Section 3.2
Using Analytical Tools
To Understand
The Marketplace

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Section Summary

- Show importance of research
- Cover the steps of market analysis
- Define two types of market research
- Select a research firm
Research Is Important For Direct Marketing

- Perform market feasibility analysis to match consumer’s need for a product with a producer
- Determine the business’ ability to fulfill that need
- Discover if a profitable market exists
- Important because 80% of new products and services fail within 3 years
- Label/brand recognition
Steps In Market Analysis

1. Identify your target customer
2. Define your product
3. Understand trends affecting your market
4. Understand your competition
1. Identify Your Target Customer

- Identify the people with:
  - Greatest need for your product
  - Ability & willingness to purchase your product

- Ask:
  - Who are your customers?
  - Where are your customers?
  - Can you reach your customers?
Who Are Your Customers?

- **Demographics**: age, income, education, gender, occupation, family size
- **Geography**: urban, suburban, rural
- **Personality**: social class, values and lifestyles
- **Behavior**:
  - Perceived benefits from product
  - Usage rate
  - Brand loyalty towards similar products
How Many Customers Fit Your Customer Profile?

• Use surveys and research to determine number of customers that fit into your target market

• Market must be large enough to generate a satisfactory volume of sales
Where Are Your Customers?

• Determine from demographic & geographic data
  - Target market is highest concentration of customers who fit your desired profile

• Access to potential customers:
  - Shelf space in retail stores
  - Brand recognition
  - Distribution channels: farmers market, restaurant, mail-order, Internet, community supported agriculture
2. Define Your Product

- Describe your product’s attributes for labeling & advertising purposes
- What innovation does it bring to the market?
- How will your product affect present market structure? (Is it a substitute for a competitor’s product?)
- Remember, you may change your product after conducting market research and analysis
3. Understand Market Trends

• What trends affect the success of your product?

• Trends indicate whether consumers like particular products and demand them in the market place

• Look for upward moving trends in your market; greater potential for product success

• Trends are always changing; important to monitor them in your market
Finding Market Trends

• Forecast future sales of similar products
• Determine stage in product life cycle
• Look for regions where sales are increasing
• Project seasonal variations
• Understand changes in technology and how they may affect production and marketing
• Predict market surges through fundamental analysis (local and national news, USDA reports, etc.)
Consumer Food Trends

- Natural & organic purchases up 36% per year
- Ethnic fusion (foods combined from different ethnicities) up 6-7% per year - increased demand for variety
- Interest in improving health: vitamins, herbs, homeopathics, nutraceuticals

Consumer Food Trends

• Increased demand for functional foods that promote and maintain health

• Consumers demand “grab and go” packaging or portable, convenient foods

4. Know Your Competition

• What products (brands) will you compete with in the market place?

• What are the vital statistics of your competition?
  ◆ Firm size, sales area, length of time in business, financial condition

• What other services or products do competitors offer?

• How do other firms compete with each other?
How To Gain Information About Your Customers

1. Primary Research
   - Sample a specific population
   - Conduct surveys, focus groups, laboratory tests, experiments

2. Secondary Research
   - Review and analyze existing data
Primary Qualitative Market Research

Personal interviews and/or focus groups:

- Identify attitudes, opinions and behavior
- Provide direction to develop questionnaires
- Develop relationship with potential customers
- Require a lot of time
Primary Quantitative Market Research

Personal interviews, telephone surveys, laboratory experiments:

- Good for sampling large groups
- Flexible, may be able to have other groups conduct this type of research for you
- Biases may occur through surveys
- Costly
Primary Quantitative Market Research

- Taste panels (consumer or trained-sensory taste panels)
  - Provide information on consumer tastes and preferences of different products

- Sales data analysis
  - Price response
  - Promotion response
Should You Use Quantitative Or Qualitative Research?

• Set goals you want to accomplish from primary research

• Determine how much time you have to conduct research

• Calculate a budget for the amount of research you can perform
Secondary Market Research

- Gain information on trends, competition and customers

- Secondary sources (see Appendix 3.2)
  - Directories
  - Internet sites
  - Periodicals
  - Published data from government or professional marketing firms
Secondary Market Research

- Food market data provide useful supply and demand information on various food products
- Market size analysis determines potential sales volume
- Competitor analysis determines market share potential
Advantages of Secondary Market Research

- Reduces effort spent locating and gathering market information
- Easiest form of research
- Inexpensive
- Macro-economic environment
Selecting Research Firms

• Experience and qualifications
  ▶ Amount of work within industry or similar industries

• Client relationships
  ▶ Client reference list
  ▶ Firm’s understanding of your goals
  ▶ Firm’s plan for gathering info and results

• Cost
  ▶ Request proposals
Always Remember

- Know all aspects of your market to help you avoid mistakes, but this is not a guarantee for success
- Look for constantly changing markets, consumers, costs and competition
- Continuously update market analysis as your business evolves
- Adapt and react to the market and changing consumer tastes and preferences
Directories:

• Colorado Organic Producers Association at http://www.organiccolorado.org/

• Cattle Fax at http://www.cattle-fax.com/ (members only)

• Local Cooperative Extension Office
Appendix 3.2

Internet sites:

• Food and Agricultural Policy Research Institute at: http://www.fapri.org/
• Cattle breed association Web sites
• National Cattlemen’s Beef Association at: http://www.beef.org/
• Department of Agricultural and Resource Economics – Colorado State University at: http://dare.colostate.edu/
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Periodicals:
- Beef Magazine
- Drovers
- Cattle breed association magazines and newsletters:
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Published data:

• USDA Ag Marketing Service Publications at:

• Journals:
  ▶ American Journal of Agricultural Economics
  ▶ Review of Agricultural Economics
  ▶ Journal of Agricultural and Resource Economics
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Published data:

• Local university publications

• University Cooperative Extension

• National Cattlemen’s Beef Association