

# How-To Guide for Successful Agritourism Enterprises



Funding for this project was provided by a grant from The  
Southern Regional Risk Management Education Center



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# Considering an Agritourism Enterprise?

## Part of a How-To Guide for Successful Agritourism Enterprises

Prepared for The University of Georgia's Center for Agribusiness and Economic Development and North Carolina State Cooperative Extension Service's Business Side of Agritourism Program Series. The Primary Investigators on this project were Kent Wolfe, Center for Agribusiness and Economic Development and Gary Bullen, North Carolina State University Cooperative Extension Service.



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## **An Introduction to Agritourism**

### **Historical Overview**

Agritourism – also known as farm tourism, agri-tainment, agricultural tourism, or agrotourism – has a long history in America. In the late 19th century city dwelling families visited farming relatives in an attempt to escape the summer heat in crowded communities. “Country” visits became even more popular in the 1920s when the automobile made it easier to travel. In the 1930s and 1940s country recreation was seen as a way to get away from the stress brought on by the Great Depression and World War II. There was great interest in riding horses, farm animal petting zoos, and general farm related nostalgia during the 1960s and 1970s. This led to farm vacations, dude ranch stays, commercial farm tours, and farm bed and breakfast visits being popularized in the 1980s and 1990s. Because of the generation gap between farm and non-farm families, the demand for a slower paced farm experience has now become the catalyst for farm-based recreation to become an important business. Agritourism has become a tool that has a direct economic impact on farms and the surrounding communities.

### **What is Agritourism**

Agritourism experts still may not agree on a single or unique definition for agritourism. For example, rural tourism is an all-encompassing idea that places any tourism activity in a rural setting under the same umbrella definition (fishing, hunting, eco-tours, hiking, bird watching, etc). Under this definition, rural tourism may not be designed to generate a supplemental income for the farmer, but may be an business venture of travel and tourism professionals.

Farm tourism can be associated directly with agricultural activity on a farm with the idea of offering products for sale that are produced as a direct result of the activity. This may include food and lodging as well as on farm activities. Farm tourism could be actually participating in the agricultural work, farm craft workshops, traditional cooking workshops, or other farm related educational workshops, with tourism being an adjunct activity.

Most definitions of agritourism have a common theme that combines elements of farm life and elements of the tourism industry. The objective of agritourism involves having members of the public come to the farm, with the ultimate goal being to increase farm income by providing fee-based recreation and education to the clients. With proper planning and execution, agritourism is a tool that can have a direct affect on farm income.

One formal definition of agritourism is

*An activity, enterprise or business that combines primary elements and characteristics of agriculture and tourism and provides an experience for visitors that stimulates economic activity and impacts both farm and community income.*



Although other definitions exist, the fact remains that tourism and entertainment related farm activities have offered a new diversification enterprise to active farm families. Agritourism offers seasonal employment opportunities within a community and new sources of income for farmers. It is a prime direct marketing venue to market a farm experience and to add value to those products sold on the farm. Operators of agritourism venues may need many more products, resulting in new markets and new income by supplying their new farm business with popular products that they don't produce themselves. Agritourism represents a new opportunity for many farm families who seek to continue their farming traditions.

**Agritourism activities and enterprises that usually meet the definition are:**

Fee hunting and fishing	On-farm bed and breakfasts
Agriculture related festivals and fairs	Wineries
Farm tours	On-farm petting zoos
U-pick vegetables and fruit	On-farm bird watching
Horseback riding	On-farm picnic areas
Farmers markets	Biking trails
Farm vacations	Hiking trails
On-farm retail markets	On-farm educational programs
On-farm vacations	

Regardless of the definition, it is important to understand the elements of agritourism that make it more original than other types of tourism. Positive interaction between the agritourism venue operator and the customer is central to the success of the enterprise. An agritourism customer is more than just a number. In this form of tourism, the guest becomes a "member of the family". Agritourism encompasses exposure to and contact with local residents, customs, culture, way of life, and activities in the surroundings (outdoor and special programs). This enables an original experience and a complete adventure.<sup>1</sup>

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<sup>1</sup> Rurals: The History of Agriculture, *The New Farmers' Market*, Corum, Rosenzweig & Gibson



### **Potential Target Markets**

Marketing is essential to the success of the agritourism enterprise. It is critical to determine if there is sufficient demand for the proposed agritourism venue products and services. In targeting a market, the consideration becomes the identification of a sub-segment of the total population that offers the highest potential for visiting an agritourism venue associated with a farming operation. Once identified, the potential for a particular agritourism product or service can be quantified. An example of this might be identifying a prime market of elementary school children. In that same population, a secondary market might be households with children. In other words, a marketing plan should provide a clear and complete view of the market potential for an agritourism venue. Marketing is the mechanism that establishes the planning and execution required to bring customers the agritourism provider. In locating and measuring the potential of a target market, there are four critical goals:

1. Determination and identification of a target audience and their needs and wants.
2. Finding a way to get the target audience to come to the farm.
3. Ensuring that the agritourism venue meets the wants and needs of the target market so that they will spend money on the farm.
4. Providing sufficient education and entertainment so that they will want to come back for another visit.

It is essential that the wants and needs of the target market (the customers) be the focus. Consumer values, needs, and wants will drive their decision to purchase. Consumers will make a purchase decision based on four factors:

1. What communication is required for the consumer to learn about the product or service?
2. How convenient is it to buy the product or service?
3. How much will it cost?
4. Will there be a consumer benefit received from purchasing the product or service?



**Key Elements in Identifying Potential Target Markets**

Understanding customers wants and needs, properly identifying a target market, evaluating the potential of target market, and implementing effective strategies to attract the target market can be challenging. Effective market planning will ensure a critical identification, understanding of, and focus on the appropriate target market. An effective market plan must include:

1. Effective research and analysis.
2. Identification of goals and objectives.
3. Determining the appropriate market mix.
4. Establishing a budget.
5. Closely evaluating the market response.
6. Developing a backup plan.



## Why Agritourism?

*"Diversification into...such opportunities as agricultural or educational tours, u-pick operations, farm stores, pumpkin patches, agricultural festivals, and farm stands is not a substitute for a pro-family farm agenda...[However,] one of my fears is that if farmers and ranchers are too tardy in their response to this emerging opportunity, theme park operators will develop simulated farms and operate them as agritourism attractions."*

*--Desmond Jolly, Director Small Farm Program, University of California-Davis*

### For the farmer:

- ◆ An opportunity to diversify income
- ◆ Increase revenue without increasing acreage
- ◆ Compared to traditional commodity markets, agritourism offers a new way of marketing products and services, allowing farmers to put a price on time and value
- ◆ An opportunity to build new business with resources that already exist
- ◆ Provides a way to include future generations on the farm or ranch and keep the land in the family
- ◆ A way to supplement retirement
- ◆ Offer a way to educate the public on how their food is grown
- ◆ Demonstrate and showcase how producers protect and care for the land and natural resources
- ◆ An opportunity to educate people about both historic and modern methods of farming and the risks involved in everyday agriculture

### For the traveler:

- ◆ Unique and authentic experiences
- ◆ To get away from everyday stress
- ◆ Most individuals are three to five generations removed from the family farm. They no longer have a parent, grandparent or relative to visit on the farm anymore
- ◆ To participate and see how their food is grown
- ◆ To experience the culture and heritage



# **Qualifying and Quantifying Your Personal Agritourism Potential**

**Part of a How-To Guide for Successful Agritourism  
Enterprises**

Prepared for The University of Georgia's Center for Agribusiness and Economic Development and North Carolina State Cooperative Extension Service's Business Side of Agritourism Program Series. The Primary Investigators on this project were Kent Wolfe, Center for Agribusiness and Economic Development and Gary Bullen, North Carolina State University Cooperative Extension Service.



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## **Introduction**

There are a number of questions that must be asked and honestly answered when considering whether to start and operate an Agritourism operation. For example, you should evaluate factors such as personal characteristics and skills, target markets, market potential, land and property resources and characteristics, individual and family goals, time and labor considerations, and financial needs and resources. An honest evaluation of these factors will help you understand your potential for success.

One of the keys to a successful agritourism enterprise is your ability to manage the multiple components of your business. These include financial management, accounting, personnel management, operations, marketing, safety, customer service and legal considerations. Several personality traits are common among successful entrepreneurs. Successful entrepreneurs tend to be risk takers, lifetime learners, independent, responsible, patient, efficient, resourceful, determined, goal-oriented, self-confident, creative, perseverant, objective, proactive, strong leaders and effective communicators. Before making the decision to go into the Agritourism business, you must:

- Evaluate your personality traits compare to traits of typical entrepreneurs.
- Identify and analyze your goals.
- Evaluate the characteristics of your land and property.
- Evaluate time considerations and labor needs.
- Assess preliminary market information.
- Evaluate time considerations and labor needs.
- Develop ideas for Agritourism activities.
- Identify financial needs and resources.

## **Are you ready to go into the Agritourism business?**

You must critically evaluate your personality traits. Several personality traits are common among successful entrepreneurs. Successful entrepreneurs tend to be risk takers, lifetime learners, independent, responsible, patient, efficient, resourceful, determined, self-confident, creative, perseverant, objective, proactive, strong leaders and effective goal-oriented communicators.



**The following series of questions will help evaluate personal traits:**

1. Am I a self-starter?
2. Do I relate well with others?
3. Will I enjoy being around and responsible for a large number of people, including children?
4. Will I look forward to meeting people and opening my farm up to the public?
5. Am I an effective leader?
6. Am I a responsible person?
7. Do I have effective organizational skills and abilities?
8. Do I have a strong work ethic?
9. Am I comfortable making important decisions?
10. Am I honest even when the truth is not what people want to hear?
11. When I make up my mind to do something, do I follow through?
12. Am I healthy and do I have sufficient energy to manage an Agritourism venue?
13. Am I patient?
14. Do I have the support of my family in starting an Agritourism venue?
15. Am I courteous and understanding?
16. Do I have a strong desire to succeed?
17. Am I experienced in managing and operating a business?
18. Am I an effective communicator?
19. Do I enjoy learning new things?
20. Do I have a competitive nature?
21. Am I effective in setting and meeting deadlines to accomplish tasks?
22. Do I adapt well to change?
23. Am I willing to risk losing an investment?
24. Will I be able to survive financially if a new enterprise doesn't generate a profit?
25. Am I prepared to invest a substantial amount of time in planning and operating a new enterprise?



*After answering these questions, how do you feel about your overall potential to operate and manage an Agritourism venue?*

When reviewing an evaluation of personal traits, some may decide that Agritourism isn't a good personal choice. However, if you believe Agritourism is still a possibility, the next step entails developing thorough business and marketing plans to evaluate your potential for success in greater detail.

**“If you don't know where you are going, how will you know when you get there?”**

This is the essence of goal setting, and it has a direct relationship to evaluating a new Agritourism venture. Starting and operating a successful enterprise is often only a means to a much larger end. Identifying your ultimate ambition is critical to properly assessing the true merit of the Agritourism enterprise idea.

A key to a successful Agritourism operation is the ability to manage the various components of the business. To be successful, business components such as financial management, accounting, personnel management, operations, marketing, safety, customer service and legal considerations must be well managed.

Identifying your goals focuses your attention and provides a basis for making decisions. Setting and achieving goals keeps an enterprise going in the right direction. Without goals, an idea's ultimate feasibility cannot be evaluated.

Goals, personal and business, change over time. Goals should be developed early in the life of a business and then evaluated and adjusted to address changing times and changing desires.

Your Agritourism enterprise goals should meet the S.M.A.R.T. criteria. Each goal should be Specific, Measurable, Attainable, Rewarding, and Timed in order to be effective. Make sure that each of your goals is S.M.A.R.T.



## Keys to Success<sup>1</sup>

The Southern Sustainable Agriculture Working Group and The National Center for Appropriate Technology interviewed successful farmers to determine what they learned in marketing directly to consumers. A few general practices emerged that could be considered as “Keys to Success.”

- ***Choose something you like (love) to do.***  
Most people start value-added activities to make more money. Your sincere enthusiasm and belief in your product are part of what make you unique. Without doing something you love to do, it is difficult to find the energy and motivation to stick with it.
- ***Provide quality.***  
Offer a high-quality product or service. High quality with some unique trait is an avenue that many direct marketers pursue to differentiate their product. Quality is made up of many dimensions (fresher, better tasting, healthier, more consistent, or cleaner product; thoughtful presentation or packaging/labeling, etc.). It may be tempting to use substandard inputs or service, but most direct marketers today find that a great experience or quality product is more important for attracting consumers than a low price. The consumer knows value and if you’re shooting for low quality and price, direct marketers can seldom compete with large wholesale and retail outlets.
- ***Start small and grow naturally.***  
Starting small usually means investing less money and borrowing less. Starting small also means mistakes are less costly; remember, it is easier to manage a small operation.
- ***Keep good records (production, financial, regulatory).***  
Trying to manage without good information is like trying to find an address without a map. Good information and records are necessary for knowing whether or not you are meeting your goals and for understanding reasons why your goals are or are not being met.
- ***Provide what the consumer/customer wants.***  
There are two approaches to agricultural marketing: “push” and “pull.” The push approach implies producing a product and then pushing it onto consumers for the going market price—the traditional way of marketing many commodity crops. The pull strategy, however, is increasingly becoming the norm in today’s environment. Under this approach, specific products and desired product attributes are targeted using consumer preferences so that the seller is not entirely a price taker at the market place.
- ***Maintain a loyal (preferably local) customer base.***  
An important way to capitalize on your uniqueness is through relationship marketing. You are unique and no one can do exactly what you can do. These personal relationships and the trust they engender over time are effective marketing strategies. Local customers are generally the easiest to develop into a solid, loyal customer base.
- ***Provide more than just a product.***  
Most successful value-added businesses provide more than just a product or service. They provide an experience that can be in the form of pleasant social interactions, a chance to experience the rural way of life, education, services, tours, etc.

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<sup>1</sup> Adapted from Holly Born’s “Keys to Success in Value Added Agriculture”



- ***Involve others.***  
Get the whole family, partners, and/or community involved. Take advantage of different skills and talents.
- ***Keep informed.***  
You must keep informed on every aspect concerning your business, consumer wants, competition, finances, etc.
- ***Plan for the future.***  
Fail to plan and you plan to fail. It's true. Planning is essential to success. In planning be realistic in terms of goals, pricing, costs, time commitments, etc. Be flexible and realize that the best-laid plans can go wrong and that things change.
- ***Evaluate continually.***  
Things are always changing. You need to constantly monitor and evaluate what is going on in your business. It is impossible to know if you are reaching your goals without taking the time to evaluate.
- ***Persevere.***  
You need a good deal of perseverance just to figure out how to produce the products, much less how to market them. Identifying your niche and building a customer base takes time.
- ***Secure adequate capitalization.***  
A direct-marketing or agritourism business is likely to operate at a loss for at least the first year or more of operation. Make sure you have adequate liquid financial reserves to meet setup costs and cash flow requirements. Many businesses fail because they did not secure enough capital to see their venture through to a positive cash flow.

Planning is important and the key to success for all types of business ventures, including direct marketing and agritourism. Before starting, be prepared. While much of the market risk of adverse price swings is removed with a direct-marketing enterprise, risks associated with production (quality and yield), events being rained out, greater labor skill requirements, and liability risks require that careful risk assessments are made before disaster strikes. Dr. Neil Hamilton's book of *The Legal Guide for Direct Farm Marketing* (Drake University Agricultural Law Center and USDA Sustainable Agriculture Research and Education [SARE]. 235 pp. June 1999) is a good resource for assessing the legal risks of a direct farm marketing or agritourism enterprise ([www.statefoodpolicy.org/legal\\_guide.htm](http://www.statefoodpolicy.org/legal_guide.htm)). Most ventures will fail without proper research and planning. Assess your management skills and personal qualities as well as your family needs and lifestyle preferences. With proper planning, you will position yourself to be successful.



## **Something to Think About:**

### **Tips for Getting Started and Staying on Track**

Recommended for a 1- to 2-year period:

1. ***Assess your resources***
  - Look at notes you have made in this workbook. Use them to make a more in-depth assessment of the resources available to you and your family
2. ***Get informed***
  - Attend Conferences, field days, workshops, trade shows and schools
  - Purchase books, videos, newsletters, magazines and other publications
  - Go to the library and do some research. Use the internet to get the most up-to-date information. If you don't have an internet connection at home, one should be available to you at the library
  - Look through the resources listed in the NRCS publication "Alternative Enterprises and Agritourism: Farming for Profit and Sustainability Resource Manual," available at your area Resource Conservation and Development office, or visit the web site [www.nrcs.usda.gov/technical/RESS/altenterprise](http://www.nrcs.usda.gov/technical/RESS/altenterprise)
3. ***Find out what other entrepreneurs are doing***
  - Talk to neighbors, friends and strangers about their business
  - Visit businesses in your surrounding area and in neighboring counties or states and see what they are doing and how they are running their businesses.
4. ***Consult potential customers***
  - Ask your relatives, friends and neighbors about the products or services you are thinking of providing through your new enterprise. Are they interested?
5. ***Research the market to identify products and services needed or wanted.***
6. ***Network***
  - Join organizations or groups involved in enterprises similar to the one in which you are interested.
  - Join the local Chamber of Commerce, Rotary and/or other business and planning organizations or committees
  - See if other local entrepreneurs would like to join you in your business venture or start their own agritourism or alternative enterprise.
7. ***Get help***
  - Visit resource people in your county, region or state. Cooperative Extension Service agents and staff, RC&D coordinators, Department of Agriculture staff, state tourism directors and staff, small business development center staff and other specialists should all be willing to answer your questions and help you get started.
8. ***Develop a business and marketing plan***
  - Various books, worksheets and programs are designed to help you develop a successful business and marketing plan. These resources are available through the internet or your local library, community college, small business administration, economic development organizations, Cooperative Extension office or RC&D office
9. ***Create a financial plan***
  - Decide how you will finance your business
  - Find out about financial assistance (grants and loans) available to you
10. ***Start small, learn from your experience and expand the business***



## Personal Evaluation Exercise<sup>2</sup>

For each of the following 25 statements, circle the letter corresponding to the response that describes you best. Circle **A** if you **agree** with the statement, **SA** if you **somewhat agree** with the statement, **SD** if you **somewhat disagree** with the statement and **D** if you **disagree** with the statement.

Statement	Agree	Somewhat Agree	Somewhat Disagree	Disagree
1. I am a self-starter.	A	SA	SD	D
2. I relate well with others.	A	SA	SD	D
3. I enjoy being around and responsible for a large number of people, including children.	A	SA	SD	D
4. I look forward to meeting people and opening my farm up to the public.	A	SA	SD	D
5. I am an effective leader.	A	SA	SD	D
6. I am responsible and enjoy being responsible.	A	SA	SD	D
7. I have effective organizational skills and abilities.	A	SA	SD	D
8. I have a strong work ethic.	A	SA	SD	D
9. I am comfortable making important decisions.	A	SA	SD	D
10. I am honest even if the truth is not what people want to hear.	A	SA	SD	D
11. If I make up my mind to do something, I do not let anything stop me.	A	SA	SD	D
12. I am in good health, have plenty of energy and rarely get sick.	A	SA	SD	D
13. I am patient.	A	SA	SD	D
14. My family is 100 percent committed to starting and operating an agritourism venture.	A	SA	SD	D
15. I am courteous and understanding.	A	SA	SD	D
16. I have a strong desire to succeed.	A	SA	SD	D
17. I have experience in managing and operating a business.	A	SA	SD	D
18. I am an effective communicator.	A	SA	SD	D
19. I enjoy learning new things.	A	SA	SD	D
20. I am competitive in nature.	A	SA	SD	D
21. I am effective at setting and meeting deadlines to accomplish tasks.	A	SA	SD	D
22. I adapt well to change.	A	SA	SD	D
23. I am willing to risk losing an investment.	A	SA	SD	D
24. I will be able to survive financially if a new enterprise does not generate a profit for a few years.	A	SA	SD	D
25. I am prepared to invest substantial time in planning and operating a new enterprise.	A	SA	SD	D

<sup>2</sup> Adapted from *Agritourism in Focus, A Guide to Tennessee Farmers*



Once you have circled answers to all of these statements, follow the directions below to score your responses.

1. Count the number of times you circled each response (A, SA, SD, D) and write the number in the table below under **Number of Responses**.
2. Multiply the **Number of Responses** times the given **Points per Response** and write the product in the table under **Points**.
3. Add the points for each of the four categories of responses and write the sum in the table next to **Total Score**.

	Number of Responses	Points per Response	Points
Agree (A)		x 4 =	
Somewhat Agree (SA)		x 3 =	
Somewhat Disagree (SD)		x 2 =	
Disagree (D)		x 1 =	
<b>Total Score</b>			

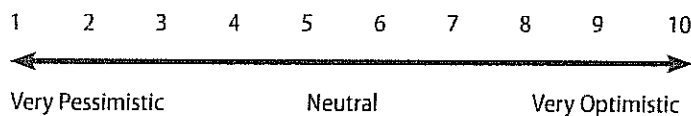
4. Compare your total score to the ranges below.

**90-100** Your personality and skills are similar to individuals who have succeeded as entrepreneurs.

**75-89** You have some characteristics similar to individuals who have succeeded as entrepreneurs. You should consider whether others involved in the operation are strong in areas challenging to you.

**0-74** You do not have characteristics similar to individuals who have succeeded as entrepreneurs, and you should reconsider your entrepreneurial project.

After evaluating your personal characteristics, how do you feel about your overall potential to operate and manage an agritourism venture? Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).



## Goal Identification<sup>2</sup>

If you don't know where you are going, how will you know when you get there? This is the essence of goal setting, and it has a direct relationship to evaluating a new agritourism venture. Starting and operating a successful enterprise is often only a means to a much larger end. Therefore, identifying your ultimate ambition is critical to properly assessing the true merit of the agritourism enterprise idea.

Identifying your goals focuses your attention and provides a basis for making decisions. Setting and achieving goals keeps an enterprise going in the right direction. Without goals, an idea's ultimate feasibility cannot be evaluated.

You should develop goals, but not just once. Goals, personal and business, change over time. Therefore, goals should be developed early in the life of a business and then evaluated and adjusted to address changing times and changing desires.

Your agritourism enterprise goals should meet the S.M.A.R.T. criteria. That is, each goal should be *Specific*, *Measurable*, *Attainable*, *Rewarding* and *Timed* in order to be effective. Use the following exercise to assist in the identification and development of the goals for your agritourism enterprise idea. Make sure that each of your goals is S.M.A.R.T.

<sup>2</sup>Adapted from Holland, Rob. *Evaluating the Potential of Value-Added Agricultural Ideas: A Series of Worksheets to Assess Feasibility. Preliminary Worksheet #2.* Center for Profitable Agriculture publication. ADC Info #16. October 1998.



### Goal Identification Exercise

1. What are your ultimate lifetime goals?


2. What are your goals for the next three to five years?


3. What are your goals for the coming year?

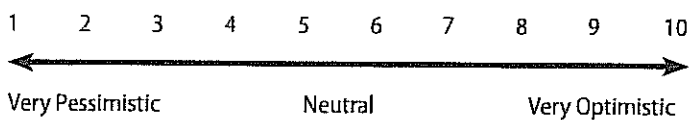

4. How might an agritourism enterprise fit into these goals?


5. If you were to develop an agritourism enterprise, would it be profit driven or is profit not a main consideration?

☐ Profit Driven    ☐ Not Profit Driven

If not profit driven, what factors would drive your enterprise?


After identifying and analyzing your goals, how do you feel about the overall potential of your agritourism enterprise idea? Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).





As with all businesses and tourism activities, the natural environment and the experience or product offered are at the heart of success. Therefore, it is extremely important to analyze all property assets and characteristics to maximize the potential for success. The following exercise will assist in the analysis of your land and property resources and help you develop an agritourism enterprise that is unique and marketable. Remember, something you believe is ordinary may be unique and interesting to others.



Fill in the table below with the location, number of acres and current use(s) of available land. Consider all activities for which the property is currently being used. This would include the raising of livestock, growing of crops, living/residential space and recreational activities. Be very specific and list all activities that currently take place on the property throughout the year.

[illegible]

List any unique or interesting characteristics of your land and property. Consider the topography of the farm; vantage points; special crops grown; wildlife; springs, ponds and creeks; caves; structures; wooded areas; plant life; and other unique characteristics. You may want to ask friends, neighbors or others what they think are the unique or interesting characteristics of your land and property.

