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Putting Market Information to Work: A Guide to Market Planning



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Putting Market Information to Work:
A Marketing Planning Guide

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Making Market Information Work for You: A Guide to Market Planning

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Planning Timeline and Checklist

STEP	TASK	TARGET DEADLINE	COMPLETION DATE
1	Identifying the Big Picture		
	Executive Summary		
	Mission Statement		
	Objectives		
2	Gathering External Market Data		
	Product		
	Market		
	Price		
	Place		
	Promotion		
3	Gathering Internal Data		
	Strengths		
	Weaknesses		
	Opportunities		
	Threats		
4	Coordinating Internal and External Data		
5	Developing Marketing & Advertising Budgets		
6	Compiling Numeric Data		
7	Planning Review		
	Troubleshooting Potential Pitfalls		
	Implementing Your Plan		
	Monitoring Your Plan		

Introduction: An Overview of Marketing Planning

First, congratulations on prioritizing marketing planning. Some of the greatest challenges producers face stem from a failure to properly address marketing issues. Your willingness to read through this workbook is an excellent first step in preventive marketing maintenance. It suggests that you recognize an ag venture as a two-part process: production **and** marketing. For many producers, marketing is an after thought. You may naturally gravitate toward production issues for several reasons but ultimately you, or someone in your operation, should undertake a thoughtful and diligent look at marketing.

Why have a marketing plan?

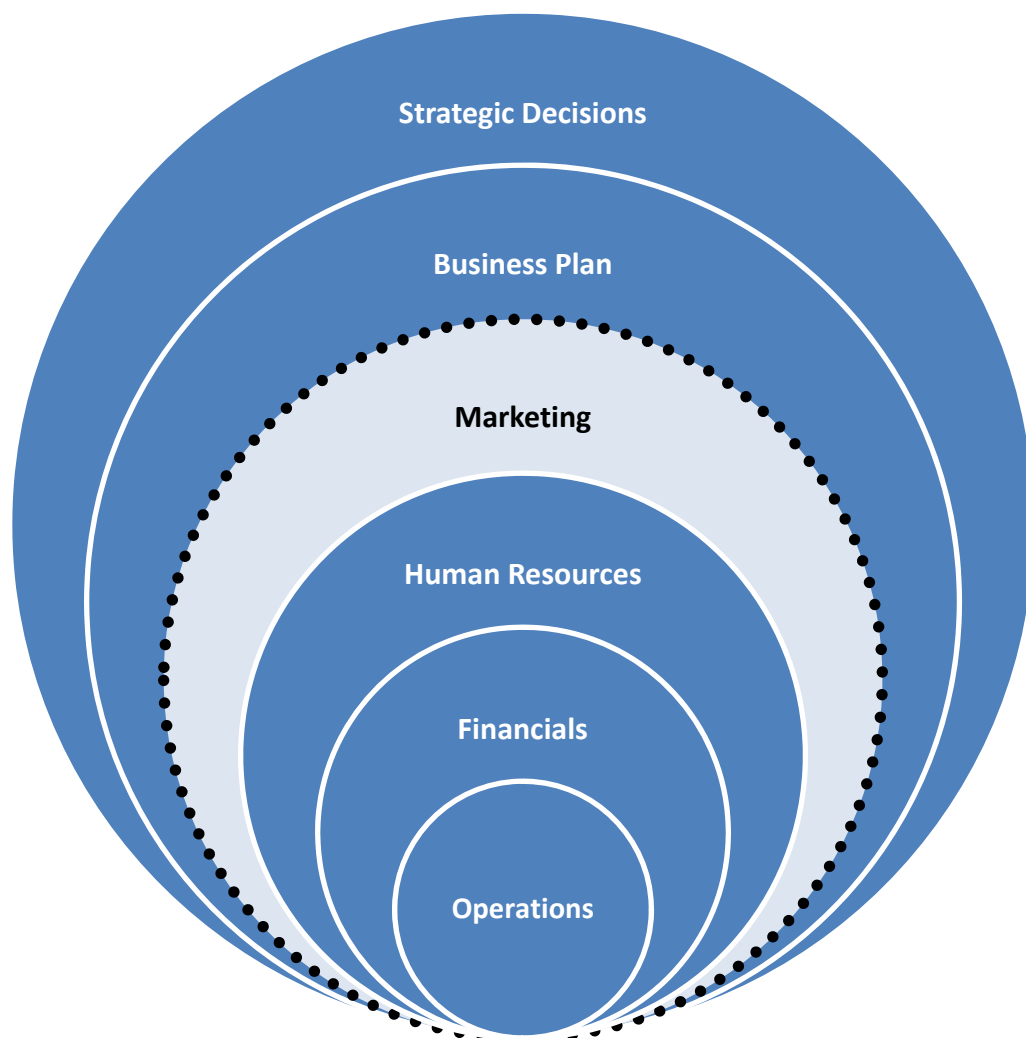
First and foremost, a marketing plan is for your own benefit. It is an especially useful “big picture” reference given your constant attention to daily operations. Second, customers benefit because you are focused on the most effective means of connecting with your target audience. Third, creditors favor more planning compared to less. A marketing plan is really considered one piece of your business plan. Together, your business and marketing plan lend a sense of credibility and seriousness about the project that creditors appreciate.

