41,287,979	73%
Foodservice	$47,215,122	43%	$15,580,990	27%
Total	$110,448,247	100%	$56,868,969	100%

Developing a Wine Marketing Plan for a New Winery

June 2010

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There are more than 6,000 wineries in the US. There are an estimated 60,000 labels (including imports) available in the US wine market—and even more SKU's, considering there are often more than one vintage per brand. The goal of wine marketing should be to enhance the value of your brand, thus creating brand equity. The management of every winery should be able to answer the question (in ten words or less): What makes your wine different? Why should customers buy your wine?

In many cases new wineries began as a dream to participate in a style of life that is both attractive and potentially profitable. Decisions about what varieties of grapes to plant or styles wines to make are often made base on personal preferences of the owners, or even what varieties of grapes are already available on the farm. This philosophy is at odds with marketing theory—you cannot follow in the footsteps of hundreds or thousands of other wineries or vineyards and expect to create something that is unique or even slightly different!

Who needs a wine marketing plan? Start-up firms certainly do, as a part of a complete business plan. Existing firms also need a marketing plan when considering major expansion or when considering access to outside capital. In these situations, a business plan with a well developed marketing plan is useful, even essential, to communicate clearly with bankers, financial advisors, and/or potential outside investors.

The ultimate purpose of the marketing plan is to explain how you will get your wines known and purchased by customers. You should start by identifying the target market, or group of customers to whom you will aim your marketing effort. The target market is not simply whoever is buying or will buy your products, but rather those individuals or businesses that you identify as your most desirable customers.

Use the following questions to identify your target market: Who are your most desirable customers? Is this segment of the market profitable, and does it offer growth potential? Does your firm have a competitive advantage in meeting the needs and wants of customers in this segment? Is your competitive advantage in this segment sustainable?

In the late 1990's it was the baby boom generation that drove an increase in wine consumption in the US. Now wineries are focusing more marketing efforts toward the millennial generation (born between 1979 and 1994 and including 81 million persons), who are likely to drive the next few years of increased wine consumption. About 50 % of Millennials are now more than 21 years of age, and thus can legally drink alcoholic beverages. This group is challenging to reach from a marketing perspective.

Target Market and the 4 P's

Marketing strategy is more than just promotion and advertising! Once the target market is identified, the next step in building the marketing plan is to develop strategies for the other elements of the marketing plan—I.e. product, price, distribution (place) and promotion.

- Product strategy examines the products being sold, packaging, and position in the market.
- Pricing strategy involves analysis of various methods of formulating price strategy and looks at the impact of various prices on sales and profitability.
- Place strategy examines various distribution channels and discusses activities involved in moving goods from the producer to customers.
- Promotion Strategy focuses on getting your product known. It examines promotional techniques such as advertising, public relations, sales promotions, and social networking.

Each of these elements is approached with the target market in mind. To reach the Millennial generation, specific approaches often revolve around on-line marketing—e.g. wine ads on Facebook for Millennials of wine drinking age. Millennials spend much less time than their parents watching TV, but they do watch TV on-line. They enjoy winery events where they can go with friends in a group to taste, enjoy music, wine, etc. Not every winery will find it advantageous to target Millennials, but the industry in total needs to understand how to succeed with this generation!

One commonality among small wineries is the challenge to succeed in wholesale distribution. Since the winery will receive just 50 per cent of the final bottle price for wine sold through wholesale distribution, most small wineries rely heavily on sales through the tasting room, where the winery receives 100 percent of the final bottle price. This dictates a strategy built around attracting tourists and visitors to the Finger Lakes (or the Hudson River Valley, and Long Island regions, for examples). This strategy makes the wine trails an important element of many New York small wineries' promotion strategies, which are often built around active membership in the wine trails, joint promotional programs, and highway signage.

This strategy built around wine trails, which has been successful for many New York wineries, has certain implications for the product line. Since the emphasis is attracting drive-by traffic to stop at the winery, it is difficult to target the consumer who would pay, for example, $50 dollars for a bottle of wine. Reliance on tasting room sales dictates that these wineries typically have 12 to 20 wines for visitors to taste, with prices ranging from about $8 to $20. These wineries find it advantageous to have "something for every taste". Thus small wineries are likely to have a range of native, hybrid, and vinifera varietals available for visitors to the tasting room. Typically, wineries find it possible to move about 6,000 to 7,000 thousand cases annually through the tasting room. Wineries larger than 7,000 cases in annual production find it necessary to develop other outlets (selling to retailers or restaurants, or selling to wholesalers) where margins are lower.

One thing to keep in mind, especially in developing the financial plan for the winery, is that the promotion strategy usually results in as much as 10 to 15% of wine which is produced but not sold, but will be used for tasting and other promotional events. Wineries may pour about 10% of wine produced in the tasting room, 2% could be given to staff/investors/owners, 1% may be reserved for a library program, and about 1% may be distributed to media events/fairs/tastings, or given to charity.

Wineries producing more than 6,000 to 7,000 cases annually may find it advantageous to pursue a dual marketing strategy: work jointly with a wine trail to get visitors and to try to make the winery a "destination.'' As wineries grow beyond this volume, they will need a strong branding strategy to develop a market for the balance of their production. This element of the marketing plan involves decisions about the product label, bottle shape, type of bottle closure to use (natural cork, synthetic closures, or screw caps). The emphasis becomes one of trying to influence visitors to the tasting room to become regular customers who will purchase the winery's products at retail stores, restaurants, or by ordering directly from the winery. Wineries find it to their advantage to develop means of keeping in contact with customers who visit the tasting room by devising a method to get names and addresses of customers who buy wine at the tasting room, and to attempt to stay in contact with them through e-mail list serves, newsletters, etc. A well-designed web site is often central to this approach of staying in touch with customers who have visited the winey and/or have tasted its products at various other events. E-mail list serves and web sites have the advantage of being much less costly than direct mail, and is more in tune with the communication preferences of the millennial generation, who will be the drivers of increased wine consumption in the next decade or so!

