

# Robert M. Kerr Food & Agricultural Products Center



## FOOD TECHNOLOGY FACT SHEET

### Adding Value to OKLAHOMA

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## Is "Made in Oklahoma" a Good Marketing Angle for My New Business?

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### Introduction

Marketing is critical to the success of any new business. Most new businesses – especially food-related ventures – find the development of a successful marketing strategy mix to be somewhat challenging. Commonly asked questions are:

- How do I promote my product(s)?
- Where can I introduce my new product(s) to an audience and get consumer feedback?
- What marketing strategy gives me the biggest “bang for the buck”?
- Are there any strategies designed to help small growing businesses promote a locally produced item(s)?

The “Made In Oklahoma” Program was designed specifically to help new and small/growing businesses promote their Oklahoma-produced items. The program, operated by the Market Development Division of the Oklahoma Department of Agriculture, Food and Forestry, has assisted hundreds of Oklahoma businesses during the past three decades. While a majority of these businesses have been food businesses, the MIO Program members also include non-food businesses selling Oklahoma-produced pet food/treats, health/beauty products, gift baskets, farm and ranch supplies, gardening products and home decor items such as Oklahoma-made furniture and cabinets.

### What is the MIO Program?

Oklahoma, like almost every state, has a program designed to promote in-state, agriculture-based products and services. Most state programs of this type were started, or at

least expanded, as a result of the Farmer-to-Consumer Direct Marketing Act of 1976 and subsequent block grant funding in the 1980s (Nganje, Hughner and Lee, 2011). The MIO Program and those in other states exist to increase demand for state-produced products, essentially through a scaled-down version of generic advertising commonly used for certain agricultural commodities (e.g. pork, beef, milk, etc.) and geographically defined foods (e.g. California raisins, Idaho potatoes, Florida orange juice, etc.).

Theoretically, the MIO Program and similar programs increase in-state demand for products and also strive to generate spillover effects into other states. The methods used to promote products vary in scale and scope, but as the MIO website states:

*“The Made in Oklahoma Program works with Oklahoma agribusinesses at local, regional and national levels to promote retail, institutional and gourmet sales. Activities include marketing programs targeted to increase consumer awareness about the availability and quality of Oklahoma agricultural products. Promotional methods include cooperative participation at trade shows and media advertising.”* (<http://madeinoklahoma.net/about/>)

Membership in the MIO Program is free. Once a business has a finished product ready to market, it can download the membership application file (in PDF format) from <http://madeinoklahoma.net/membership/>, answer all applicable requests for information in the file, and submit the form to ODAFF. Membership criteria also are listed on the site where the form can be downloaded and are as follows:

1. *“Any person or company who is manufacturing or processing an agricultural or food product in the state of Oklahoma may submit an application to be a member of the Made in Oklahoma program.*
2. *Applicants agree to allow visits by ODAFF to production and/or processing facilities to view records in order to verify compliance with guidelines established by ODAFF.*
3. *Application must be made on forms provided by ODAFF or online at [www.madeinoklahoma.net](http://www.madeinoklahoma.net).*
4. *Applicants must provide a description of products. When applicable, three (3) labels and samples of the product in a finished package shall be provided. All applicants must provide a copy of appropriate licenses by appropriate state or federal agency when applicable.*
5. *To be listed as an organic producer, you must have a certified organic product (and must provide documentation).”*

Marketing assistance through the MIO Program includes the opportunity to promote products at many different venues, including the Tulsa State Fair, Oklahoma State Fair, Tulsa Home & Garden Show, Ag Day at the Capitol and the “Made In Oklahoma” Expo. Other venues may include out-of-state opportunities with past examples including the Fancy Food Show in New York City. Participation in events such as these is determined by company eligibility, including the company’s ability to participate in all days of the event(s) and meet the vendor requirements of the event(s). ODAFF and the MIO Program negotiate for favorable booth/space rates at these events, and participating MIO member companies share both the booths/spaces and the associated costs.

