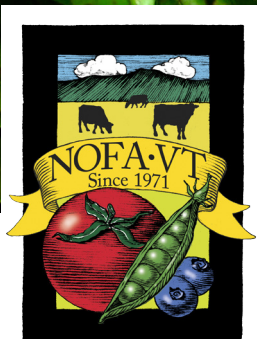


Stagnant, Saturated, or Ready to Surge?

*Strategic Marketing Investments for Vermont's
Direct to Consumer Markets*



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www.nofavt.org

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Forward

As local food becomes increasingly mainstream, Vermont producers are confronting how to remain viable in a maturing market. The local food market sector is growing, but the market landscape is changing. In the life cycle of the local food market, we have transcended the introductory and growth stages, an environment in which the audience consisted of early adopters and trendsetters, consumers committed to core values who would expend effort to seek out and purchase the product. Price and convenience were not priorities. We are now entering a maturing phase, where growth peaks and the outstanding opportunity is to attract the late majority audience: trend followers, and laggards. Trend followers and laggards are willing market participants if price and convenience are right. Servicing this audience requires capital, marketing clout, and volume to access wholesale supply channels, withstand downward price pressure, and invest in innovation and marketing to stay relevant and fresh to the consumer. Even producers who have no interest or desire to compete for the late majority audience will be impacted by this situation because even consumers committed to the cause will appreciate and take advantage of convenience and price if offered. We are seeing this now. USDA Vermont census data shows that total direct agricultural sales per producer decreased from \$15,511 in 2007 to \$13,245 in 2012, while overall sales of local food grew.

What does this mean? The end result is that opportunities for growth will increasingly gravitate towards wholesale favoring larger producers and aggregators. Industry consolidation will occur resulting in a loss of choice for consumers and the demise of many producers.

What can we do? To compete in this market environment, Vermont producers must be prepared to invest in innovation and marketing and be able to withstand declining margins. Beyond this, however, the key competitive advantage Vermont farms have in this maturing market landscape is their direct relationship with consumers.

The most effective strategy Vermont can adopt to support our producers is to reinvent and re-invigorate the methods and message for buying direct. These efforts could take the form of a marketing campaign aimed at encouraging consumers to shop direct, for example. They could be focused on practical issues such as designing innovative new platforms and distribution mechanisms for making buying direct more convenient. Whatever form it takes, for every dollar we can encourage consumers to spend directly with our producers, we are expanding opportunities for large and small producers, maximizing the diversity of our working landscape, and supporting choice for our consumers. The more viable our producers, the more vibrant our working landscape.

Buying direct as a modality, does not need to fade into obsolescence as the local food market matures. Similarly to any maturing product, brand, or placement strategy, if left unattended sales will wane. However, successful products, brands, and placement strategies can survive indefinitely in a maturing and declining market by periodically reinvesting in and re-invigorating the message. Now is an opportune and pivotal time for a concerted marketing campaign reinforcing the unique experience of direct consumer to producer relationships, and encouraging consumers to buy direct. This message will not detract from wholesale sales, or disrupt the supply chain, the late majority is still the largest growing market segment and will continue to be a driving force. This message will however, resonate with the original early adopters and trend-setters, re-engaging them in what excited them about local food in the first place.

State agencies have the power and responsibility to spearhead marketing efforts encouraging the viability of their constituents. As an example, in 1993 the California Department of Food and Agriculture realized their dairy farmers could not compete with the \$100 million dollar marketing budgets of soft drink companies such as Coca Cola. While soft drink and alternative beverage sales were growing, California milk consumption was declining at a rate of 3-4% per year. California realized their dairy farmers were in peril. To counteract this situation the agency formed the California Milk Processor Board and launched the famous Got Milk? advertising campaign targeting pre-existing milk drinking consumers. Within one year California milk sales had risen 7%. Vermont can have a similar impact with a buy direct message supporting and strengthening its diverse producer base.

I am excited that NOFA-VT has developed this report as a guiding resource for all of us who are eager to re-invest in the strength of Vermont's direct markets. The analysis illustrates the conundrum direct markets face: consumers continue to appreciate direct retail for its ability to provide *healthy, safe food, and opportunities for social impact and personal experiences*, yet are conflicted with the increasing convenience of other market channels. As the food retail landscape becomes increasingly competitive, Vermont local food advocates must support direct marketers in launching more robust customer focused marketing strategies. As California demonstrated, any one enterprise may not have enough reach or capacity on its own, but together we can amplify the critical message to build loyalty among localvores and engage customers who are seeking authentic products, safety and transparency, and rich life experiences.

Rose Wilson

Rosalie J. Wilson Business Development Services

Executive Summary

From grocery consolidation to the growth of online food markets, the food retail market is undergoing dynamic shifts. These changes are directly impacting the position, opportunities, and challenges for food producers targeting local food markets. Local food advocates are celebrating as their values emerge from market fringes to the mainstream; where once local food was limited to direct markets like farm stands, Community Supported Agriculture (CSA) shares and weekly farmers markets, certified organic and “local” food is now represented in all channels. These achievements have led to some unanticipated consequences such as green/localwashing and weakening the producer’s position in the supply chain relative to producer-led direct markets.

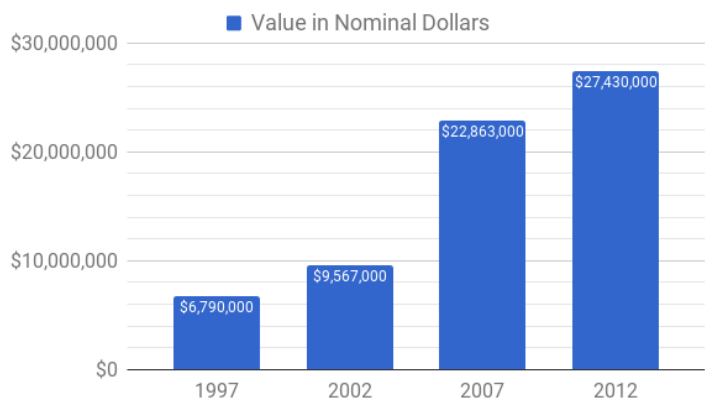
Local food system advocates support direct market channels for the market advantages they offer to producers such as being able to capture a higher margin of the retail sales dollar, building direct relationships with engaged and loyal customers, and having more control over what products and services they can bring to market. While direct to consumer channels are the second-largest outlet for Vermont-grown food sales after retail grocers, questions have emerged as to whether or not direct markets have become saturated and/or are losing relevancy for today’s consumers.

This report, “Stagnant, Saturated, or Ready to Surge?” was commissioned by NOFA-VT to understand how current trends in food retailing and consumer values shape the opportunities and challenges for Vermont’s direct to consumer food marketers. The report is based on secondary research and interviews of 28 direct marketing stakeholders conducted from June–September 2017.

Through this report we ask:

With so many market outlets, is the local foods marketplace saturated? Is there still room for direct markets to provide viable outlets for producers? What strategies can we employ to support and strengthen Vermont’s direct markets?

Value of Vermont Direct to Consumer Sales 1997-2012



Source: USDA Census of Agriculture - State Data 1997, 2002, 2007, 2012



“I am hesitant to use the words ‘market saturation’ because the share of local food consumption is still so small.”

—Corie Pierce, Bread & Butter Farm

The report begins with trends from the food retail and grocery marketplace. Some of the most pertinent trends that are relevant to Vermont's direct markets include:

- **Consolidation & Fragmentation:** The grocery industry is consolidating to fewer corporate leaders while grocery channels are fragmenting into more diversified and niche offerings. While it is unlikely that any one outlet will take a majority share of the industry, the diversifying channels are eroding the stability of the traditional brick-and-mortar grocery store. The overall increase in competition is creating downward pressure on pricing, which can have a negative impact on suppliers.
- **Empowered Consumers:** Consumers have more information and more options than ever before. With this power, they are demanding stronger value propositions from their food purchases including improved convenience, authenticity, transparency, stories, and price.
- **Fierce Competition:** With fragmentation, there are more opportunities for direct markets to grab consumer attention. However, the increasingly intense competition for retail food dollars means that direct markets must provide compelling value propositions beyond attributes that have become industry norms like "local" and "organic."

