Agricultural Development Center

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Analyzing and Developing Marketing Strategies for Tennessee's Value-Added Agriculture

# Results of Marketing Surveys for Case Study Businesses

Wineries

Restaurants

Gift Basket Companies

**F**ederal
**S**tate
**M**arketing
**I**mprovement
**P**rogram

# Results of Marketing Surveys for Case Study Businesses

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The University of Tennessee Agricultural Development Center.

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Seth Riggins
Principal Investigator

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# Foreword

Interest by Tennessee small farmers and agri-entrepreneurs in value-added products and enterprises has grown in recent years. To enhance the chances for success, these entrepreneurs must develop thorough marketing, management and production plans. However, proper business planning for new, value-added activities by small farmers and agri-entrepreneurs is often stifled by the lack of documented market information. An evaluation of related case studies and market research studies would be valuable, if not critical, to the success of these new agribusinesses.

Prior to this study, however, case studies and market development studies for value-added agribusinesses in Tennessee have not been readily available. Therefore, this project was conducted to develop a variety of marketing studies on existing value-added products in Tennessee.

This project was envisioned to produce a balanced outcome of decision-making information for those involved in, or planning to participate in, value-added agribusiness enterprises in Tennessee. Four successful value-added businesses were selected to be interviewed, representing different value-added opportunities. Information from the interviews was summarized and is presented in a previous publication titled "Using Case Studies to Enhance Success." As envisioned, the reports provide a general overview of the start-up, operating, regulatory, financial and marketing aspects of the businesses. The case studies also provided pivotal information on which the decision to conduct further, specific market development studies was made.

A summary of the market development studies conducted for each of the value-added case-study businesses is presented here. The case studies were used to help in the development of the survey instruments. An intermediate business was selected for each case-study enterprise to obtain a better understanding of some specific marketing issues. In addition, other Tennessee wineries were surveyed for the winery case, Tennessee catfish and seafood restaurants were surveyed for the catfish restaurant case and Tennessee gift basket companies were surveyed for the value-added fruit and value-added meat product cases.

The marketing study reports that follow should provide potential value-added agribusiness entrepreneurs with a good introduction to the considerations for developing a value-added agribusiness marketing plan. Instead, they are not intended to provide a recipe or a blueprint for developing a specific marketing plan. These marketing studies are intended to provide building blocks and selection criteria for specific marketing and promotion tactics and market channel identification.

Additional information about the topics discussed in the marketing studies or to discuss possible assistance with other value-added agribusinesses in Tennessee may be obtained by contacting your county Extension agent, the *Agricultural Development Center* at (865) 974-3824 or www.utextension.utk.edu/adc/ or the Tennessee Department of Agriculture Division of Marketing at (615) 837-5160 or www.picktnproducts.org.

# Project Goals & Objectives

Interest in value-added agricultural enterprises in Tennessee has grown in recent years. To explore this trend and prepare to meet the demands of agricultural producers in Tennessee, the Agricultural Development Center (ADC) at The University of Tennessee obtained a grant from the USDA Federal-State Marketing Improvement Program (FSMIP) through the Tennessee Department of Agriculture Division of Marketing in August 1999. The objectives of the project are to:

1) analyze marketing and management strategies (by conducting case-study interviews) of existing value-added agricultural businesses, and

2) develop successful marketing strategies (through marketing surveys) for potential value-added agricultural businesses/enterprises in Tennessee.

To achieve the first objective, four existing value-added businesses were selected as the subjects for personal interviews. Specific business and industry details were documented, including technical, operational and financial parameters, marketing strategies and the availability of marketing information. Businesses were selected for the following value-added enterprises: winery, fruit pies, country hams and a catfish restaurant. A summary of the case studies has been published under the title: "Using Case Studies to Enhance Success." The publication includes a descriptive report for each case study, attempting to fully explore and explain details of the industry. By describing how current businesses started and became successful, other entrepreneurs should be able to use these case studies to improve decision making regarding potential value-added agricultural enterprises.

The second objective of the project has been met through a series of market surveys. The survey was developed from the case studies that were completed during the first part of the project. Three business audiences were surveyed to provide a better understanding of the specific marketing details for each of the value-added case-study businesses.

Nineteen Tennessee farm wineries were surveyed to evaluate trends in wine sales, advertising and packaging issues. Gift basket operations throughout Tennessee were surveyed to identify sales trends, product preferences and advertising trends. Independent restaurants (specifically those currently serving fish and seafood on their menu) across Tennessee were surveyed to evaluate sources of inputs (catfish), the demand for Tennessee-raised catfish and marketing methods.

# Executive Summary for Each Market Study

A one-page bulleted executive summary has been prepared for each of the market study projects. These summaries provide a brief description of the study, results, marketing methods and implications.

# Marketing Farm-Raised Catfish to Tennessee Restaurants

***Description of Study***

- Survey of 118 catfish restaurants in Tennessee.
- 71 percent response rate.

***Results of Study***

- The majority of catfish purchased in Tennessee are IQF (Individually Quick Frozen) fillets.
- Two primary groups of restaurants: those who serve between 100 - 500 lbs per month, and those who serve more than 1000 pounds per month.

***Marketing Methods***

- To service the restaurant market channel, a producer must be able to consistently supply a good product, sometimes at rather high volumes.
- Direct selling to restaurants can lead to increased revenue.

***Conclusions***

- Branding catfish may be one way to increase revenue and consumer knowledge of a product.
- The restaurant market channel has many opportunities for enterprising farmers.

# Tennessee Farm Wineries

***Description of Study***

- Total population survey of all 19 wineries in Tennessee.
- 84.2 percent response rate.

***Results of Study***

- The average number of wines produced per winery is 13.
- 98.75 percent of all wine sold by Tennessee farm wineries is in 750 ml bottles.
- Average annual production is 11,921 gallons of wine per winery.
- White wine is the best seller, accounting for 51 percent of gross revenues.
- Average price of a 750 ml bottle of white wine is $8.90.
- The highest grossing time of year is October through December.

***Marketing Methods***

- Billboards are the most effective means of advertising.
- Most wineries use newspaper and billboards for advertising; however, the print ads received very little customer feedback.

***Conclusions***

- New wineries should produce semi-sweet and sweet white wines predominately.
- Use billboards for maximum customer exposure.
- Price per 750 ml bottle for a white wine should be between $8 to $10.
- Wholesaling is probably not profitable for small-scale wineries (under 20,000 gallons per year).

## Value-added Fruit Products and Tennessee Gift Basket Companies

***Description of Study***

- The study was conducted in two parts, examining both value-added fruit and value-added meat use by gift basket companies in Tennessee.
- One hundred sixty companies producing gift baskets in Tennessee were contacted by telephone; 60 responded (37.5 percent response rate).

***Results of Study***

- The median number of gift baskets sold per company per year was 300.
- Forty-five percent of gift basket companies sell 10 or less different types of baskets.
- The median price for a company's best-selling basket was $45.
- "Gourmet" baskets were the best-selling "type" of basket.
- Gift basket companies develop new product ideas primarily from food and gift shows.
- Sixty-six percent of companies deliver within a 30 mile radius.
- Seventy-three percent of gift basket companies in Tennessee use fresh fruit in their baskets.
- Approximately 52 percent of gift basket companies in Tennessee use value-added fruit products in their baskets.
- Jams and jellies are the most common form of value-added fruit products.
- Wholesalers were the most common seller of value-added fruit products to gift basket companies.

***Marketing Methods***

- The most common form of advertising used by gift basket companies was the yellow pages (76.7 percent of gift basket companies).

***Conclusions***

- Use of direct mailings and personal visits to potential clients (with sample products) may be the best way for producers to get into this market niche with value-added fruit products.

# Country Ham Products and Tennessee Gift Basket Companies

***Description of Study***

- The study was conducted in two parts, examining both value-added fruit and value-added meat use by gift basket companies in Tennessee.
- One hundred sixty companies producing gift baskets in Tennessee were contacted by telephone; 60 responded (37.5 percent response rate).

***Results of Study***

- The median number of gift baskets sold per company per year was 300.
- Forty-five percent of gift basket companies sell 10 or less different types of baskets.
- The median price for a company's best-selling basket was $45.
- "Gourmet" baskets were the best-selling "type" of basket.
- Gift basket companies develop new product ideas primarily from food and gift shows.
- Sixty-six percent of companies deliver within a 30 mile radius.
- Seventy-three percent of gift basket companies in Tennessee use fresh fruit in their baskets.
- Approximately 52 percent of gift basket companies in Tennessee use value-added fruit products in their baskets.
- Jams and jellies are the most common form of value-added fruit products.
- Wholesalers were the most common seller of value-added fruit products to gift basket companies.

***Marketing Methods***

- The most common form of advertising used by gift basket companies was the yellow pages (76.7 percent of gift basket companies).

***Conclusions***

- Very few gift basket companies use country ham in their baskets.
- Gift basket companies usually bought country ham products through wholesalers.
- Case study results indicated that wholesaling country hams is not very profitable for small producers.
- The low incidence of country ham usage in gift baskets may also be partly attributed to low customer demand.

# Marketing Study
# "Marketing Farm-Raised Catfish to Tennessee Restaurants"

**Federal-State Market Improvement Program**

**October 2000**

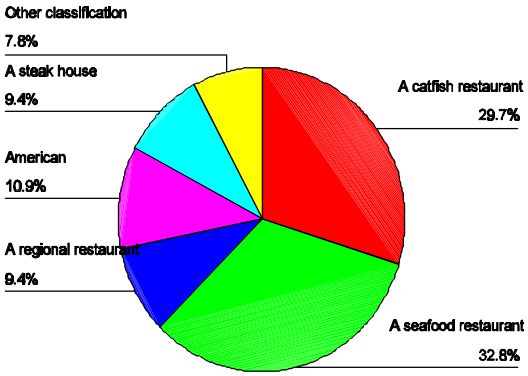
## Survey Design

The survey is divided into four parts: type and amount of catfish desired by the restaurant, marketing methods, demographics and a separate section for those restaurants that raise their own catfish. A copy of the survey is included in Appendix. After the initial survey was complete, a "listen-in" was conducted to find out if any of the questions on the survey were confusing and/or not necessary. After listening to two sets of responses, a number of the questions were changed to lead to more informative answers. The restaurants contacted were primarily independently owned and operated catfish restaurants. Chain restaurants were excluded from the study due to the purchasing habits of such chains (they usually buy from a national distributor/wholesaler). Out of 118 eligible restaurants surveyed, 84 restaurants participated in the survey (71 percent response rate). Only four restaurants contacted indicated that they raised their own catfish.

## Characteristics of Respondents

How the restaurants categorized themselves seems to have some correlation with how they served catfish. As presented in Figure 1, the two largest groups surveyed described themselves as either a catfish restaurant (29.7 percent) or a seafood restaurant (32.8 percent).

Figure 1: Type of Restaurant



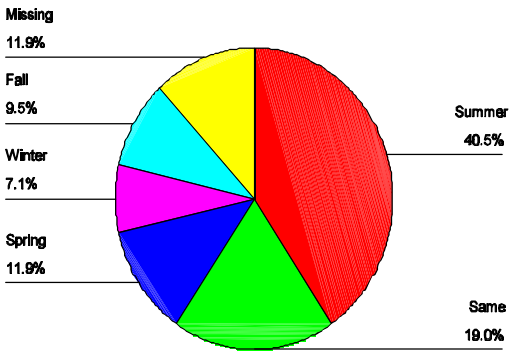

According to Table 1, every restaurant surveyed indicated that catfish was served on the menu and 19 percent of the restaurants also served catfish buffet style.

