

# 06. Marketing: strategy and practical application in agro businesses

**Product 6. of ISM+ Project**

**“Entrepreneurship with vision - methods and tools for managerial  
capacity building of agricultural producers in Central and Eastern  
Europe” no. 2015-1-PL01-KA2-016871**

Co-funded by the Erasmus+ programme of the European Union

# Marketing: strategy and practical application in agro businesses



## Objectives:

Understand the relevance and the efficiency of marketing as a management concept in agriculture

Understand the practical application of strategic and operational marketing in an agriculture business

Reflect and train on the application of marketing by practical examples

# Content:

## Marketing: definitions and history

## The marketing concept

## Strategic marketing

- Analysis
- Objectives

## Operational marketing

- Strategies
- Marketing instruments

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By the  
way...where  
does marketing  
have its origin?

# Marketing: Definitions and History

In the literal sense of the word, “Marketing” means nothing more than “Putting on the market”

But, today, we understand “Marketing” as a holistic approach to run a business / an enterprise

“Marketing is a management concept”

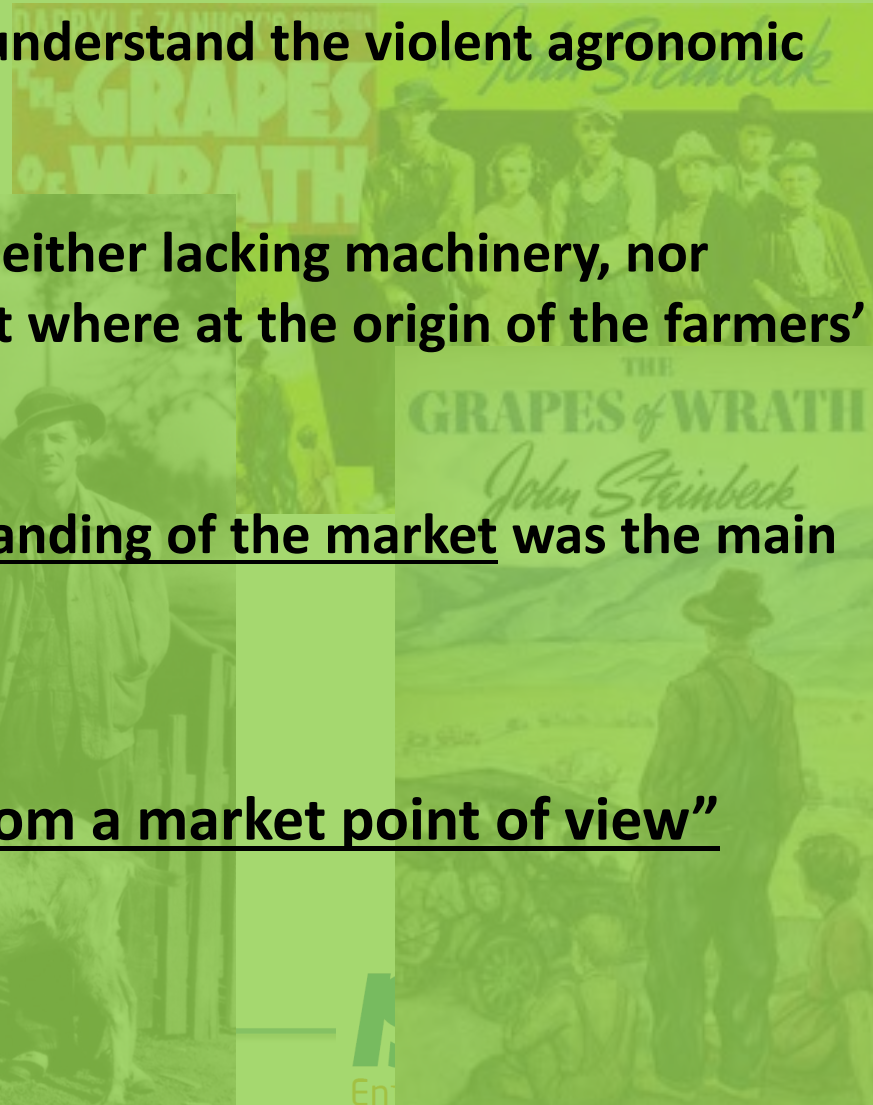
=> Where does this idea of come from?

# Marketing: Definitions and History

**Marketing comes from the 1930ies and the Mid-West of the USA...**

- Universities in the Mid-West tried to understand the violent agronomic crisis that hit the region
- Contrary to their expectation, it was neither lacking machinery, nor lacking knowledge, nor poor skills that where at the origin of the farmers' disaster
- It was found out, that lacking understanding of the market was the main reason
- Scientists stated:  
“every farm should been run from a market point of view”

