

## **Connecting to Your Markets – The Other Half of your Job**

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### **If you grow it, they will not (necessarily) come.**

All of us in business today face a constant challenge – our customers have multiple choices for everything we could possibly offer them. So just because we're very good at creating, building growing something, that in and of itself is no guarantee that anyone will buy it or will buy it in volumes that enable us to enjoy a thriving business.

The challenge for all of us, therefore, is the other half of our job – connecting to our clients. But like every other aspect of your operation, effective marketing is a complex function that takes the same level of skill and dedication as it does to manage your orchard or farm. My task this morning is to in 30 minutes provide an outline of how you can more effectively connect to your customers, and share some knowledge that may help you enhance your business success.

### **What do your customers want... that you have?**

Some years ago we conducted a study which focused on identifying ways to increase the volume and value of processed agricultural products produced in the Connecticut River Valley . This was a classic marketing study because very little data existed regarding the channels available to you through which to market your products, and the needs that each of the “multiple customer” in these channels have that you need to know and address.

### **In our short time together this morning I'd like to look a two fundamental channels – direct to consumer and wholesaling.**

#### **First, let's look at direct to consumer marketing.**

You can market directly to your end customer or consumer in a number of different ways – pick your own, a farm stand, direct mail, web marketing. In each of these channels you directly control the relationship – the most advantageous position for any marketer to be in. Yet it also means you now have responsibility for identifying, understanding, and fulfilling the needs of these customers if your are to be successful.

So what do they want? We conducted a number of focus groups with consumers to identify their knowledge and needs of locally grown or produced foods. The most important – the story behind the product. They indicated they could get jams and jellies at any grocery store, but locally (or regionally) produced items gave them a chance to connect to something larger than the product – an experience that provided them with something that they themselves could not provide

themselves, but was seen to be of value for many reasons (historical, cultural, environmental, etc.).

Interestingly, the second most important need was knowing how best to use what you offer. For processed foods (jams, jellies, etc.), consumers are accustomed to knowing how to use the brands from their supermarket (the market power of the familiar). What they do not know is how to use your processed food – how it will taste, cook, what recipes it will work best in, other tips. Sampling was seen as a key enhancer of sales, even if your products were available in the local supermarket.

Other key concepts we learned about consumers included:

- Consumers are willing to pay a premium for a product if they perceive that they are getting a better value; however, the consumers in one focus group indicated the need for competitive pricing if specialty foods are to become more widely accepted and purchased;
- The brand of a product is less important than the fact that it originated in New England. When buying a product from New England, the consumer transfers the characteristics of the region to the product. There also is a connected feeling when a consumer buys a product that is locally produced, as well as a feeling of contributing to one's own community;
- Over and over, the participants in our focus groups stated that they read the packages of food products, either in the store or while they cook. From the labels, they enjoy learning about the story behind the product and finding the producer to be "a real person." By knowing more about the person and the history behind the product, they feel connected with the product and this connection adds the critical value to their purchase. The participants' desire to understand the product's story was a common thread woven throughout the focus group session in their understanding and perception of the products themselves, as a critical part in effectively positioning the product in a market overflowing with national brands. These consumers consistently expressed their desire for creative packaging representative of the story, more effective presentation and display in the retail outlet, and suggestions for promotional efforts;
- Because of the customary pricing of specialty items above the cost of national brands, consumers value the opportunity for samplings. They feel there is a measure of risk in buying an untried brand, and this precludes many initial purchases without prior sampling;
- Suggesting low-prep methods of experiencing a specialty food item takes the preparation risk out of the purchase and the item becomes more accepted for everyday use;
- Packaging is critical to the consumer, to catch their attention and set the product apart from its competition. The history and the story of the products has to be a part of the packaging to entice the consumer to notice it and to make the personal connection with the product;
- Specialty products are currently bought on special occasions, when entertaining guests, on weekends, for a treat and when there is more time to prepare food;

- While on vacation, consumers are not as cost-driven as during routine periods of time; they are more willing to splurge while on vacation. This is the "prime time" to sell more locally produced specialty foods, and to begin a "direct marketing" relationship with that customer where repeat sales of your product enable them to have this experience the other 50 weeks of the year.