Next, the report examines cultural and consumption trends that are impacting the retail food landscape finding that:

- **Shifting Consumer Values:** What were once considered niche values, transparency, health & wellness, and social impact have become mainstream priorities for American consumers. Price and convenience continue to be important, but customers are more flexible in how they define and prioritize value.
- **Changing Households:** Shifting shopping patterns (diverse household sizes, co-shopping, spontaneous shopping) are opening new opportunities to speak to different types of consumers with different types of messages. This shift raises the importance of defining different customer profiles and customizing messaging strategies to those customers.
- **Less Cooking:** Whether eating out or buying ready to eat food to take home, Americans are cooking less. Direct marketers will benefit from offering snackable solutions, prepared food options and easy recipes, especially those that are different from what other grocers offer (e.g. featuring products from other vendors/nearby farmers in prepared food products).



At more than 15% of all Vermont-produced food purchases, direct markets are an important outlet for Vermont producers. Advocates of the local food system cannot afford to let direct markets become irrelevant through stagnant marketing as other food and retail channels aggressively fight to increase their market share. This increased competition is pressuring all players to employ more sophisticated and innovative marketing. To stay relevant and viable, direct marketers and their advocates must invest in compelling marketing and education campaigns that speak to consumers' needs for authenticity, convenience and spontaneity, value, transparency, and enriching life experiences.

- **Need for Marketing Assistance:** Vermont's direct marketers recognize a deficiency in marketing skills and strategies. In particular, direct marketers need help improving their merchandising, analyzing channels, advertising, strengthening their brand identity and developing actionable marketing plans.

"So few people in our local food marketplace have a job that is solely focused on marketing; it is almost always a side note to operations."

—Kendall Frost, Intervale Food Hub

- **Messaging:** Vermont's direct markets benefit from distinct competitive advantages in the context of today's grocery industry. Direct marketers are best poised to deliver on consumer demands for authenticity, transparency, and experiential marketing.

Direct marketers and advocates should

work together to develop more sophisticated messaging, products, and services that address the nuanced needs, pain points, and values of consumers beyond easily replicable product attributes like "local" and "organic."

- **Collaboration:** Marketing campaigns can be strengthened through coordinated collaborations between direct marketing enterprises, market makers, and advocacy organizations. Vermont's direct food market channel can be stronger and gain more market share through collaborations in which vendors promote other vendors. Markets can team up for regional promotions and pool resources to develop innovations and impactful messaging. Advocates can invest higher-level resources like consumer research and sophisticated statewide marketing strategies.



Introduction

2017 has been a year characterized by shocking disruptions to the world as we know it. Within twitter storms, pop up social movements and the rise of the ‘me’ generation, Americans are stepping out of their historic consumption routines with marketers pushing and pulling in new directions to gain market share. Americans are abandoning their loyalties to specific grocery stores and brands and now 23% of Americans are buying groceries online, often seeking bonus offerings like home delivery and meal kits.¹ And this year Amazon, the world’s largest online retailer shocked natural food and grocery analysts by purchasing Whole Foods, the nation’s 30th largest retailer and a significant leader of the organic, natural and local grocery market. This is not a time for food marketers to sit back and rest on their laurels.

The local food marketplace is also undergoing dynamic shifts. Local and sustainable food advocates have celebrated as their values emerged from fringes to the mainstream marketplace. Where once upon a time local food was limited to farm stands, Community Supported Agriculture (CSA) and weekly farmers markets, certified organic and some version of local food is now everywhere - amply present in the nation’s largest retailer (Walmart), largest online retailer (Amazon - now owner of Whole Foods), a global leader of institutional food service (Sodexo) and in just about every grocery outlet in Vermont. While advocates celebrate this growth we are also met with the concurrent complications of green/localwashing and weakening producer position in the supply chain relative to producer led direct markets.

With so many market outlets, is the local foods marketplace saturated? Is there still room in the market for farmers markets, CSAs, and farm stands to connect producers directly with their retail customers? What can direct markets do to become stronger and more relevant to today’s consumers?

In an effort to understand the limitations of and opportunities for Vermont’s direct markets, NOFA-VT commissioned this report as part of a multifaceted project that includes research, technical assistance for direct marketers, and a statewide advertising campaign. The target audiences for this report are direct marketers and local food system advocates who want to better understand how direct markets fit into the lives of today’s food shoppers and how direct markets can take strategic steps to appeal to these consumers.

The report is divided into two sections:

Section I provides a picture of the food marketplace in 2017 with key trends of the grocery landscape and descriptions of emerging consumer values and behaviors. This first section is primarily fueled by secondary research of industry market reports and journal articles.

Section II shifts in focus to Vermont’s direct markets to explore how they are positioned within the current grocery landscape, what challenges are holding our direct markets back from growth, and recommendations for how direct marketers and their supporters can strengthen their market share. Section II is informed by interviews with 28 direct market stakeholders including producers, farmers market/farm stand/CSA managers, farm consultants, and direct market advocates who are listed in Appendix A.

For the purposes of this report, we have defined direct markets as retail channels that directly connect producers to end users including farmers markets, CSA programs, and farm stands. These channels are also labelled “Direct to Consumer.” In some cases these models may blend in some wholesaling aspects, for example farm stands and multi-farm CSAs may purchase and resell products from other local growers. We have not incorporated Direct Store Delivery (DSD) or direct to restaurant marketing in this research because these strategies represent different purchasing patterns, messaging strategies, and relationships to end users. However, many Vermont direct marketers are also selling directly to restaurants and grocery stores, and consider these accounts to be a different kind of retail sale.

One additional definition that is important to keep in mind throughout this report is that of market saturation:

Market saturation is a situation that arises when the volume of a product or service in a marketplace has been maximized in its current state. At the point of saturation, a company can only achieve further growth through new product improvements, by taking existing market share from competitors or through a rise in overall consumer demand.²

In simple terms, market saturation describes a market where the supply of a product or service exceeds the demand for that product/service. As we consider the position for direct markets in the broader food marketplace, let's remember that saturation is not a static condition; rather the market can expand through product innovation and improvement or increasing consumer demand. With this in mind, how can we support direct marketers to leverage new growth by being dynamic, agile, and responsive to customer needs?



Source: Capital City Farmers Market

"If market saturation means that only 6% of the food we consume is produced locally, we have a problem. Even a 30% increase would be huge! Let's keep trying."
—Mike Ghia, Land for Good

Grocery and Market Overview

Market saturation goes hand in hand with a mature market. While there are a number of factors that define Vermont's direct to consumer food marketplace as a distinct, niche market, direct markets exist within the broader economic and cultural landscape of the American food marketplace. The US grocery industry is a large, mature industry with \$650 billion in sales.³ Due to its maturing, the industry now sees very modest growth with an annual increase between 2000-2011 of 0.8% per year.⁴ We can use common sense to understand the circumstances that have led to the maturing of the food market: the American population is not significantly increasing, it exists within a market of ample food supply, and Americans do not show preferences for spending a higher percentage of income on food. Within this food landscape, there are a number of recent trends that are relevant to how farmers markets, CSAs, and farm stands identify new market opportunities and threats.

Consolidation: Due to the mature status of the grocery market, it is no surprise to see ongoing consolidation. Consolidation is a strategy to improve economies of scale and increase market share in an increasingly competitive marketplace. 2013 data from the US Treasury Department indicates that the top 20 grocers



Source: Geekwire

accounted for 64% of revenues, a dramatic increase from the 40% share ten years prior.⁵ While some see consolidation as beneficial for grocers and consumers (reduced expenses can lead to lower prices), it is generally understood that consolidation disempowers suppliers including farmers. Supermarket consolidation appears to be on the rise with increased merger and acquisition activity.⁶ A recent notable acquisition was Amazon's purchase of Whole Foods for \$13.7 billion in 2017. While Amazon and Whole Foods control a relatively small portion of the overall grocery market (collective 1.4%), this acquisition may have an impact on Vermont farmers who rely on Whole Foods to access the wholesale natural foods channel.⁷

Impact on direct markets: Consolidation can put downward pressure on suppliers as retailers gain consolidated market share and gain more control over the supply chain. This pressure may make it harder for smaller, localized producers to access and thrive in these markets, making direct markets a more important market channel.⁸

Vermont's direct marketers may benefit from integrating consolidation strategies into direct markets. For example: Are there opportunities for multiple farmers markets to consolidate under a single manager and board? Can diverse vendors share a single farm stand optimized for location?

