



Growth, Change or Exit: Strategic Positioning your Firm for the Future

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Overview

- Initial Evaluation of Firm's Current Position
 - What Role would Agritourism Play?
- Stages of Planning and Preparing for A New Focus to the Operation
- Strategic Issues and Planning
- Setting the Stage for your Market



Operation at a Crossroads

- Many times, a market, business or personal event forces one to make important decisions
 - Grow-sales, employees, number of enterprises
 - Usually driven by optimism for market opportunities or a new resource
 - Change-diversify, new revenue streams
 - Usually driven by STRONG indicators of changing consumer tastes or personnel interests
 - Exit-not a failure, operation running its course



The Opportunity

- *“Opportunity is missed by most people because it is dressed in overalls and looks like work.”* Thomas Edison
- Thoughtful consideration of desired outcomes
 - Financial?
 - Personal? Values-oriented?
 - All will be factors in Agritourism enterprise



If Desired Outcomes align with Opportunities....

- Develop a sustainable and effective plan:
 - Clear and consistent image/themes
 - Aligned with business structure/culture
 - Clear link between strategy to actions
 - Focus attention and action where needed

STRATEGIES → ACTIONS → OUTCOMES



Five Stages

5 Steps

- Planning
- Mission, Objectives, Strategies Action
- Balancing Loose and Tight
 - Especially when Little Experience
- Monitoring Key Projects/Objectives
 - Crucial to 1st years in new enterprises
- Organizational Realignment
 - Revisit personal, financial and value issues

ABCD Planning

- **A**cknowledge the Present
- **B**e aware of your Intent/Vision
- **C**ontrol your dreams:
 - Manage within means
- **D**etermine the Risks
 - First two are Deliberate Visioning
 - Second two are bringing Realism





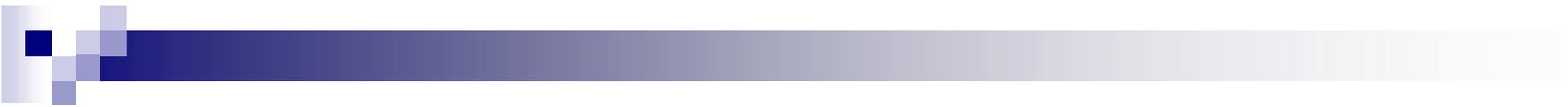
Deliberate Planning

- 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.



Loose and Tight

- The balance between loose and tight is critical to businesses during growth or change
 - Tight: Careful and deliberate, BUT also perceived as slow and nonresponsive
 - Loose: Flexible and creative, BUT also perceived as risky and careless, no cohesion



Loose vs. Tight

- Do you have both elements in your team?
Your plan?? Your partners?
- Where might Loose be advantageous?
 - Think of types of ventures and activities
- When is tight needed?
- What are the advantages to having a balance of both?

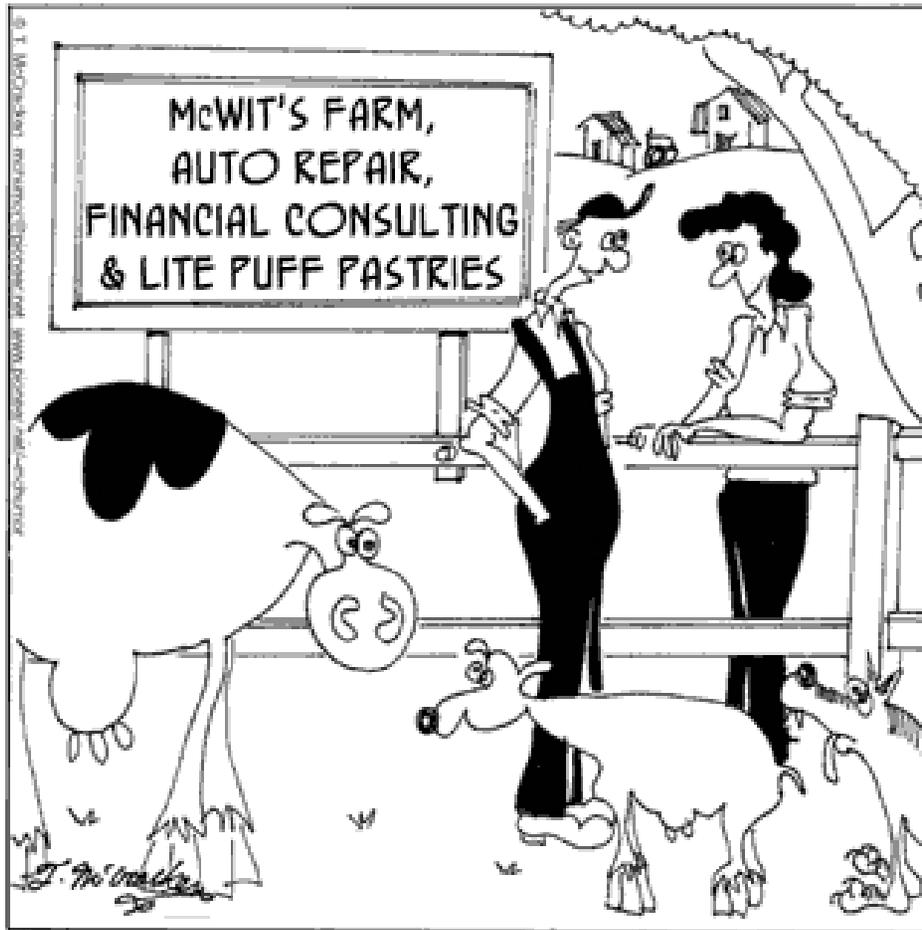


4 Steps to Growth, Change or Exit

- Be Clear on Target:
 - How Big is the Effort and the Risk?
- Build Execution Plan:
 - Clearly link Objectives and Strategies
- Determine Key Projects and Areas of Potential Success
- Align the Structure and Culture of your Operation and Personal Life
 - What will keep Tight/Loose balance?
 - A personality? A monitoring system?

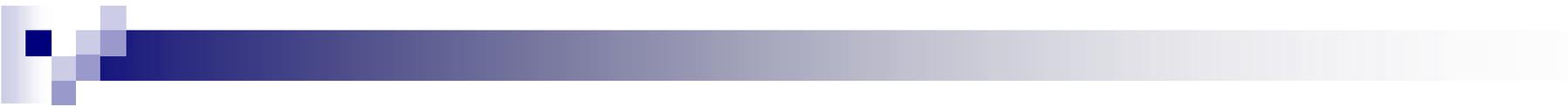
McHUMOR

by T. McCracken



"The only way to survive in the current economy is to diversify."

- Will you change and diversify in a smart and deliberate way?



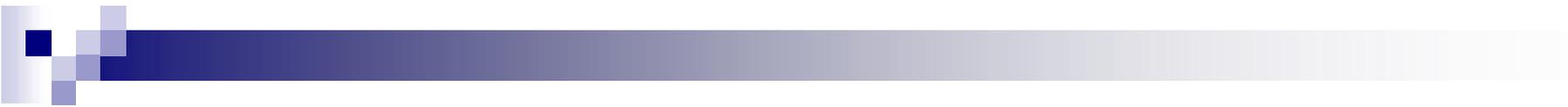
Monitoring: Clear Indicators

- Report on Key Strategies and Objectives
 - This will help control against overly loose or tight management of growth and change
- Clear accountability to a person in the organization (or key partner)
 - Tight: deadlines, specific measurables
 - Keep forward motion on the change/growth
 - Loose: frequent reviews to revisit approaches and reposition if needed, “wobble room” in budget



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?



Strategy → Market Planning

- For Service & Innovative Products, Market Planning is part of Strategic Planning
- Marketing is Externally Focused
 - How can your Resources and Capabilities be Translated to Returns and Profits?
 - What is the Market Rewarding? How do you Value what you Offer the Market?
- Educated Optimism is a Result of Market Analysis (Balances Loose and Tight)



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)



SWOT Analysis

- Internal => External

Strengths => Opportunities

Weaknesses => Threats

- → Analyze:
 - Company perspective
 - Competition's perspective
 - What can be emulated or learned?

SWOT Analysis

- Purpose to identify:

–Strengths

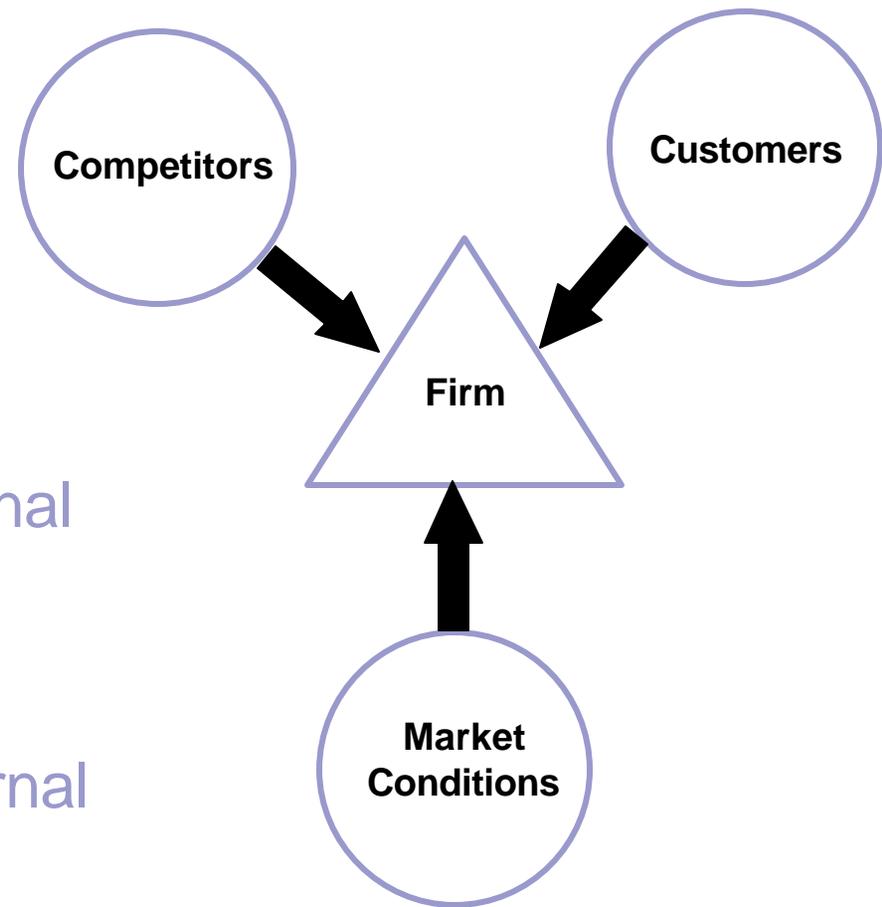
–Weaknesses

–Opportunities

–Threats

Internal

External





Strengths and Weaknesses

Goal: objective assessment of your strengths and weaknesses to:

- identify, protect and deploy **resources**,
- understand **capabilities** and
- develop **core competencies**.

Assess strengths and weakness:

- Relative to your **competitors** and
- Important to your **customers**.

Note: This is difficult to do well.



Resources → assessing & stretching

- Inputs into a firm's production process such as capital equipment, skill of individual employees, patents, finance, and talented managers.
 - Tangible Resources – Assets that can be seen and quantified, like land and buildings
 - Intangible Resources – Family commitment, networks, organizational culture, reputation, community support, access to public lands, goodwill
- By themselves resources do not create a strategic advantage for the firm
 - Examples of misdirected resources?



