

Marketing 101 For Your Agritourism Business

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Cooperative Extension

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Agritourism is the business of establishing farms as travel destinations for educational and recreational purposes. It has been estimated that 62 million American adults visited farms in 2000 (Barry and Hellerstein, 2004). Driven by this consumer interest, growing numbers of farmers across the United States are embracing agritourism to improve their economic viability. Farm businesses are incorporating a wide range of innovative activities including on-farm direct marketing, entertainment, farm accommodations, outdoor recreation, and educational programming (see Table 1) to better manage financial risk by diversifying product lines and generating additional farm revenue. These activities can also

help build a culture of understanding between farmers and non-farm neighbors and promote appreciation of agriculture within the community.

For many traditional agricultural producers, however, agritourism represents an entirely new business model. Transitioning from a wholesale business or an enterprise engaged in only limited direct marketing into a full-fledged hospitality and service business necessitates new approaches to marketing. This fact sheet explains the fundamentals of sound marketing and offers marketing strategies for making your farm a more appealing, welcoming, and well-known visitor destination.

Table 1: Examples of Common Agritourism Activities.

On-farm direct-to-consumer sales of agricultural products (e.g., pick-your own produce, U-cut Christmas trees, on-farm markets).
Educational tourism (e.g., school tours, winery tours, farm work experiences).
Entertainment (e.g., hay rides, corn mazes, petting zoos, haunted barns).
Accommodations (e.g., birthday parties, picnicking, bed & breakfasts).
Outdoor recreation (e.g., horseback riding, hunting, fishing, hiking, bird watching).

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The Marketing Mix – The Four Ps of Successful Marketing

A common misconception is that marketing is the same as advertising. In fact, advertising is only one component of successful marketing. While approaches to marketing vary, most experts agree that successful marketing is built around addressing the Four P's: product, price, placement, and promotion. Often known as the marketing mix, these are four factors that an agritourism operator needs to manage in order to successfully reach a target market and attract customers.

Product

Product refers to the product, service, or – relevant in the context of agritourism – experience that you are providing for your customers. In thinking about your product, it is useful to keep two things in mind. First, be able to identify what a marketer would call your unique selling proposition. In the eyes of potential customers, what makes you different from similar businesses? Why should someone visit your farm?

Second, understand that your agritourism product is multifaceted. You may define the core elements of your business as pick-your-own apples, a farm market, or a corn maze. Indeed, these can be important aspects of your agritourism product, but view your operation from the eyes of your customers. What *experiences* will they encounter on your farm, either intentionally or unintentionally? For example:

- Will they be greeted by courteous, friendly, and informed employees?
- Is your farm clean and visually appealing?
- Is parking convenient?
- Do you provide recipes or helpful hints on how to select, store, and prepare fresh products from your farm?
- Do you have attractive and functional packaging for products purchased or prepared at your farm?
- Are you willing to speak with visitors, sharing stories and experiences about the farm and farming life?
- How do you respond to customer concerns or dissatisfaction?

Also think about the entire range of services or amenities you offer.

- Do you accept credit cards?
- Do you have clean and easily accessible restroom facilities?
- How able are you to accommodate visitors who may have special needs (for example, elderly individuals, persons with disabilities, parents with baby strollers)?
- Do you have a play area for children or tables for picnicking?

The important role that you and your farm staff play in providing a quality visitor experience cannot be overstated. Agritourism is a *hospitality business* and its success will be based upon customer satisfaction. Here are some helpful hints on how your farm staff can create happy and satisfied visitors:

- Ensure that your employees are readily visible and identifiable. For example, consider apparel with a farm name or logo and name badges.
- Instruct employees to approach and welcome customers in a friendly and sincerely helpful manner.
- Make sure employees are knowledgeable about all aspects of the farm, its history, and its products. Have them become well-versed in a list of frequently-asked-questions (see Table 2).

An informed, knowledgeable employee will enhance the visitor experience!

Table 2: Frequently Asked Questions to Expect from Farm Visitors.

Are there any other attractions I should visit while in this area?
What accommodations are available nearby?
Are there any good places to eat?
Where is the nearest gas station?
What is it like living in this community?
Are there any special events happening in town?
Are there any retail stores near here?

Adapted from Michigan State University Extension Bulletin, E-2064.

The bottom line is that you want to create a unique impression of your products, and of your entire agritourism operation, within the minds of your customers. Some marketing professionals call this positioning. To best illustrate this idea, ask yourself: "How will my customers describe my agritourism operation to their friends?" Or, even more importantly, "How do I want my customers to describe my farm?"

Assume for a moment that you are Farmer Brown. How would you want your customers to complete the following statements?

Loyal Customer 1: "Oh! Farmer Brown? His farm is wonderful! They are really great at..."

or...

Loyal Customer 2: "The Brown Farm is famous around here for its..."

Good marketing provides you with the opportunity to create this unique identity for yourself.

