Increasing Customers and Sales at Farmers Markets:

Target Marketing Campaign with Pacific Coast Farmers Market Association

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Presentation Overview

Preliminary Results of the Target Marketing Campaign

- Setting up the Study
- Redemption Rate Results
- Demographic Analysis
- Return on Investment

All photos courtesy of Pacific Coast Farmers Market Association

PCFMA Target Marketing Campaign

- A collaboration between Pacific Coast Farmers Market Association (PCFMA) and USDA Agricultural Market Service to pilot target marketing with their markets

- **Goal of the Project**: To determine the effectiveness of target marketing as a viable promotional strategy to increase farmers market patronage

- **22 of PCFMA's farmers markets were selected** to give a diverse representation of market locations based on population density, income levels, and ethnicity.

FIRST STEP

- During the 2009 market season, collected customers mailing addresses at each of the markets – used a number of promotions to encourage customers to sign up

- Customers also provided information on spending patterns and shopping frequency

- Collected well over 6,000 mailing addresses during the 2009 market season
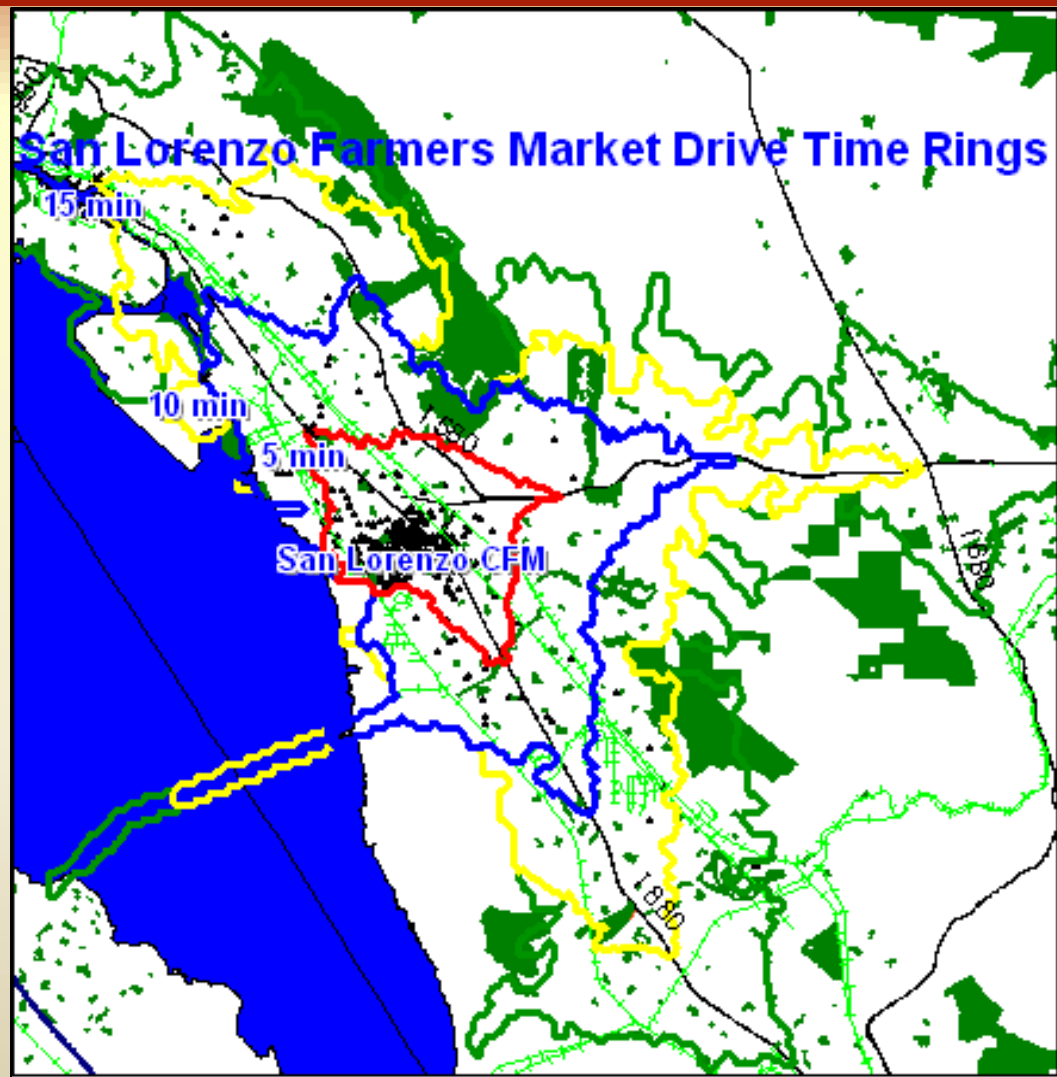
PCFMA Target Marketing Campaign

