
Marketing Value-Added Specialty Products in Tennessee



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Outline

- ❑ Define “Value-added”
- ❑ Define “Specialty” Products
- ❑ Define Marketing and Discuss Market Planning
- ❑ Discuss Key Concepts of Specialty Product Marketing
 1. Customer Values
 2. Target Markets
 3. Marketing Tactics
 4. Marketing Budget

What is a value-added product?



Commodity or product that has been changed, produced, or segregated such that a greater portion of the revenue derived from the value-added activity accrues to the producer.

Processing

Packaging

Marketing

Value-added Examples

■ Commodity

- ❑ Milk
- ❑ Strawberries
- ❑ Composted Farm Wastes
- ❑ Tomatoes/Peppers
- ❑ Farm
- ❑ Timber

■ Value-added Product

- ➔ ❑ Bottled Milk/Cheese/
Ice Cream
- ➔ ❑ Strawberry Preserves
- ➔ ❑ Packaged Soil
Conditioner
- ➔ ❑ Hot Sauce/Salsa
- ➔ ❑ Agri-Tourism/
Agritainment
- ➔ ❑ Flooring & Moulding

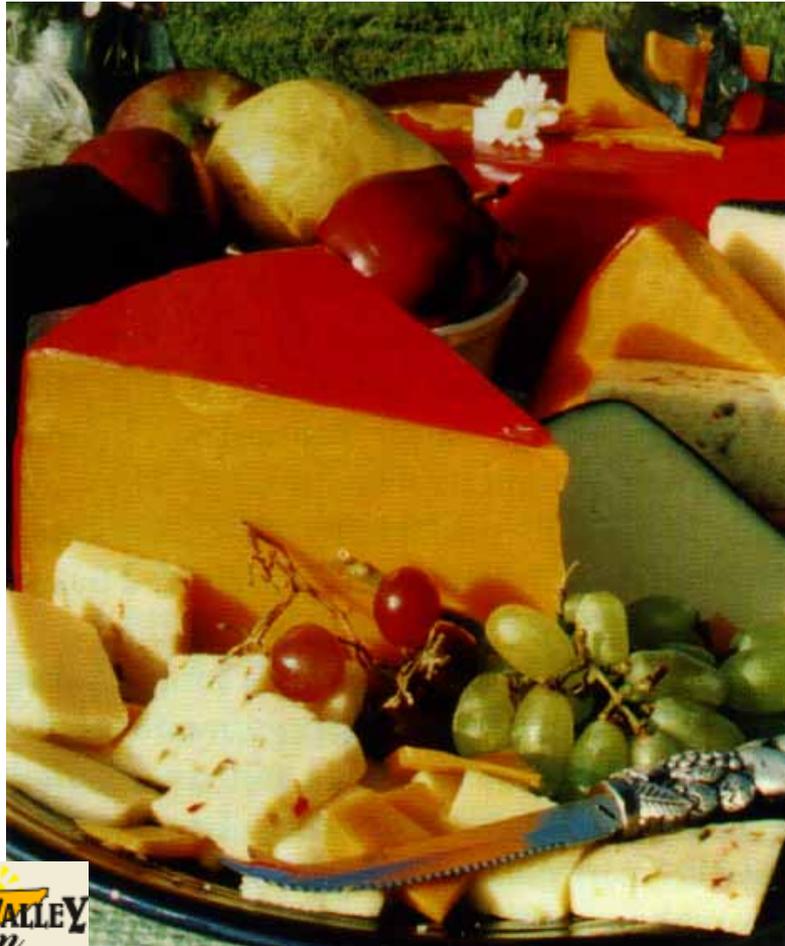
What are specialty products?

- Definition of “Specialty”
 - ❑ *Distinguished by some unusual quality*
 - ❑ *Being in some way superior*
 - ❑ *Designed for a particular purpose or occasion*
 - ❑ *The state of being special, distinctive or superior*

Specialty Product Examples



Specialty Product Examples




SWEETWATER VALLEY
Farm
TENNESSEE CHEDDAR

Specialty Product Examples



Rollins Family Farm

Goal of Marketing Value-Added Specialty Products

- Usually deals with...
 - Adding value to a commodity
 - Agriculture/farm sustainability
 - Self-employment/independence

- Profitability

What is marketing?