Some links for developing business plans and marketing plans for small wineries:

E. B. 2002-06 http://aem.cornell.edu/outreach/extensionpdf/2002/Cornell_AEM_eb0206.pdf

E. B. 2002-07 http://aem.cornell.edu/outreach/extensionpdf/2002/Cornell_AEM_eb0207.pdf

Choosing the Right Marketing Channels for Small-Scale Vegetable Producers

March 2009

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Growing demand for local foods is presenting new opportunities for small-scale agricultural producers, but understanding the relative costs and benefits of different local foods channels is important to maximize farm performance. Wholesale channels typically move larger quantities quickly, but usually at a lower price. Direct channels often have higher prices, but require more customer interaction. Farmers are faced with the decision of whether to move larger volumes of produce through wholesalers at relatively lower prices or seek higher prices in direct markets and run the risk of lower sales and unsold leftovers. In addition, for many producers, lifestyle preferences weigh as much or more in decision-making than profitability.

This article summarizes the results of a case study involving four small-scale diversified fruit and vegetable producers in central New York. We compare the performance of alternative marketing channels:

- wholesale (restaurant, retail/grocery, and distributor)
- direct-
- community supported agriculture (CSA)
- farm stand (unstaffed)
- u-pick (staffed)
- farmers' market

Channel-specific marketing labor and travel costs and sales data were collected during a typical peak-season week. A channel ranking system is used to weigh the factors of labor requirements, gross sales, net returns, and risk and lifestyle preferences across channels to provide insight into the collection of marketing channels that best fits a firm's objectives and preferences.

Important Factors

Gross Sales**:** To compare the volumes of multiple products moved through each channel, gross sales were evaluated (i.e., price x quantity). Despite lower prices, high volume channels offer the benefit of increased efficiencies in harvest and reduced odds of spoiled or unsold product. Gross sales are reported in Table 1 (column 2) as a ratio relative to farmers' markets sales (the lowest sales channel). Wholesale had the largest sales, about 3.4 times as much as farmers' markets, even with the lowest prices. CSA was a distant second and offered the same or slightly higher prices as wholesale.

***Net Returns*:** Net returns focus on the price-cost differential for each channel. Here, net returns are calculated as gross sales less labor and travel marketing costs (Table 1, column 3). Expressed as a percentage of gross sales, the CSA was shown to have the highest net return percentage (i.e., net returns per sales dollar), followed closely by the unstaffed farm stand. As expected, percentage net returns were lowest for the wholesale channel.

***Labor Requirements*:** While our participating farmers perceived that wholesale channels were more labor intensive than direct, the data showed otherwise. Labor hours per sales dollar are reported in Table 1 (column 4) as a ratio relative to the CSA channel (the lowest labor intense channel). Labor requirements for the wholesale channels were about in the middle of all channels evaluated, while the farmers' market and staffed farm stand had the highest labor requirements – over three times as high as the CSA.

***Risk/Lifestyle Preferences*:** The two main reasons mentioned for avoiding channels were lifestyle preferences and stress. Wholesale channels created stress because of product consistency requirements, higher volume requirements, and risks of buyer rejection. Direct channels were perceived as relatively low stress, but concerns over poor sales and customer turnout risks were mentioned for all except the CSA. The risk rankings for our surveyed farmers are shown in Table 1, column 5.

Identifying Your Marketing Channel Strategy

Choosing the appropriate marketing mix includes consideration of all (or more) of the factors discussed above, and the relative importance of each factor is farm-specific. To address this, we estimate final channel scores by assigning scaled rankings across channels for each factor and then averaging them across all factors. The rankings are from 1 to 5, where 1 can be thought of as the 'best' and 5 as the 'worst' channel for that factor. Since some factors may be more important than others, we also compute weighted final scores based on weights assigned by the farmer. The final results are shown in the last two columns of Table 1. The lowest overall score is defined as the top performing channel; however, channels scoring low and close to each other provides some indication of preferred multi-channel strategies.

For our general case, the top performing channel was the CSA, including top rankings for net returns percent, risk, and labor requirements. Wholesale channels ranked in the middle. The farmers' market had the lowest overall ranking, although not the least profitable. That said, farmers' markets can still be a useful resource for farmers in terms of enhancing farm exposure and advertising for other channels utilized.

Changes in the rankings are evident when we assume differing weights across factors. In the example presented, more weight is placed on sales volume and less on perceived risks. In this case, wholesale improves its ranking, more readily suggesting a strategy that incorporates both CSA and wholesale channels. While the CSA appears to be the 'best' for these growers, optimizing sales of perishable crops requires the flexibility of combining different channels, and can be an effective way to have a ready market for all produce.

Table 1. Market Channel Evaluation and Ranking (4 case study farms).