**Table 1: Number of Restaurants Serving Catfish As A Meal, Buffet or Combination**

| Menu and/or Buffet | Number of Restaurants | Percent (%) |
|---|---|---|
| Menu only | 68 | 81 |
| Some combination | 16 | 19 |
| Total | 84 | 100 |

As presented in Figure 2, summer is by far the time of the year with the highest sales of catfish by the restaurants surveyed. The next highest category was "same," indicating level sales of catfish throughout the year.

Figure 2: Best Time of Year for Catfish Sales




The number of years the surveyed restaurants have been open varies widely. One of the restaurants has been open for 92 years, while the newest one has only been open a couple of months. For ease of reporting in Table 2, the restaurants were grouped into four categories: 0-5 years, 6-10, 11-20 and 21 years or longer. After 20 years, the customer base should be somewhat stable, as should the average customer attendance per week, month and/or year. The menu is also probably fairly stable.

**Table 2: Restaurant Longevity**

| Number of Years Open | Number of Restaurants | Percent |
|---|---|---|
| 5 or Less | 14 | 16.7 |
| 6 - 10 | 16 | 19.0 |
| 11 - 20 | 21 | 25.0 |
| 21 and Up | 31 | 36.9 |
| Total | 82 | 97.6 |

The seating capacity for the restaurants surveyed ranged from 30 seats to 2000, with a median of 200. The results were divided into five categories for easier analysis. Out of the 80 restaurants that responded to the question, 56.3 percent seat between 100 and 300. The average weekly customer count had a much poorer response rate (only 47.6 percent of 84 restaurants) and has been cross-tabulated with seating capacity, yielding the expected results. Restaurants with a higher seating capacity also show a generally higher average weekly count of customers, though a few restaurants with high seating capacity averaged lower than expected weekly counts. A detailed analysis of seating capacity is presented in Tables 3, 4 and 5.

**Table 3:Number of Restaurants and Seating Capacity**

| Seating Capacity | Number of Restaurants | Percent |
|---|---|---|
| Less than 100 seats | 14 | 16.7 |
| 100 - 199 | 23 | 27.4 |
| 200 - 299 | 22 | 26.2 |
| 300 - 399 | 13 | 15.5 |
| 400 and up | 8 | 9.5 |
| Missing | 4 | 4.8 |
| Total | 84 | 100.0 |

**Table 4: Number of Restaurants and Average Weekly Customer Count**

| Avg. Weekly Count | Number of Restaurants | Percent |
|---|---|---|
| Less than 1000 | 7 | 8.3 |
| 1000 - 1999 | 8 | 9.5 |
| 2000 - 2999 | 9 | 10.7 |
| 3000 - 4999 | 8 | 9.5 |
| 5000 and up | 8 | 9.5 |
| Missing | 44 | 52.4 |
| Total | 84 | 100.0 |

**Table 5: Cross-tabulation: Overall Seating and Average Weekly Customer Count**

| | Average Weekly Customer Count | | | | | |
|---|---|---|---|---|---|---|
| Overall Seating | Less than 1000 | 1000 - 1999 | 2000 - 2999 | 3000 - 4999 | 5000 and up | Total |
| Less than 100 seats | 3 | 1 | 0 | 0 | 0 | 4 |
| 100 - 199 | 2 | 3 | 3 | 3 | 1 | 12 |
| 200 - 299 | 0 | 2 | 6 | 1 | 3 | 12 |
| 300 - 399 | 1 | 1 | 0 | 2 | 2 | 6 |
| 400 and up | 0 | 1 | 0 | 2 | 1 | 4 |
| Total | 6 | 8 | 9 | 8 | 7 | 38 |

**Product**

The majority of restaurants surveyed (78 out of 84 viable responses) buy catfish for use in their restaurant, four restaurants indicated they raised their own catfish and two did not provide an answer. The amount of catfish that restaurants purchase per month ranges from 20 pounds to 12,800 pounds, with a mean of 1,537 pounds per month. Table 6 shows the number and percentage of restaurants purchasing certain levels of catfish per month.

**Table 6: Number of Restaurants and Pounds of Catfish Bought per Month**

| **Pounds of catfish/month** | Number of Restaurants | Percent |
|---|---|---|
| less than 100 | 15 | 17.9 |
| 100 to 499 | 25 | 29.8 |
| 500 to 999 | 7 | 8.3 |
| greater than 999 | 31 | 36.9 |
| Missing | 6 | 7.1 |
| Total | 84 | 100.0 |

The majority of restaurants usually purchase frozen catfish. Six restaurants purchase both fresh and frozen, but typically the restaurants surveyed bought catfish either fresh or frozen, but not both. The categories in Table 7 were calculated on whether the restaurants purchased more than 50 percent of either fresh or frozen fish. If the percentage purchased was greater than 50 percent of fresh, then the restaurant was included in the “Fresh” category.

**Table 7: Number of Restaurants Purchasing Frozen or Fresh Catfish**

| **Form of Catfish** | Number of Restaurants | Percent |
|---|---|---|
| Mostly buys fresh catfish | 18 | 21.4 |
| Mostly buys frozen catfish | 65 | 77.4 |
| Missing | 1 | 1.2 |
| Total | 84 | 100.0 |

Of the 71 restaurants which purchase at least some frozen catfish, the majority (88.7 percent) buy IQF (Individually Quick Frozen) catfish versus block frozen catfish (11.3 percent). Block frozen catfish are usually in at least 5-pound blocks, while IQF fillets, steaks or whole fish can be thawed and cooked individually. This makes IQF fish much easier to handle.

The cuts of catfish restaurants buy include fillets, whole fish and other (which includes steak and nuggets). The two most common forms bought are fillets and whole fish: and these two categories account for 92.7 percent of the catfish purchased. Only six restaurants indicated that they purchased any form other than fillets or whole catfish.

| Table 8: Number of Restaurants Purchasing Whole Catfish, Fillets or Other Form of Catfish | | |
|---|---|---|
| **Form of Catfish** | **Number of Restaurants** | **Percent** |
| Whole | 4 | 4.8 |
| Fillet | 50 | 59.5 |
| Both whole and fillet | 22 | 26.2 |
| Fillet, whole and other | 1 | 1.2 |
| Fillet and other | 5 | 6.0 |
| Total | 82 | 97.6 |

**Source**

The suppliers from which restaurants purchase catfish is almost as important to Tennessee producers as the type of fish purchased. By understanding where restaurants purchase catfish, producers can better serve the restaurant marketing channel. As presented in Table 9, out of 83 restaurants, 61.9 percent purchase catfish exclusively from one source. Only 2.4 percent purchase from four or more sources.

| Table 9: Number of Sources Restaurants Buy Catfish From | | |
|---|---|---|
| **Number of Sources** | **Number of Restaurants** | **Percent** |
| One | 52 | 61.9 |
| Two | 17 | 20.2 |
| Three | 12 | 14.3 |
| Four or more | 2 | 2.4 |
| Total | 83 | 98.8 |

While some restaurants may purchase from more than one source, Table 10 shows that the primary supplier for 51.2 percent of those restaurants surveyed was a food service vendor, with wholesalers close behind at 39.3 percent.

| Table 10: Number of Restaurants & Where They Purchase Input | | |
|---|---|---|
| **Catfish Seller** | **Number of Restaurants** | **Percent** |
| Wholesaler | 33 | 39.3 |
| Producer | 6 | 7.1 |
| Food service vendor | 43 | 51.2 |
| Other source | 1 | 1.2 |
| Total | 83 | 98.8 |

The range of prices paid by restaurants varied widely, though all prices (except one) were below $4 per pound for fillets (see Table 11, next page). Only 57 percent of 84 restaurants responded to this question. The response rate to "prices paid for whole fish" was only 4.9%. While only six restaurants responded to the question on how much they pay for "other" cuts of catfish, that is the same number of restaurants that indicated they served "other" types of catfish. The prices paid for "other" catfish ranged from $1.50 to $3.90 per pound. The range of prices paid for fillets varied from $0.94 to $6 per pound. As only one respondent indicated a price above $3.90 per pound ($6), and this figure widely skewed the results, it has been omitted from the following table. Of those restaurants which responded to the question, 70.8 percent are paying between $3 to $4 per pound for fillets. The median price reported was $3.15 per pound.

| Table 11: Number of Restaurants & Price Paid per Pound of Fillets | | |
|---|---|---|
| **Price per pound / fillets** | **Frequency** | **Percent** |
| $0 - $1.99 | 3 | 3.6 |
| $2.00 - $2.99 | 11 | 13.1 |
| $3.00 - $3.99 | 34 | 40.5 |
| Missing | 36 | 42.9 |
| Total | 84 | 100.0 |

The question of whether the restaurants were satisfied with their current supplier(s) was answered by all restaurants as "yes." Twenty-six restaurants indicated that they currently purchased catfish from a local source. Of the remaining 57 restaurants, 50 percent indicated that they would be willing to purchase catfish from a local source if they could receive a consistent, high-quality supply of the products they needed. Almost none of the restaurants indicated any problems with finding reliable sources of catfish. In terms of learning about new sources, the restaurants were varied in how this was done. About 22 percent learned about new sources from wholesalers; other sources used include other restaurants, sales representatives and producers.

**Tennessee-Raised Catfish Use/Awareness**

Only eight restaurants in the survey population sell Tennessee-raised catfish. Those eight were split evenly on whether selling Tennessee-raised catfish contributed to higher levels of sales. Twenty-four percent of the total survey population felt they could increase sales by selling Tennessee-raised catfish, while 44 percent did not think it would change their level of sales. The remaining 32 percent did not know if it would impact sales levels or not. Only 14 percent of restaurants indicated that customers routinely asked if the catfish the restaurant served was raised in Tennessee (see Table 12, next page).

| Table 12: Percent of Restaurants Whose Customers Ask If Catfish is Tennessee-Raised | | |
|---|---|---|
| | **Number of Restaurants** | **Percentage** |
| Yes | 12 | 14.3 |
| No | 62 | 73.8 |
| Sometime | 8 | 9.5 |
| Don't Know | 2 | 2.4 |
| Total | 84 | 100 |

**Advertising**

Restaurants appear to use a wide variety of advertising media. As presented in Table 13, newspaper ads were by far the most common form of advertising used by restaurants. Radio advertising falls under the "Other" category and 18 restaurants use radio for advertising. Word-of-mouth was also mentioned several times.

| Table 13: Advertising Media Used Per Restaurant | | |
|---|---|---|
| Media | Number of Restaurants Using Media | Percent of Restaurants Using Media |
| Television | 17 | 20.2 |
| Newspaper | 49 | 58.3 |
| Billboards | 18 | 21.4 |
| Other | 43 | 51.2 |
| None | 14 | 16.7 |

The usefulness of advertising was also evaluated, on a scale of 1-5, with 1 being very effective and 5 not effective at all. As presented in Table 14 (next page), 34.3 percent of restaurants responding to the question felt that their advertising was "somewhat effective," while only 18.6 percent thought that their advertising was highly effective. Out of those restaurants responding to what they felt were the "best" forms of advertising, 40.6 percent felt that word-of-mouth was the most effective (see Table 15, next page). The next closest form of advertising was television, at 24.6 percent.

