

# Fruit and Vegetable Production

## Lesson 2: Developing a Marketing Plan

Producers must have a strategy for selling the fruits and vegetables they grow. This strategy is called a marketing plan. It is essential that growers have their marketing plan in place before their produce is ready to sell. The purpose of the plan is to identify potential customers and determine how to attract and keep their business.

### Identifying a Customer Base

The first step in creating a marketing plan is identifying the market. A market is all the potential customers for a particular product or service. No single product appeals to everyone, and no business could afford to sell to every consumer. Therefore, businesses must determine which customers they will serve. These customers are a business's target market.

There are six steps in defining a business's market that move from the total population, in which no market is identified, through the potential, available, qualified available, and target markets, and finally to the penetrated market, which is composed of customers who are already buying the product. Each step toward the target and penetrated market narrows the field to the customers who have the most interest in a product and who are able to purchase it. Figure 2.1 illustrates these steps.

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Figure 2.1 – Identifying a Market



Understanding the target market for a particular product is essential to establishing the market and creating a source of income. Establishing a target market allows producers to tailor advertising and products to the customers' needs and wants.

## Wholesale and Retail Markets

Identifying a customer base depends on several factors. The first factor is deciding whether to sell to wholesale or retail customers. Selling wholesale means selling goods to a buyer who sells the goods again. Wholesalers sell in bulk and do not deal directly with the individuals in the general public who buy the product to use or consume. For example, a wholesaler might sell fruits or vegetables to a chain of restaurants or grocery stores. In contrast, retailers sell relatively small amounts of products directly to the people who will use them. An example of a retail sale is selling produce from a roadside stand.

Wholesale and retail sales are very different types of selling. Each has its own characteristics. Producers who sell to wholesale customers typically have a few customers who purchase their entire crop. Wholesale customers aren't interested in product displays and retail ads, and producers don't need to provide the same kind of customer assistance that they do for retail customers. On the other hand, the producer makes less on each item sold. When selling to retail customers, the

producer can charge more per item, but in turn is expected to provide more customer service, such as ample parking, convenient business hours, knowledgeable sales staff, attractive displays, and appealing ads and specials—all of which take time and money. Producers should consider how they prefer to work with customers and the strengths of their operation when deciding on wholesale and retail selling.

Producers should also determine what customers exist in their market. One of the best techniques for identifying customer is to conduct market research. Characteristics such as age, income level, population of surrounding areas, location of residential areas, and influx of travelers to the area should all be considered to help determine the target market. The local Chamber of Commerce, census bureau, university extensions, and trade associations are among the resources that may be used to obtain these statistics.

### **Venues to Sell Products**

Fresh produce may be sold through a variety of outlets, such as roadside stands, farmers' markets, community-supported agriculture (CSA) organizations, pick-your-own businesses, restaurants, grocery stores, and wholesale cooperatives. Each has its own characteristics that should be considered when developing a marketing plan.

#### **Roadside Stands**

Roadside stands are an easy way to sell directly to customers. Operating a roadside stand allows the grower to determine the hours, prices, and products sold, and sales provide immediate income. Produce may be sold from the back of a truck or from display tables, so a small roadside stand can be started with little setup cost. Safe and adequate parking should be available. Ensuring there is shade, either from trees or a canopy, can make the area more comfortable for the seller and customers. It is important to remember that roadside stands are subject to zoning, licensing, and insurance requirements that will vary from place to place. Be sure to thoroughly research local and state requirements before opening a roadside stand.

#### **Farmers' Markets**

Farmers' markets are a low-cost way to sell fresh produce to a large number of customers within a short period of time. Producers have the opportunity to network with other growers, widen their own customer base, and develop their marketing skills. Producers also share the costs of advertising and promotion. Farmers' markets offer many advantages to those involved, but there are some

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potential drawbacks to consider. Every farmers' market has its own set of rules and regulations to follow, as well as specific times, locations, and days of operation. Growers and sellers must adhere to the rules and regulations regarding hours and days of operation, space availability, and products sold, so there is some loss of flexibility. Contact the farmers' market manager to find out about specific information, such as vending fees, guidelines about what can or cannot be sold, and other details.

