Marketing Your Agritourism Business: Using Research to Develop a Strategy

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Overview

- Strategic Positioning and Marketing
  - Basic Elements of a Strategic Plan
- The Marketing Plan
  - An Extension of your Strategic Plans
  - The 4 P’s of Marketing
- Emerging Tools for Effective Niche Market Research and Promotion
What is strategic management?

✓ Strategic management is all about anticipating, driving, and capitalizing on change:

- Anticipating: seeing the future (SWOT)
- Driving: shaping the future (Goals)
- Capitalizing: making the most of the future
SWOT Analysis

• Purpose to identify:
  – Strengths
  – Weaknesses
  – Opportunities
  – Threats
Importance of Agritourism to Visit
By Cluster, N=897

- Cluster 1: Out-of-State Activity Seekers (4%)
  - Primary Focus: 65%
  - Secondary: 18%
  - Unplanned: 12%

- Cluster 2: In-State Explorers (30%)
  - Primary Focus: 58%
  - Secondary: 25%
  - Unplanned: 12%

- Cluster 3: Loyal Colorado Enthusiasts (13%)
  - Primary Focus: 23%
  - Secondary: 25%
  - Unplanned: 25%

- Cluster 4: Family Ag Adventurers (17%)
  - Primary Focus: 26%
  - Secondary: 19%
  - Unplanned: 10%

- Cluster 5: Accidental Tourists (36%)
  - Primary Focus: 64%
  - Secondary: 12%
  - Unplanned: 2%
Vision/Mission Statements

- Statements that explain who we are
  - Type of organization
  - Products/services
  - Needs we fill

- Statements that explain our direction, our purpose, our reason for being
  - What difference do we make?

- Statements that explain what makes us unique
  - Values
  - People
  - Combination of products and services
A Sample Mission Statement

- The Chico Basin Ranch is dedicated to the enhancement and preservation of the natural world and our western heritage. Our mission is to create a working ranching model that views the ranch as an ecological resource base. This base supports a complementary mix of enterprises that emphasize sustainability, innovative management, and diversification as the keys to economic and ecological viability.

- We believe that ranchers provide an increasingly important role in the stewardship of our nation's native rangelands because ranchers already live on the land and because our families' futures depend on our success at building and maintaining the health of
## Strategies/Goals/Objectives

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Mission/Vision</th>
<th>Desired outcomes</th>
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</thead>
<tbody>
<tr>
<td>E.g., Greater Mountain Bird Observatory</td>
<td>&quot;To provide the highest quality experience to birders through nurturing plant and wildlife ecosystems that are unique to our region&quot;</td>
<td>Increase visitorship by birders Raise visibility of partnering farms and community businesses through special events Enhance the quality of experience for visitors to earn loyalty and promotion through word of mouth</td>
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<thead>
<tr>
<th>Goals</th>
<th>Objectives</th>
<th>Outcome (how much of what by when)</th>
<th>Key Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase direct revenues from birding visits</td>
<td>Recruit 50 new visitors for the upcoming season and encourage 140 of 200 visitors from last year to return</td>
<td>Increase visitor fees by 10% ($300 add)</td>
<td>Enhanced marketing activities and strategic partnerships with birding organizations</td>
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<tr>
<td>More off-season weekend visitors</td>
<td>Have 1 off-season event (focused on local foods)</td>
<td>All rooms rented for 2 days (15 couples) in off-season</td>
<td>Develop event around local foods movement (featuring local producers)</td>
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Marketing Overview: New Acronyms

- Analyze strengths, weaknesses, opportunities and threats (SWOT)
  - Uses Internal and External Information
- Research customers, costs and competition (3 C’s)
- Develop the marketing mix using product, price, place and promotion (4 P’s)
Types of Marketing

- **Strategic Marketing**
  - Encompasses the entire firm strategy
  - Deals with the broader issue of determining firm’s strategic position in the market and how to create value from that position

- **Product Marketing/Pricing**
  - Deals with the tactical side of selling a product
  - Similar to a set of standard operating procedures for marketing a particular product.
The Three Cs Of Marketing

- 1. Customer
- 2. Costs
- 3. Competition
The Customers.....
Segmenting Markets by Influencers

- **Price Segment**
- **Value Segment**
- **Convenience Segment**
- **Loyal Segment**

Perceived Pain of Expenditure vs. Perceived Value

- Low Perceived Pain of Expenditure
- High Perceived Pain of Expenditure
- Low Perceived Value
- High Perceived Value
Target Segments

- Loyal are return customers ...less worried about costs, want a relationship
- Value segment are hardest to keep happy, but do recognize and value quality
- Convenience segment are those you can get to make impulse buys...less price sensitive
- Price segment is not too attractive unless you compete entirely on price
Know your Customer’s Goals

BERRY ADVENTURES

Again this year we are proud to announce choices in the subject matter of our adventures. This will give you, the educator, greater freedom to select the curriculum that may fit with what you are teaching in class. Shown are the descriptions of the Adventures.

