

Business Planning 2010

What is Marketing?

**What are we really talking
about when we discuss
marketing?**

No matter what type of enterprise you have, the scope of marketing goes *way beyond advertising.*

Simply stated, ***marketing is everything you do*** to place your product or service in the hands of potential customers.

Marketing also includes ***keeping good customers*** once you find them.

6 Key Marketing Concepts for Effectiveness - #1

Marketing Concept #1

- Marketing drives profit:
 - Allocate resources (time, talent and money) in such a way to maximize profitability.

7-10% of a start-up business budget in the first 2 years should be spent on marketing. 3-5% if carrying on established activities.



FARM CREDIT EAST

Know Why You Market Your Products or Services

- To get people to buy.
- Introduce a product or service.
- Remind people you are in business.
- We think we need to because everybody else does.

Marketing Drives Profit



Make Marketing Decisions based on Profit Potential

- Anyone can make a sale if the price is low.
- True marketing is all about selling a product or service at a healthy profit.
- Profit-driven decisions can be the difference between success and failure.

Marketing Drives Profit



Allow Customers to Pay All they are Willing to Pay



Before you cut your price-

How many more units do you need to sell to make the same profit dollars?

- Be careful with using mathematical formulas to set prices.
- Identify the price sensitive and blind items in your inventory.
- Avoid psychological price barriers when determining retail price.

You can never go wrong if you “price to value”.

6 Key Marketing Concepts for Effectiveness - #2

Marketing Concept #2

- People don't just "buy" a product, they "buy" the concept of what the product will do for them or help them do themselves.

Sell Benefits - Not Features

Features

Physical attributes of a product or service.
These can be touched or viewed.

Benefits

What the product will do for the customer in terms of cost savings, time savings, peace of mind, etc. (consequence).

Selling is a Part of Marketing

- Spend time training salespeople.
- Always sell the complete project.
- Always spell out the value of a benefit over the item's lifetime.
- End your sales pitch by asking for the order or a commitment that leads to an order.

6 Key Marketing Concepts for Effectiveness - #3

Marketing Concept #3

- Marketing should start with finding the right customers to persuade and learning how to reach them. (People who need or want your product and can actually buy it.)

**What comes first,
the chicken
or the egg?**

Find the Right Customers



Start with the Customer

- Each customer has a unique **perception** of the world based on a belief system.
- The best product, service or idea will not succeed unless you **market within the boundaries of peoples' perceptions**.
- *Starting with the customer* allows you to tailor your concept to fit needs or wants.

Find the Right Customers



Find the Right Customer

Demographics: *Who the customer is -*
age, income level, family size

Psychographics: *Lifestyle information -*
what are they into?

When evaluating potential customers - put more emphasis on lifestyle than economic factors.

Find the Right Customers



6 Key Marketing Concepts for Effectiveness - #4

Marketing Concept #4

- Differentiation is how you can stand out in today's crowded marketplace.
 - ➔ Necessary today as customer loyalty is a thing of the past.
 - ➔ Consumers have too many choices.

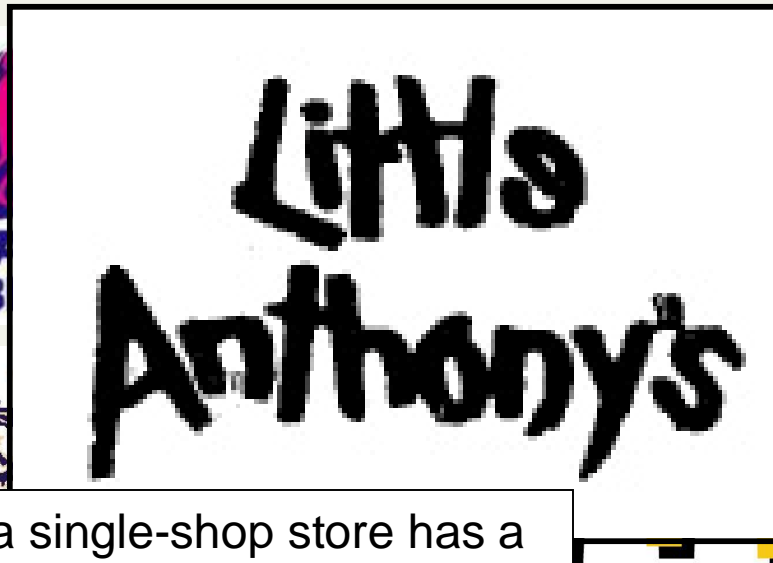
Differentiate Delivery and Presentation

Ways to differentiate:

- The way service, customer experience or information is delivered.
- The way product is presented.

