
Things to Think About for Your Produce Business.

Mark Seitz
County Extension Director
Pender County
January 15, 2016
Background

• 12 years Vegetable Canning Industry
  – buying produce
  – managing harvest logistics
• 6 years Commercial Horticulture Extension Agent
  – research and education
• 5 years County Extension Director
  – Field crops
  – Commercial Horticulture
  – Pesticide Education
• 51 years in Extension and Produce Industry
Objective...

- Informal...
- Ask Questions...
- Learn...
- Have fun...
Overview...

- Who is Your Customer?
- Hierarchy of Loyalty
- Connections
- Marketing
- Signs, Photos, Displays
- Produce Prices
- Value of Product & Markets
- Setting Prices
- Pricing Techniques
- Quality, Quality, Quality
- Consumer Surveys
Does Who You Know Matter?
## NC Farmers Market Survey Data

### Consumers' Willingness to Tell Friends About Where they Shop and their Farmers Market Experience

<table>
<thead>
<tr>
<th>Combined</th>
<th>Don't take time to tell people about the market</th>
<th>I tell everyone about this market</th>
<th>Rank</th>
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<tr>
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<td>1% 2% 3% 4% 5% 6% 7%</td>
<td>8% 9% 10%</td>
<td>8-10%</td>
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<tr>
<td>New Bern / Craven Co. FM</td>
<td>0% 0% 0% 0% 6% 3% 9%</td>
<td>13% 13% 54%</td>
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<tr>
<td>Onslow Co. FM</td>
<td>0% 1% 1% 1% 2% 2% 9%</td>
<td>13% 16% 56%</td>
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<tr>
<td>Oriental FM</td>
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<td>25% 13% 50%</td>
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<td>Pitt Co. / Greenville FM</td>
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<td>0% 0% 4% 0% 0% 4% 4%</td>
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<td>1% 0% 1% 0% 1% 3% 8%</td>
<td>24% 12% 50%</td>
<td>85%</td>
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</tbody>
</table>
Connections…

• There is always a way to connect your product with your audience through someone they know and/or relate to.

• Six Degrees of Separation…
I ‘Know’ Taylor Swift

- (1) I attended NC Extension Conference (Dec 2015)
- (2) I met Dr. David Jones, NCSU Agriculture and Extension Education professor
- (3) who once lived in Memphis, TN
- (4) Dr. Jones’ daughter went to high school with Taylor Swift
- (5) Taylor used to come to Dr. Jones’ house to do homework with his daughter.
- (6) Since he knows Taylor Swift and I met him at State Extension Conference by default I ‘know’ Taylor Swift.

- MARKETING IS MOSTLY ABOUT WHO YOU KNOW!!!!
Location
Describe Your Market/Farm...

• What is the #1 best thing about it?

• What is the #1 thing you’d like to change?

• Who is your typical customer?
Describe Your Market/Farm…

• What is the #1 best thing about it?
  • What could you do to make that ‘best thing’ better?

• What is the #1 thing you’d like to change?
  • Is that a goal for 2016?

• Who is your typical customer?
  • What do you know about them?
Who Are Your Customers?

Shameless Family Photo Op...
Who Are Your Customers?

- Babies
- Millennials
- Gen X
- Gen Y
- Baby Boomers
- Non-GMO
- Gluten Free

- Free Range
- Pasture Raised
- Low cost
- Local
- Organic
- Certified Natural
Who & Where Are Your Customers?

Brunswick County, NC
(US Census Bureau)
- Pop. 118,836 (2014 Census est.) +10.6%
- Pop. 107,431 (2010 Census)
- Median Income = $46,438
- 16.6% below poverty line
- Male = 48.6% Female = 51.4%
- White = 85.4% Black = 11.2%
- Hispanic or Latino =
- HS Education = 86.3%
- Bachelor’s or higher = 25.1%
- Avg. Commuter Time to Work = 23.3 minutes

New Hanover County, NC
(US Census Bureau)
- Pop. 216,298 (2014 Census est.) +6.7%
- Pop. 202,638 (2010 Census)
- Median Income = $49,835
- 16.9% below poverty line
- Male = 48.6% Female = 51.4%
- White = 81.3% Black = 14.6%
- Hispanic or Latino = 5.4%
- HS Education = 90.6%
- Bachelor’s or higher = 36.6%
- Avg. Commuter Time to Work = 20.2 minutes

Source: [http://quickfacts.census.gov](http://quickfacts.census.gov)
Who & Where Are Your Customers?

