

AG Alternatives

Agriculture Business Alternatives

Revised April 2003

Agdex 848-5

Marketing

Will it Sell?

Ag-Alternatives is a series of factsheets designed to help you evaluate the feasibility of a new agricultural or rural based business. Worksheets in each factsheet help you personalize the information.

Before you begin a new enterprise you need to understand your market. To fully understand the market you need to know who will buy your product or use your service, how to sell to buyers, the amount they want to buy and the right price. Good marketing skills are especially important for new or unusual enterprises. This factsheet addresses the basic research skills needed to evaluate the market for a new enterprise.

There is no magic to market research. It's not a crystal ball that can predict future sales with certainty. Research provides information to help you project future trends and plan a marketing program. However, before you can research the market, you must clearly define the product or service you intend to provide.

Product/Service Definition

The steps below follow the format of *Worksheet 1: Product/Service Definition* (page 12) and help you to describe your product or service using product features, service aspects, marketing season and benefits to the buyer or user. An example enterprise, called Bright Farms Birdseed, works through all the sections in this factsheet.

Product Features

Describe the product, its range of size and quality, product mix, varieties or types, and other characteristics.

Example:

Premium black sunflower seeds, large and small sunflower seed bird feeders.

Service Features

Describe how you will handle delivery, processing, packaging, instructions or other services that accompany the product. If you are providing a service, describe the range of services offered.

Example:

Sunflower seeds will be hulled, sized, graded, cleaned and packaged in 5, 10 and 25 kilogram bags, or customers can provide their own containers and receive a discount. Sales people will provide tips on successful bird feeding and watching.

Marketing Season

Select a time frame when you will offer your product.

Example:

All year, but heavier demand in winter.

Benefits to the Buyer or User

Find the real reason why your product or service is appealing. If you think the only reason people buy your product is “because they need it,” you have probably failed to identify the benefits customers expect when they buy. Be careful not to define your benefits too narrowly as it can lead to mistakes in market research and promotion.

Example:

People who buy birdseed are buying recreation (attracting and observing birds) and a feeling of satisfaction that comes with aiding wildlife. Prices are below retail, so customers benefit from reduced cost.

What’s the Real Benefit of Your Product or Service?

1. When a consumer buys organically grown tomatoes, is she buying food... or health?
2. When a restaurant chef buys baby vegetables, is the benefit profit... or prestige?
3. When a suburban family buys pick-your-own strawberries, is the benefit freshness... vitamins... or recreation?
4. When a regular customer buys rhubarb juice from your farm stand, is he buying something to quench his thirst... improve his health... or please his tastebud while passing the time of day with you?

Capsule Description or Purpose Statement

Tell your customer about your business in as few words as possible. Why do you exist? Roll all the characteristics described above into 50 words or less!

Example:

Bright Farms offers premium black sunflower seeds at bargain prices in three package sizes or in bulk, as well as feeders and information on feeding wild birds, to customers who enjoy watching and helping wildlife year-round. (38 words)

Market Research Techniques

Once the product or service is clearly defined, learn as much as possible about your market. You don’t need any advanced training to do most market research. Good market research boils down to asking the right questions and looking in the right places for answers.

There are two good reasons to do market research:

1. In order to develop a successful marketing strategy you need to understand your market, competition and consumer trends.
2. Potential profitability of the new enterprise can only be calculated from projected potential sales volume and prices.

There are two general types of market research: primary and secondary. Primary research involves gathering information by observing people, counting cars or pedestrians, taking surveys, performing interviews or other direct actions. Secondary research involves studying data that has already been collected and published. You probably need to use both primary and secondary research to understand your market.

Secondary Research

Using Existing Data

Secondary research is the easiest and least expensive way to obtain market information. You can obtain secondary research from libraries, government offices, chambers of commerce, universities, trade magazines and computer databases.

Demographics

Demographics describe the characteristics of a group of people including size, growth, or family structures. You can get population information such as the number of families within a 50 km radius of your new enterprise from Statistics Canada.

You can get current population figures from town and city offices, planning boards, school district offices and other local agencies. National demographics are available through Statistics Canada. It also prepares reports on regional and local demographics which describe income, age distribution and other basic characteristics.

