

Niche Marketing

Outside of the Box, but in the Black

Agriculture in Maryland is the state's largest commercial industry. It contributes more than \$1.5 billion in revenue annually and 14 percent of the state's workforce is involved in Maryland's food and fiber sector. The Mid-Atlantic region, which Maryland anchors, is the 4th most populous region in the country. This offers tremendous direct-to-consumer markets as well as institutional markets such as schools, colleges, and governmental agencies.

Yet, Maryland's farmers are facing increasing pressures that threaten the viability of their industry. These include land fragmentation and high land prices, difficulty assessing markets, and diminishing profit margins due to increasing input costs and declining commodity prices. In early 2005 the Maryland Agricultural Commission hosted a Governor's Agriculture Forum, bringing together farms, industry stakeholders, and supporting agencies



to generate ideas and solutions for strengthening agriculture in Maryland.

This forum resulted in a written “Statewide Plan for Agricultural Policy and Resource Management” with emphasis on three key areas:

1. Enhance Profitability
2. Ensure an Adequate Base of Well-Managed Agricultural Land
3. Advance Research, Education, and Advocacy of Agriculture

Primary to enhancing on-farm profitability was providing business development assistance, supporting the expansion of marketing opportunities, and training for farmers and other agricultural entrepreneurs in product development, market assessments, and support for the skill sets needed to be successful marketers.

Direct Marketing Can Increase Profits

According to USDA, the farmer’s share of America’s food dollar was 31 cents in 1981. In 2005 it had fallen to less than 20 cents—a decline of 35 percent and it is projected that this trend will continue. Direct marketing can give farmers a larger share of the food dollar and a higher return per unit sold. It is particularly promising at the rural-urban fringe, where producers can take advantage of specialty market niches and the demand for local and ethnic food and nontraditional products, while promoting agricultural tourism and education.

Direct marketing refers to selling that is based on a personal, one-to-one relationship that ties farmers and consumers together. Frequently this relationship is face-to-face, like



at farmers' markets. Sometimes, the consumer and farmer may not actually meet, for example, Internet sales. Direct marketing not only relates to products, but can also be applied to services such as custom seeding or the production of specialty products or value-added products for a target market.

From a national perspective, the USDA Census of Agriculture shows that the value of agricultural products sold directly by farmers to consumers in the U.S. increased from \$591.8 million in 1997 to \$812.2 million in 2002, which is a 37.2 percent increase. Over the same period, the number of farmers selling directly to consumers increased by 5.5 percent. Farmers' markets are prime direct marketing outlets. Across the country, the number of farmers' markets more than doubled between 1994 and 2004, from 1,755 markets to 3,706. In Maryland, farmers' markets have increased steadily in recent years, with one or two added every year. At the beginning of the 2007 market season there were 75, with at least one in each county.

Niche Marketing—A Change of Marketing Strategies

Direct marketing requires you, the producer, to change your marketing mind-set. No longer can you just produce and sell product. You must be willing to become a marketer. Product-driven marketing requires you focus all your marketing efforts on selling more of a particular product to as many customers as possible. A market-driven strategy is one in which you develop whatever products or services are required to satisfy a particular market segment.

This particular market is usually a smaller segment of a larger customer base and

is called a marketing niche. Niche marketing allows your business to be a big fish in a small pond. Commodity marketing, selling at the livestock auction, or selling through a cooperative does not differentiate your product from the mass market. Niche marketing differentiates your product from other similar products and targets customers who want a unique or superior product.

Niche marketing requires you focus your business on a very targeted segment of the population such as a specific geographic region, a particular demographic group, or a group of people with shared interests, for example, people who want to purchase pasture-raised meats. Smaller specialized markets are often overlooked by mainstream companies and can provide a profitable, targeted customer base.

Successful marketing niches must be large enough to be profitable, but not large enough to attract competition from other mainstream companies. Focusing your marketing efforts on a niche market can:

1. Create a cost-effective way to find potential customers.
2. Enable you to spend more time improving your relationships with existing customers rather than looking for new customers.
3. Capitalize on opportunities to create new niche marketing divisions.

While niche markets can be very successful, remember that they are by nature short-term markets that tend to disappear after a while. You must remain vigilant for new niche marketing opportunities and be flexible enough to adjust your products or delivery system to consumer demands.



How to Find Niche Markets

A marketing niche occurs when you find customers who have needs or wants that you can satisfy better than anyone else. For example, some people want healthy meat products locally raised in systems characterized as humane, environmental organic, natural, free-range, antibiotic-free, etc. But, how can you find the niche markets that might fit your product or service and are they profitable? Here are some suggestions:

1. One good way is by following a very simple and direct method of market research—ask questions and be observant.
 - What do consumers need or want?
 - Are they looking for items that offer convenience or have special flavors? What seasonal items are popular now?

- What packaging, special quantity, or product mix meet changing family or demographic trends?

Ask your family, friends, existing customers, and your suppliers for product ideas and outlets. Read magazines and newspapers to identify consumer trends and buying habits. Identify the special needs that you can supply and then determine if there is a large enough demand to justify pursuing that market.

2. Studying the competition can give you an abundance of information about your customer, the marketplace, and the profit potential—all at a very low price tag. When you make the effort to study what your competitors do and how they do it you may:
 - Learn more about what the customer wants

- Discover “niche markets” that the current competition isn’t serving
 - Get ideas for marketing, merchandising, and product mix
 - Deduce how the competition will react to you entering “their” market—it may also help you think of complementary products or services
 - Receive advice, information, help, and support you cannot get locally from remote competition (similar businesses, but not near your trade area)
3. After you have clearly defined your niche market, you need to make sure that your target customers are willing to pay for your services or products. The easiest way to determine this is to search for products or services similar to yours on the Internet and see what those vendors are charging for their products. *This is only one market research technique and should not be used as the sole source for determining the selling price of your product.*

Guidelines for Successful Niche Marketers

Niche marketing isn’t for everyone and you have to measure its merits vis á vis your own resources and marketing perspective. Successful niche marketers do follow several key guidelines:

1. You must differentiate your product through modification or specialization. Remember that your target customer is looking for unique or superior qualities and must be able to recognize them in your product at first glance. If you can’t or won’t produce a product

substantially different from industry standards, then you probably aren’t ready to explore a niche market.