[illegible]



List any potentially hazardous characteristics of your land and property. Some of the characteristics listed above may also be listed here. Consider old wells or mines; streams and ponds; barbed wire fences; cliffs or drop-offs; fuel or chemical storage; areas where farm equipment is parked; potentially dangerous plants, wildlife or livestock; and other characteristics.


Another approach to identifying special features of your land and property is to create a map of the farm that specifies unique or interesting characteristics as well as potential hazards. It is also important to think about areas of the farm or business that you do not want accessible to individuals. The map will be particularly useful when you begin to plan parking locations, activity locations, trails and other activities that involve land resources. Use the grid on the next page to map your farm and agritourism enterprise.

After identifying your land and property assets and characteristics, answer the following questions.

Do you have an adequate amount of property available for use in an agritourism operation, including room for activities/ attractions and parking?

☐ Yes   ☐ No   ☐ Do Not Know

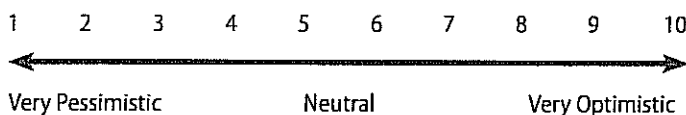
Do you have some unique land or property resources that will be strengths of your agritourism operation?

☐ Yes   ☐ No   ☐ Do Not Know

Does your land or property have particular characteristics that may be liabilities to an agritourism enterprise?

☐ Yes   ☐ No   ☐ Do Not Know

After assessment, how do you feel about the overall potential of an agritourism venture? Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).





## Farm Map

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Field Number	Field Size (Acres)	Field Use	Field Description
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97			
98			
99			
100			

Be sure to return to the previous page to complete the Land and Property Evaluation Exercise.



## Time and Labor Resource Evaluation

**T**ime is one major limitation for agritourism entrepreneurs. When considering an agritourism venture, it is important to analyze the amount of time available for preparation for and accommodation of visitors in addition to existing farm activities. The following exercise will assist you in evaluating your time and labor resources.

### Time and Labor Resource Evaluation Exercise<sup>3</sup>

Fill in the following table by listing your current farm operations or tasks and placing an X under the columns corresponding with months when the operation requires labor. Include time spent in all aspects of the task including planning and preparation, actual implementation, and follow-up activities. Then, following the same process, add proposed agritourism activities and their labor requirements.

Task Schedule												
Tasks	January	February	March	April	May	June	July	August	September	October	November	December
Current Tasks												
Proposed Agritourism Tasks												

<sup>3</sup>Adapted from Woods, Tim and Steve Isaacs. *A Primer for Selecting New Enterprises for Your Farm*. AEES No 2003-13. University of Kentucky. August 2000.



☐ Yes    ☐ No    ☐ Do Not Know☐ Yes    ☐ No    ☐ Do Not Know

1 2 3 4 5 6 7 8 9 10

Very Pessimistic Neutral Very Optimistic

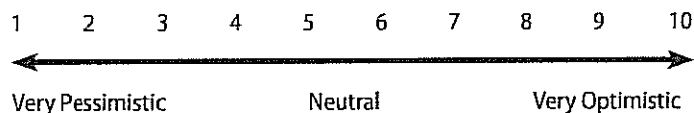
[illegible]



What are the people you envision visiting your operation looking for? For example, are they looking for entertainment, relaxation, education, a genuine farm experience, a hands-on experience or a place to hold an event?


What other enterprises already exist that would compete with you for this audience's business? Consider other agritourism enterprises, tourism attractions and entertainment venues in your area.


After considering some basic market information, how do you feel about your potential agritourism venture? Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).



### **Agritourism Activity Options**

**A**gritourism attractions and services are limited only by one's imagination and include everything from apple picking to wine tasting. While analyzing your resources, it is beneficial to brainstorm and list all possible attractions or activities for your operation. The following attraction-brainstorming exercise will help you explore activity options.



### ***Attraction Brainstorming Exercise***

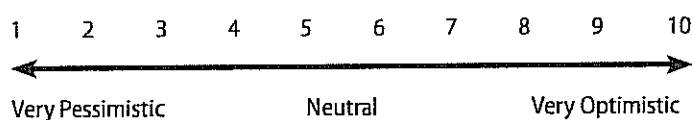
A list of some possible agritourism activities and operations follows. Read through the list and mark activities that best fit the strengths of your resources.

- |  |  |
|--|--|
| <input type="checkbox"/> Bed and breakfast   | <input type="checkbox"/> Hiking Trails                                   |
| <input type="checkbox"/> Bicycle trails and rentals  | <input type="checkbox"/> Historical museums and displays                 |
| <input type="checkbox"/> Bird watching   | <input type="checkbox"/> Haunted barn or house                           |
| <input type="checkbox"/> Boating, canoeing, kayaking, tubing or rafting  | <input type="checkbox"/> Horseback trail riding                          |
| <input type="checkbox"/> Camping   | <input type="checkbox"/> Hunting dog training and competitions           |
| <input type="checkbox"/> Catering services   | <input type="checkbox"/> Laser tag                                       |
| <input type="checkbox"/> Cave tours  | <input type="checkbox"/> Living history events                           |
| <input type="checkbox"/> Children's camps  | <input type="checkbox"/> Mountain biking                                 |
| <input type="checkbox"/> Classes, clinics or demonstrations (farming, ranch skills, cooking, planting, harvesting, fishing, hunting, wildlife viewing) | <input type="checkbox"/> Off-road vehicle driving areas                  |
| <input type="checkbox"/> Community supported agriculture (CSA)   | <input type="checkbox"/> On-farm retailing                               |
| <input type="checkbox"/> Corn cannon   | <input type="checkbox"/> Pack trips                                      |
| <input type="checkbox"/> Corn maze (educational, haunted)  | <input type="checkbox"/> Paint ball                                      |
| <input type="checkbox"/> Cut your own Christmas trees  | <input type="checkbox"/> Petting zoo                                     |
| <input type="checkbox"/> Dairy shares  | <input type="checkbox"/> Photography/painting                            |
| <input type="checkbox"/> Display gardens (flowers, greenery, herbs)  | <input type="checkbox"/> Picnic area                                     |
| <input type="checkbox"/> Educational or technical tours  | <input type="checkbox"/> Playground                                      |
| <input type="checkbox"/> Event hosting (birthday parties, family reunions, corporate retreats, receptions, weddings)                                   | <input type="checkbox"/> Pony rides                                      |
| <input type="checkbox"/> Farm or ranch work experience   | <input type="checkbox"/> Pumpkin painting                                |
| <input type="checkbox"/> Farm stays  | <input type="checkbox"/> Refreshment sales                               |
| <input type="checkbox"/> Fee fishing   | <input type="checkbox"/> Rent a cow or tree                              |
| <input type="checkbox"/> Fee hunting (dove, duck, goose, pheasant, turkey, deer, small game)   | <input type="checkbox"/> Roadside markets                                |
| <input type="checkbox"/> Festivals (seasonal, harvest, food, holiday)  | <input type="checkbox"/> Rock climbing or rappelling                     |
| <input type="checkbox"/> Game preserve or guided hunts   | <input type="checkbox"/> Rodeos  |
| <input type="checkbox"/> Goat walk   | <input type="checkbox"/> School tours or activities                      |
| <input type="checkbox"/> Go-carting  | <input type="checkbox"/> Self-guided driving tours                       |
| <input type="checkbox"/> Guided crop tours   | <input type="checkbox"/> Shooting range (firearm or moving-target skeet) |
| <input type="checkbox"/> Guiding and outfitting  | <input type="checkbox"/> Sorghum maze                                    |
| <input type="checkbox"/> Habitat improvement projects  | <input type="checkbox"/> Swimming area                                   |
| <input type="checkbox"/> Hay bale maze   | <input type="checkbox"/> Pick-your-own operations                        |
| <input type="checkbox"/> Hay rides   | <input type="checkbox"/> Wagon trains                                    |
|  | <input type="checkbox"/> Wilderness experiences                          |
|  | <input type="checkbox"/> Wildlife viewing                                |
|  | <input type="checkbox"/> Winery tour or wine tasting                     |
|  | <input type="checkbox"/> Working farm stays                              |



What other types of activities or services could be considered for your operation? Remember to consider your unique personality and skills, land and property characteristics, and defined goals. Are there activities other than those listed on the previous page that you might offer at your agritourism operation? List them here.


After evaluating your agritourism activity options, how do you feel about your potential agritourism venture. Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).



## Financial Situation Evaluation

Adequate financial resources for start-up and operations are critical to the potential success of any business. Often, starting a new enterprise is not an effective way to save an operation already experiencing financial difficulty. The following exercise will help you evaluate your financial situation.

### Financial Evaluation Exercise

In the following table, list any liabilities and debts you currently owe and calculate your total debt.

Description of Liability/Debt	Amount of Liability/Debt
	\$
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total Debt</b>	\$



\$ \_\_\_\_\_

☐ Yes ☐ No

1 2 3 4 5 6 7 8 9 10

Very Pessimistic Neutral Very Optimistic

By completing the previous exercises, you have considered several important factors to help you determine whether agritourism is an enterprise you would like to investigate further. This final exercise will help you to summarize what you learned.

The factors examined in the previous exercises are listed in the following table. Indicate whether the information learned about yourself and your resources for each of these factors is a positive (pro) or negative (con) in your decision to pursue agritourism as an enterprise. Summarize your reasoning in the appropriate space. Some factors may be both positive and negative in different ways.

	Positive	Negative
Entrepreneurial experience and skills		
Goals		
Land and property resources		
Time and labor resources		
Preliminary market analysis		
Agritourism activity options		
Financial situation and resources		



## **Inventory Checklist: Start With What You Have<sup>3</sup>**

This publication is intended to serve as a workbook. Please write down your ideas, questions, or whatever will help you assess your proposal as you go through the guide.

### **Start With What You Have**

Begin with assessing the potential attractions that already exist on your property, rather than spending money on creating something new. Below is an inventory checklist to help you identify and list your current assets; you will refer to this list as you evaluate different options and ideas throughout this workbook.

#### **I. Physical Resources:**

A. *Land Resources* — list what you have (deeded, leased private property, state & federal allotments, rangeland, woodland, hay meadows, cropland, riparian/wetlands, acreage, location proximity, elevation, topography, location of feed grounds, etc.)

B. *Climate* — consider how weather patterns, temperature, etc. will affect what types of activities you might provide:

Temperature (monthly variations; length of growing season) \_\_\_\_\_

Precipitation (monthly distribution) \_\_\_\_\_

Snow (ground cover periods & accumulation depth) \_\_\_\_\_

C. *Developments & Improvements* (buildings, fences, corrals and working facilities, equipment, roads and trails, etc.)

D. *Other Attractions* — list those things that might enhance your operation to a visitor, such as wildlife

streams, ponds, fishing, livestock, proximity to natural or man-made points of interest, etc.

E. *Hazards* — (Farm equipment, storage, areas that are off-limits to visitors)

#### **II. Operations and Management**

A. *Owner/Manager strengths and goals* — list those intangible assets that can assist you in a farm/ranch recreation operation

(e.g., “people person,” marketing ability, knowledge or special skills such as horse riding, livestock management, cooking, knowledge about history of the area, etc.).

B. *Family Strengths and Resources* — list those skills and strengths that family members add:

#### **III. Activities**

List activities you do on your operation that might appeal to the public. Remember, what seems routine to you is likely

unusual and interesting to the non-farm public. Be free with your ideas here: you’ll evaluate them later. Some examples

might include: cattle drives, calving or lambing, trail rides, roadside produce stands, machinery operations (harvesting, planting, cultivating), on-site food processing.

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<sup>3</sup> Agritourism Workbook, Agri-Business Council of Oregon



## PEOPLE RESOURCES:

Rate the following based on characteristics important to a successful farm/ranch recreation operation (1 limiting factor, 5=asset for success).

	1	2	3	4	5
(Family or hired):					
Are they friendly, confident, tolerant of strangers/guests?					
Do they have special talents/abilities, etc.?					
Name _____	_____	_____	_____	_____	_____
Name _____	_____	_____	_____	_____	_____
Name _____	_____	_____	_____	_____	_____
Name _____	_____	_____	_____	_____	_____
Name _____	_____	_____	_____	_____	_____
Paid Assistants: Are they committed to working with you to make a successful venture?					
Accountant _____	_____	_____	_____	_____	_____
Attorney _____	_____	_____	_____	_____	_____
Lender/Financier _____	_____	_____	_____	_____	_____
Consultant _____	_____	_____	_____	_____	_____
Neighbors: Will they allow bordering access?	_____	_____	_____	_____	_____
Any conflicts? Supportive of tourism/recreation options?	_____	_____	_____	_____	_____
Sheriff and deputies: Are they supportive of proposals	_____	_____	_____	_____	_____
or suspicious of outside					
Game Warden & Biologists	_____	_____	_____	_____	_____
Government officials and regulators (local, state, federal)	_____	_____	_____	_____	_____
Do they understand and support your effort?					
Economic Development Staff (local, county, regional, state):	_____	_____	_____	_____	_____
Do they understand and support your effort?					
Business & Tourism Associations	_____	_____	_____	_____	_____

What can you do to improve the rating for those who may be a limiting factor in your business proposal?



## Assessing Your Preferences, Options and Goals

A key point before venturing into farm/ranch recreation is to identify or revisit the real goals of the farm or ranch and to discuss these with all those who may influence the decision-making. If any of the “partners” do not have the same goals, success will be limited and interpersonal stress may be the major result. ALL partners (this may be family members or outside interests) must meet together and seriously express their personal and business goals.

Define your target market:

- What kind of visitors do you want to attract?
- What kind of guests can you attract to your farm/ranch with what you have today?
- What kind of visitors will you be able to attract in the future?

One real market advantage of farm/ranch recreation is that potential clients are numerous and there are few operations offering this type of service. Using a shotgun approach to attract anyone and everyone is expensive and seldom effective without a massive advertising campaign. A more effective use of time and money is targeting a particular audience (e.g., sportsmen, families, retired persons, bird watchers, photographers, etc.) who may be interested in what the farm or ranch has to offer.

Let's start creating a profile of the customer you want to attract.

The ideal customer is: \_\_\_\_\_

Where does she/he live? (in-state or out-of state/foreign) \_\_\_\_\_

Age composition (young? retirees? variety?) \_\_\_\_\_

Single/Married? \_\_\_\_\_ Income Level \$ \_\_\_\_\_ Party Size and Composition \_\_\_\_\_

Children? \_\_\_\_\_ Hobbies/Interests (Hunting background? Horse experience? Photographers? Etc.) \_\_\_\_\_

How does he/she access information? (Newspapers, magazines, websites?) \_\_\_\_\_

What characteristics do you want your guests? (Independent people who emphasize self-fulfillment and self-help? Action oriented? Seeking relaxation? Desire for entertainment and activities?) \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



## **BUSINESS PLANNING CHECKLIST - IS YOUR PLAN COMPLETE?**

### **Description of Business**

- \_\_\_ 1. Business form: proprietorship, partnership, corporation or cooperative?
- \_\_\_ 2. Type of business: retail, wholesale, manufacturing, service or consulting?
- \_\_\_ 3. What is the product and/or service? What makes it unique?
- \_\_\_ 4. Is it a new business? A takeover? An expansion? A franchise?
- \_\_\_ 5. When is your business open?
- \_\_\_ 6. Is it a seasonal business?
- \_\_\_ 7. How long have you been in business?
- \_\_\_ 8. What have you learned about your business from past operations or (if you're a start-up) from outside sources?
- \_\_\_ 9. Why will your business be profitable?
- \_\_\_ 10. What are your personal and business goals?

### **Product/Service**

- \_\_\_ 1. What are you selling?
- \_\_\_ 2. What benefits are you selling?
- \_\_\_ 3. What is unique about your goods or services?
- \_\_\_ 4. If you are a consultant, what process will you use?

### **Market**

- \_\_\_ 1. Who buys from you?
- \_\_\_ 2. Are your markets growing, steady or declining?
- \_\_\_ 3. Is your market share growing, steady or declining?
- \_\_\_ 4. Have you segmented your markets? How?
- \_\_\_ 5. Are your markets large enough for expansion?
- \_\_\_ 6. What social, political, regulatory, economic and technological changes are taking place that could impact your industry, your market or your market's perception of and desire for your products/services?

### **Competition**

- \_\_\_ 1. Who are your-nearest direct competitors?
- \_\_\_ 2. Who are your indirect competitors?
- \_\_\_ 3. How are the businesses similar to and different from yours?
- \_\_\_ 4. What have you learned from their operations? From their advertisements?

### **Product Development Plan**

- \_\_\_ 1. What other products/services (if any) are you currently considering?
- \_\_\_ 2. What is your time frame for developing and introducing them?



### **Marketing Plan**

- \_\_\_ 1. Who will actually buy from you (e.g., do you sell to distributors, wholesalers, retailers, businesses, consumers?) And how does this impact your marketing plan?
- \_\_\_ 2. How will you attract and hold your target market and increase your market share?
- \_\_\_ 3. Are you planning to enter or leave any markets?
- \_\_\_ 4. How do you price your products?
- \_\_\_ 5. Where are you (will you be) located?
- \_\_\_ 6. Why is this a desirable area? A desirable building?
- \_\_\_ 7. What kind of space do you need?
- \_\_\_ 8. Are there any demographic or other market shifts going on in your area that could impact your marketing plan?

### **Sales Plan**

- \_\_\_ 1. Who will do the selling in your business? (You? Company salespeople? Independent sales representatives?)
- \_\_\_ 2. What are your weekly, monthly and quarterly sales goals?
- \_\_\_ 3. What other checkpoints have you established for reaching those goals?
- \_\_\_ 4. What sales approach will you use?

### **Operations Plan**

- \_\_\_ 1. How will you organize the flow of work through your business? (This is especially important if you have several people doing different parts of the overall tasks, such as in a factory or a farming operation.)
- \_\_\_ 2. How will you assure that all tasks are performed? Performed on time?
- \_\_\_ 3. How will you monitor quality?
- \_\_\_ 4. How will you keep costs under control?

### **Personnel Plan**

- \_\_\_ 1. What are your current personnel needs?
- \_\_\_ 2. What skills will your employees need in the near future? In three years?
- \_\_\_ 3. What are your plans for hiring and training personnel?



### **Management Plan**

\_\_\_1. How does your background/  
business experience help you in this  
business? For your own use: What  
weaknesses do you have and how will you  
compensate for them? What related work  
experience do you have?

\_\_\_2. Who is on the management team?

\_\_\_3. What are their strengths and  
weaknesses?

\_\_\_4. What are their duties?

\_\_\_5. Are these duties clearly defined?  
How?

\_\_\_6. What additional resources are  
available to your business?

### **Application and Expected Effect of Loan (Investment)**

\_\_\_1. How will the loan (investment)  
make your business more profitable?

\_\_\_2. Will you buy or lease your  
equipment, location or vehicles?

\_\_\_3. Do you really need this money? Or  
can you make do without?

### **Financial**

\_\_\_1. Have you completed your financial  
projections? (As a minimum you should  
have profit and loss statements, cash flow  
and income projections for three years and  
a current balance sheet.)

\_\_\_2. Will you need additional cash? If so,  
how will you get it?

\_\_\_3. Have you shown that your business  
will be profitable?



# Financial Analysis

## Estimating a Business Opportunity's Economic Viability<sup>1</sup>

Evaluating an agritourism business opportunity can be an overwhelming task. There are many things to consider but the most important is to determine whether the business can generate a level of sale sufficient to generate a profit. If the business is not able to generate a sales revenue that is equal to or exceed expenses, it is most like not an economically viable business proposition.

Before spending time and resources on developing a feasibility study and/or business plan, you should prepare a break-even analysis which will provide an estimate of the sales required to cover total costs. If the break-even analysis reveals that estimated sales revenue significantly exceed the estimated cost of doing business, it is worthwhile investing more time and resources to conduct a comprehensive feasibility study.

This check-list will introduce you to break-even analysis and provide an example presenting the basic tools required to perform an agritourism business opportunity evaluation. However, it is important to remember the more detailed the information that is collected regarding the business proposition, the better the analysis and resulting conclusions regarding the project's economic viability.

### Estimating Start-up Costs

Estimating start-up costs is a critical part of evaluating an agritourism business. These costs will include one-time costs like purchasing land or constructing a building while other expenses will be ongoing like payroll, insurance, facility lease, and utilities. It is important to make a list of these start-up or one time expenses and then assign a corresponding dollar figure to each. Startup costs should then be evaluated to determine if they are essential or optional. Only the essential costs should be included in the startup budget.

The essential costs need to be classified as either fixed (overhead) costs and variable (related to business sales) costs. Fixed expenses will include figures like the monthly rent, utilities, and administrative and insurance costs. Variable expenses will include inventory, shipping and packaging costs, sales commissions, and other costs associated with the direct sale of a product or service.

When starting a new business, it is important to estimate the costs of operating the business for the first several months it is in existence. The following is an example of the types of costs that need to be considered.

---

<sup>1</sup> SCORE, Fort Worth, TX, April 1997



## Start-up Budget Sample (Source: SCORE, Fort Worth, TX, 4/97)

	Dollar Cost
1. Real Estate, furniture, fixtures, machinery, equipment: (Record either purchase price if paid in full with cash or cash down payment if purchased on contract)	
a) Equipment	\$ _____
b) Fixtures and fittings	\$ _____
c) Transportation & installation costs	\$ _____
d) Specialized computer software	\$ _____
e) Security system	\$ _____
2. Starting Inventory (1 to 3 months)	\$ _____
3. Decorating, refurbishing, & remodeling costs	\$ _____
4. Deposits Required:	
a) Utilities	\$ _____
b) Rent	\$ _____
c) Insurance	\$ _____
d) Other (identify)	\$ _____
5. Fees Required:	
a) Legal, accounting, others	\$ _____
b) Licenses, permits, etc.	\$ _____
c) Bank/checking account	\$ _____
d) Other (identify)	\$ _____
6. Initial Advertising & Marketing Costs (ie., flyers, sales letters and calls, signs, brochures, etc.)	\$ _____
7. Accounts Receivable (_____ days of sales)	\$ _____
8. Salaries for employees and owner until business opens or positive cash flow is positive	\$ _____
9. Other miscellaneous expenses:	
a) Trade shows	\$ _____
b) Office supplies	\$ _____
c) Travel expenses	\$ _____
d) Signs	\$ _____
e) Cleaning service	\$ _____
f) Profession Association fees	\$ _____
g) Other supplies, etc.	\$ _____
10. Payments on other fixed obligations	\$ _____
<b>Total Start-Up Costs</b>	<b>\$ _____</b>



### Start-up Cost Budget Example

The following are examples of start-up costs associated with an agritourism operation.

<b>Expense</b>	<b>Cost</b>
Barn, fence, farm renovations	\$ 4,000
Parking	\$ 2,000
Long term signage 10 @ \$150 each	\$ 1,500
Wagon Adjustments \$200*2 wagons	\$ 400
Playground development	\$ 1,200
Picnic tables \$80*7 tables	\$ 560
Develop walking trails	\$ 600
Labor	\$ 2,000
 <b>Total Start-up Costs</b>	 <b>\$ 12,260</b>

These start-up costs will be used later in developing the break-even analysis.



## Preparing a Break-Even Analysis

A break-even analysis can be used to calculate the number of tours that need to be sold to break even or the price per tours needed for the business to break even. A break-even analysis allows you to run “what if” scenarios. For example, if an additional wagon or site is added to the business, how many extra tours will have to be sold to cover these costs. If you have a variable rate loan, what will the impact of interest rate changes impact the level of sales needed to cover these changes in costs.

The formula for preparing a break-even analysis is as follows:

$$\text{Break-Even in Tours} = \text{Fixed Cost} / (\text{Tour Price} - \text{Average Variable Cost})$$

$$\text{Break-Even Price} = (\text{Fixed Costs}/\text{Estimated Tours}/\text{Sales}) + \text{Average Variable Costs}$$

Preparing a break-even analysis requires a basic understanding of simple financial analysis terms.

To prepare a break- even analysis four variables are needed.

Variable costs  
Fixed costs  
Price  
Estimated sales

A brief explanation of each of these terms is provided to ensure a basic understanding of the financial terms utilized in preparing a break-even analysis. Remember, the start-up costs outlined earlier need to be included in your break-even analysis.