Completing a marketing plan is an important but oft overlooked step in the business planning process. Its importance, however, does nothing to simplify the task. Completion of a marketing plan can be both time-consuming and frustrating given the inherent challenges of forecasting details about a new or potential market. This workbook is an effort to facilitate the process and hopefully make the effort feel more manageable.

Why have a marketing plan? You complete a marketing plan because business markets are inherently risky. With a marketing plan you increase your probability of success from product launch forward. How does a marketing plan help? Completing a marketing plan helps avoid potential pitfalls through planning and preparation before your investment dollars are on the table. So sharpen that pencil and let's plan!

Marketing Planning and the Strategic Planning Process

Where does marketing fit in the larger strategic planning process? Marketing is a critical piece to your agricultural operation – it is equally as important as the operational/production, financial, and human resources issues. The business plan acts as an umbrella mechanism for evaluating larger strategic business decisions. The marketing plan is one component of your business plan. A business plan that fails to evaluate all four building blocks leaves information gaps that are likely to become liabilities later. The producer with formal business and marketing plans is better positioned to make strategic decisions because he/she more completely understands the inter-relatedness of the pieces. Decisions related to farm succession planning and enterprise growth/expansion are good examples of situations where a strong business plan greatly facilitates decision-making.



Using This Guide

Marketing is really an exercise in working backwards. Starting with a product that customers want and value is half the battle. This workbook is intended to make marketing planning more manageable and most importantly, it is meant to be user-friendly. Each piece of the marketing plan is presented, step by step, with an overview of the purpose, guidelines for development and suggested resources.

This workbook is *product-focused* meaning that you will be asked to examine the full range of marketing questions in terms of each product you supply to market. Why? We use this approach for two reasons. First, product characteristics drive many of the marketing decisions. Packaging, labeling, and price are three examples. Second, you want to think of each product as its own separate marketing effort. Given the time and dollar investments incurred in production, you want to do an equally strong job marketing the product to realize the product's full profit potential. A "one size fits all" marketing approach may be a low time- and dollar-cost approach but the savings come at the expense of full upside market potential – assuming you have a product that customers like and want. That said, any synergies that can be realized through simultaneous marketing efforts are a bonus. The key point is to customize, as much as possible, each product for your intended audience for a win-win situation.

One suggestion is to consider buying two inexpensive notebooks, one for draft purposes, allowing plenty of space for notes, calculations, etc. Allow yourself the luxury of compiling as much data and market information as possible without feeling that you have to stay overly neat. As you progress through the marketing planning process, the most important data will stand out and can be transferred to the second notebook that you will want to be highly organized and easy-to-read.

Finally, this workbook is geared toward value-added products. For the most part, commodity goods benefit from fairly well-established marketing channels. In contrast, value-added products require producer-processors be responsible for all post-production decisions.

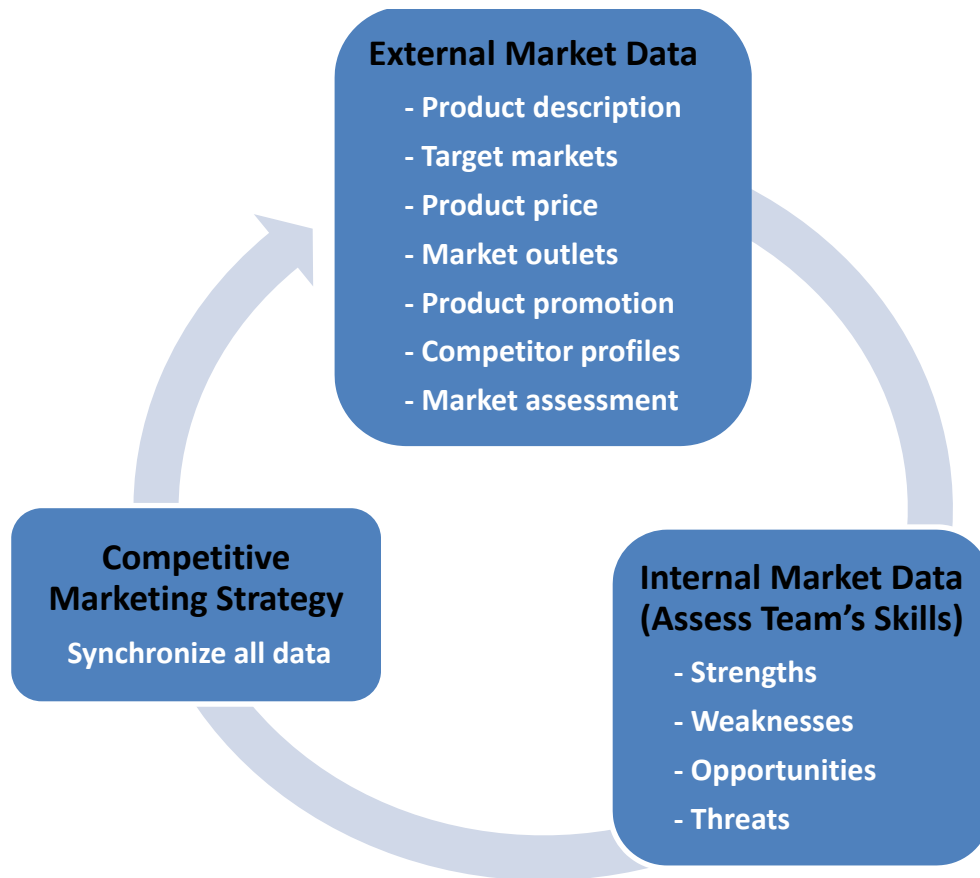
The workbook is an extension of a bulletin titled "Developing a Strategic Marketing Plan for Horticultural Firms" published in January 2000 by White and Uva at Cornell University. You may reference this bulletin at <http://aem.cornell.edu/outreach/extensionpdf/eb0001.pdf>. Although the title suggests a horticultural application, the content is applicable to a much broader set of agricultural products.

