



Building the Marketing Plan

Marketing Webinar for Direct Marketing Farmers

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Webinar Questions and Answers

- 1. You mentioned a textbook where I can find a more detailed questionnaire to assess whether I have what it takes to be a successful direct marketer/food entrepreneur. Can you give me that information again?**

“Understanding Business” 10th Edition, Authors, Nickels and McHugh, ISBN: 978-0-07-352459-7. This can be purchased online from several sources.

- 2. Are there any SBDC's in Canada?**

While there are Small Business Development Centers throughout the US, I am not sure about Canada. I would suggest contacting the Department of Agriculture in Ottawa or the University of Guelph. They both work with the food industry and can direct you to assistance.

- 3. What are the best sources for identifying the local population characteristics (to define consumers)?**

Check in with your local Small Business Development Center. They can help you access much of this data. Also look at the 2010 US Census and Demographics Now – Library Edition (<http://www.gale.cengage.com/pdf/facts/DemoNow.pdf>)

- 4. When is the best time to write the Business Plan - before I start farming, while farming or in business?**

Write your business plan before you start, but you will continue to revisit and revise throughout your business. It also must be in writing, not just “in your head”. Writing it out helps you to think through all the aspects of the business. Also, if you are going to a funder, whether a lender or investor, they will require a written plan.

- 5. How often should a marketing plan be revisited? Should it be done on an annual basis or only when trying a new venture?**

A plan should be revisited every few months or whenever you add a new product, change a marketing venue, take on a new partner, require additional funding or whenever you see that your business and marketing plan is not achieving your objectives.

- 6. I'm not clear on the debt service equation. Can you go over that again?**

What this says is the rule of thumb is that for every dollar of debt, you should have \$1.20 in a checking account, accounts receivable or liquid assets. That way you are never “upside down” and operating from a position of strength. And if you have to close the door for whatever reason, you will have your debt covered but still have funds remaining.

- 7. What's the reason for carrying debt if you have enough in your pocket to pay it off and still get a pizza?**

It's a personal decision. But there may be tax advantages to carry some debt.

8. How do you determine your market share?

This is really an assumption or projection that you will make based on your research of the market environment – the competition, the likely customer base for your product and where you think you can fit in.

9. Where can I find resources to determine my current marketing situation?

If you know your gross sales and are able to determine the size of the industry, that is a way to determine, example is veal. Veal consumption is .75 pound per person per year, so if there is say 300 million pounds consumed each year and I am a processor and process 5 million pounds, then I have 2 percent of the market.

10. Are there resources to determine what my local market is for CSA, Farmers Market, direct from farm...

One of the best sources for this kind of information is your local Cooperative Extension Office. They are intimately involved with local agriculture and the community and have this kind of information at their fingertips.

11. How do you approach local competition for their information? Our intention is to create community among our competitors but we also want their information to ascertain our place in the market.

You just start a conversation. Some will be open and others will not. But you must be prepared to answer their question – why do you want the information. You can also network with others in the industry that may know about your competition. You can also Google them on the internet.

12. If you are trying to follow what the shops are doing could you give some examples on what the breads and pastries were that are better for selling

It's not really about what are the best breads and pastries for selling. It's more about acknowledging what your competition is doing and how your product will be differentiated. But, the fastest growing segment of the bakery segment is gluten-free products.

13: Could you name some of the programs that help you design your logos?

There are web companies that can help you, but I would look at people with graphic arts skills that can use the computer to create a logo. This should not be too expensive. Some design companies will charge anywhere from \$3000 - \$10,000 to create a logo. This is an unnecessary expense.

14. What if your budget is not that much, how can you still put yourself out there?

There are a number of things you can do, but anything will take some money. But you should start with social media. This does not have a cost other than time. But you should also have business cards, flyers and signage. These can be done on your own computer. If possible, seek out reporters that may want to do a story on a new start-up business. You may be able to get into newspapers or trade journals for a minimal cost. But remember, it does cost money to make money!