SECOND STEP

- Utilized *iXPRESS* from *Nielsen/Claritas* – a market research and mapping software program – to map out customer locations to determine a customized market trade area for each market (75% or more of the customers with a given drive time from the market)

San Lorenzo Farmers Market Drive Time Rings

Example: At the San Lorenzo Farmers Market, 82% of the customers on the mailing list live within a five minute drive of the market

PCFMA Target Marketing Campaign

A final grouping of 16 farmers markets were assigned market trade areas, which included:

Alameda County

- Alameda
- Jack London Sq.
- San Leandro
- San Lorenzo

Contra Costa County

- Concord
- Pittsburg

San Francisco County

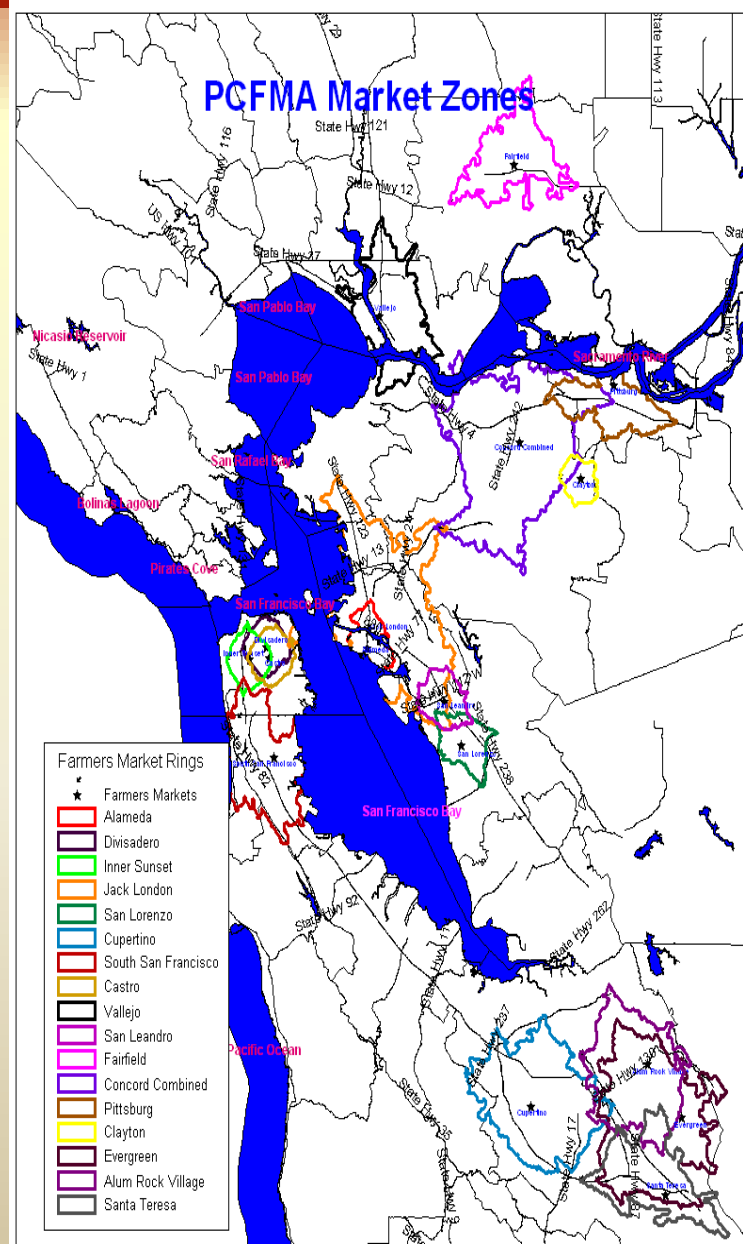- Castro
- Divisadero
- Inner Sunset

San Mateo

- South San Francisco

Santa Clara

- Alum Rock Village
- Evergreen
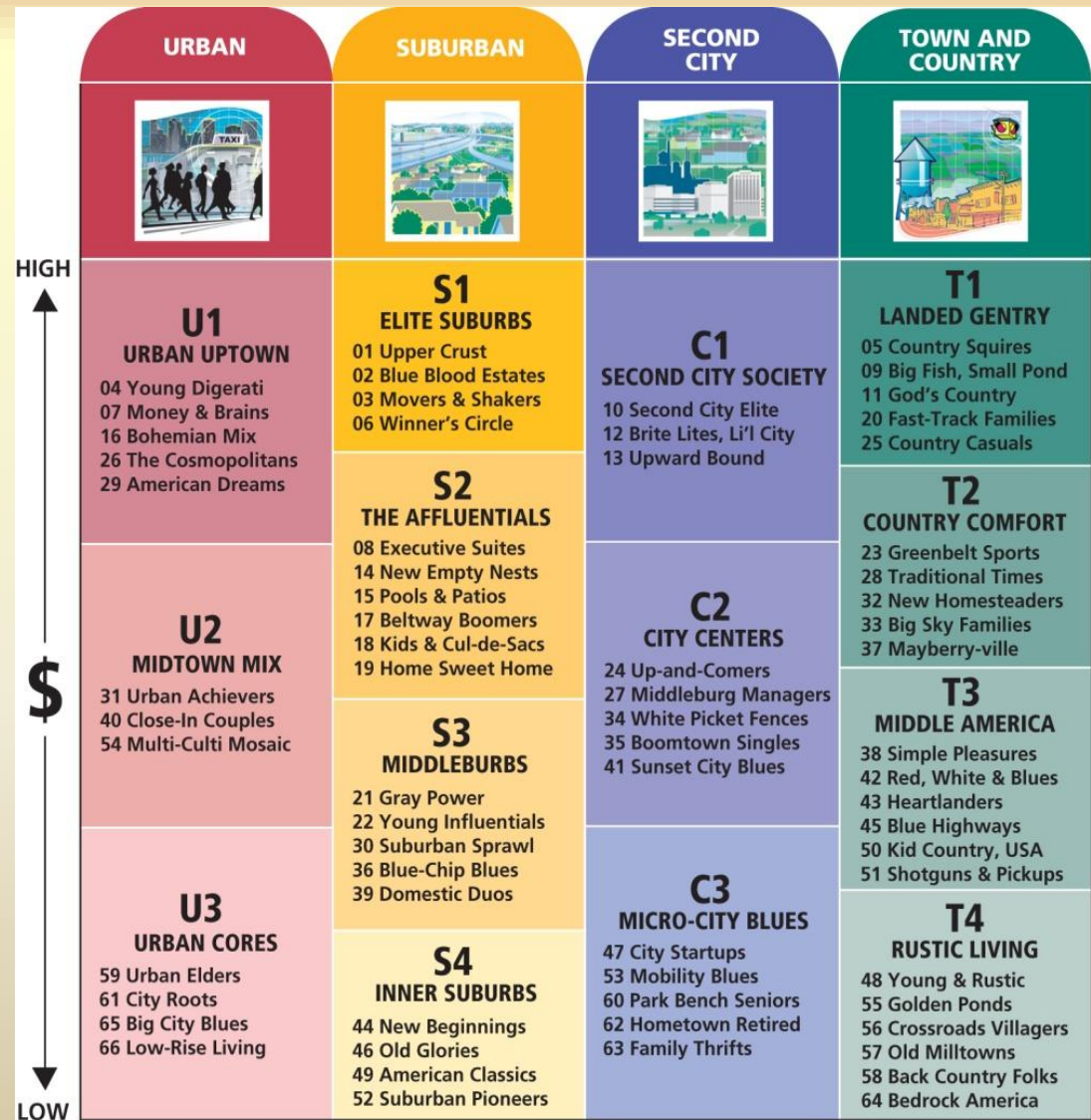- Cupertino Square
- Santa Teresa

Solano

- Fairfield
- Vallejo

THIRD STEP

- Used *Nielson/Claritas's PRIZM* to assign one of 66 lifestyle segments to each mailing address

- *Nielson/Claritas* has developed 66 specific profiles of consumer behavior and demographic characteristics known as lifestyle segments