Select the one you wish the class to study, then scroll to the bottom of the page.

TRACK A: "THE GOOD, THE BAD & THE UGLY" This ninety minute adventure studies which insects farmers love and which they dislike as well as how beneficial insects are used in organic farming practices. Through a video, talk and hands on demonstration a greater understanding and appreciation will be had by the student regarding the challenges in organic farming. Included in the ninety minute field trip is berry picking (strawberry or raspberry whichever is in season) whereby the class will take a hayride out to the berry fields to enjoy picking a pint of berries.

Colorado Teaching Standards: Life Science 3.1 & 3.3 Costs: $5.00/student (minimum charge: $75.00)

"A UNIQUE FARM EXPERIENCE WITHOUT THE ATTITUDE"

Clearly targeting the need to Connect with educational standards
Recognize all the drivers to your business.
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
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
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.
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 Marketing Mix: Implementation

- Product
- Price
- Promotion
- 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
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?
Different Approaches to Pricing

- Reference Points
  - Customers-Demand Driven
  - Costs-Supply Driven
  - Competitors-Value Driven

- Other Pricing Decisions
  - Discounts
  - Allowances
  - Credit

- Target Market, Promotion Plans and Ultimate Goals of Business must always be Considered
What are travelers spending?

Colorado Tourists

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

Out of State Tourists

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

- 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

$16? Or $64? Or $250?

$27 or $150 Or $600?
Pricing Strategies: Segments

- Loyal and Convenience consumers can be highest revenue potential...skimming
  - Artisinal, foodies or ready to eat products

- First time buyers may be attracted through penetration
  - Low or at cost pricing to Cover Fixed Costs
  - Sampling in new market with coupons

- Good pricing strategies can help increase revenues from those less price sensitive
  - Out of towners visiting and looking for souvenirs or those buying something unique for special event
What about Market Research on Pricing?
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
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 are all important
  - Market Maker may be a new channel!!
Resources consulted prior to travel

- Past experience
- Recommendation
- Personal Web/media search
- National travel web sites
- Travel association
- Colorado Tourism Office
- None of the above
- Park brochures/websites
- Visitor/Welcome Center
- Travel arranged by employer
- Regional/community Web site
- Travel-based magazines and books
- All Other

Of 398 in-state; 500 out-of-state travelers.

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

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

RIMROCK DUDE RANCH
Member of The Dude Ranchers Association
Tribal and Relationship Marketing

- Concern about authenticity and consumerism
  - The less you seem to be selling something... the more sales you will make!

- Selling a “Community”
  - Shared Values and Mission is Key to this Marketing Approach

- Word-of-Mouth Promotion, Viral Expansion Loops
  - Being seen in an exponentially expanding information space

- Related Reading: Seth Godin's, "Tribes: We Need You To Lead Us."
Social Networking: Facebook
Survey Results

- 34% and 30% based their travel plans on previous experiences & recommendations
  - 4% used social networking sites, 4% conducted personal web searches

- 37% report previous experience with agritourism events
  - 100% checked at least one specific event
    (top three, in order are: 1. Farmers’ Market, 2. Rodeo/Fair
     3. Brewery/Winery)

- 35% recognize the logo of their local business alliance
  - (12%, local agriculture alliance in NW Colorado)
When Promoting Your Product…

- Determine desired message you want your customers to have about your product

- Set goals promotion will accomplish - either public relations for your business, increasing product sales, or nurturing loyal customers

- Design a budget for promotional expenses; determine which promotional strategies will fit your budget and goals
Your Marketing Plan

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

- Which P will guide your Initial Energy?
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/)
  
  - **Agricultural Marketing Resource Center**
  
  - **Agriculture Innovation Center**
  
  - **Colorado State University-Extension**
    - Marketing Fact Sheets at:
      - [http://dare.colostate.edu/pubs/extension.aspx](http://dare.colostate.edu/pubs/extension.aspx)