Capabilities

- The firm's **capacity to deploy resources** that have been purposely integrated to achieve a desired end state.
- Primary base for the firm's capabilities is the **skills and knowledge of its employees.**
- Just because the firm has a strong capacity for deploying resources **does not mean it has a competitive advantage.**



Strengths and Weaknesses

■ Consider marketing

- products/services that serve new market
- promotion that is personal
- distribution/location that suits your market segment

■ Consider people

- Management: People skills are paramount
- Unique skills
- Relationships/networks: Local to Global



Strengths and Weaknesses

■ Consider operations/facilities

- Facilities/equipment:

 - Access to public lands? Near Metro Area?

- Background in Customer Service

■ Consider finances

- Profitability (or potential)

- Cash Position

- Capital resources-ability to obtain credit



Exercise: Identifying Strengths and Weaknesses

- Internal Factor Analysis Summary (IFAS) Table
 - List up to 5 strengths and 5 weaknesses in your firm's internal environment
 - Give each item a relative ranking in terms of the importance to your operation's competitive advantage
 - 0 is not important to 1 being most important, so weight is higher the more important something is to you, but in total, all factors can only add to 1
 - Assess your firm's current actions to take advantage of this strength or improve on this weakness
 - 5 is well positioned to 1 being poorly positioned



Opportunities and Threats

- Goal: to improve your ability to scan, monitor, forecast and assess factors in the surrounding environment
 - Although out of your control, may affect whether your capabilities translate into competitiveness given market values
 - Allowing you to better identify opportunities and threats to the businesses' long-term profitability.



External Environment

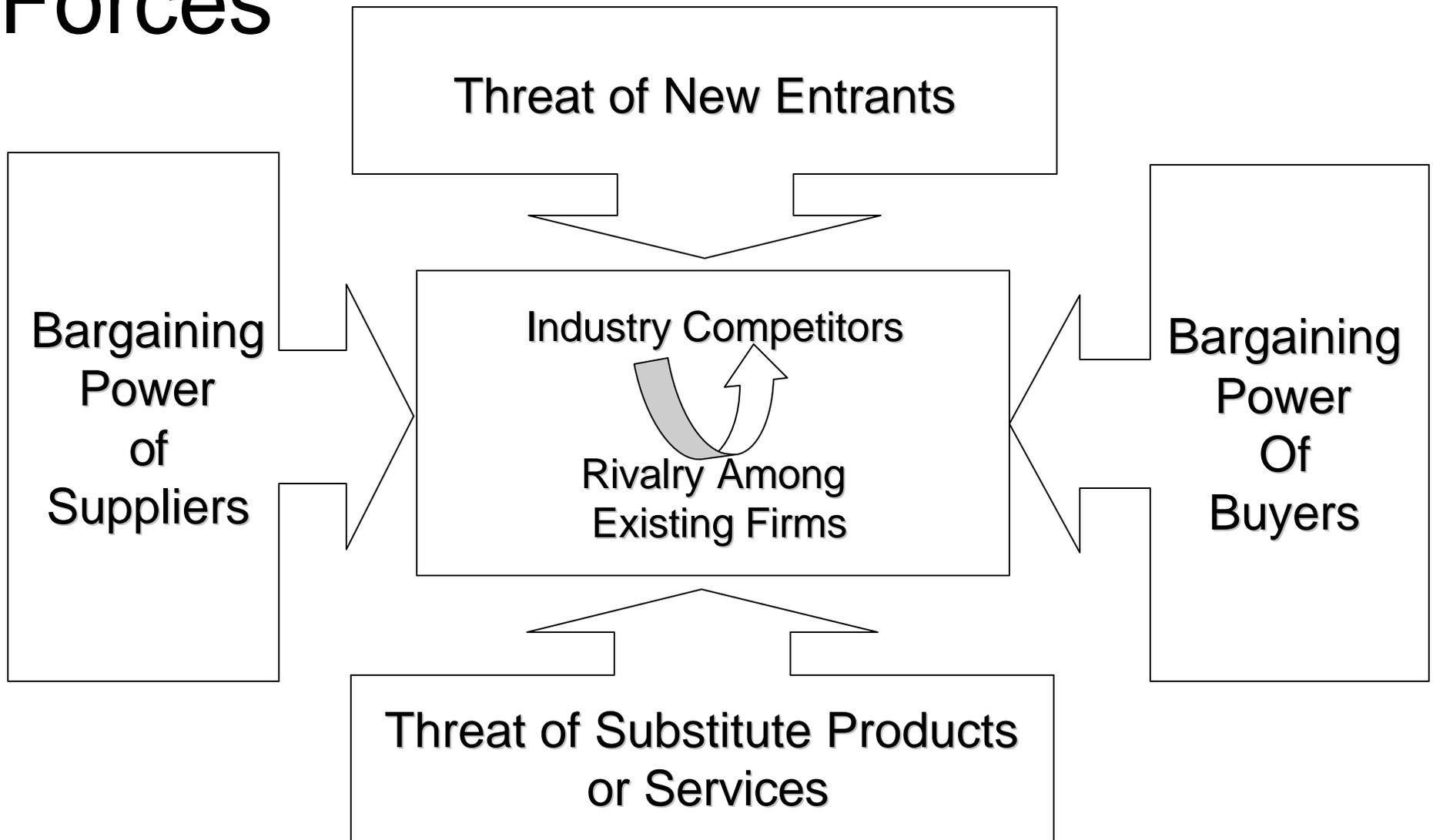
- Changing External Environment

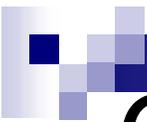
5 Drivers of Change

- Industry Environment

Porters' 5 Forces

Industry Analysis: The Five Forces





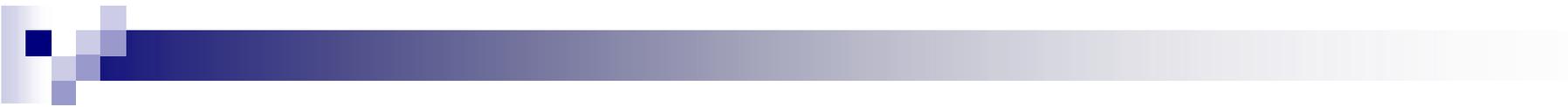
Competitive Actions to the Five Forces

- Positioning
 - Strengths & weaknesses against industry forces determine the strategy
- Influencing
 - Changing the forces in the industry through strategy
- Anticipating & Exploiting Change
 - Examine the forces, forecast the magnitude of each underlying cause, determine likely profit picture of the industry and then craft a strategy.

Competitor Environment

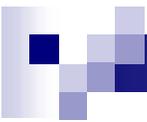


- Who are they?
- What drives our competitors?
 - What are their vision, mission, goals and objectives?
- What are our competitors currently doing?
- What is the competitor's view of itself and the future of the industry?
- What are our competitors' capabilities?



Core Competencies

- Core Competencies are the end result of deploying resources using the firm's capabilities.
- A core competency must be unique to the firm to create a **sustainable competitive advantage.**
- Research indicates firm's focus on 3 or 4 core competencies.
 - Yet, there are a variety of successful foci in business



Identifying and Building Core Competencies

- Core competencies must be distinctive.
 - Capabilities that are done better than competitors

- Identifying core competencies is key to development of sound strategy.
 - Community Networking
 - Heritage Ag Experience
 - Customer Service
 - Alliances with Established Traveler Destinations
 - Unique Resources (Natural, Human, Historical)

Examples:

- Business Strengths
 - Good management
 - Untapped personal business skills
 - Location with high amenities
- Business Weaknesses
 - High employee turnover
 - Dated facilities in bad location
 - Poor financial records
 - Difficult to Find Location





Examples:

■ Market Opportunities

- Change in consumer tastes & preferences
 - Could this also be a threat if foods and farming lose interest among the public
- Available federal grant money
- Zero to slight competition from others in your region

■ Market Threats

- Research indicating product is no longer safe for consumers' health
- New entrants into the market
 - Neighboring Operations
- Regulatory or Zoning Restrictions



CSU MARKET ANALYSIS





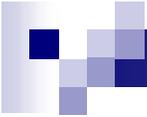
CSU agritourism survey :

- 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.

The Three Cs Of Marketing

- 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.....



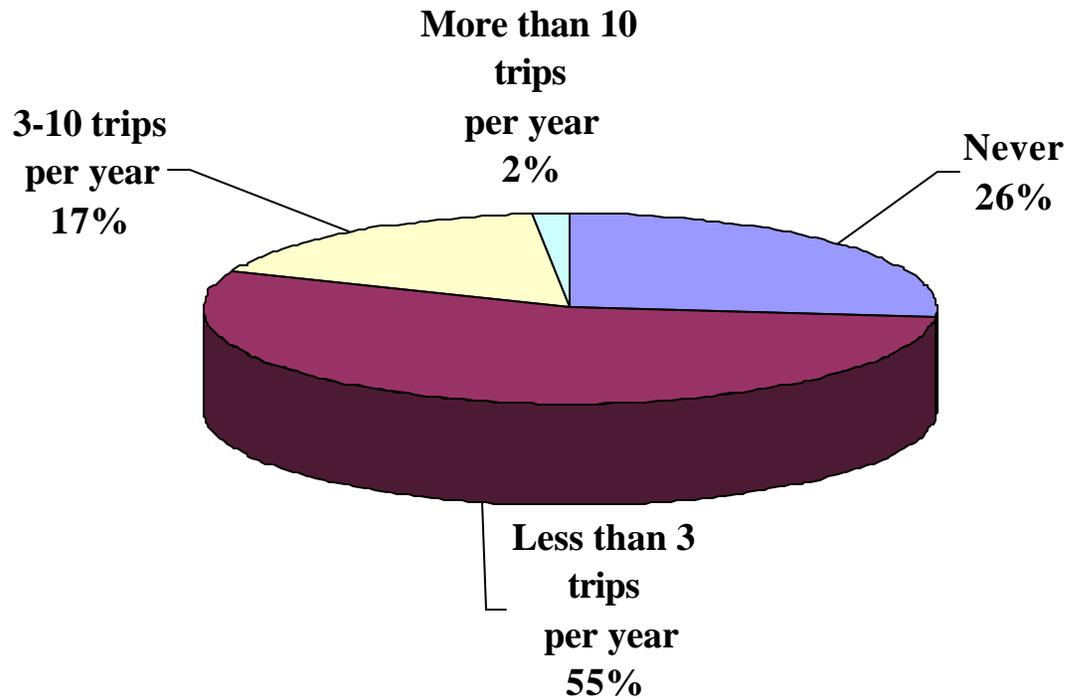


Who are Colorado's "agritourists?"