Columbus County, NC
(US Census Bureau)

- Pop. 56,935 (2014 Census est.) – 2% loss
- Pop. 58,098 (2010 Census)
- Median Income = $35,761
- 25.0% below poverty line
- Male = 49.3%  Female = 50.7%
- White = 63.9%  Black = 30.5%
- Hispanic or Latino = 4.9%
- HS Education = 79.2%
- Bachelor’s or higher = 12.2%
- Avg. Commuter Time to Work = 24.0 minutes

Horry County, SC
(US Census Bureau)

- Pop. 298,832 (2014 Census est.) +11.0%
- Pop. 269,291 (2010 Census)
- Median Income = $42,431
- 18.6% below poverty line
- Male = 48.5%  Female = 51.5%
- White = 82.4%  Black = 13.7%
- Hispanic or Latino = 6.1%
- HS Education = 87.7%
- Bachelor’s or higher = 22.7%
- Avg. Commuter Time to Work = 21.2 minutes

Source: [http://quickfacts.census.gov](http://quickfacts.census.gov)
Why do demographics matter? Because they tell us...

- Where our customers are...
- How much disposable income they might have relative to another region...
- What types of products they are interested in...
- It's not stereotyping, it's marketing!!
Other Sources of Data:

- Google analytics… Facebook analytics… Website traffic…

Visits by Page

Choose a website:
pender.ces.ncsu.edu

START DATE
01/01/2016

END DATE
01/12/2016

Displaying total visits by page for pender.ces.ncsu.edu from January 1, 2016 - January 12, 2016

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<td>3</td>
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<td>4</td>
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<td>5</td>
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<td>/2013/09/controlling-caterpillars-on-trees-and-shrubs/</td>
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</table>
Who is Your Competition?

- Vendor on other side of aisle at market…
- Roadside/Farmers Markets…
- Commercial fruit/vegetable farmers…
- Retailers…
- Produce Brokerage Companies…
Who is Your Competition?

- Which is more attractive…
  - Full market, full booths, clean produce, high consumer traffic
  - Partially filled market, light traffic, ‘dead’?
Another marketing ‘tool’

• Food safety!!
• Food safety!!
• Food safety!!
Food Safety & Marketing

- Case Study…
- E. coli in spinach in 2006

- E. coli at Chipotle Restaurants in 2015
  - Damage?
  - Benefit?
  - Final impact still undetermined
When a fresh produce food borne illness outbreak occurs...

- **Who wins?**
- **Who loses?**
- **Economic Impact?**

- *E. Coli in spinach...* September 2006
  - Surface runoff from grazing areas into cultivated fields
  - Construction of irrigation wells
  - Depth to ground water and ground-water to surface water interaction
  - Use of surface water for overhead irrigation

Source: Irrigation Water Issues Potentially Related to 2006 E. coli O157:H7 in Spinach Outbreak. CDR Rick Gelting, PE, CDC
### Fresh Spinach Sales… USDA Report

<table>
<thead>
<tr>
<th>Year</th>
<th>Acres (1,000)</th>
<th>Value (Millions)</th>
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<td>31,700</td>
<td>$158,385</td>
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<td>33,880</td>
<td>$187,711</td>
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<td>2004</td>
<td>36,600</td>
<td>$127,722</td>
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<td>2005</td>
<td>42,500</td>
<td>$161,732</td>
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<td>2006</td>
<td>36,500</td>
<td>$180,774</td>
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<td>2007</td>
<td>31,900</td>
<td>$163,952</td>
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<td>2008</td>
<td>35,680</td>
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<td>2009</td>
<td>36,600</td>
<td>$269,424</td>
</tr>
<tr>
<td>2010</td>
<td>38,900</td>
<td>$256,924</td>
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USDA Economic Research Service Study

- 68 week market study
- Bagged spinach retail sales declined $201.9 million
  - 20% below simulated expenditures without a shock
- Bulk-spinach expenditures fell $0.6 million
  - $3.8 million loss over the first 30 weeks of the outbreak
  - $3.2 million gain in the last 38 weeks of the outbreak
- Bagged salad sales without spinach increased $63 million
  - $3.9 million loss in the first 13 weeks of the outbreak
  - $66.9 million gain in the following 55 weeks of the outbreak
- Lettuce sales increased
  - bulk iceberg +6%
  - other bulk lettuce +7%
  - romaine hearts +2%
- TOTAL LOSSES $60.6 million

Produce Vendors… What Marketing “Gift” Were You Just Handed?