**Table 14: Perceived Effectiveness of Advertising**

| Effectiveness | Number of Restaurants | Percent |
|---|---|---|
| Very effective(1) | 13 | 15.5 |
| Effective | 14 | 16.7 |
| Somewhat | 24 | 28.6 |
| A little effective | 10 | 11.9 |
| Not at all effective (5) | 1 | 1.2 |
| Don't know | 8 | 9.5 |
| Total | 70 | 83.3 |

**Table 15: Number of Restaurants and Perceived "Best" Form of Advertising**

| Media | Number of Restaurants | Percent |
|---|---|---|
| Word of mouth | 28 | 33.3 |
| Television | 17 | 20.2 |
| Radio | 3 | 3.6 |
| Newspaper | 14 | 16.7 |
| Billboards | 3 | 3.6 |
| Magazine | 1 | 1.2 |
| Mailings | 1 | 1.2 |
| Don't know | 2 | 2.4 |
| Total | 69 | 82.1 |

Only 44 percent of the restaurants were willing to answer or knew their yearly expenditure on advertising. Of those that did respond, the expenditure varied widely; the range was $0 to $125,000 per year (see Table 16). The median expenditure on advertising per year was $5,000 (the median is reported in this case because the wide range, caused by two outliers, was distorting the mean).

**Table 16: Advertising Expenditure Per Year**

| Amount on Ads | Frequency | Percent |
|---|---|---|
| Up to $999 | 9 | 10.7 |
| $1000 - $9999 | 14 | 16.7 |
| $10,000 and Up | 14 | 16.7 |
| Missing | 47 | 56.0 |
| Total | 84 | 100.0 |

## Econometric Analysis

By examining the determinants of derived demand for catfish products by restaurants in Tennessee, it may be possible to determine a likelihood of interest in Tennessee-raised catfish by those restaurants. Restaurant input demand is based primarily on the demand for their output, i.e. if the restaurant's customers are not demanding certain products (the restaurant's output) from the restaurant, then the restaurant has no reason to buy the inputs to make those products. Therefore, a restaurant's demand for inputs is contingent upon (derived) the demand for its products (Nicholson, 1995).

A logistic probability analysis was used to find the amount of influence the individual variables have on the likelihood of restaurants buying more than 500 pounds of catfish per month. The dependant variable is the restaurant buys more than 500 pounds of catfish per month. This variable is a discreet choice variable; either 0 for less than 500 lbs/month, or 1 for equal to or greater than 500 lbs/month.

## Results of Econometric Analysis

The results of the logit analysis yielded only two statistically significant variables: whether the majority of the catfish purchased is frozen (significant at the 0.05% level) and whether the majority of catfish purchased is in fillet form (significant at the 0.10% level). The percentage of concordant pairs is 76.6%. This means that 76.6 percent of the time, the expected and actual values of the dependant model were in concordance, i.e. when one observation is higher on one variable, it is also higher on the other variables (Agresti & Finlay, 1997). The null hypothesis that the independent variables would have no effect on the dependant variables is rejected based on the results of the chi-squared test of the likelihood test statistic.

## Pearson's Correlations

Looking at the correlations between variables can help in understanding how various parts of the industry interact with each other. There is a minor correlation between the percentage of fish bought frozen and the total pounds bought. It is a negative association (-0.335 at a 5% level of significance) which indicates that those restaurants which purchase a higher percentage of frozen catfish, buy a very slightly lesser amount per month than do those restaurants which purchase a higher volume of fresh catfish.

There was also a small amount of correlation between those who purchase locally and whether they buy the majority of frozen catfish as block frozen (0.368 at 5% level of sig.). Those restaurants which purchase locally are more likely to be buying block frozen fish rather than IQF catfish. There is also slight positive correlation between those restaurants which purchase at least some catfish locally and the length of time the restaurant has been in business; those restaurants which have been open longer are more likely to purchase locally.

## Conclusions

There appears to be a definite market available for producers of Tennessee catfish to exploit in the restaurant market. Of those restaurants purchasing catfish from out-of-state sources, 50 percent indicated they would be willing to buy from Tennessee catfish producers if the producers could supply them with the amount and size of product they desired. The majority of catfish purchased by restaurants in Tennessee are IQF (Individually Quick Frozen) fillets. If Tennessee producers wish to market directly to restaurants, this could possibly be the easiest form of catfish to enter this market channel.

The majority of restaurants serve fillets. They either purchase between 100 to 500 pounds per month or they purchase more than 1,000 pounds per month. For producers, this means that to supply a restaurant, they must be able to consistently supply at least 100 to 500 pounds of fillets per month for one of the smaller restaurants, or, if they wish to be the source of catfish for a large restaurant, they must be able to supply at least 1,000 pounds of fillets per month. To consistently supply high-quality fillets every month could be a problem for some catfish producers. The majority of restaurants buy their catfish from only one source. This means that if a source can't consistently provide the type and amount of catfish needed, the restaurant is very likely to start buying from a source that can.

While it may be difficult to enter the restaurant market, it is a possible marketing channel for the Tennessee producer. High volumes require precision planning, with pond and fish management to ensure that the correct volumes of catfish will be available when the restaurants demand them. Direct selling to restaurants can lead to an increase in the return realized by the producer, the majority of restaurants are paying $3 - $4 per pound for fillets from wholesalers or food service vendors. The average price Tennessee producers received in 1998 for whole catfish was $1.13 per pound. By doing some processing and direct sales, producers could provide a high-quality product at a competitive price.

With the success of the *"Pick Tennessee Products"* campaign by the Tennessee Department of Agriculture, it may be possible to achieve a higher level of sales by "branding" the catfish as Tennessee-raised catfish. One-fourth of the restaurants surveyed felt that by selling Tennessee-raised catfish, they could increase sales.

## Sources Cited

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Nicholson, Walter. Microeconomic Theory: Basic Principles and Extensions. The Dryden Press, Fort Worth, TX, 1995.

## Survey Design

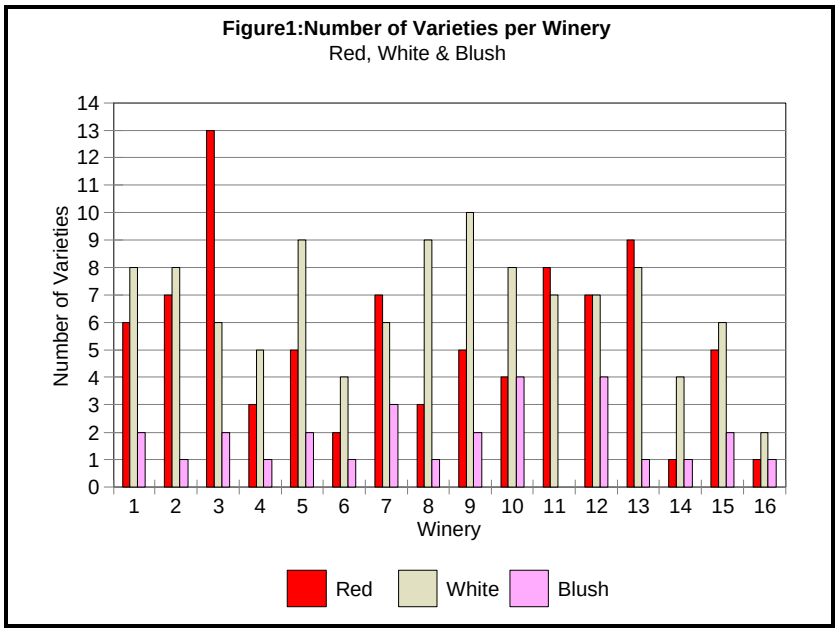
The survey questionnaire is broken into two parts: product (wine) issues and marketing issues. The first 11 questions deal with product issues, such as the number of varieties produced by the winery, total gallons produced per year and the average price of a bottle of wine. The rest of the questions deal with marketing and demographics. A copy of the questionnaire is included in Appendix. After a draft of the questionnaire was complete, a "listen-in" was conducted to find out if any of the questions for the survey were confusing and/or not necessary. After listening to two sets of responses, a number of the questions were changed to lead to more informative answers.

## Results of Survey

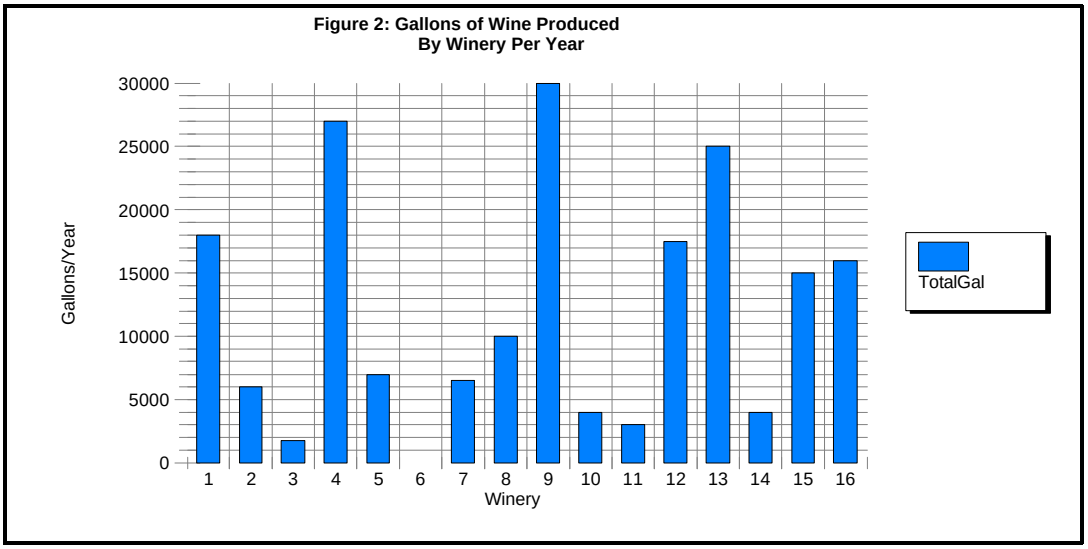
The survey was a total population survey of all 19 wineries in Tennessee. The wineries contacted were very receptive to the survey, as evidenced by the 84.2 percent response rate. Sixteen of the 19 wineries contacted by telephone answered the survey completely. The results of the survey are summarized into two sections: product issues and marketing methods.

## Product Issues

The number of varieties each winery makes varies widely, from four to 21 varieties. Figure 1 shows the number of red, white and blush wines produced by each winery. The average number of wines produced per winery is 13 (an average of 5 red wines, 6 white wines and 2 blush wines). Nine of the wineries also produce a limited amount of fruit wines (made from a fruit other than a wine grape, such as apples, various berries and/or peaches).




Almost all of the wine produced by Tennessee farm wineries surveyed is sold in 750 ml bottles (a fifth of a gallon). Five wineries sell one or two varieties in 375 ml bottles as a special bottling; the majority (98.75 percent) is sold in 750 ml bottles. Only three wineries produce more than 25,000 gallons of wine per year; the average for all Tennessee farm wineries is 11,921.9 gallons of wine annually. Figure 2 shows the number of gallons produced by each winery per year. Seven wineries produce 10,000 gallons of wine or less per year. There does not appear to be any correlation between the number of gallons produced and the number of varieties produced.