Market Channel	Gross Sales Index	Net Return Percent	Labor Index	Risk Index	Final Score Unweighted	Final Score Weighted
CSA	1.7	87	1.0	1	1.7	2.1
Farm Stand (unstaffed)	1.3	82	1.5	3	2.8	3.0
Wholesale	3.4	58	1.9	5	3.4	2.8
U-pick w/Farm Stand (staffed)	1.5	62	3.4	2	3.9	4.2
Farmers' Market	1.0	67	3.0	4	4.3	4.4
Factor Weights	0.40	0.25	0.25	0.10		

Note: Gross Sales Index represents gross sales relative to the farmers' market channel. Net Returns Percent represents gross sales less marketing costs, as a percent of gross sales. Labor Index represents labor hours per sales dollar and relative to CSA. Risk Index is based on farm responses, from 1 (least risky/stressful) to 5 (most risky/stressful). Final scores are averaged scaled rankings across factors, either unweighted or factor-weighted.

The simple tool illustrated here will be made available for interested producers and educators.

The full results of this study are in Extension Bulletin 09-03, *Evaluating Marketing Channel Options for Small-Scale Fruit and Vegetable Producers: Case Study Evidence from Central New York*, by LeRoux, Schmit, Roth, and Streeter and can be found at:
http://aem.cornell.edu/outreach/extensionpdf/2009/Cornell_AEM_eb0903.pdf

Drivers of Vendor Satisfaction and Performance at Farmers' Markets

September 2009

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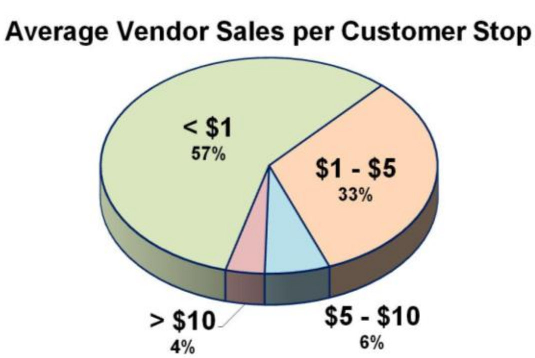
Cornell University

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.

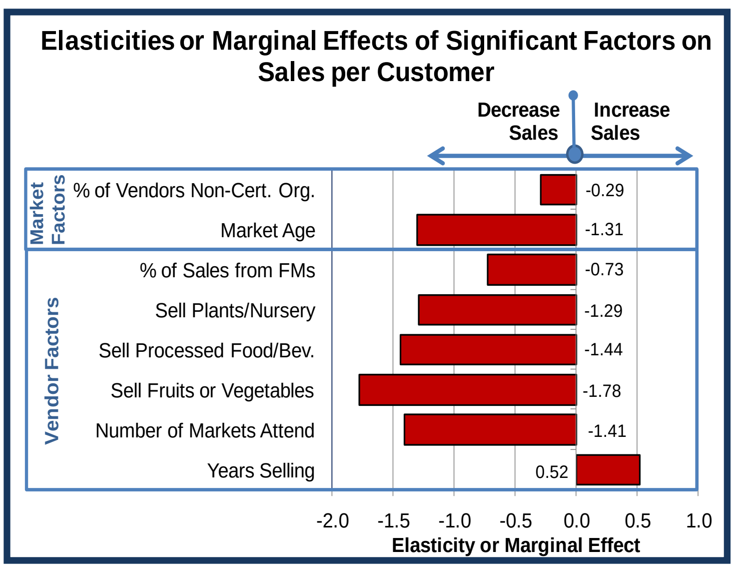
FM success depends on a host of vendor, market, and customer factors. In addition, non-financial factors often matter a great deal in assessing performance, and proper assessments need to consider all factors simultaneously. In summer 2008, the Northern New York Direct Marketing/Local Foods Team looked 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.

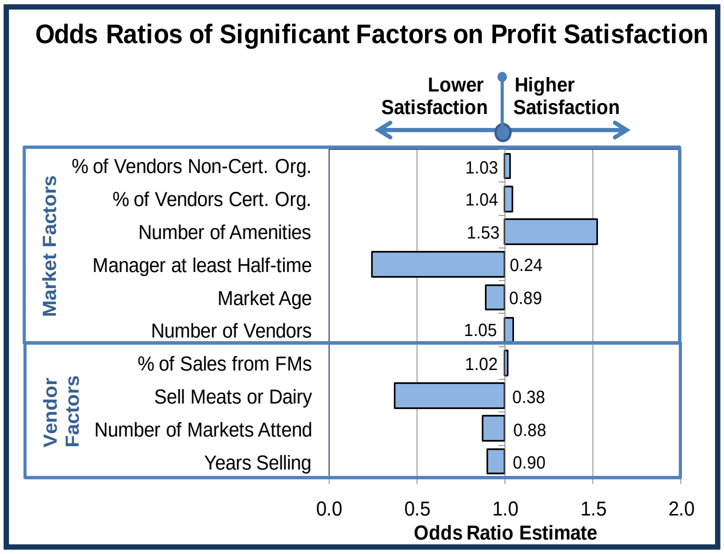


Since vendors may consider both financial and non-financial performance factors, vendors were asked about their levels of sales, as well as how *satisfied* they were with their profitability at FMs. This distinction is important. For example, vendors that utilize FMs primarily as a way to advertise their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



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.

Should Production in High Tunnels Be Part of Your Specialty Crop Enterprise?

November 2008

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Everyone seems to be thinking about producing horticultural crops in high tunnels these days. High tunnels are inexpensive, unheated greenhouses in which the crops are planted in the ground. The structures are commonly covered by a single layer of polyethylene plastic, and have rudimentary ventilation arrangements that regulate internal temperatures. High tunnels can significantly increase the length of the market season by allowing earlier planting and by protecting plants from frost in the fall. During summer, they protect sensitive crops like raspberries and cut flowers from rain. So high tunnels are attractive, but are they affordable?

