

# Building the Plan

Dr. Dixie Watts Dalton

Professor and Program Director, Agribusiness  
& Dean of Humanities, Social Sciences, and Business



SOUTHSIDE VIRGINIA COMMUNITY COLLEGE

[dixie.dalton@southside.edu](mailto:dixie.dalton@southside.edu)

434-949-1053

Virginia Agritourism Conference

April 4, 2019

# The Plan for Today

- Introductions & overview
- Choosing your “**Product**”
- **Pricing** considerations
- **Promotional** resources
- **Place** decisions
- Other thoughts



# About Me

- Lunenburg County farm girl
  - Tobacco planting with Dad every spring
  - Cattle and hay with husband, Johnny
- Virginia Tech and SVCC
- My life's work....agribusiness and education



# How About You?

- Existing agritourism operation



# How About You?

- Existing agritourism operation
- Planning an agritourism operation



# How About You?

- Existing agritourism operation
- Planning an agritourism operation
- Supporting organization or government agency



# How About You?

- Existing agritourism operation
- Planning an agritourism operation
- Supporting organization or government agency
- Just curious



# Agritourism's Role in Virginia

Based on a 2016 study, agritourism had an economic impact of \$2.2 B in Virginia.

At that time, there were an estimated 1,400 establishments, with 56% open to the public throughout the year.

There was a wide range of visitations, but venues averaged 5,356 visitors per year.

[https://www.pubs.ext.vt.edu/content/dam/pubs\\_ext\\_vt\\_edu/AAEC/aaec-157/AAEC-157.pdf](https://www.pubs.ext.vt.edu/content/dam/pubs_ext_vt_edu/AAEC/aaec-157/AAEC-157.pdf)



# Remember the movie, *Field of Dreams*?

- “If you build it, he will come.”



- How's this for a marketing strategy:  
“If you offer it, they will visit”?



# Let's Be More Intentional

- What specific goals do you have for your operation?
- Who will you serve?
- Exactly what will you offer?
- What expertise do you have, and what more do you need to learn/develop?



# Let's Be More Intentional

- What will it cost to offer it?
- What will you charge for it?



# Let's Be More Intentional

- How long before you profit from it?
- Will it cash flow?
- How long do you give it if goals aren't met?



# Marketing Options

- Local versus out-of-area tourists
- Traditional production versus organic or other
- Individual versus joint efforts
- What are some options available to you?



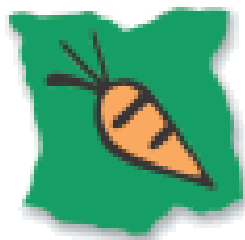


# A Few Marketing Opportunities

- Roadside stands



- CSA's (Community Supported Agriculture)
  - <http://www.localharvest.org/>



LocalHarvest <sup>SM</sup>  
*real food, real farmers, real community*



# A Few More

- Establish relationships with restaurants/grocers



- Form a formal or informal partnership with like-minded operations



# Marketing 101

- What comes to mind when you hear the word “marketing”



# Marketing 101

- Many people equate marketing with advertising... that's just one tiny piece
- In reality, marketing is everything that connects the producer with the consumer
- It is anything that it takes to get the product or experience in a form the consumer wants and to get it into his/her hands





# What is Your “Product”?

- Know your customer
  - What do they want?
  - How do they want it?
  - How much do they want?
  - When do they want it?



(What are they willing to pay for it? Know what it takes you to obtain/produce/create it and what you're willing to accept for it.)



# What is Your “Product”?

What if you decide to offer something new?

Create a partial budget:



Increased revenues

Decreased revenues

Decreased expenses

Increased expenses

Net Change

# What Price to Charge?

- Know your product
- Know your customers/buyers/visitors
- Know your competition



# Pricing Strategies

- **Cost Pricing**

- Adding a constant margin to the basic cost

- What is your cost of production, your total cost to provide the experience?



# Pricing Strategies

- **Penetration Pricing**

- Offer a low price to get exposure and gain wide acceptance quickly



- May be appropriate for a new supplier

- What are the downsides?

# Pricing Strategies

- **Skimming The Market**

- Introduce the product at a high price for affluent customers only



- Do you have limited volume and want to reach a limited, upscale audience?



# Pricing Strategies

- **Loss Leader**

- Offer a product at a specially reduced price (sometimes below cost) for a limited time
- Best suited for retail operations with a product that can serve as a draw
  - Example: sell turkey at a loss at Thanksgiving time
  - What is the expectation?



# Pricing Strategies

- **Psychological Pricing**
  - Prices are emotionally satisfying



# Pricing Strategies

- **Competitive Pricing**
  - Price at the “going rate”
  - What ***IS*** the going rate?



# Marketing/Promotion Resources

- Virginia Department of Agriculture and Consumer Services
  - <http://www.vdacs.virginia.gov/vagrown>





# Marketing/Promotion Resources

- Virginia's Finest
  - <http://www.vafinest.com/>



**Virginia's Finest**

# Marketing/Promotion Resources

- Buy Fresh/Buy Local Chapters by area
- Provides local food guide
- <https://www.buylocalvirginia.org/>



# Place Decisions

(Refers not to geographic location, but to distribution)

- How do you get your experience to the consumer? And how easy do you make it for them?
  - Do they always come to you?
  - Do you set up at events elsewhere?
  - Do you accept credit cards or provide credit?