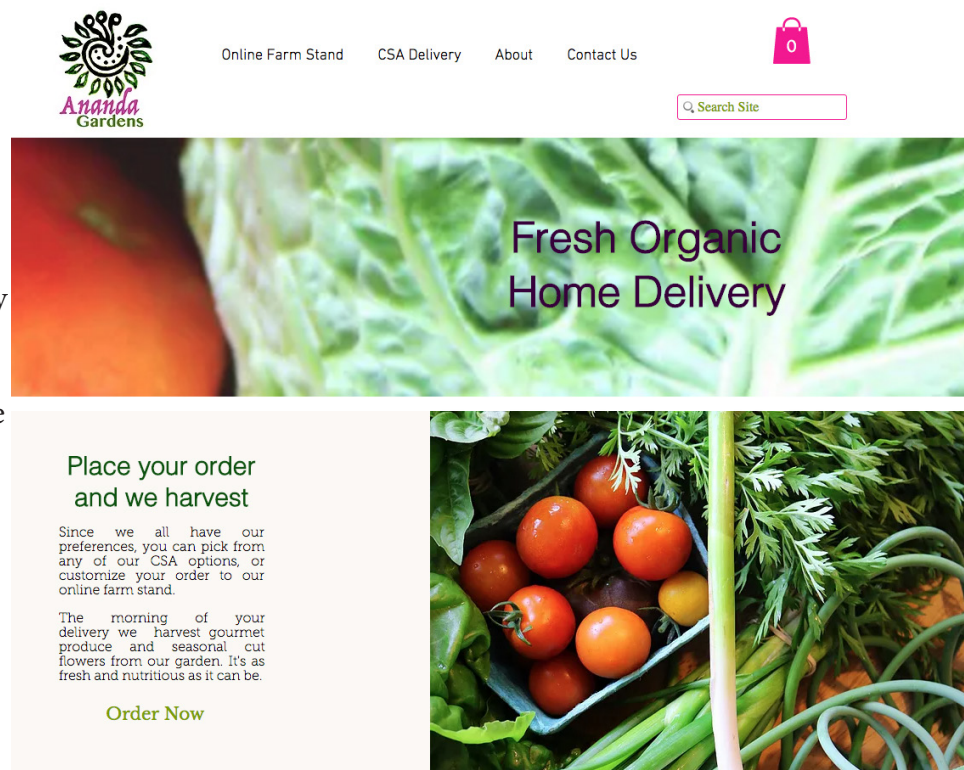
Grocery Channel Fragmentation: One of the pressures that is leading to such significant consolidation in the bricks and mortar grocery market is the fragmentation of grocery channels. In 2005, 67% of shoppers indicated the 'supermarket' as their primary grocery outlet, which dropped to 47% in 2017.⁹ Fragmentation pressure is coming from superstores for stock up groceries, drug and convenience stores for snacks, and specialty stores for select items like bread, coffee, and sometimes produce. These shopping patterns reflect a consumer trend away from the weekly shopping stock up to more shopping trips for immediate consumption.¹⁰

Impact on direct markets: The grocery market fragmentation provides new opportunities for niche markets like farmers markets, CSAs and farm stands to capture market share as consumers show declining loyalty to primary grocery outlets and weekly grocery stock up trips.

Rising Costs: In addition to the pressures from the fragmenting grocery market, traditional grocers are likely to have already thin margins threatened by rising labor, regulations, logistics, and marketing costs.¹¹ Due to the increasing complexity and competition in the marketplace, we may yet see greater consolidation within the traditional grocery sector as smaller companies are unable to compete. Larger companies have demonstrated the competitive advantages of being able to leverage more infrastructure and assets to adopt varying formats that service the fragmenting landscape.¹²

Impact on direct markets: Rising costs and shrinking margins may improve direct markets' competitive advantages as they can leverage lower fixed costs into more agile market adaptations.

Online/Mobile Shopping: Since its initial launch in the 90's, online grocery has been relatively slow to take hold of American shoppers compared with other retail categories. While the Pew Research Center reports that 79% of Americans shop online, a recent FMI-Nielsen study found that only 23% are buying groceries online.^{13 14} Urban shoppers are more likely than rural shoppers to engage in online grocery shopping finding that 38% of urban respondents purchased food online compared with 25% of rural shoppers as found by a 2016 Harris Poll.¹⁵ The study predicts that online grocery is now positioned to take off in the marketplace and will likely reach maturation within a relatively quick time period due to the sophistication and e-commerce familiarity of online shoppers, especially Millennial and Generation Z 'digital natives.'¹⁶



Source: Ananda Gardens

A 2015 Nielsen study identifies that consumers who buy groceries online prefer the channel for stock up items and higher-margin items that can be discounted in an e-commerce setting. Shoppers also seek speciality and hard to find items online.¹⁷ Fresh and perishable foods are less preferable online because of the consumer desire to inspect and choose fresh foods (produce, meats, frozen) and because of the logistical challenges in delivering fresh foods to online shoppers at home (a.k.a 'last mile').¹⁸

This challenge to build operations and logistics to service the last mile is encouraging many grocers to develop different ways to integrate digital behavior into their bricks and mortar offerings to enhance the overall consumer experience. Examples of crossing bricks and mortar and online channels include promoting online coupons for in store use and combining online sales with in store pick-ups.

Impact on direct markets: Online sales has not yet disrupted Vermont's grocery industry, but will almost certainly gain market influence and share. Direct markets suffer from the same logistical difficulties in implementing online

markets that challenge traditional grocers and may not have the resources to develop viable solutions. However, direct markets can make immediate investments in digital marketing by offering digital coupons/promotions, enhancing market experiences by prompting social media sharing and developing (or promoting existing) pre-buy e-commerce opportunities. Online platforms like Localvore, Farmers to You, Farmigo, and FarmFan are existing resources that can help direct marketers cultivate digital communities.

Home Delivery: Home delivery of groceries dovetails with other industry trends towards improved service and convenience, with businesses like Amazon Fresh, FreshDirect, Peapod, and Instacart leading the market. Conquering the last mile from grocery store to consumer's home continues to be costly and challenging, and different companies are using different solutions including third-party distributors and Amazon 'Lockers'. While consumers may be interested in the convenience of home delivery, their use of the service will depend on whether or not retailers are able to design affordable delivery options that maintain product quality. Widespread home delivery is unlikely to become widely available in Vermont's current economy due to the high costs of distributing to rural and dispersed customers.

Impact on direct markets: Home delivery will have similar effects on direct markets as the general fragmentation of the food marketplace. Direct markets may lose some market share to home delivery but can also leverage lack of customer loyalty to a primary grocer into new share by presenting competitive value propositions. Home delivery may be difficult to implement cost effectively in Vermont's rural communities, but this supply chain limitation in conquering the last mile is a challenge across the industry. With the lead time necessary for online groceries to conquer the last mile, direct markets will benefit from strengthening their unique position as food shopping with high experiential value.

Meal Kits: Meals kits have caused a stir in the market since since 2014. As often happens with potential market disruptions, the jury is out on whether meal kits are a passing fad or will make capture significant market share. Investors are betting on their success; meal kits companies have received large rounds of initial investments and we saw the first meal kit IPO this year raising \$300 million.¹⁹ While these companies generated an estimated \$1-1.5 billion in 2016, it is questionable how close any of these companies are to achieving profitability.²⁰ Marketing costs, particularly the cost of customer acquisition, is one of the biggest questions of whether or not meal kits will have staying power.²¹

More and more traditional grocers (e.g. Krogers and Publix) are now offering in store meal kits, which provide consumers the advantage of on-demand availability. Amazon launched a meal kit service in July 2017, joining other online grocers such as Good Eggs who bring the competitive advantage of developed logistics.²² Blue Apron has started to diversify its offerings away from meal kits to include a marketplace for specialty foods and kitchen tools. Today it looks like meal kits will join the fragmenting landscape of how Americans shop for groceries but they are unlikely to take a dominant position in the marketplace.

As of this year, 25% of American adults have tried meal kits, with 70% of those customers purchasing more than one box. As with other online formats, Millennials, and Generation X are the most apt to purchase meal kits.²³

Impact on direct markets: Direct markets may benefit from meal kit efforts to improve consumers interests in cooking and eating at home. One piggyback strategy is to track popular recipes offered through meal boxes to see what ingredients are becoming more familiar to consumers. Also, direct marketers may be able to develop local meal kit concepts that improve on the existing kit shortcomings by combining kit pick-ups with other shopping opportunities, offering more individual customization, and reducing packaging.