- The Avg Traveler to Colorado agritourism in 2005-06
 - 57% out-of-state (AZ, NM or UT), varies by region
 - 37% had incomes over \$75,000/year while only 12% earned under \$30,000/year
 - 46 years old and 73% married:
 - 20% parents w/children under 6;
while 22% have kids 6+ years old;
 - 15% are retired couples; 28% are younger couples, no kids
 - 15% are singles
 - 90% identified themselves as White (7% of these Hispanic)
 - But, this doesn't give us much information to understand & influence consumer behavior
- **Corresponds to other surveys on general & heritage traveler characteristics**

General participation in agritourism in CO:

- Almost 1 in 5 participated in agritourism 3 or more times per year

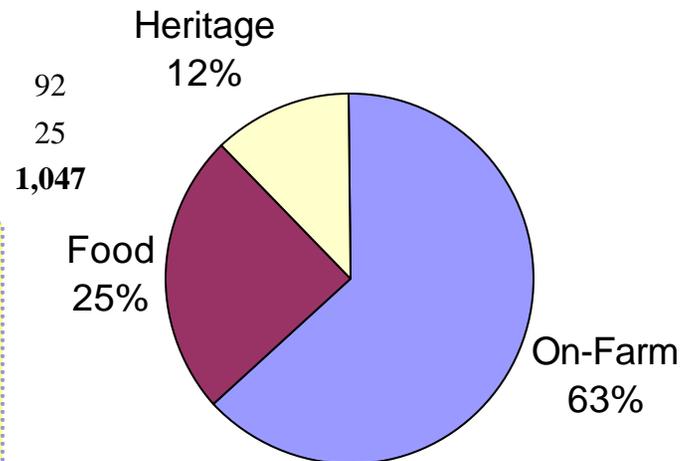


- 26% said they never participated in agritourism activities

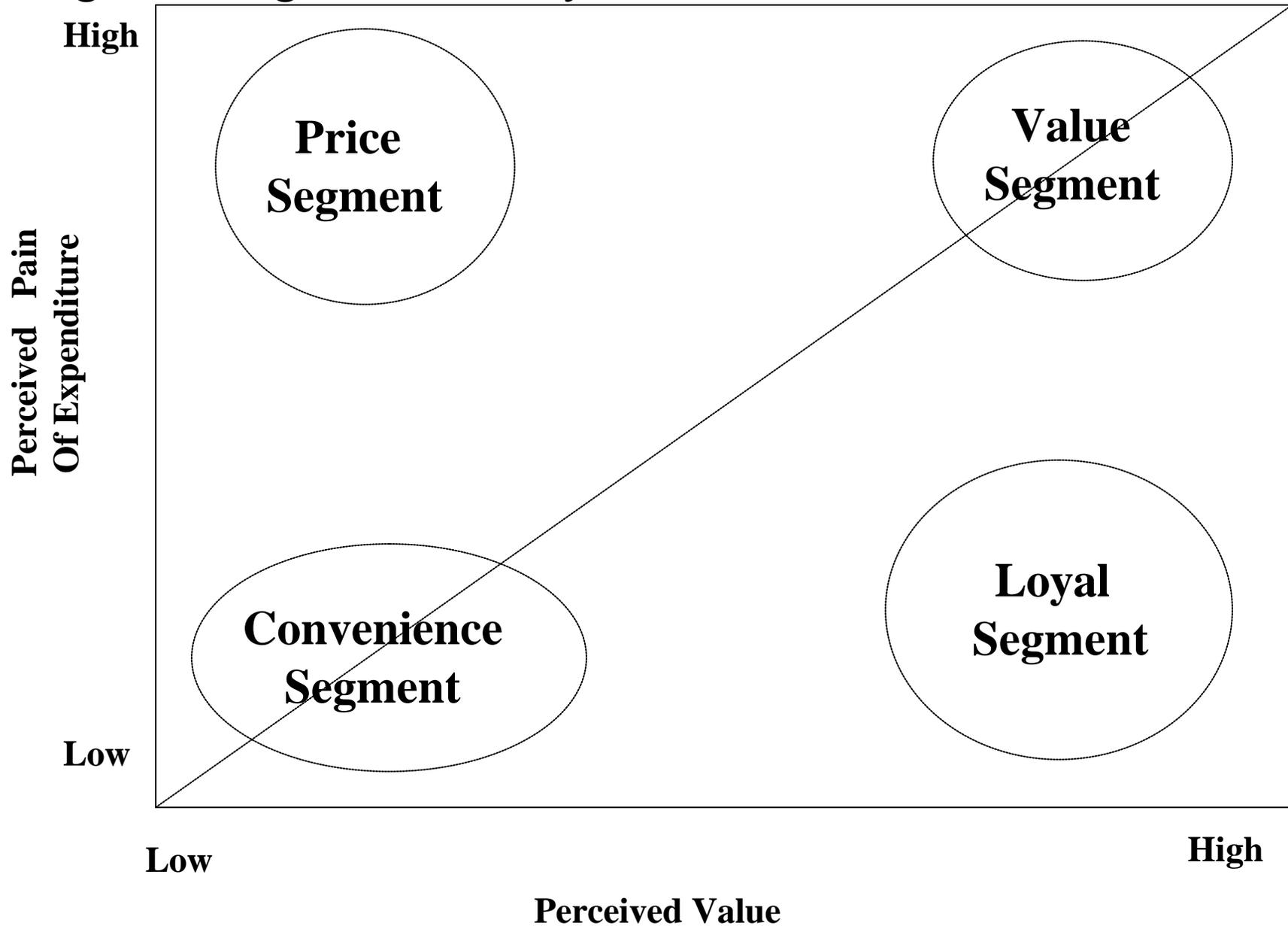
CO agritourism activities: top choices

	Top Agritourism Activities (out of 434 respondents)	Participation
On farm or ranch	Camping / picnicking	123
	Photography / painting/nature based art	101
	Bird watching & wildlife viewing	90
	Fishing (including winter ice fishing)	64
	Horseback riding	57
	Corporate/special events (weddings, retreats, family reunions)	45
Food	Farmer's markets	93
	Microbrew tour, visit and/or tasting	49
	Winery tour, visit and/or tasting	47
Heritage	Historical museums/sites (ag history, machinery, pioneer cabins)	92
	Rodeo or livestock based activity (Stock Show, county fair)	25
	Total Participation-more than one for some respondents	1,047

464 respondents (about 52%) participated in no agritourism activities during their last Colorado trip



Segmenting Markets by Influencers





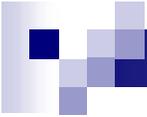
Target Segments

- 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



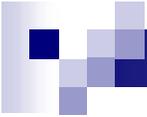
Out-of-State Activity Seekers

- 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)



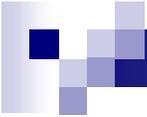
Loyal Colorado Enthusiasts

- 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

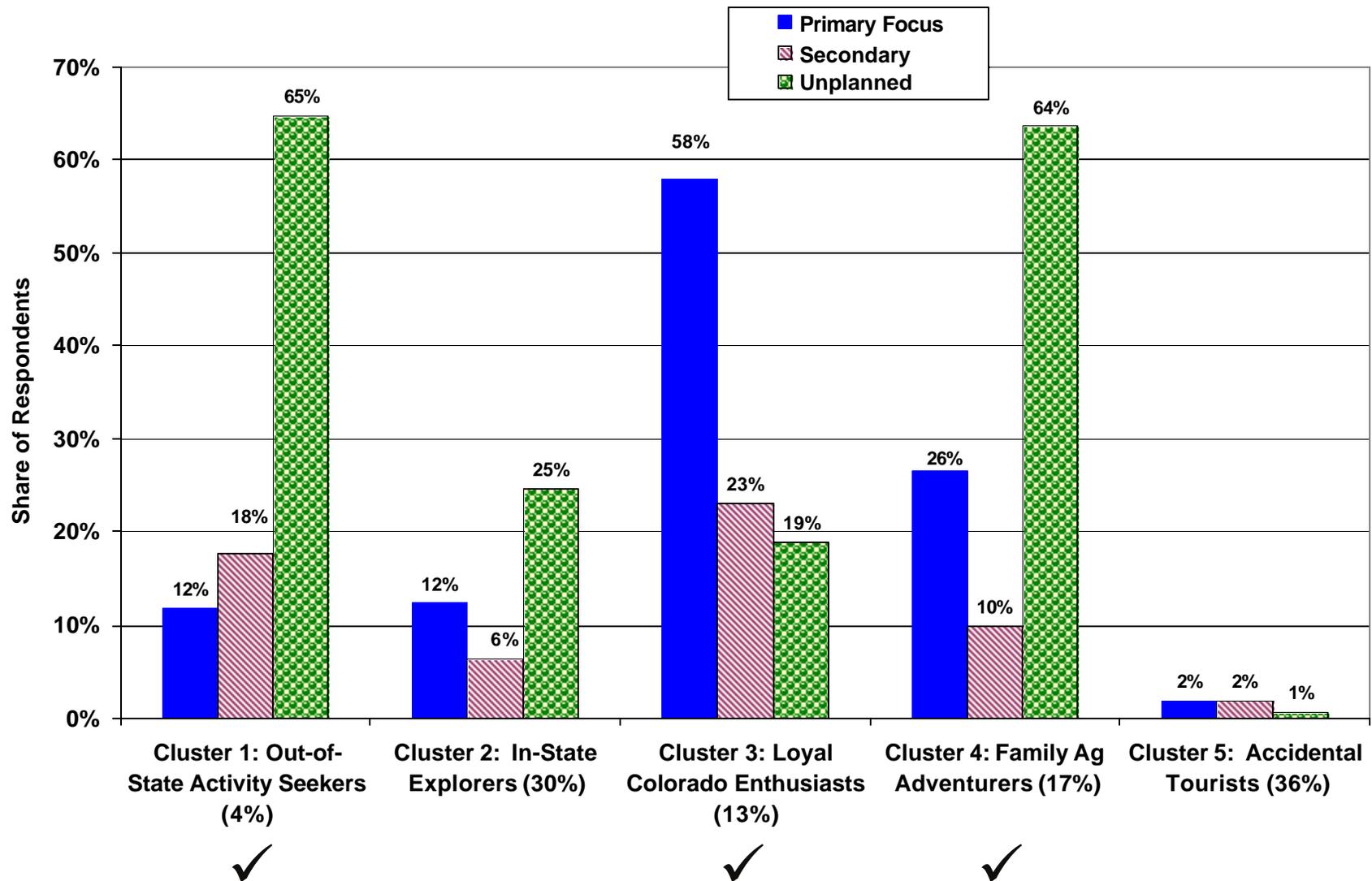


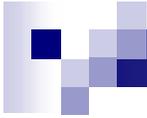
Accidental Tourists

- 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”
 - Need to advertise in hotels and airports and shuttles
 - Activities need to be well-promoted and easily accessed due to the limited time
 - 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