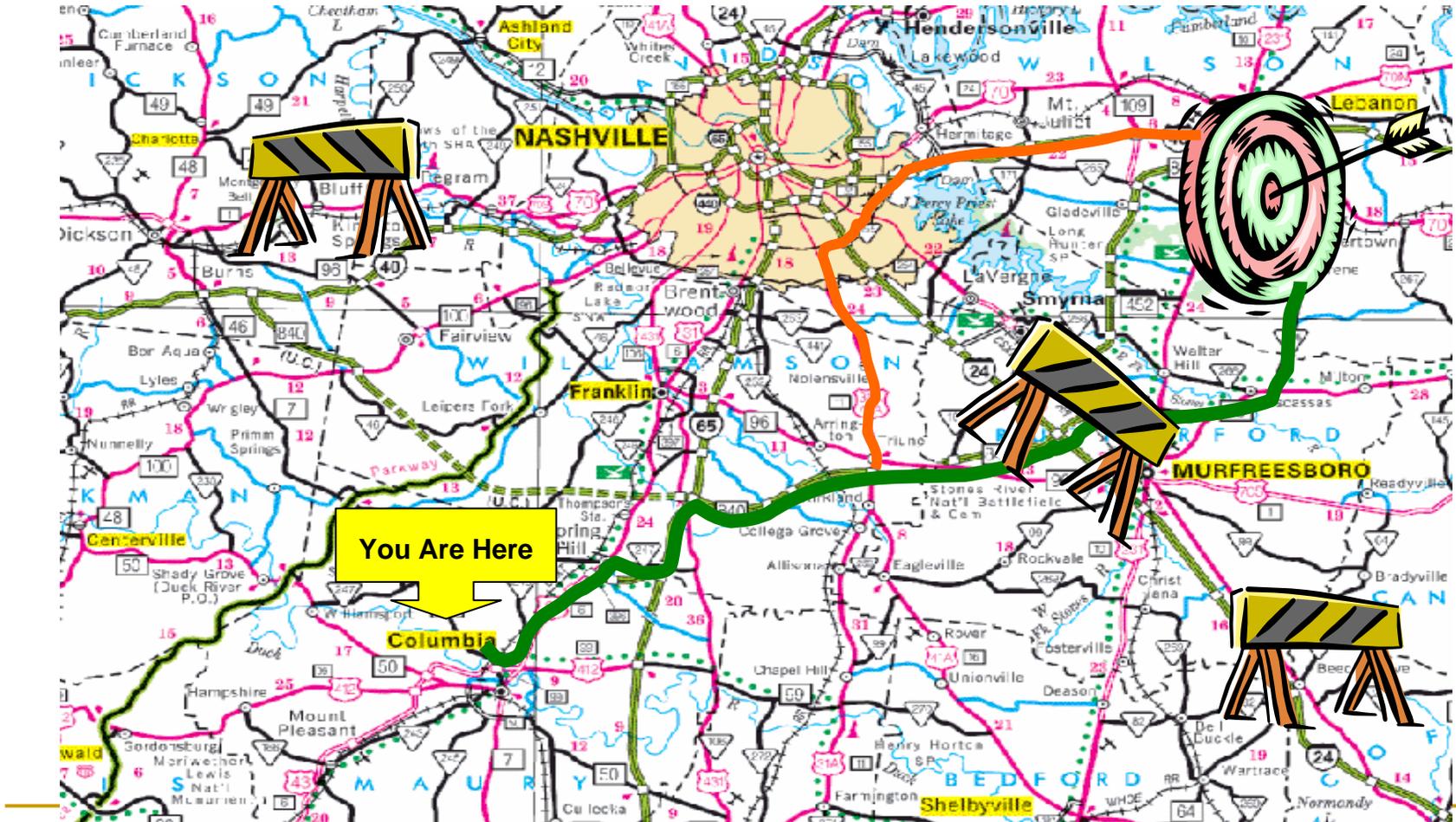


Planning and executing a set of objectives to bring buyers and sellers together so that a sale can take place

How to do it?