Weakening Power of Food Brands: In 2017, 50% of shoppers say they buy more private label brands compared with last year. 93% of those shoppers cited that they buy private labels to save money, and 80%

of shoppers believe private labels are as good or better than name brands.²⁴ Two-thirds of the top consumer packaged goods brands saw sales decline in 2015 and the top 5 lost \$13 billion in sales.²⁵ This trend reflects the dual prong trends of consumers seeking money savings opportunities and a declining level of trust in large food corporations, which is related to customers desires for relatable and authentic brands and believable communication around transparency.²⁶ Without loyalty to either particular product brands or a primary grocery store, consumers are more apt to shop the fragmented marketplace for the products and services that best meet their personal needs.

Impact on direct markets: While private labels are mostly represented in consumer packaged goods categories and not categories common to direct markets, the decline in trust of and loyalty towards large food corporations presents an opportunity for direct marketers to gain the attention (and potentially the loyalty) of consumers. Almost by definition, direct markets represent transparent supply chains and carry the authenticity of small, localized businesses; however, direct marketers must successfully communicate these assets to consumers for them to become valuable marketing resources. Direct marketers can strengthen the story of their brand with photos, postcards, social media posts, and earned media that highlight their unique selling propositions.

Co-opting of Local and Organic Branding: You cannot read a food trend report from the last 10 years without 'local' being highlighted. It is no wonder that 'localwashing' has become nearly as commonplace as greenwashing was in the early 2000's.²⁷ In 2013, Hartman found 25% of consumers indicated an interest in locally produced food and drink, representing at 92% increase from five years prior.²⁸ Today we see some of the largest corporate brands promoting, sometimes questionable local claims, including Walmart, Starbucks, and Hellman's. Nearly every grocery chain claims locally produced and expanded organic food offerings.²⁹ Food Marketing Institute released advice in its 2017 "Power of Produce" report encouraging grocery stores to improve sales and protect against lost sales by strengthening "their own farmer-to-consumer" experience with farmer web presence, highlighting specific farms in the stores, and developing exclusive contracts with farmers for unique regional items.³⁰

Impact on direct markets: This trend is especially challenging for direct markets because most have built their identity on product attributes such as locally-grown and organic, but large outlets are able to provide these products in more conventional formats. This trend of large food processors and retailers building local brands is putting significant pressure on direct markets to clarify the unique assets and benefits they offer beyond local and organic products.

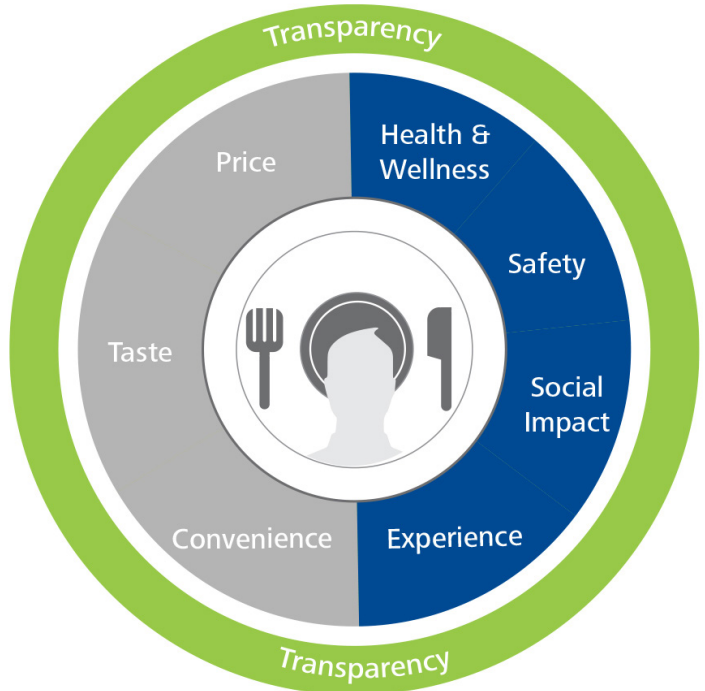
Takeaways:

- The grocery industry is consolidating to fewer corporate leaders while grocery channels are fragmenting into more diversified and niche offerings. While it is unlikely that new channels such as online shopping and meal kits will take majority shares of the industry, all of these different options are eroding the stability of the traditional bricks and mortar grocery store.
- Consumers have more information and more options than ever before. With this power, they are demanding stronger value propositions from their food purchases including improved convenience, authenticity, transparency, stories, and price.
- With fragmentation, there are more opportunities for direct markets to grab consumer attention. However, the increasingly intense competition for retail food dollars means that direct markets must provide compelling value propositions beyond attributes that have become industry norms like "local" and "organic."

Consumer Values and Behaviors

Americans spend about 10% of their income on purchasing food, which is among the lowest in the world.³¹ This equates to an average annual household food budget of \$7,023. While consumers spend less and less of their income on food they have increasingly high expectations for the food they are buying and the services that deliver that food. Direct marketers should pay close attention to what consumers are demanding and seek opportunities to provide viable solutions.

Shopping Preferences: American grocery shoppers have traditionally been driven by price above all other values in their grocery selection, with convenience and product quality following behind.³² Recent trend analysts such as Hartman Group and Food Marketing Institute (FMI) have noted that while price continues to be important for many shoppers, consumers today are seeking added values of transparency, authenticity, and health.³³ A Deloitte study of 5,000 consumers found that 51% now shop with “evolving values” focused on health/wellness, safety, social impact, experience, and transparency over the “traditional values” of price, taste and convenience.³⁴ The expansion of “evolving values” has had distinct impacts on the food marketplace, for example:



Source: Deloitte Development, LLC

- Skyrocketing the organic food industry from a niche sector to a \$43 billion industry.³⁵
- Forcing food marketers across the industry to address transparency.³⁶
- Increasing local food sales via direct to consumer, direct to retail and food hubs to \$8.7 billion.³⁷

Remembering that customer segments and individual consumers respond to these values differently, it is important to observe the broader trends of how consumers are changing the way they buy food. Shoppers are seeking opportunities to save on staple consumer packaged goods through purchasing private labels and seeking online discounting while spending time and money on specialty products that come with a perception of transparency, sustainability, and authenticity.^{38 39} Some analysts predict that forward thinking grocery stores will shrink the center of the store to easier, faster, more convenient formats (e.g. online with pick-up or home delivery) and expand the perimeter of the store with enhanced fresh, ready to eat, and specialty offerings.⁴⁰

Impact on direct markets: The increasing presence and demands of consumers who prioritize values such as health, safety, social impact, and experience are very important to direct markets. These values are central to many of Vermont's direct markets and provide one of the most significant competitive advantages. Direct markets can benefit from understanding the 'evolving value' consumer profiles and carefully crafting marketing to attract these target customers. The Deloitte report "Capitalizing on the Shifting Consumer Food Value Equation" provides useful consumer profiles that can be correlated with Vermont based market research.⁴¹

Spontaneous Shopping: The trend of shopping for immediate consumption is related to the growing demand for convenience and impulse shopping. Millennials demonstrate more spontaneous purchases for immediate consumption with less time meal planning.⁴² Essentially every sector, slice, and innovation in the grocery

channel is trying to better serve the consumer demand of convenience and impulse buying. Such innovations can be found across all bricks and mortar formats as well as online stores, meal kits, and pop up markets.

Impact on direct markets: Direct marketers can capitalize on spontaneous shopping trends by providing prompts that help consumers see how they can easily make use of the products. Photos, recipes, meal suggestions, samples, and verbal prompts are all marketing tools to help create spontaneous demand. Marketers may also use mobile and social media marketing to alert fans of an immediate shopping opportunity (e.g. fresh samples offered right now at the farmers market, limited supply of special product on sale now, etc.).

