



SELLING TO COMMERCIAL PRODUCERS SUCCESSFULLY

IT'S BASED ON WHAT WE KNOW AND WHAT WE DO WITH IT!

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Arthur Jones, founder of Nautilus Sports/Medical Industries, has a great quote. "Success comes from good judgment. Good judgment comes from experience. Experience comes from bad judgment."

In the business of agrimarketing, Dr. Allan Gray, Purdue University associate professor of agribusiness management, says, "One might take that axiom one step further in agrimarketing and say success comes from what we do with those judgments and experiences based on solid information."

When it comes to successful agri selling, "Know Thy Customer" is the unnamed first commandment. Successful agricultural companies are working hard and fast to best understand what the commercial producer looks like, wants, needs and expects from ag input suppliers. With the focus of this issue of *Agri Marketing* on direct and relationship marketing, there's no better place to emphasize the importance of "Knowing Thy Customer."

A recently released survey conducted by Purdue University focused on commercial agricultural producers and provides some unique understanding of this critical market segment. This finger on the pulse research provides solid information and offers valuable direction for agrimarketing professionals.

THE SURVEY

Every five years since 1993, Purdue's Center for Food and Agricultural Business (CAB) has conducted the Commercial Producer Survey to benchmark issues and attitudes of farmers with more than \$100,000 in annual gross farm sales in a particular enterprise, with primary focus on those farmers with annual sales of over \$500,000 in one of six key segments: corn/soybeans, wheat/barley/canola, cotton, swine, beef or dairy. Results of the survey were explored at the National Conference for Agribusiness entitled "Serving Commercial Producers: Meeting Needs, Adding Value" in November 2003 at Purdue.

Gray, who directed the survey, says, "The 2003 Survey results provide agribusinesses with tools to gauge their own understanding of changes impacting these producers. With more than 2,300 survey responses from producers across the country, we've explored how their farm and ranch businesses are changing and what they want from their agricultural input suppliers."

Dr. Jay Akridge, center director, adds, "For agrimarketers, the opportunity lies in

truly understanding the producers we serve, and then what we do with that knowledge. Anticipating the needs of today's and tomorrow's producer is a crucial first step in positioning your firm to be the producer's supplier of choice."

WHO IS A COMMERCIAL PRODUCER?

The Commercial Producer Survey used the categories listed in the table below to define crop producers.

"Today's commercial producer is significantly larger than 10 or even five years ago and economically more important to agrimarketers," Purdue's Dr. Dave Downey says. "These producers' volume creates potential economies of scale and operating efficiencies. Doing business with them may enhance suppliers' market image, and they justify unique attention and demand value tailored to meet their individual needs."

GROWTH PLANS

Overall, commercial producers showed mixed signals on growth. "Growth numbers vary among livestock species and crops produced, and agrimarketers will need to keep these planned growth patterns in mind as they pursue targeting and segmentation activities," Gray says.

Changes among mid-size pork producers were most dramatic with five-year growth plans dropping from 39 percent in 1998 to 0 percent in 2003. Commercial hog producers, relative to 1993, are slowing their growth plans. (It is important to note that the survey did not cover the very large integrators in the pork industry.) Dairy producers report the most ambitious five-year growth plans among commercial livestock producers with anticipated growth of 36 percent over the next five years. This figure is down from the 49 percent five-year growth figure that commercial dairy producers reported in 1998.

Commercial corn and soybean producers expect significant growth over the next five years and on average expect to increase the size of their operations by roughly 30 percent by 2008. This contrasts to the 21 percent growth expected among commercial cotton farmers and the 7 percent growth expected by wheat/canola/barley producers.

Gray points out that growth numbers are key to agrimarketers' understanding of this segment. "First, customer portfolios must be reviewed - is your portfolio a mix of customers who plan to grow and those who don't? Or, is it weighted too heavily toward those who do not plan to grow? For those producers who have both the desire and the capacity to grow, how can your firm best serve this group? Which of the many needs of a rapidly growing farm business can you fill? These needs may stretch far beyond typical product-service boundaries as issues such as labor, satisfying environmental regulations, locating production contracts, etc., come into play."

