



# Marketing Dairy Products

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CENTER FOR  
PROFITABLE AGRICULTURE  
**UTEXTENSION**  
INSTITUTE OF AGRICULTURE  
A UNIVERSITY OF TENNESSEE - FARM BUREAU PARTNERSHIP



Taking a Closer Look at Value-Added Dairy Opportunities Workshop  
December 19, 2019

# Most Challenging Aspects of VA Dairy Businesses



69% - Knowledge and fulfillment of government regulations



64% - Marketing

2017 Penn State Extension Needs Assessment -  
<https://scholarsphere.psu.edu/downloads/c5999n448x>

Marketing is all about understanding target customers and developing strategies to reach them.



# Take a Market Driven Approach



# Take a Market Driven Approach

Is there a need/want your business can fulfill?

- What and how much is needed or desired?
- What is valued?
- What competition exists?

# How?

- Ask/listen to your customers and potential customers
- Research related products and services online and in person
- Read industry studies
- Network with related businesses and organizations

# Dairy Product Trends - Fluid Milk

Penn State Extension –

<https://extension.psu.edu/dairy-product-trends-fluid-milk>

Whole, flavored, lactose-free and organic milk are increasingly desired by consumers as indicated by sales numbers of these milk types. Marketing to millennials with high incomes is one strategy to be considered.



Photo: Pixabay/Pezibear

Likewise, Mintel (Figure 2) shows the decline in glasses of milk consumed per day among dairy milk buyers from 2013 to 2018. While households with children consume more milk than households without, average daily consumption has decreased by approximately half a glass in both groups during that five-year period.

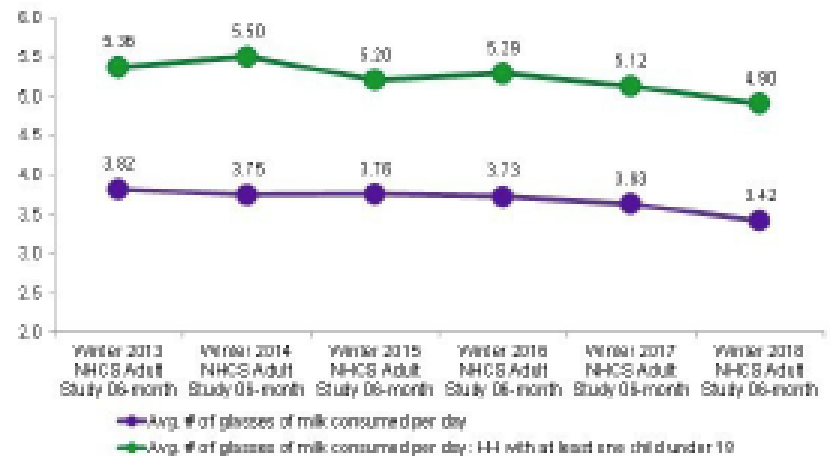


Figure 2. Milk Consumption per day, by average number of glasses per household Source: Mintel, Dairy and Non-Dairy Milk, US 2018.

# USDA Economic Research Service Data

- Fluid Beverage Milk Sales Quantities by Product
- Dairy Products: Per Capita Consumption
- PCC Selected Cheese Varieties
- <https://www.ers.usda.gov/data-products/dairy-data/>



# Check Out the Competition

## Dairy Products



Butter

[View](#)



Cheese

[View](#)



Milk

[View](#)



Ice Cream

[View](#)



Yogurt

[View](#)

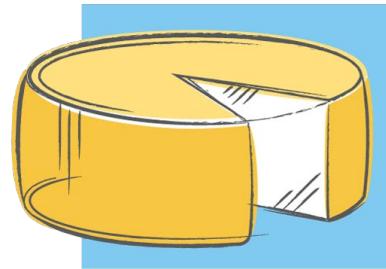
# Network



WISCONSIN  
CHEESE MAKERS  
ASSOCIATION

EST. 1891

Food Processing  
Suppliers Association



AMERICAN  
CHEESE  
SOCIETY

# Take a Market Driven Approach

Who is the target market?

- Demographics & Psychographics
- Customer Values (Customer Benefit, Cost, Convenience, Communication)