If you would like very specific information, such as the number of people in your area who process food at home (canning and freezing), check with the resource people you contact. Special reports are often prepared that may add extra detail to your demographic information.

Consumption

Information on patterns of consumption such as the number of pounds of broccoli consumed per person since 1990, may exist but the level of detail varies. The commodities for which consumption data is most likely to be documented include: commodities which have been marketed for a long time (e.g., apples, beef, eggs, potatoes and sweet corn); commodities which generate many dollars or which involve many acres or farmers (e.g., beef, wheat and hay); and, commodities under the auspices of federal programs (e.g., chicken, milk, eggs and honey).

Be sure you are analyzing the data you collect correctly. Data for new products, such as yogurt or pumpkin seeds, may be out of date even if it's only a few years old. Also, consumption data describes national trends and may be less useful to your local market.

Future Market Trends

Predictions of future market conditions may include production and consumption levels, prices, packaging and processing trends. Alberta Agriculture, Food and Rural Development can assist you in finding information on future market trends. Remember, projections about the future are uncertain. Use your best judgment in interpreting them.

Primary Research

Doing it Yourself

People often find they can't get all the answers to their questions through secondary research. To find answers to some of your questions you'll need to do primary market research. Primary research is especially important when considering an innovative enterprise, a new market or a local market for which little published data exists.

Good primary research can be simple and inexpensive. Having a small budget is no excuse for not doing your marketing homework. Be creative in developing the most cost-effective method for collecting the information you need. Some common methods used to conduct primary research include observations, survey, personal interviews and test marketing.

Observation

Observation is the counting of the number of products, people or events in a way that relates to your business. You may decide to hire people to do this task for you. It's best if you do a few observation sessions so you understand the task and can train your workers. You need a pencil, a form or checklist with the observations you wish to make and a hand held mechanical counter.

You need to do many observations to be sure the counting is representative of the situation.

Examples of Observation

- Traffic counts are recorded in front of proposed farm stand sites to observe the number, time of day and directions of travel of potential customers.
- License plates are tallied by province of origin in a parking lot of a park near a proposed pick-your-own strawberry site. This information tells whether a local crowd or tourist (out of province) crowd may have greater need for services such as picnic tables, soft drink machines and berry containers.

Surveys

Surveys ask potential buyers about their buying habits, likes and dislikes. You can write and distribute a survey or call potential customers on the phone. Mail surveys take more time, but you usually get more information. Telephone surveys are quicker and inexpensive, but many people no longer want to do telephone interviews.

Examples of Surveys

Written

- An organic farmer sends a written survey to all natural food stores, specialty shops and regional grocery chain buyers in a nearby city to find out if they currently buy organic produce, if they would consider buying it, if they would advertise the produce as organic, if they require certification and if they would pay premium prices.
- A farm stand owner mails a survey to all of his customers to find out if they would like to tour his farm, how much they would pay, when they would take the tour, what they would like to see on a tour and how many people would attend.

Telephone

- A farmer places an ad in the local newspaper asking anyone interested in purchasing freezer beef to call him. He asks callers a series of questions on their beef needs, price preferences and current suppliers. He then requests an address and phone number for future reference.
- A dairy farmer has customized a piece of equipment and wants to produce more customized parts for other dairy farmers. He randomly calls dairies to ask whether they would be interested in purchasing the part, what types of equipment they currently own and what equipment they currently use to perform the same task as his customized item.

Designing a Survey

Design your questions and format for the survey carefully so you get useful information. Key elements of good survey design are the length, wording and structure of questions asked.

Length

Keep it short. Two sides of a single sheet of paper is plenty. If it's longer, fewer people will complete it.

Precise wording of questions

Ask questions where people need to give quantifiable answers.

Structure of questions

Use checklists and multiple choice questions. Constructed questions give you answers you can analyze more accurately. Limit the number of open-ended questions you include in the survey.

Personal information requested

Don't be afraid to ask personal demographic information, but handle these questions carefully. Most people are reluctant to share personal information. Ask for the information but don't demand it. Tell how the information will be used and place these questions at the end of the survey. Give the people categories of ages and income instead of asking them to write it out.

