

MASTERING MARKETING



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EMERGING MODELS FOR DIRECT-TO-CONSUMER MARKETING

“You never change things by fighting an existing reality. To change something, build a new model that makes the old model obsolete.” – Buckminster Fuller

I ran across this quote in my morning reading just before going into a meeting with some of the University of Maryland’s Extension Faculty, UME Ag Program Leader, Dr. Darren Jarboe, and representatives from USDA. The purpose of the meeting was to examine declining sales and attendance at farmers markets and to determine what joint projects and resources could be developed to support stronger markets and attract more customers.

In many areas, the contemporary farmers market is viewed by a new generation of shoppers as a meet-and-greet social gathering rather than an opportunity to support local agriculture. Sales are down and the message of a local foods system is diluted. Some farmers are questioning whether the hours spent packaging, transporting product, and standing at a market with the hope their product will sell, is still a good use of their time and resources. Still, for many producers, farmers market sales make up a large part of their projected income. Farmers markets may have given farmers their first direct and profitable pipeline to consumers, but few are able to count on them to generate all their revenue.

While not a part of the group’s discussion that day, the declining subscriber trend with farms marketing through the Community Supported Agriculture (CSA) model is also a concern. With the advent of the Community Supported Agriculture (CSA) marketing model in the US in the mid 1980’s, producers and shareholders began sharing the risks and rewards of purchasing the family’s dinner box of produce directly from the producer. The model has worked well in the past but now the definition of a CSA share can be anything from products grown by one producer to a “sources” locally compilation, sometimes circumventing local producers entirely. Previous surveys

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showed that a CSA farm would have an annual subscriber renewal rate of about 65%. In a recent report compiled by Small Farm Central, the average retention rate of CSA members from one season to the next was 45.2% in 2014 and 46.1% in 2015.

While farmers markets and CSA subscriptions have been the mainstay of direct-to-consumer marketing for locally grown foods, there are an increasing number of venues available for consumers to access local foods. These include food hubs, delivery services, super markets, restaurants, and buying clubs. Add the expanding sales from farm-to-school programs and it may be that the interest in local food is not declining, but that these sales are shifting. If so, then how can producers implement new marketing models to replace those that are becoming obsolete?

E-Commerce has greatly leveled the field of access in direct-to-consumer sales. Large and small companies can promote and sell their products on-line 24/7/365. However, the Internet is the delivery tool for the message but it is not the process companies are using to improve their direct sales. Here are some of the "tools" other industries are using to develop the next generation of direct-to-consumer marketing models:

1) "Word of Mouth"

Referrals and recommendations from satisfied customers and friends is still a great marketing tool. Today, word of mouth is often digital - and fueled by social media. There can only be so many customers at the farmers market or your farm stand. But on-line discussions help you cast a larger net and invite more folks to your market, website, or your special event. Use digital tools such as Google, Yelp, and Community Bulletin Boards to post hours of operation, location, and get customer reviews.

2) Story Telling

Have your story ready and share it everywhere to help develop brand loyalty. What's your farm's history, what exactly is your product or service, how do you produce your product, what are its attributes and benefits, do you have lots of photos, who are the key family members or employees, how do you benefit your community, why does their purchase of your product matter? Consumers want to know who they're purchasing their food from and they are more likely to purchase from someone they like. Your story opens that door.

3) Technology Tools

Learn to use the technology tools customers want to use. Websites, secure on-line purchasing and checkout, on-line ordering and custom bundling of products, videos, social media, and texting. Technology is as much about how you interact with customers as it is a communication tool. Use technology to spot new product trends and prevailing customer needs among different target groups- Millennials, Gen X, Baby Boomers, etc.

4) Variations of a Theme

How many ways do you offer potential customers to access your product and take the time to "shop"? McDonald's is putting self-ordering kiosks in their stores. While saving on labor costs, they discovered that per order sales from the kiosk were higher since customers could dwell longer on their menu selections. They still offer counter service, drive thru ordering, to your car delivery, and custom ordering. All services aimed at the same result, make the sale. New

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marketing models will not only give customers a greater selection of products, but also more venues for placing their orders.

5) Collaborative Marketing

There are both opportunities and challenges when working within a collaborative marketing model. A clear set of agreed upon written expectations and responsibilities for membership can help address many of these concerns. A collaborative marketing group can:

- ▶ Take advantage of the economies of size and variety to expand their product offerings.
- ▶ Preserve an existing market.
- ▶ Create a new market.
- ▶ Access a broad and diverse customer base.

This is not an exhaustive list but rather the ground work for developing a more customer-centric approach to direct marketing. The tools and models are sure to keep changing. But to quote the Greek philosopher Heraclitus, "Change is the only constant in life."