A recent economic study of several New York producers using high tunnels conducted by Wen-fei Uva and Mei-luan Cheng indicates that these structures can be profitable, but it depends on what crop is grown and how it is marketed. The study, sponsored by the New York Farm Viability Institute, surveyed growers of tomatoes, English cucumbers, cut flowers, and raspberries keeping track of expenses and income from crops sold for the 2006 and 2007 growing season. In addition, the growers shared information about the initial cost of the high tunnels they erected on their farms.

The cost of building a high tunnel is often a major deciding factor in use of this technology. Among the growers surveyed, costs varied by a factor of 8, depending on the complexity of the structure and how and by whom it was constructed (Table 1). Tunnels ranged in floor area from 2,400 to 4,800 ft^2, and were either constructed by the grower himself (Farmer A) or purchased from commercial sources. Farmer B's tunnel included an in-ground heating system and a system for ridge ventilation, while the other tunnels were ventilated by roll-up sides.

Table 1. Initial fixed costs of materials and construction for five high tunnels in New York State, compiled in 2006.

Location and crop	Fixed cost, $\$/ft^2$
Farm A, cucumbers	1.53
Farm A, tomatoes	1.67
Farm B, tomatoes	11.93
Farm C, cut flowers	3.56
Farm D, raspberries	3.72

The costs of the structure would normally be amortized over its probable useful life. The study assumed a life span of 10 years on the tunnel skeleton and 3 years on its plastic covering. To determine income, the farmers kept track of the yields and the selling price of their commodities in each year of the study. Labor costs for crop management and harvest were also compiled. The calculations were summarized in a net income per unit high tunnel area for each of the crops (Table 2).

Table 2. Net income per unit area for five high tunnel-grown crops,averaged over the 2006 and 2007 growing seasons.

Commodity and location	Net income, $\$/ft^2$
Cucumber, Farm A	-0.53
Tomato, Farm A	0.57
Tomato, Farm B	1.44
Lisanthus, Farm C	2.08
Sunflower, Farm C	0.14

Net income was very dependent on the crop grown. The cut flower lisianthus, which was marketed at a farmers market and to florists, was most profitable, whereas English cucumbers lost money. It and the sunflowers occupied the high tunnel for only part of the season, but the calculations did not consider additional income that season from successive crops. The calculations emphasize the importance of growing income-producing crops in the structure for the entire growing season. The nearly three-fold difference in net income from tomatoes is largely due to differences in marketing: tomatoes from Farm A went to a wholesale auction market; those from Farm B were sold retail at a farmers market.

When high tunnels are intended for perennial crops such as raspberries, an additional factor must be kept in mind. Raspberries will take a couple of years to produce berries, so expenses will exceed income until the third year. For a detailed analysis of costs and income on raspberry high tunnels, see the high tunnel raspberry and blackberry manual at: http://www.fruit.cornell.edu/Berries/bramblepdf/hightunnelsrasp.pdf

So are high tunnels for you? If you have a good market for high value specialty crops and can increase your income by sustaining high quality production over a longer season the answer could be "yes". But the affordability of high tunnels depends not only on the initial cost, but also on how quickly the crops can generate income to offset the expenses.

Hoop Houses Help Meet Demand for Locally Grown Food

October 2008

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The growing demand for locally grown foods provides a niche marketing opportunity for farmers, as well as an array of potential benefits to society at large. In states such as New York and Michigan, however, the ability to supply locally grown produce is greatly limited by growing season length. One potential solution is the use of passive solar greenhouses, also known as high tunnels or hoop houses, which can extend the season of almost any vegetable or small fruit crop and permit year round production of certain cold tolerant species. Using hoop houses brings farmers greater opportunity for productive labor and income in cold months, and may keep consumers in the habit of buying local.

With USDA funding, we are testing the potential economic contributions of hoop houses for small and medium sized farms. Each of nine farmers in Michigan is collecting data to create enterprise budgets. Analysis of first year data shows farmers earning up to $7,900 gross ($5,400 net) in their first year of production, implying a two year payoff of initial investment. Additionally, we are conducting market research at three farmers markets where these farmers sell their products. The key research questions are: will consumers patronize farmers markets early and late in the season if fresh local produce is available? Will they pay a premium for locally grown produce? What attributes are most important to consumers?

The research was conducted at three Michigan farmers markets using four complementary methods: dot poster surveys (where consumers place sticky dots on flip charts containing questions with simple categorical responses), written surveys, focus groups and experimental auctions. The dot posters asked consumers the earliest and latest months they actually attended the markets, and the earliest and latest months they would attend if fresh local produce was available. Written surveys asked about willingness to pay for local produce and desired attributes. Focus group participants discussed consumers' motivations and behaviors at the markets. Finally, experimental auctions provided another measure of willingness to pay which requires tradeoffs with real money.

The results overwhelmingly show that consumers will attend both late and early season markets. While 23% actually attended markets in January-February, 68% indicted willingness to do so. Similarly, 61% last attended in November or December, but 91% would be willing to do so. Full results are presented in Table 1.

Table 1. First and Last Month of Market Attendance, actual and willingness, measured by dot posters *(number of shoppers giving each response)*

	January or February	March or April	May or Later
Earliest Actual	95	88	235
Earliest Willing	300	114	28

	July or Aug	September or October	November or December
Latest Actual	17	118	209
Latest Willing	1	37	402

On the written surveys, consumers were presented with the choice of a $2.00 bag of organic salad greens which were not grown locally, and asked the most they would pay if local. More than 90% would pay some premium: the mean premium was 41%. Furthermore, 52% stated they would pay the stated premium for local on most or all their produce purchases.

