

Identifying Your Customer



value-added & alternative agriculture

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OVERVIEW

The success of any enterprise hinges on a positive answer to one basic question: Is there a sufficient need or want for what I have to sell so that I can make a profit?

The answer to the first part of the question lies in finding out if there are sufficient customers to create a business. The other part of the answer is found in the management and financial decisions made in the conduct of the business (we explore these two topics in another part of this series).

DEMOGRAPHIC CHARACTERISTICS

Marketers look at customers in groups, or segments. A segment is defined as a group of customers with similar characteristics. In general, we consider these similarities to be “demographic characteristics” (from the Greek word ‘demos’ for people).

Typical demographic characteristics are:

- Age group
- Income level
- Educational level
- Family size
- Marital status

In the world of value-added and alternative agriculture, the typical customer segment is represented by better educated, upper income households with children. In North Carolina, the greatest concentration of this particular customer segment is found in the state’s major urban areas: the Triad, the Triangle, and the Charlotte-Mecklenburg region.

Other regions of the state have demonstrated strong market potential for value-added and alternative products. Asheville, the Hickory-Lenoir region, and Chatham-Orange counties are three examples of smaller population regions that have great promise for the success of value-added and alternative enterprises. One reason for the support found in these latter regions is due to what is known as a psychographic profile.

PSYCHOGRAPHIC CHARACTERISTICS

Psychographics studies the behavior of customers and looks for ways to identify common behaviors within groups so that customers are segmented according to their interests and buying preferences.

VALS™, a psychographic system developed by a group called SRI Business Intelligence, is the acronym for the term “values and lifestyles segments.” The segments identify customer behavior by looking at the segment’s access to resources, its primary motivation and its willingness to innovate.

Most prospective customers for alternative and value-added products are considered “high resource,” which means that they have financial resources to pay more for their food. But they also have the resources to research the market and learn about their alternatives. Higher resourced customers are typically more demanding and specific about the types of products they will buy.

Motivation is a second component of a psychographic segment. In value-added and alternative agriculture, customers are often motivated by a sense of idealism or by a philosophy of food production that fits their belief system. A customer’s motivation is important to understand, because customers who prefer organically produced food over just locally produced food will generally not be swayed by arguments that locally produced food is just as healthy.

Similarly, customers who have a specific preference for grass-fed beef will most likely not be swayed by an argument that an animal that is hormone-free, but not completely grass-fed, is of comparable nutritional quality.

MARKET SIZE

As customer segments become more narrowly defined, producers often realize that they are serving what is called a “niche market.”

Niche markets provide opportunities for producers to quickly identify prospective customers. However, the challenge in niche marketing is to determine whether or not the niche is of sufficient size to allow a producer to grow the business. Individuals who produce a small volume of product as a hobby or supplemental income may be very happy with the market potential of a niche market. However, producers

who hope to grow their business and make enough profit to earn a reasonable living and expand their business opportunities will have to carefully consider whether or not a niche market offers sufficient growth potential.

While some generic research is available to help guide the decision process, it is advisable for most new producers to start a small operation and build as they learn more about their market.

DESIGN THE PROGRAM AROUND THE CUSTOMER

It is important for producers to develop a marketing program that is directed toward a clearly identified market segment. Another publication in this series, “Marketing Basics,” can assist you in planning a strategy that keeps the characteristics of your customer segment in mind.

RESOURCES

A general overview of the VALS typology: <http://www.sric-bi.com/VALS/types.shtml>

US Census and Demographic Data: http://factfinder.census.gov/home/saff/main.html?_lang=en

NC Demographics: <http://demog.state.nc.us>

For a comprehensive look at marketing for value-added and alternative agriculture:
http://extension.tennessee.edu/publications/pbfiles/PB1754_ch4.pdf