



Marketing Alfalfa to Pets

William Riggs

In the high desert of eastern Nevada, there are few opportunities for agriculturalists. Markets for traditional products of hay and livestock are vast distances away, and the limited access to needed competitive inputs and the harsh climate of the region merely add to the hardships. It is here, in Diamond Valley, that Lisa and Reese Marshall have their family and farm. And it is here, in the desert, that the Marshalls have combined their strengths—Lisa’s in agricultural business management and Reese’s in farming and ranching—to run a successful business marketing hay products for pets from the hay they produce.

From the start, the Marshalls knew that they would be challenged by the limited prospects that rural Nevada has to offer. Alternative agricultural products became their focus and they watched for opportunities. In 1996, while browsing in a pet store, they noticed an off-color hay product being marketed as pet feed. Further inspection of the label proved it was none other than timothy hay, something they were already raising and marketing. They realized they could produce a similar but higher-quality product themselves, and that led to the creation of American Pet Diner, a business that supplies small packages of timothy hay to the companion pet market.

American Pet Diner promotes its goods primarily through the Internet (<http://www.americanpetdiner.com>), but its products are increasingly available in retail outlets, both domestic and international.

Threats to the Business

Lisa and Reese are aware of a number of threats to their business. First, there is the weather, something they cannot control and something that can easily impact the quality of their product.

Secondly, they recognize that their business is part of a limited demand, niche market that cannot withstand much competition. Large pet supply companies with abundant capital resources have noticed the potential of added profits from timothy hay and similar products and are beginning to enter the pet fiber market. Other smaller operators like the Marshalls may also

see the opportunity to enter the marketplace as more and more veterinarians and feed experts educate owners about the need for higher fiber foods for their animals.

A third major threat to the Marshalls' business relates to capital. They need to evaluate expanding from their current home-based production unit with a work force of four to a larger, more complex production unit with a capacity for higher output. Such an expansion would require larger facilities and more labor. Land and facilities can be acquired, but a consistent, dependable, and trainable labor pool may be a limiting factor. Currently, the equipment they use for processing and packaging products is manually operated. There is no automated equipment and prototypes will have to be developed, tested, and put to use.

For American Pet Diner, this is the classic "chicken or egg" dilemma. They need to remain competitive in the business through expansion of production, yet the capital to fund production expansion is unavailable since production has never been proven. Furthermore, if the company grows into a corporate mode, it will need to analyze its market niche. American Pet Diner may be forced from the niche market brand name business to a manufacturing unit producing multiple branded and labeled products at the wholesale level.

Risk Management

Lisa and Reese strive to manage risk in several ways. An important part of their risk management plan includes constantly concentrating on producing and marketing only high-quality products. Products not meeting their criteria are not allowed into the marketplace in any form: no seconds, no discounted products, no off-labeling. Off-quality products are dumped or used as livestock feed.

The Marshalls also focus on diversity as a means of managing risk. Not only do they provide an array of products, but they also package those products in varying weights and volumes to fill different clients' needs. They market only under their private label so that they can develop large volume markets as well.

As an Internet-focused company, the Marshalls' American Pet Diner is set up to communicate easily with clients from all over the world. Through feedback and correspondence, and from information gleaned from the net and other sources, they strive to monitor and forecast changes in product demand. They keep an eye out for additional products that can be added into the business.

“An Internet-focused company, American Pet Diner communicates easily with clients from all over the world.”

They are also using enterprise and partial budgeting tools to help them preplan, evaluate fiscal impacts from changes in inputs, determine potential profit centers, and derive product price. Freight costs, which can be equal to or larger than the purchase price of their products, are a concern, so practicing economies of size and scale through truck lot loads for inputs and outputs are one more aspect of their risk management.

**Product Pricing**

Determining product pricing has been a challenge for American Pet Diner. Because their products are for the pet market, the Marshalls feel that the main consumer wants and needs are product quality and customer service. Thus, they have focused on providing for both of these needs at a high yet reasonable price.

Competitive Edge

Lisa and Reese believe it is their active participation in all aspects of American Pet Diner that gives them a competitive edge. They control the quality of the hay from the time it is planted until the time it is marketed. Through this continuing commitment, they maintain and market only high-quality products.