Focus group participants expressed great loyalty to these markets, many attending every week and buying most or all their produce, meats and other goods there. The market is the only place where they can buy the quality of foods they desire. One stated only extremely inclement weather (an "ice storm") would prevent her from coming to shop.

Experimental auction subjects, bidding on bags of local and non-local organic salad greens, paid an average premium of 31% for local. On average, auction subjects would repeatedly pay their bid amount on 64% of produce purchases. Auction participants also filled out an exit survey which repeated questions from the earlier written survey. The participants of the written survey and auctions rated a set of attributes on a 1-10 scale (1 being not important, 10 being most important). For each group, grown in Michigan and with organic methods were the two most important attributes (Table 2).

The results of this research suggest a viable market, with potential for growth, for local, hoop house grown produce at farmers markets; these markets can provide niche marketing opportunities for farmers. Several participating farmers expressed that having fresh produce drew consumers to their stands where they bought other items (e.g., eggs and meat) at that time or continued to buy through the season. While our results are preliminary and only reflect the views and results of participating farmers and of consumers, we believe that hoop houses can enhance the profitability of farmers.

Table 2. Mean and Median rating of Selected Attributes (10 point scale)

Participant group	Attribute	Grown less than 20 miles away	Grown less than 100 miles away	Grown in Michigan	Knowing the farmer who grew it	Organic methods
Farmers market shoppers	Mean	6.62	6.59	7.88	4.79	7.39
	Median	8	8	10	5	9
Auction participants	Mean	5.11	5.65	6.89	5.22	7.17
	Median	5	7	7	5	8

For more information, see:
http://www.mottgroup.msu.edu/ProgramsActivities/HoopHousesforSeasonExtension/tabid/133/Default.aspx or contact:

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Cheese, Please!

April 2010

Kristen Park, Extension Associate and Debra J. Perosio, Lecturer
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As an entrepreneur, you may feel frustrated sometimes by the lack of money available for the type of widespread advertising and promotions otherwise used by large companies. This semester, Cornell students in the Undergraduate Business Program class, AEM 2410: Marketing Plan Development demonstrated that lack of advertising money can actually force one into accessing a wealth of grassroot opportunities in cross promotions and collaborations. The students were charged with developing a marketing plan for a small, entrepreneurial cheesemaker. Putting on their sizeable thinking caps, they came up with examples that could be used by any number of food businesses. Here is a laundry list of fun and not-too-costly suggestions.

Event-based programs:

- **Cheese Bazaar** with fellow cheesemakers. For instance, we have a Cheesemakers Guild in NY. Consider putting on a bazaar at the farmers market, outside a winery, or in a downtown park. Multiple vendors provide excitement and variety and share the work load.
- **Farmers market**. Target active and fun-filled farmers markets for displaying your products. They frequently have special events-volunteer to be there with samples.
- **Tastings at local retailers**. Tastings are a proven method of driving sales by introducing new consumers to your product. Consumers shop at the grocery store. Put the 2 together and see if your local retailer is interested in having you in their store. You provide the excitement (and labor) and they benefit by drawing customers and generating added sales.
- **Tastings at local wineries**. Wine and cheese…a natural paring but why stop at wineries? Maybe even offer tastings at your local wine and liquor store. Most of them have tasting nights. Join a tastings group and/or offer some cheeses to go with the wine selection.
- **Help a restaurant develop a cheese board** for their appetizer or desert menu-match your cheeses with complementary cheeses (remember your local, fellow cheesemakers) to develop an offering. Even suggest some wines or beers to pair with the board!

Advertising & Promotion – Media:

- **Web site and Google adwords**. The notion behind "adwords" is that you want to have the "correct" words on your website that will result in your company being listed on the first page of a google search. They're really hit or miss, and it may take a few tries to find a good keyword. The best way to spend as little as possible on adwords is to find unique words/combination that are still relevant to the products. Here are a few adwords that you may want to experiment with when setting up your website.

- Gouda cheese (or your particular type of cheese)
- New York Cheese
  European styled
- Natural
- Prestige
- Quality
  Organic
- Dutch Gouda Cheese
- Locally produced
- Exceptional Taste
- Social Occasions
  Social Events
- Healthy
- Snack

- **Local and/or seasonal publications.** For example**:** Culinary Bounty Cookbook, NY Cheese Guild listing, Edible Finger Lakes Magazine. There are a number of places to target some well-placed advertising. Most are also on the web and may even have Twitter and Facebook sites.
- **Information brochure**-you just have to have one. What information you have on it could be critical though. How about the cheeses, taste profiles, and suggested cooking or pairing uses? Maybe a good mac and cheese recipe?

Packaging & Selling Options:

- **Labels**-make sure your labels are styled in line with your whole business and marketing presentation (in other words be consistent with your brand image) and that they emphasize local. Make them colorful, use illustrations – bottom line, make them stand out.
- **Smaller packages**-many times having some smaller package sizes will drive sales to those looking for smaller sizes. They may also be more economical, especially when doing tastings. Opening smaller packages may result in less waste during tastings when you are only providing small samples to people. If you can't afford your own equipment, check out a colleague, collaborate with others.

So by utilizing a combination of special events, advertising and promotions and innovative packaging you can gain a strong foothold for your product in local and regional markets. Don't be afraid to experiment. Need help doing this?? Reach out to local high schools, community colleges and universities for students who are tech savvy and interested in business and marketing.