Note too, that there are supplemental worksheets and a companion farm business example available at nyfarmnet.org to help you as you navigate the marketing planning process. You may also call us at **1-800-547-FARM** for personalized planning assistance.

What's in a Marketing Plan?

The marketing plan is organized in much the same way a business plan is - the beginning is very general, broad-level information that becomes increasingly more specific as you progress through the plan. In simpler terms, the marketing plan contains two sets of information. One set of information is drawn from external sources, namely the marketplace. Examples of external information include data on product, price, place, and promotion, in addition to a full market assessment and competitor evaluation. In contrast, the second set of data is specific to the internal strengths, weaknesses, opportunities, and threats of your farm business. There are in-house capabilities that you and your team bring to the table and your ability to identify and evaluate them allows you to capitalize on them.

Armed now with both external (market data and a competitor profile) and internal (in-house skills assessment) you can customize your marketing strategy. As illustrated below, it is now possible to synthesize the pieces of the puzzle and develop a thoughtful marketing plan. The process is illustrated below.



Steps 1-3 involve collecting data and then synthesizing it. Steps 4-6 in the workbook help you think through how to evaluate much of the numeric data that you've collected. In many cases you'll have to make assumptions about market conditions or product price and this section offers an opportunity to identify adjustments. By workbook's end though, you will be able to defend your marketing strategy based on a complete set of market factors.

Keep in mind that answering category questions does not imply you are done. In truth, the marketing plan is an effort that could probably always use some additional work, regardless of your place in the process.

It would be nice if all of your information fit nicely onto a single page but that's simply not the nature of this type of information. Also, do not be afraid of incorporating additional information that you see relevant. In this case, more is preferred to less.

Wherever possible, it is recommended that you incorporate numeric values. Granted, they are challenging to calculate or project. However, the more quantitative you make your marketing plan, the easier it will be for you, and outside support sources (e.g., lenders) to critically evaluate your business idea. *Specific cost, price, and sales estimates lend credibility, and confidence, to your plan. The ability to provide these kinds of*

numbers suggests that you have done significant market research and thus improved your knowledge of the market. Step 4 addresses specific expense and sales data in greater detail.

Finally, you may want to evaluate the effect of slight changes in some of your estimates. For example, you can vary your sales estimates by x percent to see the effect of changes in unit price, units sold, or both simultaneously. Though time-consuming, it will help you put boundaries on certain variables. In turn, this will enable you to evaluate your market with greater confidence.

Suggested steps

1. Consider working through the proposed questions in whole category increments. For example, finish your evaluation of product price before moving on to product promotion. The alternative, answering them in random order, may make it more difficult to organize your thoughts and ultimately coordinate a coherent internal assessment.
2. Wherever possible, include numeric answers. And just as importantly, write down your sources of information. For example, for market size estimates, write down how you arrived at that number and if you used Census data, local tourism office numbers, etc.

Step 1: Identifying the Big Picture

Step 1 is designed to help you craft a very simplified, but informative overview of your marketing goals and strategy. Similar to taking a trip, you need to know your destination before mapping out your route. So it is with marketing planning – you need to know what you would like the business to become before you worry about how marketing planning can help you achieve it. The process starts with a very general request to define your business goals. From there, additional marketing detail is added incrementally as you work your way through the planning process. Step 1 is organized in 3 parts: (a) executive summary, (b) mission statement, and (c) farm venture goals.

If you have a business plan, you can borrow this portion from that. If not, this is the time to identify your goals. It is not uncommon for businesses to evaluate new marketing opportunities in terms of their vision for the business. Having a strong reference point against which to evaluate new business opportunities is necessary.

What is an executive summary?

An executive summary is a brief overview of your business. You can think of it as the skeletal structure to your business or strategic plan. It provides a “bare bones” version for those wanting a quick look at your strategy. You can try drafting this first or hold off on writing the summary until after you’ve completed the rest of the marketing plan when you may have a better “big picture” perspective. However you do it, it is an important piece because it is the skeletal structure of your marketing plan.

In general, your executive summary should not exceed a couple paragraphs. Continue to edit and refine your answers until you have a very succinct 1-2 paragraph summary.