**Modern marketing was born!**



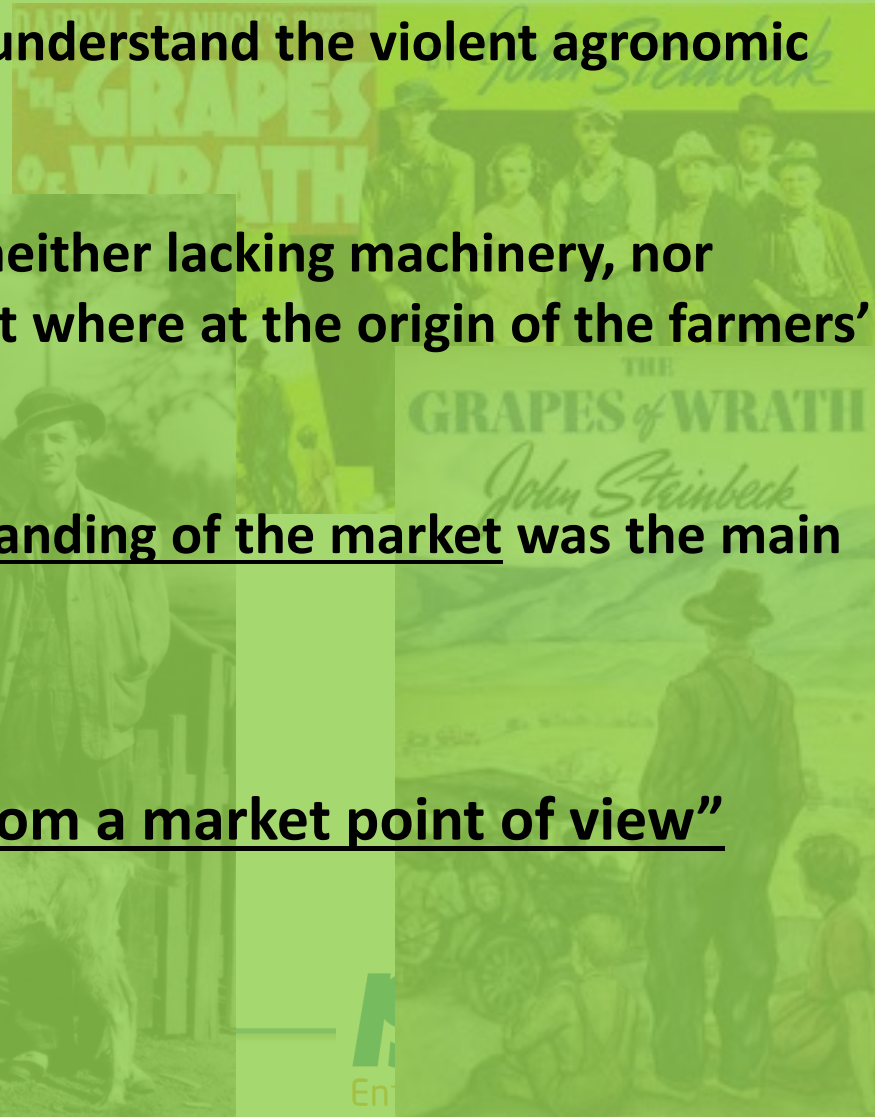


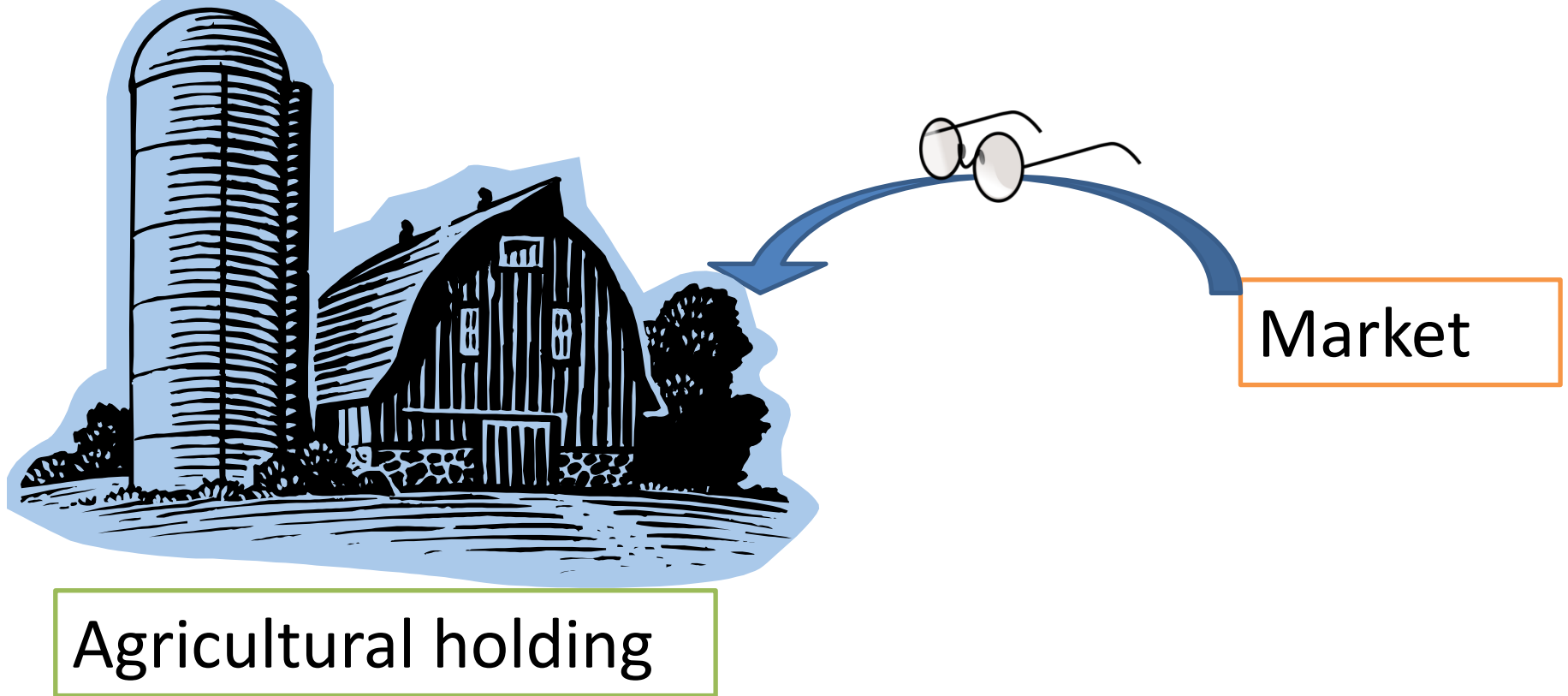
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**What sense does our farm have from a market point of view?  
Does our farm make sense from a market point view?**

**=> the radical marketing thinking is difficult to apply on farming:  
Long-term character of farming, seasonal influences...**

# Marketing: Definitions and History

The new ideas of “Marketing” was, at first, not applied in the agri-food sector:

- The automobile industry, the textile industry, the household aids industry discovered the concept and rapidly applied marketing from the 1940ies onwards

Newest guide for home buyers – the Live Better Electrically MEDALLION

**MEDALLION HOME**  
LIVE BETTER ELECTRICALLY

This new Medallion assures you a home has been inspected by the local electric utility... meets modern standards for wiring, appliances and lighting. Look for the Medallion. It means a wonderful new way of life for you and your family!

When the time to move... that's what this Medallion is to a new home! It's the new, optional symbol of the home in electrical living. Let these three on TV stars, speaking here for the electrical industry, tell how you can enable, ease, and money by choosing a home that wears the Live Better Electrically Medallion.

**BETTY:** In a Medallion home, you start right off with a modern electric range, plus at least 3 additional major appliances, maybe more. They're installed, ready to go to work the day you move in! Appliances are easier to pay for this way.

**RONNIE:** The lighting in every Medallion home is specially planned to give you better light for better sight, plus new beauty for your home. You also get full housewiring. This means enough power, wires, electric switches, and outlets to handle all the appliances you want to use.

**FRAN:** You'll be glad all your life you bought a Medallion home. Read below what a few of the thousands of new Medallion homes owners think of them. Then go see the Medallion homes in your neighborhood. Your electric utility will tell you where they are.

**New Ideas for Better Living:** The new Medallion is built up by home builders, electric utilities, and electrical manufacturers of refrigerators, electric stoves, freezers, dishwashers, Therma-door, Washin'ators, Whirlpools, and others. This great, reliable will award the Medallion to \$30,000 new homes—in every state and before range across the country. You'll see lots of new ideas in the Medallion homes on display now!

**Betty Furness** WESTINGHOUSE  
**Ronald Reagan** GENERAL ELECTRIC  
**Fran Allison** WHIRLPOOL



THE NEW FORD V-8 FOR 1936

The New Ford V-8 for 1936 is beautifully timed for these modern days—as up-to-date in performance as in appearance. . . . The V-8 engine maintains its leadership in power, acceleration and smoothness—gives you many advantages formerly available only in high-priced cars. This V-8 engine is an important reason why the Ford is such a satisfying car to drive. . . . You will find, too, that there is something equally outstanding about the safety, comfort and roominess of the 1936 Ford V-8. . . . You drive with unusual security because of ease of handling, the welded steel body, big powerful brakes that stop the car with ease and certainty and Safety Glass (all around at no extra cost). . . . The compact design of the V-8 engine means extra inches of room and makes the Ford a really big car inside. Center-Poised seat position contributes to easy riding comfort on every type of road—in the back seat as well as in front. . . . You will like everything about the Ford V-8 for 1936. For it has everything you would like to have in a modern motor car.

**YOU GET WONDERFUL FEATURES LIKE THESE IN MEDALLION HOMES!**

**ELECTRIC APPLIANCES:** Mrs. Dorothy Johnson, Arlington Heights, Ill. "I love my new Medallion home—especially the kitchen. All kinds of electric appliances that come with it—like the wall oven to cook make up the kitchen. And my husband says they're easier to buy this way, because we pay for them as we use them."

**LIGHT FOR BRINGING:** Mr. and Mrs. Charles E. McCarty, Greenwald, N. C. "We never have had such a bright, cheerful home with lighting with us before. In Medallion homes, electric lighting, for example, makes the kitchen and dining room wonderful—and at the same time gives our own well-lighted place to prevent the glare."

**FULL HOUSEPOWER:** Mrs. Nick Thompson, Moulton, Tenn. "One of the things I like most in my Medallion home is all the handy outlets. I can plug in my portable cooking appliances whenever I want and use them—even with the weather going—without ever thinking of a fuse. And I like such a neat appearance in the house—and outdoors, too."

**ELECTRIC HEATING:** Many Medallion homes feature electric heating. These are installed in special Grid Medallions. The all-around heat pipes, where they are in the base of the grid and the electric heat is evenly distributed from a single vent which automatically heats or cools as the weather requires.

# Content:

Marketing: definitions and history

## The marketing concept

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# Marketing: What it is all about ?

