SCHOOL OF AGRICULTURE AND APPLIED SCIENCES

Mississippi Small and Agribusiness Center

MARKETING 101

What is Marketing

Marketing can be defined simply as a transaction for profit - a sale. While it is important for your business to generate profits, making a sale is only part of marketing. A sale is a transactional marketing. The transactional marketing approach seeks to make the largest number of sales possible. Transactional marketers increase profits by increasing sales and lowering costs. While this works as a marketing strategy, it leaves very little room for expanding profits when markets are saturated or costs can't be lowered any further. An example of this is when dairymen can't lower their cost of production any further but the market is flooded with excess milk production. Prices paid to dairy farmers drop dramatically.

A second marketing approach is relationship marketing. This marketing approach seeks to cultivate loyal, repeat customers. Jay Conrad Levinson, a proclaimed business marketing expert states, "Marketing is EVERYTHING you do to promote your business, from the moment you conceive it to the point at which customers buy your product or service and begin to patronize your business on a regular basis. The key words to remember here are everything and regular basis."

This approach seeks to grow a business exponentially by cultivating customer loyalty and by word of mouth advertising to help recruit new customers. Relationship marketing can provide a lower cost and a more sustainable approach to marketing for many small to mid-size businesses.

Relationship marketing is appealing because you have more control over your sales initiative - a way to frame sales as part of a bigger picture. It implies that EVERYTHING you do and say from the time you finalize your idea to the time you have repeat customers IS marketing. These would include:

- Name & Image of your business
- Location
- What you are selling
- Packaging...Colors, size shapes of your products
- Advertising and Public Relations
- Marketing Strategies
- Sales Presentations
- How you handle telephone calls
- How you present yourself
- Problem solving
- Growth plan and the follow-up

Alternate Enterprises

Generally, if an enterprise is not producing a commodity crop, then it probably could be classified as an alternative agricultural enterprise. Traditionally, commodities include row crops that produce a low profit margin and a dependency on government subsidies. Alternative agricultural enterprises can improve the profitability of farmers, increase the diversity of agricultural enterprises in a region, and foster the development of new jobs in the agribusiness sector.

Increasingly, growers are looking at alternative crops, farm enterprises such as bed and breakfasts and tourism, and other business diversification strategies to improve their farm profits and the quality of their lives.

Alternate crops have received a lot of attention lately. Goldenseal, Echinacea (coneflower), garlic, shiitake mushrooms, cut flowers, grapes, and anything organically grown are a few alternatives that have been in the spotlight because of the decline in commodity prices.

Despite the need for caution, many farmers are successfully growing and marketing alternative crops, products or services. Before making a switch to this enterprise however, you should be able to answer several important questions:

- Does the enterprise, product or service meet my long-term goals for my farm and family?
- Do I have the research and marketing skills to sell the product?
- Does my farm have the right type of soil and climate to meet growing requirements?
- Can I meet standards for this enterprise, such as organic certification?
- Can I provide the required labor management?

- Do I have, or can I afford, the facilities and equipment requirements for this enterprise?
- Does this enterprise fit in well with my other farming enterprises?
- Does this enterprise have a strong potential to meet my financial goals, including level and timing of returns?

Finally, before investing in an alternative agricultural enterprise, you need to a few phone calls:

- Call your local zoning office to determine if it is a permitted business where you live.
- Call your accountant to seek assistance in determining its economic feasibility.
- Call your insurance agent to see what types and the costs of insurance are need for the enterprise.
- Call your local Extension Agent and Regional Marketing Specialist for support with production, processing or marketing.

MARKETING OUTLETS & TOOLS

“Place” in marketing refers to the outlets for bringing products and customers together. These outlets are called Channels of Distribution. Several factors are associated with selecting the best channels of distribution for your product or service. These include:

- Examining how your competitors’ products are sold
- Analyzing the strengthens, weaknesses, opportunities and threats different channels will afford your business
- Evaluating the costs of different distribution channels
- Determining which options match your overall marketing strategy best.

It is easy to change many of your marketing tactics and tools such as pricing, promotion and product mix on a periodic basis. However, distribution and sales decisions are much more difficult to change, once set in motion. How you choose to distribute your products affects your overall marketing plan.

The range of distribution channels in the U.S. market is vast and restrictive at the same time. Some products will thrive in a variety of channels while others can be successful only when distributed through one particular channel.

There is a wide variety of possible distribution channels, including:

- Retail outlets - direct sales to the consumer or direct sales to retailers
- Wholesale outlets- contracting with independent distributors or brokers
- Mail order- selling your product through your own catalog or brochure
- Cyber marketing- selling via the Internet

Choosing Distribution Methods

Since distribution is the means of getting your product into the hands of your customers, you need to look at how your competitors’ products are sold. Make a list of any competitors in your marketing area that could compete directly with you for the same list of customers. This list should then be divided into different distribution channels. For example, direct farm markets, farmers’ markets, Internet sales, business-to-business, specialty stores or niche markets.

- What strengths, weakness, opportunities or threats do these and different distribution channels pose for your product?
- What are the barriers or difficulties of selling your product in each of these distribution channels? Can you become a vendor in the farmers market where your target customer shops? What are the costs or ramifications of building or leasing retail space?
- How much does it cost to enter the various distribution channels? Does your marketing channel require slotting fees for shelve space or volume discount pricing?
- Should you distribute your product locally, regionally, nationally? Multiple channels or one primary focus?
- Are some or all of my products subject to varying product life cycles? Will the market reach saturation in a few months? Do I only need seasonal distribution?
- What is the size of my competitors and their financial resources? Should I consider tailoring my product to a different audience and move into entirely different channels or concentrate on one channel exclusively?