Suggested Steps

1. Start with the who, what, why, when, where, and how questions.
2. What product are you supplying to market?
3. Who is your target audience?
4. Where will you sell this product?
5. Why do you think the marketplace needs this product?
6. What will motivate consumers to buy this product?
7. How will you market this product to make it competitive and profitable? Or, in other words, what is your general marketing strategy?

What is a mission statement?

A mission statement expresses what your business does, for whom, how, and why.

- What motivates you to provide this product/service to market?
- What factors make this an attractive idea?
- How will you provide your product/service to market?

Profiling your business requires information about:

- The product(s) you supply
- Which customers you serve
- What needs/demand are satisfied
- Other activities that you are involved in and how they relate to the core business
- How you manage to offer your product to your customers, and
- Why you are in business.

As you craft your mission statement keep the following characteristics in mind. Your mission statement should:

- Be brief but clear.
- Be genuine and realistic. Honesty is a must in your mission statement. Also, to be an effective one, the statement must be attainable.
- Be a useful communication tool for you and your employees. The statement is meant to give everyone a sense of direction – to be a guidepost for management decisions.

You might think of the mission statement as a “guard rail” similar to those on the highway – it can not stop major accidents but it serves as a signal when you drift too far from where you are supposed to be.

Suggested steps

1. Take one-two minutes to write down your synopsis of the business. Do this a couple of times. The idea is to capture the most salient features of your business without “over thinking” it.
2. Edit what you’ve written. Be careful though not to lose the essence of your statements, or in other words, what first drew you to that statement.
3. Review and discuss your thoughts with others involved in the venture. Do not underestimate the value of having team “buy-in” from the start.

What are objectives?

In short, objectives are goals. Examples include: How much profit would you like to earn from this product? What market share are you hoping to achieve? The answers to these types of questions will help you identify your goals as they relate to a specific product.

Not that your objectives should be consistent with your mission statement. Your mission statement explains “what” your business does while your business objectives explain “how” your business operates. The goals you specify are like pillars that support your mission statement. Your objectives should be actionable and measurable. In other words, they should be SMART objectives:

- S = Specific
- M = Measurable
- A = Attainable
- R = Realistic
- T = Timebound

Guidelines for development

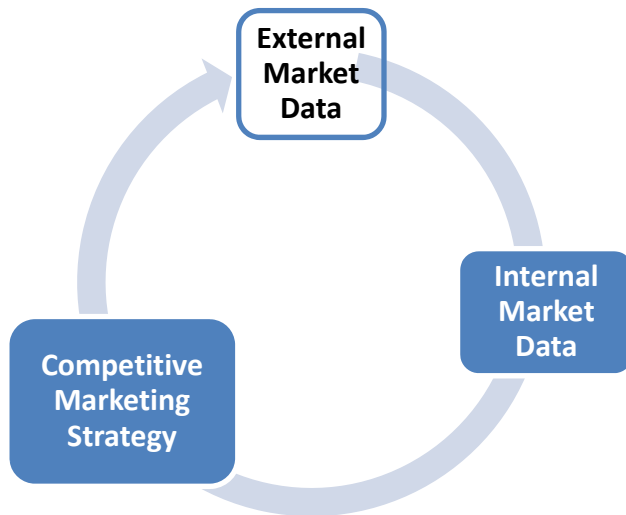
Putting your objectives to paper is an important first step in achieving them. It may sound silly but right now there are producers selling a product without well-defined sales goals. Clarifying what it is you’re working towards can be time-consuming, but is time well invested in your business.

Suggested steps

1. On a piece of paper create three columns, one each for your financial and strategic goals, and a third noting how you will measure the objective.
2. Write down as many goals as you can think of in each column that are specific to your product.
3. Continue to refine your list of goals until you have narrowed it to 2-3 of each type of goal.
4. Specify how each goal will be measured.
5. Put a copy of your goals in a place where you will see it daily. This will help remind you of what you’re working towards even as you are doing small, mundane tasks.

Step 2: Gathering External Market Data

The previous step asked you to think on a fairly broad level about delivering your new product to market. Step 2 asks you to turn to the market for product, price, place, promotional, and competitor information.



Knowing your target market is critical. Think back to the idea that marketing is an exercise in working backwards, starting with the customer and ending at your farm. The up-front time cost of learning who your customers are, where they are from, why they buy your product, and how much they are willing to spend is a valuable investment. In many ways, this information drives your whole marketing plan. Subsequently, we use this as a jumping off point.

Keep in mind that serving a smaller number of target markets is preferred, especially for small and/or new firms. The goal is to serve a select audience completely and thoroughly.

Information checklist

- Who is your target audience?
 - The usual demographic data including age, income, education, location are good starting points.
 - Are they local residents or tourists, the latter of which suggests some seasonality?

A reasonable starting point, once you've identified your target market, is a discussion of your product. In addition to a full description of your product, you'll want to provide information about the kind of product it is.

Information checklist

- A full description of your product.
- Would you describe this product as a necessity? Something consumers buy as a gift for others or to treat themselves? Somewhere in-between?
- Is your product a commodity item or value-added?
- Is your product seasonal or something you can provide, and sell, year-round?

Probably the number one concern most producers have is how to price their product. In truth, it is part homework, part trial and error. Here we look at the homework part first to establish a numerical basis for the trial and error part that follows.