Maple Weekend: An Educational Event That Has Built a Retail Market Expansion

August 2009

Steve Childs, Extension Maple Specialist
Cornell University

A 2009 Cornell survey of food and beverage processors in New York State posed a question to the industry, "Are you currently engaged in any collaborative activities to help you compete more effectively in the market?" And, "How important would you rate various types of collaborations?" Maple processors were among those surveyed. Among various types of collaborations, including group purchasing to reduce expenses, shared services, legislative lobbying, workforce development, distribution and transportation, and marketing and promotion, the one most frequently used by maple respondents, 49.4% of them, was marketing and promotion activities. And on a scale of 1 to 4, marketing and promotion received the highest mean rating of 3.04, between valuable and extremely valuable. An event called Maple Weekend has become a very successful marketing and promotion activity. Its story may help others learn from the maple producers' experience.

In 1996, the Wyoming County Maple Producers Association decided to try a new approach to educating the public about maple production. Up until then, individual maple producers held their own open house. Now, they would invite the public to visit participating sugar houses on one single day for a unified maple education day. Participants agreed to be open for the same hours, be boiling maple syrup, and offer a variety of learning activities and demonstrations that would be of interest to visitors. Importantly, they would pool funds to gain extensive advertising and promotion. Finally, they would offer interviews, stories and demonstrations to newspapers, radio and television.

In that first year, 12 maple producers participated under the promotional title of Maple Sunday. Hundreds of people visited one or more of the participants' sugar houses. Although sales were not to be the primary focus, producers discovered that an educated visitor wanted to purchase products. In 1998, with just two "Maple Sundays" under their belt, the number of participants had grown to 22 sugar houses and the geographical area had expanded outside of Wyoming County.

As a group, these producers were able to access some important help with promotion. They obtained promotion assistance and grant funds for the special event from several county tourism departments, plus the event was listed in public sources, such as tourism, Cooperative Extension, and I Love NY web pages. The number of visitors increased into the thousands.

Many of the sugar houses were expanding the event and opening on Saturday as well as Sunday.

By the 6th year, 2001, the Western New York Maple Producers Association, a regional arm of the New York State Maple Producers Association, took oversight of Maple Sunday. Participation expanded, attendance grew rapidly, and media were constantly circulating stories and demonstrations that vastly expanded its popularity. A Maple Sunday webpage was added to provide the public with ready access to the list of available sugar houses, directions, listings of activities and products available at each site. Sales on the weekend were significant with some smaller maple producers claiming to sell their whole crop. The key element to this growth was the cooperation and effort from all the participants.

As much as the group loved the marketing name Maple Sunday, Saturday attendance had surpassed Sunday, so the title Maple Weekend was adopted. A side business was also developing in the communities near concentrations of maple producers. By 2003, six other groups including fire stations and boy scouts were holding pancake breakfasts to feed the groups of visitors coming into the rural area to visit the sugarhouses. While a few sugar houses were holding breakfasts, most did not have the facilities to add this feature. Each of the peripheral groups contributed to the cause by adding their own level of promotion and advertising.

In 2004, the program was expanded state wide and coordination passed to the New York State Maple Producers Association. Participation grew to 76 sugar houses. A survey of participants following the 2004 Maple Weekend found over 45,000 people visited a sugarhouse on that weekend which generated about $250,000 in retail sales for participating maple producers—about 5% of the value of the whole New York State maple crop.

Since 2004 participation has grown to over 120 sugar houses, and attendance and sales continue to grow. The program has expanded to two weekends so producers have the option of participating in one or both of the weekends that are promoted.

What could we learn from this? First, good education can increase sales. If the focus of maple weekend was just sales it would have been a flop. Getting to see syrup being boiled, visiting the woods, tasting a fresh maple confection, and tapping a tree are what compel people to come. Most importantly, people meet the farmer who actually makes some of their food.

Second, cooperation and dedication have taken the hard work of individual farms and multiplied them exponentially to form a prominent event. In turn, media has collaborated with farms, conducting interviews, scheduling cooking demonstrations, and promoting maple weekend. Sometimes, the offers from media have overwhelmed producers acting as regional contacts. In addition, tourism departments have been very willing to work with the organizers when they might not have been able to justify working with a single farm.

A willingness to change has allowed the program to expand and grow larger than its origin would have allowed. The willingness of the original maple producers to relinquish control and hand over the program to the larger associations, change the name, and expand the schedule showed forward thinking on the part of participants.

Is this kind of promotion for everyone? There have been a number of producers who have dropped out along the way. Some discovered that they didn't have the best location or facilities to handle the volume of visitors and stopped because they were over whelmed by it. Others were not able to recruit the help necessary to deal with crowds. Other producers have accommodated change and added parking and recruited new organizations to help on the weekend. All participants must be careful not to forget the founding goal of putting a high priority on education. People like to learn about farms in a fun and interesting setting.

Through the collaboration of Maple Weekend, many producers have developed a long-term market relationship with visitors who liked what they saw and liked what they tasted. Sales on the special day are just part of the overall, year-long business that can be generated by such an event.

Tips for Marketing in the Local Meats Market, Part I

September 2010

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Local foods are enjoying strong demand, however, until recently the buy local movement has been largely concentrated on fresh seasonal produce. Many livestock farmers are now aware that the "buy local" movement is strong and that there is demand for their products in local markets. However, tapping into those markets may be intimidating to farmers new to direct marketing. Who are local meats consumers and where do they shop? What products are they looking for and how do you set pricing? This article begins to answer such commonly asked questions.