# A portion of the population with a

1. Need/want that your business can fulfill
2. Willingness to purchase
3. Ability to purchase

Your first and best customer

Target Market



# Different Target Markets for Different Products



Pictures from  
Pexels and  
Unsplash



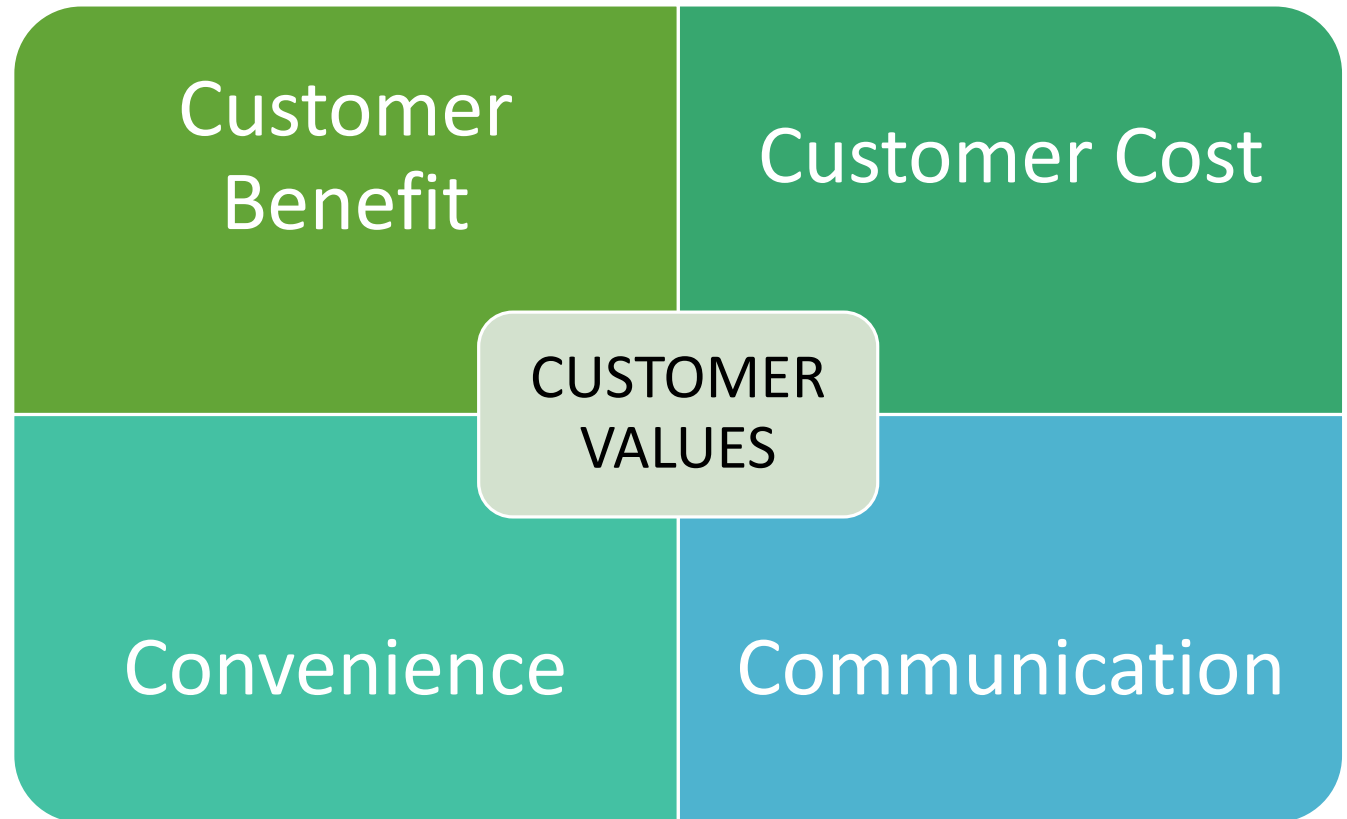
# Characteristics of Customers

- Demographic Analysis
  - Age
  - Gender
  - Geographic location
  - Annual income
  - Marriage/family status
  - Ethnicity
  - Education level
- Psychographic Analysis
  - What do they VALUE?
    - Lifestyle
    - Behavior patterns
    - Beliefs and values
    - Attitudes
  - How do they make decisions? What information do they need?

# Different Target Markets have Different Values



# Take on a Customer State of Mind





# How?

- Ask/listen to your customers and potential customers
- Research related products and services online and in person
- Research industry studies

## Consumer Dairy Product Expenditures and Preferences for Dairy Products Made With Tennessee Milk



*Sreedhar Upendram, Assistant Professor*  
*Kimberly L. Jensen, Professor*  
*Karen L. DeLong, Assistant Professor*  
*R. Jamey Menard, Research Leader*  
*Department of Agricultural and Resource Economics*

*Elizabeth A. Eckelkamp, Assistant Professor*  
*Department of Animal Science*



## Consumer Milk Expenditures and Preferences for Tennessee Milk



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## LOCAL IS EVOLVING INTO A POWERFUL CATEGORY

Local is no longer merely a bridge between organic and natural; it now speaks to consumer desires for a food system with integrity. "Local" offers a compelling narrative that resonates with many salient food trends and consumer concerns.

Local...

- **Offers greater transparency and trust:** Consumers believe local producers and small farmers have more integrity and are deeply invested in the quality of their products
- **Is fresher and more seasonal:** Smaller production signals food that is in tune with the seasons and the unique qualities of the locale from which it comes
- **Tastes good:** Consumers attribute better taste and, in some cases, nutrition, to local foods
- **Supports the proximate food economy and community:** Purchasing locally produced food provides consumers with a sense of contributing to and supporting small farmers and their community
- **Minimizes our carbon footprint:** Shorter supply chains represent environmental benefits by requiring less fuel for transport



## Consumers Perception of Local Food/Producers

- Trustworthy
- Transparent
- Unique
- Authentic
- Tastes Good
- Nutritious
- Supports Small Farms
- Supports Community
- Environmentally Friendly



# Take a Market Driven Approach

Does a  
profitable  
market exist?