### Community-Supported Agriculture

Community-supported agriculture (CSA) is a partnership between a grower and individuals who become members by purchasing shares of the season's harvest. By purchasing shares, members help the grower pay for seeds, fertilizer, water, equipment maintenance, and labor. In return, the CSA members receive a supply of fresh, locally grown produce throughout the growing season. CSA members assume the same risks, costs, and rewards of the crop as the grower. Shares are typically purchased at one time or in installments throughout the growing season. A benefit of CSA is that the grower starts receiving income as soon as work begins, not just at the end of the growing season.

A financial plan is especially important to a CSA operation because the costs are divided up to determine the price for shares the CSA members buy. The grower and operators of the CSA farm draw up the financial plan, including salaries, land payments, maintenance, seeds, tools, labor costs, and other expenses to set the share price.

Shareholders are not only partners but also the grower's market, so the grower should consider what crops members want and how a diversified crop may be produced. In some instances, growers can work together to form a CSA operation. This allows each grower to specialize in producing certain crops while generating a variety of produce for CSA members to receive.

### Pick-Your-Own Businesses

Pick-your-own businesses are a popular option for many growers because they require less harvesting labor than traditional fruit and vegetable operations. Pick-your-own operations do require long working hours for the grower, additional liability insurance, and room for parking and traffic. The business must also be easily accessible and close to a population that is large enough to support it.

One factor to consider before starting a pick-your-own business is whether the growers and operators are willing to work on weekends. Customers typically frequent pick-your-own businesses on the weekend because this is the time they

have free. Another important factor is image. Customers want to see a neat, clean facility with a neat, clean staff ready to help. Location and appearance will bring in more customers than low prices. People will pay more when they perceive the product to be worth it. Finally, one of the most important factors in the success or failure of a pick-your-own business is the weather. Rainy weekends will limit the number of customers that attend and severely cut into the profits for the year. This is why farmers rarely sell their produce by a pick-your-own business alone.

Whether at a roadside stand or a pick-your-own farm, when growers sell to retail customers, appearance and customer relations are key factors. Characteristics of many successful retail produce businesses include the following:

- Phone with an answering machine that provides essential information, such as prices and hours of operation
- Weekend, summer, and holiday hours
- Accommodations for children and a family friendly environment
- Barrier-free access to all services and facilities
- Sufficient parking and clear roads and trails at pick-your-owns
- Large, readable signs with vital information for customers
- Well-mannered, knowledgeable employees
- Free drinking water (Selling cold sodas, candy, and juices is also a good idea.)
- Containers supplied for customers who forget to bring one
- Plenty of shade
- Clean restrooms
- Attractive, well-stocked displays (Pick-your-owns should also have some produce on display, ready to purchase, for customers who prefer this option.)

### Business and Institutional Markets

Restaurants, grocery stores, and wholesale cooperatives are other potential markets in some areas. Institutions such as schools, hospitals, and nursing homes also sometimes purchase produce from local growers. It is important to note that an agreement with this type of venue is usually made with a contract. The business or institution will normally purchase produce on a weekly basis and will require prompt, regular delivery and consistent quality. Buyers will often want to see samples of produce before committing to a purchase.

### Advertising

Advertising is the way businesses communicate with customers about their products or services and encourage customers to make a purchase. Advertising is essential to building a business. As with other parts of the marketing strategy, advertising needs to be planned in advance and used effectively to reach as many customers as possible.

There are many different ways to advertise. Print and broadcast media are two of the most popular and effective means of advertising. Newspaper and magazine ads, billboards, and direct mail are popular and commonly used forms of print advertising. Radio and television ads are examples of broadcast advertising. The Internet is a relatively new medium that has rapidly become a mainstay of advertising for many businesses.