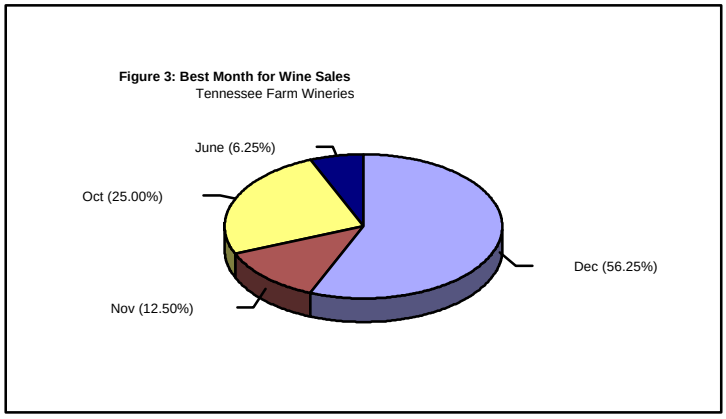



The amount of revenue generated from each type of wine (red, white, blush or fruit) varies widely from winery to winery. However, 51.36 percent of gross revenue across all wineries is generated through the sale of white wine. Red wines account for 31.17 percent, blush wines 12.97 percent and fruit wines make up the remaining 4.5 percent of gross revenue. Clearly, white wines are the majority of wines produced and sold by Tennessee farm wineries. This is consistent with national estimates of wine consumption; Americans drink more white wine than red wine. The national figures for wine consumption in 1999 show white wine to hold 39 percent of the market. Red wines did show a large increase though, rising 9 percent in 1999 to capture 35 percent of the market (Wine Institute, 2000).

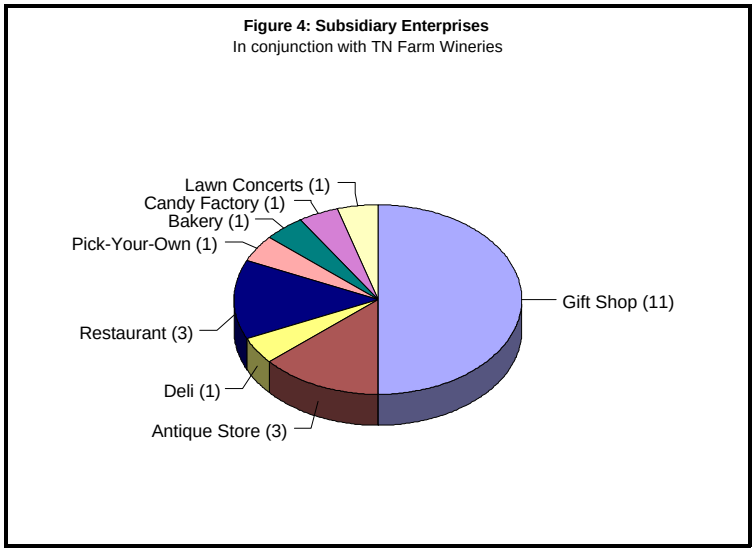
Eleven of the wineries contacted sell 100 percent of their wine through a tasting room/retail store located at the winery. Three wineries sell between 5 to 15 percent of their wine through wholesalers. Two wineries sell approximately 1 to 2 percent of their wine through wholesalers. All of the wineries who wholesale at least some of their wine cited problems in dealing with wholesalers and/or distributors; this may decrease the amount of wine sold through this channel. The main complaint by wineries about wholesaling is the lower price at which they sell the wine to the distributors. The three wineries that sell between 5 to 15 percent of their wine through wholesalers/distributors charge approximately 40 to 50 percent less than the retail price for their product when selling to a middleman.

There appears to be a large difference in price between white, red and blush wines across all wineries. The average price of a 750 ml bottle of white wine at a winery's tasting room is $8.90 (the range is from $7.50 to $10), while the average price for a 750 ml bottle of red wine is $10.65 (ranges from $7.39 to $15) and the average price for a bottle of blush wine is $8.65 (ranges from $7.39 to $9.50). However, this price difference between red, white and blush wine may just be a reflection of what the market can bear, where red wine is priced higher than white or blush wines.

The highest selling point of the year for the majority of the wineries surveyed was October through December (one winery indicated that the June was the best time of the year). Figure 3 shows the majority of wineries clearly feel that December is the highest selling point in the year (the percentages in brackets indicate the percentage of wineries who feel that month is the best selling month).



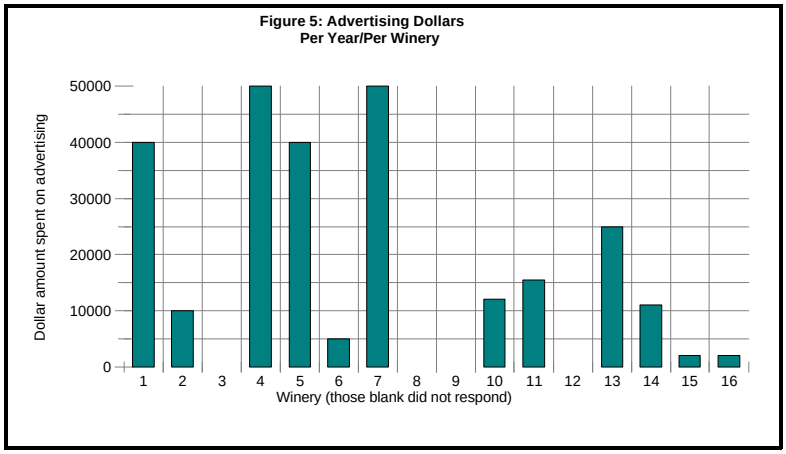

Many of the wineries have subsidiary enterprises operating in conjunction with the winery/tasting room. The most common of these subsidiary enterprises is a gift shop; 11 of those wineries surveyed (86 percent) indicated that they have a gift shop. Other enterprises are shown in Figure 4. The number of other enterprises is greater than the number of wineries surveyed, as several of the wineries have more than one subsidiary enterprise operating. Eleven of the wineries (68 percent) indicated they felt that the subsidiary enterprises increased their level of wine sales. The portion of gross revenue that the subsidiary enterprises contribute varies from 7.5 to 50 percent (an average of 17 percent to gross revenue from subsidiary enterprises across all wineries).



## Marketing Methods

Wineries across Tennessee use two primary forms of advertising, newspaper and billboards. Print (or newspaper) is the first choice for 11 of the 16 wineries, nine of whom use billboards for their secondary advertisement. Five wineries use billboards as their primary form of advertisement. One winery that uses billboards also uses direct mailings to consumers to increase their customer draw. Other forms of advertising used to some extent include: brochures and flyers, radio, and advertisements in various trade and travel publications such as: Key magazine, Travel Host, AAA magazine and Memphis Pride.

However, the majority of the wineries did not feel that newspaper was the most effective form of advertising. Nine of the wineries surveyed indicated billboards were the best form of advertising. The money spent on advertising varied widely, from as little as $2,000 to $50,000 per year (average of $16,406 per year for all wineries). Figure 5 shows the wide variation in advertising expenditures among the wineries (four wineries either did not know the annual advertising expenditure or declined to answer the question). Only three wineries thought that their advertising was not useful at all. The majority felt that their advertising was useful (average score of 4, range 1-5, 5 = very useful). They felt it was helpful in promoting their business and gaining market share.




Promotional activity by the wineries is dependent on the individual winery; there is almost no across-industry standard for type or frequency of promotional activities. Promotional activities conducted by Tennessee farm wineries include: discounts, wine of the week/month, regular sales, dinners, spring and fall festivals, direct mailings, flyers, random specials, daily specials on cases, wine pouring(s) and charity events. The frequency of these types of promotional activities range from daily to once a year, depending on the individual winery.

The last two questions on the survey were open-ended questions asking the respondents about their views of the Tennessee wine industry and what they feel the industry needs. Select comments follow:

- Several operators felt that the advertising laws, specifically laws regarding sales to retail stores, need to be relaxed.

- A few wineries felt that wineries needed more help with business advice and expertise, marketing and research help on a state-wide basis and more information on how to improve vineyards especially the new wineries.
- Four wineries complained about the price and quality of Tennessee-grown grapes. They felt that compared to grapes grown out of state, Tennessee grapes were inferior and over-priced. Grower reliability also came into question.
- Three wineries indicated that they felt an annual wine festival promoting the industry in the state would be beneficial.

## Conclusions

Tennessee farm wineries vary widely, from very small (1,750 gallons per year) to relatively large operations (30,000 gallons per year). One thing that Tennessee farm wineries have in common is that white wines appear to be the best-selling wines in the Tennessee market. While many red wines and a few blush and fruit wines are made, the majority of wines produced in Tennessee are white wines. This conforms with the national statistics on all American wine drinkers.

New wineries should probably try to focus their marketing efforts through the use of billboards located near the winery. Billboards appear to be the most cost-effective way to advertise for a winery located near a major road or highway, though the responses of the wineries indicate that newspaper advertisements may work well also. Though it was thought that there would be a correlation between advertising cost per year and gallons sold/gross revenue, that supposition was incorrect. There was no statistical significance to the correlation between the two.

Subsidiary enterprises appear to attract a substantial additional customer draw, while also contributing to revenue; versus advertising, which is solely an expense item. Existing wineries and new wineries should consider the possibility of adding subsidiary enterprises to increase the potential customer draw.

The best mix of wine varieties for wineries to sell would probably be a majority of sweet or semi-sweet wines and a few red wines. The size of bottle most appropriate for wineries is the 750 ml, easily recognizable in terms of size (amount) for the consumer, and most commercial equipment is designed to work with the 750 ml bottle size.

The average price for a 750 ml bottle of wine from a Tennessee winery is between $8 to $10 per bottle. The best time of year for new wineries to have their product ready for sale is the end of the year, November through December during the holiday market.

Due to the high costs and low return to the winery, small-scale wineries should not target the wholesale market. The price at which the winery sells the wine to the distributor will usually be 40 to 50 percent less than the retail price charged at their tasting room.

## Sources Cited

Wine Institute. *1999 California Wine Sales Reach Record High*. March 21, 2000. Webpage: http://www.wineinstitute.org/communications/statistics/sales99.htm

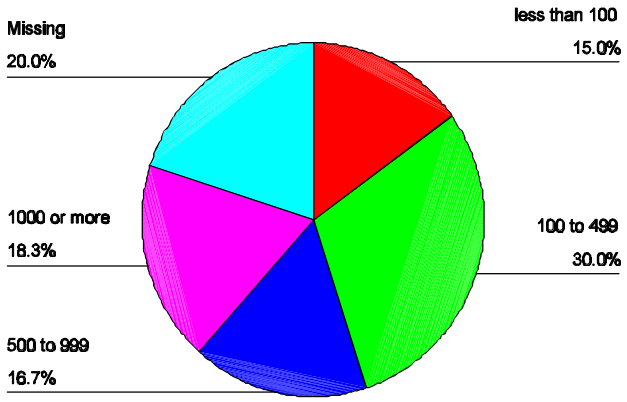
## Survey Design

The survey is divided into several parts: type and amount of gift baskets made and sold, type of inputs used, marketing methods used and demographics. Out of 160 eligible companies surveyed, 60 sellers of gift baskets participated in the survey (37.5 percent response rate). A copy of the survey is included in Appendix. After the initial survey was complete, a "listen-in" was conducted to find out if any of the questions on the survey were confusing and/or not necessary. After listening to two sets of responses, a number of the questions were changed to lead to more informative answers.