15. In selling to groceries, you say we should expect to get 35¢ for every \$1 retail?

Experience shows this to be the case. Keep in mind that every step of the value chain, i.e. broker/agent, distributor, retailer; all take a piece of the profits. So if you are going this venue, you need to know that

what you are producing can be sourced, grown, manufactured, packaged and shipped for 35¢ on each retail dollar.

16. Where do restaurants fall in this pricing equation?

Restaurants operate much differently than other retailers. First, they traditionally can pay 1/3 of their retail cost. So if they are charging \$15 for an 8 oz steak, they can pay \$5 for that steak. However, historically restaurants are not good at paying quickly, they will play distributors and suppliers against one another for their benefit. Some will pay immediately, but most will take 15, 30 or even 60 days before they pay. The longer the time before payment, the greater the price needs to be to reflect that they are working on your money. But there is no formula that works for all restaurants. However, there are some really good restaurants and if you can establish a relationship with them, they can be a good target market.

17. Please explain Benjamin Butler's "Theory of Entropy".

This is a book that provides theory on how you can look at a market, determine if there is room for you to enter and how you can break into that market.

18. Are the 3 year plans 3 years in the future or 3 years of records from the past? How do you make up profit and loss statements for the future?

These are future projections. The best way to forecast your financial statements is to work with your local Small Business Development Center. They have financial templates that will help you to create these financials by plugging your own information into them.

19. I've seen pro formas for retail businesses...please list what type of info would be included in a "Farmers Market" Pro Forma... P&L, Balance Sheet...what else?

For a stand at a farmers market, the pro forma is no different for any other business, just on a smaller scale. You must include all financials regarding the market stand – cost of space, insurance, labor, etc. For the market itself, again this is no different than any other business.

20. Is there a farm size or break point where it's cost effective to target the wholesale market?

Not anymore. With the local food movement, there is such a demand for local food that brokers and retailers will work with any size farm if it means that they can offer locally grown to their customers. The key is that you have to be able to deliver the product when they want it, in the form they want and at a price point they can work with. If you can do that, you will sell your product before non-local product is sold.

21. Any thoughts on hitting that price point that works? Should small farmers aggregate at the processing & distribution levels?

Any time small farmers can learn to work together and work cohesively it is an advantage in all areas when dealing with the value chain.

22. What is the best way to 'test' the market and see what the customer is willing to pay, provided my product is targeting a niche market.

It's really just trial and error. You can use focus groups. Or use a farmers market for a day or two to sample your product and ask questions of your samplers to get at the value they place on it and what they would be willing to pay. You can also sample at supermarkets

23. I am interested in starting a micro-malting facility. I intend to sprout barley; can this be considered an agricultural commodity or a food product that would require a food processors license?
Cornell Cooperative Extension in Madison county, NY is engaged in this and can answer your question. Contact Steve Miller, sgm6@cornell.edu. He will be able to answer any questions on the malting industry.

24. Take tomatoes as an example. I want to sell to the local restaurant. It takes 70 days to harvest. When is a good time to get with those purchasers?

Make contact as soon as possible. If you wait until you have a crop, then you could be standing in line behind everyone else trying to sell their tomatoes. Go in early, establish a relationship with the restaurateur. Then when your tomatoes are ready, even when every other farmer has tomatoes, yours are the ones the restaurant is looking for.

25. I am starting a small mixed vegetable farm in Maine with several other individuals. Do any of you know of other farm enterprises that are run by several individuals (not married couples), more like a co-op or employee owned company? We are looking for models.

Johnny's Seeds in Maine is an Employee owned company and would be an excellent model. Also contact USDA's SARE program. If they have not funded such a project, they may be interested in funding this to create the model. Otherwise, they may be able to direct you to examples.

26. What do you think is the most important key to all of this?

No one thing is more important than the rest. It's all critical to help guide you through to success.

27. What are some of the errors in marketing plans that you have seen and how does one avoid them?

Keep in mind that most funders, lenders, investors are already pretty savvy. They know the industry and can spot it when someone is blowing smoke. So keep your plan succinct and to the point. Be very honest about your strengths and weaknesses and be sure you have a plan to cover your weaknesses. Include your financials – what funds you already have and what you need.

Don't be flowery with your writing. It does not add to the document and can be a real distraction.