

DETERMINING VALUE FOR YOUR CUSTOMER AND COMMUNICATING IT

by Will Secor

Figuring out what your customers and prospects value is critical given the current environment of the agricultural economy.

Farmers are facing low prices for corn, soybeans, cattle and hogs. Moreover, 53% of agricultural producers said they expect widespread bad times for U.S. agriculture over the next five years, according to the Purdue/CME Group Ag Economy Barometer survey in October. This sentiment is leading farmers to seek lower prices for their inputs, such as seed and feed.

Agricultural input suppliers have to figure out what they can do with these price pressures. One option is to give in and lower the price. In a highly competitive environment with a key price-sensitive customer, this might be the right call.

However, lower prices could have ripple effects beyond this year's tighter profit margin. Decreasing price might decrease the perceived value of the offering, increase future price pressure from farmers and erode value perceptions of the brand as a whole. These unintended consequences might not manifest themselves this year, but could potentially erode brand sentiment, customer loyalty and even profitability for years to come.

UNDERSTANDING VALUE

An alternative to lowering price is for suppliers to better understand what their customers and prospects find most valuable and match it with offerings. Agricultural input supplier offerings are much more than prices and features. Suppliers offer choice, information and trust, among other things. Having and providing these is not enough. To capitalize, suppliers must do two things. First, they must determine what their customers value. Second, they must match the value proposition to

customer priorities and communicate that with the customer.

Here are some questions to help suppliers understand what customers and prospects value:

1. How do they compare product performance against price? Where do volume or quantity discounts come in?
2. What is important to them when thinking about storage/delivery time and conditions, financing terms, warranty agreements and technical support?
3. What does service mean to them? How much do they care about it?
 - a. Do they see it as a traditional service, such as fertilizer applications or veterinary services?
 - b. Do they want data support and analysis?
 - c. Is customer service separate and different or part of the service bundle?
4. Are they loyal to a brand? Which brand? How loyal?
5. How important are the relationships with their salesperson and supplier? How does this manifest itself?

COMMUNICATING VALUE

Salespeople and agribusiness marketers need to understand how their customers and prospects view these different aspects of their input purchases. Importantly, they can and should take an active role in helping them figure it out. One way to do this is by actually writing these things down and ranking them. Even doing this informally is important and can offer insights into how farmers view offerings.

Agricultural input suppliers can then match and communicate the value provided by their offerings once they understand where their customers stand with respect to these factors. The communication

piece is critical. Salespeople are extremely important in communicating value face-to-face with the customer. However, marketing managers might also adjust what product features or service components they communicate as a result of the information learned.

Here are four things to think about when facing pressure from farmers to lower prices this year:

1. What is the competitive environment?
2. What does your customer value?
3. Which of your offerings match what your customer values?
4. How can you best communicate the value of your offerings?

These questions help you determine what to do in response to price pressure. Importantly, answering these questions also can help to mitigate and avoid some of that pressure all together.

INPUT DECISION TOOL

Faculty from Purdue's Center for Commercial Agriculture have developed an input decision specification tool from a farmer perspective (<http://tinyurl.com/input-decision-tool>). A salesperson can adapt and use this to actively lead a conversation with farmers about what they value. **AM**

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