

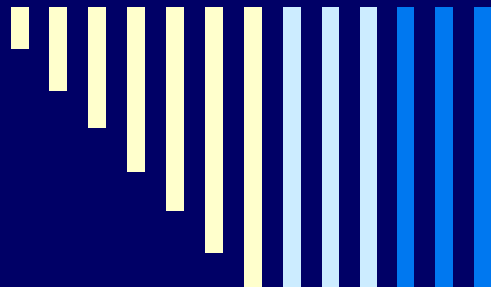
eXtension

Entrepreneurs & Their Communities

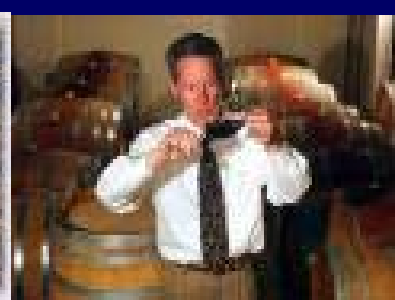
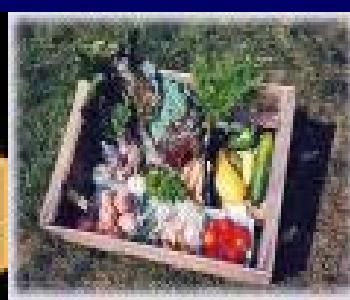
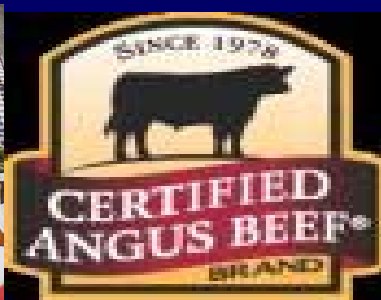
www.extension.org/entrepreneurship

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Value-Added Products



“Where am I Going to Sell All this Stuff?”

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This Presentation Discusses:

- Value-Added Products

- 1) Ways to take advantage of value-adding opportunities.

- 2) Why Value-Added Products Fail

- Marketing Strategies to Improve Value-Added Product Sales



What is Value-Added?

- ❑ **A customer-driven process** in which the farmer retains more of the food dollar by processing, enhancing, packaging and/or marketing the product him/herself.
 - ❑ Value-added may also include production methods such as organic, grass-fed, hormone free, etc.
 - ❑ Value-added products are almost always given a brand name.
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Deciding on Value-Added

- **May** increase farm viability
- **May** increase farm visibility
- **May** expand the market season
- **May** open new markets



There is considerably more risks involved in value adding than selling the bulk commodity.



Pros & Cons of Value-Adding

Pros-

Higher profits

Master of your own destiny



Cons-

Competition will react with a vengeance if your product becomes successful and is a serious threat to their market share



Really Understanding Your Product is Vital

- What are the characteristic features of your business, product or service?
 - What benefits does your product offer?
 - Who will buy them and for how much?
 - Match your product's traits with customers' needs because...
-



Product vs. End Result

Producers see their product as the final result of their work.

What we are really seeking a different end product - a satisfied customer.

How can I get customers to take money from their pockets and put it into mine?





Promotion

□ What is your **Unique Selling Proposition?**

The USP very clearly answers the question, “Why should I do business with you instead of your competitors?”



Value-Added marketing (all agricultural marketing) is not about marketing what you produce...

but, producing what you can market.



What is Marketing?

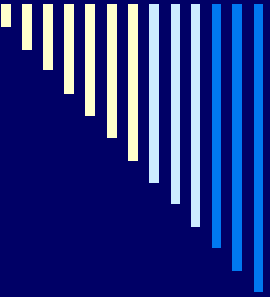
- EVERYTHING you do to promote your business from the moment you conceive of it to the point at which customers buy your product or service and begin to patronize your business on a REGULAR basis. - Jay Conrad Levinson, Guerrilla Marketing
-



Value-Added is All About Niche Markets

- The keys to successful niche markets is to find a market that is:
- (1) significantly different from the mass market in the same class of items. This allows for premium pricing.



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- (2) is still large enough to provide enough sales to be profitable, but
 - (3) is too small to attract mass production and distribution.





Venues for Value-Added Products

- If a wholesaler is used, expect them to earn 10 to 15 percent of the retail price.
 - Direct Marketing- on-farm retail outlets, e-commerce websites, mail order catalogs, special grocery stores, gift shops, farmer's markets and craft shows.
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Why Value-Added Products Fail

1. Product doesn't match or satisfy a customer's wants or needs.



2. Are you starting a business or making a job for yourself?
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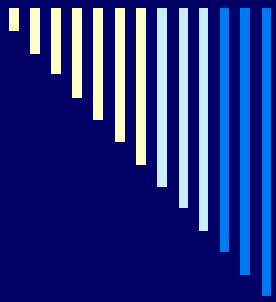
Problems with Distribution

1. Supplying a sufficient amount of the product at the initial delivery.
 2. Delivering product on a consistent basis and meeting strict delivery schedules.
 3. Justifying appropriate shelf space for the product to encourage sales. 100,000 food products available/average store can only stock 30,000 items.
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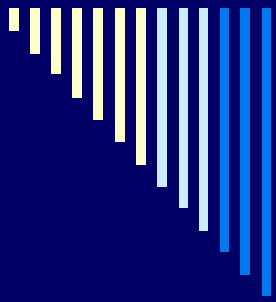


Rules for Success

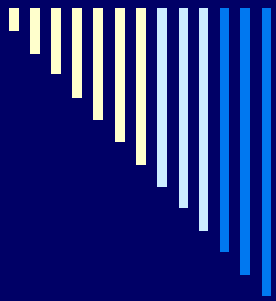
- #1 The backbone of value-added marketing is high quality products.
 - #2 Start Small- Determine how much high quality product can you process and deliver on a consistent basis. Then match your “placement” to that volume.
 - #3 The emperor may have no clothes. Many claims about the sales potential for value-added products may be overly enthusiastic.
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- #4 Honest accounting. Be honest with yourself about how much time the business will demand.
 - #5 Price and convenience do matter. While many customers will support locally produced, the real world suggests that price and convenience do matter to almost all customers.
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- # 6 Seasonality can be a significant handicap. Some customers, such as big food institutions may not easily accommodate seasonality.
 - #7 Be sure you have the resources to meet the competition.
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- #8 Only be as different as you can afford to be. Some differentiation in the market may help you capture niches, but going to extremes may yield a product that no one is willing to pay for.



Adam & Eve Hot Sauce



Emerging Markets

- LocalHarvest.org or your own website
 - CSA and Buying Clubs
 - Ebay and HSN- can you supply the volume?
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Do You Have a Marketing Plan?



"It's not enough to just show up. You have to have a business plan."



For More Information

Ag and Natural Resources Marketing
www.agmarketing.umd.edu-
marketing and newsletter resources

www.marylandagriculture.info- links buyers and
sellers and provides resources to the ag
community.

Right Attitude

A Value-Added Attitude is Profit Driven
& Must Result in “Marketing on the Mind”.