URBAN | **SUBURBAN** | **SECOND CITY** | **TOWN AND COUNTRY**

HIGH

U1 URBAN UPTOWN
04 Young Digerati
07 Money & Brains
16 Bohemian Mix
26 The Cosmopolitans
29 American Dreams

S1 ELITE SUBURBS
01 Upper Crust
02 Blue Blood Estates
03 Movers & Shakers
06 Winner's Circle

C1 SECOND CITY SOCIETY
10 Second City Elite
12 Brite Lites, Li'l City
13 Upward Bound

T1 LANDED GENTRY
05 Country Squires
09 Big Fish, Small Pond
11 God's Country
20 Fast-Track Families
25 Country Casuals

S2 THE AFFLUENTIALS
08 Executive Suites
14 New Empty Nests
15 Pools & Patios
17 Beltway Boomers
18 Kids & Cul-de-Sacs
19 Home Sweet Home

T2 COUNTRY COMFORT
23 Greenbelt Sports
28 Traditional Times
32 New Homesteaders
33 Big Sky Families
37 Mayberry-ville

$

U2 MIDTOWN MIX
31 Urban Achievers
40 Close-In Couples
54 Multi-Culti Mosaic

C2 CITY CENTERS
24 Up-and-Comers
27 Middleburg Managers
34 White Picket Fences
35 Boomtown Singles
41 Sunset City Blues

S3 MIDDLEBURBS
21 Gray Power
22 Young Influentials
30 Suburban Sprawl
36 Blue-Chip Blues
39 Domestic Duos

T3 MIDDLE AMERICA
38 Simple Pleasures
42 Red, White & Blues
43 Heartlanders
45 Blue Highways
50 Kid Country, USA
51 Shotguns & Pickups

U3 URBAN CORES
59 Urban Elders
61 City Roots
65 Big City Blues
66 Low-Rise Living

C3 MICRO-CITY BLUES
47 City Startups
53 Mobility Blues
60 Park Bench Seniors
62 Hometown Retired
63 Family Thrifts

T4 RUSTIC LIVING
48 Young & Rustic
55 Golden Ponds
56 Crossroads Villagers
57 Old Milltowns
58 Back Country Folks
64 Bedrock America

S4 INNER SUBURBS
44 New Beginnings
46 Old Glories
49 American Classics
52 Suburban Pioneers

LOW

TWO EXAMPLES

29 American Dreams — *Midscale, Middle Age Mix*

American Dreams is a living example of how ethnically diverse the nation has become: more than half the residents are Hispanic, Asian, or African-American. In these multilingual neighborhoods—one in ten speaks a language other than English—middle-aged immigrants and their children live in middle-class comfort.

Midscale	Age 35-54	White, Black, Asian, Hispanic

41 Sunset City Blues — *Lower-Mid, Mature Mostly w/o Kids*

Scattered throughout the older neighborhoods of small cities, Sunset City Blues is a segment of lower-middle-class singles and couples who have retired or are getting close to it. These empty-nesters tend to own their homes but have modest educations and incomes. They maintain a low-key lifestyle filled with newspapers and television by day, and family-style restaurants at night.

Lower-Mid	Age 65+	White, Black, Mix

FINAL STEPS

- Determined which lifestyles segments for each market trade area were most likely to patronize farmers markets

- Households in the top three or four lifestyle segments in each market trade area were mailed a five dollar coupon offer to be redeemed at a specified PCFMA farmers market

- Combined three San Francisco markets (Castro, Divisadero, Inner Sunset) into one market trade area with coupons redeemable at any of the three markets

FINAL STEPS

Six other markets were added to the target marketing campaign – targeted lifestyles were determined by finding "similar" markets in our study. These markets included:

- San Bruno (San Mateo County)
- Stonecreek Village (San Joaquin County)
- Tracy (San Joaquin County)
- Pleasant Hill (Contra Costa County)
- Point Richmond (Contra Costa County)
- Sommersville Towne Center (Contra Costa County)

A total of 46,000 coupons were sent out to the 20 market trade areas:

- 18 market trade areas were sent 2,000 coupons (1,000 to random address and 1,000 to addresses of the targeted lifestyles)
- San Francisco *Combined Markets* received 6,000 coupons (3,000 random, 3,000 targeted)
- Cupertino Square was sent 4,000 coupons (2,000 random and 2,000 targeted)