Instead of asking someone to openly send you a name, address and phone number in response to a survey, enclose a separate post card which offers to send notices of special sales and events to those who return it. People are likely to return the card since it's separate from the survey. They'll usually include the survey too.

Keep telephone surveys very brief. Design a script to give all the details to potential survey people so you are consistent. Develop a checklist so you can quickly note answers and keep the call as brief as possible. Call at an appropriate time in the daily schedules of buyers in the target market.

The last step in designing the survey is to test it on a small number of volunteers. You will probably find some of your questions are misunderstood and need to be restructured. A simple test on five to 10 people can greatly improve your survey.

Designing Questions for a Survey

Phrase Questions to Receive Quantifiable Answers

Wrong

How much fruit do you regularly buy?

Would you pay more for organic vegetables?

Right

How many pounds of peaches do you buy each week they're in season?

How much more per pound would you pay for organic vegetables? (Circle one)

0 \$10 \$20 \$30 >\$30

Multiple Choice or Checklists are Easy to Analyze

Unconstructed

What would you like us to do at our next Pumpkin Festival?

What selection of fresh-cut herbs would you like us to provide next season?

Constructed

Check the one event you would most like us to provide at our next Pumpkin Festival:

Hay ride _____ Square dance _____

Halloween Costume _____

Check the three most important fresh-cut herbs you would like us to provide next season:

_____ Basil _____ Dill
_____ Chervil _____ Thyme
_____ Parsley _____ Comfrey

Ask for Personal Information by Providing Categories

Wrong

(Providing no explanation)

What is your annual income?

Right

The following questions help us better serve your needs.

Family income range:

_____ below \$5,000/year

_____ \$5,000 - \$9,999

_____ \$10,000 - 24,999

_____ \$25,000 - 49,999

_____ above \$50,000

How old are you?

Age of the shopper who buys most of the family food:

_____ 12 - 18

_____ 19 - 30

_____ 31 - 50

_____ 51 - 65

_____ over 65

Selecting a Survey Sample

A sample allows you to get an idea of what your customers are thinking without doing the extra legwork of contacting huge numbers of people. The trick is to make your sample representative of the client group. It's important for the sample to represent clients as you need to predict the characteristics and behaviors of the entire target market.

Interpreting Survey Results

When you total all your various responses from a survey you should get an overview of how the market will act. Be aware of the inherent problems with surveys. For example, people who return a survey tend to support your product or idea. The ones who don't will simply not return the survey. Take this factor into account when you assess how supportive your market is. A positive response doesn't mean a positive action. Just because 80% of survey respondents said they would buy your product doesn't mean they will.

Personal Interviews

Many farm entrepreneurs use personal interviews to do market research. Personal interviews can be the most informative and reliable type of survey, and often double as a promotional technique. For example, if you interview buyers of wholesale dried herbs and spices, the interview provides an opportunity to discuss company policies, identify customer preferences and impress the buyer with your professionalism.

Personal interviews are time consuming and must be conducted in an unbiased manner. Your responses will be next to worthless if you or your interviewer hint at desirable answers or explain issues so a desirable answer is given. Many people are more hesitant to answer personal data sections such as age or income in face-to-face interviews.

Factors to Consider When Selecting a Survey Sample

- The way you select people in your survey sample or how they select themselves, can easily bias your results. If your sample includes only some types of buyers and excludes others, the results will not accurately reflect the whole market.

Example: A beef farmer wants to find out about the local consumer interest in purchasing lean, hormone-free beef. The results he would receive from members of a local health food co-op would be very different from the results he would receive by sending the survey to every tenth name in the phone book. Either choice might be valid, but the first sample would include only certain types of shoppers; those already known to be interested in health foods. The second sample would be more representative of the general population.

- The larger the sample size, the more accurate the results. Typical sample sizes for professional marketing studies are 200 to 500 people for a simple regional analysis of households. The size of your sample will probably be much smaller and will depend on the amount of money to be invested in the enterprise.
- The response rate, the percentage of people actually returning a survey, may be fairly low. A response rate of 25 per cent is good. Improve response rate by supplying a stamped, self-addressed envelope, mailing a postcard with a reminder message 10 to 14 days after the survey mailing, or calling participants on the phone. A well-designed survey generates a greater response rate than a poor survey.

