

Robert M. Kerr Food & Agricultural Products Center



FOOD TECHNOLOGY FACT SHEET

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Marketing Basics for Value-added Agriculture

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Many people think of marketing either as selling or advertising. Some might include both components, but that is not all there is to marketing according to Jay Levinson. In his book, *Guerrilla Marketing*, Levinson defines marketing as “everything you do to promote your business from the moment you think of the idea until the customers buy and begin to do so on a regular basis.” Selling is not even mentioned.

The American Marketing Association defines marketing as “the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.”

Marketing begins with discovering what products customers want to buy. Providing the features and quality customers want is a critical first step in marketing. Often rather, businesses face an uphill battle trying to provide something they want to produce and then trying to convince someone to buy it.

The marketing process continues with setting a price, letting potential customers know about your product and making it available to them.

Marketing is based on the importance of customers to a business and has two important principles:

- All company policies and activities should be directed toward satisfying customer needs.
- Profitable sales volume is more important than maximum sales volume.

To best use these principles, businesses should:

- Determine the needs of their customers through market research.
- Analyze their competitive advantages to develop a market strategy.

- Select specific markets to serve by target marketing.
- Determine how to satisfy customer needs by identifying a market mix.

While the above steps seem simple, there is a lot of work to put behind marketing, and to best keep objectives and goals in mind, the marketing plan is needed.

Marketing Plans

A sound marketing plan is key to the success of a business. It should include market research, location, the customer group targeted, competition, positioning, the product or service to be sold, pricing, advertising and promotion.

Effective marketing, planning and promotion begin with current information about the marketplace. This information can be obtained at the local library, by talking to customers, studying the advertising of other businesses in the community and consulting with any relevant industry associations. The marketing plan is an interactive tool that helps a business assess its marketing strengths and weaknesses as well as opportunities and threats to the business. While no two marketing plans are alike, the following outline describes common elements a marketing plan should have.

I. Mission

Webster’s New Millennium™ Dictionary of English defines the mission statement as “a summary describing the aims, values and overall plan of an organization or individual.” The mission statement is generally brief and abstract, such as “to provide quality co-packing services to gourmet and niche food marketers.”

II. Goals

Marketing goals can include sales, market share, market penetration, etc. The goals support and are consistent with the organization's mission. Examples of goals might include "to provide more than 50 percent of Merlot grapes used by World's Best Wine Maker," "Increase sales of Chardonnay grapes by 15 percent during the previous year" or "Introduce award winning wine to the Dallas Market by January 2011."

III. Situation Analysis

This section provides an "economic snapshot" of the organization faces. It highlights the external macro environment (economy, political social/cultural, technological) and micro environment (markets, cooperative organizations, competitors), and it highlights the internal environment (use of resources, organizational structure, image).

For example: How will carbon footprint legislation impact the cost of cattle production (macro environment)? How does the prospective establishment of a new food oil refinery benefit a canola grower's operation (micro environment), and would the operation have land resources available (internal environment) to put into production other oil seed varieties if currently focused on continued production of wheat and soybeans?

IV. SWOT Analysis

This acronym stands for:

Strengths: what the organization does well.

Weaknesses: where the organization is vulnerable.

Opportunities: markets, change in environment, weakness among competitors.

Threats: areas that must be watched that could adversely affect the organization.

Strengths and Weaknesses (inside the business)

Identify internal strengths and weaknesses of the business. For example, flexibility, experience and reputation in meeting restaurants' needs would be strengths for a produce grower. A weakness might be a lack of sales or marketing experience. Address how the weakness might be overcome. In this case, the grower would hire a sales representative to help secure new accounts.

Threats and Opportunities (from outside):

Identify and rank by order of importance any threats or opportunities the business may face from outside influences. Threats and opportunities come from a variety of sources including the economic outlook of the

market, product innovations by competitors, technological advancements that can help the business operate more efficiently, environmental issues, and government regulations and barriers to market entry. For example, technological advancements for processing grapes into juice would be an opportunity, while legislation limiting or restricting distribution of wine would be a threat.

V. Differential Advantage Focus

Choose the key area for which you wish to be known by your market targets – price leader, innovation leader, quality leader, etc. This is the unique quality of the good or service that gives the business an advantage over competitors. Examples often cited are Volvo built its differential advantage on safety while Ford built its differential advantage on "Quality is Job One." Perhaps a cattle producer could be known as the only provider within the state or particular region of organic beef from a rare or heritage breed.

VI. Market Targets (Segments)

What segments of markets do you choose to serve and why? What segments are best served by your differential advantage?

Owners of small businesses usually have limited resources to spend on marketing. Concentrating their efforts on one or a few key market segments – target marketing – gets the most return from small investments.

There are two methods used to segment a market:

Geographical Segmentation

Specializing in serving the needs of customers in a particular geographical area. For example, a small meat processor with retail front that has limited hours of operation may wish to send advertisements only to people living within 80 miles of the shop.

Customer Segmentation

Identifying those people most likely to buy the product or service and targeting those groups. For example, retiring baby boomers would typically have the time and disposable income to travel to a U-Pick operation or winery/bed and breakfast.