**Variable costs** - These are costs that are correlated or change with a businesses level of production and/or sales. An example of variable costs would be the fuel needed to run a tractor for a corn maze hay ride. As the number of visitors increase so does the number of hay rides and fuel needed to run the tractor. The purchase of additional fuel would be considered a variable cost. The following provides a list of potential variable costs.

- Wages (how many and what are you paying employees)
- Raw material costs (inputs)
- Utilities (electricity, natural gas, water, sewer)
- Cost of maintaining inventory (giveaways, etc)



## Preparing a Break-Even Analysis

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- Utilities (electricity, natural gas, water, sewer)
- Cost of maintaining inventory (giveaways, etc)



The following are variable cost estimates for a pumpkin patch facility that provides hay rides. Remember, a number of these variables costs were included in the start-up cost budget.

<b>Variable Costs</b>	<b>Cost</b>
Electricity	\$ 1,200
Labor	\$ 1,800
Hay for wagons	\$ 40
Tractor fuel	\$ 75
Maintenance	\$ 300
<b>Total Variable Costs</b>	<b>\$ 3,415</b>

**Fixed Cost-** These are costs that a business incurs regardless of its level of production or sales. Fixed costs ***do not*** fluctuate with sales volume and are sometimes referred to as overhead costs. An example of a fixed cost would be the monthly mortgage payment on farmland. Regardless if the business is providing tours, the business has to pay for the facility. The following are examples of fixed costs.

- Mortgage/rent
- Interest on debt
- Insurance
- Plant and equipment expenses
- Business licenses
- Salary of administrative personnel
- Utilities
- Taxes
- Supplies
- Sales and Marketing

The following are the fixed costs associated with a pumpkin patch.

<b>Fixed Costs</b>	
Loan payment	\$ 4,757
Portable restrooms/handwashing rooms	\$ 600
Liability Insurance	\$ 2,000
Marketing	\$ 1,750
Business License	\$ 50
<b>Total Fixed Costs</b>	<b>\$ 9,157</b>



**Total Variable Costs-** The sum of the variable costs for the specified level of production or output. For example, a pumpkin patch is capable of hosting up to 380 rides per season. However, a farm is currently only hosting 250 tours a season. The total variable cost is the sum of all the variable costs to host 250 tours.

<b>Variable Costs</b>	<b>Cost</b>
Electricity	\$ 1,200
Labor	\$ 1,800
Hay for wagons	\$ 40
Tractor fuel	\$ 75
Maintenance	\$ 300
<b>Total Variable Costs</b>	<b>\$ 3,415</b>

**Average Variable Costs-** These costs are the variable costs per tour or of total variable costs divided number of tours for a specific period of time. Using the total variable expenses from above, it is possible to determine the average variable costs for the pumpkin patch hosting 250 tours a season. This is done by dividing the total variable costs by the number of tours being hosted.

$$\text{Average Variable Cost} = \$3,415/250$$

$$\text{Average Variable Cost} = \$ 13.66$$



### **Revenue Estimation**

In addition to having detailed cost information, it is important to estimate potential sales in both units and revenue. However, to gain a clear picture of the viability of a business it is essential to have both cost and sales information. Therefore, it is important to estimate sales potential and drive a price estimate.

**Estimated Sales-** refers to estimated sales during a specific period of time. A company's estimated sales are derived from estimating market potential and anticipated market share. It is advisable to estimate sales using two or three different market share figures to provide an estimated sales range.

**Price-** It is important to estimate how much a business will charge for each tour and/or services. One method of determining price is to spy on the competition and collect their products pricing information.

### **Calculating a Break-Even Figure**

Given both the cost and marketing information provided above, it is possible to calculate a break-even for a proposed pumpkin patch tour. It is important to calculate a break-even unit and price to effectively evaluate the business opportunity. This calculation will rely on information presented earlier in this document. For example, the average variable cost figure of \$13.66 was derived in the variable cost section.

#### *Break-Even Unit Calculation*

The first calculation is focused on calculating the number of tours that need to be sold to break-even.

$$\text{Break-Even in Units} = \text{Fixed Cost} / (\text{Unit Price} - \text{Average Variable Cost})$$

$$\text{Break-Even in Units} = 9,157 / (\$15.00 - \$13.66)$$

$$\text{Break-Even in Units} = 12,271 - \text{number of tours to be sold to break-even.}$$

The calculation reveals that 12,271 tours need to be sold at a selling price of \$15.00 per tour for the operation to break-even. Sales exceeding this level will allow the business to start generating a profit.

#### *Break-Even Price Calculation*

The second calculation is focused on calculating the price per-tour that needs to be achieved for the operation to break-even.

$$\text{Break-Even Price} = (\text{Fixed Costs} / \text{Estimated Sales(Units)}) + \text{Average Variable Costs}$$

$$\text{Break-Even Price} = (\$9,157 / (12,271 + 13.66))$$

$$\text{Break-Even Price} = \$34.75 \text{ per tour is the break-even price}$$

The calculation reveals that each tour being sold needs to sell for \$34.75 per tour for the operation to break-even.



## Break-Even Information

### Financial

A.	Start –up Costs*	\$ _____
B.	Fixed Costs	
	<i>Land Purchase</i>	\$ _____
	<i>Equipment</i>	\$ _____
	<i>Computer</i>	\$ _____
	<i>Furniture</i>	\$ _____
	<i>Building</i>	\$ _____
	<i>Total</i>	\$ _____
C.	Variable Costs	
	<i>Labor</i>	\$ _____
	<i>Fuel</i>	\$ _____
	<i>Utilities</i>	\$ _____
	<i>Insurance</i>	\$ _____
	<i>Lease or Rent</i>	\$ _____
	<i>Professional Services (Accounting, Legal)</i>	\$ _____
	<i>Total</i>	\$ _____
D	Total	\$ _____

### Sales

E.	Market Potential	
	<i>Target Market</i>	\$ _____
	<i>Consumption per time period</i>	\$ _____
F.	Sales Price	\$ _____

\* Make sure costs are not double counted in start-up and fixed and variable

**Break-Even Units = Fixed Costs ÷ (Unit Price - Average Variable Cost)**

**Break-Even Units =**

**Break-Even Price = Fixed Costs ÷ (Estimated unit sales + Average Variable Costs)**

**Break-Even Price =**

Are the break-even unit sales and price figures consistent with potential sales and realistic price per unit? If so, the business may be profitable. However, additional analysis is needed to ensure that the business can cash flow and generate a profit.



## START-UP EXPENSES

Start-up expenses are the various expenses it takes to open your doors for business. The majority of these expenses will be one-time expenditures, while others will occur every year. Examples of these expenses are listed on the next page. If you have an existing business, skip this work-sheet.

### Step 1:

Fill in Total available cash for starting your business venture.

### Step 2:

Review the expenses listed on the next page. You probably can use this list for the expenses for your business. You may have some expenses which are not listed here, write them under Other expenses.

### Step 3:

Estimate your cost for each expense.

### Step 4:

Calculate the total for your start-up expenses.

### Step 5:

Calculate Beginning Cash Balance by subtracting Total Start-up Expenses from total available cash. This amount should be written on the Projected Cash Flow worksheet under each month on the Beginning Cash Balance line.

START-UP EXPENSES	
EXPENSE	COST
Total available cash	\$ _____
Total of capital equipment (find this total on next page)	\$ _____
Beginning inventory of merchandise for retailing businesses	_____
Legal fees	_____
Accounting fees	_____
Licenses & permits	_____
Remodeling work	_____
Deposits (public utilities, etc.)	_____
Advertising (grand opening, etc.)	_____
Promotions (door prizes, etc.)	_____
Other expenses: _____	_____
TOTAL START-UP EXPENSES	\$ _____
Beginning Cash Balance	\$ _____



## CAPITAL EQUIPMENT

Equipment	Cost	Acquisition Date	Useful Life (in months)	Monthly Depreciation
Total Costs Capital Equipment			\$	
Total Monthly Depreciation			\$	

### Projected Cash Flow

Cash flow projections are among the most critical financial projections you will make. You will calculate your cash receipts and the cash disbursements for each month. If the cash receipts are greater than the cash disbursements, you will have a positive cash flow. If the cash receipts are less than the cash disbursements, you will have a negative cash flow. Negative cash flows are enclosed in brackets. Here is an example: (\$5,218).

#### Step 1:

Fill in your beginning cash balance for the first month. This amount should be taken from the start-up expenses worksheet if your business plan is for a new business.

#### Step 2:

Fill in the various categories for Cash Receipts and total them for the first month only.

#### Step 3:

Fill in the various categories for Cash Disbursements and total them for the first month only.

#### Step 4:

Calculate the Net Cash Flow for the first months (Total Cash Receipts minus Total Cash Disbursements).

#### Step 5:

Calculate the Ending Cash Balance for the first month. (Beginning Cash Balance plus a positive Net Cash Flow (or minus a negative Net Cash Flow).

#### Step 6:

Fill in the Beginning Cash Balance for the second month, (which is the Ending Cash Balance for the first month).

#### Step 7:

Repeat the first six steps for each of the twelve months remember to complete one month at a time!



**PROJECTED CASH FLOW**[illegible]



## PROJECTED INCOME STATEMENT

---

You are now ready to assemble the data for your projected income statement. This statement will calculate you net profit or net loss (before income taxes) for each month.

### Step 1:

---

Fill in the sales for each month. You already estimated these figures; just recopy on the work sheet.

### Step 2:

---

Fill in the cost of goods sold for each month. You already estimated these figures; just recopy on the work sheet.

### Step 3:

---

Calculate the Gross Margin for each month (Sales minus Cost of Goods Sold).

### Step 4:

---

Fill in the three categories of labor-related operating expenses (salaries, mandatory benefits, optional benefits). You estimated these figures already; just recopy them on the work sheet.

### Step 5:

---

Fill in the Operating Expenses — Non-labor. You estimated these figures; just recopy them.

### Step 6:

---

Fill in the Monthly Depreciation Expense. You estimated this figure already; just recopy them for each of the 12 months.

### Step 7:

---

Calculate the Total Operating Expenses for each month by adding all operating expenses.

### Step 8:

---

Calculate the Net Profit or Net Loss (before income taxes) for each month (Gross Margin minus Total Operating Expenses).

---



## PROJECTED INCOME STATEMENT

[illegible]



## **BALANCE SHEET**

---

The balance sheet can be compared to a picture of your financial condition on a particular day. This statement is a list of your assets (at your cost), your liabilities (your debts), and your equity in those assets.

You are going to prepare a balance sheet as of the end of your last fiscal year or as of the start-up date of your business. You should include all the assets and liabilities as of the appropriate date. You will also be preparing a projected balance sheet for a date one year in the future.

### **Step 1:**

---

Fill in the amounts for each of the Current Assets and calculate the Total Current Assets.

### **Step 2:**

---

Fill in the amount for Fixed Assets, ( Land, Buildings and Equipment ), less accumulated depreciation.

### **Step 3:**

---

Calculate the Total Assets (Total Current Assets + Total Fixed Assets).

### **Step 4:**

---

Fill in the amounts for current and long-term liabilities and calculate the required totals.

### **Step 5:**

---

Calculate the Owner's Equity (Total Assets - Total Liabilities).

### **Step 6:**

---

Fill in the amount of Total Liabilities + Owner's Equity. This amount should equal the amount for Total Assets.

### **Step 7:**

---

Repeat Steps 1 through 6 for the end of the year projections.

---



# BALANCE SHEET

Assets	As of	As of
<b>Current Assets</b>		
Cash	\$ _____	\$ _____
Accounts receivable	\$ _____	\$ _____
Inventory	\$ _____	\$ _____
Prepaid expenses	\$ _____	\$ _____
Other current assets	\$ _____	\$ _____
<b>TOTAL CURRENT ASSETS</b>		
<b>Fixed Assets</b>		
Land	\$ _____	\$ _____
Buildings (Less Accum. Depr.)	\$ _____	\$ _____
Equipment (Less Accum. Depr.)	\$ _____	\$ _____
Other fixed assets	\$ _____	\$ _____
<b>TOTAL FIXED ASSETS</b>		
<b>Total Assets</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ _____	\$ _____
Federal & State taxes owed	\$ _____	\$ _____
Other current liabilities	\$ _____	\$ _____
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>Long-term Liabilities</b>		
Notes payable to bank	\$ _____	\$ _____
Mortgages payable	\$ _____	\$ _____
Other long-term liabilities	\$ _____	\$ _____
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>Total Liabilities</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>Owner's Equity</b>		
<b>Total Liabilities + Owner's Equity</b>	<b>\$ _____</b>	<b>\$ _____</b>

Jenni Jeras, The Business Journal  
July 8, 1994







### **Agriculture Budget - Example**

[illegible]



[illegible]



### 1. Describe Your Target Market Segments:

[illegible]

2. Market Area (Where are visitors located or coming from?)

Where Is Your Market Area or How Far Are They Willing to Drive, i.e., County, city, South East, 45 miles, 70 miles	Lascelles or Diabase
1. First Segment Market Area	
2. Second Segment Market Area	
3. Third Segment Market Area	
4. Fourth Segment Market Area	

3. **Estimated Number of Customers within Market Area** (define your market area, look within that area at the demographic composition)

How Many People Searching My Demographic Live Within the Original Market Area	
Market Area	Number of People (largest market)
1 First Selected Market Area	
2 Second Selected Market Area	
3 General Market Area	
4 Fourth Selected Market Area	
Market Potential - Total (sum 1-4 above)	

4. Consumption Figures show often is the product consumed and how much of the product is consumed.

Consumption of goods by People Harboring My Remembrance Within the District Market Area		Consumption of goods
Market Area		
1 First Segment		
2 Second Segment		
3 Third Segment		
4 Fourth Segment		

5. Price (what is your cost of producing the product and what type of "profit" do you intend to generate? How does this price compare to your competitors? How reconcile are customers to price changes?) Also, look at what your different segments are paying for their products

Target Market Segment	Price
1. First Segment	
2. Second Segment	
3. Third Segment	
4. Fourth Segment	

### Estimating Market Potential: Where

potential market

$N$  = number of possible lanes

World Bank officials in







# Financial Resources

## UNITED STATES DEPARTMENT OF AGRICULTURE RURAL BUSINESS-COOPERATIVE SERVICE Business and Industry (B&I) Loan Guarantees

The RBS program provides a loan guarantee to a bank, savings and loan, or other approved lender to finance private businesses located in rural areas of 50,000 population or less. Business loan guarantee purposes include, among others items, construction, acquisition, working capital, equipment purchase, start up costs and expansion costs. Applicants for these loans may be any legal entity, including individuals, public and private organizations and federally recognized Indian tribal groups.

### Program Goal

To encourage the commercial financing of rural business, thereby:

- Creating and saving rural jobs.
- Improving the economic and environmental climate of rural communities.
- *The B&I Program is lender-driven. RBS guarantees the loan rather than lending directly. A commercial lender requests the B&I guarantee and, if approved, it makes (and services) the loan.*

### Type of Assistance

Federal guarantees (typically of 80 percent or less) for lenders on their rural business loans:

- 80 percent (maximum) guarantee on loans of up to \$5 million.
- 70 percent (maximum) guarantee on loans of \$5-10 million.
- 60 percent (maximum) guarantee on loans of \$1 0-25 million.
- *Limited/Special Circumstances -90 percent (maximum) guarantee on loans of up to \$2 million.*

### Lender Benefits

The guaranteed portion of the loan is protected against loss by a Federal guarantee. The guaranteed portion of the loan can be sold on the secondary market. The guaranteed portion of the loan does not count against lending limits. B&I guarantees help lenders satisfy Community Reinvestment Act (CRA) requirements.

### Size of Loans

No minimum, but typically beginning at SBA maximum (\$750,000)

Maximum loan is \$25 million

### Interest Rate, Term, Payment Structure, and Fees

Rate: Lender's customary commercial interest rate -negotiated by lender & business.

Fixed or variable (but not more often than quarterly) tied to a published base rate.

Term: Working Capital -7 years maximum.

Equipment -15 years maximum.

Real Estate -30 years maximum.

Structure: Balloons are not permitted. Reduced payments may be scheduled in the first 3 years.

Fees: Lender's reasonable and customary fees -**negotiated by lender & business.**

### Authorized Loan Purposes

Business asset acquisition, construction, repair, modernization, and development. Real estate, buildings, equipment, inventory, supplies, & working capital (**NO lines of credit**). Loan fees & costs, packaging fees, professional services, and feasibility study costs. Debt refinancing in certain cases.



**Loan Limitations**

Construction projects -Construction loan funds should not be advanced until RBS has approved the project.

Commercial lease projects -Need not be owner-occupied, but must have enough committed tenants to evidence positive cash flow.

Ineligible businesses include:

Production agriculture (except when linked to agricultural processing & marketing businesses).

(Note: Nursery, forestry, and aquaculture operations are eligible.)

Gaming facilities -Golf Courses -Lending, investment, and insurance companies.

Projects involving more than \$1 million *and* the relocation of 50 or more jobs.

**Lender Eligibility**

Any Federal or State chartered bank; Farm Credit System; Bank of Cooperatives; bank-holding company's mortgage company; credit union; or insurance company.

Lender must be subject to government credit examinations and in good standing.

Lender's officers/directors/owners have no substantial financial interest in the borrower.

**Borrower Eligibility**

Most types of enterprises qualify -manufacturing, wholesale, retail, service.

Project must be in a rural area -outside the immediate influence of a 50,000 + population city.

Proprietorships, partnerships, corporations, nonprofits, tribes, or political subdivisions.

Majority ownership by US citizens or permanent residents.

Less than 20 percent ownership by government or military employees. Good Credit history.

Must have tangible balance sheet equity at loan closing/project completion of:

10-20 percent or more (for existing businesses).

20-25 percent or more (for new and energy-related businesses). Inability to get credit elsewhere is NOT a requirement.

**Security Requirements**

The proposed operation must have realistic repayment ability.

There must be adequate collateral to protect the Lender and RBS. Lender should discount collateral consistent with sound loan to value ratios. Typical discount factors are:

Real-estate -using 80 percent or less of the appraised value.

Chattels -using 80 percent or less of the appraised value.

Accounts receivable (<90 days) -using 60 percent or less of value.

Inventory -using 60 percent or less of the value.

Insurance:

Hazard insurance on collateral (*lesser* of loan amount *or* depreciated replacement value). Life insurance (decreasing term OK) on principals/key employees -amount negotiated.

Personal/corporate guarantees:

Typically from all proprietors, partners (except limited partners), or major (20 percent or more interest) shareholders.

**Special Requirements**

A feasibility study by a recognized, independent consultant may be required.

Annual audited financial statements are generally required for loans in excess of \$3 million and when other special circumstances warrant an audit.

A 2%% fee on the guaranteed portion of the loan is paid to RBS at the time the guarantee is issued.



**Application Process**

- Lender & business submit .a joint preapplication to RBS, indicating a willingness to make the loan provided a B&I guarantee is approved.
- RBS meets with all parties at the project site, and then makes a preliminary determination of project eligibility, normally within 15 days.
- Lender & business complete their application.
- From RBS receipt of complete application, approval takes less than 60 days. Loans up to \$5 million are approved locally larger ones are reviewed in Washington, DC.
- RBS issues a conditional commitment, approving a guarantee subject to conditions.
- After meeting RBS's conditions, the lender may close the loan and request the guarantee.
- RBS issues the guarantee after verifying all conditions are met and collecting guarantee fee.



# **RURAL BUSINESS ENTERPRISE GRANT Fact Sheet**

**United States Department of Agriculture  
Rural Business-Cooperative Service**

USDA Rural Business-Cooperative Service (RBS) makes grants under the Rural Business Enterprise Grant (RBEG) Program to public bodies, private nonprofit corporations, and Federally recognized Indian Tribal groups to finance and facilitate development of small and emerging private business enterprises located in rural areas outside the boundary of a city or unincorporated areas of 50,000 or more and its immediately adjacent urbanized or urbanizing area. Public bodies include incorporated towns and villages, boroughs, townships, counties, States, authorities, districts, Indian Tribes on Federal and State reservations, and other Federally recognized Indian Tribal groups in rural areas.

The public bodies, private nonprofit corporations and Federally recognized Indian tribes receive the grant to assist private businesses located in rural areas. **GRANT FUNDS DO NOT GO DIRECTLY TO THE BUSINESS.** Grants may be made only for projects for which it can be demonstrated that there is a reasonable prospect that the project will result in development of small and emerging private business enterprises.

The small and emerging private businesses to be assisted must have less than 50 new employees and less than \$1 million in gross annual revenues and must be located in a rural area outside the boundary of a city or unincorporated areas of 50,000 or more and its immediately adjacent urbanized or urbanizing area.

## **How May Funds be Used?**

Funds are used for financing or development of private small and emerging businesses.

**Eligible uses are:**

- Technical Assistance (providing assistance for marketing studies, feasibility studies, business plans, training, etc.) to small and emerging businesses.
- Purchasing machinery and equipment to lease to a small and emerging business.
- Creating a revolving loan fund (providing partial funding as a loan to a small and emerging business for the purchase of equipment, working capital, or real estate).
- Constructing a building for a business incubator for small and emerging businesses.

## **Limitations:**

**Grants cannot be used for:**

Agricultural Production.

Comprehensive area wide planning.

Loans by grantees when the rates, terms, and charges for those loans are not reasonable or would be for purposes not eligible under RBEG regulations.

Development of a proposal that may result in the transfer of jobs or business activity from one area to another.

This provision does not prohibit establishment of a new branch or subsidiary.

Development of a proposal, which may result in an increase of goods, materials, commodities, services, or facilities in an area when there is not sufficient demand.

Programs operated by cable television systems.

Funding part of a project, which is dependent on other funding, unless there is a firm commitment of the other funding to ensure completion of the project.

USDA Rural Business-Cooperative Service is an Equal Opportunity Lender, Provider, and Employer.  
Complaints of discrimination should be sent to: USDA, Director, Office of Civil Rights, Washington, DC  
20250-94 10



All applications are considered without regard to race, color, religion, sex, national origin, age marital status, or physical or mental handicap (provided applicants have the capacity to enter into a legal contract) of the members of the groups applying for assistance. Service must be extended on the same basis.

### **How are Applications Processed?**

Applicants will submit supporting data before a formal application is made. After determining the order of funding priorities, RBS will tentatively determine eligibility and request applicants to assemble and submit a formal application.

### **Where Is Application Made?**

Just call 1-800-ASK-UGA1 (275-8421) from anywhere in Georgia. You'll be automatically connected to the UGA Extension office in that county.

### **Other Conditions**

Applicants for grants to help develop private business enterprises must file written notice of intent consistent with Intergovernmental Review requirements. Federally recognized Indian Tribes are exempt from this requirement.

Applicants for grants to establish a revolving loan program must include detail on the applicant's experience operating a revolving loan program, proposed projects, applicant's financial ability to administer a revolving fund, the need for a revolving fund, and other funds proposed to leverage funds made available under this program.

All community projects funded by RBS are subject to an environmental assessment in accordance with the National Environmental Policy Act.

USDA Rural Business-Cooperative Service is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to: USDA, Director, Office of Civil Rights, Washington, DC 20250-94 10



# **Marketing Your Agritourism Enterprise**

**Part of a How-To Guide for Successful Agritourism  
Enterprises**

Prepared for The University of Georgia's Center for Agribusiness and Economic Development and North Carolina State Cooperative Extension Service's Business Side of Agritourism Program Series. The Primary Investigators on this project were Kent Wolfe, Center for Agribusiness and Economic Development and Gary Bullen, North Carolina State University Cooperative Extension Service.



**Funding for this project was provided by a grant from The  
Southern Regional Risk Management Education Center**



## **Introduction**

Farmers continue to look for creative and innovative means of generating additional revenue. Many farmers have turned to agricultural and nature based-tourism activities to generate additional revenue. Other farmers have the desire to provide educational opportunities, especially to children, to expose them to agriculture and its importance to local communities. Farmers can expand their businesses and increase farm income by offering people the opportunity to visit and experience agricultural and nature-based activities.

The past few years have witnessed an increased interest in Agritourism activities across the nation. These activities range from petting zoos, working dairies, and boating, to bird watching. Other activities such as children's camps, corporate events, and cabin rentals are also gaining popularity. These are just a few of the activities that are being provided that have created new uses for many farm and natural resources. To be successful, it is important to commit necessary resources, including a significant amount of managerial time and farm labor as well as a significant investment in marketing and promotion.