Design your personal interview using the same principles as outlined for the written survey. Tips on conducting an interview are listed below. Compile the information you have gathered during your personal interviews and evaluate the results.

Tips for Conducting a Personal Interview

Select interviewees in an unbiased fashion. For example, if you conduct a door-to-door survey to learn the proportion of people in a town that might frequent a pick-your-own raspberry operation, use a standardized method of choosing doors to approach. For example, knock on doors with even or odd numbers, but avoid approaching only fancier homes or houses where friends live.

- When interviewing chefs, produce managers and other professional buyers, make an appointment for the interview. When making the appointment, communicate the expected length of the interview and stick to your time.
- Limit the length of lists and choices. When providing multiple choices as answers to questions, restrict the number of choices to three or four. Additional choices are difficult to remember and make people uncomfortable. Keep check lists short for the same reason.
- Provide a token of your appreciation at the end of the interview. An effective way to end a consumer interview is to hand out coupons, bumper stickers, a bag of carrots, or any other small gift as a thank-you for participating. Commercial buyers should be given samples of your product and sent a thank-you letter as a follow-up.

Test Marketing

Test marketing offers your product or service to a small amount of target customers to evaluate sales. Test marketing may involve advertising a firewood service to a small sample of wood stove owners or offering tastes of your new jams and chutneys at farmers' markets. The more the test situation resembles your planned product or service market, the more reliable the results will be.

Test marketing is especially useful when researching enterprises which offer an unknown product or service. For example, New Zealand growers introduced kiwi fruit to buyers in the U.S. through test marketing. Imagine the poor responses they would have received via a written survey if their introduction to the fruit consisted of this description, "An oval, brown, fuzzy fruit about three inches in length that is bright green inside and tastes sour and sweet at the same time."

Test marketing is very effective, but it's also expensive and time consuming. Use test marketing as a follow-up to market research techniques. First you need to assess whether market demand exists and define your product or service. Then you can use test marketing to fine tune sales projections and to project production costs and problems.

Marketing Worksheets

The following sections help you practice the market research techniques described earlier. If you are planning for a lower risk enterprise it may take less time to perform market research. However, if the new enterprise is high risk it's important you spend enough time to perform detailed market research.

Before beginning your research, look over the lists of questions on each marketing research worksheet. If time is limited you may decide to focus on the questions most applicable to your business. You may decide to develop your own market research priorities and methods. Secondary research may help you answer some of the questions while others may require one or more primary research techniques.

Make photocopies of all the worksheets as needed and save the originals for master copies. If necessary, adapt the worksheets to fit your needs.

Target Market Description

Your target market includes the people or businesses you are trying to attract. Identifying and understanding your target market can prevent costly mistakes as you develop and promote your product and service. To understand the target market you need information on demographics, lifestyle patterns and expectations of potential buyers. Enter your results on *Worksheet 2: Target Market Description* (page 13).

Demographics

Use secondary research to find the characteristics of your target group. A demographic search will provide information such as typical age of buyers, their income levels, where they live and work, whether they have children, if they belong to a particular ethnic group and their level of education.

Example:

A farmers' market vendor could use a recent study entitled *Profile and Economic Impact of the Farmers' Markets in Alberta* to profile a target customer. After reading the study, the vendor knows the target customer is a 25 to 46-year-old female. The target customer is loyal to the market and visits it regularly to buy vegetables, baked goods and meat products.

Lifestyle Patterns

Many marketing professionals call lifestyle patterns psychographics. The descriptions for psychographics include interests, beliefs, values and behavior patterns. Your business may appeal to one psychographic type and be rejected by another. Knowing this, you can avoid wasting time trying to promote the business in the wrong market.

Example:

Further reading of the study *Profile and Economic Impact of the Farmers' Markets in Alberta* provides details on the lifestyle patterns of target customers. The entrepreneur learned that most customers visit a specific vendor each time they go to the farmers' market. The wants of the target customer are freshness, product quality and to support local farmers and the community.

Expectations

Ask yourself why your target group would be interested in your product or service. What expectations do they have regarding quality, service, product mix, convenience and price?

