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A Practical Guide on Conducting Market Assessment: A Review of the Literature

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(A companion paper to *A Practical Guide to Market Assessment: Foreign Agriculture Service Lessons for Domestic Markets*, also by Taylor and Sterns)

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Introduction

In the following paper, the authors address the fundamental question, “How does one analyze the potential of a given product for a given market?” This type of *market assessment* is surprisingly difficult, in part because of the near uniqueness of every setting, i.e., many of the key variables of analysis are context-specific and/or have values that are unique to each product-market scenario. A review of the literature suggests, however, that numerous authors have proposed a relatively consistent set of questions that need to be addressed, information sought and key issues to consider when conducting market assessments. The goal of this paper is to review this literature and assemble a set of references that provide insights on how to analyze the market potential of agricultural and food products.

Problem Setting

To the degree that the U.S. agricultural sector has embraced “value added” agriculture, “consumer-focused” agriculture, direct marketing to consumers, product differentiation, and “entrepreneurial new product development”, the sector has started to move away from its tradition of producing and marketing agricultural commodities. For example, recent studies have shown that certified and locally grown products are increasing in popularity every year. The organic foods sector has grown significantly, with some estimates placing the size of the organics food market at 8 billion dollars (Economic Research Service). Additional evidence of this trend include recent studies that have concluded that consumers prefer locally grown foods (Patterson, et al, 1999; Thomason and Kevin, 1996), especially if those customers have a connection to a farm background (Brown, 2003). Also, customers enjoy the experience of going to the market and speaking with the people who produced the food (Brown, 2003). Also, many studies have found that customers who care the most about flavor, freshness and overall quality

tend to seek out locally produced fruits and vegetables, be they in farmers markets or grocery stores (Eastwood, 1996; Patterson et al., 1999; Ross et al., 1999; Wilkins and Gussow, 1997; Wolf, 1997.)

In this new market landscape, university faculty and other cooperative extension personnel are being called upon to help producers and processors identify and serve these new customers. Deliberate, demand-driven, targeted marketing requires that agricultural producers and processors identify both a set of customers (often end-user consumers) with clearly defined preferences for a specific set of product attributes, and a marketing channel to deliver their products to these customers. In order to meet this requirement, producers and processors must complete the difficult task of conducting a market assessment to determine the potential of a given agricultural or food product for a given market setting.

From this difficult task emerge two critical roles for Cooperative Extension. First, Cooperative Extension must send a consistent and clear message that market assessments are absolutely essential. And second, to the degree that it is possible, extension specialists should facilitate the adoption of techniques that guide the analysis of the market potential of agricultural and food products.

This paper summarizes the techniques necessary for conducting market assessments, as compiled and reviewed from a broad body of literature that ranges from Business School articles on “branding strategies” to rural development articles on the direct marketing of products through local farmers’ markets. Though much of this literature is informative, it does not provide a brief synopsis specifically focused on conducting market assessments, nor is it immediately available to extension personnel who are in the position to extend this information through their outreach activities. Herein is the motivation of this paper – to provide a “first step”

access point to a much larger body of information. To accomplish this, the reviewed literature is presented within what we believe are the critical questions extension personnel most likely will need to address. They are,

1. What are the key questions a producer should ask and answer when doing a market assessment?
2. What are the key resources a producer could/should read (books, guides, webpages, etc.)?
3. Who are the key people to contact to provide information needed for the market assessment?

What questions must be addressed?

The *Marketing for the Value-Added Agricultural Enterprise* by Robert Hall and the Agriculture Development Team at the University of Tennessee offers a set of questions as those which are the most vital for preparing a solid marketing plan. Although conducting a market assessment and formulating a marketing plan are not the same activities, these questions are very similar to the questions that must be addressed while conducting market assessments.

- 1) What is the product you will market and sell?
- 2) How will the product be delivered to the customer? (What will be the marketing channel?)
- 3) What are the specific product traits your customers prefer?
- 4) Where can you find information about your potential customers so you can do some market research?
- 5) How will you price your product so that you can make a profit yet still attract customers?
- 6) How will you package your product so that it looks professional yet does not eat into profits?
- 7) How will you deal with competition in the marketplace; what sets your product apart?

The Arkansas Small Business Development Center developed a guide entitled, “Business Blueprints: Is Your Business Idea Feasible?”. The questions presented here are those most relevant to assessing the market potential of a given product for a given market, and are taken from part two of the guide, entitled *Describe your business idea and requirements*.

- Describe Your Product or Service
- Describe Your Customer
- Describe Your Competition
- Describe Your Sales and Distribution Process
- Describe Your Management Requirements
- Develop Your Sales Forecast
- Identify Your Start-up Expenses
- Estimate Your 12-Month Operating Budget (p.14-32)

This resource is helpful because of its strait-forward nature and wide applicability. A producer who works through this guide will have made significant progress towards determining the potential of his/her product.