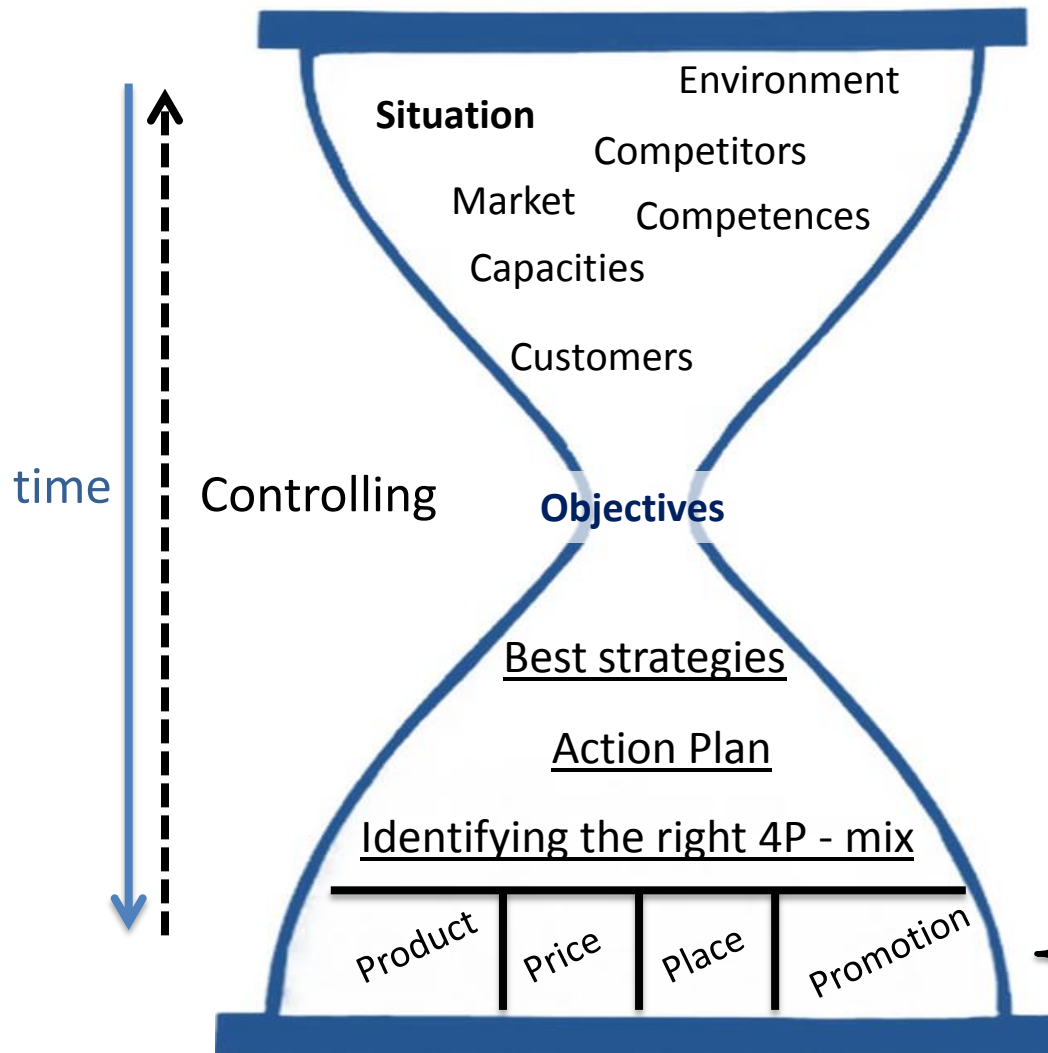
**“Marketing” is a strategic approach that concerns the entire company**

**It is about fixing the objectives as a consequence of a market / company analysis ...**

**... and it defines the work of putting the products on the market**



# Marketing: in more detail ...



The process doesn't stop after identifying the 4P Mix. It keeps going as an endless procedure that takes into account the constantly changing elements of the upper hourglass bulb.

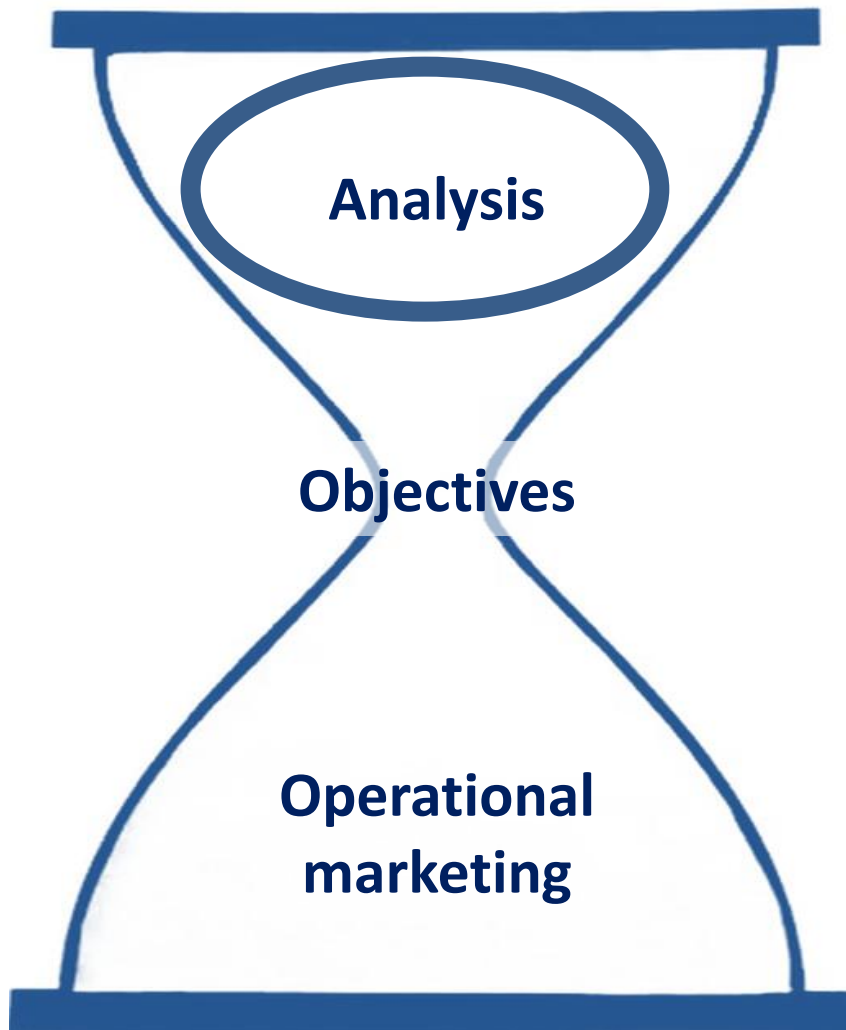
# Caution!

Promotion is just a small part of the marketing concept!

The bigger part of marketing is hidden here!

Promotion

# Marketing: Step-by-step



**Analysis**

**Analysis : external, internal**

**Objectives**

**Objectives: measurable goals to achieved in a give time**

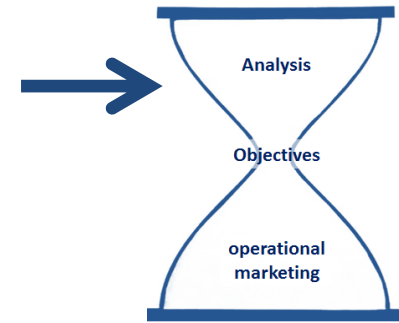
**Operational  
marketing**

**Strategies and marketing mix**



# Analysis

(one of 1.000 possible ways to do it)



## External Analysis :

Market environment

Competitors

Clients

Access to the market / to distribution

Suppliers and partners



Opportunities & threats



S	W
O	T

## Internal Analysis :

Capacities (qualitative, quantitative)

Competences

Costs

Image

Situation in the supply chain



Strengths & weaknesses



# External analysis: the questions to ask (e.g.)



What is the market like? How is the demand? How is the supply?  
What are new market trends?



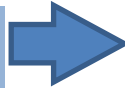
**Market environment**

**Competitors**

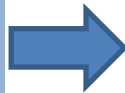
**Clients**

**Access to the market / to distribution**

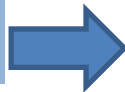
**Suppliers and partners**



Who are my competitors? In which way are they better than my company is?



Who are my clients? How are they doing? What is changing?



How is my access to the market? Which barriers (physical, geographic, legal...) are there?



Who is important for my production and distribution? How do these partners do? How are they evolving?

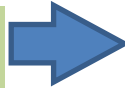
# Internal analysis: the questions to ask (e.g.)



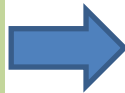
Which products can we produce?  
How much of each?



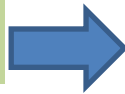
**Capacities (qualitative, quantitative)**  
**Competences**  
**Costs**  
**Image**  
**Situation in the supply chain**



What is our special know-how? Which skills do we have?



Which are our costs? Which efforts from primary production to marketable products?



How do our clients perceive our work? Concerning products and services?



How far are we from our clients? How can we reach them? How can they reach us?

# Example of a SWOT matrix: “Martha’s apples”

**S**

We have a huge variety of apples  
No pesticides on our apples.  
We can provide apples during a longer time than other apple growers.  
Our apple pickers are motivated part-time employees from our village (contrary to poorly paid seasonal workers in other farms).

**W**

Our apples have some (optical) quality problems: stains.  
Our traditional wooden boxes are difficult to transport.  
Our big and old trees are difficult to harvest.  
Our consumers know little about our work

**O**

There is a growing consumer demand for fresh fruit from the region.  
Pesticide-free is asked for by consumers.  
People care more and more about social standards.

**T**

More and more farmers go towards “low-input” farming.  
New plantations are put up in the region.  
Pears are facing strong demand by the consumers and risk to replace apples.