Example:

A restaurant that expresses interest in your seasonal selection of fresh basil, baby squash, baby carrots and other speciality vegetables may also expect you to provide a traditional selection of produce year-round. If you are unable to provide both types of produce, the buyer may use another grower or distributor who can provide the desired range of products and services. In this case, the specialty enterprise is used to increase sales of a traditional product; it doesn't stand alone.

Marketing Options

A marketing option is any method you use to sell or distribute your product or service.

Research helps you find other options that allow you to most effectively reach your target market.

If your new enterprise is fairly conventional, you may decide to use dealers, co-operatives, processors or auctioneers. Farmers who have developed innovative or nontraditional enterprises often decide to use a total marketing process. They are involved in the market research, production, promotion, distribution and sales.

Processing and marketing have higher returns than producing a raw product. Many growers and producers of nontraditional goods prefer to keep the extra return for themselves. By taking an active role in marketing the product or service, you maintain more control over quality, image and price.

Active marketing is important, but it takes commitment, skills and dollars. Focus on the most promising options, but be sure to use more than one market. Relying on only one market can lead to disaster. Try to be flexible with your marketing options to operate in the market now and in the future. Compile your completed research and enter the results in *Worksheet 3: Marketing Options* (page 14).

Examples of Marketing Options

- selling directly to a restaurant
- marketing by telephone
- selling at a local farmers' market
- developing your own label or brand name
- selling at special events, such as fairs and festivals
- harvesting and selling via pick-your-own
- finding other producers whose products you can market
- joining or forming a marketing co-operative
- selling wholesale to a distributor, broker, or processor
- operating a roadside farm stand or retail shop
- marketing through catalog
- selling directly to supermarkets or a supermarket warehouse
- developing a tourist attraction on your farm

Existing Market Demand

To assess existing market demand for your product or service, estimate the number of buyers in the target market and how much or how often they purchase similar products or services. Is it an extensive market with large numbers of buyers or is it very restricted at this time? Are your buyers spread over a large geographic area or are they concentrated locally? If your market is so new that there really isn't an established market yet, you need to create a market by educating potential buyers.

Example:

Direct retail or service businesses like roadside farm stands and pick-your-own operations usually draw 95 per cent of their customers from within a 50 km radius of the business.

Look at the issues in market demand and select the research methods necessary to answer all relevant questions. Enter the results of your research in your copy of *Worksheet 4: Existing Market Demand* (page 15).

Competition

An analysis of your competition is an important part of market research. List your competitors, the types of buyers they serve, and their strengths and weaknesses. You may discover the type of buyer you planned to target is better served by a competitor and a better market exists for your efforts. Remember, there is no such thing as no competition. Even if a product is unique, there are other options available to satisfy a buyer's needs and wants. Competition can be either direct or indirect.

Direct Competition

This includes those businesses that offer the same product or service to prospective buyers as you do.

Direct competition for retail or service businesses would consist of businesses offering the same product or service within a 100 km radius of your business.

Indirect Competition

This is anything your target market can substitute for your product or service. Buyers may choose a similar product or service, or choose to do without the product. Some may decide to perform a service for themselves. It may be impossible to measure indirect competition, but be aware of the many alternatives buyers have available.

Example:

The Animal Farm planned to operate a boarding/kennel service for pet horses, ponies, dogs, goats and sheep. During their marketing analysis, the owners discovered one competitor; Merrydale Horse Farm, a boarding service 40 km away. Knowing how many pet livestock owners were nearby and that little direct competition existed, the Animal Farm hung out its shingle.

Surprisingly, business was poor. Soon the owners realized they had neglected to consider indirect competition. People leaving extra food for dogs, neighbors feeding stock while families vacationed and family members staying home to care for the stock were all forms of indirect competition. Potential customers felt that "do-it-yourself" actions were more competitive than The Animal Farm boarding service. In this case, indirect competition was so severe The Animal Farm owners were unable to successfully establish the enterprise.

Many primary research techniques can be used to evaluate your competitors. As you do market research think about the product or service like a customer. Place yourself in the role of a customer to become more sensitive to the factors both big and small, that make an impression on buyers.