- *E. coli* in spinach… food-borne illness…
  - 15% of customers stop eating a product after a food safety recall
  - Can you afford a 15% drop in sales?
Produce Vendors...What Marketing “Gift” Were You Just Handed?

– Good news: Consumers are demanding more locally grown produce!
Food Safety Matters…

• Congress passes the Food Safety Modernization Act (FSMA) Jan 2011
  – ‘mandates’ GAP certification and fresh produce safety protocols
Food Safety Matters…

• Food Safety Modernization Act (FSMA) passes Jan 2011

• Who does it affect?
  – small producers making <$500K over three years ‘exempt’.
  – but if you are ‘exempt’ why do you have to do it?
Food Safety Resources

- [https://foodsafty.ncsu.edu/](https://foodsafty.ncsu.edu/)

- Mommy, PhD – Facebook
  - Scientist · Mom, wife and scientist. Committed to promoting science and destroying pseudoscientific claims.

Who ‘Wins’?

• Can you take advantage of a food borne illness? Should you?

• MARKETING, MARKETING, MARKETING
Marketing...What is it?

- **Marketing:**
  (textbook definition)
  
a societal process by which individuals and groups obtain what they **need and want** by creating, offering, and freely exchanging products and services of value with others

Marketing…What is it?

• “The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.”

Peter Drucker
Harvard Business School Professor & Management Theorist

Marketing

- 1,000s of marketing books
- No one method is right or wrong
- Constant, on-going, trial & error process
- *Don’t ever stop trying new methods, new tactics, new ideas*
- Have fun…
Marketing Tools

- GAP Certified
- NC Certified Safe Farm
- Organic Certified
- County of Origin Labeling
- Local (definition?)

- Hormone free
- Antibiotic free
- Cage free
- Free range
- Gluten free
Marketing...What is it?

- Tourist market...
- Local resident market...
- Ethnic market...
  - Hispanic markets...
  - African American markets...
- Retail...
- Wholesale...

Marketing…

• Needs depend on:
  – **Stated** = wants inexpensive car
  – **Real** = wants car w/low operating cost, not initial low price
  – **Unstated** = expectation of good service
  – **Delight** = extra gift expected with purchase
  – **Secret** = wants to be seen as savvy or sophisticated

• As a marketer you must strive to meet all of these and turn **wants** into **NEEDS**…

Marketing...What is it?

- **Want:** Ice Cream/Milkshake
  - Instant gratification
  - Could do without but where is the fun in that?

- **Need:** Keeps kids quiet in car
  ("Parental Need"...sugar high puts them to sleep on the drive home)

Retail Marketing

- PLU Codes – price lookup codes
- UPC Codes – universal product codes
  - Almost essential for retail sales
  - Retail grocers sell hundreds of produce items daily
  - Average grocery store in US handles 40,000 items
  - Time / traceability / cost

Source: Tips for Produce Growers Marketing Fresh Produce to Retail Grocers. LF-002
Photos by Mark Seitz, Whole Foods, Cary, NY Aug. 2006
Branding:
What variety or brand did you think of first?

- Watermelon
- Baby carrots
- Sweet corn
- Onions
- Strawberries
- Agri-tourism ‘spot’
- Sweet potatoes
- Tomatoes
<table>
<thead>
<tr>
<th>Product</th>
<th>Brand/Description</th>
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<tbody>
<tr>
<td>Watermelon</td>
<td>Bogue Sound</td>
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<tr>
<td>Baby carrots</td>
<td>Bolthouse Farms</td>
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<tr>
<td>Sweet corn</td>
<td>Silver Queen / G90</td>
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<tr>
<td>Onions</td>
<td>Vidalia</td>
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<tr>
<td>Strawberries</td>
<td>Sweet Charlie</td>
</tr>
<tr>
<td>Agri-tourism ‘spot’</td>
<td>Old River Farm</td>
</tr>
<tr>
<td>Sweet potatoes</td>
<td>Covington</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>Better Boy</td>
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Signs, Photos & Displays

Why aren’t there ever any fire hydrants around when you need one?
VALUE OF A GOOD SIGN...