# The SWOT-Matrix

Environment Agricultural holding	Opportunities	Threats
Strengths	„Strengthen“	„Hedge“
Weaknesses	„Catch up“	„Avoid“

# Example of SWOT matrix: “Martín’s apples”

**S**

We have a large quantity of apples  
New varieties  
Our apples are produced in a protected area (our village has been awarded seasonal workers in other farms)

**Strengthen:**  
We plant new varieties. We give extra benefits to our workers.

Our apples are of high quality  
Our business is growing  
Our company has a long history

**Hedge:**  
We choose resistant varieties.

**W**

**O**

There is a growing consumer demand for natural and fair products  
Our communication effort is not enough  
We need to be more visible in the market

**Catch up:**  
We strengthen our communication effort on « natural & fair »

More consumers go to other brands  
Pears are also in demand  
We need to diversify our products

**Avoid:**  
We’re the original: natural, fair and regional.  
We plant pear trees.

**T**

# Self-test: Try an analysis

## Work in small groups of 4 persons (50 minutes):

- Chose one person among you who will report to the plenary and a second person who will watch the schedule (5 minutes)
- Choose a farm (or an activity within one farm) in your group (5 minutes)
- Ask questions on the external and internal situation (at least 3 questions each) and list the answers (20 minutes – some “phantasy” is allowed!)
- Attribute the answers to S-W-O-T (10 minutes)
- Identify one action per S-W-O-T (10 Minutes)



# Marketing: Step-by-step



**Analysis**

**Analysis : external, internal**

**Objectives**

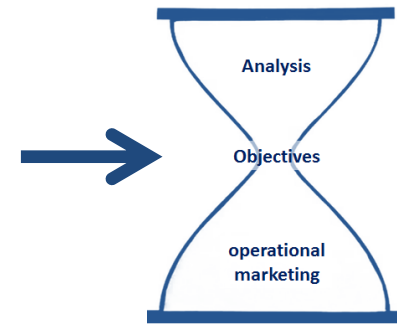
**Objectives: measurable goals to achieved in a give time**

**Operational  
marketing**

**Strategies and marketing mix**



# Marketing - Objectives



A marketing-objective has to describe two elements:

- Measurable level of achievement
- Timeline

Wrong:



„We want to increase our turnover.“

Right:

„We plan to increase our turnover **by 5 %** **within the next year.**“



## Objectives - relatively easy to assess

- profit
- market share
- turnover
- quantity of sales
- number of point of sale

## Objectives – harder to assess

- image
- target group
- degree of popularity
- achieve customer satisfaction
- customer/supplier relationship
- market position

# Self-test: Marketing objectives



**Group work : 3-4 persons, 20 minutes**

Put down some objectives for the following criteria.

Please indicate how you imagine to get the information necessary for measuring.

Criteria	Objective	How to measure?
Profit:		
Turnover:		
Quantity of sales:		
Degree of popularity:		
Customer satisfaction:		

# Marketing: Step-by-step

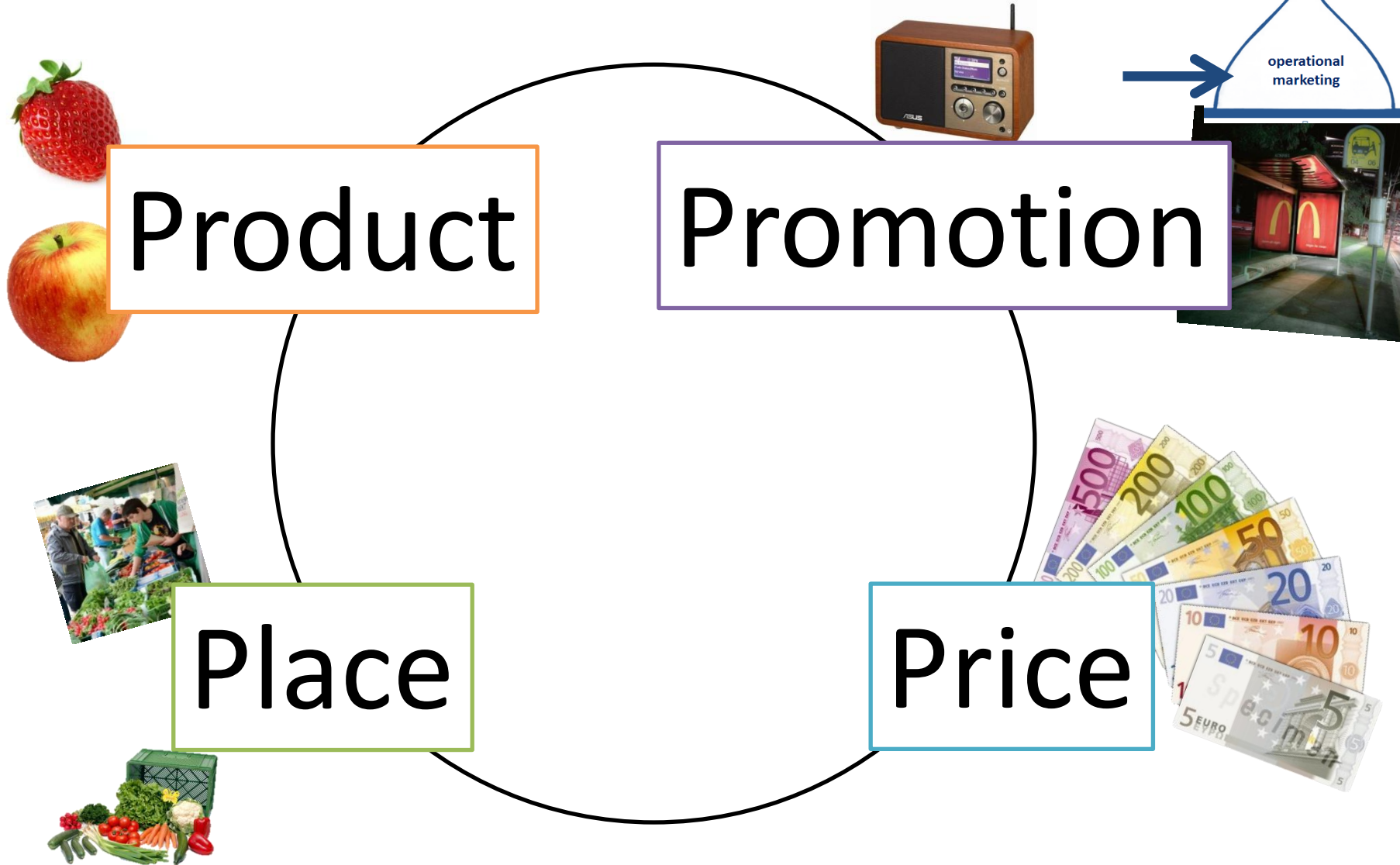


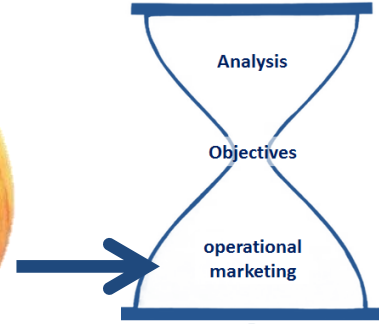
**Analysis : external, internal**

**Objectives: measurable goals to achieved in a give time**

**Strategies and marketing mix**

# Operational marketing mix: 4 P





# Product



# Important questions...

Which products are suitable for direct marketing at all?

Can my products be consumed immediately by the customers or do I have to process them first?