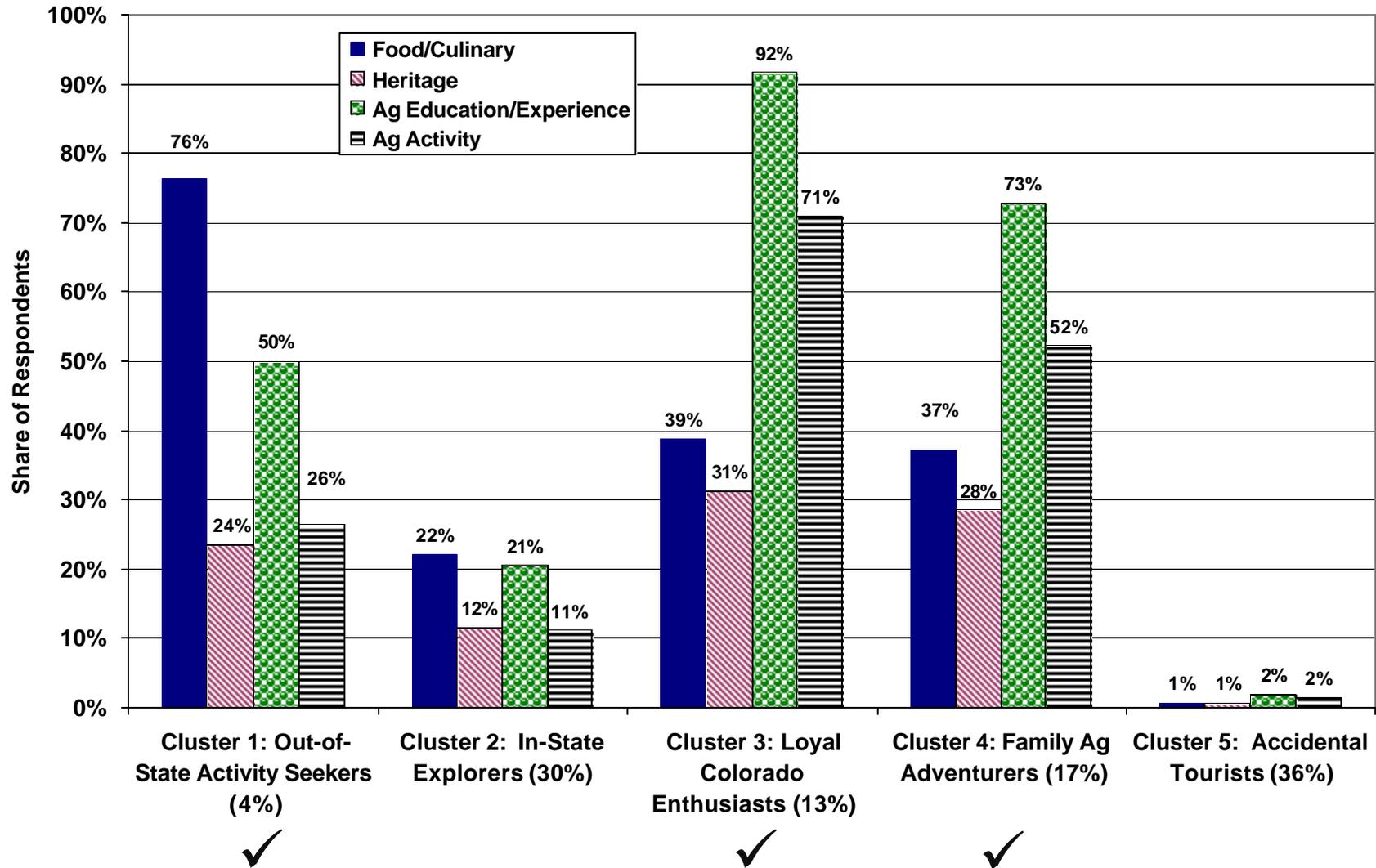
Importance of Agritourism to Visit

By Cluster, N=897

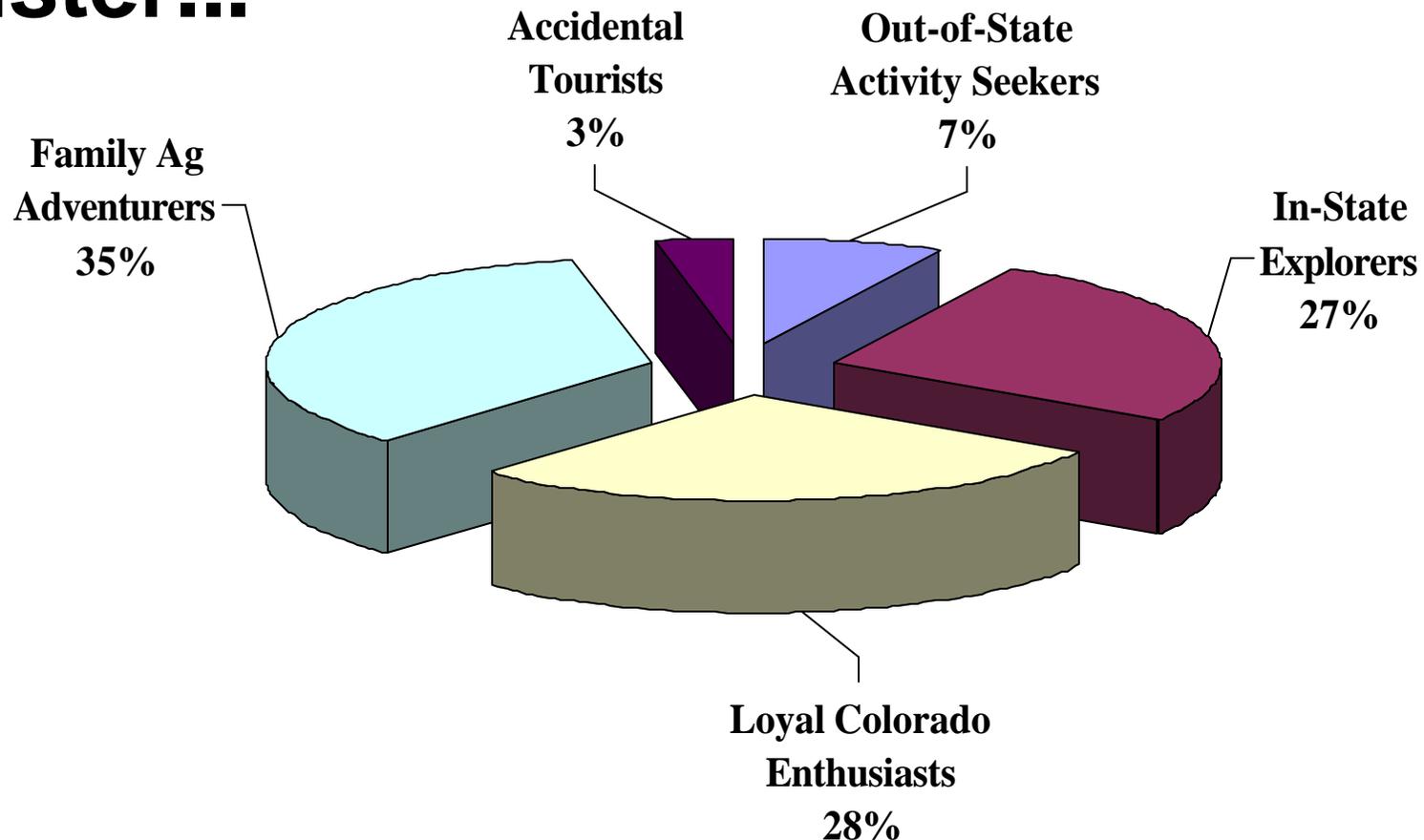




Participation in Agritourism Activities by Cluster, n=897



Percentage of agritourists in each cluster...



...But, let's look at what their travel patterns tell us

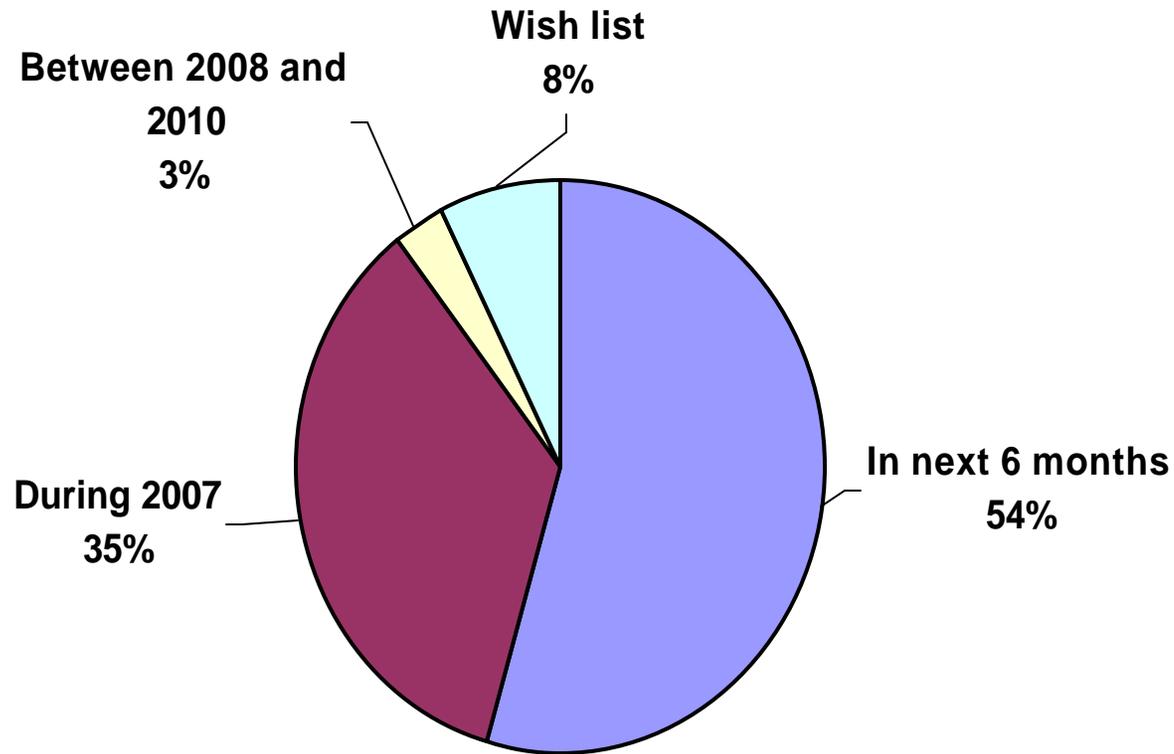
Part of targeting explores travel behavior and Opportunities

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

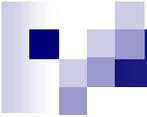
Table 1: Travel Behavior among Segments, n=897

	Out-of-State Activity Seekers (30%)	In-State Explorers (4%)	Loyal Colorado Enthusiasts (13%)	Family Ag Adventurers (36%)	Accidental Tourists (17%)
Share of Agritourism Participation per Year	3%	20%	47%	27%	24%
Share of Agritourism Participation in Colorado	7%	42%	65%	55%	24%
Share who Note an Increase in Agritourism Visits as Compared to 2 Years Ago	4%	11%	31%	21%	24%

Future plans to visit Colorado for Agritourism



52% of all respondents who plan to visit Colorado (or an area of CO where they don't live) said agritourism would be a primary or secondary reason for their visit (n=524)



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?

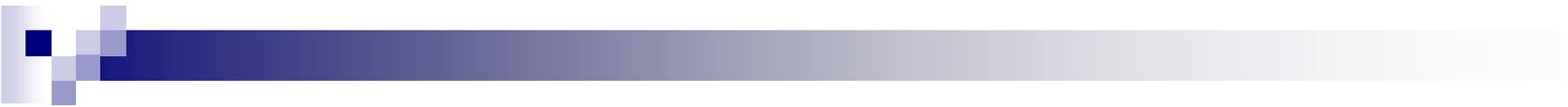
■ Dependent on Scale, cost per visitor.....

- One way to consider break even, if you consider visits as “yield”



Potential Corn Maze Budget

Expenses	2006	2007	2008
Maze Contractor	\$5,000.00	\$5,000.00	\$5,000.00
Maze Maintenance	\$7,000.00	\$7,000.00	\$7,000.00
Carpark and ticket booth construction	\$500.00	\$500.00	\$500.00
Concessions unit rental	\$5,000.00	\$5,000.00	\$5,000.00
Concessions stock	\$50,000.00	\$54,166.67	\$58,333.33
Labor	\$45,360.00	\$45,360.00	\$32,256.00
Salaries	\$100,000.00	\$100,000.00	\$100,000.00
Insurance	\$6,000.00	\$6,000.00	\$6,000.00
Licensing	\$1,000.00	\$1,000.00	\$1,000.00
Restroom Upkeep	\$4,480.00	\$1,860.00	\$1,860.00
Advertising	\$30,000.00	\$30,000.00	\$30,000.00
Pumpkins	\$31,500.00	\$34,125.00	\$36,750.00
Miscellaneous	\$1,500.00	\$1,500.00	\$1,500.00
Expenses	\$287,340.00	\$291,511.67	\$285,199.33



What does this mean?