Beyond these specific needs, consumers identified several broader issues that can be part of you connect to them:

- **food safety and source** – in this era of many choices, people have been disconnected from any relationship or knowledge as to the source of the food they consumer, and this concerned many we talked with. This need has further been exacerbated by 9/11;
- **community connection** – in our highly mobile society, you are one of the most stable business segments, you offer connection to members of your community that very few institutions can match. Creatively building this into your marketing strategy can offer a very strong appeal.

With all of your marketing information, it is important that it be obtained and updated regularly to understand consumer's changing needs.

So how can you address these notions in an organized way? Below is an expanded Marketing Mix borrowed from the tourism industry that we call the 9 P's of Agri-Marketing:

- **Product**
- **Place**
- **Packaging**
- **Production**
- **Presentation**
- **Positioning**
- **Partnerships**
- **Pricing**
- **Promotion**

Here is a brief definitions of each – consciously considering and building each one of these into your marketing efforts, specifically those aimed at your direct customers – will strengthen your results.

**Product** – Look at and consider all aspects of what is being produced – not just ingredients or contents or the generic category (jams or jellies) but all aspects of your unique "story. Producers should develop this expanded sense of their product to meet not only the needs of the end consumer, but every "customer" in any distribution channel.

**Place** - Place plays an important role in marketing a value-added food product. Producers should be aware of how and how not to capitalize on it. Local and state history, the history of their family and /or farm, geography, culture, lore are all critical aspects of place that offer rich ways to expand how your consumers relate to your products.

**Packaging** - Packaging is one of the most important features of the product because it is sometimes the consumer's first (and only) exposure to the product and producer. Once attention is captured, the

packaging can also determine the level of interest maintained by the consumer. Packaging must also be designed to capture the interest of every entity in the chosen distribution system.

**Production** - The “what & how” of creating your products – both from a process, systems, compliance and financial standpoint offer potentially strong “story” points. Creating and sharing a story of how you produce your product can be a strong way to connect this aspect of your product with your customers, particularly from a health and wellness standpoint.

**Presentation** - Both verbally and visually, your “presentation” is the single most important factor in gaining market access and acceptance. A producer’s presentation of the product secures the sale to the next customer downline in the chosen distribution system, as well as to everyone in the system.

**Positioning** - Value-added products should not all be positioned the same. Doing the hard work of understanding how and why your product is different, and translating this into messages and benefits customers will value is an essential part of any marketing effort.

**Partnerships** - Partnerships could be made with retailers in the form of providing demonstrations, with local tourist businesses, or with other producers in joint promotion efforts. Identifying and building effective partnerships are ways to further expand the value of your product, and increase your marketing reach and impact.

**Pricing** - It is clear that many producers are not familiar with pricing strategies. With pricing being impacted by the market, production costs, channel selection and cost, this is an area where formal training is highly valuable.

**Promotion** - Producers should be aware of the various levels of promotion available, so that they can make an educated decision about what is best for their budget and most effective in reaching their target markets.

### **Wholesale or indirect Marketing**

For the remaining few minutes of our presentation I’d like to focus on other channels we’ve studied and some of the considerations for producers when looking at various wholesale channels out there. Wholesaling offers the option of moving larger volumes of product, though at reduced prices because of the channel costs associated with other channel members moving your product and needing to make a profit as well.