**Results of Survey**

Of the 60 businesses responding to the survey, 48 reported the approximate number of gift baskets they sell per year. The least number sold was 10, while the largest seller sold around 20,000. The mean was 1,519, while the median was 300, meaning that more businesses sell closer to 300 per year than they sell 1,500 per year (the high of 20,000 skews the mean somewhat). On a percentage basis, the largest grouping of gift baskets sold would be businesses that sell between 100 to 499 gift baskets per year (30 percent). See Figure 1 for the percentage of companies in each sales bracket ("missing" are those companies which didn't know or didn't respond).

Figure 1: Number of Gift Baskets Sold per Year




Businesses that sell gift baskets offer between one and 60 different types of gift baskets. The variety (types) of gift baskets is wide-spread. Each store seems to be very flexible in the type of baskets it can make for customers (almost every store makes custom baskets). The median number of types of gift baskets was five. As shown in Figure 2, most business (63.4 percent) sell six types or less. Stores indicated that they carried fruit, candy, balloon, stuffed animal, specialty for men/women, gourmet and flower gift baskets.

Figure 2: How Many Types of Gift Baskets?

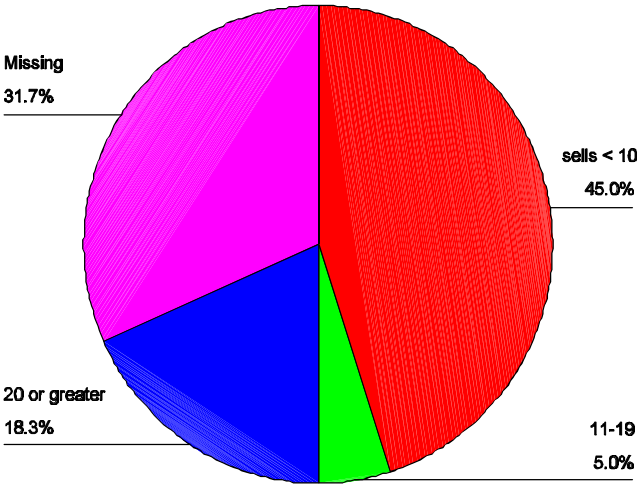



Table 1 presents the percentage of stores carrying the most common types of baskets. Other types of baskets not numerous enough to include in Table 1 are bath products, wedding/baby shower baskets, children's baskets, University of Tennessee sports-oriented baskets and seasonal baskets (Christmas, Easter and Mother's Day).

**Table 1: Percent of Stores Carrying Certain Types of Baskets**

| | Type of Basket | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fruit | Flower | Gourmet | Stuffed Animal | Specialty for Men | Specialty for Women | Balloon | Candy | Other |
| Percent of stores | 66.7 | 36.7 | 83.3 | 53.3 | 55.0 | 61.7 | 41.7 | 65.0 | 65.0 |

The price of the store's "best-selling basket" ranges from $25 to $125. The median price is $45. Fourteen businesses (23.3 percent) reported that their best-selling basket was priced at $50. The wide range can be viewed in Figure 3. Figure 3 shows the number of stores whose best selling baskets are at various prices (example: four stores' best-selling basket is priced at $25.00). The best-selling type of basket varied widely from store to store.

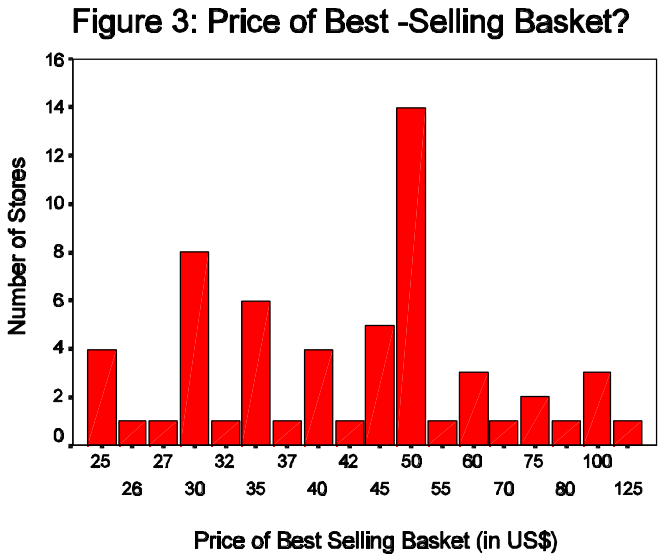



Table 2 shows the various categories for "best-selling basket." The highest percentage for type of "best-selling basket" was a "gourmet" style basket (18.3 percent) followed by a non-determinative "any kind of basket" category at 10 percent. Fruit baskets and coffee/tea baskets are also popular.

**Table 2: Number of Companies Best-Selling Gift Basket**

| Best-Selling Type of Basket | Number of Companies | Percent |
|---|---|---|
| Gourmet | 11 | 18.3 |
| Any kind of basket | 6 | 10.0 |
| Fruit | 4 | 6.7 |
| Coffee or tea baskets | 3 | 5.0 |
| Baked goods | 2 | 3.3 |
| Specialty | 2 | 3.3 |
| Baby baskets | 2 | 3.3 |
| Snack baskets | 2 | 3.3 |
| Fruit/snack combo | 2 | 3.3 |
| Tennessee products | 2 | 3.3 |
| Perfume | 1 | 1.7 |
| Corporate | 1 | 1.7 |
| Over the hill | 1 | 1.7 |
| Total | 39 | 65.0 |

**Sources and Advertising**

Knowing where gift basket businesses look for new sources for input(s) can be important, as it allows producers to target their audience more effectively. Food and gift shows were the highest-rated sources of information for companies looking for new sources, followed by magazines and "gift markets" at 15 percent (see Table 3). The "Other" category includes the Internet, specific brand name stores and customer recommendations.

**Table 3: Best Source for New Product, Number of Companies Using Source**

| Best Source for New Products | Number of Companies | Percent |
|---|---|---|
| Food and gift shows | 13 | 21.7 |
| Magazines | 9 | 15.0 |
| Gift markets | 9 | 15.0 |
| Other | 8 | 13.3 |
| Catalogs | 8 | 13.3 |
| The Atlanta Gift Market | 4 | 6.7 |
| Supermarkets | 2 | 3.3 |
| We don't look for other sources | 2 | 3.3 |
| Everywhere | 1 | 1.7 |
| Literature | 1 | 1.7 |
| Web pages/ Internet | 1 | 1.7 |
| Word of mouth | 1 | 1.7 |
| Business meetings | 1 | 1.7 |
| Total | 60 | 100.0 |

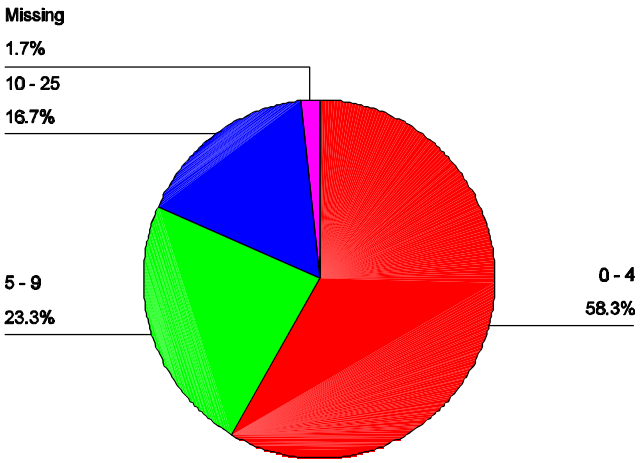
According to the survey, the best way for producers/new suppliers to contact gift basket companies is through direct mail. More than 60 percent (61.7 percent) of responding gift basket companies indicated that was the best form of communication for them to receive new product ideas. The next preferred method to receive information about new products is through a personal visit. Twenty-three percent of gift basket companies preferred a personal visit to any other method. Fifty-five (91.67 percent) of the companies surveyed indicated an interest in buying/using Tennessee products in their gift baskets.

Most gift basket operations are willing to deliver the gift baskets. The range of delivery varies widely. Some businesses will not deliver (10 percent of respondents), while others will deliver up to 50 miles away (10 percent). One business delivers its baskets up to 80 miles away (see Table 4). For new gift basket companies to capture market share, they will most likely need to offer delivery.

| Table 4: How Far Companies Will Deliver | | |
|---|---|---|
| **Miles Willing to Deliver** | **Number of Companies** | **Percent** |
| not at all | 6 | 10.0 |
| 1 to 20 | 19 | 31.7 |
| 21 to 30 | 15 | 25.0 |
| 31 to 80 | 12 | 20.0 |
| Missing | 8 | 13.3 |
| Total | 60 | 100.0 |

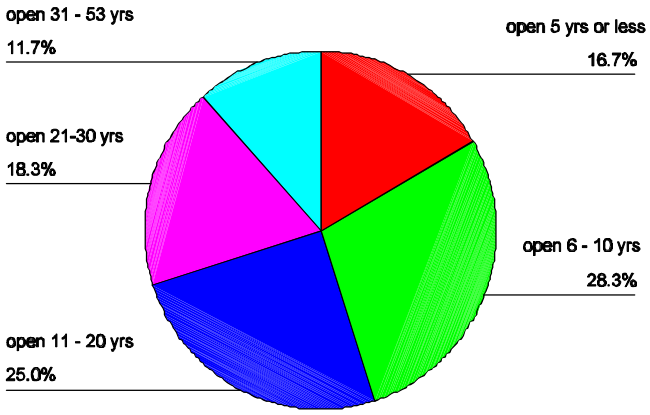
There is a low level of employment in the gift basket industry, as some business are owned and operated exclusively by a single person. Three of the business surveyed did not have any employees other than the owner. Many employed fewer than five people (other than the owner). Figure 5 shows the breakdown of number of employees per category.

Figure 5: Number of Employees




The largest segment of gift basket businesses have been open for 10 or less years (45 percent). Some (25 percent) have been open for 11 to 20 years, while the remaining 30 percent have been open longer than 21 years. Figure 6 shows the percentages of businesses open for differing lengths of time.

Figure 6: Number of Years Open




## Advertising

Advertising activities by gift basket companies are quite diverse. Television, radio, newspaper, direct mailings, the yellow pages, magazines and the Internet are all used for advertising by gift basket companies. The most popular form of advertising appears to be the yellow pages (76.7 percent) followed by newspaper ads (50 percent) and radio spots (45 percent). Table 5 shows the percentages and numbers of companies using select forms of advertising media.

**Table 5: Advertising Media Used by Gift Basket Companies**

| | **Media** | | | | | |
|---|---|---|---|---|---|---|
| | **TV** | **Radio** | **Yellow Pages** | **Magazines** | **Newspaper** | **Other** |
| **Percent** | 15% | 45% | 76.7% | 15% | 50% | 36.7% |
| **Number** | 9 | 27 | 46 | 9 | 30 | 22 |

According to Table 6, only 14.8 percent of gift basket companies felt that their advertising was “very effective.” A total of 81.5 percent felt that their advertising was at least “somewhat effective,” while 7.4 percent felt that their advertising was not useful at all.

