

# An Overview of Small Farm Direct Marketing<sup>1</sup>

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## What is direct marketing?

Direct marketing refers to selling that is based on a personal, one-to-one relationship that ties farmers and consumers together. Many times this relationship is face-to-face, like at farmers' markets. Other times, the consumer and farmer may not actually meet, for example, on Internet sales.

## How is direct marketing different from traditional (commodity) marketing?

The goal of traditional marketing is to sell a commodity. Direct marketing focuses on marketing product differences. This mindset shift to direct from traditional marketing is the fundamental difference between these marketing strategies. Commodity products are treated as if there is no difference between them: all No. 1 watermelons are the same. Because there is not much product differentiation, commodity items are sold on a price basis.

On the other hand, instead of ignoring product differences, direct marketing relies on differentiation. The idea is that neither products nor consumers are identical; products vary with consumers' unique tastes and preferences. Farmers who are successful at direct marketing profit from these differences (niches), rather than compete solely on price.

## How can small scale farmers

## use direct marketing to their advantage?

Competing solely on price is rarely feasible for small scale farmers. Farmers who accept the lowest price for their products must have the lowest costs. Larger farms can almost always produce high volume, uniform products more cheaply than smaller farms.

While small farmers cannot effectively compete with large scale operations on price, their businesses are uniquely positioned to compete on other, non-price factors. Competing on non-price factors means that farmers must offer their customers something they want but cannot buy at the grocery store, or anywhere else. Differences can include convenience, flavor, variety, and novelty.

**Convenience:** Ready-to-eat salad mix is an example of products that are more convenient for consumers and could be direct marketed by small-scale producers effectively. Selling produce or meat with recipes and serving suggestions is another way that farmers can make their products more convenient than what is sold at the grocery store.

**Flavor:** Consumers often list taste and freshness as the top reasons for buying directly from farmers. Producers who get their products to consumers the same day they are harvested will always win on this issue. Also, small scale producers can pay more attention to detail, which often results in a more flavorful product.

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**Variety:** Small farmers can produce 20 different varieties of tomatoes, or grow a multitude of vegetables, flowers, and raise livestock. Small farms can diversify in a way that larger farms do not, and offer their consumers a wide variety of products.

**Novelty:** This ties into the variety and specialty issues. Farmers who are tuned into their customers' preferences are prepared to respond to those preferences with their products.

**Specialty Products:** Labeling can distinguish your unique products from the generic. "Eco-labels" are a good example of this: locally grown, certified organic, grass-fed, or free-range. When consumers purchase products with these labels, they are expressing preferences; they are "voting with their dollars."

## What are some examples of direct marketing alternatives suitable for small farmers?

There are a variety of ways that small scale farmers reach their customers with direct marketing. Some may be more suited to your farm and products than others. For many farmers, a combination of several marketing outlets is effective. Specific examples of direct marketing strategies include:

- U-pick
- Roadside stands
- Farmers' market
- Community markets
- Retail outlets
- Chefs and Restaurants
- Internet or mail order
- Cooperative marketing
- Consumer cooperatives
- Community Supported Agriculture (CSA) or Subscription
- Institutional sales

The following lists highlight some of the advantages as well as the challenges of eight of these direct marketing strategies.

### U-Pick

#### Advantages

- No harvest costs
- No transportation costs
- No intermediary
- Crop/Product mix is not critical

#### Potential Issues

- Location is critical
- Legal liabilities
- Intrusion on family life
- Parking and staffing
- Limited growth potential and product value

### Roadside Stand

#### Advantages

- No intermediary
- No one on your farm can re-sell products you don't raise
- Long potential season, depending on the crop mix
- Usually limited transportation and packaging

#### Potential Issues

- Location is critical
- Appearance, upkeep of the stand
- Advertising
- Crop/Product mix
- Staffing – long business hours
- Parking and traffic

### Farmers' Market

#### Advantages

- No intermediary
- No one on your farm
- Product mix can be supplied by other vendors
- Networking opportunity