## **Marketing**

Most Agritourism operations are not "turn-key" businesses with customers lining up at the door waiting for it to open. Agritourism venues require a significant amount of planning, marketing, and promotion to create successful enterprises.

The primary focus of all marketing and promotion activities is straightforward...to inform potential visitors about the operation and its activities and to attract visitors to the farm. The Agritourism audiences are often separated into two groups: individual families with children and groups, i.e., school groups, senior citizen groups, church groups, civic groups, daycare groups, children and youth groups, and tour groups. Families are frequently targeted on weekends and holiday while groups are often targeted during weekdays. Marketing methods can be developed to address each of these groups and may include brochures, print, radio, Internet, television, signs, sponsorships, use of a logo and positive word-of-mouth comments and referrals.

The effectiveness of marketing methods can vary significantly by targeted group. As a result, it is critical to have a good understanding of how best to communicate with various groups as well as knowing each groups' interests. This understanding will increase the effectiveness of the message. However, it is important to ensure that different marketing materials are consistent and don't contradict each other. To avoid sending conflicting messages, an overall theme should be devised which can be fine-tuned for different target markets. For example, families generally visit Agritourism activities for fun while school groups are looking for a combination of fun and educational activities. Therefore, it is necessary to have an understanding of various targeted groups and to develop specific marketing materials focusing on the needs and expectations for each.



### **What is Marketing?**

For too long in Agriculture the word marketing has been loosely defined as selling. Selling is finding a buyer for your products. Marketing is much more than selling. Marketing involves the identification of a potential customer's needs and wants. In a sense, it can also be making what the customer wants. Attracting visitors to the farm initially requires development of a high quality enterprise and a high-quality marketing plan. Marketing is planning and executing a set of objectives to bring buyers and sellers together so that a sale can take place." This requires thorough planning and execution with focus on four goals:

1. Identify a target audience and then identify their needs.
2. Attract the targeted audience to the farm.
3. Get the targeted audience to spend their money by selling to their needs and wants.
4. Create an inviting environment that will cause the targeted audience to come back again.

Focusing on customer values will be integral to the success of an Agritourism enterprise. This constant focus will provide the insight needed to develop and market a product or service to meet unfulfilled needs of consumers. It is important to understand the concept of consumer values. Before making purchase buyers may consider four factors:

1. Customer Benefit
2. Customer Cost
3. Convenience
4. Communication...that is, learning about your products and services and how to acquire them.

### **Developing a Marketing Plan**

A marketing plan assists you in the evaluation of the market potential for your products and services so that you can develop strategies to take advantage of the potential. There are seven main components to a complete plan:

1. Research and analysis is the process of gathering information regarding the potential market for your products and services. It allows you to evaluate strengths and weaknesses and in the identification of a target market.
2. Setting marketing and financial goals and objectives will assist you in developing appropriate metrics necessary to evaluate your efforts.
3. Marketing mix describes the specific strategies needed to penetrate the target market, get them to spend money, and to get them to come back to your enterprise. These strategies include covering the 4P's of marketing (product, price, place, and promotion).
4. Developing a marketing budget will provide a roadmap for your marketing expenditures.



5. It will be important to monitor customer response in order to evaluate the effectiveness of your marketing plan. This will let you know when adjustments need to be made.

6. A contingency plan is a must in describing possible adjustments needed if your tactics are either more or less effective than planned.

7. A punch list for your marketing plan can help you summarize the tasks necessary to put your plan in action.

It is critical that you know and understand your target market. Having background information will allow you to learn about your target audience, improve the description of your operation, evaluate your strengths and weaknesses, and analyze opportunities and threats. Your market plan should contain information regarding the:

- Enterprise description
- Market situation
- Target customer profile
- Analyze your strengths, weaknesses, and opportunities, and then identify the threats to your enterprise

When developing your market plan don't confuse the plan with the act of planning. Both are needed to succeed. Remember, your planning process doesn't end when your plan is done. The true value of the plan is the implementation it causes. Implementation begins the day you determine your target audience. Understand that your market plan is never really done, your always revising it because reality is always changing the variables. Without having a plan and a way to measure results, you will never realize the difference between the plan and reality. Work your market plan, don't just write it.

Providing excellent customer service based on the needs, wants, and expectations of your target market is important in identifying, attracting and retaining customers. It also enables you to gain positive referrals. Excellence in customer service begins with a very specific plan that should include these steps

1. Research your customers' needs, wants and expectations.
2. Establish customer service goals and expectations.
3. Develop customer service policies.
4. Train employees to implement policies (and make sure they do).
5. Develop an effective set of metrics for your market plan and customer service policies.
6. Evaluate the effectiveness of your plan.



## **Marketing Plan**

There is no single formula or “silver bullet” strategy which will guarantee success. Instead, marketing is more an art than a science as it is a creative process rather than an exact formula to be followed in all situations. Creating a marketing plan does not guarantee success, it only reduces the chance of failure.<sup>1</sup> This statement provides a very good beginning point for a discussion on developing a marketing plan.

A marketing plan can be compared to a road map in that it allows you to look at where you currently are and provides direction on how to get to your destination. It provides for bringing buyers and sellers together. Attracting and retaining customers is fundamental to the success of a business as they provide the money that is essential for a business’s daily operations, payroll, debt servicing and profits.

A comprehensive and properly prepared marketing plan can provide invaluable information pertaining to the marketplace. It is easy to brainstorm and hold strategy sessions. These meetings can generate brilliant marketing strategies as ideas are conceived and communicated. However, if these ideas are not recorded and implemented they are useless. Lee Iacocca, former chairman of Chrysler, provided great insight that supports the creation of a marketing plan when he said: *“the discipline of writing things down is the first step toward achieving them.”*

A comprehensive marketing plan should include the 4 P’s of marketing: product or service, price, place and promotion. Constructing a marketing plan is similar to putting a jigsaw puzzle together. There are many individual components that provide specific pieces of information but, none of the individual pieces provides enough information to see the “big picture.” However, when these individual components are combined the big picture becomes clear and the business has a plan for marketing its wares.

A marketing plan can be broken down into the ten different elements outlined below. An explanation of each element follows.

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<sup>1</sup>Creating a Marketing Plan; E.A. Estes and C.W. Coale, Jr., 1995 North American Farmers’ Direct Marketing Conference, Knoxville, TN



- I. Introduction
- II. Market Analysis
  - A. Market Area
  - B. Target Market Identification
  - C. Competitor Analysis
  - D. Situational Analysis
- III. Marketing Objectives and Goals
- IV. Marketing Strategies
- V. Marketing Mix
- VI. Marketing Budget
- VII. Market Plan Check List

I. **Introduction**

The introduction section of the marketing plan should include a detailed description of your business and its product or service. The description should include how your product or service fits into the current business environment and where your company would like to be in one year. The introduction should be written so that an unfamiliar layperson would be able to understand your company's product or service as well as what you envision doing with it over the next year (e.g. have product in 100 retail outlets with sales of \$100,000).

II. **Market Analysis**

Market analysis is an essential component of the marketing plan. The market analysis contains information on consumers, competitors and the overall industry. This information is critical to developing an effective marketing plan. In order to accurately complete the market analysis, an in-depth study of the industry and extensive research into consumer tastes and preferences are needed. These investigations will allow you to identify industry trends, changes in consumers' tastes and how the competition is positioning its products. This type of strategic information is critical to effectively position and promote a product to a target market.

To effectively perform a marketing analysis the market area must be defined, the target market identified and a competitor and situational analysis developed.



### **A. Market Area**

The market area can be thought of as the geographic area where the business intends to operate, i.e., a city block, between the rivers or the globe. Defining the market area is important because it defines the geographic area where potential consumers live and/or work. The people in the market area are considered to be potential customers. If the population in the market area is not sufficient, it will have to be expanded. Food retailers, for example, typically rely on drawing customers from a five-mile radius around the store. If this population is too small, the retailer will build elsewhere or risk insufficient sales revenue.

Total sales for specific products can be determined once a market area is defined. For example, Americans consume approximately two pounds of honey annually. Therefore, defining a market area provides the means of determining the total market potential by multiplying the area's population by consumption figures. The result is the area's estimated total sales potential. However, this figure may be misleading and overstate the true market potential for a particular product as not all of the residents in the market area are potential consumers. For example, assume the population for a defined market area is 10,000 people. Some of the people in the area eat beef while others are vegetarians. Therefore, not all of the people in the market area are potential consumers. As a result, it is important to determine what segment of the total population in the market area can realistically be considered potential customers.

### **B. Target market identification and description**

This section involves generating a detailed description or creating a stereo-type of consumers most likely to purchase a specific product, i.e., women between 35 and 54 years of age with no children. A target market might be elementary school children, horse trail riders, or tourists. The concept of target market refers to identifying a sub-segment of the total population that is most likely to use a particular product or service.

The more detailed information obtained about the target market, the easier it is to design and implement an effective marketing strategy focusing on these individuals. Chances are a target market will be some subset of the general population. For example, not all people prefer trucks over cars as is evidenced by the variety of vehicles sold. As a result, auto companies spend tremendous amounts of money to identify which segment of the population prefers trucks to cars. This allows them to focus their marketing efforts on the subset of the general population that is most likely to purchase a truck. As target market information is obtained and a target market profile is developed, it becomes apparent where to focus marketing efforts. By targeting those consumers that are most likely to purchase a particular product, it is easier to maximize marketing resources.

One of the primary objectives of defining the target market is to concentrate marketing resources. Assume that a horse trail riding facility is planning to



advertise? Advertising in major newspapers has the potential to reach a large number of people; it may not be effective in reaching the target market where as advertising in equine related publications may reach significantly fewer people, it may be more effective in reaching the “desired people.”

However, demographic data alone may not be sufficient to adequately segment potential consumers. General demographic information can be supplemented with psycho-graphic (i.e. attitudes and values) and lifestyle (i.e. activities and interests) information to more narrowly define a target market. “Luxury products, premium brands and stylish services sell by appealing to the second kind of consumer attribute: psycho-graphics, or attitudes and values. When products are sold on image, consumers perception matter more than demographics<sup>2</sup>.”

By identifying a target market, it is possible to estimate the total market potential for a product or service. For example, a pumpkin grower can estimate an area’s total Halloween pumpkin market potential by determining the number of households in his market and estimating the average number of pumpkins each household might buy for Halloween. Assume that the U.S. Census Bureau estimates there are 25,000 households in the identified market area. Conducting a simple survey reveals that the average household purchases two pumpkins for Halloween. Multiplying the number of households in the identified market area (25,000 households) by the average number of pumpkins each household is expected to purchase (2 per household) the market potential can be estimated (50,000 pumpkins). Assuming a price of \$3.00 per pumpkin, the market potential expressed in gross revenue is about \$150,000. This simple calculation provides information on the market potential which is critical in evaluating the economic feasibility of a particular business endeavor. If the estimated target market revenue potential is not large enough to cover the businesses operating costs, the business endeavor should be reevaluated.

### **C. Competitor Analysis**

A competitor analysis focuses on identifying competitors and collecting pertinent information related to their business. The analysis should investigate both direct and in-direct competitors. For example, an upscale fruit preserve’s main competition is other upscale fruit preserve products and not the mass produced national brand jams and jellies. The analysis should contain a list of each competitor’s strengths and weaknesses, resources, marketing channels as well as their strategic plans (if available). It is important to highlight competitor’s weaknesses as this provides material which can be used to exploits competing products weaknesses in marketing materials. It is important to know the competition. By identifying competitor’s strengths and weaknesses, it is easier to determine a product’s competitive advantage, which is useful in product positioning and promotion.

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<sup>2</sup> Markets With Attitude "by Judith Waldrop July 1994 American Demographics



Identifying competitors provides basic information for estimating market share. Market share can be estimated using the total market potential figures and the number of competing outlets. Finding market share information is a difficult if not an impossible task. This information is very valuable and acquiring it may be very expensive. In other instances, there is no market share information. If market share information is not readily available, there is a way to derive a crude market share figure. This crude estimation is calculated by dividing the total market potential equally among the total number of competitors. For example, if there are 15 competing products in a specific market, it is assumed that each of the fifteen competing products capture approximately 7% of the market ( $100\%/15=7\%$ ). Again, this method of market share estimation is by no means accurate or representative of the actual market shares held by each competing product because it assumes that all outlets have an equal market share which is probably unrealistic. For instance, one national supermarket outlet may capture 50% of the grocery market and the remaining 50% of the grocery market may be divided among the remaining 14 competitors. Despite its shortcomings, this crude method of estimating market share information provides a means for a company to make an assumption of how much they might capture if they entered the market. The alternative is to make a guess based on the best available information.

#### **D. Situational analysis**

The situational analysis can be thought of as a comprehensive investigation into the business environment in which your company will be operating. The situational analysis can be separated into two different elements.

**a. Industry Overview**- this element primarily focuses on industry trends and should provide a general review of the industry. For example, is demand for your product category increasing, decreasing or stable? Is the product category moving toward fat-free products? What are the long term trends in the market place? What are the demographic trends and how might they impact the market? These are some of the questions that need to be investigated. Traditionally, it is easier to enter and compete in a growing market than in a stagnate or declining market.

**b. Regulatory and social implications**- this element of the situational analysis should focus on government regulations and social trends that would directly or indirectly impact consumer demand for or consumer perception of your product. There may be social trends that might have positive or negative product ramifications. For example, the new organic regulations stipulate that before a product can be labeled organic, it has to be certified organic. An example of social implications and their impact on product consumption could be the current public anti-tobacco sentiment.



### **III. Marketing objectives and goals**

The marketing and objectives section should outline detailed and specific marketing goals and specific objectives. This section is essential to the overall success of the marketing plan. By setting business goals and defining objectives, the strategy and tactics subsections that follow will provide detailed information on how the objectives and goals will be met. However, before marketing strategies and tactics are developed, a clear picture of what is expected to be accomplished must be created, i.e., specific and realistic goals need to be set. For example, in 2007, 10,000 pounds of fresh water shrimp will be sold to food retailers in the Atlanta market and an additional 2,500 pounds will be sold to white-table cloth restaurants in the Raleigh market. It is important to be specific and set sales goals that are specific to each product which can also provide evaluation information on the effectiveness of the marketing strategies that are implemented for each market.

### **IV Marketing strategies**

This section is used to outline and describe what needs to be done to reach defined marketing goals and objectives. Specific marketing strategies are developed after a business identifies its marketing objectives. These objectives are measurable goals used to define where the business would like to be sometime in the future. For example, if a company's goal is to capture 8% of the market by January 1, 2007. In order to reach this goal a marketing strategy must be developed and implemented.

Once the business has determined its marketing goals, a method of achieving the goals must be outlined, formulated and implemented. Assuming the marketing goal is to have an 8% market share by the year 2007, how is the business going to achieve this goal by the specified date? Marketing strategies are concepts that can be used to create a set of activities aimed at reaching specific marketing goals, "how" specified marketing objectives are to be met. Depending on the company's current status in the market, different marketing strategies are needed to achieve the specified marketing objectives. The four general marketing strategies that can be used to market a product or service are:

- Market Penetration
- Market Development
- Product Development
- Diversification

After developing specific marketing strategies, it is important to consider how competitors will react when these strategies are implemented. An outline of anticipated competitors reactions needs to be developed and strategies to counter their reactions need to be considered.



**Market penetration** is similar in meaning to market share and refers to the percentage of total product sales that is captured by a company. For example, let's assume Coca-Cola has 67% of the total U.S. soft drink market, its market penetration would be 67% of the total U.S. soft drink market. For a company to increase its market penetration, it needs to attract customers from competing products or it needs to increase consumption of its products. For example, if Coke plans to increase its market penetration from 67% to 70%, it can either capture 3% of its competitor's market share or it can increase Coke consumption among its current customers. If Coke can get its existing customers to drink an additional 100 Cokes per year, the total soft drink market has been expanded and Coke has captured a larger proportion of that market. The following example demonstrates how increasing consumption among existing customers from 67 million 12 oz. Cokes a year to 80 million 12 oz. Cokes a year can increase Coke's market penetration.

<b>Table 1. Increasing Market Penetration</b>				
<b>Company</b>	<b>Current Consumption</b>	<b>Market Penetration</b>	<b>Increased Consumption</b>	<b>Market Penetration</b>
Coke	67 million liters	67%	80 million liters	70%
Pepsi	30 million liters	30%	30 million liters	27%
Other	3 million liters	3%	3 million liters	3%
Total	100 million liters	100%	113 million liters	100%

Thus, by increasing Coke consumption of existing customers, Coke has increased its market penetration or market share by 3% without attracting any new customers.

**Market development** is a very simple strategy. The business tries to identify new markets or new uses for existing products. If a business wants to expand and does not want to develop or produce a new product, it can use a market development strategy. A good example of market development is the cell industry. The original market was business people that needed to be reachable at all times. As the market matured, the industry began targeting different markets, i.e., teenagers to drive sales. The industry **developed** the non-business market without having to develop a new product.

**Product development** strategies occur when a business develops new products or services for customers in the business' **current markets**. Product development may be as simple as adding value to existing products or developing an entirely new product. For example, a producer could add-value to sweet potatoes by prepackaging them in smaller more convenient units for sale directly to consumers. An example of a new product could be sweet potato patties. These are formed sweet potato patties similar to hash browns that are ready to cook.



**Diversification** is a strategy that is typically used as a business grows. The purpose of diversification is to attract new groups of customers by **producing new products and entering new markets**. Lets look at a producer who starts producing and marketing apple butter. As the producer grows his business he decides that he could attract even more customers if he could offer a line of fruit preserves. The producer starts growing, and processing various types of fruit to make fruit preserves. By venturing into the preserve market, the producer has diversified his product mix. However, the producer has entered a new uncertain market. Diversification is perhaps the most risky of the mentioned marketing strategies for two reasons. First of all, the business is diverging from his area of expertise and secondly it is entering market that is probably unfamiliar to the business.

## V. **Marketing Mix**

The marketing mix can be thought the methods of implementing your marketing strategy. Specifically, the marketing mix consists of the actions required to fully implement specific marketing strategy. The marketing mix may also be thought of as the four “Ps” of marketing:

- Product
- Price
- Place
- Promotion

### ***Product***

The product component of the marketing mix includes every characteristic of the product, both tangible and non-tangible. A product’s quality, styling, functionality, packaging, image, trademarks, warranties and guarantees are a significant part of the product. A package conveys an image or perception to consumers. A product has to be packaged according to the target market’s expectations, wines sealed with cork instead of twist-off caps. A product may offer an extended warranty or guarantee to relay to consumers the perception of quality. A product may be associated with sports, the arts, or fun and the products are packaged accordingly.

In addition, it is important to identify a product’s strengths and weaknesses as well as how these relate to competitors. This information can be used to develop a marketing strategy and developing a unique selling advantage. It is also important to gauge consumer interest in purchasing a product containing these attributes and characteristics. For example, salad dressing comes in a variety of packing; large, small, squeeze and glass containers. Another example is meat packaging. As family sizes decline, it is important to package meat accordingly to meet customer needs. Using a single standard package designed for a family of four may place a product in a competitive disadvantage as consumers with smaller families desire products package for their household size. Remember, It is a lot easier to sell a product that consumers want as opposed to one that is easy to produce.



### ***Price***

In the marketing mix, price is more than the cost of the product. Pricing becomes an important tool in product positioning as it impacts how the product is distributed, where it is sold and how it is promoted and helps to create a product's image. For example, if a company is marketing a very high quality product, it is important to price the product accordingly to help and create the perception that it is a high quality and/or a prestigious product. Products featured in up-scale grocery stores or boutique food stores are generally more expensive than competing products sold through mass merchandising retail outlets even though they may be the same product. There is a perception among consumers that expensive products are of higher quality than less expensive competing products. This perception is evidence in the adage, "You get what you pay for." Pricing is a balancing act between charging too much, which may lead to consumers believing your prices are out of line, while not charging enough may lead them to believe the product is of lesser quality. It is important to set a price that will generate sufficient revenue and create real value for consumers.

In addition to creating an image, pricing can illicit a reaction from competitors. If a company prices its products too low compared to the competition, it risks starting a price war. However, if a product's price is too high, competitors may enter the market to take advantage of the high price.

### ***Place***

Place refers to distribution and bringing products and consumers together and does not necessarily refer to a brick and mortar facility. Place refers to a company's entire distribution system. Place also plays a very important role in determining a product's overall image. For instance, high-end expensive products should be sold through high-end outlets. Selling a high-end product at a discount establishment creates a confusing image in the consumer's mind.

### ***Promotion***

There are numerous advertising and promotional tactics that can be used to reach customers and tell them about your product.

### ***Advertising, Promotion and Publicity***

Advertising and promotion are two distinctly different communication strategies that are frequently used together to increase sales. The goal of both advertising and promotion is to influence consumer purchasing decisions. It is important to remember, that advertising and promotion alone cannot generate significant demand for a product if consumers do not like the product or it does not meet a specific need (i.e., New Coke).

The Metropolitan Statistical Area (MSA) is a term commonly used in the advertising industry. "The Metropolitan Statistical Area (MSA) refers to a county or group of adjoining counties (except in New England) that contained at least one urbanized area of



50,000 inhabitants or more.<sup>4</sup> If you plan on advertising or promoting your product in the Charlotte area, your audience will more than likely be the Charlotte MSA.

### **Advertising**

Advertising relies on both printed and electronic communication to deliver information about a product or business to potential and existing customers. It is important that your advertising campaign is directed at your target market both in terms of content and where the ad is going to be aired or printed. Advertising has a number of functions some of which are:

- to inform customers of the existence of your product
- to inform customers them why they should purchase your product (i.e., saves you money)
- it reminds consumers that they might want to purchase your product (i.e., Folgers Coffee, need coffee to get your morning going)
- to associate specific qualities with a product (i.e., wearing Nike shoes makes you a better athlete)
- to help differentiate your product from the competition (i.e., locally- grown produce)

**Sales Promotion**, involves customer response and involvement as opposed to advertising which involves delivering information about a product or business to potential and existing customers. However, product advertising and promotion are frequently used together. For example, a car dealer may advertise his dealership while running a free hotdog and soft drink promotion for individuals who visit his business. Promotions are a way to entice the customer to purchase a product through a special activity. Everybody is familiar with promotional strategies like clearance sales, in-store sampling and product give aways.

The following is a short list of possible promotional sales strategies for small business owners. A variety of promotional and marketing techniques need to be utilized to build product sales. Some of the more common promotional or marketing techniques are:

- Build your image with a well-designed product label and promotional display.
- Design a brochure that best explains your product or business.
- Design a point-of-purchase display for your various products.
- Design and distribute a quarterly newsletter or an industry update announcement.
- Design and distribute company calendars, mugs, pens, note pads, or other advertising specialties displaying your company name and logo.
- Design and distribute a free "how to do it" hand out related to your industry (e.g., traditional and new uses for beef products).
- Explore cross promotion with a non-competing company selling to your target market.
- Follow up customer purchases with a thank you letter.
- Follow up customer purchases with Christmas or birthday cards.
- Have your company profiled in a magazine or newspaper that is read by prospective customers.
- Hold a promotional contest.

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<sup>4</sup> Encarta Online Deluxe Encyclopedia, <http://encarta.msn.com/>



- Include promotional material with your invoices.
- Place promotional notes on your envelopes, mailing labels.
- Provide free samples of your product or service whenever possible.
- Provide public tours of your operation (e.g., school tours)
- Donate your product to different fund-raising and charity events.
- Sponsor an amateur sports team.
- Sponsor a cultural event through a community arts organization.
- Try providing your product to high profile restaurants in the area, even if you have to provide your product free.
- Provide local radio personalities with free samples to give away to their listeners as a small token of their appreciation.

**Electronic and print advertising** and promotion are particularly useful when starting a new, direct-to-consumer business. By advertising and promoting your product, you are able to reach a large number of potential consumers. The advertisement and promotion can be used to get potential consumers' attention and alert them to your opening and any special events that may be taking place. It is also a good idea to periodically advertise the market and remind potential customers that you exist. However, advertising via these media can be very expensive should be considered very carefully.