- Develop and implement a marketing plan
- Major elements:
 1. Market Research and Analysis
 2. Marketing and Financial Objectives/Goals
 3. Marketing Strategies
 4. Marketing Mix/Tactics
 5. Financial Analysis and Marketing Budget
 6. Monitoring and Evaluating Market Response
 7. Marketing Plan Check List

A marketing plan is like a roadmap...



Why do it?

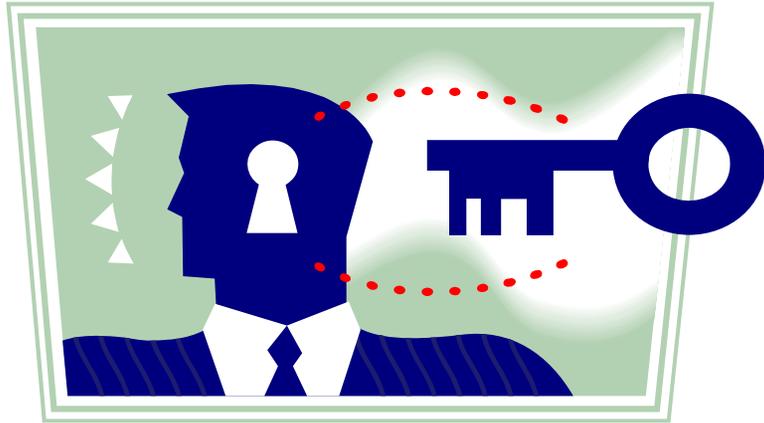
- Approximately 80% of new products and businesses fail within three years after they reach the market



Why do it?

- Market planning helps to determine
 1. If a profitable market exists
 - Able to produce at a cost low enough and sell at a price high enough to generate a profit
 2. The identity of the target market
 - Who is likely to purchase the product
 3. How to reach the target market
 - Price, Place, Promotion, Packaging

Key Concepts



1. Customer Values
2. Target Markets
3. Marketing Tactics
4. Marketing Budget

What does the customer value?

- The customers 4 Cs
 - Customer Benefit
 - Customer Cost
 - Convenience
 - Communication

Linking Seller and Buyer

- The seller's 4 Ps with buyer's 4 Cs
 - Product.....Customer Benefit
 - Price.....Customer Cost
 - Place.....Convenience
 - Promotion.....Communication

Source:

<http://www.foodsci.purdue.edu/outreach/vap/materials/marketing.pdf>



How do sellers link to these values?



- 3 Strategies
 - Be Cheaper
 - Be Better
 - Be Unique

Strategies for Specialty Products

- 2 Strategies

- Be Better

- Be Unique



- Why not cheaper?

- Competitors can win on lower price
 - Economies of size/scale



Choosing a Strategy



- Match strategy to
 - Product strengths
 - Market opportunities
 - Your goals/objectives
 - Target market characteristics

Who is YOUR target market and what do they value?



- A target market is...
 - A portion of the population with a
 1. Need that your business/product can fulfill
 2. Willingness to purchase
 3. Ability to purchase
- Determine through market research

Levels of Market Segmentation

- **Level 1 – Mass Marketing**
 - *Henry Ford Model T, Coca Cola™*
- **Level 2 – Segment Marketing**
 - *Ford King Ranch Dually*
- **Level 3 – Niche Marketing**
 - *Rolls Royce and Bentley Automobile*
- **Level 4 – Micromarketing**
 - *Local Marketing, Individual Marketing*