**Table 6: Number of Companies & Effectiveness of Advertising**

| Effectiveness | Number of Companies | Percent | Cumulative Percent |
|---|---|---|---|
| Very Effective | 8 | 14.8 | 14.8 |
| Effective | 13 | 24.1 | 38.9 |
| Somewhat Effective | 23 | 42.6 | 81.5 |
| Slightly Effective | 6 | 11.1 | 92.6 |
| Not at All Effective | 4 | 7.4 | 100.0 |
| **Total** | 54 | 100.0 | |

Comparing the “best form of advertising” with “how effective is your advertising” did not yield any statistically significant results. However, it’s apparent from Table 7 that gift basket companies do not consider traditional media to be the best form of advertising. Gift basket companies viewing radio and newspaper advertisements as the “best” form of advertising combined for only 28 percent, while television achieved only 3.5 percent. The “other” category including more than 50 percent of what the companies view as the best form of advertising, though the companies did not specify what “other” forms they use.

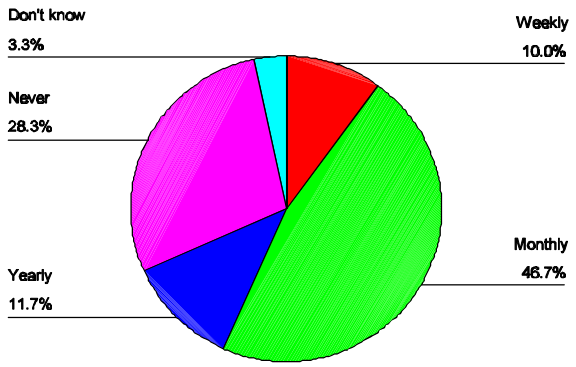
**Table 7: Best Form of Advertising by Company**

| Advertising Media | Number of Companies | Percent | Cumulative Percent |
|---|---|---|---|
| Television | 2 | 3.5 | 3.5 |
| Radio | 8 | 14.0 | 17.5 |
| Newspaper | 6 | 10.5 | 28.1 |
| Yellow pages | 8 | 14.0 | 42.1 |
| Other | 30 | 52.6 | 94.7 |
| Don't know | 3 | 5.3 | 100.0 |
| **Total** | 57 | 100.0 | |

Another comparison examining the average yearly expenditure on advertising with “how effective is your advertising” yielded no significant results. Only 36 companies knew or were willing to disclose their yearly expenditures on advertising. The range of expenditures is quite wide, from zero to $60,000 per year. The median expenditure per year on advertising was $2,500 (the mean was skewed upwards to $7,841.67). Half the businesses spend $2,000 or less on advertising per year.

The best sales time of the year for gift basket companies is the month of December, most likely because of Christmas. More than 78 percent of companies indicated that December was the best month for sales. Sixty-three percent of the companies felt that Christmas was the best holiday, followed by Valentine's Day (28.3 percent). Many companies also run specials throughout the year to boost sales. More than 46 percent of companies run specials monthly. See Figure 7 for percentages on the frequency of specials.

**Figure 7: How Often Gift Basket Companies Run Specials**




**Analysis of Fresh Fruit and Value-Added Fruit Use by Gift Basket Companies**

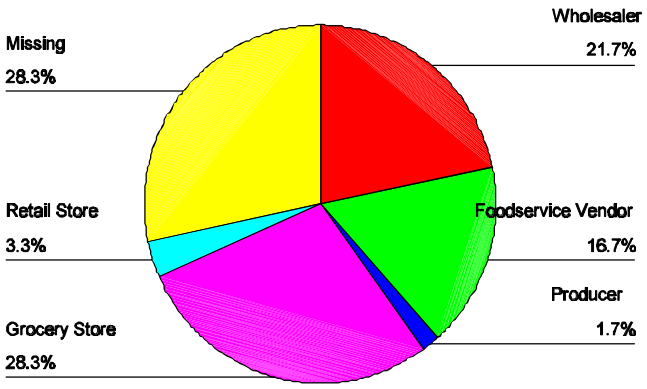
Almost all of the gift basket companies surveyed use fresh fruit in their baskets (73 percent). A wide variety of fresh fruit is used by gift basket companies; Table 8 shows the percentages and number of companies using selected fruits.. Apples, pears, citrus, peaches, bananas and grapes are just some of the fruits companies use in their fruit and combination baskets.

**Table 8: Percent/Count of Gift Basket Companies Using Fresh Fruits**

| | Fruit Type | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Apples | Peaches | Citrus | Bananas | Grapes | Exotic | Pears | Other |
| Percent | 70.0 | 33.3 | 71.7 | 71.7 | 63.3 | 35.0 | 55.0 | 10.0 |
| Count | 42 | 20 | 43 | 43 | 38 | 21 | 33 | 6 |

The largest percent (28.3) of gift basket companies using fresh fruit purchase the fruit from a grocery store/supermarket (see Figure 8). Other sources used include wholesaler (21.7 percent), foodservice vendor (16.7 percent), retail store (3.3 percent) and producer (1.7 percent).

Figure 8: Sources For Fresh Fruit




Value-added fruit products are not used by gift basket companies as much as fresh fruit. Only 31 companies (51.7 percent) use value-added fruit products in their baskets. Table 9 presents the percentage and number of companies who said they use some value-added fruit products.

**Table 9: Use of Value-added Fruit Products**

| | Use Value-Added Fruit Products | Fried Pie | Jams | Jellies | Preserves | Dried Fruit | Cider | Other |
|---|---|---|---|---|---|---|---|---|
| Percent | 51.7% | 6.5 | 90.3 | 80.6 | 45.2 | 45.2 | 38.7 | 16.1 |
| Number | 31 | 2 | 28 | 25 | 14 | 14 | 12 | 5 |

Of those companies that use value-added fruit products in their gift baskets, the average percentage of baskets containing value-added fruit products is 35.9 percent. One company sells 95 percent of its baskets with some kind of value-added fruit product in them. However, 55 percent of the companies who sell value-added fruit products indicated that only 25 percent or less of their baskets contain value-added fruit products. The main source for value-added fruit products is wholesalers; more than 58 percent of the gift basket companies reported wholesalers as the primary source for value-added fruit products (see Table 10).

**Table 10: Source of Value-Added Products**

| Source | Frequency | Percent | Cumulative Percent |
|---|---|---|---|
| Wholesaler | 18 | 30.0 | 58.1 |
| A food service vendor | 6 | 10.0 | 77.4 |
| A producer | 4 | 6.7 | 90.3 |
| Grocery store | 1 | 1.7 | 93.5 |
| Other | 2 | 3.3 | 100.0 |
| Missing | 29 | 48.3 | |
| Total | 60 | 100.0 | |

## Conclusions

Producing value-added fruit products for the gift basket industry may be an excellent target market for fruit and value-added fruit producers. Slightly more than 51 percent of the gift basket companies surveyed use some form of value-added fruit product in at least some of their baskets. Jams and jellies are the highest used products by far, but dried fruit and preserves are also used in substantial numbers.

The best way for producers to get their products into the gift basket marketing channel may be through direct mailings of literature and personal visits, accompanied with a free sample of the value-added product. While gift basket companies typically purchase their products from wholesalers, they are more receptive to new product ideas and sources through direct mailings and personal visits by a salesperson. If the producers can get the gift basket companies interested in their products, the companies will start to demand those products from either the wholesalers or directly from the producer.

## Survey Design

The survey is divided into several parts: type and amount of gift baskets made and sold, type of inputs used, marketing methods used and demographics. Out of 160 eligible companies surveyed, 60 sellers of gift baskets participated in the survey (37.5 percent response rate). A copy of the survey is included in Appendix. After the initial survey was complete, a "listen-in" was conducted to find out if any of the questions on the survey were confusing and/or not necessary. After listening to two sets of responses, a number of the questions were changed to lead to more informative answers.

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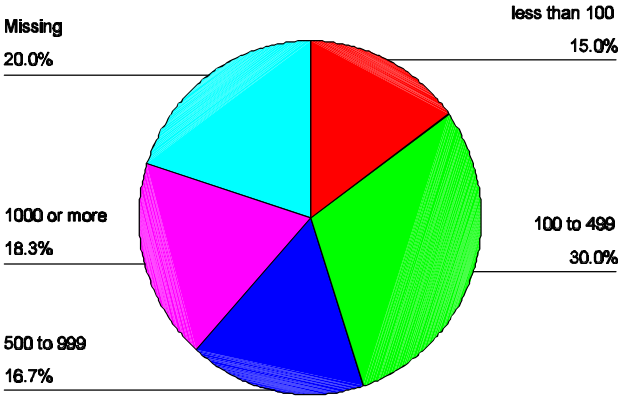
Figure 1: Number of Gift Baskets Sold per Year




Gift basket businesses offer between one and 60 different types of gift baskets. The variety of types of gift baskets is wide-spread. Each store seems to be very flexible in the type of baskets it can make for customers (almost every store makes custom baskets). The median number of types of gift baskets was five. As shown in Figure 2, most business (63.4 percent) sell six different types or less. Stores indicated that they carried fruit, candy, balloon, stuffed animal, specialty for men/women, gourmet and flower gift baskets.

Figure 2: How Many Types of Gift Baskets?

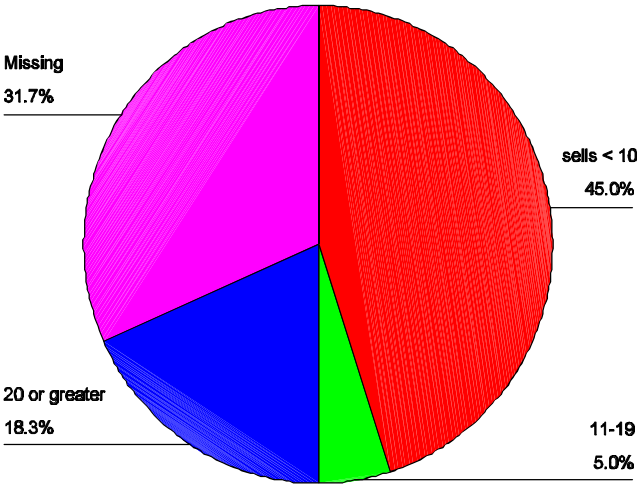



Table 1 presents the percentage of stores carrying the most common types of baskets. Other types of baskets not numerous enough to include in Table 1 are bath products, wedding/baby shower baskets, children's baskets, University of Tennessee sports-oriented baskets and seasonal baskets (Christmas, Easter and Mother's Day).

**Table 1: Percent of Stores Carrying Certain Types of Baskets**

| | Type of Basket | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fruit | Flower | Gourmet | Stuffed Animal | Specialty for Men | Specialty for Women | Balloon | Candy | Other |
| Percent of stores | 66.7 | 36.7 | 83.3 | 53.3 | 55.0 | 61.7 | 41.7 | 65.0 | 65.0 |

The price of the stores "best-selling basket" ranges from $25 to $125. The median price is $45. Fourteen businesses (23.3 percent) reported that their best-selling basket was priced at $50. The wide range can be viewed in Figure 3. Figure 3 shows the number of stores whose best-selling baskets are at various prices (example: four stores' best selling basket is priced at $25). The best-selling type of basket varied widely from store to store.