Differentiate to Attract and Keep Customers

Today's consumer has too many choices.
Albany, NY has 80 fast food restaurants.



Little Anthony's Pizza, a single-shop store has a vegan pizza on its menu... perhaps the only one in Albany?

Julius
Differentiate Yourself



Differentiate the Delivery and Presentation

- Tell your story
- Specialty or niche
- Expertise
- Method of communication
- Being first
- Testimonials from customers
- Recognition or awards
- Ease & location of doing business
- Signage
- Contests
- Community events
- Where you advertise
- Make it fun to do business
- Mistakes

Differentiate Yourself



Know Your Customer

- Preference on how to reach them:
 phone, mail, e-mail.
- Birthday.
- What they buy.
- When they buy.
- Price level they buy at - full, specials, deep discount.

Differentiate Yourself



Don't Overlook Email


- Newsletter
- Short articles of interest
- Joke or cartoon
- Quote or special offer

Differentiate Yourself



Websites are a Necessity in Today's Business World

- The first shop takes place on line for most big ticket items.
- Can be done inexpensively using a minimum level of professionalism.
- Reserve different versions of domain name.



The image shows a screenshot of the Google Local search interface. At the top, the word "Google" is written in its multi-colored font, with "Local" in orange and "BETA" in blue below it. Below the logo are two input fields: the first is labeled "Search terms" and the second is labeled "US address, city & state, or zip". To the right of the second field is a "Google Search" button. Below the input fields, there is a checkbox labeled "Save location" which is checked.

Differentiate Yourself

Websites are Always Changing

- Pay per click advertising.
- Affiliate programs.com:

You get a % of sales from referral!

- Template Monster.com.
- Good Keywords.com.

Differentiate Yourself



Blogs are Part of the Future of Business

- Position you as the expert.
- Drive traffic to your farm.
- Free storage for ads and newsletters.
- Use quotes or special price to see effectiveness.
- www.bloggers.com.

Differentiate Yourself



6 Key Marketing Concepts for Effectiveness - #5

Marketing Concept #5

- Branding can help you increase the “perceived value” of your product or service in the marketplace.

Branding Builds Brand Equity

- **What is a Brand?**

➔ An impression formed over time through multiple experiences.

- **What is Brand Image?**

➔ What your product or service stands for in the minds of your customers, vendors and suppliers.

- **What is Brand Equity?**

➔ The amount of money people are willing to pay over and above the competition for your product or service.

Start with what Branding is Not

Not:

- Your logo.
- Your mission and vision statement.
- The same as positioning.
- All about the product.