Example:

If you are considering a roadside stand business, become a regular customer at several local farm stands. Go on different days and at different times of the day. Evaluate the quality of the products and the amount of sales. Buy products. Are the products of uniform quality from day-to-day, hour-to-hour? What is the attitude and turnover rate of employees? Note prices, packaging, educational displays and the ease of parking. What sorts of buyers are they attracting? What do they do well, and what do they do poorly?

Competitors may be your most important source of information. Many competitors will agree to meet with you. Some competitors will try to influence your decision, some will try to dissuade you and some will provide helpful advice. Be particularly attentive to suggestions that the market is small or oversupplied as such warnings may be worth heeding.

You could find a competitor who suggests you increase your production or services to make the industry stronger. Once an entrepreneur has opened up a new market, demand can exceed production. If your competition can't increase production to meet demand

they may welcome a serious newcomer. Competitors may suggest minor changes in your enterprise that could decrease competition between you both.

Example:

You visit a farmer in the next county who has been conducting farm tours for five or more years. When you tell him about your plan to start a similar business the farmer says:

“Our specialties are draft horses, hay rides, fall bonfires and winter sleigh rides. We don’t do much in the spring because I’m busy on the farm. If you have a tour that is good in the spring and early summer, we might both do all right. We could even do some co-operative advertising as people who visit our place sometimes ask for names of other places to visit. If you set up a good tour, we could recommend you. Doing a favor for our customers would make us look good.”

Identifying, studying and evaluating your competitors will take time, but the results will be worth the efforts. Enter the results of your research on your copy of *Worksheet 5: Competition* (page 16).

Three major competitors may be evaluated on each form. Make sure to include at least one source of direct competition.

Market and Consumer Trends

Value Chains

As you study market trends and your competition, you should be aware of a move toward value chains in the agri-food industry. A value chain, in its simplest form, is a way of responding to the demands of the customer. It’s giving customers what they are asking for through the collaboration of agri-food producers, processors and retailers.

Market trends illustrate that value chain formation is a timely and effective response to demanding market conditions. Here are some of the forces driving value chain development:

- concerns with food safety and quality assurance
- assurance of supply – the right product at the right time
- the need for increasing flexibility and the ability to respond to changing consumer demands
- continuing drive to reduce transportation, handling, transaction, inventory and storage costs

- the increasing ability and need to differentiate products
- environmental factors and changing consumer needs and demographics
- the need to equitably share profits amongst all participants in the agriculture and food system

Value chain formation takes time. The process involves building trust around a common objective, developing new information and analysis systems, conducting a pilot project to measure and test new approaches, and defining a new business relationship.

Example:

Several ostrich producers in Shady Valley realized that they were all working individually to develop new products. By sharing information and ideas they decided on a common objective to develop processed products for high end restaurants. Over time they found a processor who they could work closely with, and a restaurant chain that was interested in some unusual menu items. They are now sharing information and ideas, and have started the value chain process.

Find out all you can about the trends in consumption, the competition and pricing for your proposed enterprise. Look for information about the past, as well as projections for the future. Has per capita consumption been increasing? Is it expected to level off or is there a consumption boom ahead? Are the factors causing the increase likely to disappear in the next few years or is this a long lasting consumer trend? Has the number of competitors also been increasing? Are prices likely to plummet as more people get into the business, or is this a fairly well established, stable market? Finding information on market trends for new or unusual products and services is difficult. Don’t rely on your intuition as it may tell you there has to be a terrific market for this great product. Instead, study the market trends for similar or related products or services.

Example:

A grower is interested in producing certified organic poultry meat to sell locally. She can’t find any statistics on trends in organic poultry consumption, production or pricing. Should she give up? No, she should look for information on trends in the organic vegetable market and changing consumer attitudes toward pesticides, hormones and antibiotics in food. This information, although it’s not specific to poultry, can help her project market trends.

Most questions about consumer trends are answered using secondary research. For the best results, study market trends over the last five to 10 years, as well as future projections, for your proposed product or service. Once you have gathered your results, enter the information on your copy of *Worksheet 6: Market Trends* (page 17).

Expected Price

There are many formulas and strategies for setting prices. Market research tells you what prices competitors are setting, how prices have fluctuated over the seasons and from year-to-year, and how prices are affected by supply and demand, product quality, marketing savvy and service.

