

Conducting the Feasibility Study: Market Analysis

This chapter will enable you to:

- ▶ Outline the tasks involved in the market-analysis portion of the feasibility study.
- ▶ Collect and analyze data to determine the market's feasibility.

Conducting the Market Analysis

This chapter covers issues that are specific to analyzing the feasibility of a new market. Market feasibility refers to the potential customer base and demand for farmers market products and the level and types of competition a new market will face.

Potential Customer Base

The first task for the market-analysis committee is collecting demographic data. The committee should develop a profile of the local market that considers the age, gender, ethnicity, languages used, income, and education levels of potential customers. This type of demographic information can be found at www.census.gov or from sources such as the local chamber of commerce. Census data are available for census tracts and zip codes, which are relatively small areas, as well as for cities, counties, and states. These surveys also include information such as the number of children per household and the size and number of schools within the trade area. Important information about potential customers for a farmers market could include gender, age, household income, education level, neighborhood, ethnicity, the presence of children, and how many times a week households typically prepare home-cooked meals. This data is useful for estimating the number of potential customers.

Analyzing the Target Clientele

Who are the market's potential customers? Market analyses generally include determining who potential customers are and how many the market will serve. If the population is large enough and there is considerable interest in local produce and value-added goods, then the market and other businesses in the area will

Starting a New Farmers Market

likely thrive. However, it still is necessary to profile prospective customers to ensure that the market meets their needs. The market's target audience affects many aspects of the market, including the product mix, advertising, and promotional activities. Get to know who your target customers are and their preferences. Is the target market an upper-income or a lower-income group? Are they of a particular ethnic group or more of a cross-section of demographic groups?

Define your market area (your region or community). In the case of a farmers market business, your primary market is localized and may be restricted to customers who come to the market from within a five-mile radius. Your secondary market might be chefs who work at local restaurants and require specialty products and high-quality produce for their menus. Members of Chef's Collaborative, for example, are concerned with sustainable agriculture and buy only fresh produce from farmers.

Once the committee has collected demographic data and established a profile of target customers in the community, the next step is to survey a sample of potential customers to get a better description of their demand for particular items at the market. Surveys can ask respondents to check off or list products they usually purchase, such as fruits, cheese, eggs, meat, nuts, coffee, flowers, and handicrafts, as well as items they would like to purchase from a farmers market that have not been available. For example, consumers might be interested in buying locally produced honey or eggs from free-range chickens, items that they cannot find at local supermarkets.

To get a better idea of desirable market features, your survey also could ask respondents to rank other farmers markets they have attended and their local grocery retailer, cooperative, or supermarket.

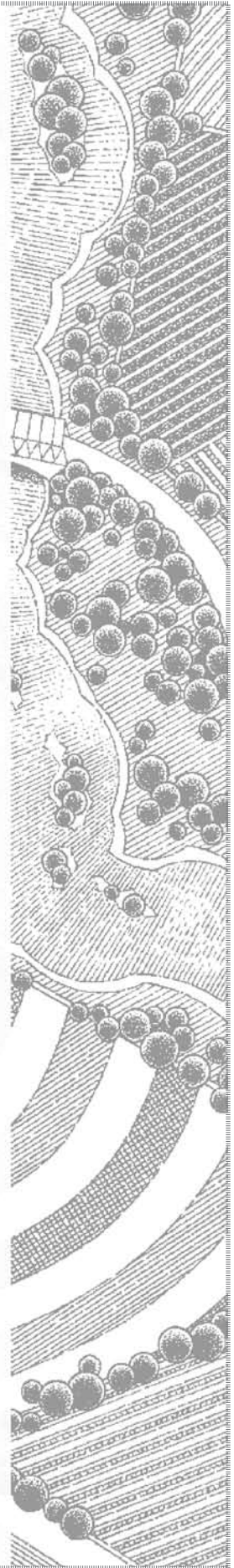
Assessing Market Feasibility

Unearth the following kinds of information when assessing a market's feasibility:

- Is the community interested? How much community support can be generated or already exists?
- Is there another market nearby? What is the level of competition? Does the competition have the potential to impede success?
- Can the market generate sufficient revenue to make it worthwhile for farmers and management?



The details of these issues will need to be explored further as the market research team develops a solid market feasibility study.



Conclusion

In addition to competing farmers markets in the area, there are other types of businesses that present competitive forces. For example, there may be nearby roadside farm stands or you-pick operations. There also may be a retail grocery store in the area.

The committee can conduct most of the farmers market research and analysis with committee members contributing according to their areas of expertise. If additional help is needed with the feasibility study, consider consulting with a Cooperative Extension agent or other appropriate experts.

Another way to complete a feasibility study is to recruit a local college marketing student or students who are interested in doing a case study or class project on your potential market. If you have the budget, you could hire a professional market researcher.

The market-analysis committee's report should address the questions previously discussed. The resulting market feasibility study can be used to gather support from community groups, local businesses, producers, and government officials.