According to P.R. Smith in his work, *Marketing Communications an Integrated Approach*, the three key questions to ask before marketing a product are as follows:

- “1) Who is the buyer (target market/ and decision-making units)?
- 2) Why do they buy (or not buy) a particular brand or product?
- 3) How, when and where do they buy?” (Smith pg. 86)

Within this text, the chapter entitled *Describe your customer* is especially insightful as it offers suggestions and research tips associated with targeting a specific market and obtaining the market information one needs to answer these key questions. The author’s suggestions include the need to consult U.S. census data as well as informally interviewing key market informants.

What resources should I read?

There are a number of guides that have been developed by a variety of groups and consultants, including university extension agents. Even the best overall marketing guides spend little time on market assessment techniques. Market assessment is viewed as simply one part of the overall marketing plan.² That said, several guides do highlight aspects of market assessment and the following section reviews and discusses a number of these guides.

One excellent example of a marketing plan guide is, *Marketing for the Value-Added Agricultural Enterprise* by Robert Hall and the Agriculture Development Team at the University of Tennessee. It highlights key concerns such as product distribution, pricing decisions, market research, advertising, packaging and understanding market competition.

Dr. Ronald A. Nykiel goes into more detail on each of these themes in his book, *Marketing Your Business*. This text is more targeted to a general audience interested in corporations thinking of launching a product on the market. The length and scope of the work offers readers a chance to obtain a clear picture of what many marketing terms mean and also provides case studies for further clarification of major marketing issues. He does do an excellent job of walking the reader through a variety of concepts such as branding, pricing, and sales strategies. Though these concepts are presented in the context of corporate entities, it can be useful for even small-scale producers because it discusses the different motives that lead people to purchase products and how the marketer can position a product in the mind of consumers.

Appropriate Technology Transfer for Rural Areas (ATTRA) has produced a twelve page resource that concerns determining the viability of a particular new product introduction or business plan. This pamphlet is entitled, *Evaluating a Rural Enterprise*, and it does an excellent

² This is the motivation behind the companion study to this paper. This study will survey staff with the USDA Foreign Agricultural Service, asking these field staff to describe their market assessment practices.

job of operationalizing the process of launching a product. It includes details such as how to contact the FDA in order to be sure that a producer can legally prepare foods to be sold in a home kitchen and how to determine the legal requirements for nutritional information on the labels of products. This publication also includes an extensive list of resources for further research.

Additional resources that go into far greater detail about specific points related to market assessment are provided in the following review of books and webpages. These additional resources reiterate much of the material discussed in the articles cited above, but are listed here for the benefit of the reader seeking a more comprehensive review of available resources.

Crispell, Diane. *The Insider's Guide to Demographic Know-How: Everything You Need to Find, Analyze, and Use Information About Your Customers*. Third edition, 1993. American Demographics Press. Ithaca, NY

This is a good introduction to sources of commercial and governmental demographic data, which are critical for conducting market assessments. If a producer plans on conducting broad target market research, a resource such as this one will save a great deal of time and effort.

Hiebing, Roman G., Jr., and Scott W. Cooper. *How to write a successful marketing plan: a disciplined and comprehensive approach*. Third edition. Lincolnwood, IL: NTC Business Books, 2003. 510 p.

This book is a comprehensive resource for addressing critical marketing questions that arise during the course of the development of a marketing plan or while completing a market assessment. If a producer believes that he/she only has time to review one book, then this book would be one to consider.

Jutkins, Ray. *Power Direct Marketing: How to Make It Work for You*. Lincolnwood, IL: NTC Contemporary, 2000. Excerpts available for free on the web at <http://www.rayjutkins.com/pdm/index.html>

This book is a further resource related to direct marketing, or marketing to a wider audience. This text goes into great detail; however, it also provides basic concepts that can be applied to even the most strait-forward target marketing and market research ideas. First time marketers will find Chapter 2- "Ready, Aim, Fire, Marketing by Objectives." to be particularly enlightening. In this chapter, the author walks with the reader step-by-step through the process of identifying your target markets and how best to reach them.

Lee, Andy. *Backyard Market Gardening: The Entrepreneur's Guide to Selling What You Grow*. Good Earth Publications, 1993. 351 p.

This is an excellent resource for anyone who wishes to sell their produce directly to consumers. It is not concerned with creating a marketing plan, or identifying a target market. It is peppered with essays and first person accounts from people who have decided to expand their operations so that they can market their produce directly. This book is very well written and entertaining to read.

Nykiel, Ronald A. PhD. *Marketing your business: A Guide to Developing a Strategic Marketing Plan*. Best Business Books, 2003. Pages: 311.

This book shows you how to design a strategic marketing plan for any brand, product, service, or business. It fills you in from the ground up, offering detail and theory every step of the way. It is an excellent resource for any producer seriously thinking of entering the marketplace. Particularly helpful features include the variety of worksheets and strategies for accessing “marketing intelligence”, which is the author’s terminology used to describe the information required to conduct a “market assessment.”

In addition to the books just listed, there are a number of web-pages that contain information useful for preparing a market assessment.