RESULTS

- Coupons were redeemable for approximately one month, from mid-September to mid-October, 2010

- Out of the 46,000 mailings, 1,024 coupons were redeemed:
  - Random Mailings: **2.0% redemption rate**
  - Targeted Mailings: **2.3% redemption rate**
  - Overall: **2.16% redemption rate**

- Removing the 6 additional markets:
  - Random Mailings: **2.0% redemption rate**
  - Targeted Mailings: **2.5% redemption rate**
  - Overall: **2.3% redemption rate**

- **36% of the coupons redeemed came from first time customers**

Additional Farmers Markets

- Six farmers markets were added to the target marketing campaign, but with no segmentation analysis.

Market	Rate (target)	Rate (non target)	Rate (overall)
Point Richmond	1.5%	1.4%	1.3%
Somersville	1.6%	1.4%	1.5%
Pleasant Hill	1.8%	2.0%	1.9%
San Bruno	1.7%	1.9%	1.8%
Stonecreek	1.9%	2.3%	2.1%
Tracy	2.9%	3.1%	3.0%
Average	**1.9%**	**2.0%**	**1.9%**

Redemption Rates for Targeted Markets*

Market	Rate (target)	Rate (not target)	Rate Combined		
Jack London	1.0%	1.1%	1.1%	**Least Successful** (Below 2.5%)	
South San Fran	1.2%	1.2%	1.2%		
Alum Rock	1.6%	1.9%	1.8%		
Pittsburg	1.9%	1.8%	1.9%		
Cupertino	2.1%	1.8%	1.9%	**Ave. Redemption Rate: 1.8%**	
Concord	2.2%	2.0%	2.1%		
Santa Teresa	2.2%	2.4%	2.3%		
San Leandro	2.5%	2.5%	2.5%	**Most Successful** (2.5% and above)	
Fairfield	3.3%	1.9%	2.6%		
Vallejo	3.7%	1.9%	2.8%		
San Lorenzo	4.2%	2.1%	3.2%	**Ave. Redemption Rate: 3.7%**	
Alameda	4.3%	3.3%	3.8%		
Evergreen	8.0%	6.3%	7.2%		
Average	**2.9%**	**2.3%**	**2.7%**		

* Does not include the three "combined" farmers markets in San Francisco

Demographic Variables Analyzed

- Income
- Race/Ethnicity
- Education
- Purchasing Patterns
- Age
- Language
- Population Density

Summary of Findings
– Income and Education Levels–

Variable	Least Successful	Most Successful	Statistical Significance
Average HH Income ($)	$93,694	$76,527	.041
Median HH Income ($)	$74,117	$62,266	.089
% of HHs earning $100,000 or more	33.7%	25.3%	.059

Variable	Least Successful	Most Successful	Statistical Significance
% HS Diploma	50.3%	55.7%	.241
% College Diploma	29.3%	23.3%	.32

Summary of Findings
– Race/Ethnicity –

Variable	Least Successful	Most Successful	Statistical Significance
% White	42.9%	36.5%	.275
% Black	8.6%	16.3%	.121
% Asian	27.7%	26.5%	.875
% Hispanic	27.4%	25.2%	.674

Summary Analysis

- Markets that responded favorably to the campaign on average were those in areas with more moderate incomes.

- The marketing campaign had greater success with those markets with a higher percentage of blacks; however, it should be noted that the percentage of blacks is negatively correlated with both income variables with great significance (.001)

- Additional research needs to be conducted to assess the relationship between income and other variables in the data.

