Branding and Positioning your Enterprise: Marketing for Success

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Overview

- Overview of Strategic Issues
- Setting the Stage for your Market
- The Elements of a Sound Marketing Plan
Deliberate Planning

- The Mission is why we Exist
- The Objectives are where we want to be
- The Strategy is the best “road map” to attain your objectives while staying true to mission
- Actions are effective and realistic steps to achieve your strategy.
When to Decide?

- What does the Market Suggest?
  - Is market Signaling potential Growth?
  - Will you Lead new Trends? Follow others’ Success?
    - This will affect your Strategy

- What are you Poised for?
  - Is Change Needed?
  - Do New or Slack Resource Allow Growth
  - Is This Alternative to Exit?
CSU MARKET ANALYSIS: A RESOURCE FOR PLANNING
Marketing Overview: New Acronyms

- Analyze strengths, weaknesses, opportunities and threats (SWOT)
  - Uses Internal and External Information
- Research customers, costs and competition (3 C’s)
  - Challenge for Agritourism relative to Commodity Agriculture
- Develop the marketing mix using product, price, place and promotion (4 P’s)
The Three Cs Of Marketing

Important Elements of your Market Environment

- 1. Customer
- 2. Costs
- 3. Competition
1. The Customer

- What unique value does your product bring?

- Who are your customers/clients? Describe them.
  - Demographics: age, gender, income, etc.
  - Psychographics: motivations, interests, causes
  - Purchasing/consumption behavior: buying patterns

- Where do you find your customers?
The Customers.....
Target Segments

- Loyal are return customers and visitors...less worried about costs
- Value segment are hardest to keep happy, but do recognize and value quality
- Convenience segment are those you can get to make impulse buys/visits...less price sensitive
- Price segment is not too attractive unless you compete entirely on price

  □ Let’s explore Colorado’s agritourists....
Targeting Traveler Segments

- “Cluster” visitors by like characteristics
  - Planning
  - Mode of travel
  - Activities chosen
  - Expenditures, etc.

- Easier to develop cohesive marketing strategies than for “average” traveler

- We can define them…
  
  …target those with greatest potential
  
  …and create recommendations
Segmenting Markets by Influencers

- **Perceived Pain of Expenditure**
  - Low
  - High

- **Perceived Value**
  - Low
  - High

- **Segments**
  - **Price Segment**
  - **Value Segment**
  - **Convenience Segment**
  - **Loyal Segment**
Out-of-State Activity Seekers

- 970,000 per year, 97% out-of-state travelers
  - Mid- to upper-middle class (parents, friends, couples)
  - Fly in, rent a car, stay mainly in hotels or with friends and family
  - Spend most per visit, mostly on lodging, for longer trips

- Rely heavily on Web resources to plan
  - Past experiences & in-state resources (Welcome Centers, CTO)

- Primary travel focus not agritourism, BUT 2/3 report unplanned activities

- Customer service greatly influences their trip;
  - Poor directional signage & lack of perceived value are trip detractors

- Important to make good use of in-state advertising and food-oriented events to attract
**In-State Explorers**

- 3.5 million+ visitors per year, 2/3 from in-state
  - Drive cars for long weekends, shorter trips, more often
  - 4 days on average, mostly winter, most without children
  - Stay in hotels, resorts, or w/friends & family
- Plan using past experiences & recommendations
  - 12% make agritourism trip focus; 25%+ unplanned
  - Culinary or educational/nature-based on-farm experiences
- Harder to target but:
  - Travel frequently and Open to spur of the moment
  - Most not tempted to spend more on agritourism, but on other amusement
- Attract through Savvy marketing and promotional investments
  - Tie into broader events (sporting events, heritage activities)
Loyal Colorado Enthusiasts

- 3.6 million+ travelers per year, 75% for leisure
- 2/3 in-state; 1/3 out-of-state; parents or couples
  - Return often (98% plan to visit again)
  - Camp or stay w/friends & family
  - Overall lower spenders, but 10% goes to local products
  - Plan based on past experiences, print materials, in-state resources
  - All participate in agritourism: 58% planned trips for agritourism
- Highest participation during the summer
  - Most activities per trip (3+) and More visits than two years earlier
- New agritourism activities interest them
- Use wide information gathering to tailor their trips
  - Need information from operators and communities to plan their travels→ how to build their trip (will participate more with more info.)
Family Ag Adventurers

- 4.5 million travelers per year; 75% out-of-state
  - Middle income; higher spenders per trip
  - Travel long distances in their own vehicles, mostly in summer
  - Past experiences & recommendations, Web searches to plan