#### Potential Issues

- Requires farmer to be good salesperson
- Can be time intensive
- Packaging and presentation are important
- Distance to market
- Market fees
- Market season and days may not fit your needs
- Competition among vendors

### Internet or Mail Order

#### Advantages

- Reduced physical infrastructure needs
- No one on your farm
- Very flexible hours (weekends and evening are fine!)
- Growth is virtually (no pun intended) unlimited

## Potential Issues

- Management of website
- Freshness advantage may be lost – not appropriate for extremely perishable items
- Payment mechanism and security of transactions
- Packaging is critical
- Shipping cost and reliability

## CSA and Subscription

### Advantages

- Up-front payments help with cash flow
- Income doesn't depend on weather (farmers market) or crop prices (retail)
- Acts as an “insurance policy” in case of crop failure in the case of CSAs
- May help with labor shortage; many CSA members volunteer on farm
- Satisfied members are great advertising

### Potential Issues

- Hard “sell” because of the up-front cost to the consumer
- Requires quality consistency with variety of products
- Member turnover
- Requires highly organized farmer and “core group” of helpers
- Delivery logistics can be complicated

## Cooperative Marketing

### Advantages

- Large potential for growth
- Pooled resources – purchases, advertising, transportation, etc.
- Product mix and variety of group is greater than any one producer
- Little added infrastructure or demand on your farm

### Potential Issues

- Now you're part of a group – you may not like all of the decisions
- Legal costs and time to establish a co-op
- Management is critical – hiring professionals may be the best route
- Competition among members (prices go up so I decide to sell my stuff somewhere else, for example)

## Consumer Cooperatives

### Advantages

- Stable, non-volatile market
- High growth potential
- Farmer gets high portion of food dollar
- Small farmer investment
- Farmers are consumers too!

### Potential Issues

- Requires organization of or by consumers
- High degree of management required
- Staff/personnel issues
- Legal responsibilities
- Formal organization with rules and regulations, just like a grocery store

## Institutional Markets

### Advantages

- Non-volatile market
- Very long planning cycle (up to a year in advance)
- High potential for growth in Florida, with the importance of cruise lines, amusement parks, etc.

### Potential Issues

- Up front legwork – contacts
- May require that farmers or group of farmers meet regulatory requirements
- Failure to deliver is a disaster
- May be suitable for a limited number of products
- Transportation, delivery
- Requires large and consistent volume

## Basic Keys to Success in Direct Marketing

The information in this section has been condensed and adapted from *Keys to Success in Value Added Marketing* by Holly Born. This publication was a collaborative effort between SARE and ATTRA. It is available free of charge from ATTRA, go to <http://attra.ncat.org/>

### Key 1: Bring ALL the players to the table

Involve the community including consumers, farmers, supportive elected leaders, and other businesses to help your efforts. Make use of the different skills and talents in your own network. These people are also invaluable for building a network of people to advertise your product(s) and business. Remember, go it alone efforts are rarely successful.

## **Key 2: Start Small and grow naturally**

There is a steep learning curve for producers getting into direct marketing. This is true even of those farmers who have been involved in agriculture their whole lives. Smaller operations tend to be easier to manage, and if you find you've miscalculated or otherwise erred, those mistakes will tend to be less costly for a smaller operation than a bigger one.

If one marketing technique or product isn't successful, it's easier to switch gears and try something else if you haven't invested a whole lot.

## **Key 3: Make decisions based on good records**

Lack of consistent and useful records can undermine the most enthusiastic agricultural entrepreneur. Without good information, it can be difficult to evaluate your progress and to determine whether or not you are meeting your goals. Financial records may be required for tax purposes, but other records can be helpful as well. Farm maps detailing what grows best where or detailed records of what specific products sell best (to which clients, at what time of day or year, etc.) can help you narrow down your product mix to the most profitable items.

## **Key 4: Find your market niche**

This one requires you to think like a consumer. What do consumers want? Whenever you have the opportunity, talk to your customers about their purchases. Good marketing means that you know your customers' preferences, you listen to their suggestions, and you are willing to adjust your production accordingly. Be pro-active! Consider having tastings or sampling new products with family, friends or loyal customers.