Your pricing strategy needs to reflect your competition, costs of production, the level of quality, service and convenience provided and the types of buyers targeted. For example: a low price doesn't mean you will sell more as some buyers think low prices suggest poor quality. Some growers have found that they can actually sell more goods by setting prices at the high end of an acceptable range.

Be conservative about prices when projecting revenues from a new enterprise, especially for future years. Find out all you can about the range, variation and trends in prices of the product or service. Money? Enter the results of your market research on your copy of *Worksheet 7: Expected Price* (page 18). At the end of the worksheet, specify an expected price to be used as you continue evaluating your new enterprise.

Expected Sales Volume

The final step in your market research is to estimate how much of your product or service you will be able to sell in an average future year. The average future year is the one where you expect your business to be well established and stabilized.

First, study all your information on target markets, marketing options, market demands, competition, trends and prices. Second, through comparison and analysis of your results, project the volume of sales you expect to generate when you enter the market. Estimate the minimum and maximum volume you believe you could sell and then set a realistic goal for sales in an average future year. Enter the research results on your copy of *Worksheet 8: Expected Sales Volume* (page 19).

Evaluating Your Research Results

Evaluation of the market for your new enterprise should answer the following questions:

- What are you selling or providing?
- Who will buy or use this product or service?
- What is the best way to market this product or service?
- What is the demand for this product or service?
- How strong is the competition in the target market?
- What are the future trends for this product or service?
- What prices are you likely to receive for the product or service?
- What volume are you likely to sell in the target market?

The answers to these questions should help you to make a judgment on the status of the target market. A new product or service in a market where consumption is increasing could achieve substantial growth. If you are entering a well established market with little growth potential, you will have to be creative and develop a market niche to successfully sustain the business.

If you aren't completely confident about your marketing projections, don't be discouraged. There's no way to predict the future with certainty. By analysing and understanding as much information as possible, you are in the best position to guide a new business successfully through the inevitable changes in the market.

Green Light – Go

If the market seems promising, congratulations! Market analysis represents a lot of hard work and you are fortunate to discover a need in the marketplace. Proceed to the next step to assess whether your product or service can be provided with available resources.

Yellow Light – Caution

If your research shows there is already stiff competition for the target market, it may be best to revise your product definition and try again. Use the information gathered in your market research to uncover other opportunities. For example, you may have discovered that existing pick-your-own strawberry acreage has reached the maximum that the population can support. What about wholesale strawberries? What about pick-your-own raspberries? All that diligent marketing homework need not go to waste.

Red Light – Stop

If your market research shows supply exceeds demand or the trend is toward declining consumption and prices you shouldn't pursue your idea any further. If you decide to pursue another enterprise (perhaps your second-ranked idea), you may be able to recycle the market research you already gathered. Marketing techniques such as performing personal interviews and determining expected prices will be easier the second time around.

Summary

Marketing research includes everything you do to understand and predict the market for your enterprise. In this factsheet you learned some of the basic questions that are addressed by market research, techniques for performing the research and ways to interpret the answers. By working through the marketing worksheets, you will gain a clearer understanding of the market for your new enterprise and skills that can be used again and again as your business grows.

References

The Ag-Alternatives factsheets have been adapted with permission from: *Farming Alternatives – A Guide to Evaluating the Feasibility of new Farm-Based Enterprises* (NRAES-32, October 1988, ISBN 0-935817-14-X). This publication was a project of the Farming Alternatives Program, Cornell University, Warren Hall, Ithaca, NY 14853 (607) 255-9832; and Natural Resource, Agriculture and Engineering Service (NRAES), Cornell University, 152 Riley-Robb Hall, Ithaca, New York (607) 255-7654.

For More Information

Ag-Alternatives Series:

Personal and Family Considerations: Where do You Want to Be? (Agdex 1834-10)

Identifying Alternatives: What are the Possibilities? (Agdex 811-2)

Marketing: Will it Sell? (Agdex 848-5)

Production Requirements: Do You Have the Resources? (Agdex 811-4)

Financial Feasibility: Can You Afford to Do It? (Agdex 811-3)

Profitability: Will it Make Money? (Agdex 811-6)

Decision Making: Will You Start a New Enterprise? (Agdex 811-5)

Other Publications:

For these factsheets and other publications, call Alberta Agriculture, Food and Rural Development's Publications Office at 1-800-292-5697.

