Product Development and Merchandising

This chapter will enable you to:

► **Understand the basic concepts and processes in product development and merchandising.**

► **Apply your understanding to strategically develop products and merchandise for your market.**

Successful farmers markets evolve to keep pace with changes in consumer preferences and demographics. Basic consumer demands for quality, value, and convenience are always of paramount importance, but remaining successful also requires a dynamic approach to meeting changing demands. In some cases, the manager guides these changes by bringing in new vendors. In addition, the manager and farmers can work together or the manager can advise farmers in the development of new products and merchandising of current products.

Product Development

Previous chapters considered the market itself as the product to be developed; in this chapter, the goods that are sold at the market are the products under consideration. The rhythms of agricultural production lend the market a natural dynamic; selection changes as various crops are in season. Beyond seasonal availability, though, product development can mean the addition of new products and adding value to existing products.

Adding new products can include:

◙ New product lines at the market, such as meat, dairy products, fish, or flowers.

◙ Expanding existing product lines by adding new varieties of fruits, vegetables, meats, cheeses, etc.

◙ Increasing the selection available.

Adding value to existing products can include:

◙ Improving on the quality, value, or convenience of existing products.

◙ Improving packaging, labeling, and information available to customers.

◙ Improving food safety and "traceability."

The addition of prepared meals and other conveniences can come under the heading of new products or of adding value to existing products, depending on how the products are offered.

Product Development from Concept to Market

As is true of strategic marketing for the farmers market as a whole, product development begins with research and observation. The market manager and board of directors may collaborate with appropriate agencies to update vendors on the new product development and commercialization process. Once a need for a new product or improvement has been identified, the rest of the process follows the steps of brainstorming product ideas, analyzing their feasibility, developing a prototype, test-marketing, evaluating, and then expanding production or adoption of the improvement to meet consumer demand. Thus, the entire process is:

- Market research to identify a need or demand.
- Generating product ideas and improvements to meet the need.
- Establishing the feasibility of the new product or improvement.
- Developing a prototype—a small-scale experimental version that can be adjusted or replicated on a larger scale if it is successful.
- Test-marketing.
- Evaluating.
- Revising and further testing and evaluating as much as necessary.
- Expanding production or adoption of the improvement to meet consumer demand.

Start with Research

When you consider adding new products or adding value to existing products, start with consumer research. Farmers markets provide vendors with access to unparalleled customer feedback. Small-scale farmers can use this feature of the market to great advantage by test-marketing new crops and products and by noting and responding to the emergence of trends in consumer preferences. By observing and recording the responses of different groups of customers (by age, ethnicity, and location), vendors can develop products and add value in ways that appeal to specific segments of the broad population of consumers.
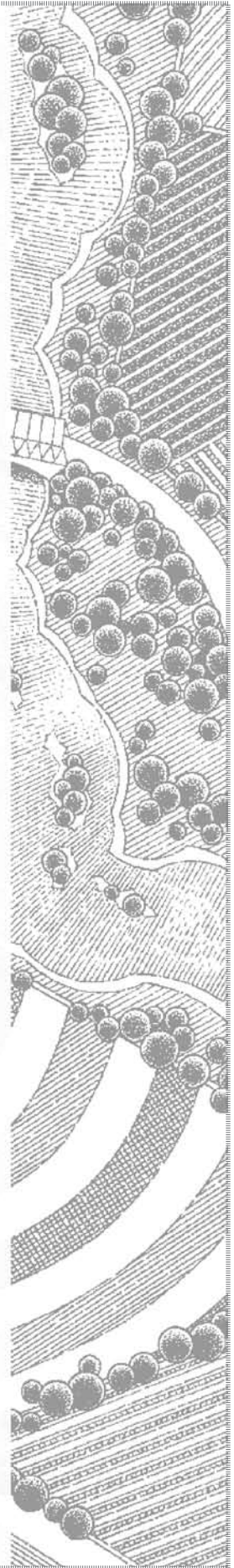
Other sources of information to use in your research are:

- Other markets and venues such as supermarkets and specialty stores.

- Food, health, and lifestyle magazines and websites; food pages and columns in the newspaper; newsletters; cookbooks; trade magazines and other publications.

