

VERMONT FOOD SYSTEM PLAN ISSUE BRIEF



ISSUE:
Consumer
Demand

What's At Stake?

Consumer demand for local, organic, and specialty foods have surged over the last ten years, helping Vermont's agricultural vitality. As these markets are maturing, slowing growth and increased competition are leading to downward price pressure and other scale-related barriers for Vermont producers. While Vermont's food producers are renowned for high-quality products, authentic stories, and inspiring social values, it can be difficult for these businesses to develop marketing platforms and messages in order to stand out in an increasingly crowded field. Americans are exposed to 4,000-10,000 ads each day and only about 100 will successfully penetrate the "attention wall." If Vermont producers want to earn premium pricing, they will need resources and coordination to support strategic and compelling marketing tactics that are able to penetrate the noise and attract consumers' scarce time and attention.

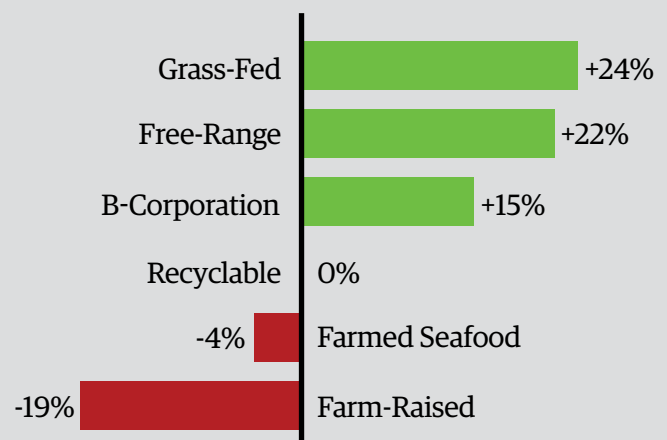
Current Conditions

Vermont has long benefited from a reputation for high-quality, authentic food products. This reputation, or "market value," offers opportunities for increased sales if producers can gain visibility and align with consumers' needs. To leverage market value, producers must employ good marketing strategies including market research, market positioning, brand development, and marketing tactics. The relatively small size of many Vermont producers limits competitive advantages gained from economies of scale, and their marketing spending is generally believed to be an area of under-investment compared to national industry averages.

Complicating Vermont producers' ability to fulfill consumer demand is that today's food marketplace is no longer the predictable, regular weekly trip to the grocery store. Consumers now purchase food in many different outlets (e.g., supermarkets, "big box" stores, specialty stores, online, etc.) and at many times of day.^{1,2} Disruptions in traditional media and retail channels are mirrored in consumers seeking shopping experiences that fit their custom needs (see [Grocers brief](#), [Direct Markets brief](#)). They are seeking products that align with their particular dietary preferences, and demand transparency of ingredients and production practices.

To stay viable, Vermont's food producers must be savvy to these rapidly shifting consumer trends. In addition, investment is needed in both the private and public sectors to elevate the presence of Vermont products to consumers. Recent examples of state investment to understand consumer demand include consumer-based market research from the Vermont Agency of Agriculture, Food and Markets (VAAFAM) and Agency of Commerce and Community Development (ACCD) to understand consumer perceptions related to the Vermont brand, maple, and specialty cheese.

