



Marketing Value-Added Specialty Products in Tennessee

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Introduction

Marketing is a challenge that is often underestimated or neglected in the planning stages of value-added agricultural enterprises. Producers spend a lot of time and energy on production issues and may feel that their product will sell itself. Often that attitude is a recipe for failure. While market planning does not guarantee success, the potential for success is greatly enhanced.

Market planning considerations of value-added specialty products in Tennessee includes general marketing concepts as well as some fairly unique opportunities and challenges. Some of the most critical considerations for marketing specialty value-added products will be discussed, while noting that it is important for producers to complete a thorough marketing plan.

Definition of Value-Added Products

It may be helpful to begin with a definition of value-added products and some examples. One of many definitions explains a value-added product as a commodity or product that has been changed, produced, or segregated such that a greater portion of the consumer dollar is earned by the producer. Value may be added through further processing, packaging or marketing of a product.

Many options exist for adding value to commodities or specialty crops and are limited only by ones imagination. Some examples include goat milk to goat milk soap or cheese, strawberries to preserves or pies, a farm to a pick-your-own operation or farm tours, tomatoes to salsa or pasta sauce and wood products into handcrafted bowls or furniture.

Definition of Marketing

It is also useful to have a clear understanding of the definition of marketing. Marketing is often thought of simply as product sales or advertising, however, marketing includes much more. Marketing is “planning and executing a set of objectives to bring buyers and sellers together so that a sale can take place” and requires thorough planning and execution. Marketing links the seller’s four Ps with the customer’s 4 Cs: **Product** with **Customer benefit**, **Price** with **Customer cost**, **Place** with **Convenience** and **Promotions** with **Communication**.

Customer Values

A key to marketing is to develop and market a product to meet unfulfilled needs of consumers. In order to do this, it is important to understand what a consumer values. When making purchase decisions, consumers generally consider, the benefit that they will receive from the product or service (customer benefit), the cost that will be incurred to acquire the product or service (customer cost), the convenience of acquiring the product or service (convenience) and their knowledge of the product and how to acquire it (communication).

Linking Products to Customer Values

There are three main strategies to link products to customer values: “be better”, “be unique” or “be cheaper”. For most value-added products, especially specialty products, only two of these strategies are feasible to consider, “be better” or “be unique”. The “be cheaper” strategy should be excluded since, in most cases, competitors can produce products at lower costs and offer a lower retail price. Value-added specialty products are also generally targeted to a niche market and positioned to earn a premium price.

Target Markets

It is critical to identify a specific target market for a value-added specialty product. A target market is defined as a specific portion of the population with a need that the product can fulfill, a willingness to purchase the product and the financial ability to purchase the product. The target market for each specific product will vary. Some potential characteristics of a target market for value-added specialty product may include consumers with medium to high income who are price insensitive, quality driven, educated, health conscious and/or loyal to the community.

Marketing Tactics

The tactics developed and used to gain market share should be tailored to the product’s specific target market and their customer values as well as the producer’s goals. Marketing tactics include the product’s value proposition(s), price, distribution and sales location and promotions.

Product Value Propositions

Value propositions are the characteristics of the product and business that are offered to potential customers. Value-added specialty products have many options for value propositions. Some of these options are listed below:

- Locally-produced
 - Freshness of products
 - Vine-ripened
 - Food safety
 - Support for community
 - Support for sustainable agriculture
 - Support for family farms
- Experience
 - On-farm retail
 - Pick-your-own
 - Operation tours
- Private label
- Production methods
 - Hand-made/One-of-a-kind
 - Natural
 - Organic
 - Grass Fed
 - Free Range
 - Family recipe
 - Attractive packaging
- Customer service
 - Relationship
 - Custom processed
 - Delivery

Price Determinates

Setting prices can be challenging, and many issues need to be considered. Production costs, both fixed and variable, are the most important consideration. A common retail mark-up above costs is 30 percent, although specialty products may be able to obtain a premium. Customer willingness to pay, supply and demand, competition and product positioning are other issues to consider.

Place – Distribution or Sales Location

Producers will earn the largest portion of the consumer dollar by marketing directly to the consumer. If a wholesaler is used, expect them to earn 10 to 15 percent of the retail price. Options for direct marketing of specialty value-added products may include on-farm retail outlets, pick-your-own operations, e-commerce websites, mail-order catalogs, grocery stores, gift shops, farmers' markets and craft shows.

Promotional Strategies

Several options exist for promotional strategies including publicity, sampling, advertising, word-of-mouth, discounting, work-of-mouth and trade shows. Each has different advantages and disadvantages that should be considered. An effective promotional strategy will most likely include a combination of several of these options.

A unique promotional opportunity exists for value-added products of Tennessee origin. The Tennessee Department of Agriculture operates the *Pick Tennessee Products* (PTP) program which is “a campaign to help consumers identify and choose Tennessee produced and processed agricultural products, and to put buyers and sellers together.” Participating businesses are included in a website directory and are allowed to use the PTP logo on packaging and on promotional materials.

Marketing Budget

Market planning and activities require an investment of both time and financial resources. Budgeting is critical to help in the planning of marketing activities and to help measure the effectiveness of those activities. Marketing budgets will include the costs of market analysis and research as well as marketing tactics and are often set at 5 to 10 percent of expected gross sales.

Summary

Marketing specialty value-added products is a complex and challenging task. A complete marketing plan should be developed and implemented to enhance the potential for success. Markets are dynamic so the plan should be continually evaluated and adjusted as needed. Understanding customers' values, identifying a target market, developing and implementing appropriate marketing tactics and market budgeting are critical to effectively marketing value-added products. A complete and thorough marketing plan should be developed, however. General marketing concepts apply to marketing value-added specialty products, but these products also face some unique challenges and opportunities.