



FUNDAMENTALS OF ON-FARM RETAIL: Product Assortment

Summer 2023

Christopher T. Sneed

Assistant Professor
Department of Family and
Consumer Sciences

Michelle Childs

Associate Professor
Department of Retail Hospitality
and Tourism Management

Megan Bruch Leffew

Extension Specialist
Center for Profitable Agriculture

This publication is part of a series developed with special considerations for on-farm retailing of value-added dairy products as part of the Southeast Dairy Business Innovation Initiative. Learn more at valueadded dairy.tennessee.edu.

When most people think about retail, they automatically think about the products and services a store offers for sale. Images of stocked shelves, packed stock rooms, price tags and attractive displays may instantly come to mind. This publication has been designed to provide you with a brief introduction to the topic of product assortment to help you develop a plan that is appealing to your customers and profitable for your operation.



Product

In this publication a product is defined as any good that can be sold by you as a retailer.

Know Who You Are

The first step to developing your product assortment is to know who you are, what your business is about and what image you want to convey to your customers. Your **brand image** is critical to your future success. Your brand image is created from the overall perceptions, associations and impressions customers have about your business.

The products you offer in your store reflect the overall image of your store as well as the identity you are trying to communicate. Choose products that fit your image and help tell the story of your brand and your operation.

Product Assortment

Your **product assortment**, also known as the mix of products you stock and sell to customers, is one of the key elements of retailing. Getting this aspect of retailing right is critical for creating satisfied customers and for the long-term success of your business. Your product assortment helps determine how well you meet the needs and values of your customers and defines your image as a retailer. It is one of the primary reasons customers shop at your store. Customers these days want a connection to their food; that is, they want to know where and how it is produced. They want a story with the product – the story of your farm. When you can provide a story that resonates with them or that they can remember, you have developed a loyal customer.

What makes developing your product assortment so tricky is the fact that there is no one formula or proven way to know exactly what products you should offer and how much you should have in stock. Instead, you will have to let a little bit of art and science guide you through the process.

Your product assortment is key to the overall image of your business, including how customers view your business. The type of products you offer can either entice customers to visit your business or deter them from seeking out your establishment. Additionally, the probability customers will revisit and purchase again at your business is impacted, among other reasons, by the assortment of products you offer.



Complementary products are offered at an on-farm retail shop. RiverView Farm Market, Knoxville, Tennessee.

Observe Customer Shopping And Buying Patterns

Pay attention to what is and is not selling in your store. Monitoring your inventory, stock levels and sales numbers can provide you valuable information to inform future product offerings. Also, pay attention to your customers while they are browsing your store. What areas of the store do customers explore the longest? What products do they seem most interested in?



Market Situation and Positioning/Branding

Key considerations when planning a product assortment for your on-farm retail should be the market situation and the brand identity you are trying to convey to customers. It is important to understand the needs, values, preferences and desires of your target audience. Understanding your customers will help you identify product types, characteristics, sizes, quantities you may expect to sell and prices customers may be willing to pay.

Competition is also important to consider. What types of products are readily available from other markets? How can you make your product assortment more unique or better than what is already available to your target customers?

It is also helpful to consider several factors related to costs. Costs may include the actual costs of production for farm products or costs to purchase wholesale items. Delivery or shipping and labor costs to handle product may also apply. Product loss or shrink may also be experienced from items that are damaged or with a short shelf-life, such as fluid milk, fresh produce or bakery items. Since you have limited time and space available, it is important to choose products that provide the potential for an acceptable return.

Another test for products you may consider for your retail operation is whether or not each is consistent with the image or message you are trying to convey to customers. Your brand identity is important and the products you select should help to reinforce and communicate this to customers.

Products chosen for your store should appeal to your target customers, provide you with a competitive advantage, provide profit potential to help you meet your financial goals and maintain consistency with the image you are trying to convey to customers.



Retail Space

When choosing products for your retail store, consider the available space, the conditions of that space, and the resources available or that can be obtained. Will your on-farm retail area be open to the outside elements or in a climate-controlled space? How much space is available? What types of shelving or displays are available? Is/how much refrigerated or freezer space is available? Answers to these questions may limit what products are options for your on-farm retail store.

Product Breadth and Product Depth

Your product assortment is made up of two key aspects – product breadth and product depth.

