

AGRI-FACTS

Practical Information for Alberta's Agriculture Industry

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Agdex 811-10

Identify Your Market: Right Buyer, Right Price (Step Three)

Agriculture Business Alternatives

Agriculture Business Alternatives is a series of factsheets designed to help you evaluate the feasibility of starting a new agricultural or rural-based business. The worksheets help you define the critical information needed to move your idea forward.

Now that you and your family have worked through different possibilities for a new enterprise, it is likely you have one idea you want to focus on. Now it is time to start looking at who will purchase your product.

In the previous factsheet, *Consider Your Options: An Inventory of Possibilities (Step Two)*, Agdex 811-9, you identified your best fit for a new agricultural enterprise. This factsheet will help you describe your idea and uncover market opportunities by exploring these three areas:

- 1) Refine your product idea by describing your product and its benefits.
- 2) Research potential markets and discover your best opportunities.
- 3) Estimate price and sales volume and arrive at an income strategy.

Worksheets are included in this factsheet as part of the assessment. It is best if all family members take part in these exercises, not just managers or those active in the business. Identifying your market and finding your right buyer and price is a critical step on the path to a successful business enterprise.

Refine your product idea

To create a powerful marketing program, you need to start by clearly defining your product idea. Think beyond your product's physical attributes. How will you convince your customer to buy your product? How will you set your product apart from similar products?

In your product description, you may want to include these key aspects:

- **Product features:** different sizes, quality mix, varieties, types and other characteristics
- **Service features:** delivery, processing, packaging, instructions or other services that accompany the product
- **Marketing season:** the best time frame to offer your product
- **Benefits to the buyer:** a compelling reason why your product will solve a buyer's problem or address a buyer's need – the why not the what

Your product's features and benefits list can end up being quite long. When promoting your product, focus on the main benefits to the consumer and create a concise product story. It is important to be able to talk about the product's key attributes in 50 words or less. Your product description should be compelling and informative as well as being delivered in about 15 to 30 seconds.

*Start by clearly
defining your
product idea*

Example: Bright Farms offers premium black sunflower seeds at bargain prices in three package sizes or in bulk. We also sell bird feeders and provide information on feeding wild birds for customers who enjoy watching and helping wildlife year-round. (38 words)

Complete **Worksheet 1: Product/Service Definition** to list detailed information about your product.

Research potential markets

Once your product is clearly defined, the next step is to identify the potential market/s you want to sell to. Market research is a great way to discover more about your buyers' motivation, the size and demographics of your market, what the competition is doing and how you can tie into consumer trends. Market research can also provide a platform for making decisions about setting price and estimating sales volumes.

This factsheet's overview of market research basics will get you started on this important area. More detailed information can be found in Agriculture and Forestry's factsheet *Market Research*, Agdex 848-6.

Why conduct market research?

A successful marketing strategy includes detailed information about your target market, competition and consumer trends. Market research can help you create a targeted marketing plan or measure the success of your current marketing.

All businesses – large and small – can benefit from current market research. This research is especially important when starting a new enterprise that is untested in the marketplace. If your idea is a lower-risk enterprise, you may need minimal market research. If your new enterprise idea is higher-risk, you may want more detailed market research.

What types of market research do I need?

Generally, there are two types of market research: primary and secondary. You will likely need both kinds of research to create a comprehensive view of your potential market.

Primary research can be simple or complex and gathers information by direct methods:

- conducting focus groups
- observing people
- counting cars or pedestrians
- performing interviews, surveys or questionnaires (online, by phone or mail)

Secondary research relies on data that has already been collected and published. This information is typically an easy and inexpensive way to discover market information. Sources of secondary research may include the following:

- libraries
- government offices (town/city offices, planning departments, school districts, Statistics Canada, etc.)
- chambers of commerce and business organizations
- universities
- trade magazines
- online organizations publishing special reports or market trends (Alberta Agriculture and Forestry has a wealth of agricultural market research available online at: www.agriculture.alberta.ca)

Should I do it myself or hire a professional market researcher?