DEALERS ARE CRITICALLY IMPORTANT

Commercial producers said dealers were the most important off-farm influencers of input decisions for both capital item and expendable purchases. In addition, commercial producers rated dealers the highest quality source of personal

information they use in making input decisions. Dr. Maria Marshall, assistant professor of rural entrepreneurship points out, "The dealer as an off-farm influencer of purchase decisions was more important to crop producers relative to livestock producers. The dealer was also less important to the largest producers and less important to those hiring independent, paid consultants."

While dealers remain the most important off-farm influencer in the input purchase decision for both capital and expendable items, the news is not all positive. Some of the more disconcerting findings for dealers include:

- Large producers are the most discriminating buyers and notice the greatest differences in the quality of services and information across local suppliers.
- The larger the producer, the more likely they are to believe that they know more about input products than local suppliers.
- Since 1998, more producers feel they have more knowledge about their input products compared to their local suppliers.

Akridge continued, "For agrimarketers, it is important to remember that dealers continue to play a critical role in the marketing channel, even for large producers. At the same time, the role of the dealer is under pressure. Dealers must continue to innovate around services, information, and business processes to maintain their position."

THE NEXT LEVEL

"Sheer economics make the importance of the commercial producer and the mega-farmer segments crystal clear," says Downey. "Nearly every supplier understands they must capture and maintain a significant share of these segments to remain economically viable."

Downey emphasizes, "It's significant for agrimarketers to realize price is always important to large farmers, but it is not about price ... it is always about value. Price must accurately reflect the cost of creating the bundle of products, services and information that large producers perceive as valuable in their farm business.

Large producers will not pay for things unless they perceive there is sufficient value to justify the price ... because they don't have to!"

REACH THEM, SERVICE THEM, RETAIN THEM

Findings of the 2003 Commercial Producer survey prove that we have a diverse and complex market. Downey says, "This map of the commercial producer must be dissected, analyzed and prioritized by agrimarketers." Additionally, specific strategies must be developed for the market segments.

Combined with data from 1993, 1998 and 2003, research on commercial producers has suggested a more sophisticated approach is needed to adequately reach, service and retain these large commercial producers. Downey says, "Field marketing is an approach that combines a deeper understanding of customers and focuses on tailoring solutions to the unique needs of each targeted customer. Field marketers must have solid technical expertise, good business savvy, and excellent selling and communication skills. They must be able to use a wide variety of company resources to identify specific problems and create unique value and communicate (sell) that

value to the targeted customers."

Direct marketing and relationship marketing in agribusiness have continued to evolve. Downey says, "As commercial producers have continued to grow, we are recognizing that some producers must be singled out ... targeted specifically and designated as a 'key account'. Key Account Management (KAM) effectively employs all the information we know about key producers to deliver exceptional value consistently. It provides a means for partnering with these clients to meet their business needs and a company's goals simultaneously."

It is not all about products and price however. Downey adds, "Trust and honesty are now even more important to these producers." When asked to indicate the three most important traits in the best agricultural salesperson they knew, 65 percent of the respondents indicated that trust and honesty were important traits; up from 49 percent of respondents in 1998. The next two most important salesperson qualities were technical competence and follow-up service.

SUCCESSFUL AGRIMARKETING

Agrimarketers must stay on top of the changes and challenges facing producers in the industry they serve. Gray summarizes, "Whether it's field marketing, key account management, targeting or segmentation, this 2003 Commercial Producer Survey not only reinforces what we know but also opens doors to some new issues and challenges that are emerging for these large commercial producers. Helping this group run a more profitable farm business is, in the end, what adding value is all about when you are designing and delivering the best marketing approach to reach the segment you serve." **AM**

More information is available on the 2003 Commercial Producer Survey including a Survey Theme Report, or a customized run of the data focusing on your business segment at www.agecon.purdue.edu/cab, or by contacting Scott Downey at downeys@purdue.edu or 765/494-4325.

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