Price

Setting an appropriate price for each product or service is critical, although potentially challenging. As a farm entrepreneur, you will want to offer a price that is competitive in the market for your product, acceptable to your customers, and able to generate sales consistent with your financial goals. A common goal of pricing would be to generate revenues from product sales that allow for full cost recovery plus a pre-determined level of profit (a cost plus pricing strategy). However, in some instances, an agritourism activity may be viewed as successful if it were cost-neutral (revenues only cover costs) but attracted additional visitors to the profit center of your operation. For example, breaking even on a corn maze may be acceptable if it increases business at your farm market.

The first piece of advice for developing pricing strategies is to know your market. What will customers pay for your product? What comparable products do other farms offer in your market area, and what do they charge? Visiting other agri-tourism operations, reviewing trade publications, joining direct marketing associations, and attending state or regional direct marketing conventions will help you better understand your market and consumer trends. Another strategy is to ask existing or potential customers directly about their willingness to pay for your product(s). A simple postcard-sized survey provided to visitors at your farm is one alternative for gathering information on likely customer acceptance of various pricing options.

Understanding your costs and expectations for financial returns on investments in new agritourism products is also vital. Break-even analysis is a useful tool for determining the price point needed to cover all fixed and variable costs associated with offering a product. Such analysis can be

based on detailed accounting of expenses or, for preliminary assessment purposes, “back of the napkin” estimates. A break-even production point (how much would I need to sell?) is calculated as:

Break-even Point = Total Fixed Costs/(Price – Variable Costs)

Alternatively, a break-even price can also be calculated for a specific number of products sales as:

Break-even Price = (Total Fixed Costs/Number of Units to be Sold) + Variable Costs

Consider the example in Table 3 of a farmer evaluating how many one-hour group farm tours would need to be hosted in order to break-even on investments in his farm infrastructure. In this example, the farmer would need to invest \$4,000 in fixed costs (costs that do not vary with the number of visitors participating in such tours) in on-farm improvements. He estimates that each tour will result in \$80 in variable costs (defined for simple illustration here as hourly wages, a desired return for his time, and give-aways for visitors). Based upon the break-even analysis, if the farmer charges \$100 for each tour, he would need to offer 200 tours to break-even on his investments in farm infrastructure.

Based on this analysis, the farmer needs to ask himself, is 200 farm tours feasible? Is it consistent with my expectations in terms of time commitment? What if the price per tour was raised to \$150? (Answer: 58 tours would be required to break even.) Would this price be acceptable to consumers? Would it be competitive with other farm tours offered in my market area? Break-even analysis allows you to examine alternative “what if” scenarios to determine tradeoffs between various price points and the number of product units that need to be sold to achieve a desired financial return.

Table 3: How many 1-hour farm tours do I need to offer in order to break-even on my investments in farm infrastructure?

Total Fixed Costs (TFC): \$4,000 Insurance - \$1,000 Improvements to parking area - \$1,000 Improvements to farm market - \$1,500 Child play area - \$500	Break-Even Point (BE) = TFC/(P - VC) BE = \$4000/(\$100 - \$80) BE = \$4000/\$20 BE = 200 farm tours
Total Variable Costs (VC): \$80 Wages/hour (5 workers @ \$7/hr) - \$35 Desired proprietor income - \$40 Give-aways - \$5	
Cost charged per tour (P): \$100	

Equipped with an understanding of your costs, market, competition, and personal financial goals, it is time to develop a pricing strategy. As a broad rule of thumb, when you begin an agritourism business or introduce a new agritourism activity, you will need to increase customer awareness and excitement around the destination, which may mean higher advertising and promotion costs. You may offer lower introductory prices as a strategy to quickly attract new customers (known as market penetration pricing). While profit margins on a per-unit basis may be lowered, higher sales volume will help build market share. Conversely, if you are offering an innovative new product in a market with limited or no competition, perhaps you will seek a higher price point in order to recover initial development expenses and generate higher profit margins (known as skim pricing). As competition increases, perhaps a higher price point can be sustained if your product remains differentiated by quality, reputation or strong customer loyalty. Or, perhaps the price will need to be lowered to retain customers now faced with more alternatives to your products.

Creating an overall pricing strategy may also require you to think creatively about price discounts to introduce new products or re-energize sales of an established product. Consider the following:

- Will you offer bulk purchase discounts (e.g., charge a lower price per unit if the customer buys a higher volume or offer a “buy 5, get 1 free” offer)?
- Will you offer seasonal discounts or special price promotions to draw visitors?
- Will you offer discounts to strategic partners (e.g., other businesses that can help expand your distribution network or assist with promoting your brand name)?