Small businesses can conduct their own market research through observations, surveys, personal interviews or test marketing. Many online companies, like Survey Monkey and Fluid Surveys, offer free or low-cost electronic survey tools. (A good list of electronic survey tools is available on the [Business Development Bank of Canada website](http://www.bdc.ca))

However, there may be times when the scope or complexity of the information needed is beyond your personal expertise. Weigh the cost of buying professional services against the potential benefits. Ask yourself these questions:

- How much will the research cost?
- What is the benefit of the research?
- What is at risk?
- How much can I realistically do myself?
- What are the benefits of doing it myself?
- What are the benefits of outsourcing the research?

How do I design a survey?

A market research survey of your existing or potential customers can be done in person, by phone, through the mail or through an online survey. Your survey design and the kind of information you are trying to uncover often dictates the format and how the questions are worded.

For more information on the topic of designing an effective survey, find online resources by doing a Google search with the term: *how to design a market research survey*.

When designing an effective survey, keep in mind these three tips.

1. Keep the length of the survey short, preferably to two sides of a single sheet of paper. People may fail to complete a long survey. Keep telephone surveys brief.

2. Word your questions to produce quantifiable answers.

Vague

How much fruit do you regularly buy?

Would you pay more for organic vegetables?

Quantifiable

How many pounds of strawberries do you buy each week when they are in season? _____

How much more per pound would you pay for organic vegetables? (Circle one)

\$0 \$1 \$2 \$3 \$4+

3. Use checklists and/or multiple choice questions, and limit the number of open-ended questions you include in the survey. These formats will give you answers you can analyze with precision.

Open-ended

What would you like us to do at our next Pumpkin Festival?

What selection of fresh-cut herbs would you like us to provide next season?

Checklists/Multiple Choice

Check the one event you would most like us to provide at our next Pumpkin Festival:

Hay ride Square dance Halloween costume

Check the three most important fresh-cut herbs you would like us to provide next season:

Basil Dill Chervil
 Thyme Parsley Comfrey

Your last step is to test the survey on a small number of volunteers (5 to 10 people) to improve your survey if questions are misunderstood or need to be reworded.

Using market research to sharpen your product strategy

To refine your product idea and find out the best potential markets for your business idea, gather information in these five key areas:

- target market
- market options
- market demand
- competition
- market trends

Target market

Your target market includes people or businesses you are trying to attract. Research can help you achieve more with your marketing and business efforts by identifying specific users by demographics (age, income and more), lifestyle patterns (interests, beliefs and more) and buyer expectations (quality, price and more). Enter your results on **Worksheet 2: Target Market Description**.

Market options

A market option is any method or channel you use to sell or distribute your product. Research can help you narrow your options to find the most effective way to reach your target market.

Market options in agriculture may include the following:

- selling directly to a restaurant
- selling at a local farmers' market
- developing your own label or brand name to sell through retail outlets
- selling at special events, such as fairs and festivals
- harvesting and selling through a pick-your-own business
- operating a roadside farm stand or retail shop
- joining or forming a marketing co-operative
- selling wholesale to a distributor, broker or processor
- marketing online or through a catalogue
- developing a tourist attraction on your farm

For more ideas and resources on marketing your product, see Agriculture and Food's (AF) online resource page for [*Starting and Growing a Business*](#).

Focus on the most promising options, but use more than one market channel for the best results. Enter the results in **Worksheet 3: Market Options**.

Market demand

To find out the estimated market demand for your product, gather the information from your research that deals with the number of buyers in the target market and how much or how often they purchase similar products. Enter your results on **Worksheet 4: Existing Market Demand**.

Further evaluate market demand by asking yourself key questions:

- Is yours an extensive market with large numbers of buyers?
- Is the market restricted at this time due to the economy or other factors?