Local meats buyers can be divided into three basic groups, experience-driven "foodies", cause-driven "greens" and price-driven traditional buyers. Each group is driven to local meat, and arguably local foods, by different desires and needs. Below is a basic profile on each group (and summarized in Table 1):

Foodies are food enthusiasts; they seek authentic eating experiences including gourmet and regional specialties. A foodie wants an excellent eating experience and to taste foods that have a story and a known source. Foodies consider the farm name, the cut, and the way it was prepared as bragging rights. As such, foodies are primarily interested in buying high-value cuts, such as steaks, but also other cuts. Of the three consumer groups, foodies are the least price sensitive. They primarily buy meat in small quantities and individual cuts, but may also be interested in buying in bulk or joining a meat CSA. Part of the experience they seek is shopping and talking to the farmer. Foodies like to shop at farmers' markets and specialty stores when buying meat to prepare at home and also like to order locally raised meats at restaurants.

Green consumers are seeking local meat in the quest for a safe, sustainable, and healthy meal. This category broadly groups all consumers motivated by "social causes" including the environment, humane treatment of animals, supporting the local economy and farmers, as well as those seeking local meats for personal health reasons. Green consumers may also be recently converted vegetarians, or people who choose to not eat commodity meat. These consumers are motivated to purchase meats that they perceive to support any number of social causes and view a purchase as a way to support their beliefs. Such consumers will shop at natural food stores, locally-owned stores and restaurants, and will also like to buy direct from the farmer through farmers' markets, meat CSA's and in bulk. Green consumers want to learn more about the products they buy, such as how and where they were raised and while they will identify with claims such as "natural" and "pasture raised", they will want to verify the validity of such claims.

The final group is the **traditional local meat buyers**. This group includes consumers that have purchased a quarter or side of beef or other meat for many years. In decades past, it was common to buy the household supply of meat through what is called the "freezer trade". People, mostly rural residents, would buy a side from a nearby farm and keep a spare freezer in which to store it. Traditional buyers definitely appreciate the quality and range of cuts that come from purchasing local meats in bulk, but are mostly motivated by the low price and high value. Traditional buyers are less likely to buy individual cuts or to shop for meat at farmers' markets or specialty stores. Traditional buyers, once they have a good experience with a farm, remain loyal, returning to buy again and again.

Table 1: Local Meat Buyers Overview.

	Foodies	Greens	Traditional
Primary motivation	Experience	Social cause/ Personal health	Price and value
What they buy	High value cuts	A variety, from cuts to bulk quantities	Bulk, sides & quarters
Where they shop	Farmers' markets, restaurants, specialty stores	Meat CSA, farmers' market, freezer trade, natural foods store	At the farm, freezer trade
Price sensitivity	Least	Medium	Most

Each group comes to the marketplace with different motivations and buying habits, but they all have one demand in common – **quality**. To be successful in the local meats marketplace, it is essential to deliver quality and honesty to customers. As the saying goes, "you can only sell a customer one bad steak." Each of these consumer groups are potential customers for local meats producers.

For successful results in the local meats market, tailor farm marketing to one or more of these groups. The group or groups chosen will impact marketing choices including marketing channels, prices, cuts, claims and advertising. Once marketing materials are developed, keep some form of brochures, business card, or price sheets on-hand at all times. You never know when you will meet your next customer, and you need to be able to give them your contact information.

Additional tips for marketing include:

- Donate or offer a discount to fundraisers and events, make sure your farm name is highly-visible and well-represented.
- Participate in agricultural events, especially those with tastings and samples of your product.
- Consider giving samples of ground beef to potential high volume buyers.
- Clearly and consistently communicate your claims and practices on all materials.
- Encourage customers to visit your farm to build trust and make a stronger connection to your product.

Direct marketing livestock producers often struggle with managing the inventory of low and high value cuts, and the proportions of each that come from one animal. <u>Another key to success in local meats market is to be sure that the entire carcass is sold</u>. There are a few strategies to accomplish this. One strategy is to price each cut in relation to its yield and desirability. Another is to balance the cut list to a limited selection of cuts that sell well, turning the rest into ground beef. Additionally, you can sell packages of meat which include both low and high value cuts to balance the inventory.

In summary, it is clear that consumers are demanding more local meats. Identifying target consumer types, communicating to their desires and needs, and finding where they shop are good tips for smart marketers. All customers want quality and honesty – all the time. Once a marketing plan and materials have been developed, always have some on hand, you never know when you will meet your next customer. Finally, don't fall into the trap of selling steaks. To last in the meat business you must sell the whole carcass!

Tips for Marketing in the Local Meats Market, Part II, Talking to Customers

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In the last article I profiled three groups of local meats buyers and their buying habits. For farms directly marketing their meats, identifying a target group is the first step in developing marketing materials and your communication with customers. This article outlines how to further develop your marketing message is a focused and deliberate way.

Marketing materials include business cards, brochures, posters, websites, emails, signs and **conversations**. Any marketing materials that you distribute to potential customers should contain a consistent and simple communication with your farm name and contact information, claims, products and prices. Other things to include are: a logo (if you have one), points of differentiation (see below), a few sentences about your farm history or farm philosophy, and a quality photograph. Any photos used should be of high quality (good lighting, high resolution) and should communicate something to the customers' needs and desires as well as accurately reflect your farm. Your materials are always a work in progress, so initially print small numbers of copies so you leave room to make changes and test new ideas.