- All participate in agritourism; most activities unplanned
  - But, 25% pre-planned focusing on quality and value
  - Interests most diverse
    - But prefer educational & nature-based on-farm experiences

- Trips are commonly big family vacations
  - Unsure of visiting again in next several years (major factor is cost, then distance)
  - But indicate would participate in culinary activities on next trip
Accidental Tourists

- Less than 500,000 travelers/year (small share of agritourists)
- Business/family matters bring them here
  - Visit for few days, mostly in summer and winter
  - Travel by car (own or rental) or by air, Stay mostly in hotels
  - Conduct less planning than other travelers
  - Spend very little relative to other travelers
- Small windows of leisure time (but want diversions)
  - They are not seeking agritourism activities
- Travelers learn about agritourism “just in time”
  - Activities need to be well-promoted and easily accessed due to the limited time: airports, hotel “brochure racks”
  - Future participation in agritourism would be linked to culinary or heritage activities
  - Good potential for operations near urban areas, especially if transportation is offered or activities can be packaged with hotels/shuttle services
Importance of Agritourism to Visit
By Cluster, N=897

Cluster 1: Out-of-State Activity Seekers (4%)
Cluster 2: In-State Explorers (30%)
Cluster 3: Loyal Colorado Enthusiasts (13%)
Cluster 4: Family Ag Adventurers (17%)
Cluster 5: Accidental Tourists (36%)
Participation in Agritourism Activities
by Cluster, n=897

Cluster 1: Out-of-State Activity Seekers (4%)
Cluster 2: In-State Explorers (30%)
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Cluster 5: Accidental Tourists (36%)
Percentage of agritourists in each cluster...

- Family Ag Adventurers: 35%
- Accidental Tourists: 3%
- Out-of-State Activity Seekers: 7%
- In-State Explorers: 27%
- Loyal Colorado Enthusiasts: 28%

...But, let’s look at what their travel patterns tell us
Part of targeting explores travel behavior and Opportunities

- In-State Explorers, Enthusiasts and Adventurers do the most in Colorado
- Enthusiasts, Family Adventurers and Accidental Tourists show increasing interest

Table 1: Travel Behavior among Segments, n=897

<table>
<thead>
<tr>
<th>Segment</th>
<th>Out-of-State Activity Seekers (30%)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Share of Agritourism Participation per Year</td>
<td>3%</td>
<td>20%</td>
<td>47%</td>
<td>27%</td>
<td>24%</td>
</tr>
<tr>
<td>Share of Agritourism Participation in Colorado</td>
<td>7%</td>
<td>42%</td>
<td>65%</td>
<td>55%</td>
<td>24%</td>
</tr>
<tr>
<td>Share who Note an Increase in Agritourism Visits as Compared to 2 Years Ago</td>
<td>4%</td>
<td>11%</td>
<td>31%</td>
<td>21%</td>
<td>24%</td>
</tr>
</tbody>
</table>
2. Your Costs (and their Spending)

- Know variable costs of producing your product
- Realize there are fixed costs that must be paid, whether you produce your product or not
- Use variable and fixed costs to calculate the break-even point where costs are covered
- Compare break-even with industry standards
- Financial analysis:
  - Given the numbers and value perceived by the customer, can you feasibly offer enterprise?
Cornell 2000 Study

- Various Agritourism Operators
  - Average Income=$101,041
  - Average Gross Expenses=$88,499
  - Average Net Profit=$12,347
  - U-Pick most profitable on % basis because of low capital and labor investment?

- Dependent on Scale, cost per visitor....
  - One way to consider break even, if you consider visits as “yield”
Product Benefits and Costs

- **Tangible**: Those product benefits (costs) that are easy to measure, “features.” Tangible attributes come through in the product design.

- **Intangible**: attributes that are not easily measured. Sales and promotion will often be used to establish intangible attributes in lieu of product design.
What are travelers spending?

Colorado Tourists

- Lodging: 40%
- Dining: 22%
- Gas/auto: 15%
- Entrance Fees: 4%
- Gifts/toys: 4%
- Groceries & Liquor: 7%
- Local Goods: 8%

Out of State Tourists

- Lodging: 38%
- Dining: 23%
- Gas/auto: 15%
- Entrance Fees: 3%
- Gifts/toys: 5%
- Groceries & Liquor: 8%
- Local Goods: 8%

- Colorado tourists spent an average of $391 on last trip to Colorado that involved agritourism.

