



A Project That Quickly Mushroomed into a Large Direct-Marketing Business

Russell Tronstad

In 1991, Kathleen Duncan was working as an early education consultant for the state of Arizona, while her husband, Arnott, was farming full time, growing vegetables on 2,000 acres of land that had been in his family for four generations. Kathleen wanted to spend more time at home with their two sons who were three and one at the time. She also saw a great need in her job to educate children on the origination of food. The husband and wife team decided to “marry” their occupations of farming and early childhood education by hosting school bus tours on their farm.

The Evolution of a Direct-Marketing Enterprise

Kathleen originally planned to return to her career after their kids were in school, but that was before she realized that this “project” would grow faster than they ever imagined. For the first year of school bus tours, Arnott and Kathleen did not hire any extra help and they took turns at hosting each bus tour as it went around the farm. Demand for their school bus tours spread quite rapidly. Eventually they hired staff and opened up their farm to most of the schools in the valley. In their first year of bringing the public to their farm, they had over 20,000 school children tour their operation. At the same time, they found themselves venturing into other activities and profit centers in order to meet their consumers’ requests. For example, after students had visited their farm as part of a school tour, their families would sometimes call wanting to have a birthday party at Sunfresh Farms. Soon the Duncans expanded their farm business to include private parties for birthdays, company parties, and celebrations for other special events.

The first year Sunfresh Farms was open to the public, they hosted a weekend pumpkin festival in addition to their school bus tours. The pumpkin festival was a big hit so they expanded it into a three-weekend event. The Duncans have also tried sweet corn, melon, and Christmas festivals, but have had limited success with these events. To address consumers’ requests for fresh and pesticide-free produce, they developed 20 acres of organic U-pick. They also started supplying produce to a restaurant located only a few miles from their farm. After they had been

“Focus on a few things and do them well rather than try to do everything to please everybody.”

in direct marketing for about four years, they also added a retail bakery and farmers' market. The bakery was open on weekends and offered consumers a year-round reason for going to their farm.

Selecting Profit Centers

While the Duncans quickly developed many different activities or profit centers on their farm, they also felt a need to become more focused. In the summer of 2000, they made a very conscious decision to scale back on the number of activities they would offer. As Kathleen expressed it: “We realized a need to focus on a few things and do them well rather than try to do everything to please everybody.” Some

consumers would want them open at 6:00 A.M. while others preferred them to be open late and to have their farmers' market open every day of the year. In addition, some customers wanted them to deliver fresh baked goods to their doorstep while others would rather buy retail goods from their local supermarket. When the Duncans selected their profit centers, two criteria or questions were asked: (1) how financially sustainable or profitable was the activity, and (2) how emotionally rewarding was the activity or event?

Initially, the Duncans were having difficulty tracking and separating the profitability of the direct-marketing component from the commercial farm. Two years ago they split the two entities from a legal and accounting perspective and began to track the expenses, overhead, and revenues that were associated with the different direct-marketing activities on their farm. Because their employees could switch from one event to another on the same day and common physical resources such as equipment and buildings were being used for multiple activities, they felt that they needed to get a better handle on their actual costs for pricing and business planning. To accomplish this, they utilized a computer record-keeping program and placed multiple categories on each employee's time card to precisely account for the expenses associated with each activity. For example, if an employee was driving a tractor in a vegetable field for the first four hours of the morning, then worked as host for a school bus tour for one hour, and subsequently moved to work on the parking lot for the upcoming weekend pumpkin festival for the next three and one half hours—the employee's time card would record specific times for the commercial farm (4 hours), school tours (1 hour), and pumpkin festival (3.5 hours). Tracking at this level of detail for their labor was crucial for them to better understand the profitability of each direct-marketing activity. In addition, this detailed level of expense tracking helped them in setting prices for their different events.

In evaluating the financial profitability and emotional reward of all their different direct-marketing activities, they narrowed their focus down to three activities: school tours, their three-weekend pumpkin festival, and scheduled private parties. The Duncans do not view the school tours as something that they are ever going to get rich at, but they do cover their costs and the school tours are the most satisfying activity. As in their beginning, educating school children about agriculture is their passion. School tours also provide justification for keeping “overhead items” such as their petting zoo, earthworm tunnel, living history barn, antique tractor display, and covered picnic areas that customers use during their pumpkin festival,



which has the potential to generate significant revenue for them. The school tours also allow them to keep several employees on a year-round basis and the income from the school tours is very stable. The year 2000 was a “crop failure” year for the Phoenix area pumpkin festivals since two out of the four weekends in October were “rained out.” Special events are another profit center they selected to focus on because they complement the labor and resource requirements of the school tours and pumpkin festival.