• Identifies your business

• Directs customers to your farm or place of business

• Relatively inexpensive

• And...

• Ohio roadside stand survey...
  
  ➢ 75% people learned about roadside market from signs
Signs, Photos & Displays

- 4 P’s: Price, product, promotion, place
- How much should you spend on a sign(s)?
- Where should you put signs?
Signs, Photos & Displays

- Best sign at the market door

- Signs are first impression your customers get of your market

- Cost: $500 sign, lasts 5 years = $0.274/day
Signs, Photos & Displays

- How big should your lettering be?
- What colors?
- What style?
- What background color?
Village Creek
Strawberry & Produce Farm

• 252-523-....
  • Asparagus
  • Strawberries
• Open

Photo: Mark Seitz, NC CES. August 2006.
• Letter size: 1 inch high for every 10 mph posted speed

• 2 to 10 miles from your market in each direction

• One sign one mile from entrance

• Another 1/2 mile from market entrance

Photo: Mark Seitz, NC CES. August 2006.
Signs, Photos & Displays
Is this a good sign??

Does it cover the 4 P’s?

• Easy to read?

• Convey the 4 P’s?
  – Product – Prawn
  – Price - $/lb.
  – Place – Locally grown
  – Promotion – DJ&W Shrimp Farm
Signs, Photos & Displays

“Pile it high... Kiss it Goodbye!”

Photos by Mark Seitz at Whole Foods, Cary, NY Aug. 2006
Signs, Photos & Displays

- Fresh
- **Clean**
- Eye popping
- Uncluttered
- **Colorful**
- Educational
- **Informational**
- Diverse
- Unique
Signs, Photos & Displays

- **Fresh**
- **Clean**
- Eye popping
- Uncluttered
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- Informational
- Diverse
- Unique

Photo: Mark Seitz, NC CES, August 2006. Carrboro Farmers Market
Signs, Photos & Displays

- Fresh
- Clean
- Eye popping
- Uncluttered
- Colorful
- **Educational**
- **Informational**
- Diverse
- **Unique**
Combine History & Agriculture

Shelburne Farms • Across the Years

The Parlor at Work

To attach the cups, we take extra time to clean the udders to ensure the highest quality milk for cheese production.

With our emphasis on low-cost milk production from pastures, our parlor contains few of the "Stats and stables" that are common in more high-speed parlors. We don't use computer to measure how much we're milking and our milking does don't automatically deposit when a cow is done milking.

NAME THAT POOP

Featured Farmers: Janet Ashley 1977, Larry 1979

NC Cooperative Extension
Empowering People • Providing Solutions
Example: Combining Signs & Photos
Example: Combining Signs & Photos
Value of Products & Markets
Value of Products & Market

“We all lose at farmers’ markets by trying to compete on low price. Rather than lowering prices, look for ways to make your food look better by washing it or improving the way you grow it, or by getting it more quickly to the market.”

– Gretchen Hoyt, Alm Hill Gardens, Everson, WA
Value of Products & Market

“Sell top quality consistently and customers will keep coming back. I’ve seen time and time again customers are extremely loyal if you bring only the best quality to the market. People sell geraniums at several stalls at our market, but at one stall they have geraniums that last all summer and into fall, and people line up at the booth to buy them.”

- Teresa White, Mgr., Cedar Rapids, IA
Value of Product & Market

“Do not undercharge! Farmers have hurt themselves by undercharging. Be proud of your livelihood and charge what you need to make your livelihood. Don’t try to compete with the supermarkets. Offer something different and bring your finest produce. It hurts business to bring day-old products.”

- Chris Burke, Burke Organic Farm, Boulder, CO
Value of Product & Market

• Consumers perceive diversity and choice at the market differently than farmers / vendors.