- Out-of-state tourists spent an average of $887 on last trip to Colorado: important as it is a greater impact.
3. The Competition
...and Other Challenges

- From SWOT analysis, assess your business’ strengths and weaknesses compared to your competitor’s.

- Competition can be other operations, regions, types of recreation or leisure.

- Emulate your competition’s strengths and overcome their weaknesses.

- Differentiate your product from the competition’s.
The Real Competition...

- Other States and Regions....
  ...Colorado may be behind peer states and regions in their promotional campaigns

- Other travel activities
  - Agritourism is relatively “hard to find” and plan compared to alternative excursions

- Other leisure activities
  - Local and home activities may win out in times of economic downturn
Challenges:

- Shifting visitors from unplanned to planned agritourism
  - Increases expenditures at local level
- Rounding out trips: 87% of all travelers were satisfied with their visits
  - But 13% would have liked more agritourism and other activities to round out their trip; would have paid for it
- Creating impression that Colorado is a “good value” trip for them, especially those with large expense to travel
  - Especially those for whom CO is a big, planned expense on leisure
- Improving tourism infrastructure for agritourism
  - Tying more on-farm & ranch activities to food-oriented events
  - Directional signage to make travelers more aware & directed
  - Interpretative signage for those wanting an educational experience
The Marketing Mix: Decisions and Strategies

PRODUCT \rightarrow PRICE \rightarrow PROMOTION \rightarrow PLACE
1. Product (or Service)

Goods that satisfy the needs of a target market should have the following characteristics:

- Physical features (design and packaging)
- Branding and image/personality
- Degree of customer service: products and services
- Consistent quality, supply or experience
- Pricing to cover costs & generate required margins or returns
Product Adoption and Diffusion

- Stages of Adoption:
  - Awareness: 2.5%
  - Interest: 13.5%
  - Evaluation: 34%
  - Trial: 34%
  - Adoption: 16%
Product Life Cycle

- **Stages**
  - Development
  - Market Introduction
  - Market Growth
  - Market Maturity
  - Sales Decline

- **Primary Activity**
  - Market Research
  - Promotion
  - Develop Customer Loyalty
  - Pricing
  - Shift, Adapt or Exit

Note that Market Research and Promotion are the Primary Focus in early Stages when you build Interest and Awareness.
Horizon Dairy’s Product Package

Organic-anti-”all the bad things”

- Happy Cows
- Fun for the kids
- Variety
- Convenience
- Advocating farms through education and policy
Two Rivers Winery and Event Center

- Wine is Culture, with European Routes
- A Chateau among Mesas
- Wine in Every Room
- Grape Vines for Production or Ambience?
Other factors influencing consumers’ agritourism experience in CO
2. Price

- Set prices based on:
  - Value-based pricing (match price to perceived value by customer, brand loyalty, customer oriented price)
  - Competition-based pricing (match prices to similar products of your competition)
  - Cost-based pricing (set price dependent upon production costs)

- Use discounts or incentives to boost sales but with a specific goal in mind
VALUE PRICING
Generic Pricing Strategies

- **Skimming**: High Economic Value and Very High Relative Price
- **Penetration**: Low Economic Value and Very Low Relative Price
- **Neutral**
Pricing Strategies: Segments

- Loyal and Convenience consumers can be highest revenue potential...skimming
  - Our Loyal Colorado Enthusiasts are key to profits
  - Do Accidental Tourists fit here?
- First time buyers and visitors may be attracted through penetration
  - Low or at cost pricing to Cover Fixed Costs
  - Out of State Activity Seekers
- Good pricing strategies can help increase revenues from those less price sensitive
  - Family Ag Adventurers seeking once in lifetime experience
Anderson Farms Fall Festival

- 2007 Group Rates-Save $2 per person
  - September 22nd - October 11th or any Monday – Thursday
  - $8 for Adults, $6 Kids (4-12) & Seniors
  - $1 more closer to Halloween

- Add a meal deal and receive a FREE small pumpkin!!
  - Hot Dog Meal Deal
    - $12.50 Adults, $10.50 Kids

- Penetration, bundling, value
COST PRICING
Contribution analysis

- The idea that every sale/visitor covers direct costs and Contributes to Overhead
- Per unit CTO=Price per unit-Variable costs
  - Per unit operating margin
- CTO= Per unit CTO * Units sold
  - Defines economies of scale in a way
- Breakeven quantity =
  - \[ \frac{\text{Fixed Costs}}{\text{Price-Variable costs}} \]
Break-Even Example