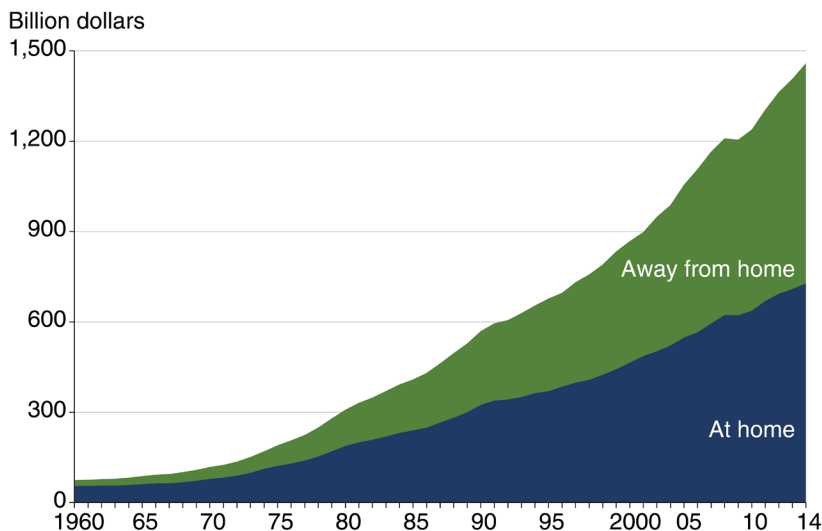
Smaller Households: Household and shopper demographics are shifting for Americans. In 1960, 49% of households were families with children under 18 compared with 28% in 2014. Since 1960, the percentage of single occupant households and multi-person households in which the occupants are unrelated (i.e. roommates) has more than doubled to 34%. This shift has led to 46% of eating occasions being alone and 16% of eating occasions taking place with food purchased for immediate consumption.⁴³

Solitary eating correlates with other important trends including: 1) an increase in snacking and shift away from focused eating times and 2) shifts towards “in the moment” shopping instead of stock up shopping trips.⁴⁴

Impact on direct markets: Direct markets are often well positioned to serve smaller households as the reduced logistics and shortened supply chain allow for more flexibility in pack sizes. Farmers markets and most CSA models are not well designed to service impulsive shopping but can use prompts and alerts to optimize spontaneous interest from customers. Marketers will also benefit from innovating more snack and quick meal solutions.

Co-Shopping: Another significant shift has been in the demographics of who is shopping for the household. FMI reports that there are now more adults claiming to be primary shoppers for their household (share at least 50% of grocery shopping) than there are households in the country.⁴⁵ The report indicates that men increasingly participate in both grocery shopping and food preparation. As different types of shoppers approach shopping with different priorities, retailers should become more knowledgeable about household sharing-strategies and more nimble in aligning merchandising with shopper needs.⁴⁶

Food-at-home and away-from-home expenditures in the United States, 1960-2014



Source: USDA, Economic Research Service, Food Expenditure Series

Impact on direct markets: Most direct markets do not suffer from deeply entrenched marketing focused solely on female shoppers, so they may have less need to adjust to this trend. However, direct markets can capitalize on more male shoppers with activities that favor male preferences for quick shopping trips and ability to self-serve.⁴⁷

Eating Out vs Cooking: In 2014, the “Great Convergence” occurred in the American food market, with Americans spending approximately equal percentages of their income on food at home and food away from home. This trend correlates with other cultural shifts including a long term decline in amount of time spent cooking (now

about 30 minutes/day), increase in eating alone, and increase in snacking.^{48 49} Consumers are demonstrating a growing need to eat around their schedule rather than schedule around their eating, and food away from home reflects this time need. Despite the increase in food away from home, consumers - especially younger consumers, are showing some preference for healthy and fresh foods. It is possible that the interest in healthy and fresh food may lead consumers to discover other advantages of home food preparation such as affordability and quality recreation time.⁵⁰ It is important to note that lower income brackets spend less on food away from home than Americans in higher income brackets.⁵¹

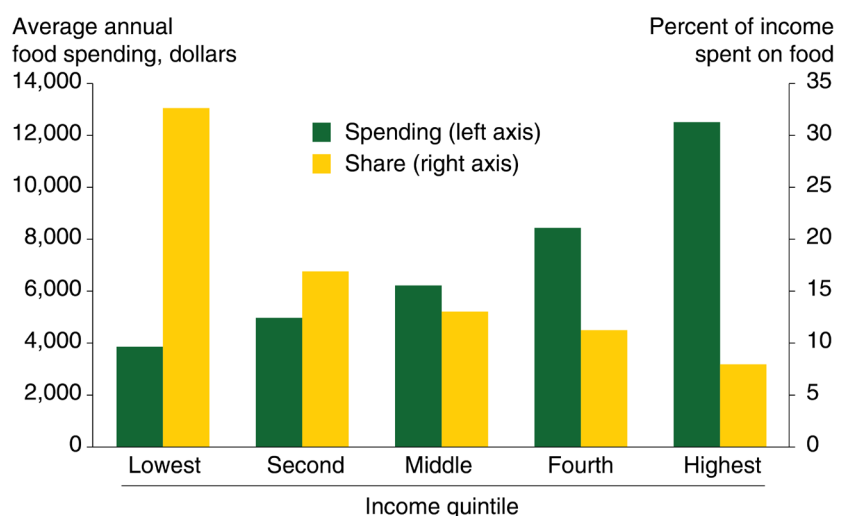
Impact on direct markets: Most of Vermont's direct markets primarily sell locally-grown food ingredients to be prepared at home. As consumers rely on more ready to eat food options they have less appetite for food preparation ingredients. For local farms to maintain market share, they will need to more deeply penetrate the food processing industry. It would be especially strengthening to the direct market channel if prepared food vendors at farmers markets, farm stands, and CSAs featured ingredients from their fellow agricultural vendors.

Direct marketers can also continue to support a culture of home cooking by giving out recipes that empower customers to cook, creating social experiences around meal and menu sharing, and promoting the lifestyle benefits of home cooking.

Food Purchasing on Different Incomes:

Lower income shoppers spend on average less money but a higher percentage of their income on food and more of this money is spent on food to be consumed at home (rather than out).⁵² This pattern conforms with the typical expectation that lower earners will spend a greater percentage of their income on basic needs.

Food spending and share of income spent on food across U.S. households, 2016



Source: USDA, Economic Research Service

All income brackets spend most of their income on housing (25%), transportation (12%), and then food (10%).⁵³ Healthcare is the 5th largest expenditure at 6% after social security and pensions.⁵⁴ Because food budgeting may be more adaptable than other major household expenses like housing, transportation and healthcare, food budgets can be a strategic place consumers seek cost saving measures.

Impact on direct markets: A number of Vermont direct markets have set goals for improving market accessibility to all income groups. This is an excellent goal but requires awareness of the different demands of each income demographic. While many higher income shoppers may be attracted to markets for their entertainment and prepared foods, low income and SNAP eligible shoppers will likely be seeking affordable prepare-at-home food options. Markets should promote different messages to target different demographics. For example markets can target high earners with opportunities to sample specialty craft beverages while targeting low earners with savings opportunities throughout the market (e.g. low cost recipes, signage indicating 'good value' options and loyalty cards that offer discounts).

Takeaways:

- What were once considered niche values: transparency, health/wellness, social impact, and experience have become mainstream priorities for American consumers. Price and convenience continue to be important, but customers are more flexible in how they define value.

- Shifting shopping patterns (diverse household sizes, co-shopping, spontaneous shopping) are opening new opportunities to speak to different types of consumers with different types of messages. This shift raises the importance of defining different customer profiles and assigning customized messaging strategies to those customers.
- Whether eating out or buying ready to eat food to take home, Americans are cooking less. Direct marketers will benefit from offering snackable solutions, prepared food options and easy recipes, especially those that are different from what other grocers offer (e.g. using products from other vendors/nearby farmers).

“Trends are going to happen and we are going to need to adapt those trends to fit with our models. We aim to be true to ourselves, do what we want to do and be honest with ourselves when the model is no longer viable.”
—Andrew Knafel, Clearbrook Farm

Are Direct Markets Still Relevant?