As a cut flower grower, specialize in particular varieties or always grow something new or unusual.

2. For a niche market to be viable, it must have customers who are accessible through clearly identified information and distribution channels. Unique or not, you still need to be able to get your product in front of buyers and delivered where and when they want it.

Producing specialty fruits and vegetables such as pawpaws or Jerusalem artichokes may be too small a niche market if they are not part of a larger selection of specialty fruits or vegetables.

3. Demand must always exceed supply. Once you’ve identified a profitable niche market, you must control production and build demand so that demand always exceeds supply. Plan your marketing strategy for year-round sales whenever possible. Selling out completely or selling out too quickly may be a misguided goal and may indicate the product is priced too low.

Pick-your-own enterprises usually match their production to specific harvest seasons. Growing season-neutral fruits such as day-neutral strawberries, or blueberries that have an extended growing season based on varieties, can provide just enough product to keep customers coming back for more without exceeding demand.

4. Use the “250 Rule” for pricing niche products. There are many pricing models to use, but remember that niche markets are small and specialized. You can demand above-average pricing. If the product you

choose to produce and retail can't be sold for 250 percent above your total cost of production, marketing and distribution, then the niche may be too small. This sounds like a big markup, but home furniture has a 200 to 400 percent markup and clothing and jewelry are typically marked up at least 65 percent. This rule forces you to estimate income, costs, and cash flow before you start production.

Community Supported Agriculture (CSA) farmers often base their produce share price on retail prices paid at the grocery store. This approach neglects to include the farmer's planning time, labor, and materials for sorting, packaging, and distribution.

5. "Know Thy Customer" is a credo that can't be repeated too often. Identify and specifically define your target customers' wants and the factors that

motivate them to buy. An in-depth understanding of your potential customers will drive your advertising and promotion strategies.

You must know the demographic characteristics of your potential customers. If you plan to start a dry cleaning business in the heart of the Lower Eastern Shore, you may want to rethink your business because few farmers have a need for dry-cleaned shirts to grow corn and soybeans.

6. Look for opposites and pairs. But, don't just be different, be right. Evaluate your competitor's products and look for ways to offer a different size, a different package, or a complement to what's already on the market. Be sure your product is truly useful and not just a gimmick. Customers will reward you with their loyalty and a receptive market for product diversification.



Offer smaller versions of large products or packaging. Try offering colored heirloom tomatoes rather than selling only traditional red tomatoes, or selling herbs, tomatoes, and peppers as a make-it-yourself salsa kit. By definition, niche markets offer different sizes, varieties, or uses for recognized products.

7. Offer high quality, superior products. All sustainable markets are tied to customer satisfaction. Niche marketers can set the standard for product excellence since they are often trend leaders.

Tabasco is trademarked as the brand name for the variety of hot pepper sauce produced and marketed by one of the biggest makers of hot sauce in the world, the McIlhenny Family of Avery Island, Louisiana. This product has captured such a large share of the hot sauce niche market, customers ask for it by name.

Implementing a Niche Marketing Plan

Research and planning are vital to the success of any marketing effort. Niche marketing is a strategy that can be an important section in your overall marketing plan. But don't confuse planning with actual implementation. The value of any marketing plan is in the planned sequence of action it causes. Here are the steps to follow when implementing a niche marketing plan. Actions for starting a produce subscription service, one form of Community Supported Agriculture, are included as examples.

1. Compile a comprehensive list of your prospects and customers. Narrow the list to a profitable group you believe you can serve better than the competition.

If you are a farmers' market vendor, operate a roadside stand or farm stand, or sell produce to your neighbors, your regular customers are all potential subscribers. Also seek out buying clubs or faith-based organizations in your area that may want to purchase fresh produce in bulk on a weekly basis.

2. Create a profile of the traits common to these customers, such as sales volume, shared interests, or location.

Market research shows that CSA produce subscribers want to purchase locally grown, farm-fresh, and preferably, organically grown, food. Good subscriber prospects possess one or more of the following characteristics:

- *Have the time to cook and like cooking and preparing meals from scratch.*
- *Are willing to experiment with new ingredients and recipes.*
- *Are okay with occasionally getting something in their share of which they're not particularly fond.*

3. Use this profile to tailor products, services, and advertising to your niche market and qualify new prospects.

Customers for a produce subscription service are health conscious and are already purchasing fresh produce regularly. This same group frequents health clubs, health food stores, and libraries. Association gatherings, notices in retail stores, and public meetings are all excellent methods of establishing a CSA program's visibility within a community. Post sign-up sheets and contact information posters in these types of outlets. Offer to speak to library reading groups or at garden club meetings about farming and the benefits of buying locally grown produce.

4. Experiment with several niches to find the one that fits your farm or services best.

The size of the subscription share, organic vs. non-organic products, add-ons such as flowers or egg shares, delivery locations or pick-up times—all these factors should be evaluated regularly and changed if needed. Starting small and expanding slowly is one way to minimize your risk while continuing to raise the program's visibility in the community.

Summary

Direct marketing can give farmers a larger share of the food dollar and a higher return per unit sold. It is particularly promising at the rural-urban fringe, where producers can take advantage of specialty market niches and the demand for local and ethnic food and nontraditional products, while promoting agricultural tourism and education.

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