

MASTERING MARKETING



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Direct Marketing Strategies for Shrinking Middle-Income and Increasing Low-Income Shoppers

Profitability through direct marketing has, in large part, been derived by targeting a customer segment that has a higher level of disposable income. This segment often lists freshness, supporting local farmers, and product quality ahead of prices when deciding to purchase local food products. While the U.S. economy appears to be strong, the Hartman Group in their recent report "The Business of Thrift 2018: Understanding Low-Income and Value-Oriented Consumers" finds that over half of American households (56%) qualify as low-income today (based on federal poverty guidelines and size of household). With a shrinking middle-income shopper base and an increasing share of low-income shoppers, what changing sale strategies and pricing formats can direct marketers use to help bridge this increasing profitability gap?

This change in purchasing power affects many economics segments, not just food shopping, and we can learn some best pricing and bundling practices from their research and observations. Low-income shoppers are already purchasing discounted items so coupons, loyalty points, and bulk buying aren't always the go-to strategy to increase sales. These shoppers have a total food budget to spend and stocking up on sales items can mean they must forfeit purchasing some other item on their list to stay

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within their budget. The Hartman Group research found low-income shoppers are loyal to retailers but not necessarily to brands. Marketing strategies that could help capture sales from low-income food shopper, as well as the shrinking middle-income group, include:

- 1) Pricing for BOGO and offers of multiples of one item to add volume in their cart.
- 2) Bundling items into a meal kit so the shopper sees the package as saving over purchasing individual meal components.
- 3) Understand the customer's cash flow timing. When is payday? Do you need to make better offers in the middle of the month when budgets are starting to get stretched? Keeping records of your sales will help give you sales totals per day so you can begin tracking purchasing trends and adjust marketing strategies to those sales periods.
- 4) Develop a friendly relationship with all your customers. Remember that low-income buyers are often more loyal to their food outlet than to food brands.
- 5) The Economic Research Service, USDA, in their publication "Exploring Food Purchase Behavior of Low-Income Households" found that low-income households, on a per-capita basis, purchased 7.6 percent more meat and poultry (combined), than middle-income households and 6.7 percent more than high-income households. The combined differences are mainly in the quantity of meat purchased. These are often lower quality, value-priced cuts. For meat producers, this is a good market for a ground product, sausages, roasts, and less popular steak cuts.
- 6) Younger, low-income customers still want to participate in current food trends (fresh, local, less processed, and current culinary trends). Families with young children are looking for deals on kid's staples. Your marketing story is the same for these folks but considers two sizes of product offerings for a lower price option.

For many people with lower incomes, price is a conscious factor in food purchasing about 20% of the time. These folks occasionally will make special food purchases. Don't miss offering these product options for them too. It appears that price-orientation is not only about money or the lack of it, but about cultural capital. Everyone deserves good food choices and a good purchasing experience.