The Essential of Pricing. 1999 (Agdex 845 - 1)

Methods to Price Your Product. 1999 (Agdex 845 - 2)

Pricing Processed Food Products. 1999 (Agdex 845 - 3)

Pricing Horticulture Products. 1999 (Agdex 845 - 4)

Developing a Promotional Plan. 1999 (Agdex 846 - 1)

Websites:

Alberta Agriculture, Food and Rural Development's website at <http://www.agric.gov.ab.ca>

Diversification information at <http://www.agric.gov.ab.ca/diversify>

Phone:

To access specialists, information and services within Alberta Agriculture, Food and Rural Development, contact the Alberta Ag-Info Centre at 1-866-882-7677.

Worksheet 1: Product/Service Definition

As you write the descriptions, keep an image in mind. Try to communicate what the potential buyer wants to know about your product and why he or she should be interested in it. Condense the four descriptions into a brief, but precise capsule definition of no more than 50 words.

Product features (Describe the product, size, quality mix, varieties, types, etc.)

Service features (Describe delivery, processing, packaging, instructions, range of services offered, etc.)

Marketing season (Describe the months in which the product or service is offered and explain.)

Benefit to the buyer or user (Describe how the product or service fills a buyer's needs.)

Capsule definition (Combine the above description into a definitive paragraph of less than 50 words.)

Worksheet 2: Target Market Description

Describe the characteristics of the people for whom you are trying to provide your product or service:

Demographics

(Typical age, income level, geographic location of residence or work place, number of children, marital status, ethnic group, education level, etc.)

Lifestyle patterns

(Common interests, beliefs, values, behavior patterns, etc.)

Expectations

(What do buyers want and expect from your product or service?)

What sources of information did you use in completing this worksheet?

(List references, site survey results, etc.)

Worksheet 3: Marketing Options

What options are available where you can market your product? Slaughterhouses, processing plants, wholesalers, direct markets and on-farm stands are some of the possibilities. Use appropriate research methods to find out more about those options and additional ones that may occur to you. Select three options that appear most promising for your enterprise and describe each below:

Option #1:

Option #2:

Option #3:

What methods or sources of information did you use to select these three options?

Worksheet 4: Existing Market Demand

How many potential buyers are included in your target market at this time?

What is the average purchase volume or frequency of service per buyer per year in your target market?

What is the total purchase volume or number of services per year in your target market?

(Multiply the number of buyers by the average volume or frequency.)

What sources of information did you use in completing this worksheet?

Worksheet 5: Competition

	Competitor A	Competitor B	Competitor C
Business name and location			
Estimated sales volume			
Quality of product or service			
Price of product or service			
Customer satisfaction			
General appearance (cleanliness, neatness, image)			
Type of buyer targeted			
Summary of strengths			
Summary of weaknesses			

What methods did you use to gather this information on your competitors?

Worksheet 6: Market Trends

Describe the following market trends over the last five to 10 years for your product or service and project future trends for the next five to 10 years:

Per capita consumption (or production):

Prices:

Competition:

What are your projections for market trends in the next five to 10 years?

What are the underlying reasons that account for these past and future market trends?

What sources of information did you use to answer the above questions?

(List references, resources, people, etc.)

Worksheet 7: Expected Price

Based on your knowledge of past, present and projected prices, answer the following questions:

What is the lowest price you are likely to receive in the near future?

What conditions would create this low price situation?

What is the highest price you are likely to receive in the near future?

What conditions would create this high price situation?

Expected price (price you are most likely to receive in an average future year):

Worksheet 8: Expected Sales Volume

Based on your knowledge of past, present and projected market trends, answer the following:

What minimum volume of product (number of units) do you believe you could sell in a poor year?

What production and market conditions would create this situation?

What maximum volume of product (number of units) do you believe you could sell in a good year?

What production and market conditions would create this situation?

Expected sales volume (volume you are most likely to sell in an average future year):