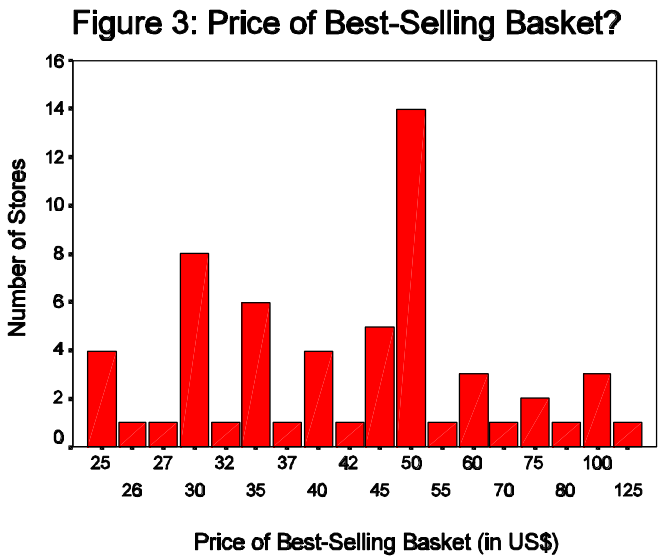



Table 2 shows the various categories for "best-selling basket." The highest percentage for type of "best-selling basket" was a "gourmet" style basket (18.3 percent) followed by a non-determinative "any kind of basket" category at 10 percent. Fruit baskets and coffee/tea baskets are also popular.

| Table 2: Number of Companies Best Selling Gift Basket | | |
|---|---|---|
| **Best Selling Type of Basket** | **Number of Companies** | **Percent** |
| Gourmet | 11 | 18.3 |
| Any kind of basket | 6 | 10.0 |
| Fruit | 4 | 6.7 |
| Coffee or tea baskets | 3 | 5.0 |
| Baked goods | 2 | 3.3 |
| Specialty | 2 | 3.3 |
| Baby baskets | 2 | 3.3 |
| Snack baskets | 2 | 3.3 |
| Fruit/snack combo | 2 | 3.3 |
| Tennessee products | 2 | 3.3 |
| Perfume | 1 | 1.7 |
| Corporate | 1 | 1.7 |
| Over the hill | 1 | 1.7 |
| Total | 39 | 65.0 |

**Sources and Advertising**

Knowing where gift basket businesses look for new sources for product can be important as it allows producers to target their audience more effectively. Food and gift shows were the highest-rated sources of information for companies looking for new sources, followed by magazines and "gift markets" at 15 percent (see Table 3). The "Other" category includes: the Internet, specific brand name stores and customer recommendations.

| Table 3: Best Source for New Product, Number of Companies Using Source | | |
|---|---|---|
| **Best Source for New Products** | **Number of Companies** | **Percent** |
| Food and gift shows | 13 | 21.7 |
| Magazines | 9 | 15.0 |
| Gift markets | 9 | 15.0 |
| Other | 8 | 13.3 |
| Catalogs | 8 | 13.3 |
| The Atlanta Gift Market | 4 | 6.7 |
| Supermarkets | 2 | 3.3 |
| We don't look for other sources | 2 | 3.3 |
| Everywhere | 1 | 1.7 |
| Literature | 1 | 1.7 |
| Web pages/ Internet | 1 | 1.7 |
| Word of mouth | 1 | 1.7 |
| Business meetings | 1 | 1.7 |
| Total | 60 | 100.0 |

According to the survey, the best way for producers/new suppliers to contact gift basket companies is through direct mail. More than 60 percent (61.7 percent) of responding gift basket companies indicated that was the best form of communication for them to receive new product ideas. The next preferred method for companies to receive information about new products is through a personal visit. Twenty-three percent of gift basket companies preferred a personal visit to any other method. Fifty-five (91.67 percent) of the companies surveyed indicated an interest in buying/using Tennessee products in their gift baskets.

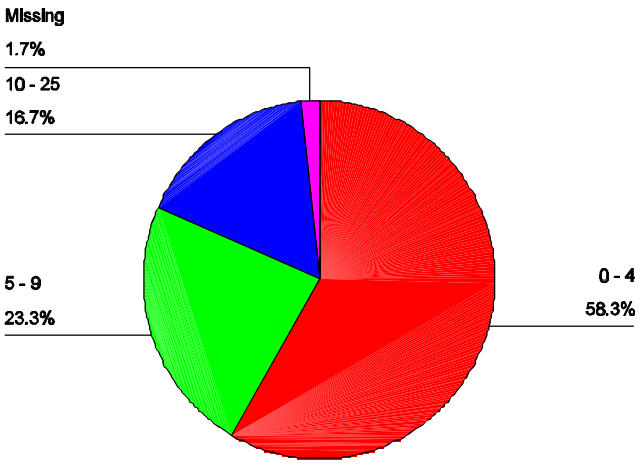
Most gift basket operations are willing to deliver the gift baskets. The range of delivery varies widely. Some businesses will not deliver (10 percent of respondents); others will deliver up to 50 miles away (10 percent). One business delivers its baskets up to 80 miles away (see Table 4). For new gift basket companies to capture market share, they will most likely need to offer delivery.

**Table 4: How Far Companies Will Deliver**

| Miles Willing to Deliver | Number of Companies | Percent |
|---|---|---|
| not at all | 6 | 10.0 |
| 1 to 20 | 19 | 31.7 |
| 21 to 30 | 15 | 25.0 |
| 31 and 80 | 12 | 20.0 |
| Missing | 8 | 13.3 |
| Total | 60 | 100.0 |

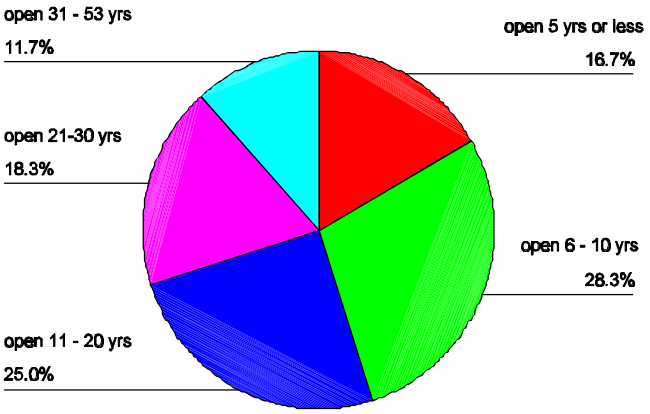
There is a low level of employment in the gift basket industry, some business are owned and operated exclusively by a single person. Three of the business surveyed did not have any employees other than the owner. Many employed fewer than five people (other than the owner). Figure 5 shows the breakdown of number of employees per category.

Figure 5: Number of Employees




The largest segment of gift basket businesses have been open for 10 or less years (45 percent). Some (25 percent) have been open for 11 to 20 years, while the remaining 30 percent have been open longer than 21 years. Figure 6 shows the percentages of businesses open for differing lengths of time.

Figure 6: Number of Years Open




## Advertising

Advertising activities by gift basket companies are quite diverse. Television, radio, newspaper, direct mailings, the yellow pages, magazines and the Internet are all used for advertising by gift basket companies. The most popular form of advertising appears to be the yellow pages (76.7 percent) followed by newspaper ads (50 percent) and radio spots (45 percent). Table 5 shows the percentages and numbers of companies using select forms of advertising media.

| Table 5: Advertising Media Used By Gift Basket Companies | | | | | | |
|---|---|---|---|---|---|---|
| | **Media** | | | | | |
| | **TV** | **Radio** | **Yellow Pages** | **Magazines** | **Newspaper** | **Other** |
| **Percent** | 15% | 45% | 76.7% | 15% | 50% | 36.7% |
| **Number** | 9 | 27 | 46 | 9 | 30 | 22 |

According to Table 6, only 14.8 percent of gift basket companies felt that their advertising was "very effective." A total of 81.5 percent felt that their advertising was at least "somewhat effective," while 7.4 percent felt their advertising was not useful at all.

| Table 6: Number of Companies & Effectiveness of Advertising | | | |
|---|---|---|---|
| **Effectiveness** | **Number of Companies** | **Percent** | **Cumulative Percent** |
| Very Effective | 8 | 14.8 | 14.8 |
| Effective | 13 | 24.1 | 38.9 |
| Somewhat Effective | 23 | 42.6 | 81.5 |
| Slightly Effective | 6 | 11.1 | 92.6 |
| Not at All Effective | 4 | 7.4 | 100.0 |
| **Total** | 54 | 100.0 | |

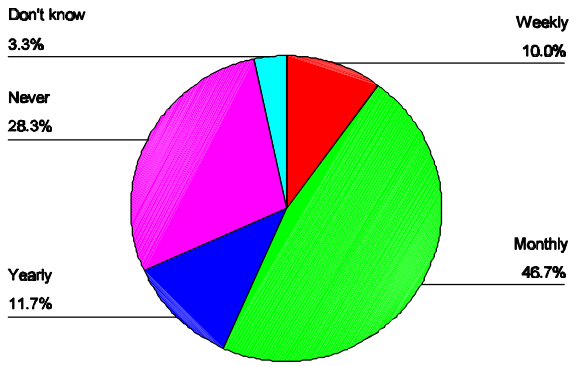
Comparing the "best form of advertising" with "how effective is your advertising" did not yield any statistically significant results. However, it's apparent from Table 7 that gift basket companies do not consider traditional media to be the best form of advertising. Gift basket companies viewing radio and newspaper advertisements as the "best" form of advertising combined for only 28 percent, while television achieved only 3.5 percent. The "other" category includes more than 50 percent of what the companies view as the best form of advertising, though the companies did not specify what "other" forms they use.

| Table 7: Best Form of Advertising by Company | | | |
|---|---|---|---|
| **Advertising Media** | **Number of Companies** | **Percent** | **Cumulative Percent** |
| Television | 2 | 3.5 | 3.5 |
| Radio | 8 | 14.0 | 17.5 |
| Newspaper | 6 | 10.5 | 28.1 |
| Yellow pages | 8 | 14.0 | 42.1 |
| Other | 30 | 52.6 | 94.7 |
| Don't know | 3 | 5.3 | 100.0 |
| **Total** | 57 | 100.0 | |

Another comparison examining the average yearly expenditure on advertising with "how effective is your advertising" yielded no significant results. Only 36 companies knew or were willing to disclose their yearly expenditures on advertising. The range of expenditures is quite wide, from zero to $60,000 per year. The median expenditure per year on advertising was $2,500 (the mean was skewed upwards to $7,841.67). Half the businesses spend $2,000 or less on advertising per year.

The best sales time of the year for gift basket companies is the month of December, most likely because of Christmas. More than 78 percent of companies indicated that December was the best month for sales. Sixty-three percent of the companies felt that Christmas was the best holiday, followed by Valentine's Day (28.3 percent). Many companies also run specials throughout the year to boost sales. More than 46 percent of companies run specials monthly. See Figure 7 for percentages on the frequency of specials.