This first part of the pricing question is easy. You simply look at your (estimated) costs. Until you know your business cost structure, you can not identify product price. To help illustrate, let's use a very simple equation:

Product price = Production costs + Marketing costs + Marketing margin

The first two pieces, production and marketing costs, are purely objective. You can, and should, itemize these expenses. The sum of all production and marketing costs equals your breakeven price, or the *minimum price* at which you can sell the product.

Breakeven product price = Production costs + Marketing costs

Selling at the breakeven price is not a long-run, sustainable option, however. The breakeven price simply buys you time to reduce expenses or increase the sales revenue. *In other words, operating at the breakeven price is a short-term fix only.* Your production and marketing expenses can be further broken down into fixed and variable costs. Fixed costs are costs that exist independent of the number of units or volume you produce. For example, the purchase cost of a new machine is fixed regardless of how much product you generate. In contrast, variable costs are costs that are calculated as a function of how many or how much product you make. For

example, if you are a cheese maker, input costs such as milk and rennet are based on how much volume you produce.

Being able to identify the type of costs (fixed or variable) you incur is important because it helps shape your pricing strategy. More specifically, knowing the relationship between your total fixed costs and total variable costs likely shapes the boundaries on how much, or little, margin you are comfortable receiving.

Also, knowing *why* customers buy your product provides useful pricing information. Knowing whether you have something customers “have to have” versus something they buy to “treat” themselves tells you about their sensitivity to price changes. Consumers are less sensitive to price changes for products that they have to have – for example, milk. When the price of milk increases by a small amount, most people still pay the higher price because there are few substitutes for your morning bowl of cereal. In contrast, if you are selling homemade apple pies from the extra supply in your orchard, customers likely view this as something they’d like to have but do not need. In other words, in financial downturns or when customers’ budgets tighten, your apple pie may be one of the extras they forego.

Another important practice is knowing your competitor’s prices. It’s important because your customers are watching them. Together with your cost data, you’ll want to use competitor’s prices as reference points in your pricing strategy.

Finally, consider whether your production schedule is seasonal. Is there a peak season during which you could raise prices because customers purchase them for gifts or for holiday parties? If you are supplying the input ingredients yourself (for example, fruit or milk) how does the production cycle influence your processing schedule and are there price implications?

To summarize to this point, your goal is to gather as much numeric data as possible regarding the product’s cost structure including seasonal production factors, competitor pricing, and the extent to which customers are dependent upon your product. Consider creating a spreadsheet on the computer to compare different possible price and sales scenarios.

Information checklist

- Itemize your production and marketing costs.
- Calculate your breakeven price.
- Which expenses are fixed costs?
- What are your variable costs?
- What is the relationship of fixed costs to variable costs?
- How price sensitive are customers in this product category?
- How are other, comparable products/services priced?
- Is there a strong seasonality to the product demand such that you might consider adjusting the price to generate interest in off-season months?

Where you choose to sell your product is an important decision and should be guided by your business goals as identified in Step 1. How much you want to sell, at what price, and when, are questions that help shape the market outlet decision.

The market outlet decision should also be a function of whether you want to sell directly to end users (retail) or through an intermediary (distributor, wholesaler). Direct marketing resources are far more plentiful today than they were several years ago thanks to the large number of value-added producers/processors that have come into the marketplace of late. Some examples of direct marketing include farmers markets, farm stands, and on-line sales.

The other possibility is to use a wholesaler or distributor to help you market your product. Often this is preferred by farmers looking to broaden their market area and/or increase sales volume. Relative to assuming all of the work yourself, farmers can tap into the intermediary's marketing network to gain product visibility.

Information checklist

- Choosing where to sell your product
- To self-distribute or not
- For each market outlet you select, you'll want to consider estimating:
 - Market size – how many potential customers?
 - Geographic location and boundaries
 - Product distribution issues such as how you will supply the market, associated time and dollar costs, etc.
 - Estimated sales volume supported by this market support
 - Similarities/dissimilarities amongst new and currently served markets
 - Advantages associated with supplying each market

To Self-Distribute or Not, That is the Question...

For many producers, the distribution question is a straight-forward one because there are clear cost savings in light of their production volume and/or market outlet selection. For others though, it may be less obvious. Below are several questions that will help you weigh the pros and cons of self-distributing versus outsourcing to a third-party.

To help evaluate whether self-distribution is the right decision for you and your team, you may want to consider the following:

- 1. Do you and your team have sufficient time and labor to adequately address self-distribution needs?** Both can be easy to overlook especially during the start-up phase when coordination of responsibilities and scheduling are still new. Existing time constraints, product success, enterprise expansion, and changing preferences in task responsibilities may make outsourcing distribution more attractive. Self-distribution may appear the cost effective solution but do not forget to factor in time costs.
- 2. What vehicle requirements are needed to distribute your product?** Vehicle type will be determined largely by product volume and type. For example, cold products being delivered beyond local markets will require a refrigerated truck.
- 3. How do product and market characteristics help shape the decision?** Is refrigeration necessary? How far from the farm will product be shipped? What is the shelf life of the product? How much are you supplying to each market? If not selling directly to consumers, what are the buyer's (e.g., retailer's) specifications or terms of purchase?