• Farmers look at diversity from the perspective of individual crops:
  – Corn, beans, peas, tomatoes, collards, strawberries, blackberries, beets, carrots…
  – Number of vendors selling these items…
  – Profitable to produce
Value of Product & Market

• Consumers look at diversity in terms of:

  – Crop variety:
    • **Peaches**: white, yellow, donut
    • **Tomatoes**: Heirloom, Roma, cherry, slicing or canning tomatoes
    • **Collards**: mine or my grandmother’s variety
    • **Sweet potatoes**: Puerto Rican, ‘You know that old timey variety’, Covington, Beauregard
    • **Sweet corn**: super sweet, sugar enhanced, bi-color G-90 or Silver Queen
    • **Watermelon**: ‘Bogue Sound’, seedless
Value of Product & Market

• Consumers look at diversity in terms of:

  – Growing methods:
    • Certified organic vs. Conventional
    • IPM vs. “If a little works, a lot works better…”
    • Natural vs. ‘Two brick pest control’
Value of Product & Market

• Market Value

• How much value is there in coming to a farmers’ or curb market?

• Identify some of the benefits
  – Real?
  – Perceived?
  – Measurable?
Produce Prices

- Price setting
- Value of Products & Market
Setting Prices

• What is legal?

• Pricing of products is governed by North Carolina General Statutes 75-1 and 75-2

• Applies to any vendor at any market or business that meets to agree to set price floors, ceilings on any product.

• Violation of the statutes considered a restraint of free trade
Setting Prices

Chapter 75.
Monopolies, Trusts and Consumer Protection.

Article 1.
General Provisions.

§ 75-1. Combinations in restraint of trade illegal.

Every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade or commerce in the State of North Carolina is hereby declared to be illegal. Every person or corporation who shall make any such contract expressly or shall knowingly be a party thereto by implication, or who shall engage in any such combination or conspiracy shall be guilty of a Class H felony. (1913, c. 41, s. 1; C.S., s. 2559; 1981, c. 764, s. 2.)
Setting Prices

• Setting Prices – how much should you charge?
  – Charging What the Market Will Bear (demographics…)
  – Going Rate
  – Break-Even and Make a Profit!
  – Market Considerations
  – Be a Price Leader!
Setting Prices

• Charging What the Market Will Bear
  \((Simple \ Rule \ of \ Supply / \ Demand)\)
  
  – Make high profits in times of high demand & limited supply of locally grown produce
    • 1\textsuperscript{st} at market with strawberries
    • 1\textsuperscript{st} at market with sweet corn
    • 1\textsuperscript{st} at market with watermelon

  – Downside is market glut – everyone has same products at same time
Setting Prices

• Going Rate
  – Know what’s happening at the market
    • Get someone to manage your booth, walk the market for 30 minutes
    • Find out what others have for sale
    • Find out what others are charging
  – Caution: May not like what you see
    • Can’t compete, stay home
    • Can’t compete, find a new twist
Setting Prices

• Going Rate
  – Be careful about the perception of price fixing.
  – Walking the market to note what other members are charging and even asking them about their pricing is NOT price collusion, it is simply trading information.
  – Getting together with other members to ‘set’ prices is illegal!
Setting Prices

• Break-Even and Make a Profit!
  - What is your cost of production?
  - How much profit (margin) are you trying to make?

• 5%, 10%, 25%
  - How can you make this much profit if you don’t know what it cost you to produce the product?
Setting Prices

- Market Considerations
  - Quality & Selection
  - Competition
  - Uniqueness of product
  - Time of year
  - Market Clientele
Setting Prices

• Be a Price Leader!
  – Be a ‘price setter’ and have a great crop to back it up!
  – Quality sells. Junk does not!
Setting Prices

• Be a Price Leader!
  – Biggest vendor mistake…

• SELLING TOO CHEAP!!

  – Usually a result of…
    - *Unknown cost of production*
    - *Time value*
Setting Prices

• Supermarkets frequently sell fresh produce as a loss-leader to get the customers in the door

• Supermarkets, food processors are in high volume, low profit margin industry

• Farmers market vendors CANNOT & SHOULD NOT try to compete

• Means, volume, capital and/or experience to market products more cheaply than retailers
Setting Prices

- Farmers’ market’s competitive advantage?

QUALITY! QUALITY! QUALITY!
LOCAL! LOCAL! LOCAL!