VII. Marketing Strategies

A marketing strategy identifies customer groups that a particular business can better serve than its target competitors and tailors product offerings, prices, distribution, promotional efforts and services toward those segments. Ideally, the strategy should address unmet customer

needs that offer adequate potential profitability. A good strategy helps a business focus on the target markets it can serve best – i.e., the strategy is how the business creates and maintains a fit between its differential advantage focus and the needs of the market targets.

VIII. Marketing Mix

The Marketing Mix is that combination of elements of market offering that is likely to appeal to your market targets (aka the four P's):

1. Product: design, function, features, packaging, etc.
2. Price: base prices, discounts, payment schedules, etc.
3. Promotion: how and what is communicated to market targets.
4. Place: where and how benefits are delivered.

Product

A product can be a physical item, service or idea. The plan should describe in detail products or services in terms of the features and benefits offered to the customers. Also, describe how the product is produced.

Price

List price ranges for product lines. For example, if the product is a line of grape based jellies/jams, include information in this section about jams “ranging in price from \$5 to \$15 per item” rather than a detailed product price list for each size, flavor, variety, etc.

Describe any price flexibility or negotiating room. Outline any discounts offered for long-term/preferred customers, bulk purchases or prompt payment. Also, include the terms of sale, such as “net due in 30 days,” extended payment plans and whether credit cards are accepted.

Promotion

A promotion plan describes the tools or tactics used to accomplish the marketing objectives.

If the marketing objective is: Create awareness of winery among tourist in the area. Then, tools or tactics might be:

- Advertise in tourism/travel magazines.
- Distribute product samples at local fairs/tasting events.
- Offer discounts/coupons at local lodging establishments.

If the marketing objective is: Increase sales of juice to schools. Then, tools or tactics might be:

- Distribute free samples or discount coupons at school sporting events, fun fairs, dances, etc.
- Sponsor one of these events attended by the school age children to be targeted.

The above steps are a general description. Details about these steps – when the steps are to be done, by whom, etc – are described in the Implementation Section of the Marketing Plan.

Place (Sales and Distribution)

In this section, describe how the products and customers come together through sales and distribution. Describe sales philosophies and methods. Is an aggressive sales method for a large number of quick sales used or a relaxed method where the emphasis is on having customers feel comfortable to come back another time even if they don't buy now? Are contract sales people or employees used?

Describe the distribution system. (Where will the product be placed so customers have access to it?). A few points about distribution to address in the marketing plan are:

- Is the exchange of the product made in a store? Through the mail? Through a direct sales representative?
- What are production and inventory capacities? (How quickly can products be made and how much product can be held in inventory? Is there enough capital to produce product before receivables are collected and what are the effects on cash flow?)
- Are there cyclical fluctuations or seasonal demands for the products? For example, if the product is barbecue or grilling sauce, how are peak production and sales periods as well as slow periods managed?
- Are products sold directly to consumers or to wholesalers and retailers? The company may use more than one method. For example, products may be sold directly to customers at farmer's markets and public events but also could be sold to gourmet gift shops and local grocery stores.

IX. Implementation

This section of the marketing plan describes four primary areas as listed with examples as follows:

Action Steps

This is the implementation of programs and tactics that support the company's marketing strategies. For

example, an action step might include “Contact trade show coordinators for upcoming event dates and costs by Nov. 15; Responsibility: Ian Selzman.”

Schedules

These provide an outline or timeline for marketing activities. An example timeline could consist of the following:

- Participate in farmer’s market on Wednesday’s and Saturday’s – April 1 to Oct. 31.
- Sales booth for State Fair – Oct. 1 to Oct. 11.
- Sales booth at Fancy Foods Winter Show – Nov. 4-6.
- Annual ad in Travel Oklahoma magazine – due Nov. 15
- etc.

Forecasts

Forecast can be short term and long term as well as best case, worse case and most likely case scenarios. For example, the best case scenario at a sales booth at the State Fair might be to sell an average of 1 package of seasoned pecans or peanuts to every third visitor to the booth. The worst case would be to sell only enough gourmet nuts to cover booth rental (possibly 15 pounds per day). The most likely case is to make a sale to every 10th visitor to the booth.

Costs of Programs

This area describes the various annual budgets for the different marketing activities. For example:

- Advertising radio/print – \$5,000
- Trade show expenses – \$15,000
- Event sponsorships – \$3,000
- Web page – \$1,200
- etc.

X. Evaluation

A business should measure actual outcomes against goals at least annually. From this, the operation can determine the effectiveness of strategies, marketing mix, etc and adjust as necessary. As mentioned before, the marketing plan is an interactive tool and thus is a dynamic document that serves as a measuring stick or guide to successfully meet customers’ needs and maximize profitable sales of the business.

Conclusion

As discussed previously, marketing is much more than sales and advertising. Marketing is discovering what products or services customers want to buy and providing the features, benefits and quality customers want while maximizing profitable sales for the organization. Put another way, marketing as a philosophy of business means making what the consumer wants to buy, rather than making the consumer buy what you want to make. It is critical to develop an effective marketing plan that encompasses the organization’s differential advantage and provides a strategy to meet the mission and objectives of the business.

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