- What are per visitor costs...
 - If 20,000 visit? Over \$14 per visitor
 - 60,000 visit? Less than \$5 per visit
 - Would some costs decrease with fewer visitors? This represents “scale efficiency”
- When you need many visitors or “yield” to cover high fixed costs, you may try different pricing strategies → more later

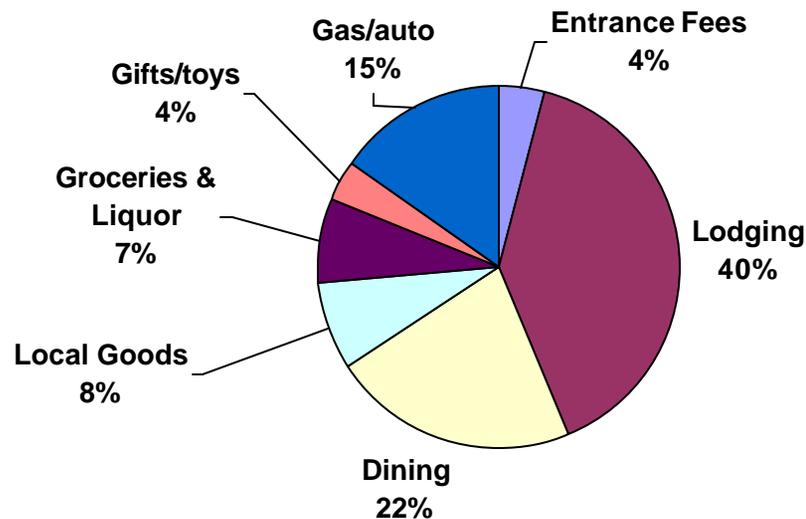


Product Benefits and Costs

- 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?

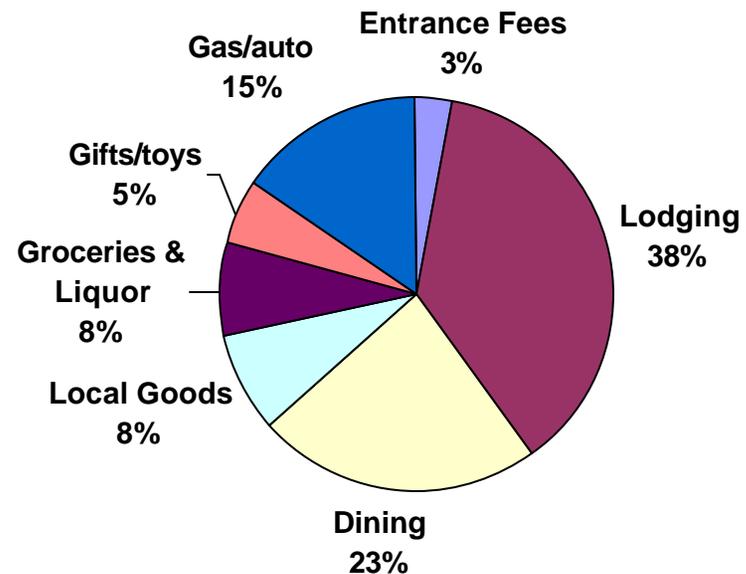
Colorado Tourists



- Out-of-state tourists spent an average of \$887 on last trip to Colorado: important as it is a greater impact

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

Out of State Tourists





What are travelers spending?

	Total expenditures (\$)		Total expenditures per day (\$)	
	Mean	SD	Mean	SD
Out-of-state	\$887.36*	1332.09	\$157.01*	207.53
In-state	\$391.25*	708.88	\$113.61*	153.00
Total	\$676.06	1136.05	\$138.61	187.29

* Significantly different at a 95% confidence level.

What does the future hold?

- 52% of all respondents said they planned to visit CO in 2007
- And, 40% would plan their trip to include agritourism
 - Another 5% would include agritourism in 2008 – 2010

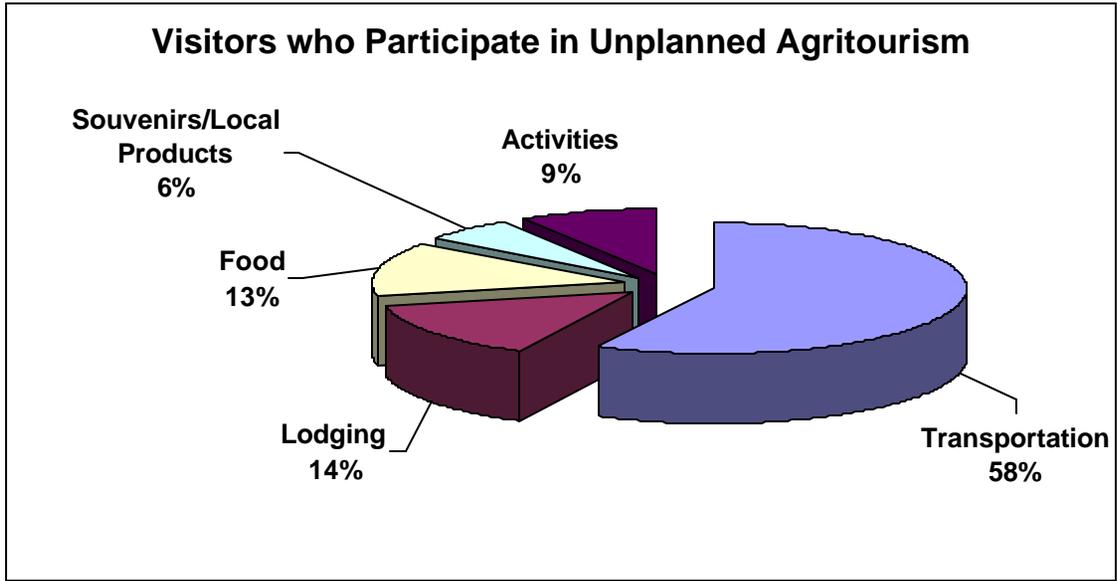
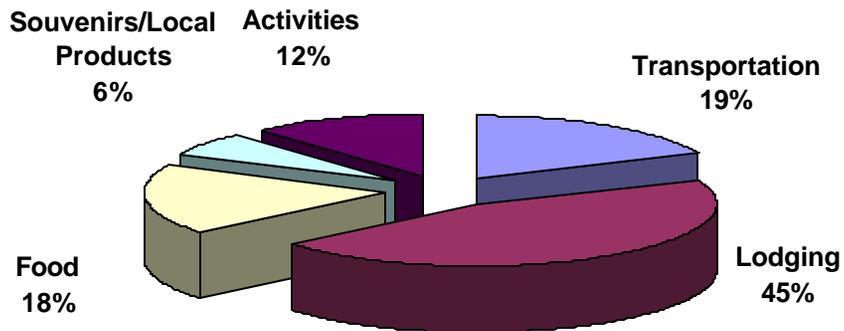
Those planning primarily for agritourism intend to spend more, especially out-of-state visitors

Average expected total expenditures

	During 2007	After 2007	
Primary	\$ 712.36	\$ 1,112.50	94
In-state	\$ 419.33	\$ 750.00	70
Out-of-state	\$ 1,776.53	\$ 1,185.00	24
N			
Secondary	\$ 823.22	\$ 1,123.50	45
In-state	\$ 595.39	\$ 184.00	19
Out-of-state	\$ 1,001.52	\$ 1,436.67	26
N	41	4	
Unplanned	\$ 757.01	\$ 997.50	90
In-state	\$ 520.00	\$ 750.00	41
Out-of-state	\$ 982.74	\$ 1,032.86	49
N	82	8	

Travel Budgets for 2007 Visits (n=93,83)

Travelers who Report that Agritourism is Primary Purpose of Trip





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

Average satisfaction with agritourism activities

(1=Extremely Satisfied, 5=Not at all Satisfied)

On farm/ranch activities

Children's camp	1.00
Dude or guest ranch	1.00
Hay rides / sleigh rides	1.25
On farm/ranch get-a-way (quiet, scenic area)	1.25
Corporate/special events (weddings, retreats, reunions)	1.30
Off-road motorcycling, ATV, mountain biking	1.40
Wilderness guiding and outfitting	1.40
Photography / painting/nature based art	1.41
On-farm or ranch water activities	1.43
Camping / picnicking	1.49
Farm/ranch work experience	1.50
Snowmobiling, cross-country skiing	1.50
Guided tour of farm/ranch (archaeologic, historic sites)	1.50
Horseback riding	1.60
Bird watching & wildlife viewing	1.60
Bed & Breakfast (rural, historical, farm- based)	1.68
Seeing, handling farm/ranch animals	1.70
School & educational tours and activities	1.75
Fishing (including winter ice fishing)	1.81
Agritainment: corn maze, pumpkin patch, etc.	2.00
U-pick operation (produce, Christmas trees)	2.00
Hunting (guided or unguided)	2.11
Trap & skeet shooting	2.50

Food-based activities

Farmer's markets	1.49
Harvest and food festivals	1.66
Other food and culinary experiences (cheese, jam, cider)	1.67
Microbrew tour, visit and/or tasting	1.67
Winery tour, visit and/or tasting	1.70

Heritage activities

Barn dances, hoedowns, square dancing	1.25
Rodeo/livestock activity (Stock Show, county fair)	1.64
Historical museums and sites (ag history)	1.73
Average Satisfaction with All Activities	1.58

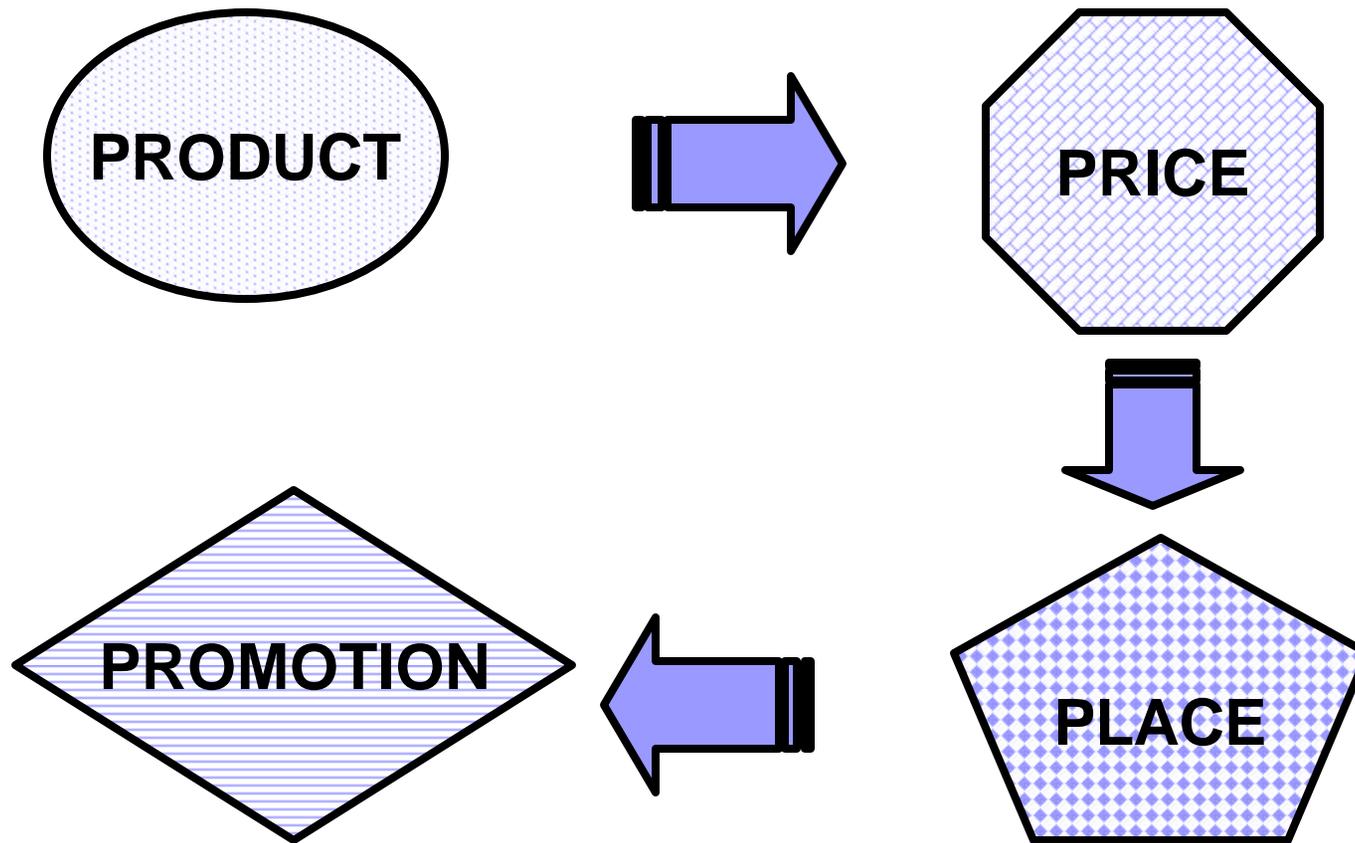
Generally, satisfaction was quite high for all activities
 Red: Very high
 Blue: Relatively low