Keep in mind that distributors' presence in the market suggests they provide useful services and benefits to some producers. The question for you is to decide whether or not they are economically justifiable for your marketing situation.

Calculating Market Demand

Trying to estimate how many customers you will have is a tall order. Rarely does a producer ever get the number exactly right. Instead, the idea is to find a good reference point. Keep in mind though, that this reference point will be something you continually refine even if you stay in the same market because markets are about human behavior which is always changing.

Where to find good, publicly available data? Some suggestions include:

- State and county census data for population data
- Local chamber of commerce for retail business data
- State department of transportation for traffic flow data
- Managers of farmers markets for attendance and aggregate sales data
- Customers themselves! Do not be afraid to ask for feedback from existing customers or, if in the start-up phase, from friends/family/neighbors
- Market report data available through universities on specific industries (for example, value-added dairy products/specialty foods)
- Chefs and retailers – they have front row seats to food trends

But how do I actually DO the calculations? We offer a 6-step process to help get you started. The starting point is market selection and the end point is coordination of product supply (on-farm) and demand (at market).

1. Identify which market outlets are of interest to you. Examples include an on-farm stand, farmers markets, direct on-line marketing, etc.
2. Start with a “big picture” number and narrow from there. For example, use county population data as a starting point for determining demand.
3. Begin to refine your “big picture” number since only a percentage of that number will actually frequent your store/stand. Consider using geographic boundaries such as zip codes, and personal demographics such as persons in select age groups or family types.
4. Consult with other producers, extension educators, and community personnel to help interpret potential numbers of customers and sales.
5. Calculate different sales scenarios for 3 different situations: sales x% below your estimate, right at your estimate, and x% above your estimate to help illustrate the relationship between volume and sales figures.
6. Refine your estimates frequently, coordinating production volumes accordingly.

Often, the promotional effort is what people first associate with marketing efforts. For many, the promotional aspect is also the creative part of putting a new product on the market. While there is no limit on the amount of creative energy you could dedicate to this piece, there are four key points on which to focus.

- Retail versus wholesale - customize your promotional efforts by customer type. How you market to a wholesaler will be quite different from your promotional efforts for retail customers.
- Know and track the sum of all marketing costs. This includes expenses associated with packaging, labeling, advertising, and distribution by each market supplied.
- Low-cost promotional strategies do exist. Word of mouth is not only the strongest form of endorsement but it's also free. Letting friends and family sample your product is a low-cost means of getting the word out about a new product. Coupled with a high quality product, this can be a very effective supplemental promotional strategy. The same is true for awards and prizes received from food competitions where unbiased, objective judges evaluate your product. The generally low entry fees make food competitions a relatively inexpensive strategy. Other suggestions include promoting your product at local and regional community events such as fairs and festivals.
- Packaging and labeling are especially important for value-added products.
 - Regulatory compliance is strongly advised. Working with the New York State Department of Agriculture and Markets is a win-win situation. The costs of non-compliance are always unnecessary expenses.
 - Many customers are drawn to value-added product characteristics such as heightened quality and uniqueness. Packaging and labeling choices contribute significantly to communicating producer commitment to these attributes. Increasingly customers buying value-added product appreciate the educational benefit that comes with extra information provided on packaging and labeling. For example, specialty cheese makers may share information about organic and hand-crafted production practices, as well as their farm's location and how long it has been in operation.

Know your competition. In almost every case, customers will naturally try to compare your product with other, similar ones. Likewise, competitors are watching your product and marketing practices. They will be especially watchful where you are able to offer a product highly favorable with customers. The old adage “Imitation is the highest form of flattery” holds true – competitors will be drawn to products that make money. Once you have generated a competitor profile, it will be easier for you to critically evaluate your product. Competitor information enables you to plan more strategically for out-marketing them.

Information checklist

- How many competitors do you have and who are they?
- Where are your competitors selling their product?
- How does your product differ from your competitors'? How it is a better value, more convenient, higher quality, etc.?
- How is your product priced relative to theirs? Price conveys a lot of information beyond helping you price your product alone.

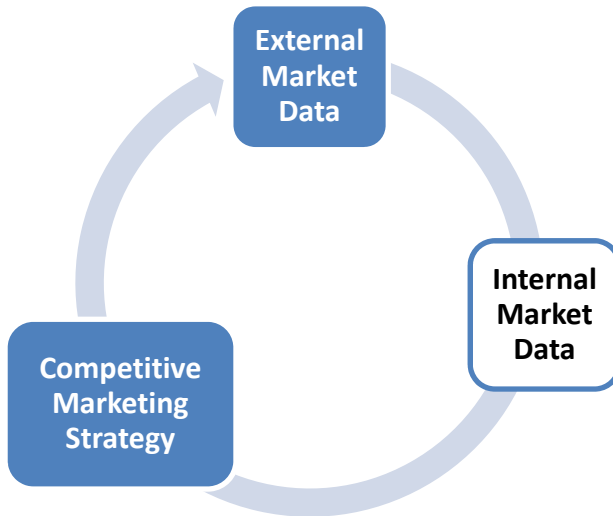
Evaluating market potential requires considerable objectivity but it is a necessary exercise and provides you with very strategic data. Market potential questions begin to link the different data pieces and help you think about the inter-relatedness of variables.