When communicating with consumers about local meats it is best to operate under a few assumptions. Assume that they are not familiar with livestock production or butchering terminology. Specifically, customers may not be familiar with "hanging" or "hot carcass" weights, typical yields from live, to carcass, to retail pounds of product, terms for feed such as haylage, balage, and silage, as well as terms for livestock such as "gilt" and "feeders". Assume that they are nervous about this buying decision and are generally uninformed, or even misinformed about the production, processing and marketing of meats. However, don't assume that they are stupid! Prepare clear and concise answers to commonly asked questions and consider the customers' needs and desires when answering. When answering a question, consider what information the customer is seeking to make their purchase decision. Save unnecessary details for a longer conversation.

Contrast the following answers to the question: **"How much does a quarter of a beef cost?"**

Answer 1: "I get $2.65 per pound hanging weight and the butcher gets 47 cents per pound for cut and wrap plus $35 for the kill fee, but I pay that directly unless you want to but then I'll have to let you know how much it is". (An actual answer I was given!)

Answer 2: "A quarter will cost between $400-450 and weigh about 90-110 lbs."
One way to begin developing your farm's marketing plan is to choose one specific target audience based on your current customer base, personal preferences, and the types of consumers available in your area. Keep this group, their preferences, desires, and needs in mind with each decision as you develop your marketing materials. Even if your target audience seems too specific or exaggerated, it is the starting point which will focus your message and ultimately have appeal to a larger audience of potential customers. To begin, write a sentence using the following outline:

"Our farm raises <u>claims/product(s)</u> for target customers who <u>activity/demographic/behavior</u>."

Think of popular brands and products that you are familiar with, how do they complete this sentence? How would Hershey's, BMW, and Carhartt write this sentence?

For example, compare these two statements and consider how the marketing would differ:

Farm 1: "Our farm raises pork without antibiotics for mothers with young children who want to save money and eat well."

Farm 2: "Our farm raises heritage-breed, pastured pork for wine connoisseurs who host gourmet dinner parties."

Each statement identifies a very specific group of consumers with unique buying habits and preferences which guide the development of marketing materials as well as choices for products, prices, and marketing channels.

Next, find ways to match your product offering to your chosen customers. Tailoring the product line to your customers may include your choices on a cut list, value-added products, packaging choice (butcher paper or cryovac plastic), sales of individual cuts and bundles of cuts, and pricing structure. In the examples outlined above, one farm might choose to sell bundles of assorted frozen cuts wrapped in paper directly from the farm for a flat price while the other might sell fresh or frozen pork by the cut, wrapped in cryovac, at specialty stores and farmers' markets. Can you identify which is which?

There are increasing numbers of farms entering the growing local meats market necessitating product and farm-brand differentiation. Differentiation means drawing attention to factors that make your farm and products unique. Chances are, your farm brand is already different, you just need to highlight those factors that are attractive to consumers. A combination of the two or three most important points of differentiation should be all that is needed.

Points of Differentiation and Examples for Smart Meat Marketers

- Breed of livestock (heritage, registered, cross)
- Feed and management (farm-grown, rotational grazing)
- Claims and certifications (organic, all natural, humane, dry-aged)
- Points of pride and farm philosophy (treatment of land, animals, community)

- Farm facts and history (years in operation, traditions, other enterprises, farm size)
- Family (cultural heritage, family farm, generations on the farm)
- Product assortment (thick cut steaks, lean ground, value-added, bundles of cuts)
- Superlatives (such as first, biggest, smallest, only)
- Awards (awards you, your farm, livestock or products have won)
- Location (location matters to local foods enthusiasts)

Regardless of your target market, a few details of farm marketing communication are always important. Farm marketing communication should avoid dishonesty and inaccuracy. Brochures, price sheets, websites and conversations should always be honest about the farm, the production methods, the claims, and other details. Marketing is not the craft of misleading people to get them to purchase something; it is the methodology of identifying customers' needs and definition of value, creating a product to satisfy them, and delivering it. In addition, claims should be accurate, for example, "hormone-free beef" is inaccurate, and instead the claim should be "no added hormones".

Other messages to avoid in your communication are "sob stories," complaints and criticisms. Even if you or your farm are experiencing financial or health problems or difficulties with neighbors or government officials, to communicate this to potential customer whether in written materials or conversation is ill-advised. Use your opportunity to communicate with consumers to tell them what you are proud of and what is good about how you farm. Do not tell them what is wrong with what others are doing, whether from the "industry" or other local farms. Rather, focus on the positive details of your farm and products.

In addition, learn to spare your customers from any unpleasant surprises through good communication. Examples of unexpected surprises include packaging type, questions of legality (meat labeled "not for sale" may cause confusion even when legally sold), product weights and yields, and the selection of cuts. Through clear communication about expectations and deliverables, such surprises can be avoided.

In summary, marketing materials such as brochures and price sheets are a great asset for communicating with customers when they contain clear, concise, and consistent information about your farm and products. Planning and designing your materials based on a target market audience helps "brand" your farm. After a target market is chosen you can tailor your products, marketing channels, and communication to best suit them. Points of differentiation make your farm and products stand out and attract your target market. All marketing communicating from your farm should avoid negativity such as dishonesty, inaccuracy, complaints and bashing competitors. On a final note, remember that your materials are always a work in progress. The design and points of your materials can change and grow as you test them in the marketplace.

OTHER A.E.M. EXTENSION BULLETINS

EB No	Title	Fee (if applicable)	Author(s)
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2010-11	2010 New York State Reference Manual for Regional Schools, Income Tax Management and Reporting for Small Businesses and Farms.	($25.00)	Bennett, J. and K. Bennett
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