When deciding on which advertising media is best for your business, it is a good idea to evaluate a number of factors associated with each advertising media:

- The advantages and disadvantages of each media
- The effectiveness of each media in relaying your advertising message and objective
- The cost of advertising with each media
- The media's coverage area (i.e., range of radio broadcast, geographical area)
- The media's audience demographics (i.e., newspaper subscriber demographics)
- Audience attention (i.e., % of exposed customers that are aware of or that can recall advertisement)



**Table 2. Advantages and Disadvantages Of Advertising with Different Media**

Media	Advantages	Disadvantages
	<ul style="list-style-type: none"> <li>• Large coverage area</li> <li>• low cost relative to other media</li> <li>• Immediate/timely (daily or weekly)</li> <li>• access all socioeconomic groups</li> <li>• Visibility of the product (i.e., picture)</li> <li>• Use of coupons to measure effectiveness</li> <li>• Customer has opportunity for direct response at time of ad presentation (i.e., order form)</li> <li>• More opportunity to educate prospect on benefits of using your product</li> </ul>	<ul style="list-style-type: none"> <li>• Number of websites</li> <li>• Poor listing on searches</li> <li>• People may not remember web address</li> <li>• Need to keep material constantly updated</li> </ul>
Newspaper	<ul style="list-style-type: none"> <li>• Large coverage area</li> <li>• low cost relative to other media</li> <li>• Immediate/timely (daily or weekly)</li> <li>• access all socioeconomic groups</li> <li>• Can Target a specific audience via advertising in specialty section (travel, gardening)</li> <li>• Can use color</li> <li>• Visibility of the product (i.e., picture)</li> <li>• Use of coupons to measure effectiveness</li> <li>• Flexibility in advertisement size</li> <li>• Short lead time (do not need a long time to create)</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent reproduction</li> <li>• One day exposure, typically</li> <li>• Clutter- ad can be lost among other advertisements</li> <li>• May be limited to text or black and white print</li> <li>• Lack of movement and sound</li> </ul>
Radio	<ul style="list-style-type: none"> <li>• Specific audience (demographics)</li> <li>• Immediate/timely/frequency (aired several time daily or weekly)</li> <li>• High entertainment value</li> <li>• Celebrity endorsement or pitch</li> <li>• Time and content flexibility</li> <li>• Use of a human voice (celebrity pitching product)</li> <li>• Sound reinforcement</li> </ul>	<ul style="list-style-type: none"> <li>• Time limitations restrict message</li> <li>• Need for repetition</li> <li>• Clutter- ad can be lost among other advertisements</li> <li>• Ad recall is low</li> <li>• "Station surfing" during commercial breaks</li> <li>• Short ad exposure</li> </ul>
Magazines	<ul style="list-style-type: none"> <li>• Large coverage area</li> <li>• Targets a specific market segment interested in your product or business</li> <li>• Can use color</li> <li>• Visibility of the product (i.e., picture)</li> <li>• Use of coupons to measure effectiveness</li> <li>• Flexibility in advertisement size</li> <li>• Large repeat and secondary exposure</li> <li>• Easy to reproduce advertisement</li> </ul>	<ul style="list-style-type: none"> <li>• Clutter- ad can be lost among other advertisements</li> <li>• Cost associate with repeat and secondary exposure</li> <li>• Lack of movement and sound</li> <li>• Not immediate, publication may be weekly, monthly or less frequent</li> </ul>
Television	<ul style="list-style-type: none"> <li>• Large coverage area</li> <li>• Targets a specific audience interested in your product or business (i.e. Travel channel)</li> <li>• Uses both visual and auditory stimulants</li> <li>• Large repeat and secondary exposure</li> <li>• Easy to reproduce advertisement</li> </ul>	<ul style="list-style-type: none"> <li>• Costly to air and produce ad</li> <li>• Time limitations restrict message</li> <li>• Need for repetition</li> <li>• Clutter- ad can be lost among other advertisements</li> <li>• Short advertisement recall</li> <li>• Inverse relationship between hours of tv watched and income</li> </ul>
Direct Mail	<ul style="list-style-type: none"> <li>• Target audience</li> <li>• Customer has opportunity for direct response at time of ad presentation (i.e., order form)</li> <li>• More opportunity to educate prospect on benefits of using your product</li> <li>• Timeliness can reach potential customers in 2-to-3-week period</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive</li> <li>• Difficult to obtain "clean" mailing list</li> <li>• Perception of Junk mail</li> <li>• Not immediate, 2-to-3-week lag time</li> <li>• May be discarded unopened</li> </ul>
Point of Sale	<ul style="list-style-type: none"> <li>• Opportunity</li> <li>• Can influence impulse purchasing</li> <li>• Helps product "stand out" among competition</li> <li>• Customer has opportunity for direct response at time of ad presentation (i.e., purchase)</li> </ul>	<ul style="list-style-type: none"> <li>• Can be expensive</li> <li>• Clutter- ad can be lost among other point of sale material</li> </ul>
Outdoor	<ul style="list-style-type: none"> <li>• Large audience exposure</li> <li>• Use of color</li> <li>• Can provide information and directions</li> <li>• Continuous exposure (temporary or permanent)</li> </ul>	<ul style="list-style-type: none"> <li>• Limited message length</li> <li>• Initial production and preparation costs</li> <li>• Difficulty in "ideal" sight selection</li> </ul>



Sources: "Small Business Marketing," Mississippi State University Extension Service and "Evaluating promotion Expenditures for Agribusiness and Food Processing Firms," Phil Kenkel, Extension Economist, Oklahoma Cooperative Extension Service.

**Table 3. Examples of Mass Media Advertising Costs and Exposure for a Specific MSA by Media.**

Media	Company	Cost	Exposure
Website	Raleigh Web Design	\$1,500	Unlimited
Radio	WIVK (metropolitan county music station)	\$325 per 7AM-9AM M-F slot	1,200,900 persons 18+ years of age
Newspaper	Major Metropolitan Newspaper	\$52.50 per sq. inch per week in the Travel Guide Classifieds	479,0000 persons on Sunday
Television	WBIR (NBC affiliate)	\$13.50 - \$15,000 - 30 sec. Ad.	Dependant on time-slot
Outdoor	Lamar Outdoor Advertising (bill boards)	\$500 - \$7500 per month	Dependent on traffic volume
Direct Mail	Your business	\$1.68/contact*	Limited to mailing list

\*Penton Media Group: "What Is the Most Cost-efficient Way to Communicate with Business Decision Makers," Oct 17, 1997.



**Publicity** might be considered inexpensive or free advertising. There are a number of sources of publicity and a lot of times publicity can achieve the same goals as advertising.

- **Television Publicity** - You should try and convince one or more of the local television stations that they need to do a feature story on your business or product. This feature story has the potential to reach a very large number of potential customers within a Metropolitan Statistical Area.
- **Newspaper or Magazine Publicity** is another way to reach a large audience. Again, newspapers in the target area and other publications or magazines servicing your niche market should be approached about doing a feature article on your business. In some instances, your local county Extension Agent can help you get a feature story in the local paper.
- **Radio Publicity** is another option for informing potential customers that the business exists as what activities and products are available. Again, you may get a local radio station to do a feature story on your business. Radio publicity is immediate and can be used to contact consumers when inventories are high or traffic is slow, i.e., apples are ready for picking.

It takes work and planning to obtain print and electronic media publicity. The following outlines possible methods for obtaining print and electronic media publicity:

A **media list** should be developed. The media list should include local and regional media that are directed toward potential customers. These media provide a means of advertising your product to potential consumers or even generating publicity for your products through feature stories. In addition to providing free publicity, the media list can be a valuable source of “events” for promoting the pumpkin patch’s products as the media provide information on community events. Another promotional tool is to contact local radio stations and have your product be a part of an on-air promotional campaign. A gentleman in Chicago used this tactic to generate inexpensive advertising. The local radio personalities would give one unit of his product away every hour as part of their listener appreciation program. This promotion generated hourly advertising for the cost of a bottle of product (\$2.29). A similar strategy could be used by the business. For example, if you are operating a pick-your-own pumpkin enterprise, you may want to work with a local radio station so that they give away 1 free pass that enables the winner to enjoy all the activities at the pick-your-own pumpkin enterprise as part of their listener appreciation campaign. This would generate free radio advertising for the price of a pumpkin, hay ride and other activities.

**News leads** should be sent to appropriate media each time there is an occasion or event associated with the pumpkin patch. Such occasions or events could be:

- the 10,000th jar sold
- new product introductions (e.g. new re-sealable container.)
- the business visited by a notable person



It is very important that the news lead be formatted to meet a particular publication. Editors are not likely to spend the time and effort to rewrite a news lead. A news lead has a better chance of being published if it is easily adapted to the specific format of the newspaper or magazine to which it is being submitted.

**Key people** in selected media should be identified and provided product samples, if applicable, at appropriate times, such as holidays or other occasions. An extensive list of publication editors, radio news editors and local television editors should be compiled and provided samples on holidays or special occasions. These individuals look for interesting stories focusing on the region and could promote your business via a news article or feature story.

Just like selling your business or products to consumers, you will have to sell your business or product to the media to be considered for a feature story. Before contacting television stations, radio stations or newspapers in your area there are some simple questions you should have answered to help you effectively and efficiently pitch your story. The following outlines questions that you should be able to easily and readily answer and even have in front of you when talking when you talk to individuals in the mass media<sup>5</sup>:

- **What is the story?** (Two sentence maximum)
- **Who is in the story?** ( list the people that can be interviewed, and the area of expertise)
- **When is the best time to air your story?** (Think about the goal you want to achieve getting your story on the air. If you are trying to build participation, the story should be aired prior to your event)
- **Where will the story take place?** (What are the visuals? Will it look good on TV?)
- **Why is this a good story?** (How will the story effect the viewers or listeners)

Caution: Before you decide to advertise or promote or seek publicity for your business, via print or electronic media; make sure that the viewer or listener demographics of the media are similar to the demographics of your target market (customer).

### **Internet**

The internet has created a new method of marketing products to consumers. However, it takes a plan to successfully launch and support a retail website but given its sales potential it is a must. Research has shown that over two-thirds of online users use the internet to purchase products. However, they use the web to collect information and compare products before making a purchase. According to industry research, 91% of online users use the internet to seek information, while 78% use it to research a product before making a purchase. This provides a great marketing opportunity and a venue to inform potential customers about a product's benefits. However, getting them to the website can be

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<sup>5</sup> "Story Pitch Sheet." Tammy Algood, Food Marketing Specialist, University of Tennessee Agricultural Extension Service



difficult. It is important to continually update your site and create a reason for people to want to come back. Add new recipes, have an editorial column, run specials, anything to make them want to return and return often.

A website should have a shopping cart feature that allows the customer to add items, track their purchases. Shoppers want to add stuff to their cart and have it still be there if they turn off their computers and come back later. They want to use it as a wish list and add and subtract to it as they shop and to compare items in cart.

**Email lists** are a very important part of direct marketing. Collecting email addresses can be as simple as asking visitors to provide you that information. A website may have a sign-up list that allows customers to enter their email address and receive an email notice when an event happens. For example, a roadside stand may send out emails to customers alerting them to the fact that strawberries are ready. Start a online registration book to collect basic information (customer's name, email address, address, city, state, ZIP code and telephone number). As you fill orders to ship to consumers, it is necessary to have contact information in order to ship the product. By collecting and saving customer information you can gradually compile an extensive email and mailing list/ data base of consumers. This customer data base can then use this data base to generate future sales by periodically reminding consumer's via email about your products or send them information describing new products via advertising flyers, brochures and price lists. It is important to not abuse email as customer can become fatigued and irritated if they feel they are receiving too many emails and might consider it spam.

### **Road Signs**

Another effective method of advertising is road signage<sup>6</sup>. The roadside sign provides potential customers with a variety of information about your business. Some of the information you should include on your sign is:

- Location
- Business hours
- Special promotions
- Other attractions

In addition to containing information, your sign should "catch" the attention of motorists. The sign should be designed to attract the attention of passing motorists by using high contrast and large letters in combination with bright, easy-to-read colors (e.g., yellow writing on a navy blue background). However, the sign needs to be easy to read, as motorists will typically be passing by the sign at speeds of 30 mph or more. Table 4 presents a guideline for creating a sign given the various traveling speeds.

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<sup>6</sup>Marketing Channels: Pick-Your-Own and Agri-Entertainment," Greer, Lane ATTRA Technical Specialist. February, 1998.



**Table 4. Example Distances and Words Read at Various Speeds With Recommended Letter Heights and Widths.**

			Number of Words at Speed			
Distance (ft)	Letter Width (inches)	Letter Height (inches)	30 (mph)	40 (mph)	50 (mph)	60 (mph)
50	$\frac{3}{8}$	$1\frac{3}{4}$	4	2	1	0
100	$\frac{3}{4}$	$3\frac{1}{2}$	8	5	4	3
200	$1\frac{3}{8}$	7	15	11	8	6
300	$2\frac{3}{16}$	11	22	16	13	10
400	$2\frac{7}{8}$	14	30	22	17	14
500	$3\frac{1}{2}$	$17\frac{1}{2}$	38	28	22	18

Source: "Should I Grow Fruits and Vegetables? Roadside Stands," Loyd, Renee, M. and Daniel S. Tilley. Oklahoma State University Extension Service, Facts, No. 186.

A number of signs should be placed on busy roadways to ensure customer exposure as well as providing direction to your business. However, the final sign needs to be spaced at a reasonable distance from the business to allow motorists time to slow down safely to make the turn. The following outlines the distance needed to slow down safely at different speeds:

- at 30 mph a car needs 2/10 of a mile to slow down safely
- at 40 mph a car needs 1/4 of a mile to slow down safely
- at 50 mph a car needs 3/10 of a mile to slow down safely

### **Collateral Marketing Materials**

A **logo** or **trademark** should be developed so it can be registered with the state and it cannot be used by another individual or company. Trademarking can be very important, as your logo can be used by other businesses if it is not trademarked. You could lose the right to use your logo if another individual or business applies for your trademark. Additional information pertaining to trademarks is available in Appendix E.



**Brochures and/or Fliers.** This type of marketing material is commonly referred to as collateral material and it is a necessity. Many times the brochure or flier is all that potential customers have to learn about your product and find your business. The brochure/flier is a selling tool by which information about your business and its products are relayed to potential consumers. These materials may not have a direct impact but potential customers may take the material with them and refer to it at a later date. The brochure/ flier can be used as a handout and/or mail piece. This makes the brochure or flier a very important part of your marketing material. It is important that you convey your product's desired image and its attractions in the brochure or flier as this may be your businesses only exposure to potential customers. (E.g., pick your own pumpkin at a working farm and experience a real corn maze).

A general price list can be incorporated into the brochure or flier. If you develop a brochure, the price list can be a separate insert. A price list insert is suggested if you are ordering a large number of brochures or you expect to have a price change before you deplete your supply of brochures. This will allow you to change prices without having to print new brochures. The brochure or flier should include a list of activities, products, prices, hours of operation, directions or any other pertinent business information.

For example, if you are operating an agri-entertainment business (pumpkin patch with a Halloween theme) you might try and display or distribute brochures or fliers in the :

- 1) Area super markets - bulleting boards
- 2) Area convenience stores and gas stations - bulleting boards or tape to the door
- 3) Area schools, take a stack of brochures/fliers to the school secretary and see if she will put them in the faculty congregation area
- 4) Area preschools, take a stack and leave at the front desk for parents to see and pick up
- 5) Try to post and distribute brochures/fliers at little league sporting events
- 6) Identify other activities focused on children and children's activities and post and distribute brochures/fliers. For example, a gymnastic complex, a Karate school or Sunday school.

Again, think of your target market and try to distribute these materials in locations where potential customers frequent.

**Stationery** should be purchased using the company logo. Using company stationery in written correspondence portrays a professional image and an official organization. The stationary can also be used to send out news releases and official notices. The logo should be on everything associated with the business such as brochures, invoices, signs, stationery, business cards, displays, etc. These items can be referred to as your business stationery system and they must be consistent in the image they send to customers. For example, Starbucks has been diligent in the application of its identity. All visual communication (napkins, coffee bags, store fronts, tabletop promotions, etc.) used by Starbucks is consistent in the message it projects.



**Mailing lists** are a very important part of direct marketing. Start a registration book to collect basic information (customer's name, address, city, state, ZIP code and telephone number). As you fill orders to ship to consumers, it is necessary to collect basic information. In order to ship the product you will need to capture the consumer's name, address, state, city, zip code and telephone number. By collecting and saving customer information you can gradually compile an extensive mailing list/ data base of consumers. This customer data base can then use this data base to generate future sales by periodically reminding consumers about your products or sending them information describing new products via advertising flyers, brochures and price lists.

Another use for capturing and saving customer information is in identifying potential consumers. The information that can be captured and enter into a database can be used in generating a customer profile, a demographic description of your target market. A customer profile can provide an accurate picture of your customer. Customer profiling information can help identify areas where potential customers reside. There is a theory that "birds of a feather flock together." Therefore people residing in the same ZIP or postal codes generally share similar demographics. By profiling customers via information captured from shipping products, it is possible to estimate the profile of a particular ZIP code. Once a ZIP code profile is created, it can be compared to existing ZIP code level demographic information to identify other areas where potential customers reside. You can obtain ZIP code level demographic information from various local, state, and federal government sources (i.e., Census Bureau Statistics). Once you identify the residents of a particular ZIP code, you can look for other ZIP codes that share similar demographic characteristics. By identifying the area where customers reside, and looking for similar areas, it is possible to identify a new pool(s) of potential consumers. This information can also be used for locating retail outlets that are located in desired demographic areas as well as focusing promotional and advertising activities.

An **Answering Machine** or voice mail can provide a great service to a business operation. For example, an agritourism operation the answering machine could free personnel from answering the phone and at the same time it can have a prerecorded message that provides callers with pertinent business information like the following:

- Hours of operation
- General prices
- Products and/or attractions
- Weather related issues, "closed today because of rain" or "opening an hour late due to heavy dew."

### **Monitoring Advertising and Promotion Response**

It is critical to measure the effectiveness of your advertising and promotional activities. For example, if you spend \$255 weekly for a 2" x 3" ad in the local newspaper and a \$400/week for a radio spot aired twice daily, you need to know which if either of these two advertisements is having an impact on sales. You may decide to run one advertisement for two weeks and monitor customer response. You may then decide to change the advertisement and message and run it for another two weeks. By monitoring



each advertisement's impact on sales, you may find that one media or advertisement works better than the other in attracting consumers. Experiment with your advertisements and promotional campaigns to determine what works and what does not work for your particular business.

By monitoring the impact of each advertisement on product sales, you will be able to quickly determine what advertising media works and does not work for your business. This approach should provide you with information that can be used to determine the return on investment (ROI) for each advertising campaign and strategy. The ROI is a simple way to estimate the cost effectiveness of an advertising or promotional campaign by measuring changes in sales or inquiries in relation to advertising or promotional expenditures.

Monitoring the effectiveness of different advertising and promotional strategies can be as simple as asking the customer or inquirer where they heard about your business and your product. If you are using print media or the Internet, you may want to include a coupon that is redeemed at the time of purchase. Your web page might offer a coupon that can be printed-off and redeemed at the gate. This will provide an indication of the advertisements effectiveness. A similar technique is employed with radio advertising. Your ad may end with "mention this advertisement and get 5% off" or offer some other incentive.

**Conclusion:** It is important to understand that the ultimate function of advertising and promotion is to sell more products. Since developing an effective and successful advertising strategy is more like an art than an exact science, it takes experimentation and measurement to determine the most effective method to advertise and promote your businesses products and services.

## **VII. Marketing budget**

A marketing budget is a necessity. After a creative marketing plan has been developed, money is required to effectively implement the marketing plan. Money must be allocated from the operating budget to cover marketing expenses (e.g., advertising and promotional material, market research, marketing consultants, market development and marketing personnel). The marketing budget should include the cost for all of the advertising and promotional media that will be used, travel and expenses, the cost of collecting additional research data, monitoring trends and shifts in the marketplace, developing collateral marketing material and all other marketing related expenses, table 5.

The marketing budget should be developed at the beginning of the year. For the existing business, a good place to start is using the past year's expenses. Additional marketing costs can then be included based on any new marketing or promotional strategies to be implemented in the upcoming year. However, for a new business, marketing costs will have to be estimated based on the upcoming year's marketing plan. The marketing budget costs should not be carved in stone, but should be used as a guide and modified according to the pumpkin patch's marketing needs and projected income during the year. A rule of thumb would be 5%-10% of expected annual sales or a specified set minimum.



Remember that the marketing budget is a tool to help you plan and finance marketing activities. It may be important to increase or decrease your marketing budget as your marketing needs change. For example, next year you may plan to advertise on two radio stations instead of one, thus increasing your marketing expenses by 10%.



<b>Table 5</b> <b>Sample Marketing Budget</b>	
<b>Transfers (Marketing Budget):</b>	
5% of expected sales	\$9,5000
<b>Expenses:</b>	<b>Cost:</b>
Local Newspaper Advertisement	\$200.00
Food Magazine Advertisement	\$500.00
Association Membership	\$500.00
Brochures (printing)	\$600.00
Stationery (printing)	\$50.00
Business Cards (printing)	\$100.00
Samples	\$100.00
Postage	\$400.00
Other	\$50.00
Trade Shows and Related Events Slotting Fees	\$2,000.00
Marketing Travel Expenses	\$4,500
<b>Total</b>	<b>\$9,000.00</b>

There is an infinite number of marketing and promotional activities that could be implemented as a means of increasing product awareness and sales. Each type of marketing and/or promotional activity has an associated cost that needs to be considered. The marketing budget is one means of evaluating the different marketing and promotional activities under consideration and deciding on which activity to pursue.



### Marketing Budget

Marketing requires planning as well as the investment of time and financial resources. Budgeting is a critical part of planning for marketing activities. Marketing budgets should include the costs of market analysis, market research and marketing strategies. Marketing budgets are often set at 5 percent to 10 percent of expected gross sales. In a 2003 survey of Tennessee agritourism operators, almost half indicated that they spent between 5 percent and 10 percent of their gross sales on promotions.<sup>9</sup>

Now develop a monthly marketing budget for the next three years. Include the cost of all marketing activities such as continuation of market research and analysis, promotional materials, and strategies.

Estimated Marketing Budget <sup>10</sup>			
	Year #1: _____	Year #2: _____	Year #3: _____
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			
Total Budget	\$ _____	\$ _____	\$ _____

### Monitoring and Evaluating Market Response

Your marketing plan must also include methods to monitor and evaluate the effectiveness of your chosen marketing strategies in meeting your marketing and financial goals. Monitoring the response to your marketing mix will allow you to adjust strategies, if needed, in a timely manner.

Depending upon your operation and goals, you should use a variety of available statistics to measure and evaluate your progress. These can be compared to your goals, marketing expenses and the previous year's statistics. Examples of possible evaluation measures are

- Number of admissions or customers
- Total gross sales
- Average sales per customer = number of admissions divided by total sales
- Amount of sales per product line or attraction/activity
- Notations of significant circumstances such as weather conditions or special events in the area that might have affected your business during a specified time period
- Observation of customer reactions
- Notations of how new customers learned about your operation

<sup>9</sup>Bruch, Megan and Rob Holland. *A Snapshot of Tennessee Agritourism: Results from the 2003 Enterprise Inventory*. University of Tennessee Extension publication PB1747. October 2004. Available online at <http://www.utextension.utk.edu/publications/pbfiles/PB1747.pdf>. Accessed April 1, 2005.

<sup>10</sup>Adapted from Dalton, Anne, Rob Holland, Shasta Hubbs and Kent Wolfe. *Marketing for the Value-Added Agricultural Enterprise*. University of Tennessee Extension publication PB1699. May 2002. Available online at <http://www.utextension.utk.edu/publications/pbfiles/PB1699.pdf>. Accessed April 4, 2005.



[illegible]

\_\_\_\_\_

The contingency plan component of a marketing plan describes actions you will take when your marketing strategies are either not working the way you planned or working better than planned. For example if your goals regarding number of customers are not being met, you may decide to increase the number of paid advertisements or distribute coupons to entice consumers to try your business. If you are exceeding your expectations and reaching capacity, you may decide to reduce the number of paid advertisements or decrease the number of coupons distributed.

[illegible]



## Simple Marketing Check List

### IV. Market plan check list

The marketing check list is to provide a simple means of tracking the company's marketing activities and to establish marketing goals. Lee Iacocca said it best "The discipline of writing things down is the first step toward achieving them." The check list should be used to record which marketing activities the company intends to pursue and to track the progress in meeting its marketing goals. For example, the company may set a goal of placing its products in two mail order catalogs over the next year. The goals would then be written and would include what part of the activity is to be pursued, as only portions of each activity might be of interest.