- Direct cost of a ranch visitor per day
  - $25- includes food, labor, materials
  - You charge an average of $125 per day
- Fixed costs are $200,000
  - Includes facility improvements, management, marketing costs and administrative overhead
  - Breakeven=200,000/125-25=2000 visitor days
  - Any volume above this represents profits
- If under break-even goal, examine which part of the equation you have most control over
  - Price, variable costs, overhead or sales volume
Competitor Pricing

- Straightforward comparison of your prices vs. competitors
- Trick may be assessing who you are competing against
  - Other agritourism? Other destinations? Staying home?
  - Informing customers about your value compared to competition
One Fremont County Farm

- Admission: Free
- Tractor Rides: Free
- Wholesome Family Fun: Free
- Baskets/Boxes for picking: Free
- Tony's Personality: Free
- Deli Items: Reasonable!

Apples: Pick-your-own $1.35 Lb.
Already picked Apples in the store vary by variety
usually $1.50 to $1.77 a Lb.
Fresh Pressed Apple Cider: 1/2 Gallon $3.00 Gallon $6.00

- Blackberries: $4.50 for 12 ounces**
- Raspberries: $4.50 for 12 ounces**
- **(The Price Of Berries In The Stores In Colorado Springs are $3.99 For 6 Ounces!)

- Please Note: Prices are subject to change...
  Except the Free ones!
3. Place – Distribution Channel

- Strategic elements of location
- Where customers purchase product or service, how purchase is made

Product must be at the right place, at the right time, in order to sell & provide profit to producer

- Channels include:
  - For food, Direct sales, internet sales, broker or distributor for food
  - For agritourism, may be where they plan trips
    - Hotels, Travel agents, Colorado Tourism Office
Colorado Areas Visited for Agritourism

Sample= approx. 1200 visitors
Key Point

  - “*Functional Products* require an efficient process; *innovative products* a responsive process.”

- For services, can you create revenue streams from understanding consumer needs/interests...sometimes on the spot
  - *Example: Pumpkins at corn mazes, local foods at wineries, food stands and farm tours along transportation corridors*
4. Promotion

- Includes advertising, public relations & sales promotions
- Influences attitudes & buying behaviors of customers in a target market
- Should encourage product purchase & market expansion
- Important for positioning a product in the market
Promotional Objectives

- Stimulate sales
- Differentiate product offerings in varying markets
- Share information
- Accentuate value of product
- Stabilize seasonal demand

Resources consulted prior to travel

54% used 1 information source; 18% used 2 sources; 11% used 3 different ones. Multiple responses given.

Of 398 in-state; 500 out-of-state travelers.
New Resource for Promotion

MarketMaker is a free tool to:

- Help Consumers find Producers
- Help Producers Promote their Operations and Products
- Assess the food and agriculture of an area: Providing an inventory and great networking resource
Example Search: Farmers Markets in Iowa/Nebraska

- Can zoom into or out of an area....

- Leverages Colorado Dept of Ag’s databases and directories
WHOLESALE

MarketMaker enables users to identify businesses engaged in producing, processing, wholesaling, and retailing food products in Illinois. The search can be conducted by both location and/or type of businesses. Data for general searches covering larger geographic areas will require a longer time to load. Profiles for individual businesses can be retrieved by clicking on "Detail." Business profiles contain type of business, contact information, and in some cases, size of business.

Locate business by City or County

CITY :

COUNTY :

LINE OF BUSINESS :

ADVERTISING-SPECIALTIES (WHOLESALE)
BAGELS-WHOLESALE
BAKERS-WHOLESALE
BANANAS-WHOLESALE
BEER & ALE-WHOLESALE
BEVERAGES (WHOLESALE)
BLEACHING COMPOUNDS-WHOLESALE
BOOK DEALERS-WHOLESALE
BOXES-CORRUGATED & FIBER (WHOLESALE)
### Search Result >> Wholesaler >> Coffee & Tea Wholesale