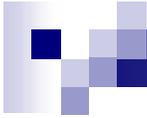


Challenges:

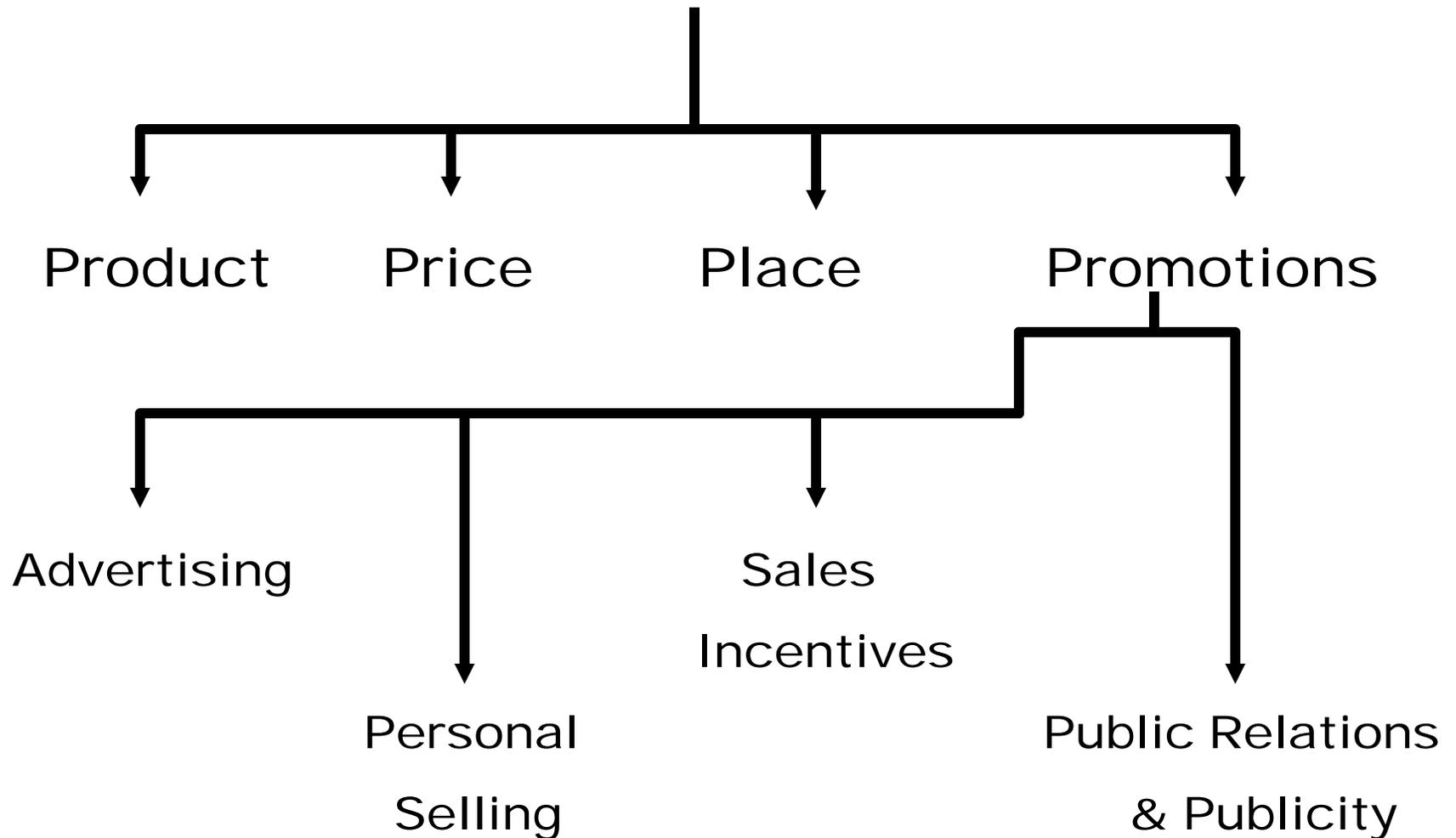
- Shifting visitors from unplanned to planned agritourism
 - Increases expenditures at local level
- Rounding out trips: 87% of all travelers were satisfied with their visits
 - But 13% would have liked more agritourism and other activities to round out their trip; would have paid for it
- Creating impression 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: Implementation





Marketing





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:

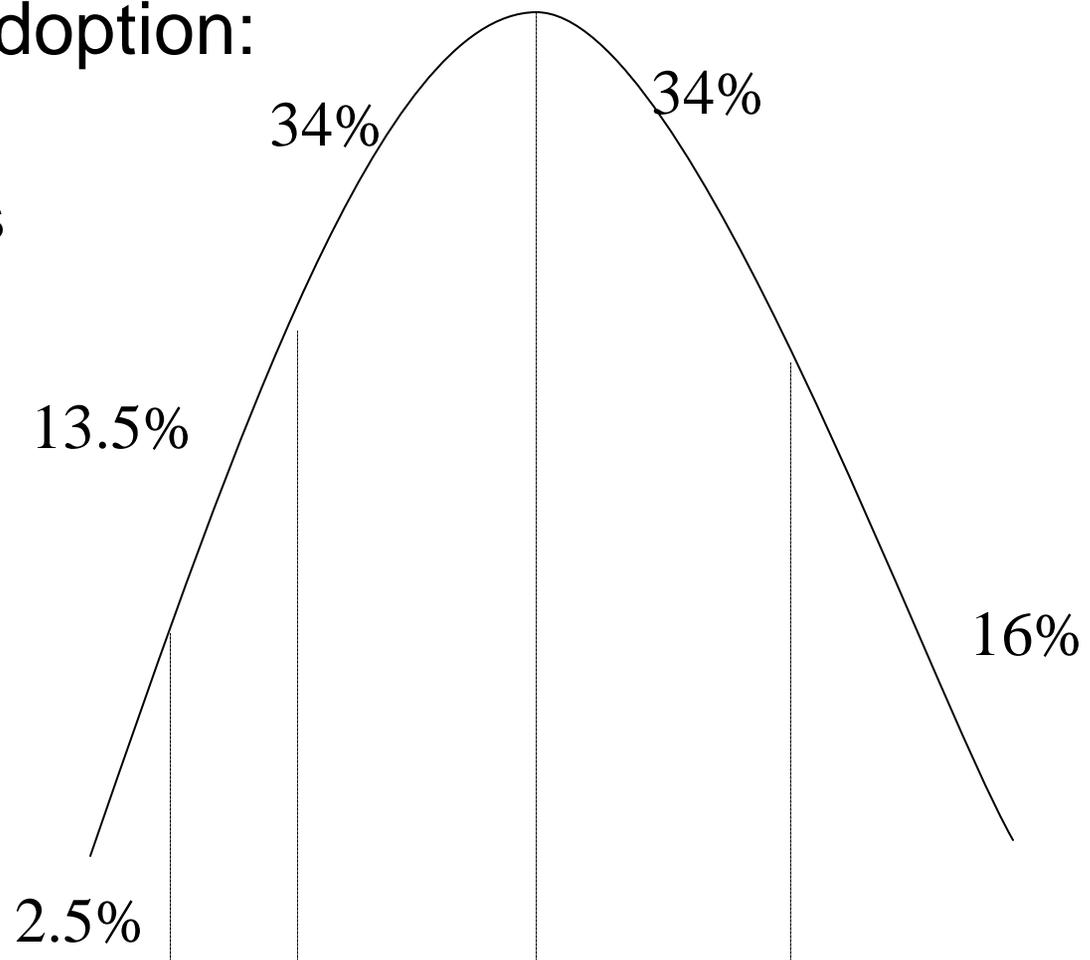
Awareness

Interest

Evaluation

Trial

Adoption





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

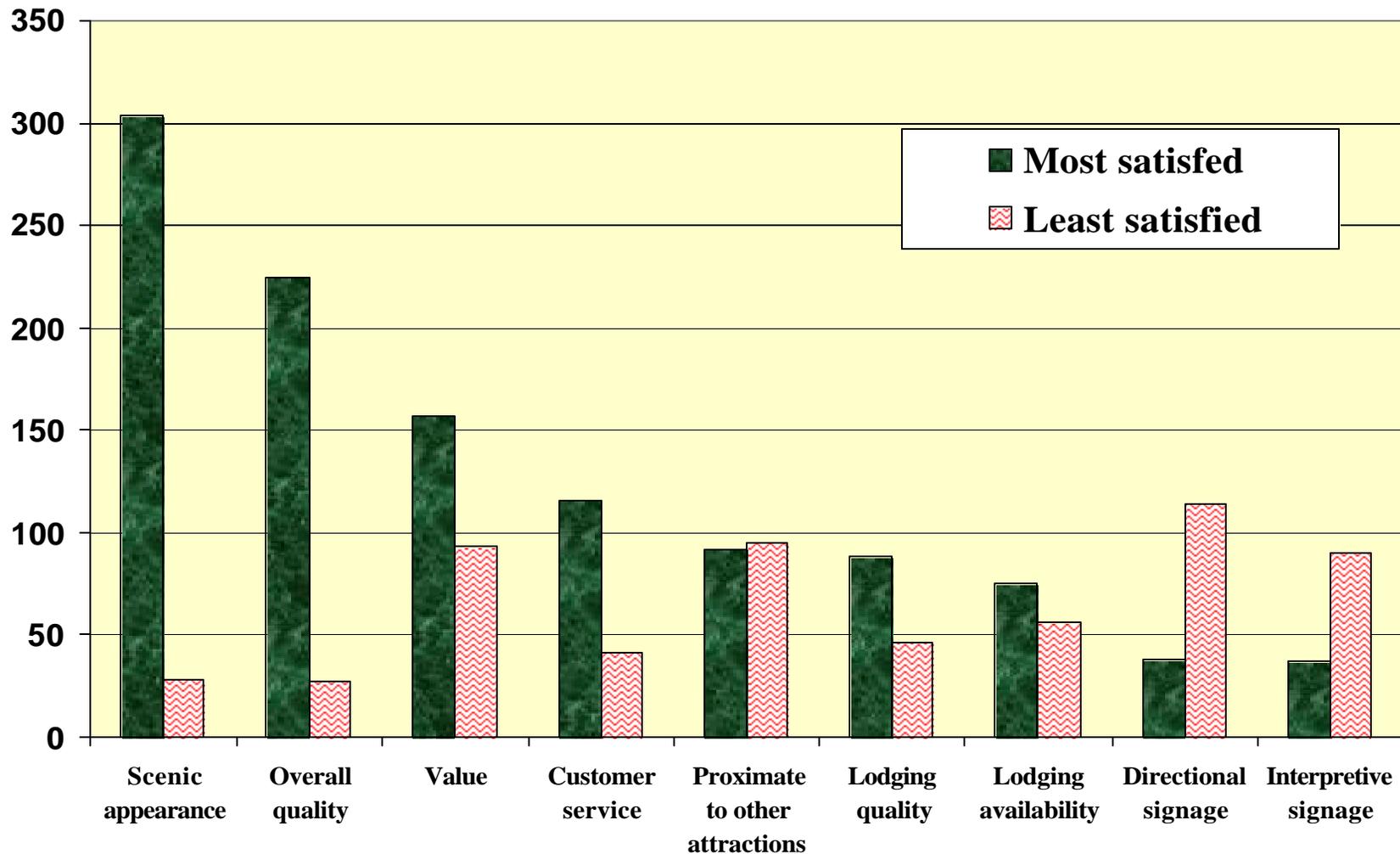
Note that Market Research and Promotion are the Primary Focus in early Stages when you build Interest and Awareness