Let's use Red Dawg Hot Sauce as an example. Red Dawg Hot Sauce may set a goal of placing its products in two gourmet mail order catalogs featuring hot sauce products over the next year. In the space provided for goals, Red Dawg Hot Sauce should include what part of the activity it intends to pursue, as only portions of each activity might be of interest. The following is not intended to be an exhaustive listing for a businesses marketing process, however it does provide a guide line

The following check list example was completed for Red Dawg Hot Sauce.

- ☐ Develop a company and product name.

**Goal:** Research and develop a name. Check company and product registration to make sure that the name is not taken and that the name can be reserved. Register name with the Georgia Secretary of State.

Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No.      X   Partially

What needs to be accomplished? Need to register the name with the Secretary of State

- ☐ Develop a marketing budget.

Was goal accomplished?   X   Yes \_\_\_\_ No.    \_\_\_\_ Partially

What needs to be accomplished?

- ☐ Develop business stationary systems (brochures, invoices, signs, stationary, business cards, displays, etc.).

**Goal:** Need to develop business material. Need to obtain product photographs for the brochure and web site. Need to develop a company logo to incorporate into all business materials and label.



Was goal accomplished? \_\_\_\_ Yes X No. \_\_\_\_ Partially

What needs to be accomplished? Need to meet with graphic artist to design logo

- ☐ Develop a list of media you would like to contact during the next year. The list should include local, regional, national and international media directed toward potential consumers. This would include news lead sources, newspapers, magazines, radio stations and television stations.

**Goal:** Investigate local print media. Determine what media exists and who they target. Investigate radio stations servicing the area. Determine what audience the radio stations serve. Identify contact with each media outlet for future advertising and promotional activities. Investigate local television shows that focus on the area. Morning shows highlight area businesses in special segments, i.e., cooking segment. Contact local cable provider to determine the feasibility of local advertising.

Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No X Partially

What needs to be accomplished? Need to contact local television stations to identify cooking segment contact.

Explore promotional activities - see about giving Red Dawg hot sauce away as part of radio stations call in promotions. Obtain list of food editors in area.

- ☐ Develop a list of key people who will be provided product samples at appropriate occasions.

**Goal:** Compile a detailed list of food editors and store buyers.

Was goal accomplished? X Yes \_\_\_\_ No \_\_\_\_ partially

What needs to be accomplished?

- ☐ Develop a list of trade shows you plan to attend.

**Goal:** Investigate the specialty food industry to identify specialty food show in the South East. Determine when the shows start, cost of obtaining a booth, how to register and the types of attendees the shows generally draw. Talk to other specialty food businesses and ask their opinion of each show. Develop a short list of shows that Red Dawg will attend.

Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No X Partially

What needs to be accomplished? Have developed a list of southeastern trade shows. Have not contacted other specialty food businesses to determine which shows are viable and which are not.



- ☐ Develop a list of specialty and gourmet shops you plan to call on during the next year.

**Goal:** Drive around and call area Chambers of Commerce to identify specialty shops that may be willing to carry Red Dawg Hot Sauces. Contact the Georgia Specialty Food Association and ask for a list of specialty food shops. Contact the Center for Agribusiness and Economic Development to see if they have a list of specialty food stores.

Was goal accomplished?   X   Yes        No        Partially

What needs to be accomplished?

- ☐ Develop a list of mail order catalogs you plan to contact during the next year.

**Goal:** Identify all mail order catalogs that market specialty foods. Contact each catalog to who they target, see if they would consider a new hot sauce product and determine how to get products included in the catalog.

Was goal accomplished?        Yes        No   X   Partially

What needs to be accomplished? Have developed a list of mail order catalogs, have not contacted any of them about getting Red Dawg Hot Sauce included.

- ☐ Develop a list of gift basket companies you want to contact during the next year.

**Goal:** Red Dawg has identified and contacted five gift basket companies.

Was goal accomplished?   X   Yes        No        Partially

What needs to be accomplished?

- ☐ Develop Red Dawg's Web site and update it regularly.

**Goal:** Find a web developer and develop a functional web site. The web site will promote products as well allow customers to purchase products online. Need to contact and five web developers. Have each developer submit a bid for the web site and make a selection. Have web site up by end of calendar year.

Was goal accomplished?        Yes        No   X   Partially

What needs to be accomplished? Have not found a web developer.

- ☐ Start compiling a mailing list, including both businesses and consumers. A good place to start is with current customers. Keep name and contact information for anyone or any business who orders a product though the mail, catalogs, telephone or website.



**Goal:** Develop a working mailing list. Want to develop a spreadsheet to track who is buying what and how often. Will use this to market new products and promote existing products.

Was goal accomplished?   X   Yes      No      Partially

What needs to be accomplished?

- ☐ Develop a list of specialty food brokers you want to contact during the next year.

**Goal:** Identify five specialty food brokers. Select a broker to carry Red Dawg Hot Sauces.

Was goal accomplished?   X   Yes      No      Partially

What needs to be accomplished?

This simple check list provides a means of developing marketing strategies, recording them and tracking their implementation. It is important to set goals, work toward them and successfully complete them. Remember, as a entrepreneur, it is up to you to successfully market your products and services. You have to be your company's cheerleader.



## Marketing Plan Checklist<sup>1</sup>

The final component of a marketing plan is a plan checklist. This tool is used to summarize the tasks that need to be done to put your marketing plan into action. The list can be used to assign responsibility for the tasks and to check off the tasks as they are accomplished.

Create a checklist for you planned marketing activities.

Marketing Plan Checklist					
X	Marketing Activity	Deadline	Expected Cost	Method of Evaluation	Person Responsible

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<sup>1</sup> Adapted from *Marketing for the Value-Added Agricultural Enterprise*



# Promoting Your Agritourism Business

## Part of a How-To Guide for Successful Agritourism Enterprises

Prepared for The University of Georgia's Center for Agribusiness and Economic Development and North Carolina State Cooperative Extension Service's Business Side of Agritourism Program Series. The Primary Investigators on this project were Kent Wolfe, Center for Agribusiness and Economic Development and Gary Bullen, North Carolina State University Cooperative Extension Service.



Funding for this project was provided by a grant from The Southern Regional Risk Management Education Center



## Introduction

The basis of any promotional program is product excellence. If your product or operation is excellent, promotion will enhance your sales. If your product is poor, all the advertising in the world will not help. So, before you do anything to promote your business, take a good, unbiased look at your product. Ask family, friends, and even strangers to give you truthful feedback. Is your product excellent in all regards? If it is not, delay the start of your business until you have perfected your product.

Let's assume your product is perfect in every way and you absolutely know people will love it if they give it a try! How do you let the public know what you have to offer and, more importantly, get them to try it? By promoting your product! Promotion is defined as *helping to grow or develop in order to succeed*. You did not begin this venture to fail. After all the preparation you have done thus far, you *want* to be successful. We will be using the term "promotion" and "advertising" interchangeably, as they are basically the same thing.

New businesses often have limited operating capital. When creating their budget, they focus on expenses such as rent, utilities, insurance and other basic costs of operation because they do not want to overextend their resources. They often fail to allocate any of their budget for promoting their operation because they feel advertising is too expensive. They feel that promotion is something they can do later, once they are established. Don't fall into this trap. It is imperative that you establish a solid customer base as soon as possible. Promoting your business immediately upon startup will increase your chances. Advertising is an investment in your business in that it will bring customers to you. Always remember, you advertise when money is tight and you have few or no customers.

Once you are established and business is good, you may be tempted to advertise less to save money and concentrate on your repeat customers. However, your market is constantly changing. Old customers die or move away. New potential customers who have never heard of you move in, so you will always need to promote your business..

There are numerous ways to do this and all are not expensive. Signage, paid advertising, self-generated publicity, discounting, product sampling and word of mouth referrals are just some of the ways you can draw customers to your operation. Your promotional plan will most likely include a combination of several of these. Your goal in all promotion is to pre-sell your product and to make it very easy for your customer to find you.

Whatever your business, be creative in developing your advertising and enlist a professional if needed. If cost is an issue, you may want to enlist the help of college students who are pursuing an advertising/marketing career. Work with local schools and colleges in setting up an intern program so that students can get a hands-on experience working with you for course credit. Always remember that you are the best salesperson your business has. After all your hard work in getting it started, don't be afraid to brag on it! Also, remember that people are often reluctant to inquire about your product. Be



friendly and initiate the conversation to talk with anyone who pauses at your display or shows interest.

## **Signage**

*A Business without a sign is a sign of no business.* This should be the very first promotion you do. You would be amazed at the number of new businesses that overlook the need for a sign explaining what they do. After all the time, money and planning you spent developing your business; you do not want your customers having to search for you! You want to include the essentials, but be careful not to overload it with information.

Here are a few pointers regarding what to include on your sign:

First, state the name of your business, LARGE enough for people to see it. . If your business's name does not make it obvious what you do, add a brief explanation. For example "Joe's Farm" tells your customer who you are, but not what you do. A better sign would be "Joe's Farm" "Pick- Your- Own Vegetables". You should have pride in the name of your business. But what you want your customer to remember is what you offer and how to reach you. Make your sign as professional looking and as informative as possible. If you have a logo, include it and give it as prominent a position as your business name. Unless you designed it yourself, you probably spent a fair amount having your logo created. Utilized to it's fullest; it serves (or should serve) as immediate recognition of your business.

Include your hours of operation. There is nothing more frustrating than driving to a business and finding it closed. List the days and hours when you are open. If you are a seasonal business, say so. It also never hurts to state *when you are closed*. You would think people would understand that if you aren't open, you're closed. However, we all digest only part of what we read so it never hurts to spell it out.

Include a phone number where you can be reached. Drive-by customers will often call later. You want them to be able to talk to you.

The overall size of your sign may be dictated by your location. If you are in town, you may have ordinances to follow. But, if you are out of the way, you want a sign large enough to easily be seen, and possibly directional signs along the way.

**Paid advertising** is usually the first strategy one thinks of in terms of promotion. In advertising, you are trying to call attention to your product and make people want to try it. There are many advertising mediums. Radio, television, magazines, direct mail, yellow pages, billboards and the Internet can all be effective. Just remember, to increase your odds of someone seeing or hearing your message, it must be consistently repeated. You



cannot do sporadic advertising and expect good results. Paid advertising can be expensive, but effective and repeated advertising can yield results.

**Publicity** is non-paid advertising for your product. It can produce big results without a big expenditure because your cost is mostly in time and materials. Be creative in thinking of new ideas. You can contact local television stations and newspaper Lifestyle, Community, or Food Editors. Offer them tours, interviews or samplings and ask that they write articles about your enterprise. Offer free tours to local schools or church groups. Speak at local functions and civic meetings. Sponsor seminars or demonstrations. Place roadside signage. The list is endless, but all of these will put you in the public eye.

**Discounting** is most often done in the form of coupons or quantity discounts. Discounting can help you attract price-sensitive and first time customers. It can also help you to track the effectiveness of paid advertising. The downside of discounting is the expense of producing and distributing coupons combined with reduced profit on sales.

**Product sampling** includes a free trial of a product or service. It is especially effective with food products. The advantage is that sampling the product often produces immediate sales. Event sampling can often be through hosting various groups or organizations.

**Word of Mouth referrals** can be some of your most effective advertising, but you should not rely on this as your sole method of promoting your business. You do, however, want to work toward creating positive word-of-mouth by making sure all of your customers are satisfied.

Whatever promotional methods you choose, continually monitor their effectiveness. Talk one-on-one with your customers and ask them how they discovered you and why they decided to patronize you. In addition, use written questionnaires to determine which type of advertising attracted them and what specific information sparked their interest. You may often find that your customers found you through a combination of your advertising methods.

Assess each promotional method you use to determine your *cost per customer*. This will give you the true “cost” of your advertising. After scrutinizing your promotional methods, identify which are working the best for you. Then modify your promotional plan to maximize your efforts.



Describe the type of experience your target customers need and desire. (Education, entertainment, relaxation, genuine farm experience, etc.)

List ways in which you can create an ambiance to match these expectations.

### ***Promotional Strategies***

Promotion is defined as the act of furthering the growth or development of something and includes activities to prompt or entice customers. The role of promotion is to fill the customer value of communication. Potential buyers need to know that a certain product or service is available and may meet their needs or desires.

Several options exist for promotional strategies including paid advertising, publicity, sampling, discounting and word-of-mouth referrals. Each of these promotional strategies has different advantages and disadvantages to consider. An effective promotional strategy will most likely include a combination of several of these options.

**Paid advertising** is probably the first strategy thought of when discussing marketing. Advertising is done to call attention to a product or service. It emphasizes desirable qualities so as to stimulate a desire to buy a product or patronize a business. Advertising must be purchased and can be expensive.

You can advertise through many types of media including newspapers, radio, magazines, television, direct mail, point-of-sale, outdoor (signage and billboards) and the Internet. It is important to consider the advantages and disadvantages of each media type and match the type you use to your target audience.

The table on page 42 describes advantages and disadvantages associated with each type of advertising media.



### Advantages and Disadvantages Associated with Specific Advertising Media<sup>6</sup>

Media	Advantages	Disadvantages
<b>Newspaper</b>	<ul style="list-style-type: none"> <li>Potentially large coverage area</li> <li>Low cost relative to other media</li> <li>Immediate/timely (daily or weekly)</li> <li>Access to many socioeconomic groups</li> <li>Ability to target specific audience via specialty section</li> <li>Can use color</li> <li>Flexibility in ad size and cost</li> <li>Visibility of the product (i.e., picture)</li> <li>Use of coupons to measure effectiveness</li> <li>Short lead time</li> </ul>	<ul style="list-style-type: none"> <li>Inconsistent reproduction</li> <li>Typically one-day exposure</li> <li>Clutter (can be lost among other ads)</li> <li>May be limited to text or black-and-white</li> <li>Lack of movement and sound</li> </ul>
<b>Radio</b>	<ul style="list-style-type: none"> <li>Specific audience (demographics)</li> <li>Immediate/timely/multiple exposures</li> <li>Possible high entertainment value of ad</li> <li>Celebrity endorsement or pitch</li> <li>Time and content flexibility</li> <li>Use of a human voice (celebrity)</li> <li>Sound reinforcement</li> </ul>	<ul style="list-style-type: none"> <li>Time limitations restrict message</li> <li>Need for repetition</li> <li>Clutter (can be lost among others)</li> <li>Ad recall is low</li> <li>"Station surfing" during commercial breaks</li> <li>Short ad exposure</li> </ul>
<b>Magazines</b>	<ul style="list-style-type: none"> <li>Potentially large coverage area</li> <li>Can target a specific audience</li> <li>Can use color</li> <li>Flexibility in size and cost</li> <li>Visibility of the product (i.e., picture)</li> <li>Use of coupons to measure effectiveness</li> <li>Large repeat and secondary exposure</li> </ul>	<ul style="list-style-type: none"> <li>Clutter (can be lost among others)</li> <li>Cost associated with repeat exposure</li> <li>Lack of movement and sound</li> <li>Not immediate; publication may be weekly, monthly or less frequent</li> </ul>
<b>Television</b>	<ul style="list-style-type: none"> <li>Large coverage area</li> <li>Can target a specific audience</li> <li>Uses both visual and auditory stimuli</li> <li>Large repeat exposure</li> </ul>	<ul style="list-style-type: none"> <li>Costly to produce and air</li> <li>Time limitations restrict message</li> <li>Need for repetition</li> <li>Short ad recall</li> <li>Clutter (can be lost among other ads)</li> <li>Inverse relationship between hours watched and audience income</li> </ul>
<b>Direct Mail</b>	<ul style="list-style-type: none"> <li>Can target a specific audience</li> <li>More opportunity to educate on product/service benefits</li> </ul>	<ul style="list-style-type: none"> <li>Expensive (\$1 to \$2 per piece)</li> <li>Difficult to obtain "clean" mailing list</li> <li>May be perceived as junk mail</li> <li>Not immediate, 2- to 3-week lag time</li> <li>May be discarded unopened</li> </ul>
<b>Point of Sale</b>	<ul style="list-style-type: none"> <li>Can influence impulse purchasing</li> <li>Helps product stand out among competition</li> <li>Customer has opportunity for direct response at time of ad presentation (i.e., purchase)</li> </ul>	<ul style="list-style-type: none"> <li>Can be expensive</li> <li>Clutter (ad can be lost among other point-of-sale material)</li> </ul>
<b>Outdoor (signage and billboards)</b>	<ul style="list-style-type: none"> <li>Large audience exposure depending on placement</li> <li>Use of color</li> <li>Can provide information and directions</li> <li>Continuous exposure</li> </ul>	<ul style="list-style-type: none"> <li>Limited message length</li> <li>Initial production and preparation costs</li> <li>Ideal sites are difficult to access</li> </ul>
<b>Internet</b>	<ul style="list-style-type: none"> <li>Information available 24/7</li> <li>Customers access in their environment and at their convenience</li> <li>Relatively cost effective</li> <li>Can target types of viewers</li> <li>Messages can be timely</li> <li>Ads can be interactive</li> <li>Ability to use coupons to measure effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance necessary</li> <li>Not effective as a stand-alone strategy</li> <li>Difficult to gauge impact</li> <li>Costs of development and maintenance can vary dramatically</li> </ul>

<sup>6</sup>Dalton, Anne, Rob Holland, Shasta Hubbs and Kent Wolfe. Adapted from *Marketing for the Value-Added Agricultural Enterprise*. University of Tennessee Extension publication PB1699. May 2002. Available online at <http://www.utextension.utk.edu/publications/pbfiles/PB1699.pdf>. Accessed April 4, 2005.



**Publicity** is non-paid communication about a company or product. Although it often requires an investment in time and materials, publicity is beneficial because it is seen by consumers as being objective and credible. It is also relatively inexpensive. The major disadvantage of publicity is the lack of control you have over what actually appears in the media.

While news agencies may sometimes contact you to do a story on your enterprise, you can also use several methods to seek out publicity.

#### Ways to Gain Positive Publicity<sup>7</sup>

- Write an article and submit it to a newspaper or magazine
- Contact local TV and radio stations and offer to be interviewed or let them know about a unique or special farm occurrence (such as twin calves or blossoming fruit trees)
- Publish a mail or e-mail newsletter for your customers or people who subscribe
- Speak at local functions about your enterprise
- Offer or sponsor a seminar, demonstration or special event at your enterprise and inform the media
- Write news releases and fax them to the media
- Volunteer
- Sponsor a community project or support a nonprofit organization or charity
- Promote a cause

**Sampling** includes providing a free trial of a product or service to customers or potential customers. Sampling can be very effective, especially when selling food products. Although sampling can be expensive upfront, its major advantage is that customers get to try the product without financial risk.

The promotional strategy called **discounting** may be accomplished through the use of coupons, quantity discounts or punch cards. Discounting may help attract price-sensitive customers or entice customers to try your operation for the first time. Discounting can also help you track the effectiveness of paid advertising if you include a coupon in advertisements. Disadvantages to discounting include difficulty in estimating

coupon usage, potential expense in producing and distributing coupons, and profit lost on sales that would have occurred without a coupon.

**Word-of-mouth referrals** are the passing of information by verbal means, especially through recommendations, in an informal, person-to-person manner. Word-of-mouth referrals can be effective but should not be relied upon as a sole method of promotion, especially in the early years of a business.

It pays, however, to work toward positive word-of-mouth referrals. A satisfied customer will tell four or five others about a pleasant experience, while an unsatisfied customer will tell seven to 13 others. Satisfied customers are also more likely to return, which also saves on the financial bottom line as it costs three to five times more to replace than to keep a customer.<sup>8</sup>

A single promotional strategy that is effective for every enterprise does not exist. Promotion strategies must be developed for your particular situation and target audience. There are, however, several key concepts to keep in mind.

1. Determine the types of promotional strategies that will influence your target audience and utilize those.
2. Plan strategies to meet your marketing and financial goals and objectives and to fit your marketing budget.
3. Plan strategies to partner with tourism organizations and other businesses in your area as well as areas from which your customers will travel.
4. Include plans for roadside signage to direct customers to your operation.
5. Work to build positive word-of-mouth referrals.
6. Take advantage of or seek out publicity when possible.
7. Consider developing a Web site as one component of your marketing strategy.

<sup>7</sup>Adapted from Marshall, Maria I. *The Marketing Mix: Putting the Pieces Together*. Purdue University. Available online at <http://www.foodsci.purdue.edu/outreach/vap/materials/marketing.pdf>. Accessed April 5, 2005.

<sup>8</sup>Wreden, Nick. *How to Recover Lost Customers*. Available online at <http://www.smartbiz.com/article/articleview/112/1/7/>. Accessed April 4, 2005.



[illegible]

Summary of Planned Promotional Strategies			
	Year #1: _____	Year #2: _____	Year #3: _____
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			



# Developing Paid Advertisements

**P**aid advertisements for your agritourism enterprise should be developed to reach your target audience and designed around your enterprise's positioning statement. Advertising is effective only if the message reaches your target audience and registers with them.

Paid advertisements, like all other promotional materials, should portray a consistent image for your enterprise. The development and use of an appealing business name and an attractive logo will help to build awareness and recognition of your enterprise and to create consistency in

marketing efforts. A graphic artist could assist you in the development of your logo. You may choose to trademark the logo so that it cannot be used by other businesses.

Preparations for paid-advertising should begin at least two months prior to the time when the advertisements will be run. This includes contacting media for costs and scheduling information. If you plan to outsource the development of the advertisements, more time will be needed. If possible, advertisements should be developed by the same source to maintain consistency.

Consider this six point advertising strategy when developing paid advertisements. This strategy will assist in creating a focused and comprehensive advertisement that will effectively communicate needed information to potential customers.

## Six Point Advertising Strategy<sup>3</sup>

1. Primary Purpose—*What results do you expect from the ad? or Why are you advertising?*

2. Primary Benefit—*What unique benefit can we offer customers? What customer value or need can my enterprise meet?*

3. Secondary Benefit—*What other key benefits will customers receive from our products or services?*

4. Target Audience—*At whom (what target audience) are we aiming this advertisement?*

5. Audience Reaction—*What response do we want from our audience (come to the operation, visit a Web site, call an information line)?*

6. Company Personality—*What image do we want to convey in our advertisements?*

Once an advertisement has been developed, make sure to double-check it for grammar and spelling errors. You may choose to test your advertisements with a small group of customers to determine whether they have the desired effect.

<sup>3</sup>Adapted from: Marchall, Maria I. *The Marketing Mix: Putting the Pieces Together*. Purdue University. Available online at <http://www.foodsci.purdue.edu/outreach/vap/materials/marketing.pdf>. July 15, 2004.



# Media Relations and Publicity<sup>1</sup>

The media, particularly local media, can be a friend to agritourism entrepreneurs. Newspapers, television programs and radio spots can help publicize special events, new products and awards. Through coverage of special activities or exceptional employees, the media can also raise public awareness of services or products or of the enterprise's community-minded goals. For the plugged-in public, media Web sites can be vital links for news and information about an organization and its products and services.

## Publicity

The trick to getting publicity or media coverage is to match your organization's needs to those of each of your chosen media outlets. Here are seven tips to help you determine how your organization can best use the media.

### 1. Determine your organization's needs.

For most businesses, the need for publicity will fall into one of four categories:

- a) Announcement of a special event or new product.
- b) Article about an award (for the organization or an employee).
- c) Feature article about something associated with the business and also related to the community.  
Examples might include autumn events, school projects or holiday-specific products. A feature about something unique going on with the business like a new product line or a building expansion may also be of interest.

#### d) News.

Whether an item is news is best determined by the media outlet. Small businesses should submit a news item as an idea for a feature story. The news outlet will determine the best usage for their audience. If they really think

your item is newsworthy, they will contact you or send a reporter. Newsworthy stories have a demonstrable impact on the target audience. For example, a 50-percent-off sale is not news. Businesses have sales all the time. News would include an event where you donate your profits to disaster victims.

### 2. Identify which media outlets suit your needs and will value your information.

It is best to research your chosen media outlets. Does the newspaper have a special section that lists meeting announcements or specialize in community-related articles? Does the TV or radio station run business announcements on a daily or weekly basis, say between their weather and sports segments? How far in advance of the event do you need to submit information? The research method is simple: read, watch, listen and scan Web sites.