## Easy to distribute

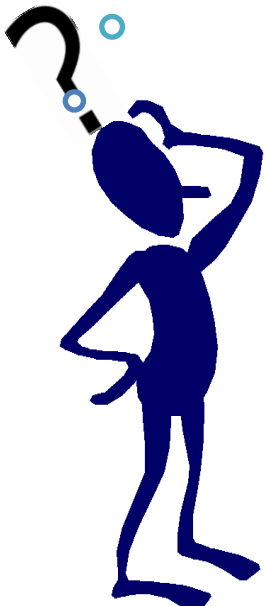
Fruits  
Vegetables  
Honey  
Potatoes

## Difficult to distribute

Milk  
Meat  
Grain



Strict regulations (hygiene, product identification),  
„Convenience Food“



# Products: Benefit concept

	Cheese	Apples
<b>Primary benefit</b>	Hunger, protein intake	Health, vitamin intake
<b>Additional benefit</b>	Handy packaging, long-lasting, fair price, special flavor	Without pesticides, Compatible for allergic persons
<b>Emotional benefit</b>	Lucky animals, beautiful landscapes	Farmer is in the neighborhood Customers can pick the apples by themselves Nice orchards

# Georg

## **Georg Thalhammer** gesundes von Feld & Wald

[https://www.lieber-bio.de/images/sobipro/entries/392/img\\_Georg%20Logo%20neu%20Brief.jpg](https://www.lieber-bio.de/images/sobipro/entries/392/img_Georg%20Logo%20neu%20Brief.jpg)



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**Primary benefit: pumpkin mash**



Georg

**Georg Thalhammer**  
gesundes von Feld & Wald

**Additional benefit: Healthy stuff from the field and the forest**

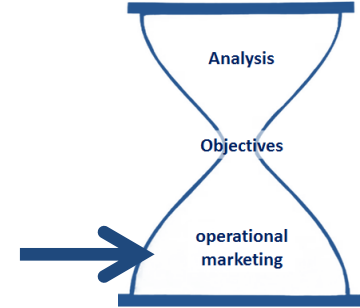
Georg



**Emotional benefit:  
personal, familiarity, sympathy**

# Self-test: Product benefits

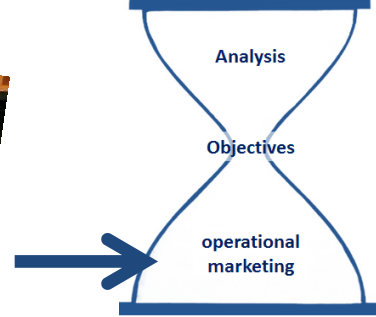
**Group-work (3-4 persons per group, 20 minutes)**



Choose a set of products (at least two, one out of fruits & vegetables and one out of animal products) and complete the list:

Product	Primary benefit	Additional benefit	Emotional benefit





# Place



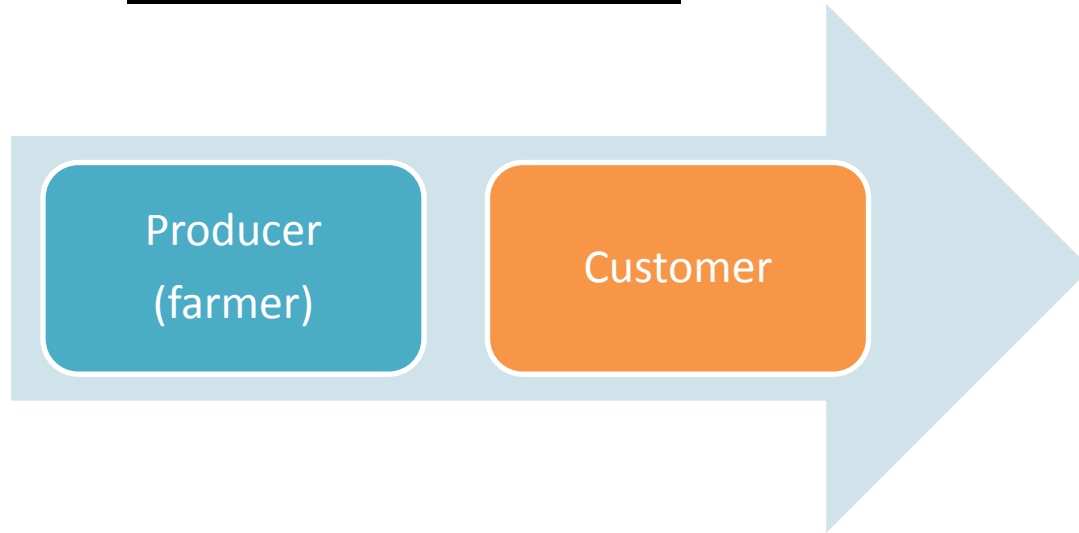
# Distribution policy

Which distribution opportunities do I have?

## Direct marketing vs. indirect marketing

	Advantages	Disadvantages
<b>Direct marketing</b>	<ul style="list-style-type: none"><li>• Better communication opportunities with the end-consumer</li><li>• Full control of the chain ( USP and margins)</li></ul>	<ul style="list-style-type: none"><li>• Mass distribution is not possible</li><li>• Big effort</li></ul>
<b>Indirect marketing</b>	<ul style="list-style-type: none"><li>• Mass distribution possible</li><li>• Little distribution effort</li></ul>	<ul style="list-style-type: none"><li>• Loss of the close contact to the end-consumer (anonymity)</li><li>• Risk of being replaceable / exchangeable</li></ul>

# Direct marketing



## **Possible opportunities to sell my products directly to the end consumer:**

- box schemes
- farmers' market
- on-farm store
- pick – your - own
- online-sale



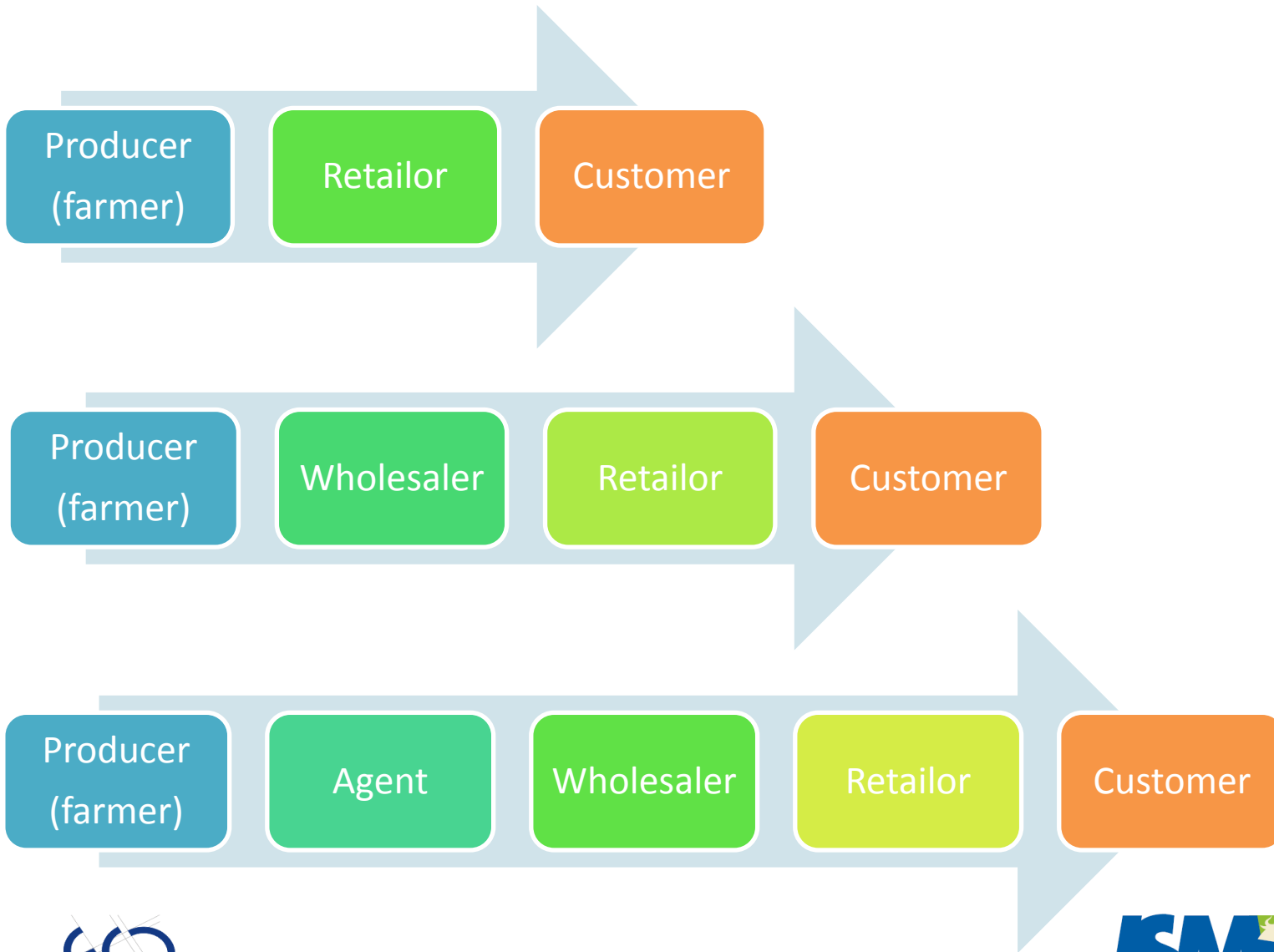
# Farmer's market in Freising (each Wednesday and Saturday)



<http://www.freising.de/galerien/wochenmarkt/>



# Indirect marketing



## Be at the right place ...

### Is the place where I sell ...

- easy to find?
- easy to reach?
- easy parking? For cars and bicycles?
- nice to look at?