U-pick is an activity that they found very rewarding to have on their farm. Kathleen says, “U-pick allows people to see firsthand how production and harvesting occur on the farm and we receive great satisfaction giving individuals this experience.” However, the bottom line of the U-pick did not pencil out financially for them, so they no longer offer U-pick. They also sold organic produce to a five star-resort a few miles down the road from their farm. The “value-added” associated with this activity was generally viewed as high, but the logistics of seasonal production and the service demands of the chefs proved to be too great for them to overcome. Their retail bakery and farmers’ market are other activities that they no longer provide. Having the bakery open every weekend was a commitment that tied them down, wore them out, and they did not receive any special satisfaction from either of these enterprises.

The weather can be quite warm when it is time for the melon and sweet corn festivals, so these events never attracted huge numbers of people. Pumpkin festival season comes when the weather is generally very mild, autumn is in the air, and families are looking for activities that they can do together outside. The pleasant atmosphere of the fall season makes the pumpkin festival more rewarding for Sunfresh Farms and also helps draw very large crowds. They have around



40,000 people attend their three-weekend event, and it continues to grow. On one day during the festival, over 9,000 people came to the farm. Although they felt that their Christmas festival had numerous, fun activities and great weather, very few people attended. People tend to be so occupied with Christmas parties, shopping for gifts, and other Christmas-related activities that it is difficult to get families out to the farm between Thanksgiving and Christmas.

Market Research

Sunfresh Farms has never hired anyone to conduct market surveys of their customer base or to do formal market research, but they have utilized several informal market research tools to help them in making their business decisions. Kathleen says, "Listening to the customer firsthand has been our best market research." Because Sunfresh Farms is located on one site, and because all of their customers pass through their entrance gates, the Duncans believe having an open ear to complaints and compliments allows them to see how they can continually improve their farm experience. It is important to realize, however, that you cannot be everything to everyone if you are using firsthand customer feedback for market research.

To gain additional market research, the Duncans have also gone to several of the farm trade shows in order to pick up on different consumer trends and ideas that they might not otherwise

hear. In addition, all of the teachers that come on a school bus tour receive an evaluation form that they are asked to fill out. These questionnaires allow the Duncans to get a feel for the kind of distribution and the range of responses they might expect to receive from the general public. While hosting special parties, the Duncans get immediate feedback, which is valuable for them to see what attractions and activities groups prefer.

“Listening to the customer firsthand has been our best market research.”

Competitive Advantages

Although Sunfresh Farms is located only 20 miles from a metro population of over three million people, the Duncans view being away from a busy intersection as more of an asset than a hindrance for their direct-marketing operation. They are promoting their place as a real farm with a unique history where families can escape from the busy pace of the city. If Sunfresh Farms were not a fourth-generation farm with such a rich past, the Duncans believe that they would not have been as successful—especially when it comes to attracting media coverage. They commonly receive over two hours of free TV coverage every year. Kathleen attributes most of this media attention to the fact that they have a real farm with a real story and an extensive history that sets them apart from their competition. “We are not a Disney-created experience, and if we were, I doubt that our business would have ever taken off.”

The Duncans realized early on that their competition was neither the supermarket nor other places that sell produce, but businesses that sell family entertainment. Places such as the Phoenix Zoo, pizza restaurants with stages, and movie theatres are their main competitors. Education is the primary tool they prefer to use in order to differentiate themselves from their competitors. For example, a wagon ride during their pumpkin festival is more than just a journey across the farm; the ride passes by a collection of old and new plows and farming implements, thus providing a historical perspective on farming.

School tours are also distinctive because students are exposed to both the direct-marketing and commercial side of Sunfresh Farms. Each bus tour generally finishes with a stop to watch the commercial crew harvesting vegetables. Students get the opportunity to see broccoli growing at several different stages, from seedling to harvest, and also to see how the broccoli is harvested and transported to the cooling shed where it will make its next leg to the supermarket. Students receive a piece of produce directly from the field that they can take home to eat.

Business Threats

A high-density housing project that has crept outwards from Phoenix is visible from Sunfresh Farms and they view this as a mixed blessing. As Kathleen notes, “A larger nearby population gives us a better consumer market to draw from, but it also takes away from part of the experience we are trying to create.” Getting away from the city is something the Duncans hope to preserve on the direct-marketing side of their farm, even with urban encroachment. When asked what their farm might look like in the next 10 years, Kathleen says, “The direct-marketing side of our operation is likely to be bigger and we may also find it beneficial to sell off some of our commercial vegetable

“Today there is no such thing as just an accident—the question is always who was at fault.”

acreage.” Development comes with higher land prices, making it harder to justify farming commercial vegetables. Year-round production is becoming increasingly important in the wholesale vegetable industry and they do not have this capacity on their farm. They may grow for a corporation such as Del Monte or Dole for a particular window, but they do not see themselves as ever expanding internationally since they would need to supply wholesale vegetables on a year-round basis.