- Customer surveys, tasting panels, and focus groups.

- Vendor surveys.

- Chefs and other food professionals.

- Cooperative Extension agents and other agriculture professionals.

- Meetings and conferences.

Generate Product Ideas and Analyze their Feasibility

Product ideas may emerge from your research or they may come up in brainstorming sessions with vendors. Once ideas begin to form, they can be examined to see if they are feasible or practical. Will developing a product require purchasing expensive new equipment? Learning a whole new set of skills? Meeting new permitting or other requirements? The people who will bear these responsibilities will need to decide if the new product seems likely to make the investment pay off.

Include food-safety, packaging, and labeling considerations in your development of new products and product improvements. Packaging and labeling issues include regulations, health codes, and organic standards, as well as aesthetics and convenience, such as display tables tilted toward the customer and prewashed and bagged salad mixes.

Develop a Prototype

New agricultural products often take several seasons to perfect, and even nonseasonal products and services may need to go through several versions before they are entirely satisfactory. Start small. Develop an experimental version of the new product or improvement, one that can be refined as needed. Keep early versions as simple as possible and try to make one change at a time based on test-marketing so you can keep track of which factors are favorable and which are not.

Test-Market, Evaluate, and Refine

Test-market by providing samples at the farmers market and getting customers' feedback (make sure food-safety and permitting requirements are met first) or by
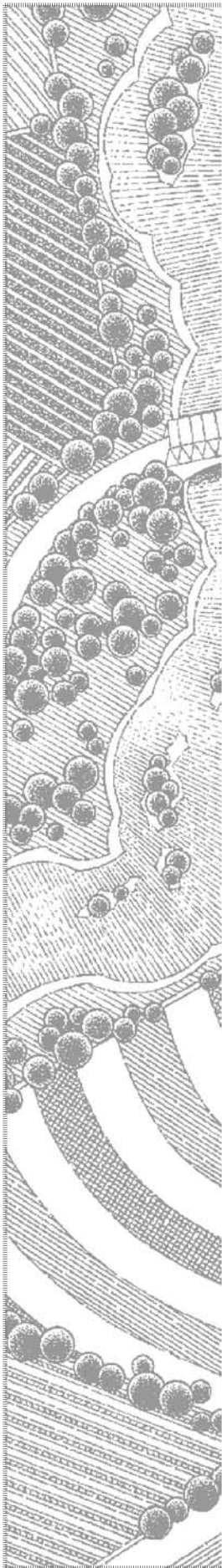
inviting some customers to be part of a tasting panel. If the initial reaction is favorable, test-market by selling a limited quantity of the new product and continue to ask for feedback. Keep track of sales from week to week. Try to observe who buys the product and, if possible, ask what they like about it and what might be improved. Evaluate the feedback you get, use it to make changes, one at a time, and evaluate reactions to each change you make. Systematic test-marketing and evaluation takes longer than the "shotgun approach" of making every possible refinement or improvement at once, but it is more likely to produce good results so that the finished product meets consumer demands and preferences and is economically viable.

Expand Production to Meet Consumer Demand

Once you are satisfied that the new or improved product has been developed to customers' specifications, expand production slowly to meet demand. Continue to keep track of customer feedback—tastes and preferences change and a product that is in great demand one season may fall out of favor or require modifications later.

Product Merchandising

Merchandising includes packaging, labeling, positioning, and price.

Vendors should be aware of any product-liability risks that could be affected by packaging or labeling. For example, ingredient lists that alert consumers with allergies to potential hazards and appropriate labels on inedible plant products intended for decoration only can reduce the risks involved with marketing some value-added products. These risks should be addressed at every step of product development and may warrant consultation with a legal professional experienced in product liability as well as relevant regulatory agencies. Also, look for short courses and workshops on merchandising and product development at trade meetings and meeting sponsored by such groups as the University of California Small Farm Program and Cooperative Extension, chambers of commerce, small business development centers, the Small Business Association, and various branches of the U.S. Department of Agriculture.

Conclusion

In addition to developing and merchandising new products, farmers markets grow by constant attention to the quality of existing products. Subsequent chapters address issues of value, quality, and pricing.