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

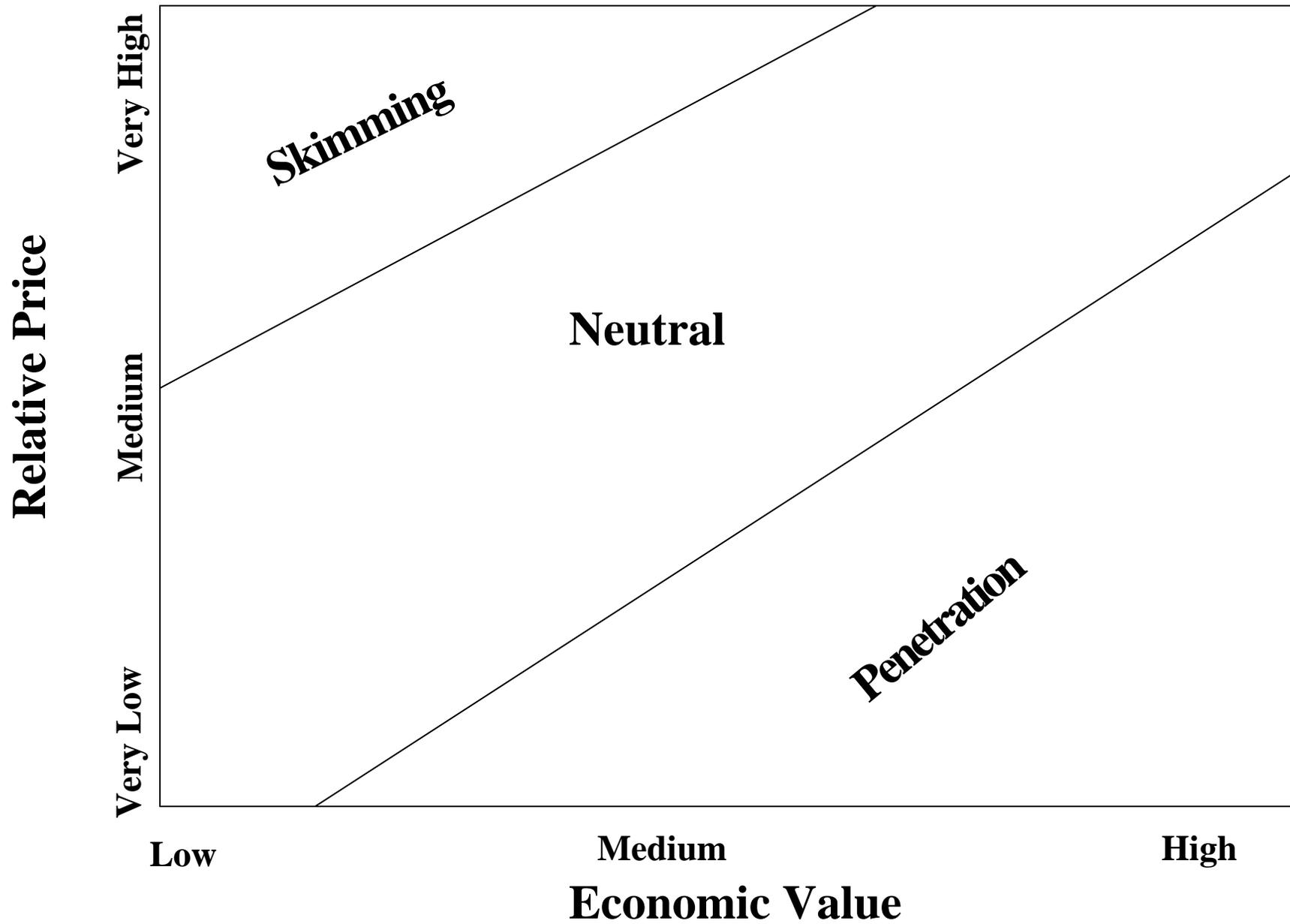




2. Price

- 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
- Price strategies include challenge to get most of consumer budget on your product/service

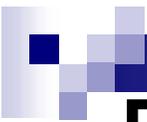
Generic Pricing Strategies





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



Parade Rest Guest Ranch- Outside Yellowstone

- "All Inclusive" rates include your lodging, 3 meals per day, horseback riding, fly-fishing on the ranch creek, and cookouts on Monday and Friday nights.
- Per night rates for 2008 season:
 - Adult 12 and older- \$189.54
 - 8-11 year olds - \$150.93
 - 5-7 year olds – \$107.64 Under 5 free
- Early and late season specials-penetration

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**



What can you say about Pricing



For the Following Events??



- **One general admission price includes all the "Olathe Sweet" Sweet corn you can eat, entertainment all day, plus the evening LEANN RIMES concert.**

- **General Admission**

- **Adult - Includes LEANN RIMES Concert - \$16 in Advance - \$19 at the Gate**
- **Seniors(60+) - \$5 discount**
- **Kids 3 to 12 - \$3**
- **Kids 2 and under are free.**



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!

FROM AN Illinois Culinary Operator:

<http://www.learngreatfoods.com/index.html>

Culinary Farm Tour- \$95

*Visit two organic farms and gourmet food stops.
(Includes cooking class and dinner).*

*Offered Northwest Illinois (and Wisc. and Iowa)
and Northern Michigan, April-November.*



Organic Culinary Retreat- \$325

Relax for the weekend with two cooking classes and food tours. Includes two nights lodging, double occupancy. (Includes tours, cooking classes and all meals). Single supplement: \$50.

Offered April-June, Sept.-Nov.

Food Travel Weeks - \$1495

Food adventures down under!

Travel weeks include in-country bus and van transfers, 7 nights lodging, most meals, cooking classes, central market shopping, and amazing adventures and introductions! Single supplement: \$300.

Offered Yucatan Peninsula, March and July 2008.

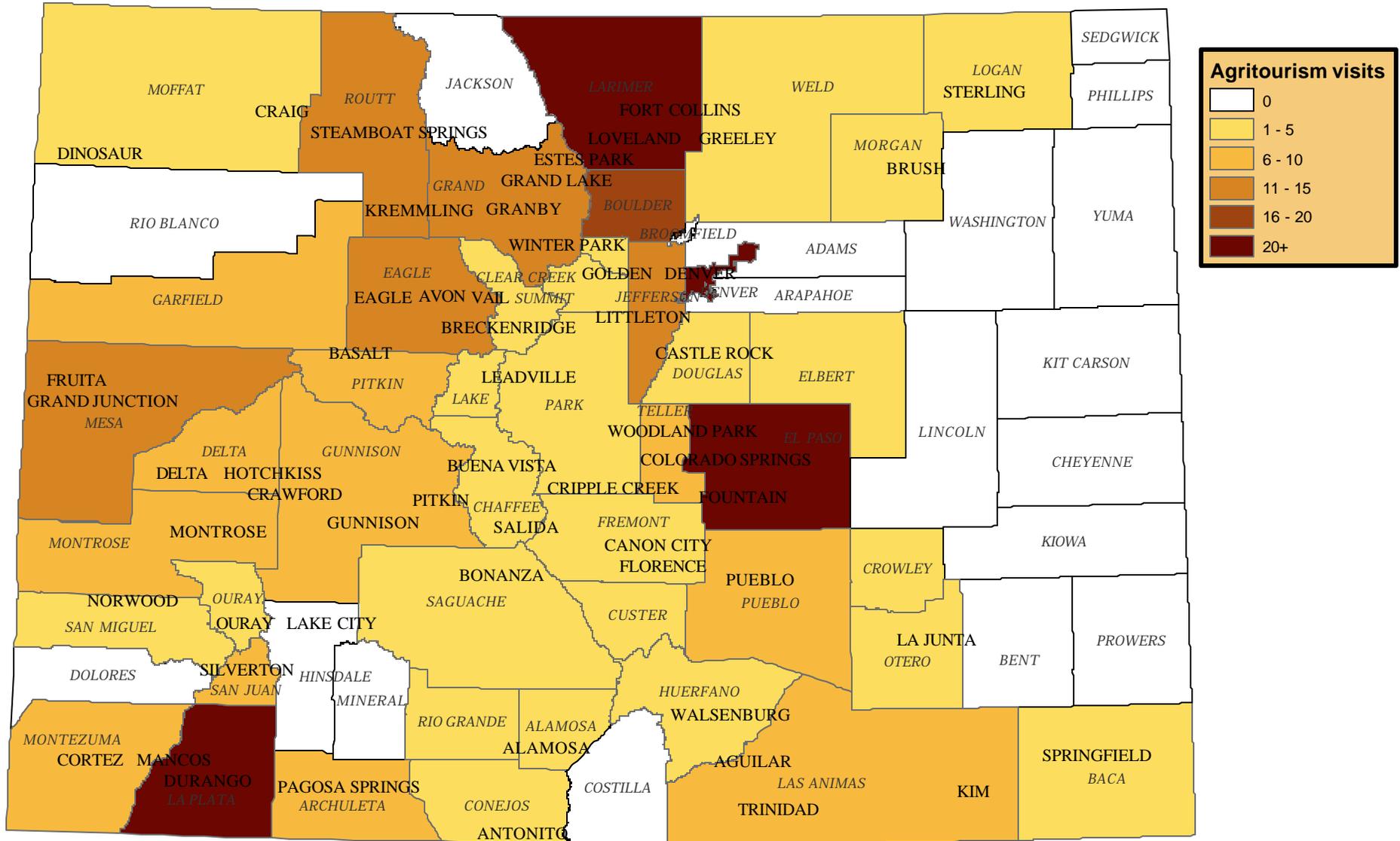
Offered Mendoza Argentina, January-March 2008.