Information checklist

- How much competition is there in the market and on what are you basing your evaluation?
- What key obstacles might prevent you from achieving your projected growth goals?
- What is your target market share 1, 3, and 5 years out and how will it be measured?
- What do you perceive to be the greatest challenges to achieving projected market shares?
- What sources are you using to assess market trends and what signals indicate your product fits well with any given trend?
- What leads you to believe that this product idea is a response to a trend rather than a fad?
- How many units can you expect to sell and at what price?
- What are the potential sales and profit values?

Step 3: Gathering Internal Market Data

Step 3 is more introspective, asking what strengths, weaknesses, opportunities and threats characterize your farm business and in turn, your marketing potential.



Be honest with yourself as you work through this phase. Remember that every producer has their own set of strengths, weaknesses, opportunities, and threats. Knowing what you and your team do well, and what you can continue to work to improve upon, will help you craft a highly customized marketing strategy. Likewise, opportunities and threats will also be personalized.

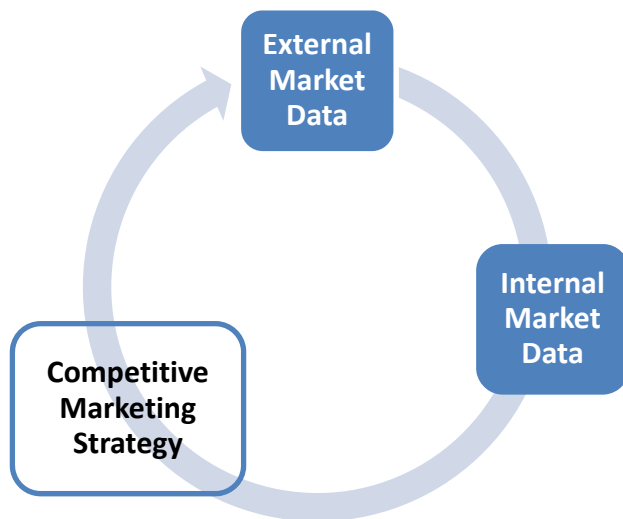
Suggested Steps

1. Create four columns, one each for strengths, weaknesses, opportunities, and threats.
2. Identify a list for each without worrying too much about editing the list just yet.
3. Now, narrow the list to the top handful, possibly three or four, that seem to be most salient.
4. Discuss the list with your marketing team and then review the interplay among the lists to see how you can capitalize on the findings in your marketing efforts.

Step 4: Coordinating Market Information

The strategies you employ will serve as a guide for your marketing efforts. There are three pieces to a total strategy evaluation including:

- Product-market investment strategies
 - What is your product-market scope?
 - Which directions do you choose to grow the business?
 - What are your investment strategies?
- Functional area strategies
 - What are your products?
 - What is your product price and how is it determined?
 - How is product distribution handled?
- Evaluation of your team's competitive advantage including assets, skills, and synergies.



Guidelines for Development

Simply having external and internal market data does not translate to a marketing plan. The final step requires synthesizing all data into something meaningful. In large part, that means understanding cost relationships and having confidence in your demand estimates. The more you work with your expense and sales forecast data, the more confident you will become. Ultimately, the strategies you develop will be reflective of these numbers. A strong marketing plan will link the raw market data and generate positive sales. Allow plenty of time for this step but make sure to set a final deadline for completing the task.

Suggested Steps

1. Summarize two key thoughts from each of the external market data categories (product, price, place, promotion).
2. Continue to add key external data pieces one at a time.
3. Summarize key conclusions from the external data.
4. Summarize the key conclusions from your internal assessment.
5. Link Steps 4 and 5.
6. Review marketing strategy with your marketing team.
7. Put your strategy in writing.

Step 5: Marketing Financials and Budgets

Marketing expenses, like all others, must be budgeted. The different pieces of the marketing budget include sales and profit goals as well as information about the financial position of the farm business.

Guidelines for Development

Developing a marketing budget can be as complicated as you choose to make it. The basic idea is the same as with all other budgets: know your expense limits. Why? Because you are looking for value. This means that you want to minimize your marketing expenses while maximizing returns. It can be tempting to spend a lot of money promoting a product but the question becomes whether or not it actually helps increase product sales in the end. To help you think about different strategies for identifying an approach, three common ones are listed below (White and Uva, 2000):

- **Percentage of Sales Approach** – Allocate a fixed percentage of either past or forecasted sales to marketing. The proportion of sales allocated to marketing may be based on past results or on management judgments about the future. For new businesses, trade averages can provide some useful guidelines.
- **“All-You-Can-Afford” Approach** – Some businesses set marketing budgets on the basis of fund availability. Recognize that, initially, there may be a discrepancy between the budget adopted and the money needed to accomplish the required marketing tasks. Adjust accordingly.
- **Task or Objective Approach** – This method requires clearly stating marketing objectives and defining the marketing budget in terms of the specific objectives. This approach requires a great deal of experience to know what can be accomplished with a specific level of expenditures.