# Some useful resources

- *Agritourism: Ideas and Resources*, Virginia Cooperative Extension publication, M. Walker  
<https://www.pubs.ext.vt.edu/310/310-004/310-004.html>
- Additional Virginia agritourism publications and presentations  
<https://ext.vt.edu/agriculture/agritourism.html>



# Some useful resources

- Enterprise budgets, Virginia Cooperative Extension
  - [https://www.pubs.ext.vt.edu/tags.resource.html?tag=pubs\\_ext\\_vt\\_edu:enterprise-budgets#.html](https://www.pubs.ext.vt.edu/tags.resource.html?tag=pubs_ext_vt_edu:enterprise-budgets#.html)
  - In process of being updated
  - Can help estimate cost of production
- Enterprise budgets, North Carolina
  - <https://cals.ncsu.edu/are-extension/business-planning-and-operations/enterprise-budgets/>

# More useful resources

- University of Kentucky, Center for Crop Diversification

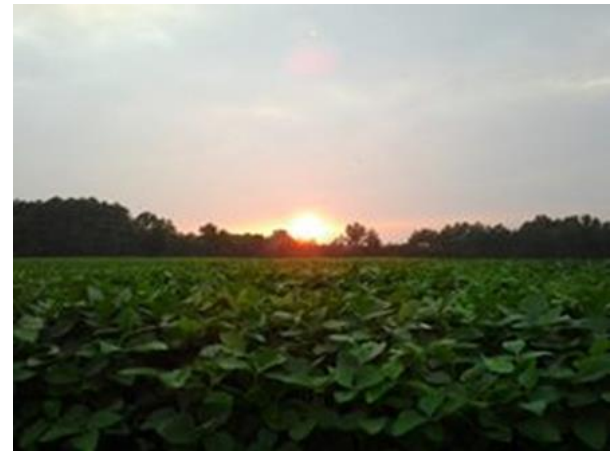
<http://www.uky.edu/ccd/tools/budgets>

- Agricultural Marketing Resource Center

<https://www.agmrc.org/business-development/business-workbench/business-worksheets-and-calculators/enterprise-budgeting-tools>

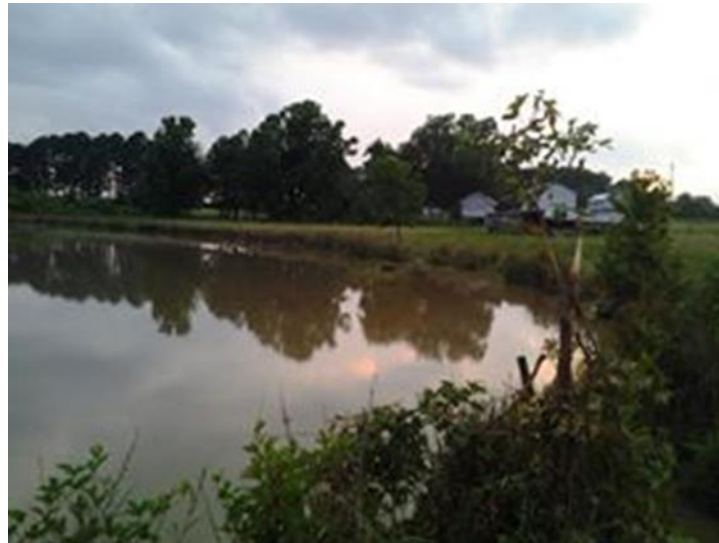
# Bottom Line

- Know who you will sell to before you plant the first seed or slip, or hammer the first nail, or make your 1<sup>st</sup> purchase
- Know what it will cost you to produce/ provide each experience or product
- Know what price you are willing to accept for what you have to offer



# Bottom Line

- Conduct a sensitivity analysis:
  - If costs increase  $x\%$ , can you still make a profit
  - If you have to accept a price that is  $y\%$  lower, can you still make a profit







# And...

- Always have an exit strategy
- Hope (and plan and prepare) for the best, but have a strategy for the worst
- We tend to be eternal optimists
- A common mistake: holding on too long
- Remember the concept of sunk costs: what's done is done. The question is, what should you do next?

# Additional Resources

Check out “**Agribusiness, Southside Virginia Community College**” on Facebook.

All AGR course lectures are taped and made available as an online option.

Agribusiness marketing course (AGR 231) each fall:  
visit [www.southside.edu](http://www.southside.edu) to register



SOUTHSIDE VIRGINIA COMMUNITY COLLEGE

# Proud to Be a Part of Agribusiness

Remember 2/20/100.

Agribusiness is the country's #1 industry.

Agribusiness is Virginia's #1 industry.

Agribusiness at SVCC allowed me to return home.



Agriculture plus tourism is a winning combination!

# There's no place like home!







It's a great day to be in agritourism!



Thank you for the opportunity to  
participate with you today.

dixie.dalton@southside.edu

434-949-1053



SOUTHSIDE VIRGINIA  
COMMUNITY COLLEGE