First, in this same study mentioned above, we interviewed a number of major wholesalers and retailers in the food service and grocery industry regarding their inclusion of locally grown or produced foods. This included Associated Buyers, C&S Wholesale, KDI, Stow Mills, Grand Union, Shaws, Bread & Circus, Trader Joe's, Vermont Roots, Cricenti's Markets and others. Here are some of our key findings:

### **Retail Buyer Perceptions**

Like the producers, no two retailers are quite the same. All recognize the importance of fresh and locally produced agriculture to their customers, and most try to support local producers when they are

not bound by corporate procedure. Buyers for retail stores, not surprisingly, look for the same qualities in a product as their customers:

- Retailers will not pick up a new product, regardless of how innovative or unique, unless they believe the producer will be able to meet consumer demand. Producers must demonstrate that the product will be available in quantities which meet the buyers needs while maintaining consistent quality;
- Uniqueness and "stand-alone" quality came up repeatedly in conversations with retailers. The term "stand alone" refers to the product's ability to fulfill consumer expectations based on the taste, texture, versatility of the product itself, aside from its attachment to promotional hype. As an example, while retailers acknowledged that Vermont's image is strong in the promotion of Vermont products, they also caution that it could evolve into a diluted notion if over-emphasized and the products this notion is attached to have few unique, redeeming qualities of their own;
- Buyers and retailers expressed a desire for the producer to promote their products. While this is most commonly done through demos, buyers also look for the producer's ability to ultimately engage in advertising and other product promotional activities. This also may mean being flexible about giving price breaks for special promotions. At a minimum, a producer must be versed in educating a buyer to the unique benefits of their product so that the buyer can in turn express this to their consuming public;
- Packaging and presentation are critical components of the product for each entity in the distribution chain. Shelf space is too precious and products with unfinished or unsophisticated packaging won't be considered;
- Because of the increased competition among retailers, featuring unique products is a way to differentiate and remain competitive. Retailers concur that part of a product's notability comes from its connection with the local area or region, as well as from knowing about the producer. In this sense, retailers also try to establish connections between the products they sell and their customers who also happen to live in these same regions;
- The buyers we interviewed spoke favorably of the aggregated "selling power" of produce co-ops. Buyers consistently referred to the capacity of these co-ops to help buyers by reducing the effort it took to get the products they need when they needed them. In contrast, almost all buyers stated that this is lacking in the specialty foods industry, where there are few specialty food distributors who can meet their needs with this same consolidated "selling power." The Hanover Co-op is one of the few retail stores who deals with each producer individually, but has expressed the difficulty in doing so as well as the desire for an aggregated system of purchasing local products. Bread & Circus and Shaw's will handle some relationships with producers on an individual basis, but have difficulty in managing a large number of these singular contacts;
- On a positive note, retailers, buyers and distributors all believe the demand for specialty – gourmet, natural and health foods – will continue to grow.

### **Distributor Perceptions**

Distributors we interviewed had many of the same comments as retail buyers. Most did not want to deal with a wide range of single, small producers, but again preferred to work with larger, integrated efforts such as production cooperatives or producers represented or aggregated by a broker. There also appeared to be a clearer distinction between produce and processed or specialty foods. C&S in Brattleboro indicated a strong desire to buy as much local produce as possible from the Connecticut River Valley, while having very little interest in distributing processed or specialty foods.

Many commented on the lack of understanding of market distributions systems exhibited by producers. Some had producers approaching them before they have finished their packaging and before they have done their pricing homework. From their perspective, producers do not understand the role that distributors play in the system, and are not prepared to price their products accordingly. Like the consumer and the retailer, the distributor wants the product's packaging to be complete by the time the product reaches their hands.

### **Concluding thoughts.**

Marketing – like production – can be a complex and sophisticated process. Yet its principles are common-sensed based, and when creatively applied from a basis of knowledge, can generate the results you desire and deserve for your operation. To help re-energize or refocus your marketing efforts, I would propose the following definition of effective marketing:

**Marketing is a good story, well told.**

And, in telling your story, one of the best ways to do is to follow the counsel of one of the leading markets in the US:

**Marketing is everything and everything is marketing.**

Every contact, every interaction with any of your customers, or those who influence your customer, is a marketing opportunity. Make the most of them to tell your story well, and connect to your markets.

Thank you.