Maintaining Client Satisfaction

Getting personal with their customers is part of the heart of the business. American Pet Diner has a very specialized customer base. The people who use their hay products generally are purchasing them to feed their pets or companion animals, not commercial livestock. This relationship between human and animal drives what they expect from the Marshalls' products. Many do not look on feeding an animal as much as they consider it serving their companion a meal. They want quality and they want the Marshalls to provide specific information on how to feed, what to feed, and what to expect.



Lisa and Reese must stay current and knowledgeable to meet these expectations. They do not use mail surveys or survey analysis. They feel these can be cost prohibitive, difficult, and not necessarily accurate since their client bases are expanding rapidly. Instead, they prefer to focus on a one-on-one relationship with each client. All clients, via email or phone call, are surveyed about their wants and needs.

The Marshalls are also aware of any competition. Lisa uses the Internet to track what is happening in the marketplace and to keep tabs on the competition. She also visits stores to look at and analyze packaging and design. She wants the American Pet Diner labels and packages to be cute and personal, so she uses colorful checkerboards, bright colors, and animated animals. The focus on red, white, and blue coloring to support the American part of the logo also helps sell products.

Business Sustainability, Growth, and Success

Thanks to an expanding market of pet owners increasingly educated about pet nutrition and needs, the Marshalls believe that American Pet Diner can sustain itself. However, the form of its business may change as large corporations enter the same territory and become competitors. American Pet Diner may well have to abandon its private-label market niche and market share, moving instead towards a higher production rate by producing and wholesaling multiple-labeled products. The rapid growth rate of the market insures that maintaining a status quo with production, research, and marketing will guarantee ultimate failure. American Pet Diner is sustainable only if it can stay focused and meet its capital needs.

Can American Pet Diner be replicated? Can its business formula be repeated? Certainly the growth of the Internet has fueled the expansion of the market. Similar businesses may be able to enter the marketplace and acquire market share, but this may come at the cost of others in the marketplace. New businesses may fail to gain enough market share since there is a heavy customer reliance on reputation. Still, Lisa notes, the trick is to find a niche product—not necessarily pet feed—that can be marketed over the Internet. The demand for goods and services is there.

American Pet Diner experienced a 100 percent increase in sales every year from 1997 until 2001. During 2001, however, business began to level off with only a 20 percent sales increase. The majority of new sales are now coming from large wholesale companies looking for quality and consistent suppliers. Client bases now include end-product users as well as wholesale/retail markets in the United States, Hong Kong, Singapore, and Japan.

The Future

In order to meet demands, American Pet Diner is making changes, the largest of which is a switch from hand packaging to an automated system. The new machines will move them into a new phase. And while they continue to explore the ramifications of production expansion, they will continue to focus on keeping their product line small, manageable, fresh, and fast selling.

Adding value to hay has become a dream business for Lisa and Reese Marshall. By developing and marketing pet food products via the Internet, they fulfilled family goals and objectives while keeping to an agricultural lifestyle they enjoy. While the future of their business may be challenging, it is clear that these niche marketers will continue to change with the times.

Principles

- Look beyond making a sale to the customer behind it. If you understand your customers and what motivates them, you can both make your product more appealing and enhance the buying experience. By providing more of what the customer wants, you build client loyalty and your reputation.
- Think past your current success towards the future. Conditions may change and your business may not survive if you are not prepared to change, too. As large companies move into the Marshalls' specialized feed business, American Pet Diner may reinvent itself to become a supplier for those large companies. This is a way of co-opting the competition and making it work for you.
- Consider promoting your products on the Internet. If you are producing items that can be shipped and do not need to be used locally, the Internet may be a way to expand your client base nation- or even worldwide. If your customers cannot reach you easily in person, this is a way to bring things to them.
- Examine who your customers are. If you are marketing primarily to individuals, would it be feasible to expand to selling wholesale? The Marshalls have a mix of individual pet owners buying for themselves and of store owners stocking larger quantities on their store shelves.

Contact Information

Lisa and Reese Marshall

American Pet Diner
HC 62, Box 62505
Eureka, NV 89316

William Riggs

University of Nevada Cooperative Extension
PO Box 613
Eureka, NV 89316-0613

775.237.5570
info@americanpetdiner.com
www.americanpetdiner.com

775.237.5326
riggsw@unce.unr.edu