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>City</th>
<th>Phone</th>
<th>View</th>
</tr>
</thead>
<tbody>
<tr>
<td>B &amp; F COFFEE SVC</td>
<td>3535 Commercial Ave</td>
<td>Northbrook</td>
<td>847-498-2200</td>
<td>Map / Detail</td>
</tr>
<tr>
<td>CAPITOL CAR WASH</td>
<td>2550 N Pulaski Rd</td>
<td>Chicago</td>
<td>773-489-2588</td>
<td>Map / Detail</td>
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<tr>
<td>CAPPUCINO PRONTO INC</td>
<td>7407 N Milwaukee Ave</td>
<td>Niles</td>
<td>847-647-8811</td>
<td>Map / Detail</td>
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<tr>
<td>CHICAGO COFFEE ROASTERY INC</td>
<td>11880 Smith CT</td>
<td>Huntley</td>
<td>847-669-1156</td>
<td>Map / Detail</td>
</tr>
<tr>
<td>CDFFE &amp; CIGARS AROUND-WORLD</td>
<td>8064 Lincoln Ave</td>
<td>Skokie</td>
<td>312-382-1812</td>
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<tr>
<td>CDFFE &amp; TEA EXCHANGE</td>
<td>4880 W Grand Ave</td>
<td>Chicago</td>
<td>773-745-9295</td>
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<td>CDFFE MASTERS</td>
<td>222 Merchandise Mart</td>
<td>Chicago</td>
<td>312-527-4960</td>
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<tr>
<td>DAVE COOPER &amp; ASSOC</td>
<td>1234 W Cerro Gordo St</td>
<td>Decatur</td>
<td>217-428-6664</td>
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</tr>
<tr>
<td>EMBASSY COFFEE</td>
<td>7324 W 91st St</td>
<td>Bridgeview</td>
<td>708-430-8181</td>
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<tr>
<td>FARMER BROTHERS CO</td>
<td>31w260 Diehl Rd #103</td>
<td>Naperville</td>
<td>630-305-3110</td>
<td>Map / Detail</td>
</tr>
</tbody>
</table>

Records 1 to 10 of 27
Promotion Possibilities

MarketMaker is coming to Colorado!!

- Collaboration of CDA and CSU Extension
- We will add the agritourism directory
  - Important to get everyone’s information
  - Develop your Web presence now

- Other Features
  - Buyers/sellers forum
  - More search capabilities
Your Marketing Plan

- Who Can you Target or What Pricing will you Consider based on These Ideas?

- Double Check:
  - Possible with Current Resources
  - Addresses a Market Opportunity
  - Balanced between Loose and Tight
  - Clear Objectives and Vision Behind Each Market Strategy Choice

- Which P will guide your Initial Energy?
Monitoring Progress

- Lay out clear indicators you will measure
  - Number visitors, number of return visitors, referrals from community members, $ spent per visitor, customer satisfaction

- Have key benchmarks in place
  - What signals will trigger changes or growth for your enterprise?
  - How often will benchmarks be considered?
    - Weekly? Monthly? Annually?
What are the Outcomes?

- Agritourism requires new marketing strategies and resources
  - Outcomes may be multi-faceted
  - Revenues, farm image, income stability

- Clear idea of intended and desired outcomes
  - Will influence how you market, who you attract to your enterprise and the “brand” or image you have with your public
Innovative Marketing Ideas

- If you are looking to diversify your operation by including agritourism activities on your farm/ranch, or food based business

- **Colorado Department of Agriculture**
  - [http://www.coloradoagriculture.com/](http://www.coloradoagriculture.com/)

- **Agri-Business Council of Oregon, Workbook**

- **Agricultural Marketing Resource Center**

- **Agriculture Innovation Center**

- **USDA-Natural Resources Conservation Service**
More Information
CSU agritourism survey:

- January 27-Feb 1, 2007
- 1003 respondents total
  - 503 respondents in Colorado
  - 500 respondents in 3 metro areas
    - Salt Lake City, UT (98)
    - Albuquerque/Santa Fe, NM (125)
    - Phoenix, AZ (277)
- Consumer demographics, choices and experiences
- Market potential for future visits
- Public and private factors that contribute to consumer satisfaction
In Colorado, agritourism includes:

- **Outdoor recreation** (fishing, hunting, wildlife photography, horseback riding).
- **Educational experiences** (farm and cannery tours, cooking classes, wine tasting, cattle drives, farm work).
- **Entertainment** (harvest festivals, corn mazes).
- **Hospitality services** (farm and ranch stays, guided tours, outfitter services).
- **On-farm direct sales** (u-pick operations, roadside stands).
- **Off-the-farm direct sales** (farmers’ markets, county and state fairs, special events).
Why Agritourism?

The travel and tourism industry has become increasingly important in the Intermountain West:

- In 2000, the industry contributed more to gross output than either agriculture or oil and gas extraction.
- 90% of total employment in some counties is in the industry.
- A total of 106 Western rural counties had more than 1,000 travel and tourism jobs in 2000.

From the early 1980s to the late 1990s, the basic travel and tourism industries’ share of gross state product grew about 20 percent in Colorado.