

Marketing Basics



value-added & alternative agriculture

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OVERVIEW

Many people use the term 'marketing' as a synonym for 'selling': the transaction that takes place between a buyer and a seller that results in the exchange of money for product. However, real marketing represents more than just accomplishing a sale. Good marketing results in the combination of understanding who your customer is and then creating an approach ("program") that will attract and keep that customer coming back to buy from you.

A typical marketing program looks at several areas. First, as is discussed in a separate topic, there is an understanding of the wants and needs of your customer. Then, as is reviewed in this material, there is the development of what is called the "marketing mix": the product, price, promotion and logistics (place) that go into offering something for sale. A final piece, the "external environment," takes a look what is going on in the world around us, and how it may affect our marketing efforts.

PRODUCT

Most of us think of products as something tangible. We define products by what we can observe with our senses. These are the product's features: what we observe and touch, the taste, and possibly the smell or sound.

Value-added and alternative agriculture products typically have an intangible aspect to the product as well. That intangible may be something as difficult to define as the relationship between the buyer and the seller. Or, the intangible may be as easily identified as the convenience of being able to buy the product in a retail location.

When looking at product development, entrepreneurs should remember that tangible features alone will not sell the product. People are also buying intangible benefits.

For example, many people buy locally-grown produce because they perceive a health benefit. Advocates of grass-fed beef see a taste benefit to an animal fed that way. People who go on agritourism outings believe they benefit from enjoying a rural outing.

When developing a marketing plan, clearly identify the features of your products and the benefits to your customers of each feature. This is the best and easiest way to create a "unique selling proposition" that will attract customers.

PRICE

Most cost-conscious consumers are accustomed to making a buying decision based heavily on a product's price. For example, consumers will often choose the generic store brand over a nationally-distributed brand if the consumers believe that there is no quality difference between the two and the store brand is cheaper. In other words, people will decide based on price when they cannot tell a noticeable difference between products.

However, research has shown that most consumers of value-added and alternative agriculture products have already accepted that they will have to pay a higher price for what they perceive to be a higher quality product.

This consumer attitude helps reduce a barrier to sales, but it does not eliminate it entirely. Producers must still be sensitive to competitive pressures. They must also control production costs so that they can charge a price the market will bear, and be able to make a profit in order to stay in business.

PROMOTION

Value-added and alternative agriculture enterprises depend very heavily on successful promotion of the enterprise's products. A promotional strategy can take several forms. The strategy depends upon the target market and the products being sold.

The goal of promotion is to tell people about your business. It should help people know the difference between what you are selling and what your competitors are offering.

Promotion often involves a mix of activities. These include some form of advertising, signs, brochures, special events and word of mouth. A separate flyer on promoting the value-added and alternative enterprise is available in this series.

LOGISTICS (PLACE)

The three laws of real estate are generally summed up as "location, location, location." Those 'three laws' also apply to the success of the value-added and alternative agriculture enterprise. Because much of the value-added and alternative agriculture market structure is based upon locally produced crops, farmers need to be geographically

close to their markets. An alternative approach, as in the case of those who choose to supply restaurants, is to "take the store to the customer" – in other words, establish an old-fashioned delivery route.

Location and ease of access to products and markets are part of the "intangibles" discussed in the "Product" section of this leaflet. Consumers weigh the ease of being able to buy what they want or need against how important it is to have that product. "Ease of access" plays an important part of the marketing mix.

CREATING A MARKETING PLAN

Producers need to create a marketing plan that defines product features and benefits, pricing structure, promotional tools and logistics. The purpose of the plan is to create a strategic blueprint that outlines the way in which a value-added or alternative enterprise will operate to meet the customers' needs and/or wants.

RESOURCES

For an overview of marketing basics, visit:

http://www.sba.gov/starting_business/marketing/basics.html

For a review of how to create a marketing plan, visit:

<http://wsd.dli.mt.gov/local/kalispell/bdkv7/pdf/createmp.pdf>

For information on home-based marketing, visit:

<http://muextension.missouri.edu/explore/miscpubs/mp0596.htm>

For a review of different approaches to marketing, visit:

<http://www.oznet.ksu.edu/library/agec2/mf2272.pdf>

The Value-Added and Alternative Agriculture Start-up Tool Kit



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