Managing Risks

Many individuals ask the Duncans how they can afford the liability insurance and risk for their farm when they are open to the general public. “Today there is no such thing as just an accident—the question is always who was at fault,” notes Kathleen. However, the Duncans’ insurance agent continues to tell them they should worry about the commercial side of their farm more than their direct-marketing component. The accidents their insurance agent anticipates on the direct-marketing side of their farm would be an incident such as someone being bit by one of the farm animals or someone falling and breaking an arm. However, on the commercial side, they have big trucks going down the highway and heavy equipment operating in the fields, which their insurance agent views as much more risky.

They have never had a serious accident on the direct-marketing side of their farm and they attribute this success to careful prevention and planning. For example, they have put solid railings on foot bridges that cross irrigation ditches. At their pumpkin festival, they hire several off-duty police officers and have a first-aid station on site that is attended by trained medical staff. They also feel most vulnerable to an accident when they are open to the general public instead of the school bus tours and private parties. “With the school tours we know exactly how many students and chaperones are coming,” notes Kathleen. They also have a good idea of how many people will be coming for any private scheduled parties. Knowing in advance how many people will be on their farm allows them to better anticipate the number of supervisory staff they will need. Matching appropriate staff numbers to the number of people on their farm at any given moment is key to feeling that they have control of any potential accidents that may occur.

Another risk the Duncans face in their direct-marketing business is weather. As noted earlier, October of 2000 was an exceptionally wet month; due to the rain, the Duncans and several direct marketers deemed their pumpkin festivals as crop failures. A rained out company party means that the Duncans will not have to irrigate the commercial side of their farm, but rarely does the weather cooperate so that both sides of their operation benefit. Because of continual weather risks, the Duncans looked into special event insurance to cover the risk of being rained out one of the days of their three-weekend pumpkin festival. This insurance does not cover the event if it has rained the day before and people cannot get to the farm because of flooding. However, the cost of this insurance was too high for the level of coverage they would receive compared to their overall risk exposure from rain. Kathleen says, “If the pumpkin festival continues to grow and more dollars are at stake, we will probably revisit special event insurance to ensure the financial viability of our farm.”

Guiding Principles Gleaned

In looking back at the business evolution and decisions made by Sunfresh Farms, some key points come to the surface.

- It is not a sustainable business model to try and be all things to all consumers, especially when starting out. Sooner or later the business needs to focus on doing a few things well rather than trying to do everything in an attempt to appease everyone.
- Detailed records on Sunfresh Farm's labor and overhead costs were necessary to get a handle on the profitability of each of the Duncans' direct-marketing events and activities. These records were helpful for pricing and determining the specific events and activities to focus on or to eliminate. In addition to financial profitability, the "emotional satisfaction" the Duncans received from different events was used to help select what profit centers they would eliminate or keep.
- Sunfresh Farms is a fourth-generation owned farm with a rich history. This separates their customers' experience from other competing, family entertainment businesses. Children on their school bus tours have a one-of-a-kind experience, getting to see both the direct-marketing and the commercial side of Sunfresh's 2,000 acres.
- Their insurance agent views the risks associated with the commercial side of their farm as being much greater than the direct-marketing component of their operation. They have never had a serious accident on the direct-marketing side of their farm and they attribute this to careful preparation and planning for the worst.

Risk Assessment Update

Since the interview for this article, the risks associated with hosting festivals and school tours have taken on new meaning for the Duncans. Luke Air Force Base is not far from the site where the Duncans hold their festivals and school bus tours. Their direct-marketing site is below the flight path of military jets landing and taking off from this base. Recently, their location was deemed a potential safety hazard for the public since these jets often carry live bombs. A state law was passed in 2001 to restrict development in what has been called the "accident potential zone" of Luke Air Force Base. Due to this safety risk, the Duncans have been forced to close down their school bus tours and they held a limited festival in fall 2002. The future of their direct-marketing operation is very uncertain at this point. Some talk has been made of relocating their facilities to a different site that is not in the immediate flight path of the jets, but nothing concrete has happened and this would be quite costly. Commercial agriculture may be the future for most of the Duncans' farmland that lies in the immediate flight path of the military training jets.

Contact Information**Kathleen and Arnott Duncan**

17203 W. Indian School Road
Goodyear, AZ 85338

623.853.9880

www.duncanfamilyfarms.com

Russell Tronstad

Department of Agricultural and Resource
Economics
Economics Building, Room 434
University of Arizona
Tucson, AZ 85721-0023

520.621.2425

tronstad@ag.arizona.edu