Placement

Placement refers to distribution. How will you provide access to your products? The goal of agritourism is to bring customers onto your farm. Your farm is therefore your primary distribution channel and it must be safe, clean, and inviting to the public. Here are some tips to consider:

- Make it easy for customers to find driving directions to your farm, days and hours of operation, and product availability for seasonal items. This information can be conveniently posted on a farm website or telephone recording, as well as promotional materials.
- Ensure that risks of injury to farm visitors are minimized. Designate and secure areas that are not open to the public, such as pesticide or equipment storage areas and the farmhouse. Also consult with an insurance provider to determine adjustments in existing policies necessary to cover added liability.
- Carefully plan and prepare for the safe movement of all farm visitors. Most traditional farms have been organized for production efficiency, for example easy movement of farm equipment. As an agritourism destination, you will need to consider the safe movement of visitors on the farm. Design paths and

other directional features that move visitors to where you want them to go, while avoiding unsafe or non-public areas.

- Maintain a high level of aesthetic appeal. Consider decorations and create an overall appearance that is welcoming to visitors and reflects seasonal or special events.
- Recognize that many visitors may not be familiar with all products you offer. Clearly mark items in retail displays and offer tips for product selection (for example, what apples are best for cooking?) and preparation. If you offer pick-your-own alternatives, identify and direct visitors to appropriate fields and provide signage identifying each crop. Also provide clear guidance on product quantity and pricing. Visitors may not be able to readily translate a basket of apples into pounds or cost.

Promotion

John D. Rockefeller once said that “next to doing the right thing, the most important thing is to let people know you are doing the right thing.” These are wise words to live by as you attempt to make your farm an agritourism destination. To be successful, an agritourism operator needs to constantly think of creative ideas for directing customer traffic to the farm and encouraging repeat visitation. The challenge lies in finding the most effective and cost efficient strategies for reaching your desired market.

- Developing the appropriate mix of advertising and promotion may require some degree of trial and error. Evaluate the effectiveness of various advertising options (see Table 4) to see which work best for your farm.
- Strive to establish brand recognition of your farm by displaying your farm name or logo on apparel, bags, give-aways (e.g., reusable bags, pens, refrigerator magnets, etc.).
- Have a presence in the communities from which you seek to draw customers. Strategically participate in off-farm events to raise awareness of your agritourism operation (for example, community farmers’ markets, local festivals, county fairs, etc.).
- Get online! There is a well-placed belief in the conventional wisdom that word of mouth is the best form of advertising. While personal testimonies are invaluable for expanding awareness and appreciation of your business, a study in Pennsylvania found that word of mouth ranked only fifth among agritourism visitors in terms of resources used in trip planning. Welcome to the new age of marketing: websites were identified as the most frequently used resource for identifying potential farm destinations.
- Consider using social media (examples include Facebook and Twitter), which are increasingly popular tools being used effectively to promote agritourism. Also, maintain e-mail lists of customers to inexpensively announce product availability or special events and promotions.

Table 4: Examples of Advertising and Promotion Options.

Print media (newspapers, magazines)	Road signage and billboards
Press releases	Direct-to-consumer mailings
Radio or television	Brochures
Yellow pages	Hosting community events
Farm website	Travel and tourism sites
State or county promotional websites	Customer email lists
Farm visits directories	Participation in farmers markets and county fairs
State Departments of Agriculture	Cross promotions with other businesses
State Farm Bureaus	Social networking tools

Timing is Everything!

All products have a product life cycle comprising five stages: development, introduction, growth, maturity, and decline. Your marketing success will depend upon tailoring your marketing mix appropriately to the life stage of your product. Is it a new product? Is it well established within your operation or the broader market? Is it an older product with declining sales?

As previously noted, when a product is first introduced you may choose a skim pricing strategy to quickly generate higher returns if little competition exists or, alternatively, adopt a market penetration strategy if you believe the slow and steady development of a customer base is a more feasible option. During the growth stage of your business, sales are rising. You may invest in refining existing products based upon customer feedback or changes you observe in the market. Growth in the number of competitors seeking to share in your success may also encourage you to further differentiate your farm destination. Advertising may emphasize past successes and focus on building expanded brand recognition. Product pricing may be maintained or adjusted (up or down) based upon market demand and competition.

As your product reaches maturity, revenues will eventually peak. It is likely that your successful ideas have drawn competitors, so protecting your market share may become a focal point for your marketing efforts. You may find it advantageous to lower advertising costs and focus on satisfying existing loyal customers. You may decide to make further product refinements (or develop new products) that differentiate you from competitors. Lowering prices to reflect costs savings arising from a mature market position may also be a reasonable option; however, be mindful that no one wants to win the proverbial race to the bottom.

Decline is generally an inevitable stage of any product life cycle. Sales may not abruptly end, but they will tend to fall as more interesting alternatives draw customers’ attention. You may begin reducing your advertising budget and coast along based upon existing customer volume. At a certain point, a product may become unprofitable and its planned withdrawal or replacement with another product will be your most economical choice.

Conclusion

Agritourism is an expanding market opportunity for agricultural entrepreneurs in many parts of the U.S. However, the development of a successful agritourism operation requires a keen focus on marketing the farm as a travel destination attractive to customers on the basis of farm products and services, hospitality, and experiences. This fact sheet summarizes the basic principles of good marketing: the need to clearly understand and define the products being offered on your farm, approaches for developing appropriate pricing, the formulation of product placement strategies, and promotion.

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