Suggested Steps

1. Develop a spreadsheet that is comfortable to work with.
2. Itemize marketing expenses and input expense estimates.
3. How far off are you from your budget goal?
4. Refine your budget strategy until you and your marketing team are satisfied.

Step 6: Putting the Numbers Together

Assessing the finances requires several pieces of the numerical puzzle including:

- Sales
- Marketing costs
- Office overhead

Guidelines for Development

You'll want to consider developing a pro forma income statement for a specific future time period using data unique to that time period. In addition, it is helpful to develop three alternative scenarios: pessimistic, most likely, and optimistic to give you a sense of how the numbers change across different estimate scenarios. You'll also want to consider developing a spreadsheet that allows you to calculate your return on investment (ROI), for a given level of cash flow generated by each product/strategy. The ROI is often used to accept/reject a proposed plan.

Finally, you'll need sales and expense forecasts for developing projected income statements and budgeting. See White and Uva for suggested strategies on calculating sales and expense figures for both existing and new products.

Suggested Steps

1. Gather the necessary data.
2. Calculate the different financial scenarios.
3. Evaluate and refine strategies with your team.

Post-Planning Review

Recognizing potential risks in your marketing plan can be difficult but it is a useful exercise. Anticipating roadblocks will help you in the event that they do actually appear. Pre-planning also lends a sense of confidence and direction as your business moves forward.

Guidelines for Development

Keep in mind that all business ventures will confront unexpected challenges. Certainly you can not anticipate every eventuality, but for the highest probability risks, it is helpful to consider how you might potentially address them. The key is to identify those risks that could cause the most disruption to your business and develop a proactive strategy. It may be helpful to categorize your greatest risks by category: production, price, financial, human, and legal. This approach allows you to consider risks in smaller blocks that feel more manageable.

Suggested Steps

1. Start by itemizing major risks per risk category: production, price, financial, human, and legal.
2. Begin to narrow your list by categorizing them into low, medium, and high risk problems. For the low risk challenges, it's likely you will be able to deal with these as they arise. It is the medium and high risk problems that you are looking to evaluate and head off as efficiently as possible.
3. As with the potential problems, brainstorm possible solutions or strategies for dealing with each challenge.
4. Discuss your list and proposed solutions/strategies with others involved in the venture. Often another set of objective eyes and ears offer valuable insight and feedback.

A plan for implementing who is responsible for what and when is critical to your marketing efforts. It makes little sense to spend so much time strategically planning your marketing efforts only to watch them not materialize.

In addition, it is recommended that you incorporate benchmarks to help gauge progress. New product launch can be overwhelming but it is important to identify benchmarks so that even on long days, you can turn to your chart and validate progress with sales data (White and Uva, 2000).

Guidelines for Development

By this phase of the marketing planning process you may be inclined to assume away some of these tasks. Many simply assume that their management team automatically knows how to implement a plan. Realistically though, the more details you can provide, the more likely you are to have a smooth implementation. Adding a new product to your enterprise is complex enough - taking the time to itemize even the smallest responsibilities and their corresponding deadlines can help make the “big picture effort” seem more tractable.

Suggested Steps

1. Whether you use the pencil and paper approach or turn to the computer, develop an implementation chart specifying all personnel involved.
2. Identify
 - a. Who will have marketing responsibilities
 - b. Which marketing responsibilities each person will assume
 - c. What is the timeline for completing said marketing responsibilities
3. Share your implementation plan with everyone involved.
4. Test-drive your plan for a given time period to gauge feasibility. It may be that one individual has too much on their plate and needs to delegate some marketing responsibilities or that specified deadlines do not synchronize well with the production schedule. It is likely that the first plan you develop will need fine-tuning.
5. Similarly, it is not a bad idea to revisit your implementation plan regularly as a team. Farm businesses are highly dynamic and staying informed about your operational marketing plan affords you a competitive advantage over competitors that respond more slowly.

This section addresses how you monitor progress via performance standards. Among the indicators to consider tracking are:

- Sales: weekly, monthly
- Cost controls per key cost
- Orders per profitability
- Consumer and employee feedback.

Guidelines for Development

Keep in mind that the marketing planning process will evolve over time and that you will need to periodically update your plan. It's perfectly acceptable, and expected, that you'll find ways to improve upon marketing planning as you move through the different life stages of the venture. The indicators listed above are recommended starting points. Certainly you will want to customize the indicators for your particular product(s). Notice though, that our list includes a combination of quantitative (for example, sales data) and qualitative (for example, consumer and employee feedback) metrics.

Suggested Steps

1. Generate a list of all the possible types of feedback, numerical and otherwise, that you can imagine collecting.
2. Pare down the ones that you believe are the most important performance indicators and discuss with others in the business.
3. It may be that over time you acquire new data that seems relevant enough to include in your list or vice versa – what you initially thought would be helpful in performance evaluation has not been as valuable as you once predicted.

Additional Resources

Any additional information that you think helps both your management team, and outside reviewers (ag lenders for example) can be included as appendices. Examples may include additional cost/return calculations, flowcharts, price lists, photographs, etc.

Recall too, that there are supplemental worksheets and a companion farm business example available at nyfarmnet.org to help you as you navigate the marketing planning process. You may also call us at **1-800-547-FARM** for personalized planning assistance.

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