Submit routine items (announcements and information regarding awards or special events) by the methods described in the newspaper or magazine or outlined on the outlet's Web site. Often these submission procedures involve sending an e-mail or filling in a form available on the Web site. List events in the calendars featured on local radio stations (usually public stations), TV news shows that list community activities, local cable access TV and newsletters of other similar organizations in the community. Such entries are generally free of charge, except for your personnel time involved. Keep a record of calendars used for future reference.

If your organization or employee has won a significant award, consider informing the local media in advance of when the award will be conferred. They may choose to send a reporter to cover the event if it's local. Note:

<sup>1</sup>Contributed by Patricia Clark McDaniels, The University of Tennessee Institute of Agriculture, Marketing and Communications Services. The author recognizes the contributions of her colleague Charles Walker, who is well known to the UT Extension community as a retired member of the Marketing and Communications Services news and information team. Charles authored the original version of the publicity portion of this manuscript. His original work has appeared in many forms in various UT Extension publications, particularly the Master Gardener Handbook. Chuck Denney, a producer with UTIA Marketing and Communications Services, also provided valuable input.



# Brochure Development

**B**rochures can be effective paid-advertising tools for agritourism enterprises, depending on the target audience. They can be used as rack cards in visitor centers, chambers of commerce or other businesses; distributed personally at speaking engagements; or used as direct mail pieces. Brochure design is critical to catching the attention of potential customers. Effective brochures will present pertinent information in an organized and easily understood format.

## Catching Attention

The top one-third of the front cover should contain your business name and logo. For rack cards, the back cover should also include the business name and logo on the top one-third, in case the cards get turned backwards.

Photographs really are worth a thousand words. Using them on the cover and throughout a brochure helps in catching and holding attention. Photos should be of good quality, honestly depict your products and/or services, be current, and include people when possible.

Paper weight and quality are important. Brochures need to stand up in racks or withstand mailing. A brochure size of 4 inches by 9 inches fits in racks, can be mailed easily and is easy for customers to carry.

## Legibility

The design should be appealing to the eye and easy to read. Color of paper, text and pictures should be attractive to your target audience. Although bright, neon colors are attention grabbers, these colors can make brochures very difficult to read.

Typeface and font size are also important. Text should be in at least 12-point type. If your target market includes senior citizens, your font size should be even larger. The type should be clear and easy to read. Serif typefaces are considered more legible in blocks of text than are sans serif typefaces.

## Content

The following table lists information to include as well as the suggested placement in the brochure.

Placement	Information to Include
Top 1/3 front	Business name and logo City, state
Middle front	Days/hours of operation Picture Keywords, phrases or short text to describe activities, producers, services
Bottom front	Contact information Business name Mailing and street address Phone and fax E-mail and Web site
Top 1/3 Back	For rack cards: same as top 1/3 front
Back	Map and directions with easiest route
Bottom back	Contact information Month and year printed (To avoid confusion with reprints)
Alternative back	Mailing panel with logo and return address "To:"

The brochure may also contain other information if space is available, such as in a tri-fold brochure. This may include

- More detailed information about products and services
- Information about your family or operation history
- Price lists



# Planning a Successful Direct Mail Campaign<sup>4</sup>

**D**irect mail can be an effective way to target a specific group of customers with advertising flyers, brochures, postcards, specials, price lists and countless other types of promotional materials. As with all promotional strategies, careful planning and implementation are important.

Although a number of factors are critical to implementing a successful direct mail campaign, the single most critical factor is having an accurate and well-targeted mailing list. One simple and inexpensive way to generate a mailing list is to collect basic information from customers (name, address, city, state, zip code, telephone number and e-mail address). You may be able to do this by using a guest book or by assigning an employee to collect information from visitors as they enter or exit your enterprise.

Other methods to obtain mailing lists do exist but are much less effective and often more expensive than developing your own list from customers. Mailing lists can be obtained through list brokers, organization membership lists, news articles, magazines, trade lists and show exhibitor lists. You may also be able to work with your post office to deliver a mailing to each residence in a specified area. Be careful to choose a method that will allow you to reach your target audience. Response rates for residential mailings are often only one in 1,000, while responses to a target-customer list may be more than three per 100.<sup>5</sup>

Besides the careful compilation or selection of a mailing list, a number of other factors can significantly impact the success of your direct mail campaign. The basic elements<sup>6</sup> to consider are

- The product and/or service offer
- Presentation of the offer
- Envelope considerations
- Mailing considerations

**Product and/or service offer.** The focus of the mailing should be a product/service offer that must somehow appeal to potential consumers and entice them to visit your operation. The offer must convince them that you can provide a benefit they want and/or need.

**Presentation of the offer.** The presentation of the offer is critical to a successful mailing campaign since the recipient is not able to evaluate the product in the traditional manner (i.e., taste, touch, see or smell the product). Therefore, the presentation of your company and product/service is critical to build the customer's perception of your enterprise. The material should emphasize product and/or service benefits, be presented in a professional manner and clearly written so your potential customer can easily and fully understand your offer. Pictures of people enjoying activities at your enterprise are an effective way to help in the presentation of your offer.

**Envelope considerations.** The envelope (or outside of the direct mail piece if no envelope is used) should look professional and avoid the appearance of junk mail to decrease the chances of having your mail tossed out unopened. Although the envelope should not look like junk mail, it should create some level of curiosity. If recipients are curious about the contents of the envelope, you increase the chances of them opening it. Hand writing the address on the envelope may arouse recipient curiosity.

**Mailing considerations.** First-class mail is less likely to be perceived as junk mail and is more reliable than bulk mail. The Direct Marketing Association estimates that anywhere from

<sup>4</sup>Adapted from Wolfe, Kent. *Planning a Successful Direct Mail Campaign*. University of Tennessee Extension Center for Profitable Agriculture publication ADC Info #44, March 2000.

<sup>5</sup>Attard, Janet. *Using Direct Mail to Build Business*. Available online at <http://www.businessknowhow.com/marketing/usingdm.htm>. July 19, 2004.

<sup>6</sup>Adapted from WGSC Publications. *Direct Mail Works Like Magic*. Phone: (909) 924-8831, FAX: (909) 924-8431 or online at [www.wgsc.com](http://www.wgsc.com).



# Coloring Your Marketing Message

Color choice is an important consideration in developing marketing materials. Colors have a psychological effect on people and can be used to your advantage (or disadvantage).

Consumer studies have found that some colors affect males and females differently. This may be related to the visibility of the color, the retention of the color, the preference for the color and the feelings associated with the color. For your marketing materials, choose colors with high visibility, retention, preference and positive associations your target audience, if possible. Reactions to basic colors by gender are described in the following table.

Reactions by Consumer Gender to Basic Colors <sup>2</sup>					
Color	Consumer Gender	Visibility	Retention	Preference	Association
Blue	Female	Low	Low	Low	Depressing, Business-Like, Leadership
Blue	Male	Low	Low	High	Reliable, Intelligent, Secure
Pink	Female	Low	Low	High	Therapeutic, Feminine
Pink	Male	Low	Low	Low	Calm, Relaxing, Feminine
Black	Male and Female	Low	Low	High	Male = Rich Female = Sensuous
White	Male and Female	High	Low	Low	Pure, Clean
Red	Male and Female	High	High	High	Male = Danger, Bargain, Excitement Female = Warm, Intimate
Yellow	Male and Female	High	High	Low	Sun, Outdoors
Brown	Male and Female	Low	Low	High	Rich, Earthy
Green	Male and Female	Low	Low	Low	Money, Leisure
Gray	Male and Female	Low	Low	High	Security
Orange	Male and Female	High	High	Low	Healthful, Warm

<sup>2</sup>Adapted from Bill Gallagher, "Winning Colors and Shapes for Your Company," June 10, 1996. Available online at [http://www.gmarketing.com/tactics/weekly\\_29.html](http://www.gmarketing.com/tactics/weekly_29.html).



# Customer Service

## Part of a How-To Guide for Successful Agritourism Enterprises

Prepared for The University of Georgia's Center for Agribusiness and Economic Development and North Carolina State Cooperative Extension Service's Business Side of Agritourism Program Series. The Primary Investigators on this project were Kent Wolfe, Center for Agribusiness and Economic Development and Gary Bullen, North Carolina State University Cooperative Extension Service.



Funding for this project was provided by a grant from The Southern Regional Risk Management Education Center



## **Customer Service**

Okay. You have a wonderful product. Your operation is streamlined. You have been successful in your advertising and promotion. People are discovering what you have to offer and have started patronizing you. Now, how do you get them to come back again and, hopefully, tell others what a wonderful product or experience you provided? You want to keep your customers happy and appreciated. Your goal is to make each customer feel as if he or she is the most important customer you have and to exceed their expectations.

Customer Service encompasses so many things that it is impossible to list them all here. It can be seen in the appearance of your operation, the initial reception your customer receives, and the knowledge and attitude of you and your employees. In addition, the accuracy of directions and ease of accessibility are also a part of customer service.

So what is customer service? Customer service means that your customer is always right, even if he's wrong! There is a solution to almost every problem. It's up to you to find it.

*\*There will be the very rare customer who you will never be able to satisfy. If you encounter one of these, do the very best you can, and then turn your attention to your other customers. Chances are, anyone who knows him will understand he is, most always, difficult and will pay little attention to his appraisal of your operation.*

When you satisfy a customer, he will, on average, tell four or five others what a wonderful experience he had or how much he likes your product. He is also more likely to return.

A dissatisfied customer will tell *seven to thirteen* people about his bad experience. You'll probably never see him again and you may never have an opportunity to create customers out of those to which he complained. As you can see, the type customer that *you create* can directly affect your success and your profits.

In order to keep your current customer base satisfied and attract new customers you need to develop a plan. You want to know if your customers are completely happy with you. But more importantly, you want to know in what ways you fell short of their expectations. You need to determine what it will take to satisfy your customers, and then find out how successful you were in actually satisfying them. If you fall short of full satisfaction, you need to know how to correct the problem as soon as possible.

## **Written Customer Plan**

Before you develop a written customer service plan, you want to identify your target customer. You want to use the old question series: "who, what, when, where, why, how and will".

### **Who are your customers?**

Are they local, national or international? Do you want to attract a specific exclusive clientele or will you welcome any and all business? Does your pricing or activity target or eliminate a



specific group? Will any of your customers have special needs? Will you cater to children, the handicapped or the elderly?

**What will your target customer want and expect to receive from you?**

Will they want to be catered to? Will they want or need individualized attention? What types of facility or product do they want?

**When will they come to your agritourism business?** Is it daily or seasonal? Will you have set hours or will they vary? Will there be overnight stays?

**Where are they coming from?** Are your customers local, regional or national? Where are you located? Do you have realistic expectations that you will be patronized?

**Why would they want to patronize you?** Do you offer something that they haven't experienced? Is your product exclusive or in high demand?

**How can they find you?** Are you listed in the phone book? Do you run ads that include directions? Do you have adequate signage or directions? Are they able to reach you by phone regarding questions they may have? You will be amazed at the number of businesses who advertise, yet never include an address, phone number or directions.

**Will your customers have any special needs, supervision or individual assistance?**

Will you have patrons who are Handicapped or elderly? Will you host groups or families with small children? Do you have adequate staff and accommodations to address these needs?

Once you can answer all of the above, and more, you will be able to write your Customer Service plan. Your plan will serve as a blueprint to address each of these questions, and many more, to guide you in providing quality service to your customers.

Your plan should outline specific actions you can take to ensure that you meet and exceed all of your customers needs. Write it as you did your initial business plan.

1. Assess your physical facility. Be sure it is spotlessly clean and inviting. It should make one feel welcome. You want your customer's first impression to be positive. If it is not, they may likely fail to notice anything else you have to offer. Create a plan that will ensure all areas are monitored daily, or hourly if needed, and meet or exceed established standards.. Ensure that you have adequate accommodations and staff to provide assistance for children, handicapped and elderly customers. Identify ways in which this will be accomplished.

2. Examine your advertising. Be certain that it portrays an accurate description of what you have to offer and what your customer will experience.

3. Ensure that you can be easily reached. If you cannot answer the phone yourself, determine a solution to how your customer can reach you without becoming agitated.



4. Establish an employee policy. Clearly define your business practices and expectations. Address issues such as attitude, clothing attire, courtesy and knowledge. . Develop a training program so your employees will understand and are able to comply with what is expected. Help them learn how to anticipate and avoid problem situations. Identify plans for your employees to follow in handling complaints, irate customers or emergency situations.

5. Create a method to determine the number of staff needed to conduct your business. Determine how you will be able to adjust your hiring in relation to fluctuations in demand

6. Determine several methods your customers and employees can use to evaluate your business. In addition to overall satisfaction, create evaluations that rate specific areas. Target specific things such as friendliness, wait times, phone response, purchasing experience, accessibility and the ease of locating your business.

Offer a means for both customers and employees to tell you what they didn't like or found lacking in your operation. Ask for suggestions to help you improve. Also, consider having friends or family become your customer. Have them truthfully rate every aspect of your business. Ask them to be brutal in their assessments. Assure them that this is an exercise to help you make your business the best it can be. Use their criticism as a guide to fine-tune your operation.

7. Visit your competition. Objectively compare their operation to yours. Look for mistakes to avoid, but also look for the areas in which they shine. Determine what they have that you want to emulate and include this in your plan.

8. Establish your business's policy regarding payments, returns and refunds. Display your policy and ensure that your customers are aware of and understand it.

Look at the businesses you really like to patronize. Why do you like them? If you can identify the things that keep you coming back, you already have an example to follow. The ideas presented here just barely touch the surface in helping you to identify and establish good customer service. Hopefully, they will give you some initial guidance and inspiration in developing a plan specifically tailored to your agritourism business that will help you to succeed..



What is customer service? <sup>2</sup>	
Customer service is —	Customer Service is not —
Attention	Neglect
Courteous Words	Sharp Replies
Smiles	Bored Looks
Enthusiasm	Dullness
Response	Indifference
Warmth	Coldness
Understanding	Closed Mind
Patience	Irritation
Sincerity	Being Mechanical
Consideration	Annoyance
Remembering Details	Forgetting Details
Facts	Arguments
Creative Ideas	Humdrum
Giving	Receiving
Action	Delay
Appreciation	Apathy

## Components of a Customer Service Plan

The importance of customer service to your agritourism enterprise dictates the need for a comprehensive customer service plan. A customer service plan has five major elements:

1. Customer Needs, Wants and Expectations — Find out what services your customers need, want and expect to receive from your enterprise.
2. Customer Service Goals and Objectives — Establish goals and objectives for your enterprise based on these needs, wants and expectations.
3. Customer Service Policies — Develop customer service policies for your enterprise.
4. Employee Training Policies — Train employees to implement your customer service policies.
5. Customer Service Evaluation — Evaluate the effectiveness of your customer service plan and make changes where needed.

## Developing Your Customer Service Plan

Developing a written customer service plan for your agritourism enterprise may take some time and effort. The effort, however, is well spent as you strive to retain customers and build positive word-of-mouth referrals.

### Customer Needs, Wants and Expectations

Your customer service planning should begin with a review of the needs, wants and expectations of your target audience. Does your target audience expect full-service and luxury amenities, self-service with only very basic amenities or something in between? Will your customers require individual attention from your employees to assist them with choosing products, an employee to serve as a guide to a group or just someone to point them in the direction of activities? Do your customers expect to have access to restroom facilities with running water or are port-a-johns acceptable? Do customers expect an employee to answer the business phone during business hours or is a recorded message acceptable?

You may learn more about your customers' needs, wants and expectations by

- Surveying, interviewing or holding focus groups to ask target consumers questions about their needs and expectations
- Reviewing customer comments and complaints
- Asking employees for observations and suggestions
- Evaluating sales and inventory data for returns and special orders
- Evaluating wait times for activities, check-out at register and phone calls
- Considering the service provided by competitors

<sup>2</sup>Adapted from Ramay Winchester and Lee Curtis. Tennessee Department of Tourist Development. *One Visitor/Customer at a Time Hospitality Training Program*. April 2002.



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### Customer Service Policies

The third component in a customer service plan is the development of specific policies to meet your goals and objectives. Although detailed policies will vary, a few basics will apply to most enterprises:<sup>3</sup>

- Display a positive attitude.
- Make sure you are well-groomed and look neat or are dressed consistently with the desired image or ambiance of the enterprise.
- Keep all facilities clean and attractive.
- Immediately welcome customers with a friendly greeting.
- Smile and use positive body language.
- Be courteous and polite to customers and co-workers.
- Listen to customers.
- Use the name of the customer when possible.
- Maintain eye contact with customers.
- Anticipate the needs of customers and try to meet those needs.
- Treat each customer as a special guest or VIP.
- Promise only what you can deliver.
- Be knowledgeable about your products and services.

- When possible, get to know customers and develop relationships by asking them questions about themselves and their families.
- Thank customers for their business at the end of their visit and, when appropriate, with a phone call or note following the visit.
- Invite customers to come again.

Your enterprise may also need specific customer service policies on additional topics:

- Product returns and exchanges
- Admission refunds
- Reservations and/or private parties
- Deposits
- Payment options—cash, check, credit cards, charge accounts
- Special orders
- Layaway
- Answering phones and e-mail
- Home delivery
- Mail delivery
- Customer complaints (See “Handling Customer Complaints” on page 131 of the Appendix.)

**Develop specific customer service policies for your enterprise.**

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is a vertical margin line on the left side, creating a narrow left margin. The paper appears to be from a notebook or a standard ruled document.

<sup>3</sup>Adapted from Ramay Winchester and Lee Curtis, Tennessee Department of Tourist Development, *One Visitor/ Customer at a Time Hospitality Training Program*, April 2002.



### Employee Training Policies

Customer service should be the responsibility of everyone involved with an agritourism enterprise. Agritourism enterprises may be staffed by employees, volunteers or family members, all of whom should be trained to provide the quality of service your customers expect. Assume, for the purposes of this chapter, that the term "employees" includes all those who will serve customers. Once policies are established, it is important to communicate them to employees and train employees to implement them. Do not expect your employees to already know how to provide excellent customer service. Take the necessary steps to ensure that your employees are prepared to provide, and do provide, the standard of service that you expect.

It is also important for you to invest in employee relations and employee motivation. You may want to think of your employees as "internal customers" and your customers as "external customers." If you treat your employees with courtesy and respect, they are more likely to treat your customers with that same courtesy and respect. By offering your internal customers (employees) recognition and praise, the feeling of achievement will likely be reflected in the service they provide to your external customers.

The following steps will help ensure that employees provide excellent customer service:

- Communicate goals, objectives and expectations about customer service to your employees.
- Train employees to be knowledgeable about the products and services offered.
- Train employees in how to answer telephones and give simple, accurate directions to your business.
- Help your employees develop a sense of pride in their position and praise them for specific efforts.
- Empower employees to responsibly manage customer problems.
- Treat your employees with care and respect.
- Recognize and praise employees immediately. Tell employees specifically what they did well.

These steps may be implemented through employee training meetings, one-on-one training, job shadowing sessions, role-playing exercises and everyday interaction.

**Describe how you will train employees to implement your customer service policies.**

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.



### Customer Service Evaluation

A customer service plan is not complete without methods to evaluate its effectiveness. The evaluation methods chosen will depend upon the components of the plan. The following are some examples of methods you can use:

- Create a means for employees to communicate problems or suggestions to you, such as a suggestion box or regular meetings.
- Periodically observe employee performance to determine how well their actions match your expectations.
- Ask customers for feedback or suggestions or ask them to fill out a short survey about their experiences at your enterprise.
- Review customer comments and complaints.
- Continue to monitor sales and inventory data.
- Continue to evaluate wait times.
- Hire a secret shopper to visit your operation undercover and report on the customer service experience.

**Describe the methods you will use to evaluate the effectiveness of your enterprise's customer service plan.**

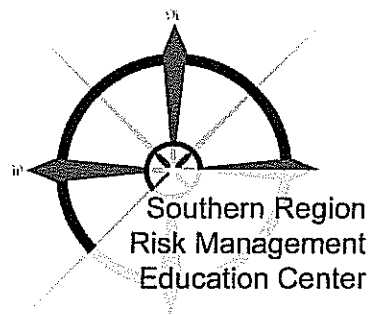
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# Community Service

## Part of a How-To Guide for Successful Agritourism Enterprises

Prepared for The University of Georgia's Center for Agribusiness and Economic Development and North Carolina State Cooperative Extension Service's Business Side of Agritourism Program Series. The Primary Investigators on this project were Kent Wolfe, Center for Agribusiness and Economic Development and Gary Bullen, North Carolina State University Cooperative Extension Service.



Funding for this project was provided by a grant from  
The Southern Regional Risk Management Education  
Center



## **Introduction**

Good owners and managers of businesses are very involved with their communities. They volunteer to help rather than waiting to be asked. They look for good community causes and then work to develop good relationships with others who support those causes. Successful business people look for the needs within the community, and ways in which they can assist. Your purpose is to help your community. However, as a result of your commitment, wonderful opportunities often present themselves. Through your community involvement, you can also maximize your business' exposure. Listed below are just a few ideas about ways you can become involved.

## **Farmer's Market**

Meet with your County Extension agent to discuss showcasing at your County Farmer's Market. Farmer's Markets provide fresh, local products to the consumer. However, their primary purpose is to help local farmer and agritourism operations succeed-survive. If your business is food related, offer samples. Explain how your product is made and why it is better than your competitors'. If your business is activity related, your Farmer's Market can serve as an effective outlet to distribute brochures or coupons, or set up displays.

## **Civic Organizations**

Speak at local civic organizations such as Kiwanis, Rotary, and Lion's Club. These organizations are always looking for good speakers who are not only interesting, but who also represent new businesses and commerce. They especially like to host speakers who are local and community oriented. Consider becoming a member. Invite members to hold a company picnic or event at your operation. Consider showcasing your food product in novel ways such as gift baskets and seek corporate business and contracts. Because these are service organizations, you will be combining the efforts of your community involvement with a host of other business.

## **Churches, Schools, Community Organizations**

Work with local churches, charity causes, community programs and schools. Offer educational outings to groups. Sponsor a youth sports team. These organizations are continually searching for ways to make money. Offer your product or services at a wholesale price so that they can be sold at retail cost for fundraisers.

## **Chamber of Commerce**

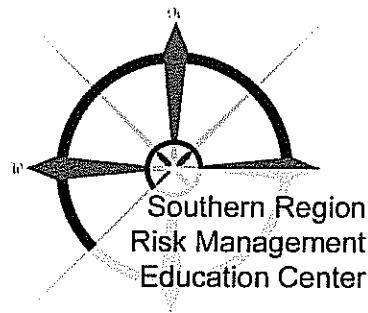
Join the Chamber of Commerce and sponsor a "Business after Hours". People love to network. You will find that other businesspeople will be supportive of your new venture. Business breeds business, so they will also profit if you are successful. They were once where you are now and know the problems you may be dealing with. They can give you advice that may help you avoid mistakes. They can also give you pointers about what helped them to succeed.



# **Regulations That May Affect Your Agritourism Enterprise**

**Part of a How-To Guide for Successful Agritourism  
Enterprises**

Prepared for The University of Georgia's Center for Agribusiness and Economic Development and North Carolina State Cooperative Extension Service's Business Side of Agritourism Program Series. The Primary Investigators on this project were Kent Wolfe, Center for Agribusiness and Economic Development and Gary Bullen, North Carolina State University Cooperative Extension Service.



**Funding for this project was provided by a grant from The  
Southern Regional Risk Management Education Center**



## **Introduction**

A wide variety of regulations may affect Agritourism enterprise operations. The affect of regulations may depend on the type of attractions offered, location of the enterprise, whether employees are hired and a number of other factors specific to each enterprise. These regulations may be imposed at the federal, state and local levels of government. It is important to investigate all regulations applicable to your agritourism enterprise in order to avoid penalties, fines or interruptions to you business.

This resource document provides an introduction to a number of regulations that may impact agritourism operations. Regulations discussed here are organized into three categories:

1. General regulations – regulations that likely affect a majority of agritourism enterprises
2. Employment Regulations – regulations that impact enterprises employing personnel.
3. Permits and licenses for specific attractions – regulations specific to certain types of attractions.

## **General Regulations**

Most agritourism entrepreneurs must comply with several general regulations. These include, but are not limited to, zoning ordinances, business licenses, sales tax collection and remittance, and the Americans with Disabilities Act.

