

Determinants of Vendor Success in Farmers' Markets: Evidence from Upstate New York*



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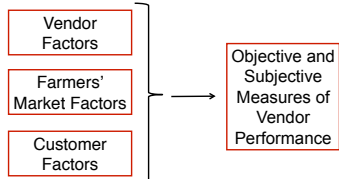
Introduction

- Growing demand for local foods prompting changes in food supply chains
- Sharp increase in farmers' market numbers: from 1,300 in 1994 to 4,300 in 2008
- Key implications of farmers' markets as marketing channels
 - For farmers, control over distribution and marketing activities
 - For consumers, alternative retail outlets with fresh, local products directly from source
- Nevertheless...
 - Farmers' markets account for a very small share of total domestic food sales
 - Recent research shows high failure rates
- Further research on determinants of vendor success is required



Objectives and Contribution

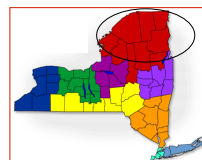
- Investigate determinants of vendor success in farmers' markets



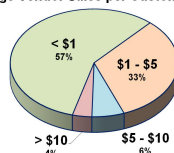
- With a few notable exceptions (e.g. Varner and Otto 2008), most studies are partial assessments focusing primarily on:
 - Consumer preferences, attitudes and market segments
 - Ethical issues using normative approaches
 - Business models and entrepreneurship
- Our contribution is to consider the influence of vendor, market and consumer factors, at the same time, on subjective and objective measures of vendor performance
- Working hypothesis: assessments of vendor performance must consider multidimensional aspects of success

Data and Empirical Model

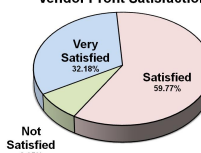
- Data collected from 27 farmers' markets in six counties of Northern New York in 2008
- Region generates around \$1 million in Farmers' Market sales volume per season
- Written surveys completed by 21 market managers and 124 farmer/vendors.
- Individual market customer data collected with Rapid Market Assessments (RMA)
- Measures of vendor performance:**
 - Objective – Sales per customer
 - Subjective – Self-reported profit satisfaction



Average Vendor Sales per Customer Stop



Vendor Profit Satisfaction

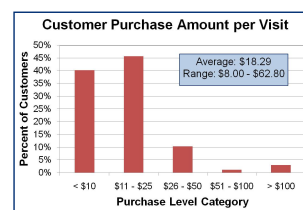
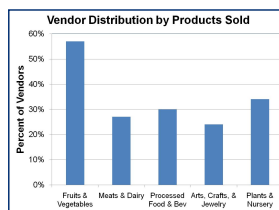


- Explanatory factors of vendor performance:**

- Market:** manager employment, market size, market age, number of amenities, vendor mix/composition, market policies/regulations
- Vendor:** selling experience, markets attended, channel diversification, farm employment status, product types sold
- Customer:** purchase amount per visit, travel distance to market

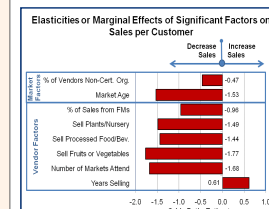
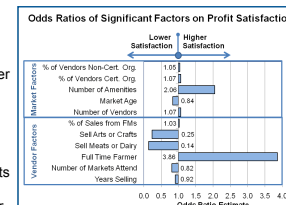
- Modeling Approach:**

- Ordinary Least Squares for Sales per Customer;
- Ordered Logit for Level of Vendor Profit Satisfaction



Empirical Results

- Sales experience led to higher sales per customer, but lower satisfaction.
- Both sales per customer and vendor satisfaction decreased with the number of markets attended.
- Full-time farmers were more satisfied than part-time/hobby farmers, even though sales levels were indifferent.
- Vendors selling arts & crafts and meats & dairy were less satisfied, even though sales per customer were lower for fruit & vegetable, processed food & beverage, and plants & nursery vendors.
- Vendors selling more exclusively at FMs tended to be more satisfied, but sold less per customer than those more diversified.
- Vendor satisfaction increased with market size (number of vendors), even though sales per customer were the same (total sales were higher).



- While not affecting customer sales, vendor satisfaction increased with the number of market amenities.
- Older markets tended to have lower sales and lower vendor satisfaction.
- Markets with more organic vendors had higher vendor satisfaction, even though markets with more non-certified organic vendors had lower average sales.
- Neither average consumer purchase amount nor travel distance were statistically significant for either measure.

Implications & Conclusions

- Vendor success depends on more than just 'dollars and cents' - it is vital to consider alternative metrics when evaluating success and ways to improve market performance.
- Distinct differences in satisfaction and sales performance across products sold highlights the difficulty for managers in providing a wide range of products to customers, while maintaining diverse vendor satisfaction.
- Overall vendor performance would appear to be enhanced by considering FMs within a broader marketing strategy, and concentrating on a limited number of larger markets, with sufficient amenities, and a variety of production-based vendors.
- Growth in new FMs in the region appears to have a competitive effect on established markets, emphasizing the need for effective market advertising and consideration of new market features or activities to maintain and improve market attendance.