### The shop ...

- is easy to enter?
- is pleasant to stay in?
- is nicely equipped?
- has clear opening hours?



80 cm,  
2 seconds

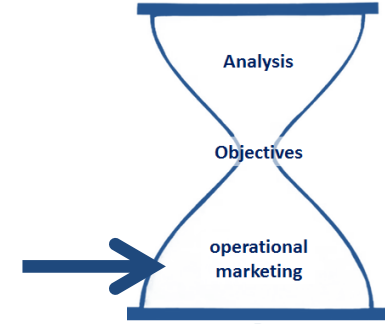


### Is the product ...

- in the right shelf?
- at the right height?
- easy to take?
- easy to pack (bulk products)?

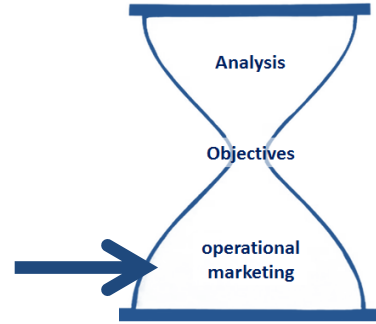
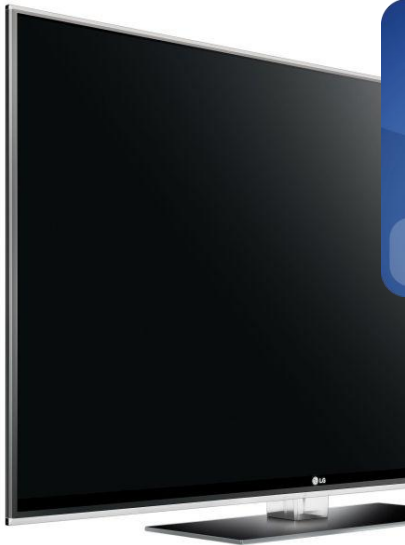
# Self-test: Direct marketing

Group-work (3-4 persons per group, 20 minutes)



Choose a set of products (at least two, one out of the fruits & vegetables and one out of animal products and complete the list):

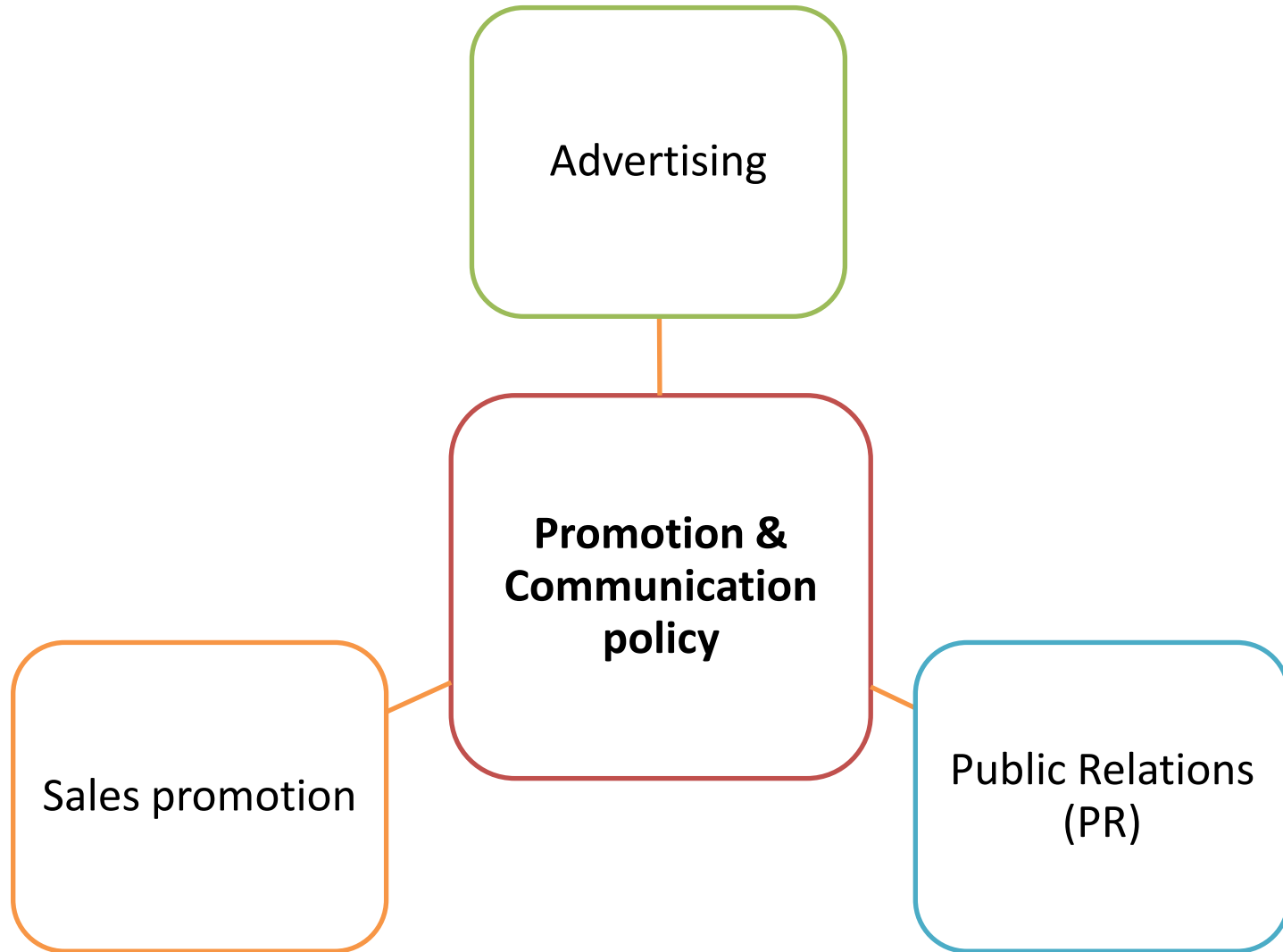
Example	Advantages	Disadvantages	Different ways to sell the products directly



# Promotion



# Instruments of the Promotion & Communication policy



# How to organize communication efficiently

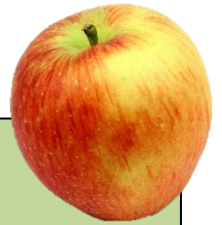
A good advertising consists of

Benefit + Reason why

Argument in four steps

„AIDA“

# “Benefit = reason why” - principle



## Organic apples

**Benefit:** „Your family will enjoy their taste and we help you to live healthier.“

„...“

**Reason why:** „Fresh Organic apples are without pesticides and have a special fruity taste.“

„...“

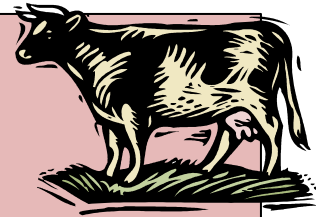
## Beef

**Benefit:** „High quality beef from happy animals.“

„...“

**Reason why:** „The animals are out on pasture the whole year through “

„...“



# A simple guide to efficient argumentation

**A**ttention

The addressee has to notice the message .

Hey! How about a snack?

**I**nterest

The addressee finds the message interesting.

Here's the perfect snack for your little hunger!

**D**esire

The addressee sees no further obstacles to follow the suggestion.

It's delicious, easy to eat and good for your health!

**A**ction

The addressee is given an opportunity to act.

Come and get it!



# Self-test: Benefit & reason-why AIDA

**Group-work (3-4 persons per group, 20 minutes)**

Choose a product and sketch two short (four-line) texts according to:

- the “benefit & reason-why “ principle
- the AIDA scheme

# Self test: AIDA

**Attention**



**Interest**



**Desire**



**Action**

Empty box for notes under Attention



Empty box for notes under Interest



Empty box for notes under Desire



Empty box for notes under Action

Empty box for notes under Attention



Empty box for notes under Interest



Empty box for notes under Desire



Empty box for notes under Action

# Advertising media and advertising items

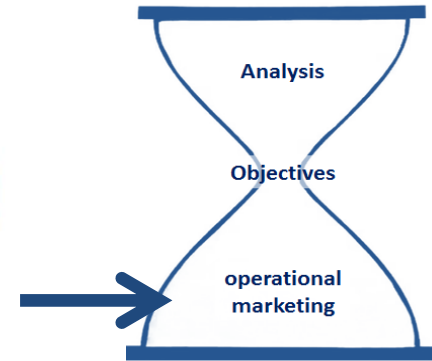
## Advertising MEDIA



- announcements in newspapers/magazines
- TV-spots/radio spots (commercials, also spots in cinemas)
- Posters
- Leaflet, flyer, catalogue
- „Give away“
- ...