Agriculture Alternatives

<http://agalternatives.aers.psu.edu>

Agriculture Alternatives website provides a listing of a variety of alternative crops and livestock that can be grown or produced. This is a resource for producers looking to diversify their operations. The fact sheets and information provided offer a wide range of information about each enterprise, the fact sheets are especially written with producers in mind who do not currently produce this animal or crop. They also include information related to gauging the potential success of a particular product in a particular area, and are therefore tied to the techniques for conducting market assessments.

Agricultural Marketing Resource Center

Ag Marketing Resource Center

1111 NSRIC, Iowa State University, Ames, IA 50011-3310

Phone: 866-277-5567

Fax: 515-294-9496

E-Mail: AgMRC@iastate.edu

<http://www.agmrc.org/agmrc/default.html>

AgMRC is a joint project between a number of state universities and USDA Agriculture Marketing Service. This website is kept very up-to-date with links to the most recent developments regarding a number of subject areas, such as organics, herbs, and vegetables. Producers can access the information they need by product type, or resource area. This site is very easy to navigate and offers a lot of valuable information with little effort required to find exactly what one needs.

Appropriate Technology Transfer for Rural Areas (ATTRA)

National Sustainable Agriculture Information Service

P.O. Box 3657

Fayetteville, AR 72702

Phone: 800-346-9140

<http://www.attra.org>

This website offers a variety of information related to many different agricultural subject areas as they relate to value added agriculture and sustainable development. It also features specific sections on organic production and marketing channels as well as discovering niche markets in local areas and assessing their values and market potential.

Business Resource Software, Inc

<http://www.businessplans.org/Market.html>

This is a thorough website touching on all the main subject areas related to crafting a marketing plan. This site is produced by Business Resource Software, Inc. and references some of the most famous experts of our times, including Michael Porter and Philip Kotler. In one page it provides a quick overview for anyone interested in discovering the challenges associated with assessing product's and market potential.

Center for Rural Entrepreneurship

317 S 12th Street, Suite 200

PO Box 83107

Lincoln, NE 68501-3107

Phone: 402-323-7339

Fax: 402-323-7349

<http://www.ruraleship.org/>

Tips regarding a wide variety of business ideas, further resources, government regulations and policy changes that affect new ventures. This site has an outstanding collection of online resources including case studies of rural entrepreneurship and recommended books helpful to rural entrepreneurs. This site is user friendly and designed for the producer who does not have a lot of time to spend scouring the internet for information.

Growing for Market

www.growingformarket.com

P.O. Box 3747

Lawrence, KS 66046

800-307-8949

growing4market@earthlink.net

This is a monthly publication available for an annual fee of \$30. It is an excellent resource for producers of fruits and vegetables who want to directly market their products and retain as much value as possible. The website is also a good general source for industry related news and upcoming events such as expositions and producer meetings.

The Food Processing Center

143 Food Industry Complex

Lincoln, NE 68583-0930

402/472-2819

402/472-1693 FAX

<http://fpc.unl.edu/>

Email: jgifford1@unl.edu

This is a quick reference for anyone considering the development and introduction of a food product for U.S. consumer markets. The primary page lists many of the most often introduced food products and ingredients, with hotlinks for each that offers a few simple suggestions related to making your product appeal more to current trends in this sector of the food market. Most state universities also have food processing centers, and these centers can offer advice regarding technical feasibility as well as packaging and formulation suggestions.

Who could I contact for additional information and help?

Local extension specialists should be the first point of contact for producers wishing to conduct market assessments for their products. This is primarily due to the depository of information to which they have access. The extension specialists can then refer the producer to experts within other parts of the university system, including marketing specialists and food safety specialists. Many state departments of agriculture as well as university departments of agriculture have entrepreneurship projects in place that exist to help people through the process of developing and implementing a business plan for a new product launch.

Many local communities and multiple county regions have economic development offices and groups committed to local economic development. Often times these local offices can provide valuable input regarding small business loans or other business-related resources available to producers. Some have mentoring programs established with successful small businesses within the community to help other potential small business owners in the area tackle problems specific to a particular region or community, including helping with market assessment.

There are also networks of non-profit organizations and specific producer groups that can help. It is often beneficial to join groups identified through trade journals and by specific

product categories. Through these groups food marketers can interact with other people in similar situations with whom they can share experiences and offer insights into how they have addressed issues related to assessing markets and the potential opportunities a given product may represent.

Summary

This review of the literature suggests that the topic of *market assessment* is not addressed explicitly and independently of broader contexts. Specifically, the “how to” of market assessment is not discussed in detail nor are clear examples of it typically demonstrated. At best, market assessment is discussed as a component of “marketing plans” or given passing reference in calls for the need to conduct “market research.” This paper has attempted to address this gap in the literature by compiling and reviewing a range of documents and web-pages that willy-nilly mention and allude to market assessment techniques.

If cooperative extension aspires to help producers and processors that are now exploring the possibilities of new product introductions and the pursuit of differentiation strategies and niche marketing, then the reviewed literature should provide a solid “first step” for these outreach efforts.

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