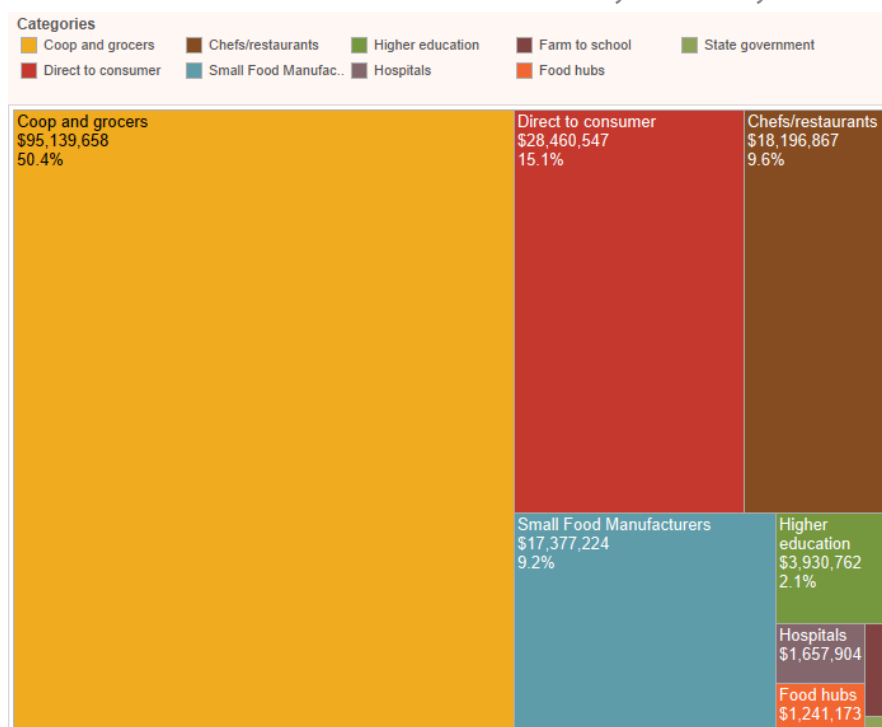
“Understanding Consumer Demand” (Chapter 3.1) of the Farm to Plate (F2P) Strategic Plan provides excellent analysis of the value of direct markets to Vermont producers. The adjacent chart from the plan illustrates that in 2015, 15.1% (\$28.5 million) of all local food purchasing occurred in direct to consumer channels, making this channel second only to co-ops and grocers.⁵⁵ Direct to consumer channels represent approximately 60% more in sales than to either restaurants or food manufacturers and 400% more than sales to institutions.⁵⁶

F2P’s analysis also indicates the centrality of direct to consumer marketing for Vermont’s farms. 72% of Vermont’s vegetable and fruit growers sell directly to consumers, exceeding the New England average of 50%.⁵⁷ USDA census data shows a 187% increase in direct to consumer sales of Vermont agricultural products between 2002 and 2012.⁵⁸ Furthermore, direct sales grew to 3.5% of Vermont’s total agricultural sales in 2012 from 2%, representing \$27.4 million.⁵⁹

The growth in Vermont’s direct market channel correlates with a surge in interest in locally grown food fuelled by in part by things like Michael Pollan’s *Omnivore’s Dilemma* and the Localvore Challenge. At the same time, national and state policy shapers identified local food markets as a keystone to addressing environmental safety, economic and community development, and public health. Since 2008, the USDA’s Farmers Market Promotion Program has awarded \$58 million dollars in grants to support farmers markets, CSA’s, and other direct producer to consumer enterprise development.

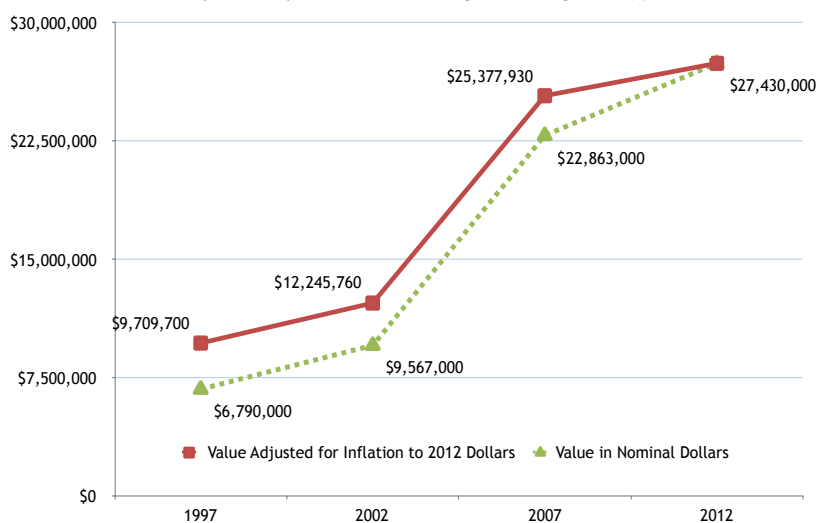
While 2002-2012 demonstrated impressive growth in Vermont’s direct to consumer sales, most occurred between 2002-2007 with growth slowing after 2007. Since 2007, individual farms experienced a downturn in sales due to increasing competitive pressure. From 2007 to 2012 the average direct sales per Vermont farm decreased 15% from \$15,511 to \$13,245 as the number of farms selling direct increased 40% from 1,474 to 2,071.⁶⁰ Though Vermont direct sales have been slower to grow between 2007-2012, this modest growth has outpaced national direct to consumer sales trends, which have declined by 1% when measured in constant 2012 dollars.⁶¹

Farm to Plate 2014 Local Food Purchase Survey Results by Channel



Source: Farm to Plate Strategic Plan, “Understanding Consumer Demand”

Value of Vermont Direct to Consumer Sales 1997-2012



Source: USDA Census of Agriculture - State Data 1997, 2002, 2007, 2012

The 2017 USDA Census direct to consumer data points will likely look different from those in 2012 and will help to reveal if direct marketing has reached an apex or continues to grow. Whether or not there was growth in direct markets between 2012-2017, there are promising opportunities for this channel if direct marketers can meet the emerging needs for convenience, authenticity, transparency, fun, online marketing, and value. This year, Food Marketing Institute's annual report, Power of Produce cautioned grocers that a growing number of consumers are periodically leaving grocery stores to find fresher produce at farmers markets (37% of consumers) and farm stands (16%), which are greater switch threats than organic specialty stores (17%), ethnic stores (9%), or meal kits (3%).⁶²

Vermont's direct markets benefit from distinct competitive advantages in the the context of today's grocery industry. First and foremost, direct marketers are best poised to deliver on outstanding products, authenticity, and transparency. Furthermore, direct markets, especially CSAs and farmers markets have low fixed-costs (not counting production expenses), making them more flexible to adapt to the emerging grocery trends. It should also be noted that direct markets can play an important role in strengthening the broader local foods marketplace by serving as experiential marketing that is more memorable, personal and compelling than other forms of marketing.^{63 64}

Direct markets are important to Vermont producers and have distinct opportunities to thrive in today's food landscape. However, the grocery marketplace continues to become more sophisticated. Direct marketers who are by definition not dedicated marketers, may be challenged to single-handedly navigate the increasingly nuanced marketing demands.

"Our farmers market and CSA customers are excited when they see our products at the grocery store."
—Pete Johnson, Pete's Greens



Source: Pete's Greens

Why is Marketing So Hard?

While there are encouraging trends that point to successes for farmers selling directly to consumers, Vermont's direct marketplace is showing signs of slowing growth. If so many consumer trends align with the product attributes available in Vermont's direct markets, why aren't we continuing to see the bumper growth of the early 2000's?

Marketing Cannot Be an Afterthought:

One of the central tenets of direct marketing is that the producer earns more of the retail dollar. While direct marketers anticipate spending a large amount of labor time bringing their products to market, they often do not invest in the full range of marketing assets that will help them grow their market share of that retail dollar. Among all of the management demands of running a farm, direct marketers often struggle to have the staff capacity, cash resources, and/or the personality traits to thrive in this competitive landscape that requires increasingly sophisticated marketing strategies.

Saturated markets demand increasingly sophisticated marketing. As most Vermont consumers have ready access to a diverse selection of locally produced foods, farmers markets, CSA, and farm stands are no longer the exclusive outlets for local food and cannot rely on simply bringing products to market to entice consumers. Rather direct marketers need to develop specific messaging, products and services that address the nuanced needs, pain points (a real or perceived problem), and values of consumers beyond their demand for easily replicable product attributes like local and organic.

During the research interviews conducted in 2017 for this report, direct marketers talked about their various marketing strategies including: understanding the target market, designing product/service mix, defining an appropriate channel mix, merchandising, advertising and promoting, appropriate pricing, engaging customers and integrating feedback, and building a compelling brand. The direct marketing leaders who were interviewed indicated prowess with one or more of these skills. In particular they reflected an aptitude for

"So few people in our local food marketplace have a job that is solely focused on marketing; it is almost always a side note to operations."

—Kendall Frost, Intervale Food Hub

market observation, managing product mix and to some extent social media marketing. Across the board direct marketers felt they needed help to improve their merchandising, analyzing channels, advertising, developing marketing plans, and strengthening their brand identity.

