Marketing Dairy Products

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Taking a Closer Look at Value-Added Dairy Opportunities Workshop
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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
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.

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

Check Out the Competition

Dairy Products

- Butter
- Cheese
- Milk
- Ice Cream
- Yogurt
Network

WISCONSIN CHEESE MAKERS ASSOCIATION
EST. 1891

Food Processing Suppliers Association

TENNESSEE AGRITOURISM

NICRA

NAFDMA

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
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

Customer Benefit

Customer Cost

Convenience

Communication

CUSTOMER VALUES
How?

• Ask/listen to your customers and potential customers
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Consumer Dairy Product Expenditures and Preferences for Dairy Products Made With Tennessee Milk

Snehal Upendram, Assistant Professor
Kimberly L. Jensen, Professor
Karen L. DeLong, Assistant Professor
K. Jamoy Menard, Research Leader
Department of Agricultural and Resource Economics

Elizabeth A. Eckelkamp, Assistant Professor
Department of Animal Science

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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
Social Media Research Strategies

Listen
– Trending topics
– Follow discussions

Engage
– Get involved in discussions
– Ask questions
– Use polls
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
  o Packaging
  o Information
  o Services
  o 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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