Potential Target Markets for Specialty Products

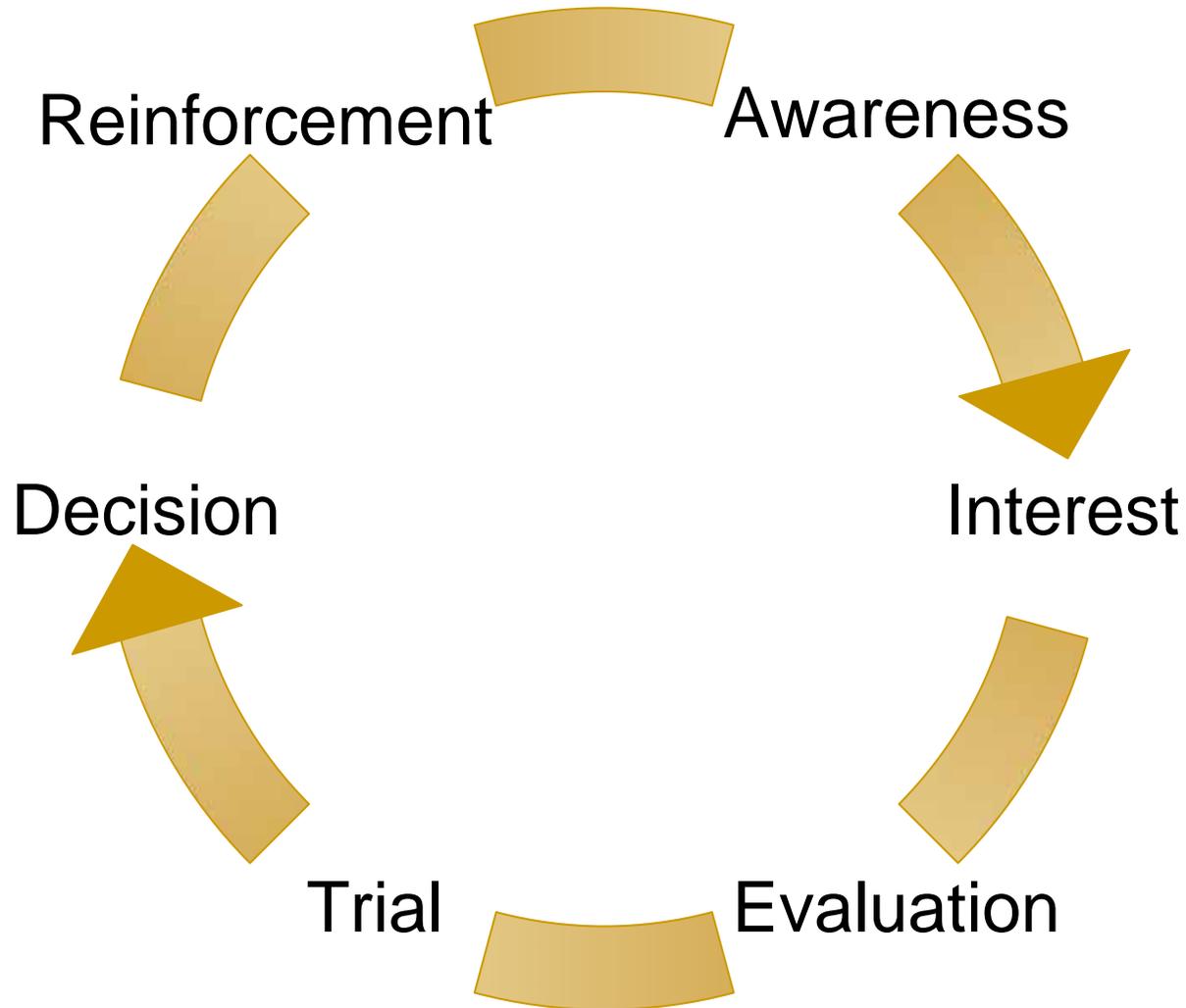
- Medium to high income
- Price insensitive
- Quality driven
- Educated
- Health conscious
- Community/state loyal
- ??????