Farmers markets are interesting within the channel because they provide an opportunity to share the cost of a skilled marketer across all of the vendors. Unfortunately, many farmers market managers are hired as coordinators to help bring the products to market by fulfilling day of operations and do a bare minimum of market promotions (via flyers and Facebook). Few managers are hired based on marketing expertise. Many of the managers I spoke with lamented the lack of funding to compensate for time spent beyond basic market operations. Because of this lack of investment, many of our farmers markets are failing to stay relevant in the food marketplace where industry leaders (big consumer packaged goods companies) are spending up to 25% of their gross revenues on marketing.⁶⁵

As the 'local food' marketplace becomes more saturated, successful direct marketers will enhance their marketing with one or more of these strategies:

Develop a niche: e.g. winter produce, specialty baby vegetables, halal meat, vegan cheese.

Add value: e.g. build a brand with meaning, home delivery, loyalty discounts, customer choice, bring products to larger population centers, cross promote through different channels (e.g. convenient access to farm branded products in the grocery store complimenting high level brand experiences at the farmers market).

Identify and act on trends/solve problems and fill gaps in the market: Here are examples of solutions that have been used to meet current trends -

Trend: Localvores want year round local produce. Solution: supply winter storage crops, push season extension.

Trend: Customers want convenient food access. Solution: provide home/workplace delivery, ready to eat meals.

Trend: Consumers want rich online identities Solution: Build online communities around shared experiences on social media.

These strategies are not easy and direct marketers should seek any and all opportunities to leverage partnerships to tackle these necessary investments. Vermont is a small marketplace and carving niches can create a customer pool that is too small. Adding value usually increases expenses, reducing already thin margins. Innovation is expensive, requires new operations and is risky.

Farmers Market Challenges:

Farmers markets are well-positioned to tap into today's consumer values; they offer utmost transparency, provide authentic and fun experience, and provide opportunities to buy local, organic, and GMO-free foods. However, many of Vermont's farmers markets are struggling to increase their market share due to a number of central challenges:

- Too many markets, markets too small: Farmers and direct market stakeholders interviewed for this report cited that there are too many farmers markets in Vermont to attract a viable volume of shoppers. Furthermore, as more and more communities launch a farmers market, many of them are too small. These markets experience a weakening cycle of losing customers because of being unable to provide an appealing product mix, which further limits the quality of vendors who are able to participate. Diane Eggert of the NY Federation of Farmers Markets indicated that the growing number of farmers markets is threatening the overall customer perception of the farmers markets brand as customers experience more lackluster, under-resourced markets.
- Inconvenient: Farmers markets can lose market share to more convenient outlets like co-ops, restaurants and online markets, especially now that other formats have more and more local, organic and healthy options. Potential farmers market customers face limited hours, sometimes difficult parking requiring transporting purchases a long way, limited opportunities to keep products cool, no shopping carts, etc.
- No marketing: One of the most discouraging challenges that Vermont farmers markets face is chronic under-investment in marketing. All of the farmers market stakeholder interviewed for this report expressed desire for more resources to help develop marketing strategies and to put those strategies into action. While a few farmers market managers indicated that they were able to perform some higher capacity marketing functions such as tracking sales trends and managing product mix, most markets had limited marketing investments primarily focused on simple print and digital advertising.

CSA Challenges:

The traditional CSA model is a niche service. In its most basic and traditional model, CSA does not readily dovetail with many consumer food trends, such as preferences for convenience, personalized choice, and spontaneous consumption. That said there have been dramatic increases in the number of Vermont CSAs

and CSA participants throughout the local foods boom mirrored by widespread growth of CSA across the country.⁶⁶ A number of CSAs have developed very strong market positioning through best in class service and/or innovative offerings that meet consumer preferences such as: convenient pickups (e.g. workplace) and home deliveries, personalized choice (custom boxes and debit cards), authenticity (multi-farm boxes that highlight special local producers), and enhanced experiences (on-farm celebrations).

Farm marketing advisors continue to caution new farmers launching early enterprise CSA operations about the complexities and challenges in managing viable CSA programs. Aside from the production challenges of meeting the needs of the traditional CSA model, farm advisors are concerned about how difficult it is to analyze and maintain profitability within the CSA box model. Often CSA enterprises try to gain market share by increasing the value of the share with more produce in box, which both impacts margin and leads to the most common reason for customer leaving, too much produce.

Because of the production and logistical resources required for CSAs, CSA producers can suffer from lack of resources (time) to support viable enterprises. Important marketing activities for CSA managers include managing product mix, engaging customers in a personalized and authentic relationship, soliciting and integrating feedback from customers into CSA design, adding value to overcome potential perceptions of inconvenience, lack of consumer choice, and burden of food preparation.

Farm Stand Challenges:

Farm stands vary greatly from simple models that solely feature the producing enterprise to large diversified retail stores selling a range of products from many different producers. Given the right location, scale, product mix, and management, farm stands can be extremely attractive to today's shoppers. While farm stands can provide lucrative direct marketing outlets, they require a more sophisticated approach to retail management than other direct marketing channels. The producers interviewed for this report, particularly those that stock products from many vendors, described the challenges of learning retail store management, a trade that is quite different from producing food. Farm stand operators identified the challenges of managing product mix and inventory, and knowing when to hire additional marketing/farm stand support (rather than assuming these activities into general farm management). All of the farm stand operators interviewed for this report perceived less educational support and advocacy for farm stands than other forms of local food marketing.

Direct Marketing Succession:

There has been some discussion in Vermont about whether or not new direct marketers can benefit from a developed direct market brand passed on within a farm succession plan. A number of interviewees suggested that individual enterprises may benefit from openings in markets as legacy farms retire, but that these transitions will not relieve the market saturation.

Mike Ghia of Land for Good shed a lot of light on this subject, suggesting that it can be difficult for direct marketing farms to provide continuity from one owner to the next because:

- Direct market brands are heavily built up on relationships and customers are unlikely to feel a sense of brand loyalty as owners/primaries change.
- New owners bring different management styles and priorities that often result in some changeover in customers.
- Many farms are unable to preserve their market position within a farmers market (or wholesale market) through a farm transition.
- New farm owners often carry the financial burden of having just purchased a farm, which may put pressure on them to demand more from their margins (raise prices, limit services, decrease marketing, etc).

Recommendations

Direct markets are a critical keystone to Vermont's local food market. Advocates of the local food system cannot afford to let direct markets become irrelevant as other food and retail channels aggressively fight to maintain and grow their market share.

Most industries recognize that gaining market share in today's mature market requires robust marketing improvements that meet the customer where they are with exactly what they want when they want it. Under this competitive pressure, Vermont's direct marketplace is threatened by lack of marketing sophistication and low investments in marketing. However, direct markets have distinct advantages to compete in this environment including top-quality products, trustworthy transparency, authentic and meaningful brand experiences and share worthy shopping moments.

Here are recommendations on how direct marketing stakeholders can support growth in and empowerment of the direct marketing channel:

Build a Strategic Marketing Coalition

Not everyone is suited to marketing. Good marketers have a combination of personality attributes (curiosity, high emotional intelligence, ability to strategize and implement, comfortable with experimentation) and training (ability to watch market trends, understanding of marketing strategies, tools to measure marketing return on investment, etc). Even those direct marketers that have natural marketing skills are unlikely to have the time and financial resources to develop the sophisticated marketing strategies necessary to compete in today's consumer markets.

Every direct market stakeholder interviewed for this report expressed a need for help with their marketing. While many of these individuals have attended marketing workshops or consulted educational resources, most reported finding it difficult to integrate learnings into new marketing strategies, especially without ongoing guidance.

Direct marketing producers can benefit from more one-on-one guidance via marketing consultants. Stakeholders identified that they would especially benefit from technical assistance around:

- Channel assessment and prioritization
- Identifying market opportunities
- Creating actionable checklists of marketing activities
- Conducting enterprise audits of existing market resources
- Access to a database of marketing consultants/firms defining different marketing services: branding, graphic design, social media, marketing strategy, market research, etc.

We can enhance the relevancy of Vermont's direct markets by developing a coalition of marketers, with strategically strong marketers and marketing resources placed at key leverage points. Look for leverage points where a centralized marketing manager can serve as a savvy market maker shared by many individual producers with impact on a wider population of consumers. These market makers should include market management at key Vermont farmers markets (e.g. top 10 population centers), multi-farm CSA programs and multi-vendor farm stands. All of these outlets currently have managers in place, but they are often tasked with numerous operational duties and have limited resources to focus on marketing. A stronger marketing investment in these outlets can drive improved messaging, innovation, and relevancy across the direct marketing sector.