## **Zoning**

Zoning ordinances regulate the use of land in a specific area. A municipality, a county, or a combined city-county authority may regulate zoning. Some local governments do not have zoning ordinances.

Zoning ordinances may regulate

- The location, height and size of buildings and other structures
- The percentage of a lot that may be occupied
- The size of yards, courts and other open spaces
- The density and distribution of population
- The uses of buildings and structures for trade, industry, residence, recreation or other purposes
- Use of land for trade, industry\, residence, recreation, agriculture, forestry, soil conservation, water supply conservation or other purposes
- Regulations for signage and parking

Depending on state law, violation of zoning ordinances may be considered a misdemeanor., and each day of violation may be considered a separate offense. State or local government officials or neighbors may file for an injunction to stop of correct a violation. This could interrupt your business or force you to go out of business.

You should consult the appropriate zoning authority for your location before investing in an agritourism operation.



**Business Licenses and Taxes**

State government authorizes local governments to levy a tax for operating a business in their respective jurisdictions. County and city business licenses must be renewed annually.

Local governments may also collect taxes based on a percentage of gross sales of your agritourism operation. Business licenses, sales and use taxes, admission fees, farm or nursery product sales, etc, may have various tax implications. It is important that you contact your local government tax office for specific information on local business license and tax regulations.

**Americans with Disabilities Act**

The Americans with Disabilities Act (ADA) requires compliance by all businesses. This act ensures that persons with disabilities are afforded equal opportunity in employment, transportation, commercial facilities, and accommodation in public places. A place of public accommodation that relates to an agritourism venue may be a facility whose operations affect commerce and fall within at least one, among others, of the following categories:

- Place of lodging
- Establishment serving food or drink
- Place of public gathering
- Sales or rental establishment
- Service establishment
- Public transportation terminal, depot or station
- Place of public display or collection
- Place of recreation
- Place of education
- Place of exercise or recreation



### **These places of public accommodation are required to**

- Provide goods and services in an integrated setting, unless separate or different measures are necessary to ensure equal opportunity
- Eliminate unnecessary rules that deny individuals with disabilities an equal opportunity to enjoy the goods and services of a place of public accommodation
- Make reasonable modifications in policies, practices and procedures that deny equal access to individuals with disabilities, unless a fundamental alteration would result in a change to the nature of the goods and services provided
- Ensure effective communication through the use of auxiliary aids and services when necessary, unless an undue burden or fundamental alteration would result
- Remove architectural and structural communication barriers in existing facilities where readily achievable
- Provide goods and services through alternative measures when removal of barriers is not readily achievable

#### **Note:**

Provisions of ADA may be enforced by the Equal Employment Opportunity Commission (EEO) and/or by the U.S. Department of Justice (USDOJ). More information may be obtained by contacting EEOC at (800) 669-4000 or <http://www.eeoc.gov> or contacting USDOJ at (800) 514-0301 or <http://www.usdoj.gov/crt/ada/adastd94.pdf>.

### **Employment Regulations**

Will you employ personnel for your agritourism operation? If so, you will be affected by several employment regulations. Regulations will vary according to the type and size of your enterprise, the job requirements, and how many people you employ. The following is a list of employment regulations that may affect your agritourism operation:

- The Fair Labor Standards Act
- Child Labor Act
- Occupational Safety and Health Guidelines
- Workers Compensation
- Unemployment Insurance Taxes
- Income Tax Withholding

Seek assistance from your State Department of Labor for specific information on employment regulations within your state.



Regulations vary depending upon the type of enterprise operated and where it is located, as well as a number of other factors specific to your particular activities. It is very important to investigate applicable regulations in order to avoid penalties, fines, or situations that could interrupt your business plan.

Many of the aforementioned regulations are very complex, and it is impossible to cover every regulation that could affect your agritourism operation. The information provided, including the following Regulations Checklist, is not intended as legal advice. Contact the appropriate government agency for more specific information to obtain the most current regulations.

### **Regulations Checklist**

You should check each regulation that may apply to your operation and then become familiar with the details of those regulations. Contact the appropriate governing agency your more information on how the regulations may directly affect your agritourism enterprise.

#### **General Regulations**

- Zoning Regulations (local government)
- Business License and Local Taxes (local government)
- Sales Tax Collection and Remittance (state and local government)
- Americans with Disabilities Act (federal government)

#### **Employment Regulations**

- Fair Labor Standards Act (federal and state)
- Child Labor Act (federal and state)
- Occupational Safety and Health Act (federal and state)
- Workers' Compensation (federal and state)
- Unemployment Taxes (federal and state)
- Income Tax Withholding (federal)

#### **Permits and Licenses for Specific Enterprise Types**

- Food Service Permits and Inspections (state and local government)
- Retail Food Store Permits and Inspections (state)
- Animal Exhibitor Licensing (federal)
- Nursery Licensing (state)
- Winery Licensing (state)
- Fee-Fishing and Hunting Regulations (state)



# **Risk Assessment and Management**

## **Part of a How-To Guide for Successful Agritourism Enterprises**

Prepared for The University of Georgia's Center for Agribusiness and Economic Development and North Carolina State Cooperative Extension Service's Business Side of Agritourism Program Series. The Primary Investigators on this project were Kent Wolfe, Center for Agribusiness and Economic Development and Gary Bullen, North Carolina State University Cooperative Extension Service.



Funding for this project was provided by a grant from The Southern Regional Risk Management Education Center



## **Introduction**

What types of risk are you taking on when you engage in Agritourism? The first risk normally thought of is liability. While liability is extremely important, other types of risk are also important for you to consider. To be successful, you must correctly assess and manage risk. This resource document will help you

1. Identify the types of risk agritourism enterprises may face
2. Appreciate liability laws
3. Assess some risks specific to your agritourism enterprise
4. Identify some methods to help you manage risk
5. Learn basic insurance concepts

## **Types of Risk**

The uncertainty regarding the likelihood or magnitude of loss, damage, or injury can be defined as risk. Generally, there are six main categories of risk that are relevant to agritourism.

### **Legal Risk**

Agritourism enterprises are subject to several forms of legal risk. It is critical that you follow all laws and regulations relevant to your agritourism operation. Adding Agritourism operations to your traditional farming operation may present additional environmental concerns. Therefore, you must take precautions to follow environmental protection laws and regulations. Agritourism operations also may subject employees and customers to risk of injury while they are at your agritourism business or utilizing products purchased from your business. When an injury occurs, you and your agritourism enterprise could be required to pay damages to the injured party. In the event of a lawsuit, there will be expenses incurred for legal counsel.

### **Human Resources Risk**

The four Ds of human resource risk are

1. Death
2. Divorce
3. Disability
4. Disagreement



Everyone involved with the operation is important and must be committed to the agritourism operation. Employee turnover can also be expensive when you consider the time and money it takes to find, hire, and train new employees.

### **Business Interruption Risk**

As is true in any business, an agritourism operation risks loss of income from business interruptions. Your business operations could be halted or slowed due to any number of interruptions, including hazardous weather and/or natural disasters.

### **Production Risk**

Agritourism enterprises that incorporate or rely on the production of agricultural commodities, specialty crops or livestock face production risks. Examples of this may be corn mazes, pumpkin patches, pick your own operations, and livestock production. Weather conditions, disease and/or pests may decrease or destroy yields. Another consideration in today's market is biosecurity. Biosecurity could be compromised by increased traffic that increases the potential for disease to spread among crop and livestock.

### **Marketing Risk**

Marketing is not as simple as build it and they will come. What if you build it and customers don't come? Marketing risk can include not attracting enough customers to generate needed cash flow or, attracting more customers that you can accommodate. Or, what happens to cash flow due to negative effect of unanticipated competition.

### **Financial Risk**

Don't confuse cash with profit. There is a huge difference between the two. For example, loading your inventory takes money without changing profits. Spending available cash buying inventory doesn't affect profits, but cash flow is more important than profits because profits are an accounting concept and cash is money in the bank—you don't pay your bills with profits. Business start-up and operation costs may require significant capital, which may be financed by taking on debt. Financial risk always includes meeting cash flow needs. Each of these risks has the potential of being very costly to your business. The planning and operations of an agritourism enterprise must include risk assessment and the development and implementation of a risk management plan.

### **Liability Laws**

Liability law may vary by state. The risk of liability is a major concern and requires the agritourism operator to be diligent about keeping customers and employees safe. An agritourism entrepreneur's business plan can be derailed if the owner is taken to court to pay damages for an injury, or fraudulent or frivolous claim. It is important to seek legal advice and to stay informed on liability laws within your state.



### ***Risk Identification Exercise***

Consider the types of risk discussed earlier in the chapter and think about what specific risks your agritourism enterprise may face in each category. Describe the risks in the space provided.

#### **Legal Risk**


#### **Human Resources Risk**


#### **Business Interruption Risk**


#### **Production Risk**


#### **Marketing Risk**


#### **Financial Risk**


The risk assessment process also involves estimating the likelihood that a risk will result in loss, damage or injury as well as the potential magnitude of the loss. You will be able to accomplish this phase of the risk assessment process later in the chapter with the *Risk Assessment and Management Worksheet*.



## **Risk Assessment and Management**

Recognition of what particular risks are associated with your Agritourism enterprise should be the first step to reducing and managing risk. This should be a continuous process since new risks will arise over time. Begin by considering the types of risk your operation may have. These could include

- Legal Risk
- Human Resource Risk
- Business Interruption Risk
- Production Risk
- Marketing Risk
- Financial Risk

In assessing your risk, you must estimate the likelihood that a risk will result in loss, damage, or injury, and, you must estimate the potential magnitude of the loss.

Develop and implement a risk management plan to help reduce or eliminate potential risks.

There are four generally accepted methods to managing risk

1. Risk Avoidance
2. Risk Reduction
3. Transference of Risk
4. Acceptance of Risk

Risk can be avoided by choosing not to engage in agritourism altogether. However, by assessing risk, you may decide that a specific activity has more risk associated with it than you want. Therefore, you can decide not to offer that particular activity.

Risk can be reduced by putting preventative measures and procedures in place. Customer and employee safety is an area where risk reduction will be effective. Make taking a proactive approach to safety for customers and employees a priority.

Risk can be managed by transferring the risk to another party. This can be done with insurance. An insurance company accepts risk on your behalf in return for compensation in the form of premiums.



You may not be able to reduce or transfer all risks associated with some agritourism activities. In this case, you have to decide if you want to accept the associated risk. If you accept risk, take action to prepare for loss or damages in other ways. You may consider creating an emergency fund to pay for expenses you might incur as a result of the risk.

It is important that you maintain awareness of the many types of risk an agritourism venue can introduce. It is equally important that you effectively assess and manage these risks. Remember these key points

1. Risk assessment and management is a continuous process.
2. Risk to agritourism enterprises may include legal risk, human resources risk, business interruption risk, production risk, marketing risk and financial risk.
3. Liability is one type of legal risk of great concern.
4. Risk can be managed through risk avoidance, risk reduction, risk transference, or risk acceptance.



## Risk Management

Simply identifying risks does not diminish or eliminate them. A risk management plan should be developed and implemented to help reduce or eliminate potential risks. Risk may be managed using four general methods:<sup>6</sup>

1. Avoid risk
2. Reduce risk
3. Transfer risk
4. Accept risk

You can **avoid risk** simply by choosing not to engage in agritourism activities altogether. By using the risk assessment process, you may also decide that a specific agritourism activity has more risk associated with it than you want to take on. Therefore, you can decide not to offer that activity.

You can **reduce risk** by implementing preventative measures and procedures. For agritourism enterprises, customer and employee safety is one area where risk reduction can be effective. A proactive approach to safety for customers and employees should be a major priority. Safety considerations for agritourism enterprises are discussed in detail in Chapter 7.

Another method for managing risk is to **transfer risk** to another party. The most common way is through insurance coverage. An insurance company accepts risk on your behalf in return for compensation in the form of premiums. In return, the company will reimburse you for damages, if incurred, according to the details of your policy.

You may not be able to reduce or transfer all risk associated with

some kinds of agritourism activities and still decide to offer the activity. In this case, you have decided to **accept risk** and should take action to prepare for loss or damages in other ways. For example, you can create an emergency fund to pay for expenses you might incur as a result of the risk.

Certain risk management methods are more suited to managing specific risks based on the expected severity and frequency of damage, loss or injury. The *Risk Management Method Matrix* illustrates which methods logically relate to severity and frequency combinations. If an event is expected to occur only occasionally and the potential for injury, damage or loss is low, then inexpensive risk reduction strategies and steps to accept risk may be logical. If the severity of losses will be high with a low frequency of occurrence, more intensive risk reduction and acceptance strategies may be necessary. If the expected severity is low but the frequency is high, once again reduction of risk as well as risk transfer is recommended. With both high severity and frequency, you may also reduce and transfer risk or decide that the activity is too risky and avoid it altogether.

Risk Management Method Matrix		
	Low Severity	High Severity
Low Frequency	Reduce or Accept	Reduce or Accept
High Frequency	Reduce or Transfer	Reduce, Transfer or Avoid

Some strategies to help reduce, transfer or accept risk in an agritourism enterprise are listed below. Check the items which may be applicable to your agritourism operation.

### Reduce

- ☐ Familiarize yourself with laws and regulations and follow requirements relevant to your operation.
- ☐ Develop and implement safety measures and procedures for customers and employees.
- ☐ Develop and implement an emergency response plan.
- ☐ Develop and implement an incident reporting system to preserve contact information for injured parties and witnesses, incident-site photos and other relevant information.
- ☐ Develop and implement safe food handling procedures.
- ☐ Train employees in proper operational procedures.
- ☐ Make hand-washing facilities available for employees and customers.
- ☐ Get first-aid training and require employees to get training.
- ☐ Purchase and make available first-aid supplies, fire extinguishers and a weather radio.

<sup>6</sup>Kratzer, Connie. "Insuring Against Catastrophes." *Cashing in on Business Opportunities*. June 2003. Southern Rural Development Center.



- ☐ Place lists of emergency phone numbers with directions to your operation at all phones.
- ☐ Seek assistance from professionals such as lawyers, accountants, production specialists and regulators when needed.

#### **Transfer**

- ☐ Obtain property insurance.
- ☐ Obtain liability insurance.
- ☐ Obtain health and disability insurance.
- ☐ Obtain crop insurance.
- ☐ Learn and follow insurance requirements and claim procedures.
- ☐ Require customers to sign lease or rental agreements for appropriate activities (such as fee-hunting or equipment rental).
- ☐ Require vendors and independent contractors to maintain current licenses and insurance while operating on your property.
- ☐ Require customers to sign hold harmless agreements or liability waivers.

#### **Accept**

- ☐ Develop a business analysis and management system.
- ☐ Choose a beneficial business structure for your agritourism enterprise.
- ☐ Monitor market conditions.
- ☐ Create an emergency fund to pay for insurance deductibles and unplanned, necessary repairs.

Now that you have listed potential risks and have read about different methods and strategies to manage risk, use the *Risk Assessment and Management Worksheet* on page 64 to further assess your risks and develop risk management strategies for each.

#### **Hold Harmless Agreements**

Hold harmless agreements or liability waivers signed by customers or the legal guardians of minor customers may be one method to manage risk for some enterprises, especially high-risk activities. A hold harmless agreement indicates that the person signing the agreement will not hold an individual or business liable for damage or injury sustained at a location or during an activity.

Many questions exist about the effectiveness of hold harmless agreements in managing risk. These agreements may not prevent liability claims or lawsuits and do not decrease your obligations to create a safe environment for your customers. If used, hold harmless agreements should not be the sole method of risk management but, rather, used in combination with other methods such as liability insurance. The agreements may provide an opportunity for you to formally remind customers of risks they are taking in visiting the enterprise and provide further evidence of your diligence in informing and caring for your customers.

Ultimately, you should consult with your insurance agent and lawyer to determine if hold harmless agreements are an appropriate risk management strategy for your operation. If appropriate, your lawyer should also be able to draft an agreement to fit the specific needs of your enterprise.

#### **Risk Assessment and Management Worksheet**

1. Refer to the *Risk Identification Exercise* you completed on page 61. List the risks you identified on that worksheet in the numbered rows under the column heading *Potential Risks*. (You may need to make additional copies of the worksheet.)
2. Rate the likelihood that each of the potential risks will result in actual loss, damage or injury on a scale of 1 (Low Risk) to 5 (High Risk) by circling the corresponding number under the column heading *Likelihood of Injury*.
3. For each potential risk, rate the magnitude of the potential loss, damage or injury on a scale of 1 (Small Risk) to 5 (Large Risk) by circling the corresponding number under the column heading *Magnitude of Potential Loss*.
4. Develop appropriate strategies to avoid, reduce, accept and/or transfer each of the risks identified.
5. Finally, estimate the cost of your planned risk management strategies. Reassess activities and potential risks where costs are too great.



### Risk Assessment and Management Worksheet

Potential Risks	Likelihood of Injury	Magnitude of Potential Loss	Methods to Avoid, Reduce, Accept and/or Transfer Risk	Estimated Cost of Risk Management Methods
	Low– High	Small– Large		
1.	1 2 3 4 5	1 2 3 4 5		
2.	1 2 3 4 5	1 2 3 4 5		
3.	1 2 3 4 5	1 2 3 4 5		
4.	1 2 3 4 5	1 2 3 4 5		
5.	1 2 3 4 5	1 2 3 4 5		
6.	1 2 3 4 5	1 2 3 4 5		
7.	1 2 3 4 5	1 2 3 4 5		
8.	1 2 3 4 5	1 2 3 4 5		
9.	1 2 3 4 5	1 2 3 4 5		
10.	1 2 3 4 5	1 2 3 4 5		
11.	1 2 3 4 5	1 2 3 4 5		
12.	1 2 3 4 5	1 2 3 4 5		



## Insurance Concepts

Insurance is a method used to manage risk by transferring it to another individual or entity. Insurance is defined as "a legal contract whereby risks are transferred from one party to another in exchange for a premium."<sup>7</sup>

Several types of insurance may be relevant to agritourism enterprises, including:

1. Commercial or general liability
2. Product liability
3. Special events liability
4. Property and loss
5. Health and disability
6. Crop

Insurance purchased for your farm operation may not be adequate to manage the risk from your agritourism enterprise. For example, a general farm liability policy may not include liability coverage for agritourism activities or products since revenue is earned through non-production agriculture activities.

Another example relates to property insurance. Property insurance coverage on your tractor as part of your general farm policy may not be in effect during a time when you will use that tractor for income-generating agritourism activities. If the tractor were to be damaged while you were conducting a hayride, the damage may not be covered by your existing insurance. Be sure to check with your insurance agent to make sure you have adequate coverage for both production agriculture and agritourism uses.

When searching for and obtaining insurance, you should contact the carrier for your other insurance policies, such as your farm policy. Since that company has a history with you, it may be more likely to provide coverage for your agritourism activities. It may be beneficial, however, to compare similar policies from other companies every couple of years to be sure you have the policy that best meets your needs at the most economical price.

Many insurance companies have little or no experience with agritourism enterprises and, therefore, may be reluctant to provide coverage. Although agritourism in its earliest form began in the 1800s, very little information is available on which to evaluate potential risks. When the risk cannot be quantified, companies cannot accurately set premiums or the price for coverage to ensure that they will be able to cover claims and maintain a profitable business. Insurance companies may decide not to write a policy for agritourism enterprises in order to avoid financial risk for their companies. Companies may also decide to reduce financial risk by offering policies to certain types of enterprises or for a limited number of enterprises. As the industry continues to grow, the demand for liability insurance products for agritourism is increasing; and as more information becomes available about risk exposure, it is likely that more insurance companies will offer options for coverage.

When considering insurance coverage as a risk management strategy, it is helpful to understand some specific terminology and concepts. The following table lists some common insurance terms with general definitions.

Common Insurance Terms and Definitions	
Term	Definition
Policy	Written contract for insurance coverage.
Coverage	The dollar amount available from the insurance company to meet liabilities or cover damages as defined in the policy.
Premium	The price paid to the insurance company for the policy.
Deductible	The amount specified in an insurance policy that the insured party must pay out of pocket. It relieves the insurer of responsibility for an initial specified loss.
Covered Peril	Something that imperils or causes risk of injury or loss that is eligible for coverage.
Excluded Peril	Something that causes risk of injury or loss that is not eligible for coverage. Usually, perils not specifically listed as covered are assumed to be excluded.
Claim	A request for payment for damages or loss sustained.
Exposure	The potential for damages or loss.

<sup>7</sup>Barnett, Barry. *Risk and Insurance Principles*. Available online at [http://www.ageconmsstate.edu/Aquaculture/workshop\\_1/Insurance\\_Principles.pdf](http://www.ageconmsstate.edu/Aquaculture/workshop_1/Insurance_Principles.pdf). Accessed October 2, 2003.



When visiting with an insurance agent regarding insurance for your agritourism enterprise, you should be prepared to provide some information. It is important to communicate fully and clearly to make sure the agent understands your enterprise and the potential risks. Consider inviting the agent to your operation to give a better idea about what you are planning to do or are doing.

Read each insurance policy carefully and make sure you understand what perils are included and excluded in the coverage, the amounts of deductibles, levels of coverage and details on how to file a claim. Do not rely solely on the agent to tell you all the details of the policy. Generally, you should not share details of your insurance coverage with customers except for what is necessary to file a claim.

Two worksheets to help you collect and organize information necessary to discuss your liability insurance options are provided. The *Insurance Information Worksheet* provides space to list some information about your operation that an insurance agent is likely to need. The *Insurance Policy Evaluation Worksheet* on page 67 provides a list of questions you may want to ask insurance agents.

### Insurance Information Worksheet

Write a detailed description of ALL activities to be conducted at the enterprise and the methods implemented to reduce risk.

Hours/seasons of operation

Type of customers expected (adults, teenagers, elementary school children, senior citizens)

Number of customers expected

Number of employees

Estimated gross sales/revenue



Insurance Policy Evaluation Worksheet <sup>a</sup>	
Insurance Company Name	
Contact Name	
Phone Number	
Date	
Is the company licensed to sell insurance in Tennessee?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the agent understand my enterprise or proposed enterprise?	<input type="checkbox"/> Yes <input type="checkbox"/> No
What is the amount of coverage?	\$
Is the premium a set fee?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the premium based on a percentage of gross sales or on client days?	<input type="checkbox"/> % Sales <input type="checkbox"/> Days
How much is the premium?	\$ /
Is there a deductible?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, how much is the deductible?	\$ /
Does the insurance apply to	
my premises and operations liability?	<input type="checkbox"/> Yes <input type="checkbox"/> No
my products and operations liability?	<input type="checkbox"/> Yes <input type="checkbox"/> No
my contractual liability to others?	<input type="checkbox"/> Yes <input type="checkbox"/> No
my personal liability to others (libel, slander, invasion of privacy)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
my personal injury liability to others (libel, slander, invasion of privacy)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
my advertising injury to others?	<input type="checkbox"/> Yes <input type="checkbox"/> No
my property liability damage to others?	<input type="checkbox"/> Yes <input type="checkbox"/> No
incidental medical malpractice liability resulting from my helping an injured person?	<input type="checkbox"/> Yes <input type="checkbox"/> No
non-owned watercraft liability?	<input type="checkbox"/> Yes <input type="checkbox"/> No
host liquor liability?	<input type="checkbox"/> Yes <input type="checkbox"/> No
court costs for defense?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are court costs covered above the liability coverage limit or included in liability policy limit?	<input type="checkbox"/> Above <input type="checkbox"/> Included
Are there any specific exclusions to the policy?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are my employees insured under this policy?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do I have to belong to an association to purchase this insurance?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, what is the cost of membership?	\$ /
Notes	

<sup>a</sup>Insurance Policy Evaluation Worksheet adapted with permission from Keith, Diana, Holly George and Ellie Rilla. 2002. *Agritourism and Nature Tourism in California: A How-To Manual for Farmers and Ranchers*. University of California Small Farms Center.



**Acknowledgement:**

Special thanks to Dr. Kent Wolfe for giving permission to copy and/or adopt information in this resource document from *Agritourism in Focus, A Guide to Tennessee Farmers and other various self-help agritourism articles published by Dr. Wolfe.*

**Additional Resources:****Agritourism in Focus**

*A Guide for Tennessee Farmers*

**The New Farmers' Market**

Corum, Rosenzweig & Gibson

New World Publishing