- Are your buyers spread over a large geographic area or are they concentrated locally?
- Is your product so new that you need to create a market by educating potential buyers?

Competition

Market research can help you better understand the market you will operate in, including what is available that is similar to your product. To give you a unique advantage, you will need to differentiate your product from others in the market.

Worksheet 5: Competition will help you make a list of your main competitors, the types of buyers they serve, their strengths and weaknesses and more. Remember to include both direct competition (businesses that offer the same product to potential customers as you do) and indirect competition (anything your target audience can substitute for your product).

Market trends

There may be many consumer trends that represent opportunities for your product. For example, one trend in the agri-food industry is value chains where producers, processors and retailers collaborate to meet consumers' needs. AF's website has comprehensive information on [value chains](#).

Most consumer trends are documented in secondary research, like AF's online resource on [Emerging Consumer Trends](#) in agriculture. Familiarize yourself with the previous market trends, plus current and emerging trends, and then enter the information on **Worksheet 6: Market Trends**.

Estimate price and sales volume

Many formulas and methods are available for setting your product's price. Market research can give you information on competitors' prices, how price fluctuates seasonally or yearly, the effect of supply and demand on price, how quality affects price and more.

Setting your price

An effective pricing strategy typically includes an awareness of your competitors' prices, your cost of production (labour, overhead and raw costs) and market demand. More information on setting your price can be found in AF's [Pricing your Products](#). Take your time when completing **Worksheet 7: Expected Price** and include as much specific information as you can.

Projecting your sales volume

To complete your market research, calculate how much product you estimate selling in an average year once your business is well established. This information will be critical for your business planning, but will also likely be required by banks or investors you may approach for financing.

The **Worksheet 8: Expected Sales Volume** lists questions that will help you arrive at a projected sales volume.

Bringing it all together

Once all worksheets are completed, you should have comprehensive answers to the following questions:

- What are you selling or providing?
- Who will buy or use your product?
- What is the best way to market your product?
- What is the demand for your product?
- How strong is the competition in the target market?
- What are the supporting consumer trends for your product?
- What prices are you likely to receive for your product?
- What volume are you likely to sell to the target market?

Your answers will give you a good handle on the potential of your new farm enterprise idea and what your next steps are.

Move forward

If the market seems promising, congratulations! Proceed to the next factsheet in this series *Assess Your Resources: Examining Production Requirements (Step Four)*, Agdex 811-11, to see if you have the available resources to carry out your plan.

Take a second look

If your research shows stiff competition for your target market, you may want to refine your product and go through this process again. Use existing market research information to uncover different opportunities.

Re-evaluate

If your market research shows supply exceeds demand or the trend is toward declining consumption and prices, it may be best not to pursue this specific idea. Not all is lost – look at other ideas you initially ranked lower than this idea, and revisit the market research you have already gathered.

If you are not completely confident about your marketing projections, do not be discouraged. There is no certain way to predict the future. By analyzing as much information as possible, you gain a critical understanding of the market and position your business for planned growth.

Your next steps forward

Congratulations on gaining a clearer understanding of your anticipated product and market. This analysis is a skill you will use often as your business grows.

This factsheet is one in a series of Agriculture Business Alternatives factsheets that help you evaluate the feasibility of starting a new agricultural or rural-based business.

For the next step in this process, see the factsheet *Assess Your Resources: Examining Production Requirements (Step Four)*, Agdex 811-11.

References

The Agriculture Business Alternatives factsheets have been adapted with permission from: *Farming Alternatives – A Guide to Evaluating the Feasibility of new Farm-Based Enterprises* (NRAES-32, October 1988, ISBN 0-935817-14-X). This publication was a project of the Farming Alternatives Program, Cornell University, Warren Hall, Ithaca, NY 14853 (607) 255-9832; and Natural Resource, Agriculture and Engineering Service (NRAES), Cornell University, 152 Riley-Robb Hall, Ithaca, New York (607) 255-7654.

