Increasing Customers and Sales at Farmers Markets:
Target Marketing Campaign with Pacific Coast Farmers Market Association

Jim Barham and Carlos Coleman
Marketing Services Division
USDA Agricultural Marketing Service (AMS)

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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
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
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)

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

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

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.
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)
PCFMA Target Marketing Campaign

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

<table>
<thead>
<tr>
<th>Market</th>
<th>Rate (target)</th>
<th>Rate (non target)</th>
<th>Rate (overall)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point Richmond</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Somersville</td>
<td>1.6%</td>
<td>1.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Pleasant Hill</td>
<td>1.8%</td>
<td>2.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>San Bruno</td>
<td>1.7%</td>
<td>1.9%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Stonecreek</td>
<td>1.9%</td>
<td>2.3%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Tracy</td>
<td>2.9%</td>
<td>3.1%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>1.9%</strong></td>
<td><strong>2.0%</strong></td>
<td><strong>1.9%</strong></td>
</tr>
</tbody>
</table>
### Redemption Rates for Targeted Markets*

<table>
<thead>
<tr>
<th>Market</th>
<th>Rate (target)</th>
<th>Rate (not target)</th>
<th>Rate Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jack London</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>South San Fran</td>
<td>1.2%</td>
<td>1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Alum Rock</td>
<td>1.6%</td>
<td>1.9%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Pittsburg</td>
<td>1.9%</td>
<td>1.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Cupertino</td>
<td>2.1%</td>
<td>1.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Concord</td>
<td>2.2%</td>
<td>2.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Santa Teresa</td>
<td>2.2%</td>
<td>2.4%</td>
<td>2.3%</td>
</tr>
<tr>
<td>San Leandro</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Fairfield</td>
<td>3.3%</td>
<td>1.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Vallejo</td>
<td>3.7%</td>
<td>1.9%</td>
<td>2.8%</td>
</tr>
<tr>
<td>San Lorenzo</td>
<td>4.2%</td>
<td>2.1%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Alameda</td>
<td>4.3%</td>
<td>3.3%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Evergreen</td>
<td>8.0%</td>
<td>6.3%</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>2.9%</strong></td>
<td><strong>2.3%</strong></td>
<td><strong>2.7%</strong></td>
</tr>
</tbody>
</table>

*Least Successful (Below 2.5%)*

*Most Successful (2.5% and above)*

**Ave. Redemption Rate: 1.8%**

**Ave. Redemption Rate: 3.7%**

*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**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Least Successful</th>
<th>Most Successful</th>
<th>Statistical Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average HH Income ($)</td>
<td>$93,694</td>
<td>$76,527</td>
<td>.041</td>
</tr>
<tr>
<td>Median HH Income ($)</td>
<td>$74,117</td>
<td>$62,266</td>
<td>.089</td>
</tr>
<tr>
<td>% of HHs earning $100,000 or more</td>
<td>33.7%</td>
<td>25.3%</td>
<td>.059</td>
</tr>
<tr>
<td>% HS Diploma</td>
<td>50.3%</td>
<td>55.7%</td>
<td>.241</td>
</tr>
<tr>
<td>% College Diploma</td>
<td>29.3%</td>
<td>23.3%</td>
<td>.32</td>
</tr>
</tbody>
</table>
## Summary of Findings – Race/Ethnicity –

<table>
<thead>
<tr>
<th>Variable</th>
<th>Least Successful</th>
<th>Most Successful</th>
<th>Statistical Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>% White</td>
<td>42.9%</td>
<td>36.5%</td>
<td>.275</td>
</tr>
<tr>
<td>% Black</td>
<td>8.6%</td>
<td>16.3%</td>
<td>.121</td>
</tr>
<tr>
<td>% Asian</td>
<td>27.7%</td>
<td>26.5%</td>
<td>.875</td>
</tr>
<tr>
<td>% Hispanic</td>
<td>27.4%</td>
<td>25.2%</td>
<td>.674</td>
</tr>
</tbody>
</table>
Market 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.
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
- 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
## Return on Investment

### Marketing Costs

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Mailing List</td>
<td>$4,159</td>
</tr>
<tr>
<td>Postcard Development</td>
<td>$3,150</td>
</tr>
<tr>
<td>Printing/Postage</td>
<td>$12,265</td>
</tr>
<tr>
<td>Appending Lifestyles/Purchasing Addresses</td>
<td>$4,153</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$23,727</strong></td>
</tr>
</tbody>
</table>

- Combined Immediate and Residual **Gross Return** on Investment (2 month period): **$24,740**
- **Net Return** (2 month period): **Slightly over $1,000**
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