The MIO Program also provides members the opportunity for free or low-cost access to some MIO promotional tools. Free promotional tools include the approved use of the MIO Program label on a company’s products and the listing of the company and its products on the MIO Program website. Reduced-cost promotional tools include MIO logo stickers and MIO shopping bags. Retailers who agree to promote MIO products in their stores also get access to MIO “window stickers” to identify items and/or sections of the store dedicated specifically to MIO products.

### **What is the difference between the MIO Program and the MIO Coalition?**

Being a state-funded effort, the MIO Program is subject to many rules regarding the use of state funds for specific marketing activities. Also because it’s a state-funded effort, the MIO program’s budget may be altered in years when ODAFF and other state agencies face budget cuts. Due to these legal and (sometimes) financial limitations, seven Oklahoma food manufacturers and MIO Program members created a separate,

non-government entity called the MIO Coalition in 2000 (see <http://miocoalition.com/>). The Coalition is a limited liability company formed specifically to expand MIO marketing efforts in both retail and foodservice market outlets, and currently has more than 60 members. As the website attests, the Coalition’s mission statement is:

*“To promote brand awareness and consumer loyalty for Oklahoma food and agricultural products through collective marketing for the purpose of increasing sales, maintaining business retention and expanding Oklahoma’s food processing sector.”* (<http://miocoalition.com/what-is-mio/>)

Unlike the general MIO Program members, Coalition members pay annual dues and also may experience other expenses as required to promote their products/brands in retail and foodservice market channels. Coalition members also must be actively engaged in the marketing of Oklahoma processed food, beverage or other agricultural products (defined by an active UPC code or codes) to retail grocers and/or foodservice establishments. For example, Coalition members may collectively bargain to have their MIO brands available in retail grocery warehouses such as Associated Wholesale Grocers in Kansas City, Missouri, or Affiliated Foods in Amarillo, Texas. Participating Coalition members share the costs (e.g. slotting fees, promotional fee agreements) of collectively marketing their products through these warehouses to all participating supermarket chains using those warehouses.

According to Willoughby et. al (2015) and data from 45 of the Coalition’s members, these food businesses directly employ almost 10,000 persons working in about 75 facilities in Oklahoma with an annual payroll of approximately \$332 million in 2014. As a result of their business operations in the state, these companies and their activities contribute to the employment of roughly 39,000 other Oklahomans who earned an estimated \$771 million in 2014. Total sales reported by Coalition members exceeded \$4.1 billion in 2014 with sales to customers outside of the state being nearly \$2.3 billion.

Besides their collective economic contributions to Oklahoma, Coalition members also lobby the state legislature for funding to support “Made In Oklahoma” month in April. The MIO Program, as a state-funded program operated by ODAFF, is limited in its ability to perform such actions. However, because of their shared interests and membership, the MIO Program and the Coalition work together to promote the “Made In Oklahoma” message on a statewide, regional and national scale.

## Does the MIO Message add value to food products?

As previously stated, a small food business must determine if a chosen marketing strategy provides “bang for the buck.” Even though participation in the MIO Program requires no membership fee and promotional activities are relatively low-cost, the question remains: “Does this add value to my product(s)?”

Numerous studies have estimated the impacts of state branding programs on in-state demand for food products, and the values consumers are willing to pay for state-branded products (e.g. Adelaja et. al, 1990; Patterson et. al, 1999; Darby et. al, 2008). However, few if any studies take into account the impact of spillover effects from state-branding efforts by neighboring states. Fortunately, a recent Oklahoma State University study provides some insight into the value of the MIO brand, taking into account the impacts of marketing efforts made by competing national, regional and neighboring state brands.

Neill, Holcomb and Lusk (2016) analyzed data from a choice-based survey of 994 Oklahoma consumers to determine the value of the MIO brand relative to regional, national and neighboring state brands for milk. Milk (conventional, not certified organic) was chosen as the product for comparison because it is a food staple purchased by most households, is available in all grocery store formats and most convenience stores, is generic in its contents and container options (plastic gallon container), and the label is the single most differentiating factor.

Neill, Holcomb and Lusk (2016) found the MIO label on a gallon of milk had value to Oklahoma residents, although that value varied. The authors found a small percentage of Oklahomans are willing to pay a very high premium for milk with the MIO label. However, that small percentage of Oklahoma consumers may not all be in the same market area, so a high-priced, MIO-labeled gallon of milk only would capture a small share of the market.

