Building the Plan

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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.

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/
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
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
  

• Additional Virginia agritourism publications and presentations
  
  [https://ext.vt.edu/agriculture/agritourism.html](https://ext.vt.edu/agriculture/agritourism.html)
Some useful resources

• Enterprise budgets, Virginia Cooperative Extension
  – 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
Bottom Line

• Know who you will sell to before you plant the first seed or slip, or hammer the first nail, or make your 1st 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 to register
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.

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