Return on Investment

Immediate Return on Investment

- Average amount spent excluding coupon: **$13.50**

- Excluding weekly shoppers that stated the coupon was not the main reason for coming to the market (approximately 26% of the customers), **the Immediate Return on Investment: $10,233**
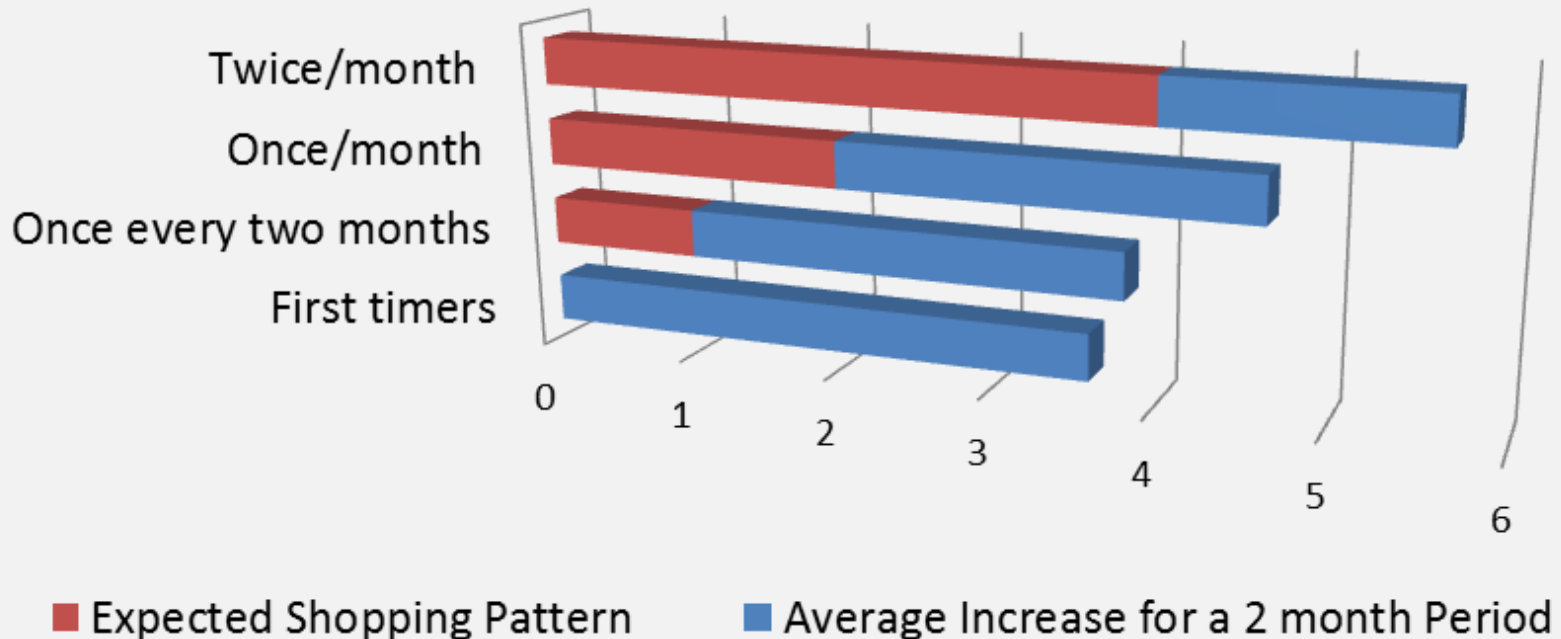
Residual Return on Investment (2 month period)

- Conducted a post-study online survey 2 months after the redemption day:
  - **47% of the "first timers" returned to the market**, coming back between three and four times in a two month period
  - **39% of "irregular" farmers market customers** (two times or less a month) **increased their frequency**

Return on Investment

Shopping Pattern Gains

- Average amount spent by "irregular" shopper: **$17.66**

- Average amount spent by "first timers": **$16.11**

- **Total Residual Return on Investment (2 months): $14,507**

Marketing Costs

Activity	Cost
Developing Mailing List	$4,159
Postcard Development	$3,150
Printing/Postage	$12,265
Appending Lifestyles/Purchasing Addresses	$4,153
Total	**$23,727**

- Combined Immediate and Residual **Gross Return** on Investment (2 month period): **$24,740**

- **Net Return** (2 month period): **Slightly over $1,000**

The Bottom Line

- The target marketing campaign **easily covers the marketing costs in a two month period**

- More importantly, it is estimated that the campaign brought in an estimated **330 new customers** into the markets and turned an estimated **279 infrequent customers into more regular shoppers**

- If such a trend was to hold over an 8 month period, the potential increase of new sales for these markets would be well over **$70,000**

NEXT STEPS

- Carry out further analysis on demographic and lifestyle factors to more fully understand how they affect coupon redemption rates

- Carry out another round of target marketing with PCFMA this market season

  - **Main objective:** Lower costs and time of target marketing by not collecting mailing addresses

  - Random mailings in a designated market trade area with lifestyle identified on coupon postcard

  - Repeat several more times but become more increasingly targeted upon analysis of lifestyle segment coupon redemption rates