Change in Dollar Sales for Sustainability Claims in U.S., 2017-2018



Demographic Consumer Trends and Consumer Values-based Demand

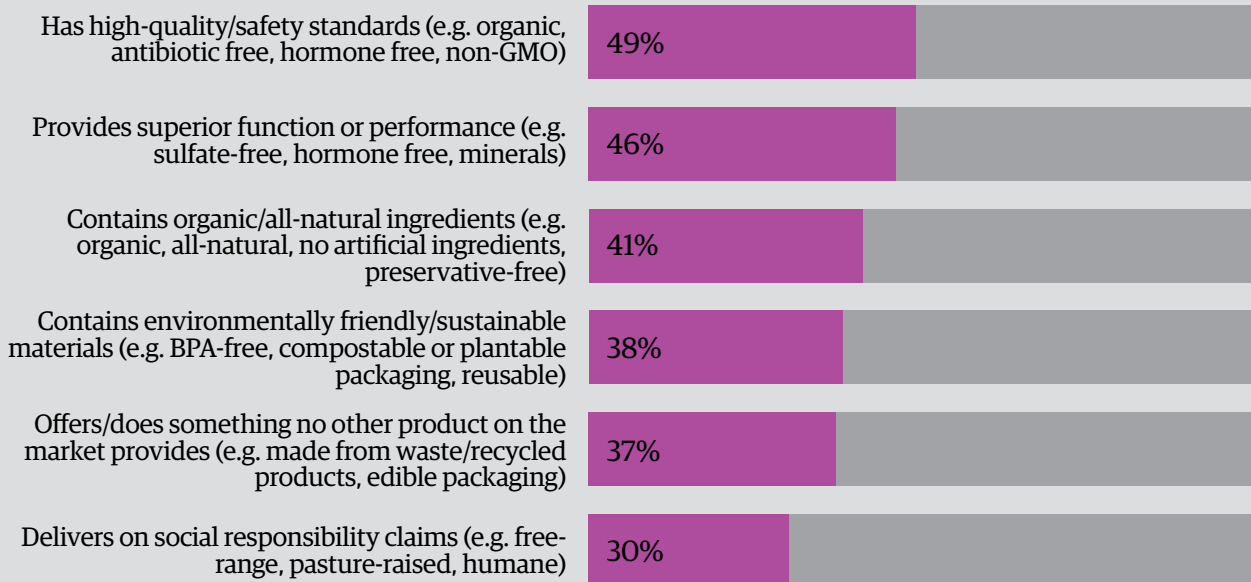
While baby boomers (b. 1946-1964³) still have impact, millennials (b. 1980-1996⁴) are now the largest generational group and are influencing the marketplace with their purchasing choices. Millennials communicate their identity and values with their product choices. They favor unique and personal experiences, which leads them to try new brands, new channels, and to seek niche shopping experiences.⁵ Meanwhile Generation Z (b. 1996-2015) is emerging as the largest and most ethnically diverse generation. Millennials and Gen Z consumers are increasingly vocal about their purchase experiences and turn to their online networks for purchase advice. Further, these hyper-connected consumers are seeking purchase experiences that appear authentic and will be share-worthy.⁶

Today's consumers demand products that meet their own health needs, emotional values, and broader social concerns. Many of these values have direct relevance to Vermont producers and present strategic marketing and growth opportunities. Local, organic, and non-GMO labels have widespread market appeal. The U.S. local food market grew from \$5 billion in 2008 to \$12 billion in 2014 and is expected to rise to \$20 billion by the end of 2019.⁷ Across the board, consumers are emphasizing a need for increased transparency in the foods they are choosing, and to know more about agriculture and food manufacturing practices.⁸

Consumers feel strongly that companies should help improve the environment, and half of global respondents say they're inclined to pay higher-than-average prices for products with high quality standards, which consumers often associate with strong sustainability practices. Just behind safety and function, consumers are willing to open their wallets for products that are organic, made with sustainable materials, or deliver on socially responsible claims.⁹ As the concept of "sustainability" matures, consumers are getting more specific in their demands, seeking bundled benefits (e.g., high-protein organic milk) and product innovations (e.g., plant-based proteins).¹⁰

The organic market is maturing and mainstreaming, leading to declining price points for producers, while the marketplace is seeking large-scale solutions to meet price and volume demands. GMOs continue to rank high in the list of consumer concerns, with almost universal consumer awareness of GMOs, and an estimated half of shoppers avoiding them.¹¹ Concerns about animal welfare may have increasing impact on Vermont's food producers, especially as consumers are turning to plant-based beverages and meat substitutes. Plant-based proteins are a good example of a market trend that is meeting the consumer demand for perceived benefits to the environment, health, and animal welfare.