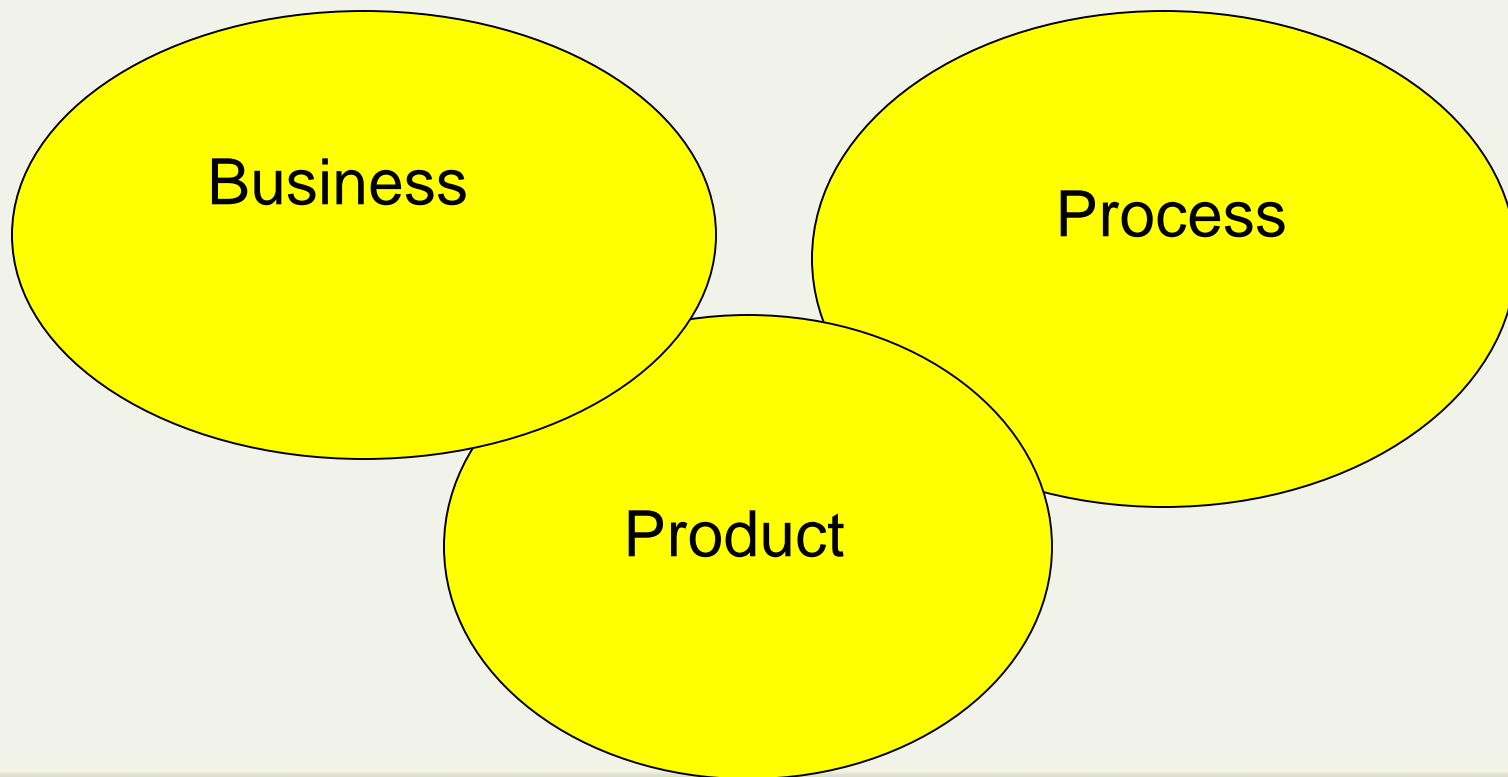
Branding Builds Brand Equity



8 Elements of a Brand

1. Familiarity
2. Reliability
3. Consistency
4. Quality
5. Value
6. Security
7. Convenience
8. Speed

Focus Branding on 3 Areas



Branding Builds Brand Equity

A Signature Line Identifies Your Brand Promise

Name the retailer that goes with these signature lines:

“When you care enough to send the very best.”

“When it absolutely, positively has to be there overnight.”

“Always the low price.”

“Quality is job one.”

8 Steps to Building a Brand

1. What is my market niche?
2. Who is my customer?
3. How is your brand currently perceived in the mind of the customer?
4. What do you want the brand to stand for?
5. How do you want the brand to be perceived?

Branding Builds Brand Equity



8 Steps to Building a Brand

6. How does your brand deliver on the criteria above?
7. What is the one thing you want stakeholders to know about the brand?
8. What will you deliver?

Every marketing and communication effort a company makes will either reinforce or weaken your brand. Consistency is key!

6 Key Marketing Concepts for Effectiveness - #6

Marketing Concept #6

- When marketing, you are only as good as your weakest link.

A Marketing Plan Requires Research

- Do your homework:
 - Gather information.
 - Market research.
- Know your:
 - Brand.
 - Product.
 - Customer.
 - Competition.