- **Product breadth** is also known as variety. Product breadth describes the variety of products you offer in your store. If you offer many different products, your store will have wide breadth. If you offer a smaller number of products, your store will have a narrow product breadth.
- **Product depth** is also known as assortment. Product depth refers to the number of different variations of a product that you offer. For example, if your retail establishment focuses on ice cream made from milk from your farm, the flavors (or type) of ice cream you offer would be your product depth. Retailers who specialize or focus on a particular product often have deep product depth. While you will want to have a degree of product breadth and depth, it is important to remain focused on selecting merchandise your customers want and need that also are in line with your brand image.



Types of Merchandise

Products may be categorized into different types of merchandise including stable, signature, seasonal, complementary and private label.

Stable Merchandise

Some products are central to your business and form the foundation of the stock you offer. These products are often known as stable merchandise. You can think of stable merchandise as items you always want to have available. For example, a dairy producer specializing in fluid milk would always want to have their milk available for purchase in their store. Similarly, if cheese is central to your production, customers would expect to always find cheese selections available for purchase.

Stable merchandise is often placed on a rotation of continuous replenishment, that is as the merchandise sells, replacement merchandise is stocked.

Stable merchandise is central to your business model and success. Once you have your stable merchandise under control, you can then expand to include other product offerings that help to reinforce your brand image and support the stable merchandise you sell.

Signature Products

Those products your farm is known for are referred to as signature products. Signature products are characteristic of your business. You may already have products that are uniquely yours, or you may have ideas for how you can turn your products into something that represents you and your business. For example, perhaps you have created a unique cheese that only can be found at your retail establishment. Or perhaps you are using milk from your goats and herbs from your property to create a unique scented hand soap. The possibility for signature products is endless.

Seasonal Products

Seasonal products are time-limited and refer to those products that sell particularly well at certain times of the year. An excellent example of a seasonal value-added dairy product would be eggnog. This tasty beverage is widely associated with the holiday season and has become a staple at many holiday celebrations and family gatherings. Seasonal items like eggnog can give sales a sizeable boost during a specific part of the year when business might otherwise be slower.

Complementary Products

You do not have to limit your offerings to farm products. Instead, think about what other items would complement the primary products you are offering. For example, if you are selling cheeses, think about adding other items such as cheese knives/spreaders, cutting boards, snack plate sets, crackers, etc.





Identifying and Sourcing Complementary Products

Identifying and sourcing unique, complementary products can be challenging. Visiting with on-farm retailers and other unique retail operations in other places may be helpful. Additional leads may be found by:

- Partnering with other local farmers and entrepreneurs to stock local products.
- Researching state promotional programs such as Pick TN Products (<https://www.picktnproducts.org>), Kentucky Proud (<http://www.kyproud.com>) or Got to Be NC (<https://gottobenc.com>).
- Visiting trade shows such as at the NAFDMA International Agritourism Association Convention and Expo or Pick TN Products Trade Show.
- Participating in market showcases such as AmericasMart in Atlanta.
- Searching online wholesale marketplaces such as [Faire.com](https://www.faire.com).

Please note the items in this list are provided as examples only and do not constitute an endorsement of any product or service.

Private Label Merchandise

Private label products are produced by another manufacturer through a third-party agreement yet sold under your own brand name. Private label merchandise offers numerous advantages including the ability to adapt to changing market conditions and consumer trends. Through the use of a private label brand, you are able to further solidify your brand image in the mind of the consumer while setting yourself apart from competitors with products that are unique and specific to your operation.

Conclusion

This publication has provided an introduction to product assortment and the factors to consider as you select the products to offer in your store. It is important to take into account your customer needs and values, competition, costs, brand identity, retail space characteristics, product breadth and depth, and different categories of merchandise in order to increase your potential for retail success.

Your one-stop shop for wholesale

Shop over **100,000** independent brands, all in one place.

Sign Up to Shop

Sell on Faire

References and Additional Resources

Levy, M., Weitz, B. A., Grewal, D., & Madore, M. (2019). Retailing management (Vol. 10). New York: McGraw-Hill/Irwin.

Find these and other resources for value-added agriculture at cpa.tennessee.edu.





INSTITUTE OF
AGRICULTURE
THE UNIVERSITY OF TENNESSEE

UTIA.TENNESSEE.EDU

Real. Life. Solutions.™

Funding for the On-Farm Retail Essentials publications was made possible by the U.S. Department of Agriculture's (USDA) Agricultural Marketing Service through grant AM20DBITN002. Its contents are solely the responsibility of the authors and do not necessarily represent the official views of the USDA.

Programs in agriculture and natural resources, 4-H youth development, family and consumer sciences, and resource development. University of Tennessee Institute of Agriculture, U.S. Department of Agriculture and county governments cooperating. UT Extension provides equal opportunities in programs and employment.