When deciding on what type of advertisement to use, it is important to consider what forms are available and what will be most useful for a particular business. Television and general-interest magazines reach many consumers and often have very creative and effective ads. However, these ads are also very expensive, and many of the viewers and readers may not be interested in a particular product. Businesses should focus their efforts on an advertising plan that directly addresses their target market. Below are some of the most common and useful methods of advertising and some of the factors to consider when developing a marketing plan.

### Newspapers

Newspapers are a main form of advertising for many businesses because they offer a number of advantages. Local newspapers are available in most communities. This allows businesses to reach a large number of potential customers in their area for relatively little cost. Newspapers research their circulation, which can help businesses gear their ads toward readers. In addition, newspapers also enable businesses to create or change advertisements quickly and create sales within a relatively short amount of time. However, newspapers have some potential disadvantages that businesses should consider. The newspaper's circulation may be much wider than the business's target market. If so, the business would be paying to reach people with no interest in the product. The high number of ads in the paper means increased competition for the reader's attention, and the production quality and appearance of newspaper ads are frequently low.

### Billboards

Billboards are usually located on major highways and are a way of advertising to passing motorists about services that are available in nearby communities. Messages on billboards need to be concise and direct since customers only have a short period of time to read them. Billboards are used by local and national advertisers because they are relatively inexpensive compared to other forms of advertising and can be seen by potential customers 24 hours a day. Businesses located next to commonly traveled roads may consider installing billboards on their property. However, because of concerns for safety and scenic beauty, billboards have been regulated in some areas. Research should be done before installing billboards to ensure adherence to all laws and regulations.

### Direct Mailing

Direct mailing can be a useful way to notify customers of upcoming events and specials. Producers can be selective in sending out advertisements, which helps ensure that they reach their target audience. Direct mailing can be a timely way to keep customers informed, and there are many options for how the ad will appear. Unlike an ad in a newspaper or magazine, a direct-mail advertisement doesn't compete with other businesses' ads on the same page. However, it is important to keep direct-mailing lists current. This helps ensure that only people who are interested in the product receive the mailing and the business spends its advertising budget effectively.

### Radio

Radio advertisements are short spots, between 15 seconds and one minute in length. Radio ads are typically inexpensive, particularly when compared to advertising on television or in widely circulated magazines. Businesses can target their market by placing ads on stations their potential customers are mostly likely to listen to. Radio stations usually do extensive market research about their listeners' characteristics, which can help businesses tailor their ads.

Most communities have radio stations and many people listen to the radio at home, work, or on the go, so it is very likely that potential customers will hear an ad. However, there are some drawbacks to radio advertising. Many people listen to the radio while they are doing something else, therefore it is very easy for them to become distracted or ignore the ad. Another disadvantage is that producers cannot use visual images to appeal to customers.

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### Internet

Compared to print and traditional broadcast media, the Internet is a relatively new but potentially very important way of advertising. For fruit and vegetable producers, especially those in a CSA, pick-your-own, or orchard setting, Internet advertising could be a significant part of an overall advertising plan. Internet advertising has numerous advantages, including the possibility of reaching millions of potential customer at a relatively low cost, creative advertising with audio and visual appeal, and customer accessibility 24 hours a day, seven days a week. Potential drawbacks to advertising on the Internet include maintaining the Web site and the difficulty customers might have finding the site among all of the Web sites available.

### Summary

A business must find a market for the goods it sells in order to survive. The producer narrows the field from the total population of all individuals to the target market that will be pursued. Establishing a target market allows the producer to tailor advertising and products to the customers' needs and wants. Producers may choose to sell wholesale or retail. In general, the producer makes less per item selling wholesale but spends less on customer relations. When selling to retail customers, the producer can charge more per item, but in turn is expected to provide more customer service. Advertising is the way businesses communicate with customers about their products or services and encourage customers to make a purchase. Advertising is essential to building a business. As with other parts of the marketing strategy, advertising needs to be planned in advance and used effectively to reach as many customers as possible. Businesses should focus their efforts on an advertising plan that directly addresses their target market.



### Credits

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