– You are seeking quality (high dollar) buyers, not quantity buyers.
Pricing Techniques

“Decide on your pricing strategy, and then stick to it throughout the season; don’t waiver. Your customers are coming to you to buy fresh fruits and vegetables, because you are providing product that cannot be matched in quality from any other source. They expect to pay more for this quality than they would pay for chain store produce.”

– Richard Ashley, Dept of Plant Science, Univ. of Conn.
Pricing Techniques

• *Price for convenience*

  – $1, $2, $3 increments
  • $0.99 ‘ruse’ to consumer = change and inconvenience

• *Package for increments*

  • If price is $2 / lb., pre-package goods in 0.5, 1.0 and 1.5 lb packages. Easy math, convenient quantity for customers
Pricing Techniques

- **Use Multiple pricing:**
  - $1 / lb or 5 lbs / $4
  - Encourages higher-volume purchases
Pricing Techniques

• Volume Discounts

  – Do we live in an area where people still process their own produce?? (What do your demographics suggest…)

  – If so, give large volume discounts to encourage more frequent purchases
Pricing Techniques

• **Appropriate unit of pricing**
  – Demographics
  – Convenience
    • Is one (1) dozen ears of sweet corn practical for a single person to buy?
      – One week to consume a dozen ears of swt. corn
      – Ends up throwing out 80% due to spoilage
    – Practical packaging = Good experience = *Return Customer!!!*
Pricing Techniques

• Reward Loyalty
  – Do you know who your customers are?
  – Do you know their names?
  – Do you ask?
  – Do you collect email addresses?
  – Do you let them ask you questions?
  – Do you invite your most valuable customers to come visit your farm?

  – Relationships with the farmer are important to customers
Pricing Techniques

- Offer repeat and faithful, friendly customers by giving a little ‘extra’ in their order.

- **DO NOT** lower price!
  - Word spreads and you’re in for a fight with other vendors/customers…
Quality, Quality, Quality!!

- Quality Produce
- Quality Prices
- Quality Customers
Quality, Quality, Quality

“Best ideas for getting top prices at the market? Signs on tables that say ‘FARM FRESH’ or ‘PICKED LAST NIGHT’… Folks are usually willing to pay a little more for fresh.”

– Diane Green, Greentree Naturals Farm, Sandpoint, ID
Quality, Quality, Quality

• “You just can’t get cheaper than supermarkets. You can’t compete on prices, so consumer trust becomes all important.”

– Jane Desotelle, Mgr., Adirondack FM Co-op, NY
Consumer Surveys

- Do you do customer surveys?

  Knowing what your customer’s perception is of your company and your products is going to help you keep doing what you do well and improve on areas that your company struggles with.
Consumer Feedback

• *Listen to your customers.* Why? Because they pay the bills, it shows you care, it helps you provide them with the products they want.

• *Ask questions!* This helps you generate new ideas and it makes the customer feel important.
Consumer Service

• *Is there a flow at your checkout register?*
  – Don’t keep your customers waiting. Acknowledge they’re there even if you are busy and tell them you will be right with them.

• **Be informed.** Know what’s going on at your business, in your industry so you can answer questions.
Consumer Surveys

• **Follow up.** After listening to your customers comments, let them know what you **CAN** do and then take the appropriate action to make it happen.

• **Word of mouth.** This is **THE** single most influential and cost-effective marketing tool you have. Why???
Consumer Surveys

• 91% of customers recommend their supermarket to other people!

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Consumer Surveys

• **Know how much your average customer spends each time they visit your market.**

• **Businesses lose 15%-20% of their customers annually.**
  
  - $1,000 customers X $20/person X 15% = $3,000 lost income
Consumer Surveys

- 73% of consumers say signs pointing to nutritional information helped them make a decision to purchase that product!

- Where can you that information??
Consumer Surveys

• 15% of all consumers STOP eating a product after a food safety recall!

  – 1000 customers X $20 / customer X 15% = $3,000 income that has to be replaced

  – Combined with 15% loss from customer turnover… $6,000 lost income

• Educate your staff about food safety issues.
Education

- Educate yourself and your staff about…
  - food safety and food handling
  - about the agriculture industry and why **ALL AGRICULTURE** is important
  - the differences (using research-based information) between organic and conventional production
Where Do You Fit In?
Special Thanks to:

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