A key factor in your distribution plan is the availability of your product. Start-ups usually are not geared for large scale production and need to consider introducing their products in small geographical areas or to one or two select distribution channels. Match your distribution channels to your production capabilities. Overextending yourself and selling to too many outlets too soon, will exhaust finances, cause quality control issues, exaggerate labor problems etc.

Direct Marketing

Refers to any marketing method whereby farmers sell their products directly to consumers. Examples include roadside stands, farm stands, U-pick operations, community supported agriculture or subscription farming, farmers' markets, etc. Growers who market their products directly to customer usually receive a higher price than those who sell wholesale.

Marketing to Restaurants and Food Retailers

A growing number of natural and specialty food stores, chef-owned restaurants, and even some larger grocery store chains are actively purchasing locally grown food products. Farmers need to keep up with trends in the food industry to fully utilize this outlet.

Community Supported Agriculture (CSA)

Partnership between consumers and farmers, in which consumers pay for farm products in advance and farmers commit to supplying sufficient quantity, quality and variety of products. This type of arrangement can be initiated by the farmer (farmer directed) or by a group of consumers (participatory).

Internet Sales

Globally, business to consumer e-commerce transactions amounted to $1.9 trillion in 2014. Across the world there is variation in the scale of nations' Internet ecosystems. Even in countries with medium levels of connectivity, between 69-95% of businesses are already online while a growing share of businesses are embracing the Internet in countries with lower connectivity.

Agri-Tourism

Refers to the act of visiting a working farm or any agricultural, horticultural or agribusiness operation for the purpose of enjoyment, education, or active involvement in the activities of the farm or operation. Agri-tourism is increasingly popular in farming communities near urban areas.

Wholesale

Refers to selling in quantity to a buyer who then resells the product. Most agricultural products in the US are sold through wholesale channels. Small farmers may sell wholesale directly to local grocery stores, natural food stores, food service establishments, and food buying co-ops or to buyers who then serve as the middle men in the marketing chain.

When Advertising is a Waste of Resources

Beware of "pouring money down the advertising hole!" Tailor your advertising and promotions to your current and prospective customers. Evaluate the results so you don't keep spending money on ads or promotional campaigns that aren't working. Ask your customers where they saw your ad. You can ask family members or friends what they think of your ad before you run it.

Tabulate sales and try to make a judgment as to how many of the sales resulted from the advertisement. If it doesn't work, don't repeat it. Before spending money on advertising, utilize all the free publicity that's available, such as press releases and feature stories. A story written about your product and published in the local newspaper can be worth hundreds of dollars. An industry rule-of-thumb is that editorial coverage is seven times as valuable as paid coverage.

Translate Trends into Profits

Be on the look-out for market niches created by consumer trends. Popular trends include anything to do with health and nutrition, convenience, ethnic products, foods for the weight-conscious or elderly and food safety concerns. Trend-driven niche markets are highly competitive and demand the highest quality product and packaging to differentiate your product from the crowd. Some trends have a very short or seasonal life-cycle while others may continue for several years. Be prepared to change your product mix, packaging or distribution with changing consumer preferences.

SELLING A SERVICE

Services and jobs in the service sectors are booming in the United States. According to United States Department of Labor statistics, the long-term shift for goods-producing to service-providing employment is expected to continue with projected growth in education, health, professional and business services exceeding 30% annually through 2016. However, selling a service is not that easy. Consumers buy services differently than products. There are several actions you can take to help market your services by helping customers better understand and value your offerings. It is smart to include a deadline with your guarantee though. Otherwise, some folks can abuse it months after the service was rendered. If you're a new business owner, you may have to practice some generosity to get customers to try your service.

A very economical way to add tangibility to a service is with a letter. You can send a thank you note detailing the service provided and thanking the customer. This note can also help differentiate your company from others in the customers mind. One of the great things about selling the intangible is it has the ability to change and grow on the spot. Your service can change and improve overnight. Most niche marketing involves staying ahead of the curve when it comes to what customers want. In a service business you can ask your customers, "What am I doing right?" and "What needs to be improved?" Then you can put those changes into effect. If you religiously collect input from your customers, your service will constantly improve and you'll garner a wealth of ideas on how to make the invisible more tangible.

VALUE ADDED PRODUCTS

Value-Added Products and Enterprises

Direct marketing and value-added products are two of the best strategies farmers can employ to improve net profitability. Value-added products can open new markets, enhance the public's appreciation for the farm, and extend the marketing season. Value-added processing offers farmers the potential to capture a larger share of the food dollar. The USDA Economic Research Service reports that for every dollar spent in 2015 in the U.S. on domestically produced food (food dollar), U.S. farmers sold 15.6 cents of farm products to non-farm establishments (farm share), down from 17.2 cents in 2014.

The farm share is at its lowest level since 2006. Farm production costs per food dollar fell to 8.6 cents in 2015 and are also at their lowest level since 2006. Foodservice costs per food dollar rose in 2015 to 34.4 cents, increasing for the 7th consecutive year since 2008; foodservice costs were 29.0 cents in 2008. U.S. worker salary and benefits accounted for 50.1 cents of each food dollar in 2015, following seven consecutive years in which salary and benefits had been under 50 cents.

Value-added products are defined by USDA as having:

- A change in the physical state or form of the product (such as milling wheat into flour or making strawberries into jam).
- The production of a product in a manner that enhances its value (such as organically produced products).
- The physical segregation of an agricultural commodity or product in a manner that results in the enhancement of the value of that commodity or product (such as an identity preserved marketing system).

For more information, please contact:

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