Percent of Global Consumers Willing to Pay Higher-than-Average Prices For Products with Select Attributes (2018)





Bottlenecks & Gaps

- Growth of markets like local and organic can pose a variety of challenges for Vermont's niche producers as they lack the scale to compete against larger companies with better economies of scale and larger marketing budgets.
- Maintaining price premiums is more difficult and nuanced as the local food category becomes more mainstream and mature.
- Meeting consumer demand for more information and products that meet their personalized needs requires robust, sophisticated, emotionally compelling, and multi-faceted storytelling that also fits into the soundbite nature of modern communications and connectivity. Vermont's businesses often lack the resources to invest in packaging updates, "content creation" (e.g., videos, blog posts, social media posts), and social media curation to stay in relationship with target consumers.
- The diversification of consumer demand creates opportunities for success via careful market segmentation; however, segmentation is a nuanced marketing skill that many small businesses lack, and/or lack funds to execute.
- While relevant data at the business level is not publicly available, anecdotal evidence supports the conclusion that Vermont food and farm businesses tend to be under-resourced in executing sophisticated marketing strategies.

Opportunities

- Vermont food products align with current trends for authenticity, purity, and trusted relationships, and consumers seeking highly personal and custom experiences.
- Existing, publically available market research can be used by the state and individual businesses in segmenting markets and developing targeted content.
- The growth of Vermont's digital marketing sector provides valuable marketing infrastructure to support Vermont's food businesses.
- Vermont producers benefit from proximity to major urban markets and a robust tourist economy.
- Vermont producers may benefit from adding attributes to their products such as enhanced nutritional value (e.g., high-protein organic milk), animal welfare benefits (e.g., grass-fed), or other social benefits (e.g., authentic connection back to the farm).
- Vermont food businesses have the authentic experiences and values well suited for behind-the-scenes online and social media storytelling that is attractive to consumers.
- Online platforms designed to enhance marketing through digital content created and shared by consumers offer a means for small farms and food businesses to affordably promote their products and create a community of "brand ambassadors."
- Vermont is well-positioned for statewide coordination around conducting, interpreting, and collaboratively implementing marketing strategies based on shared understanding of consumer trends specifically focused on Vermont-produced foods.

Summary

Vermont has been successful in cultivating a reputation for high quality food, authentic and trustworthy businesses, and a natural environment that is clean and pure. This reputation has helped to shape the broader brand identity of Vermont food and farm products. Vermont has been a leader in the local, organic and sustainable food marketplace. As those markets go mainstream, we must be cautious not to lose our competitive edge. The food marketplace is becoming more crowded and nuanced. While there are growing opportunities to tap into consumer trends, we should not underestimate the competitive pressure and expense of maintaining a visible presence in a multiplicity of media channels and market outlets. If we want to see Vermont's food and farm economy thrive, we cannot afford continued reliance on fragmented, product-specific marketing messages. Rather, now is the time to invest in coordinated, robust marketing strategies across the state.

Recommendations

- Provide a \$100,000 annual appropriation to the Vermont Agency of Agriculture, Food and Markets for the marketing of Vermont food and farm products.
- Develop a shared communications and graphic design “content creation” position to be co-located between the Agricultural Development Division at VAAFM and the Vermont Department of Tourism and Marketing (VDTM) at ACCD to further support outreach to Vermont producers, increase the presence of Vermont food producers on social media and at trade shows, and to strengthen the existing marketing team and coordination with VDTM and the Chief Marketing Office. Initial research recommends \$100,000 per year to support the position, with tactical funds being generated through grant support.
- Provide \$24,000 in funding support to the Vermont Farm to Plate Network to host, in partnership with VDTM and VAAFM, quarterly collaborative marketing summits for food and farm businesses to improve marketing skills and understanding of consumer demand (e.g., market research, social media strategies, developing marketing assets, etc.), and identify partnership opportunities.
- Launch a Vermont Brand and Marketing Collaborative to leverage improved marketing strategies and collateral. Include representatives from VDTM, VAAFM, and independent businesses in tourism, food, and outdoor recreation.
- Create three Vermont marketing broker positions to develop the regional market for a strategic catalog of Vermont products. Explore developing a three-year pilot program that explores broker logistics for identifying and developing top market channel opportunities within three target urban centers in the Northeast. Cost: \$600,000 over 3 years.



Farm to Plate is Vermont's food system plan being implemented statewide to increase economic development and jobs in the farm and food sector and improve access to healthy local food for all Vermonters.

The Vermont Agency of Agriculture, Food & Markets (VAAFM) facilitates, supports, and encourages the growth and viability of agriculture in Vermont while protecting the working landscape, human health, animal health, plant health, consumers, and the environment.

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