At the same time, direct market advocacy organizations can support the coalition with higher level marketing research, tools and campaigns that are likely inaccessible to individual direct marketers. Many organizations already do some of this work such as conducting market research (e.g. Farm to Plate “Understanding the Vermont Consumer” profiling project), funding/programming to support marketing technical assistance for individual producers and multi-vendor markets (e.g. Healthcare Without Harm “Faces of New England” project), and investing in effective and saturating advertising campaigns (e.g. Dig In Vermont/NOFA-VT “Open Farm Week”). Marketing services will be increasingly important to the strength of Vermont’s local food system and these organizations are critically important in leveraging resources to help Vermont’s producers compete within the larger grocery industry.

The following table defines roles within the direct marketing coalition and illustrates what investments can have the most impact.

Strategic Partnerships to Leverage Strong Direct Marketing			
Marketer	Characteristics	Reach	Strategies
Producer - Farm Stand Owner Farmers Market Vendor CSA Manager	Directly serves one enterprise. Often a sole operator - serves many enterprise functions. Limited resources to hire marketing experts.	Direct relationships with current customers. Some opportunities to expand reach to local community members.	Excel in marketplace with best in class service, strong merchandising, consistent branding, etc. Champion your channel by posting farmers market events on facebook, broadcasting movement messages, cross promoting with other vendors, etc. Get feedback from (potential) customers. Be curious. Try something new each year.
Market Maker - Farmers Market Manager Multi-farm CSA Manager Multi-farm Farm Stand Manager Regional Direct Marketing Coordinator	Serves more than one enterprise. Balances a marketing, outreach, and/or customer service role with other enterprise functions. Some resources to hire marketing assistants.	Access the broader community via promotions, advertising and networking. Able to reach across communities if valuable.	Invest in an actionable marketing plan and resources to implement the plan. Dedicate some resources each year to market research and innovations. Leverage marketing resources from support agents. Support producers in improving their marketing with education and financial resources.
Support Agent - Community Organizer State Agent of Agriculture and Economic Devel. Local Foods Advocate	Serves mission values: e.g. educate consumers, promote local food, support viable agriculture, etc. Serves a marketing, research, outreach, and/or customer service role. Has resources to hire marketing experts.	Reaches across communities and enterprises to build movements and market trends.	Invest in market research on trends, insights, customer pains points to be shared with the market makers. Develop campaigns to be shared with market makers/producers. Invest in robust advertising/PR to saturate markets with key messages. Support market makers/producers with education and financial resources. Invest in research to identify and pilot marketing innovations.

Beware of Internal Competition:

It is common to feel competitive with your closest market allies as they often present the most overlap in target customers, values, and attributes. At an extreme example, we often see category managers in a retail store perceiving and acting most competitive with other departments within the same store. It is easier to point to concrete and tangible discrepancies such as, they have more/better retail space, than to tackle

the larger market forces of cheap industrial food, hyper-sophisticated food marketing, and disappointing consumer trends. Similarly we often hear of vendors getting wrapped up in competitive battles within their farmers market or CSA marketplace. This can present as price battles to the bottom, personal feuds and political slanders, which all serve to weaken the overall market channel and confuse customers.

Vermont's direct food market channel can be stronger and gain more market share through strong collaborations in which vendors promote other vendors, markets team up for regional promotions, and marketers pool resources to develop innovations and impactful messaging.

Direct Markets Need to Offer Something Unique:

Competition in a saturated market requires differentiation. Providing locally produced goods is losing its power as an innovative and unique selling proposition to the maturation of the local foods market. Direct markets can reinvigorate their growth by resetting their brand around updated and innovative benefits that connect with today's consumers. Most direct markets inherently have a number of unique attributes upon which they can build their value proposition:

- Authentic transparency as consumers can speak directly to producers.
- Unique products that are difficult to sell through intermediated chains (heirloom varieties, limited batch products).
- Experiential opportunities of tasting, learning, interacting.
- Share worthy shopping experiences (food porn, beautiful settings, relationships).

Direct markets will benefit from identifying how they can be uniquely relevant to today's consumers and effectively marketing those unique selling propositions.

Local Prepared Foods and Selling Cooking:

Most of Vermont's direct markets are built on a foundation of supporting local farms and most farms produce raw ingredients from which someone needs to prepare meals. How can direct markets support local farms and maintain relevancy amongst consumers who increasingly buy ready to eat and prepared foods?

Lots of Vermont's direct markets incorporate prepared food vendors to attract more of these consumers. Many of these food processors benefit from the direct market branding such that many consumers perceive the prepared food as containing local, organic, and healthy ingredients. It would make sense that consumers would assume that items purchased at the farmers markets, farm stand, and Community Supported Agriculture share support local agriculture. There is an opportunity for direct markets to strengthen their brand integrity and their support of local agriculture by requiring prepared food vendors to adhere to standards of local food purchasing.

Making more locally grown prepared foods doesn't solve it all. Americans still spend about 50% of their food dollars on food to be consumed at home and there are signals that cooking can be an attractive solution for consumers' needs for healthier eating, authentic experiences, DIY adventures, and saving money.⁶⁷ Direct marketers can join with grocers and other industry stakeholders in promoting the values of cooking through messaging that consumers can relate to. Cooking does not need to be intimidating drudgery, it can be an affordable, fun and healthy way to make authentic personal expressions.⁶⁸

*"The same old thing isn't going to work anymore."
—Jon Cohen, Deep Meadows Farm*

Conclusions

- Direct markets are important to Vermont producers and have distinct opportunities to thrive in today's food landscape. However, the grocery marketplace continues to become more sophisticated. Direct marketers who are by definition not dedicated marketers may be challenged to single-handedly navigate the increasingly nuanced marketing demands of this landscape.
- Advocates of the local food system cannot afford to let direct markets become irrelevant as other food marketers aggressively fight to gain market share. While local food producers will likely participate in many different channels, direct to consumer outlets still offer significant advantages including the ability to capture higher margins.
- Vermont's direct markets benefit from distinct competitive advantages in the the context of today's grocery industry and are best poised to deliver on values such as authenticity, transparency, and experience.
- Direct marketers need to develop specific messaging, products and services that address the nuanced needs, pain points, and values of consumers beyond their demand for simple, easily replicable product attributes like "local" and "organic."
- Vermont's direct food markets can be stronger and gain more market share through strong collaborations in which vendors promote other vendors, markets team up for regional promotions, and marketers pool resources to develop innovations and impactful messaging. The Vermont food movement should work together to identify key leverage points, such as key farmers markets, where strong marketing efforts can be amplified to broad audiences.

"We are constantly looking for ways to educate people on how to use the product. Why do we as farmers have to write recipes too? Well, we do. We feel empowered because people have said that our CSA share has changed their lives, now they pick up their shares before heading to the grocery store."

—Danielle Allen, Root 5 Farm

Acknowledgements

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Source: Root 5 Farm

Appendix A: List of Interviews

Direct Marketers

Melissa and Patrick Sullivan - Ananda Gardens, E. Montpelier

Karin Bellemare - Bear Roots Farm, Barre

Corie Pierce - Bread and Butter Farm, Shelburne

Andrew Knafel - Clearbrook Farm, Shaftsbury

Jon Cohen - Deep Meadows Farm, Windsor

Will Stevens - Golden Russet Farm, Shoreham

Pete Johnson - Pete's Greens, Craftsbury

Danielle Allen - Root 5 Farm, Fairlee

Andrew Plotsky - Stitchdown Farm/Farm Run, Bethel

Erik Rozendaal - Rockville Market Farm, Starksboro

Farmers Market/Multi-Farm CSA Managers

Chris Wagner - Burlington Farmers Market

Ashton Kirol - Capital City Farmers Market

Kendall Frost - Intervale Food Hub

Sherry Maher - POS/Brattleboro Winter Farmers Market

Tod Whitaker - Shelburne Farmers Market

Charlotte Roozekrans - Waitsfield Farmers Market

Advocates and Service Providers

Diane Abruzzini - Consultant

Mimi Arnstein - Consultant

Rose Wilson - Consultant

Jen Cheek - Farmers Market Coalition

Maria Rojas and Liz Carollo - GrowNYC

Mike Ghia - Land for Good

Diane Eggert - NY Federation of Farmers Markets

Mark Cannella - UVM Extension

Liz Gleason - Vermont Farm and Forest Viability Program

End Notes

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