What is your niche? Identifying and developing tools to access your target markets

Becca Jablonski
From Kitchen to Commercial
A Food Business Development Workshop
November 12, 2018
Arapahoe County Fairgrounds
Marketing

Anticipating the needs of targeted customers and finding ways to meet those needs profitably.
Target Market

“One size does not fit all.”

Good marketers focus on unique needs of specific target markets or market segments.

Need to understand what types of customers your business is trying to serve – now and into the future.
Target Market

Market segmentation groups customers into segments or categories accounting to some set of characteristics.

• **Geographic** - food tastes and preferences vary by geography

• **Demographic/socioeconomic** - age, income, size of household, education, # of children, type of employment, etc.

• **Psychographic** – attitudes, values, beliefs, interests and lifestyle

• **Operating characteristics** (for the farm market) – commodity, production technology, scale

• **Behavioral** – usage occasion, degree of loyalty
  • Example: Godiva chocolate
Target Market

Defining market segments:

1. Measurable: can the market segment be identified and evaluated?
2. Substantive: is the market segment large enough to serve?
3. Actionable: can the business effectively serve the segment?
*What do you want to be known for?*
*What makes you defensibly unique?*

- Product
- Ingredients
- Varietals
- Terroir
- Brand
- Packaging
- Availability
- Personal relationships
- Customer experience
What makes you defensibly unique?
How do you communicate value to your customers?

• Emphasis is not on the product itself, but on customer’s perceptions.
• The idea is to secure a place in the customer’s mind for your product based on some factor or factors that differentiate your product from the competition.
Defining a position

• Competitive advantage – that set of competencies in which the firm has a clear and distinct advantage over the competition.
  • It’s the reason customers choose to buy from one firm over another.
Defining a position

Two ways to build a competitive advantage:

1. **Differential advantage** refers to firms that attempt to provide customers with unique products and services unavailable from other firms.
   - Focus on being a value-added firm and stress their uniqueness in their positioning.

2. **Cost leadership** involves meeting the market’s product offering with an offering of comparable qualities and features, but beating the market on price.
Defining a position

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Product differentiation
Product differentiation: dietary

- Paleo
- Gluten-Free, and the rest of the free-from category
- Vegetarian, vegan
- Raw
- Religious
- Allergens

![Paleo Jerky Packaging](image-url)
Brand differentiation
Brand differentiation: Innovation
Brand differentiation: Convenience
Channel differentiation

Overall, from 2005 - 2015

→ Dollar sales at supercenters/clubs grew 61%
→ Specialty food/other grocery grew 72%
→ Supermarket sales were down 3%

But, the shoppers changed

![Bar chart showing primary shopping location for food and drink by generation, March 2015.](chart)
Channel differentiation

Sources Visited for Food Purchases in Last Year, 2016

- Grocery store: 94%
- Wholesale store: 80%
- Farmers’ Market: 51%
- Health food store: 62%
- Home Gardening: 34%
- Specialty market: 30%
- Direct Purchase: 20%
- Convenience store: 26%
- Other: 1%
- Home delivered: 10%
- Hunting and fishing: 11%
- CSA: 3%

http://foodsystmes.colostate.edu/research/colorado-blueprint/public-attitudes-survey/
Channel differentiation

Share of Household Food Dollars Spent at Each Source in Last Year, 2016

http://foodssystems.colostate.edu/research/colorado-blueprint/public-attitudes-survey/
One way to determine competitive advantage, and opportunities to differentiate is through a **SWOT Analysis**

- **Purpose to identify:**
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats
Strengths and Weaknesses

• Consider marketing
  • Products/services that serve new market
  • Promotion that is personal
  • Distribution/location that suits your market segment

• Consider people
  • Management
  • Unique skills
  • Relationships/networks

• Consider operations/facilities
  • Facilities/equipment
  • Cost management/efficiency

• Consider finances
  • Profitability (or potential)
  • Capital resources-ability to obtain credit
Strengths and Weaknesses
Opportunities and Threats

• Goal: to improve your ability to scan, monitor, forecast and assess factors in the surrounding environment.

• Allowing you to better identify opportunities and threats to the businesses’ long-term profitability.
Opportunities and Threats

ALMOND MILK SALES CONTINUE TO RISE

% CHANGE IN U.S. SALES OVER THE PREVIOUS YEAR

<table>
<thead>
<tr>
<th>Year</th>
<th>Traditional Milk</th>
<th>Almond Milk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>-0.7</td>
<td>59.8</td>
</tr>
<tr>
<td>2013</td>
<td>-1.7</td>
<td>50</td>
</tr>
<tr>
<td>2014</td>
<td>3.1</td>
<td>39.8</td>
</tr>
<tr>
<td>2015</td>
<td>-7.0</td>
<td>7.8</td>
</tr>
</tbody>
</table>

U.S. MILK SUBSTITUTE SALES IN 2015

- Almond Milk: $894,650,036
- Soy Milk: $297,696,048
- Coconut Milk: $61,265,393
- Rice Milk: $17,978,354
- Other Milk Substitute: $50,243,825

Source: Nielsen, AOD 52 weeks ending 12/26/15

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Opportunities and Threats
Market Research

To make product decisions, use market research!
Can help with determining:

1) New Product or Service
2) Improved Product or Service?
3) New Marketing Channel

**Primary Sources**
- Surveys
- Focus Groups
- Interviews

**Secondary Sources**
- Directories
- Internet
- Research
- Periodicals
- Published data
Where do you go to find industry trends/market research?

http://www.mintel.com/

Market Research
Demographics & Food Spending

https://co.foodmarketmaker.com/main/mmsearch
Market Research 
Demographics & Food Spending

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Market Research

Agritourism Revenue per County, Thsd $ (2012)

AgTrsm Revenue (thsd)
- $1.00 - $350.00
- $350.001 - $1,000.00
- $1,000.001 - $3,000.00
- $3,000.01 - $6,000.00
- $6,000.01 - $24,000.00
Market Research
Our composite basket of products ranges from:

- $2.94 in southeastern Colorado, to
- $7.81 in south Denver metro, to
- $8.65 in western Colorado

*no info on volume*
SWOT Analysis: Identifying your Competitive Advantage

Internal Environment
- Strengths
  1. 
  2. 
  3. 

External Environment
- Opportunities
  1. 
  2. 
  3. 
- Weaknesses
  1. 
  2. 
  3. 
- Threats
  1. 
  2. 
  3.
How would you use market research, in conjunction with a tool such as MarketMaker to help you identify your target market?
Resources

• Packaged Facts (https://www.packagedfacts.com/food-beverage-market-c84/): look for summaries of analyses in other publications.

• Mintel (http://www.mintel.com/): free reports on home page


• Consumer Reports National Research Center reports (www.consumer reports.org) + Greener Choices report

• Forbes, Food & Drink (https://www.forbes.com/food-drink/#10943575101a)