**Figure 7: How Often Gift Basket Companies Run Specials**



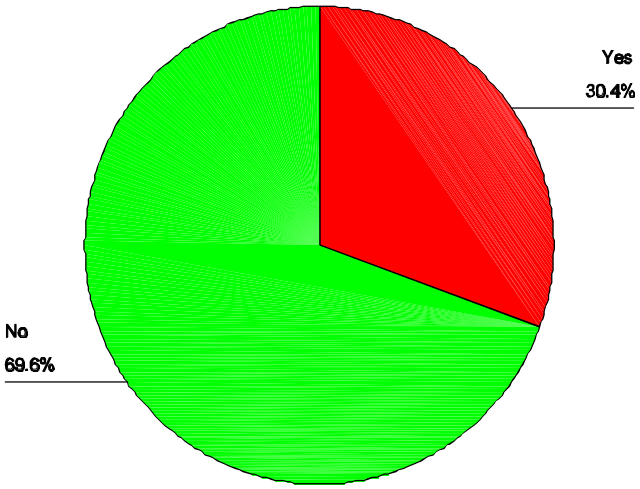
**Value-added Meat Products & Gift Basket Companies**

Examining the use of value-added meat products by Tennessee gift basket companies can help determine the demand for such products in this market channel. Of the 60 gift basket companies responding to the survey, 23 (38.3 percent) of them use some kind of value-added meat product in some of their baskets. Of those 23 companies, seven companies (30.4 percent of the 23) sell some form of country ham in some of their baskets (see Table 8 and Figure 8).

**Table 8: Sell Country Ham Products**

| Sell Country Ham | Frequency | Percent |
|---|---|---|
| Yes | 7 | 11.7 |
| No | 16 | 26.7 |
| Total Selling Value-Added Meat Products | 23 | 38.3 |

Figure 8: Sell Country Ham Products




The most frequent source of country ham products for gift basket companies is wholesalers; all seven gift basket companies selling country ham products purchase their supplies from wholesalers. The mean percentage of gift baskets containing value-added meat products was 7.57 percent, i.e., an average of 7.57 percent of the baskets sold by these seven companies contain value-added meat products.

## Conclusions

The gift basket market channel is not a good channel for producers of country hams to target. The few gift basket companies that use country hams and country ham products in their baskets purchase their products from wholesaler. From the case study report conducted on the processing of country hams, it was revealed that the wholesale channel for country hams was not a profitable market channel for producers of country hams because of the low price received.

The low incidence of country ham use in gift baskets may possibly be attributed to a low demand by customers (i.e., the gift basket companies' demand for country ham is a derived demand based on customer demand for said product). The low customer demand may be attributed to several factors, including health concerns with high-sodium food. Without the customers demanding the product, companies will not supply it.

# APPENDIX

**Winery Survey**

**Product:**

1) How many varieties of red, white, and/or blush wines do you produce? ____# of red ____# of white _____# of blush

2) What size container do you sell wine in? (Mark all that apply) 750 ml___ other, describe_____

2a) Percentage of sales: _____% in 750 ml _____% other

3) Approximately how many total gallons of wine do you produce per year? _____

4) What percentage of total sales does each type of wine (red, white, or blush) represent?
_____% of red _____% of white _____% of blush

5) What percentage of your wine is sold through: ___% tasting room (retail store) ____% wholesale ____% other (describe)

6) What is the average price of a 750 ml bottle of your best selling white, red and blush wines through your tasting room (retail store) and for wholesale?

White: $_____ tasting room/retail $_____wholesale
Red: $_____ tasting room/retail $_____wholesale
Blush: $_____ tasting room/retail $_____wholesale

7) What period of the year do you have your highest level of sales? _____month(s) _____season

8) Do you have any other enterprises operating in conjunction with the winery (Gift shop, diner, restaurant, antiques, ect....)?
_____ Yes _____No

9) If you answered yes to question 8, what other type of enterprises do you have? _____

10) If yes to question 8, do you feel that these non-wine enterprises increase your sales of wine? ____Yes _____No

11) If yes to question 8, what percentage of gross revenue is contributed by each of the non-wine enterprises? _____%

**Marketing:**

12) What type of advertising do you engage in for the winery (check all that apply)?
_____Television _____ Print (newspaper) _____ Billboards (signs) _____ Other (describe)

13) In your opinion, what are the best forms of advertising? _____

14) How much do you spend annually on advertising? _____

15) How useful is your advertising? (On a scale of 1 - 5, where 5 is the most useful and 1 is not useful at all)
1 2 3 4 5

16) How often do you have promotions? (Sales, discounts, ect..)
a) never b) weekly c) monthly d) yearly e) other _____

17) What type of promotions do you do? _____

18) What do you feel is the most important thing which the Tennessee wine industry needs? _____

19) Any other comments on the TN wine industry?

**Gift Basket Survey**

This call is from the Agricultural Development Center at the University of Tennessee. As part of a marketing research project looking at gift basket operations across Tennessee, we would appreciate it if you would be willing to answer a brief survey; all responses will be protected, the name and location of your business will not be disclosed. This research will hopefully allow for producers of the goods you market to be better able to serve and meet your needs as a business which supplies value-added products to the public.

**Product:**

1) How many gift baskets do you typically sell in a year? _____

2) How many different types of gift baskets do you sell? _____ (describe) _____

3) Do you sell different sizes of each type of gift basket? _____(describe) _____

4) What is the price, type and size of your best selling gift basket? $ _____, (type) _____, (size) _____

5) Do any of your baskets contain food products? _____Yes _____No (skip to question # 9)

6) Do any of your baskets contain fresh fruit? _____ Yes _____ No

6a) If yes, please list what types of fruit. _____

6b) If yes, what is the total number of gift baskets containing fruit which your company sell's per year? _____

6c) If yes, what percentage of the total number of gift baskets your company sells contain fresh fruit? _____%

6d) What is the value (average cost) of the fruit in each basket? _____

7) Do you sell baskets that contain value-added fruit products (such as fried pies, jams, jellies, dried fruit, cider)?
_____ Yes _____ No

7a) If yes, please list what types of value-added fruit products: _____

7b) If yes, what is the total number of gift baskets containing value-added fruit products which your company sell's per year? _____

7c) If yes, what percentage of the total number of gift baskets your company sells contain value-added fruit products? _____%

7d) What is the value (average cost) of the product in each basket? _____

8) Do any of your gift baskets contain meat products? _____ Yes _____ No

8a) If yes, do you sell country ham products (whole ham, sliced ham, partial ham)? _____ Yes _____No

8b) If yes, what is the total number of gift baskets containing country ham products which your company sell's per year? _____

8c) If yes, what percentage of the total number of gift baskets your company sells contain country ham products? _____%

8d) What is the value (average cost) of the product in each basket? _____

**Source:**

9) From which source do you buy the majority of your food products?

| | | | |
|---|---|---|---|
| Fresh fruit: | __ wholesaler | __ foodservice vendor | ___ producer |
| Value-added: | __ wholesaler | __ foodservice vendor | ___ producer |
| Meat product: | __ wholesaler | __ foodservice vendor | ___ producer |

10) Where do you look for new product sources? _____

11) What is the best way for someone to provide you with information on new products? _____

12) Would you consider carrying food products (if you do not already do so)? _____Yes _____No

13) Are you interested in buying Tennessee produced/grown products? _____Yes _____No

**Marketing:**

14) What type of advertising do you do? __billboards(signs) __print (newspaper) __tv or radio ___other (describe)

15) How useful is your advertising? (On a scale of 1 - 5, where 5 is the most useful and 1 is not useful at all)

1 2 3 4 5

16) In your opinion, what is the best form of advertising? _____

17) How often do you have promotions? (Sales, discounts, ect...) ___ weekly ____ monthly ___ yearly

18) During what period of the year do you have your highest level of sales? _____month(s) _____(season)

19) How much do you spend annually on advertising? _____

**Catfish Survey**

This call is from the Agricultural Development Center at the University of Tennessee. As part of the marketing research being conducted for catfish producers across the state, we would appreciate it if you would be willing to answer a brief survey; responses will be protected, the name and/or location of your restaurant will not be disclosed. This research will be used to help TN producers of catfish supply catfish that meet your needs and expectations so that you will be able to better serve your customers.

1) Do you serve catfish? _____ Yes _____ No

1a) if no, why not?_____, thank-you, goodbye.

**Source:**

2) How many pounds of catfish do you buy per week? Per month? _____lbs./week _____lbs./month

3) What percent of the catfish you buy is fresh? frozen? frozen _____% fresh _____%

4) If you buy frozen catfish, what percent is block frozen or IQF (individually quick frozen)? _____%Block _____%IQF

5) Do you typically buy catfish whole, as fillets or other (describe)? _____whole _____fillets _____other

6) Where do you buy the largest volume of your catfish? ____Wholesaler ____ Producer ___Foodservice vendor ___other

7) How many sources do you buy catfish from (different wholesalers, producers)? _____

8) Do you usually test a catfish source for the product attributes you desire before buying from the source?
_____Yes _____No

9) How much do you typically pay per pound for: whole catfish _____lb?
fillets _____lb?
other (describe) _____lb?

10) Any fluctuation in what you pay for catfish throughout the year? _____yes _____no

10a) if yes, describe_____

11) Are you satisfied with your current supplier(s)? _____yes _____no

12) Would you consider purchasing locally or from an in-state producer? _____yes _____no

13) How many pounds per month (or per week) would the producer have to be able to supply for you to consider buying from them?
_____ lbs/month(week)

14) Have you experienced any problems finding a constant reliable source? Whole catfish:_____yes _____no
Fillets: _____yes _____no
Other: _____yes _____no

14a) If yes, describe_____

15) Where and how do you learn about new catfish suppliers?
___other restaurants ____wholesalers ____producers _____other (describe)

**Marketing:**

16) What cut/type of catfish do you typically serve? _____whole fish (fiddlers between 5 an 10 ounces)
_____ steaks (between 6 to 14 ounces)
_____ fillets (average of 5 ounces)
_____ nuggets
_____ other

17) Is your catfish served as a meal on the menu only, on a buffet (all-you-can-eat) or some combination?
_____ menu only _____ buffet _____some combination

18) How would you describe your restaurant?
__Steakhouse ___Seafood Restaurant ____Regional ____American ____other

19) How often do you run specials on catfish?
____Daily _____ Weekly _____ Occasionally _____Never

20) Any seasonality in customer demand? _____yes _____no

20a) if yes, describe_____

21) Do customers ask if the catfish are raised in Tennessee? _____yes _____no

22) Do you feel that Tennessee-branded catfish would sell better than generic catfish? _____yes _____no

23) Do you purchase only Tennessee-raised catfish? _____yes _____no

23a) If you answered yes to 23, do you feel that this increases your sales of catfish? _____yes _____no

24) During what period of the year do you have your highest level of sales of catfish? _____

**Advertising:**

25) What type of advertising do you engage in? _____Television _____ Newspaper_____ Billboards_____Other
26) How useful is your advertising? (On a scale of 1 - 5, where 5 is the most useful and 1 is not useful at all)
1 2 3 4 5

27) In your opinion, what is the best form of advertising? _____

29) How much do you spend annually on advertising? _____

28) How often do you have promotions? (Sales, discounts, specials, ect...) a) weekly b) monthly c) yearly

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