

MSU Product Center

For Agriculture and Natural Resources

Funding: USDA Rural Development Cooperative Service Market Advisor: The Hale Group

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Definition of Market Drivers - Value

Definition

- Of all the demand drivers shaping the agri-food system value is the best understood. Products that appeal to value are those that meet the consumer's needs at the lowest price fulfill the preference for value.
- Price couple with a basic level of performance is the hallmark of value.

Demographic Factors Affecting Value

- While perhaps less exciting than the other demand drivers, value will continue to be important for many consumers.
- While the overall level of affluence is increasing, 76.2 percent of households earn less than \$75,000 a year. Many of these consumers will remain price conscious. This is particularly true for those households that earn less than \$50,000 which is still more than 50 percent of all households.
- An aging population implies that there will likely be an increase in the number of consumers on fixed incomes. Some of these consumers will be price conscious as well.
- Another group that will be concerned about price is immigrants with limited incomes.

Examples of Foods that Appeal to the Demand Driver of Value

- Low price is the hallmark of value. Examples are private labels brands, and generic products that sell at a price discount. Canned fruit and vegetable products also are an example of products that appeal to value, as are products sold in bulk containers.
- Competing on the basis of price is very difficult. In order to appeal to value a firm has to be the low cost provider of that product. If not, its market share and profits will decline as a result of lower prices offered by more efficient firms.