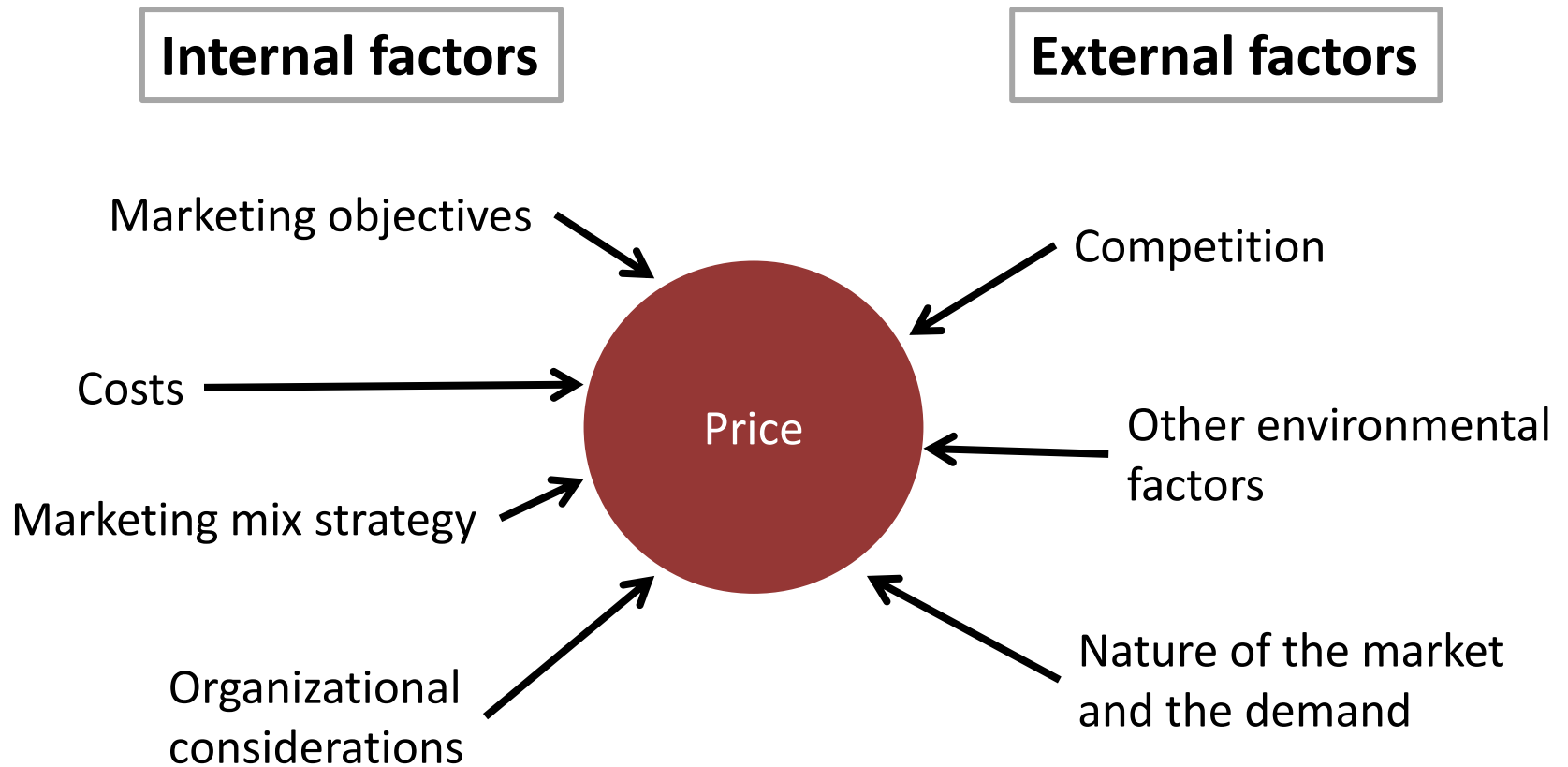
- Keep your advertising as close to the product as possible
- Think of the « decisive 80 centimetres »



# Price



# Influence factors on price decisions



# The “right” price....

A **low price** can indicate true problems

A **low price** no

A **medium price** (price = medium product)

Consider margin/

Use low prices only as  
« special offers »,  
« discounts » or  
« reward ».

Consider psychological (irrational) effects:

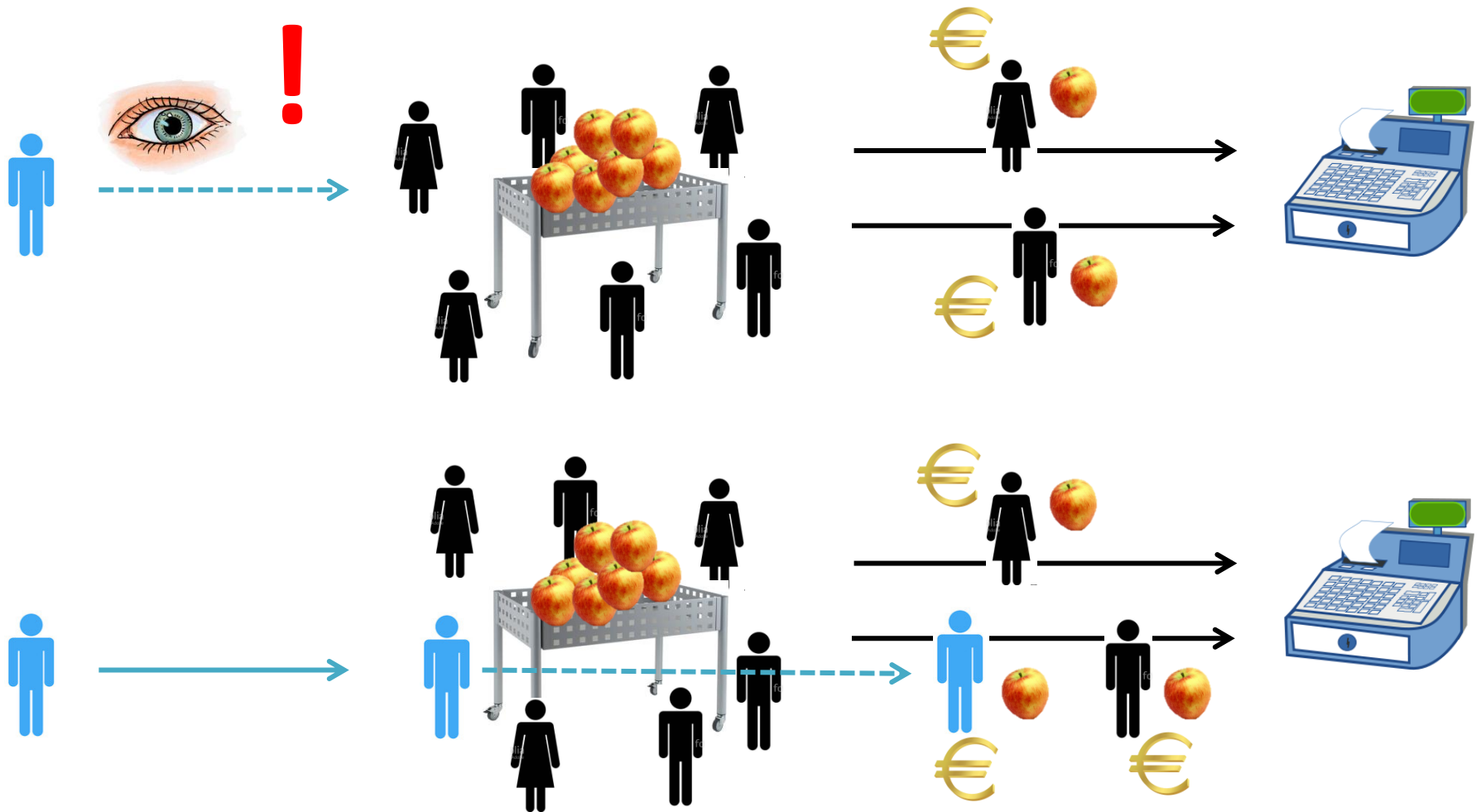
**Bandwagon-  
Effect**

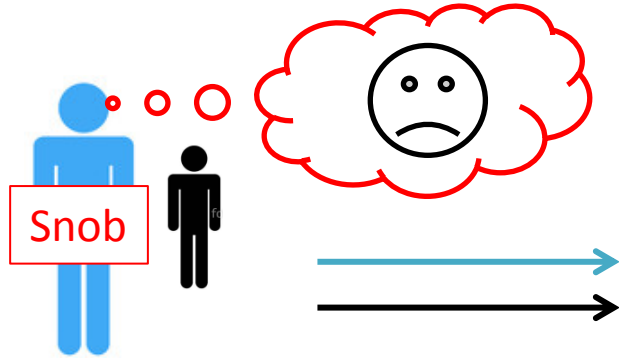
**Snob-Effect**

**Veblen-Effect**

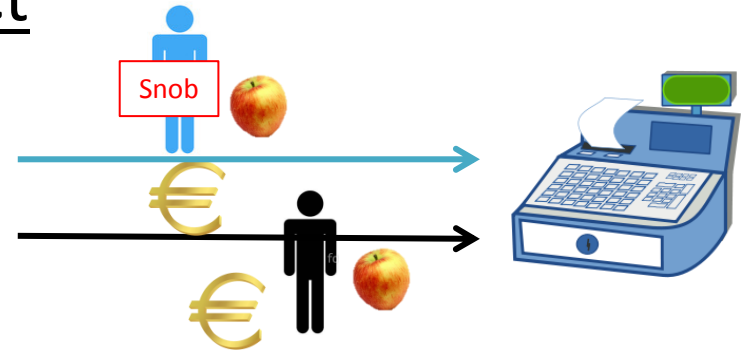


# Bandwagon-Effect





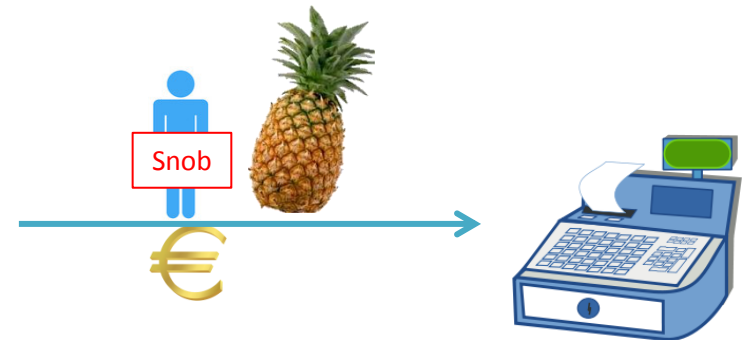
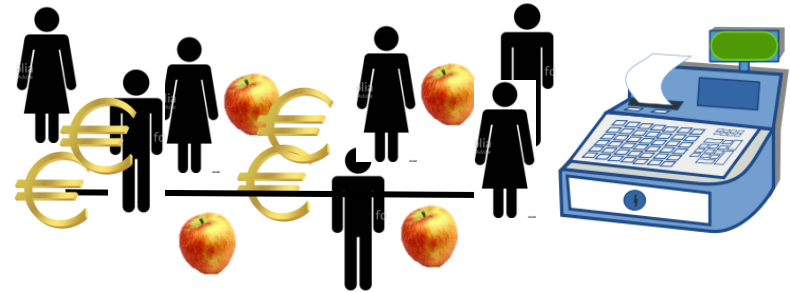
# Snob-Effect



The demand is increasing



I want to be someone special and I want to stand out from the crowd. I'm not interested in apples any more!



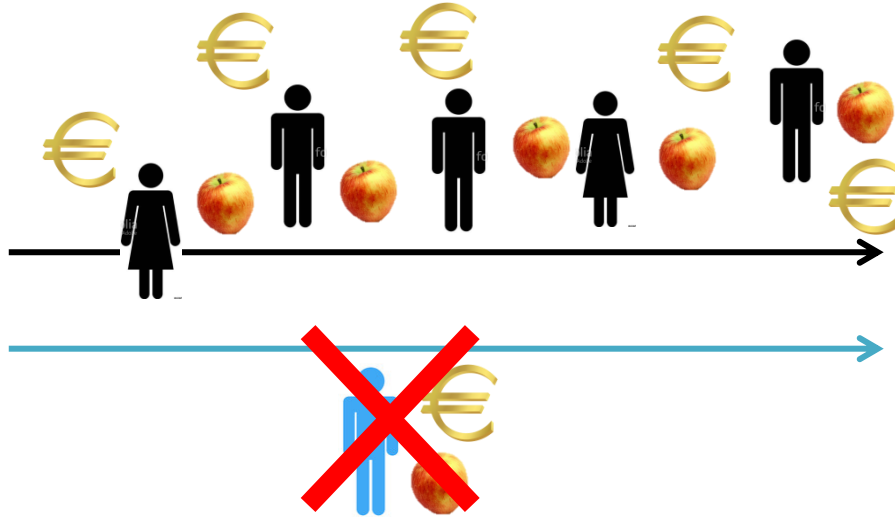


# Veblen-Effect

The product is cheap:



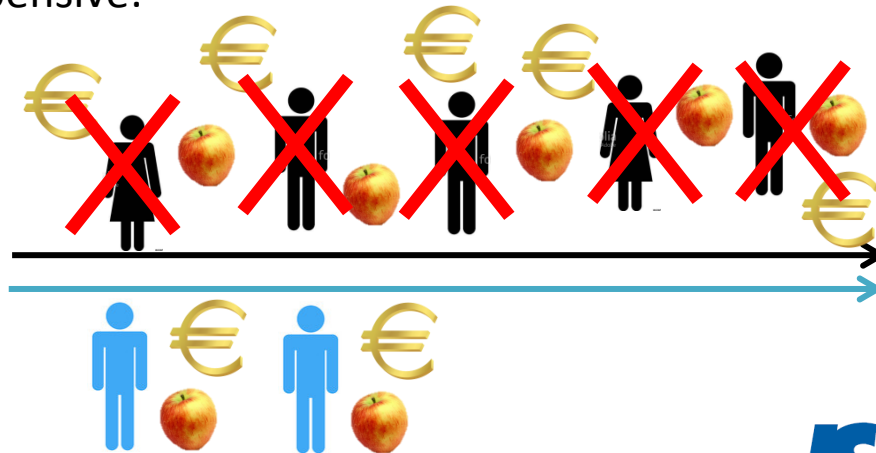
0,05 €



The product becomes expensive:



10,00 €



# Optical price effects

The price can be „readable“ or „unreadable“

1,50 € is readable

- ⇒ Most consumers will not see the difference between 1,42€ and 1,50 €
- ⇒ **Price raise will not affect sales**

1,42 € is NOT readable

**“Painless rise of margin”**



1,90 € is readable

- ⇒ Most consumers will not see the difference between 1,90 € and 1,67 €
- ⇒ Reducing the price from 1,90 to 1,67 € **will not sell more products!**

1,67 € is NOT readable

**“Useless loss of margin”**



# Optical price effects

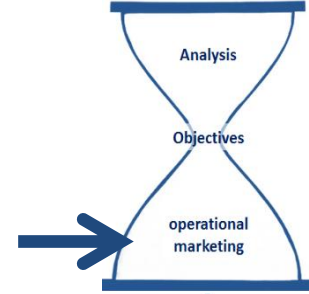
In direct selling, the “9and double-99” prices (0,99, 1,49, 1,99 etc.) are useless

-> It is difficult to raise prices over the optical limits (1,83 => 2 € is ok, but 1,83 => 2,10 € is difficult).

1,83 €        2,10 €       1,83 €        2,00 €



# Group-work: prices



Group-work (3-4 persons per group, 20 minutes)

Think about examples about food products that one of you in the group sells.  
Choose two examples, one “high price” and one “low price”

Example	Price at which the product is sold today (consumer price)	Can this product be sold at a higher price? If “Yes”: Why (try to find several reasons) If “No”: Why not (try to find several reasons)	Maximum price

# Self-test: Development of a marketing concept

*„Mr. Schuster is a cattle farmer and he produces high quality organic beef. The farm used to deliver the meat to a big wholesaler but because of a change of the consumer behavior (the demand for organic food is booming, more and more consumers want to know exactly where their food come from, how it has been produced) Mr. Schuster is planning to change the distribution channel from indirect to direct marketing (he wants to differentiate his product and sets the focus on his organic, regionally produced beef). For that reason, he wants to develop a marketing concept. Because he doesn't have much experience in doing marketing he asked you to help him.“*

Following questions should be answered:

1. What are the five parts of a marketing concept?
2. What is the first step he has to do before he starts putting the product on the market?
3. Which marketing-mix do you recommend for his organic beef (Price, Product, Promotion, Place)?