The authors determined for MIO-labeled milk to grow its market share, the expected price premium would have to be low enough so consumers are willing to pay the premium rather than buy non-Oklahoma milk. For example, most Oklahoma consumers were more price responsive if they had several product options, such as the presence of milk carrying state brands from neighboring states, Borden and Walmart’s Great Value milk. Still, even with lots of competition, MIO-labeled milk possibly could hold up to a 30 percent share of the Oklahoma milk market with a \$0.20/gallon premium over the competition. Table 1 shows the premium levels above a base price of \$2.75 for three different scenarios MIO-labeled

milk producers may encounter while obtaining different market shares, according to Neill, Holcomb and Lusk (2016).

While this scenario applies only to gallons of milk, the value of the MIO brand is applicable to other products. This may be beneficial to new and/or small food businesses, which could use the MIO brand to gain a market presence and possibly receive a price premium relative to non-MIO-branded competitors. Each product is unique, and only a market assessment with specific product/place definitions can help determine the value of the MIO brand on a given product’s appeal to consumers.

## What should I do?

For more information about the MIO Program or to learn more about how the MIO Program has helped other businesses, contact the MIO program coordinator at ODAFF. Currently, the MIO program coordinator is Julie Sears, and she can be reached at (405) 522-5560 or by email at julie.sears@ag.ok.us. Check the MIO Program website (<http://madeinoklahoma.net/>) for any changes in coordinator contact information.

To learn more about incorporating the MIO label into a product label or to find MIO suppliers and co-packers, contact OSU’s Robert M. Kerr Food & Agricultural Products Center. FAPC can help reformulate and/or scale up products to be market-ready, assist in finding MIO ingredient and packaging/label suppliers, help identify suitable in-state co-packers, and help determine best-fit marketing options and outlets for products.

Market Share Goal	5%	10%	15%	20%	25%	30%
"Made In Oklahoma" Label Only in Market	\$6.65	\$5.59	\$4.95	\$4.40	\$3.95	\$3.55
"Made In Oklahoma" Label with Surrounding States' Labels in Market	\$4.45	\$3.45	\$1.75	\$2.20	\$1.75	\$1.35
"Made In Oklahoma" Label with Surrounding States' Labels and Borden and Great Value Brands in Market	\$3.45	\$2.35	\$1.65	\$1.10	\$0.65	\$0.20

Table 1. Price premiums (max \$/gal) at which MIO-labeled milk could control a share of the Oklahoma milk market, above a base price of \$2.75/gallon.

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## The Oklahoma Cooperative Extension Service Bringing the University to You!

The Cooperative Extension Service is the largest, most successful informal educational organization in the world. It is a nationwide system funded and guided by a partnership of federal, state, and local governments that delivers information to help people help themselves through the land-grant university system.

Extension carries out programs in the broad categories of agriculture, natural resources and environment; home economics; 4-H and other youth; and community resource development. Extension staff members live and work among the people they serve to help stimulate and educate Americans to plan ahead and cope with their problems.

Some characteristics of Cooperative Extension are:

- The federal, state, and local governments cooperatively share in its financial support and program direction.
- It is administered by the land-grant university as designated by the state legislature through an Extension director.
- Extension programs are nonpolitical, objective, and based on factual information.

- It provides practical, problem-oriented education for people of all ages. It is designated to take the knowledge of the university to those persons who do not or cannot participate in the formal classroom instruction of the university.
- It utilizes research from university, government, and other sources to help people make their own decisions.
- More than a million volunteers help multiply the impact of the Extension professional staff.
- It dispenses no funds to the public.
- It is not a regulatory agency, but it does inform people of regulations and of their options in meeting them.
- Local programs are developed and carried out in full recognition of national problems and goals.
- The Extension staff educates people through personal contacts, meetings, demonstrations, and the mass media.
- Extension has the built-in flexibility to adjust its programs and subject matter to meet new needs. Activities shift from year to year as citizen groups and Extension workers close to the problems advise changes.

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