Linking Sellers and Buyers: Marketing Tactics



Product Adoption Process



Product: Value Propositions for Specialty Products

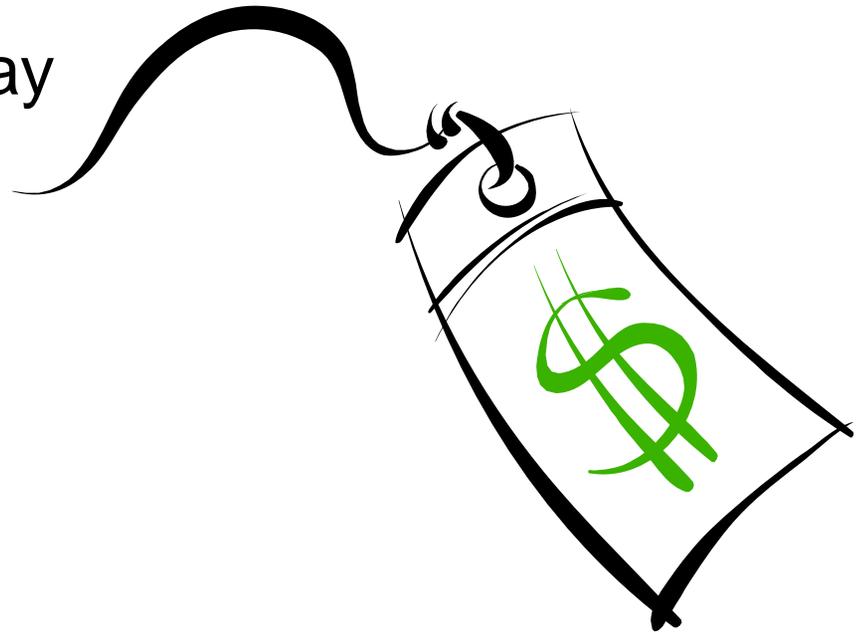
- Locally-produced
 - Freshness of products
 - Vine-ripened
 - Food safety concerns
 - Support for community/state economy
 - Support for sustainable agriculture
 - Support for family farms
- Production methods
 - Hand-made/One-of-a-kind
 - Natural
 - Organic
 - Grass Fed
 - Free Range
 - Family recipe
 - Attractive packaging



- Limited supply
 - Unique product type
 - Few or no competitors
- Customer service
 - Relationship between seller and buyer
 - Custom processed
 - Delivery
- Experience
 - On-farm retail
 - Pick-your-own
 - Operation tours

Price Determinants

- Fixed and variable costs of production
 - Common retail price markup ~30%
 - Wholesaler earns 10-15%
- Customer willingness to pay
- Supply and demand
- Competition
- Product positioning



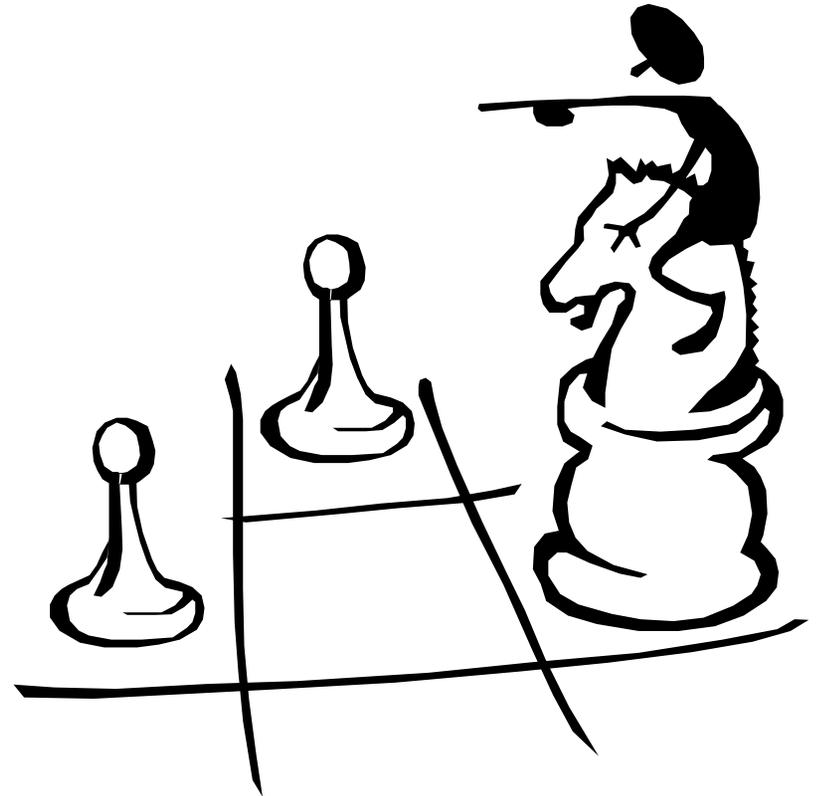
Place



- On-Farm Retail
- Pick-Your-Own
- E-commerce
- Grocery Stores
- Gift Shops
- Farmers' Markets
- Craft Shows
- CSA

Promotional Strategy Options

- Word-of-Mouth
- Publicity
- Sampling
- Advertising
- Discounting
- Trade Shows



Marketing Budget



- Create based on expected sales and costs of marketing activities
- Marketing budgets often 5-10% of sales

Summary

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Contacting the



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