For more information

Agriculture Business Alternatives factsheet series:

Define Your Goals: Personal and Family Considerations (Step One), Agdex 811-8

Consider Your Options: An Inventory of Possibilities (Step Two), Agdex 811-9

Identify Your Market: Right Buyer, Right Price (Step Three), Agdex 811-10

Assess Your Resources: Examining Production Requirements (Step Four), Agdex 811-11

Review Your Finances: Making the Money Work (Step Five), Agdex 811-12

Analyze Your Profitability: Managing Your Growth (Step Six), Agdex 811-13

Launch Your Business: Time for Action (Step Seven), Agdex 811-14

Build Your Network: Reaching Out for Support and Advice (Step Eight), Agdex 811-15

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Step 3 - Worksheet 1: Product/Service Definition

As you write the descriptions, keep an image in mind. Try to communicate what the potential customer wants to know about your product and why he or she should be interested in it. Condense the four descriptions into a brief, but precise capsule definition of no more than 50 words.

Product features: (Describe the product size, quality, varieties, gluten free, organic, etc.)

Service Features: (Describe delivery, processing, packaging, instructions, range of services offered etc.)

Marketing season: (Describe the months in which the product or service is offered and explain.)

Benefit to the buyer or user: (Describe how the product or service fills a buyer's needs.)

Capsule definition: (Combine the above description into a definitive paragraph of less than 50 words.)

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Step 3 - Worksheet 2: Target Market Description

Describe the characteristics of the people for whom you are trying to provide your product or service.

Demographics:

(Typical age, income level, geographic location of residence or work place, number of children, marital status, ethnic group, education level etc.)

Lifestyle patterns:

(Common interests, beliefs, values, behavior patterns etc.)

Expectations:

(What do customers want and expect from your product or service?)

What sources of information did you use in completing this worksheet?

(List references, site survey results etc.)

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Step 3 - Worksheet 3: Market Options

Which market channel(s) will connect you with your target market? Select three options that appear most promising for your enterprise and describe each below.

Option #1:

Option #2:

Option #3:

What methods or sources of information did you use to select these three options?

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Step 3 - Worksheet 4: Existing Market Demand

How many potential customers are included in your target market at this time?

What is the average purchase volume or frequency of service per customer per year in the target market?

What is the total purchase volume or number of services per year in your target market?

(Multiply the number of customers by the average volume or frequency)

What sources of information did you use in completing this worksheet?

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Step 3 - Worksheet 5: Competition

Business name and location			
Estimated sales volume			
Type of customer targeted			
Price of product or service			
Quality of product or service			
Customer satisfaction			
General appearance (cleanliness, neatness, image)			
Summary of strengths			
Summary of weaknesses			

What methods did you use to gather this information on your competitors?

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Step 3 - Worksheet 6: Market Trends

Describe the following market trends over the last 5 to 10 years for your product or service and project future trends for the next 5 to 10 years.

Per capita consumption (or production):

Prices:

Competition:

What are your projections for market trends in the next 5 to 10 years?

What are the underlying reasons that account for these past and future market trends?

What sources of information did you use to answer the above questions?

(List references, resources, people etc.)

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Step 3 - Worksheet 7: Expected Price

Based on your knowledge of past, present and projected prices, answer the following questions:

What is the lowest price you are likely to receive in the near future?

What conditions would create this low price situation?

What is the highest price you are likely to receive in the near future?

What conditions would create this high price situation?

Expected price (price you are most likely to receive in an average future year):

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Step 3 - Worksheet 8: Expected Sales Volume

Based on your knowledge of past, present and projected market trends, answer the following questions:

What minimum volume of product (number of units) do you believe you could sell in a poor year?

What production and market conditions would create this situation?

What maximum volume of product (number of units) do you believe you could sell in a good year?

What production and market conditions would create this situation?

Expected sales volume (volume you are most likely to sell in an average future year):