As Good as Weakest Link



Create a Marketing Calendar

- Cover an entire year:
 - Avoid rash decisions.
 - Unanticipated deadlines = shoddy work.
- Develop marketing budget.
- Communicate marketing plan to employees.

As Good as Weakest Link

Obtain Professional Marketing Help

- Package design.
- Ad development.
- Web site design.
- Internet usage – email blasts.
- Sales training.

Advertising and Related Services contributed approximately \$100 Billion to U.S. GDP last year

As Good as Weakest Link



Guerrilla Marketing Excellence, Jay Conrad Levinson

“Marketing will succeed only if time and energy are regularly devoted by you or a person you designate.”

As Good as Weakest Link



Who is responsible for marketing?

- Vice President, Sales & Marketing
- Product Manager
- Marketing Manager
- Account Manager
- Market Researcher
- Marketing Consultant
- **YOU!**

As Good as Weakest Link

Measure Your Marketing Aptitude

Determine if you have the ability and desire to handle marketing for the business - or realize you should hire this critical function out!

As Good as Weakest Link



Measure Your Marketing Aptitude

Where does retail fit in your plan?

Wholesale?

The coop?

As Good as Weakest Link



Retail vs. Wholesale

- Retail is many small customers.
- Wholesale is a few large customers.
- Wholesale market usually predictable, if you know the supply and demand.
- Retail - depends on the weather, your location, etc.

Total Sales is the Goal

- Budgeting starts from the bottom up.
- First, determine your net margin (what you want for draws).
- After overhead and cost of goods what is needed is sales (becomes the goal).
- Convert it to customers!

Retail Marketing Dynamics

- Majority of your customers will come from 6-10 mile radius by way of the roads.
- 1-2% of the cars that go by will stop.
- Destination events is key to getting customers.

Retail Analysis

- Starts with tracking customers.

Sales/customer!

It's not production or (low) quality.

The unit of analysis is the customer.

Sales Per Customer

- Depends on the season and what you sell.

Short Season Markets

May-July or July-Oct.

Produce	\$10-\$15/customer
Garden Centers	\$30-\$60/customer
Nursery	\$40-\$80/customer

Sales Per Customer

Three Season Markets

Usually 6 months or more, cover plants, vegetables, fruit and most holidays.

\$15-\$20/customer

Five line Financial Analysis

1. Sales
2. Cost of goods sold
3. Gross margin
4. Overhead
5. Net margin

Short Season Budget

Customers	5,000	
Sales/Customer	\$10	
1. Sales	\$ 50,000	
2. Cost of goods sold	<u>\$ 27,500</u>	
3. Gross margin	\$ 22,500	(45%)
4. Overhead costs	<u>\$15,000</u>	(30%)
5. Net margin	\$ 7,500	(15%)

Three Season Budget

Customers 7,000

Sales/Customer \$12.50

1. Sales \$ 87,500

2. Cost of goods sold \$ 52,500

3. Gross margin \$ 35,000 (40%)

4. Overhead costs \$ 21,880 (25%)

5. Net margin \$ 13,120 (15%)

Keys to Success

- Customers - must have a drawing base.
- Sales/customer - not a convenient store.
- Gross margin - minimum of 40%.
- Overhead costs - maximum of 30%.
- Net margin - enough to meet goal:
 - \$10,000 means \$67,000 min. of sales in our examples with 15% net margin.

Revenue Growth

- Production is not the only answer.
- Quality is important.
- More customers and sales/customer is critical!
- 5-10% sales growth/year is essential to keeping up.
- Many retail markets peak after 5-7 years.

How to Grow Your Market

- More acres and produce is not the answer.
- You can buy additional products.
- More customers is the answer.
- How do you do that!

Change

- Change product mix.
- Change type of product.
- Change market layout.
- Change the way you advertise.
- Change the way you serve the customer.
- Change your image.

Add

- More product, departments - bakery.
- More destination activities - events.
- More services - catering.
- More space - tents.
- More market outlets:
 - Internet, farmer markets, satellites.

Summary

Find out how many customers you will need to meet your sales goal.

Sales of \$75,000 for short season (100 days) at \$10/customer need 7,500 or 75/day.

Summary

- Growing the products is the easy part.
- Marketing is where you make the money.