- Is there adequate market size and potential share?
- Able to produce at a cost low enough and sell at a price high enough to generate a profit?

# How?

- Census data
  - Population by age, race, ethnicity
  - Household income
- Expenditure data from Bureau of Labor Statistics
- Industry studies
- Run some numbers

# Take a Market Driven Approach

How do I reach the target market?

- Develop, implement and evaluate marketing strategies. (Product, Positioning, Price, Place, Promotion, People)

# Marketing Strategies Differ Depending on Target Market Values





# Product (Customer Benefit)

What does the customer need or want?

How can your product be unique?

- Product characteristics and features
  - Packaging
  - Information
  - Services
  - Experiences



# Product (Customer Benefit)



# Product Positioning (Customer Benefit)

- Image or message to portray to customers through marketing efforts
  - Mental pitch
- Consider your unique selling proposition
- Be consistent



# Place/Distribution (Convenience)

- Where are customers likely to access product?
  - Farmers market
  - On-farm retail
  - Roadside stand
  - Internet sales/shipped
  - Other retailers  
(wholesale sales)



# Place/Distribution (Convenience)



- Days/hours
- Delivery services
- Aesthetics
- Merchandising
- Customer comforts

# Price (Customer Cost)

- Pricing is part science and part art
- Consider
  - Fixed and variable costs of production and marketing
  - Supply and demand
  - Customer willingness to pay
    - Retail vs wholesale
  - Competition
  - Image/Positioning
  - Product/Service Quality
  - Place



# Promotion (Customer Communication)

- How do customers learn about products or services?
  - Promotion Strategy Options
    - Word-of-Mouth
    - Publicity
    - Public Relations
    - Sampling
    - Discounting
    - Advertising



# Promotion Musts

- Connect with local food promotion programs
- If you aren't on the web, you aren't.
  - Website
  - Social media
  - E-mail
- Don't put all your eggs in one basket
- Develop a promotion budget





# Develop a Marketing Budget



- Create budget based on expected sales and costs of marketing activities
- Marketing budgets often 5-10% of sales
  - Ads 3-5%
- May change over product life cycle

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Who is the target market?

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Does a profitable market exist?

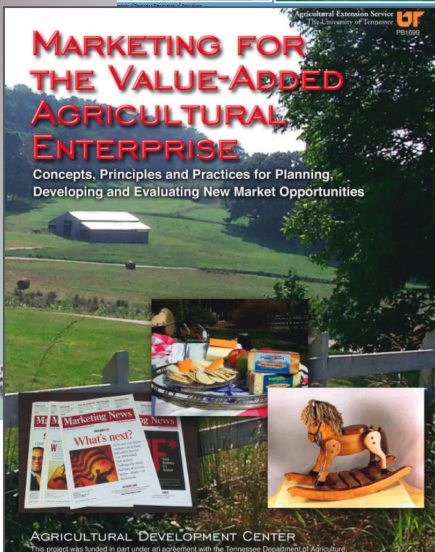
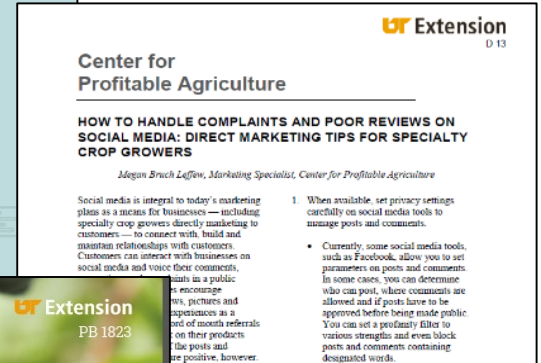
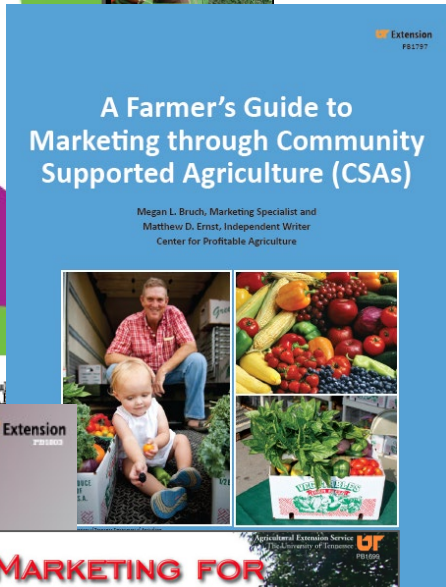
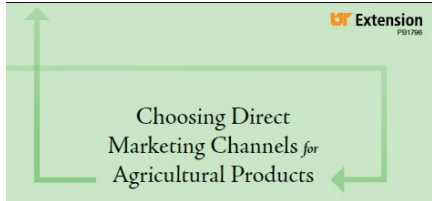
- Is there adequate market size and potential share?
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How do I reach the target market?

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# Marketing Resources

[ag.tennessee.edu/cpa](http://ag.tennessee.edu/cpa)





# Marketing Dairy Products

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