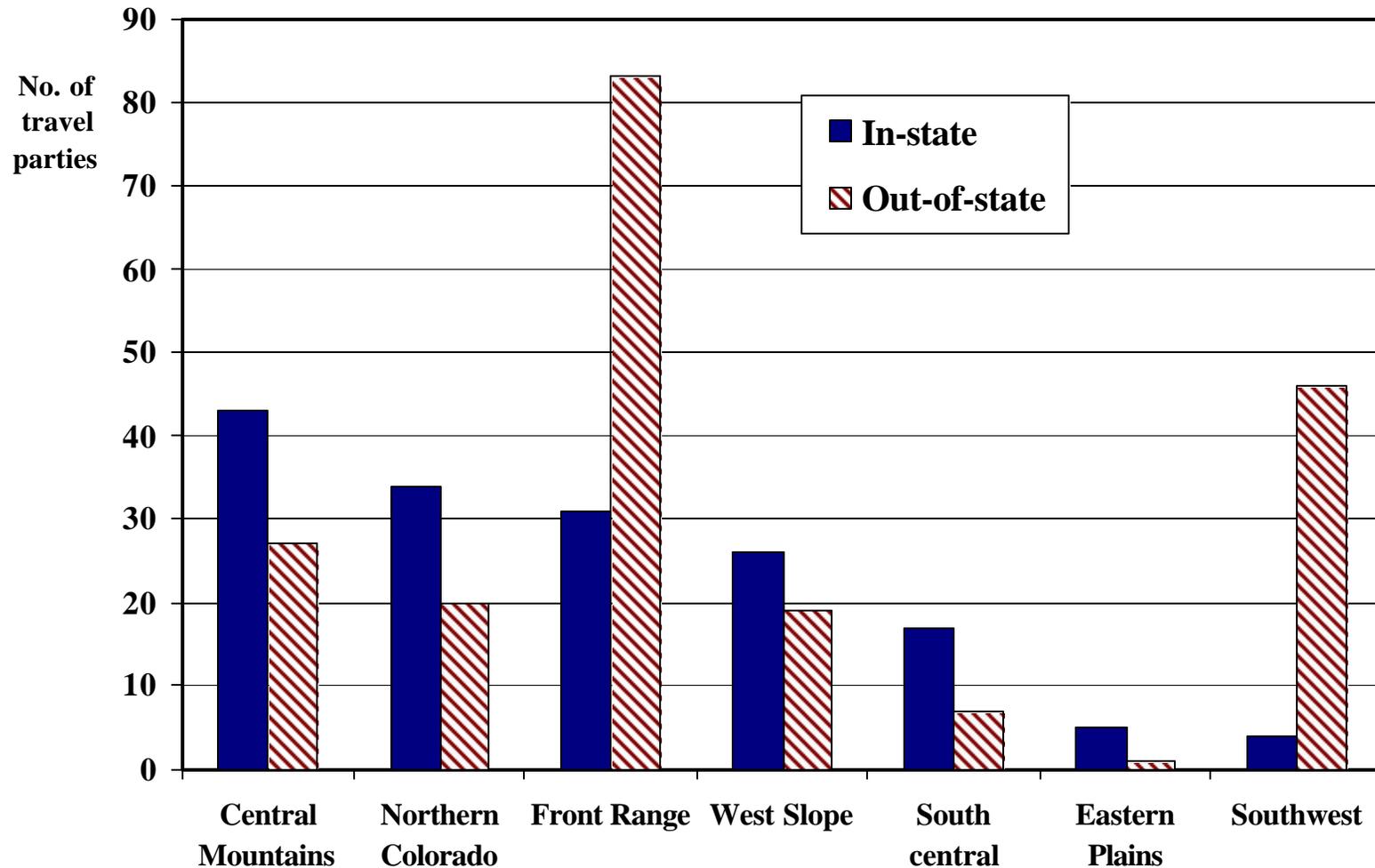
3. Place – Distribution Channel

- 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



Regional participation

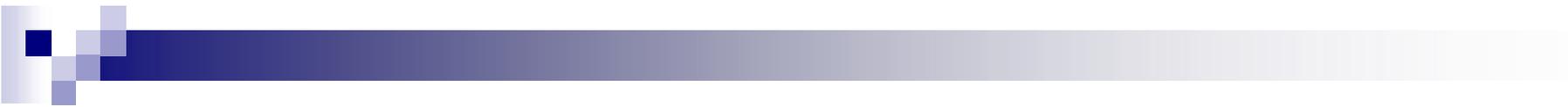


* Of Colorado's agritourists, 44% were Coloradans & 56% were from out-of-state.



Other regional patterns...

- Length of visit
 - Longest in Central Mtns, shortest in East
- Agritourism activities
 - On-farm: Central Mtns, Northern CO, South Central
 - Culinary: Front Range & West Slope
 - Heritage: Eastern Plains & Southwest
- Spending:
 - Southwest greatest amount per trip, Eastern Plains lowest amount



Exploring Place and Distribution: Matching the Product Strategy

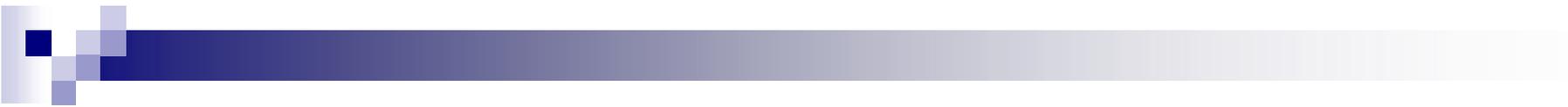
- Product Demand Characteristics:
 - Product life cycle, product variety, lead time to market, flexibility of delivery

- Functional and Innovative?
 - Functional - a staple that people buy and have adopted
 - Innovative - “New,” “Unique”
 - - unpredictable demand
 - - short life cycles
 - - understanding emerging consumer interests



Key Point

- Marshall Fisher, Harvard Business Review
 - “***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*



Commodity vs. Innovation

- Commodity Product or Well Known Service:
 - The challenge isn't to differentiate the product, but to focus on the most efficient production, good location, and low prices
 - This will tend to be higher volume and basic services with few, if any, personalized touches
 - For example, a simple pumpkin patch without events
- Innovative Product or Unique Service:
 - These are customized products that are differentiated to attract a particular target consumer segment
 - Local assistance and partners can be leveraged well
 - Visitors Bureaus, connections to local downtown, National and State Park referrals
 - Some lessons may be drawn from customer discussions rather than more formalized market surveys and studies.



Innovation in Agritourism

- Emulating successful models can be lucrative, but the best margins are often in newly created recreational activities
- Innovation can be in the actual agritourism experience (new offering) or in how it is organized (cooperate with existing event, food celebrity, recreation leader)



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

Source: Lou Pelton, David Strutton, & James Lumpkin. 1997.
Marketing Channels: A Relationship Management Approach, pp 99-109.



Promotional Methods

- Advertising: newspaper, television, magazine, radio, Internet, billboard
 - Does your business have a unique story?
- Public relations: community service or events
- Sales promotions: point-of-purchase displays, trade shows, exhibitions and demonstrations (free samples)
- Word of mouth

Source: Lou Pelton, David Strutton, & James Lumpkin. 1997.
Marketing Channels: A Relationship Management Approach. pp 99-109.



RIMROCK DUDE RANCH

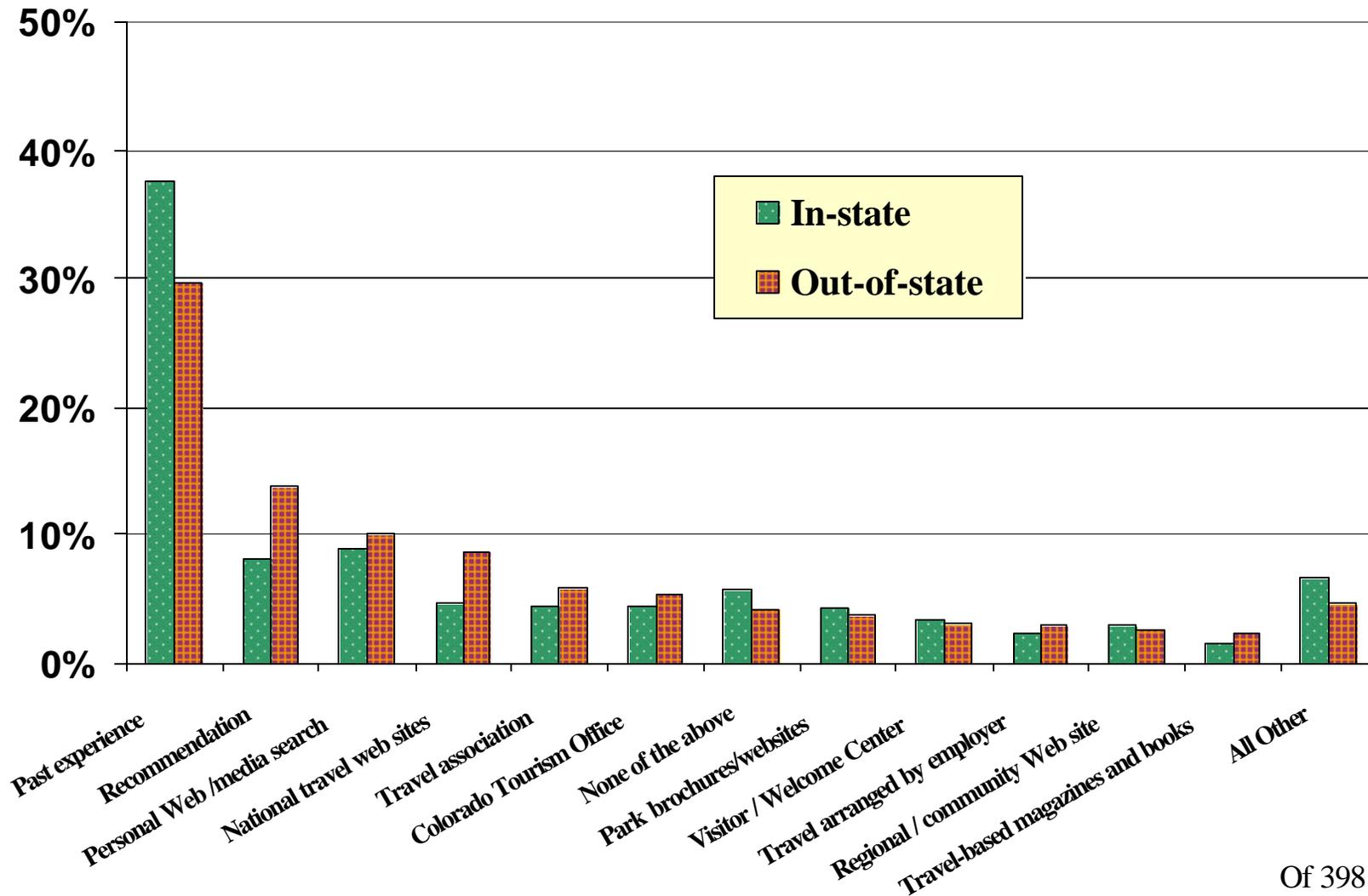
Member of The Dude Ranchers Association



- Ranch Vacation
- Wilderness Pack Trips
- Snowmobile Trips
- Hunting
- Fishing
- Photo Albums
- Area Maps
- General Area Info
- Send Postcard



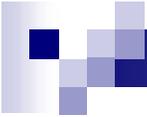
Resources consulted prior to travel



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



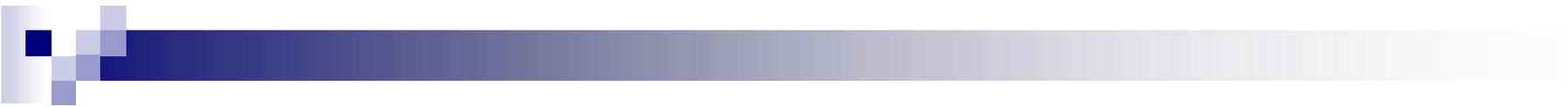
When Promoting Your Product...

- 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
 - 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?



Growth, Change or Exit?

- Agritourism is only one of the potential enterprise diversification strategies that may affect this “big picture” thinking
- Representative of the set of choices though....
 -Stretches often untapped resources,
 - Creates new Revenue Streams
 - Requires significantly different Management skills and Marketing Strategies



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.ag.state.co.us/mkt/agritourism/tours.html>
- **Agri-Business Council of Oregon, Workbook**
- **Agricultural Marketing Resource Center**
- **Agriculture Innovation Center**
- **Eckert AgriMarketing**
- **USDA-Natural Resources Conservation Service**