



State Fairs and the Importance of Product Differentiation

By Audrey D. Kline

It's summer, and in many parts of the country, that means it's fair season. Be it church picnics, city, regional, state fairs, or festivals, these gatherings are essential revenue drivers for communities, churches, and states. State fairs, in particular, are often a major component of economic activity and tourism for locales. As population demographics have shifted, attendance to these events has shifted as well. Baby boomers were the target generation for some time, but millennials, individuals aged 20 to 36, have surpassed boomers as the largest living age group. The largest summer fairs are the state fairs, with attendance often pushing a million (or more) visitors to these events. Texas leads the way, with attendance reported to be around three million visitors, followed by Minnesota, and The Big E, a fair representing the New England states.

To maintain, if not grow, attendance, fair organizers are turning to product differentiation, commonly understood to be the practice of distinguishing a product from others, in an effort to meet the tastes and preferences of millennials. That means offering more culturally diverse themes and displays, but even more so, it seems to focus on promoting more variety and uniqueness in food and beverage offerings at the fair. While there is still room for corn dogs and elephant ears, by offering a broader mix of offerings, food vendors proposing something new and different might find their way into a highly sought booth at state fairs. In Minnesota, for example, nearly 400 applicants for a spot yielded a few new vendors, one of which offered a brie panini (Levitz, 2017). The Minnesota State Fair is reported to have netted over \$50 million in sales revenue on food and beverages alone in 2016.

Similarly, in North Carolina, not only has the fair there started to offer a broader mix of culinary choices, including gluten-free options, but it has added international themes, DJ-based light shows, and LGBT-themed nights. States are finding themselves in a delicate balancing act of celebrating the historical agricultural heritage of the state, but also including the increasing diversity of the local population. Rhode Island sought to broaden its appeal to millennials at The Big E by ditching the age old hot weiner in favor of a craft beer selection. Locals were not happy, citing a century-old history with the hot weiner and turning to local politicians for help. Obviously, state fair food is big business.

The bet is that by increasing product differentiation, attendance will increase and people will be willing to spend more money at the fair because they're not stuck with the stereotypical fair food like elephant ears. The gamble for fair vendors is the high up-front costs and uncertainty about the success of the initial roll out of a new product at the fair. The fair boards have a vested interest besides attendance, too. Minnesota, for example, garners around 15 percent of its revenue from fees charged to its food and beverage vendors. Food is the biggest driver at the fair, at least in terms of revenue. Hence, differentiating food and beverage offerings in this area makes sense to drive attendance.

Consumers are usually willing to spend a little more for something unique and new. In 2015, for example, Minnesota announced over 500 food options, with over 50 new foods available. These ranged from the Sweet potato tacos to a mac & cheese cupcake. Year after year, however, the top seller remains Sweet Martha's Cookies, followed by an all you can drink milk booth, and cheese curds. Food is such a big component of the fair, one Minnesota outlet published the ultimate guide to the new foods for 2016, complete with "Shrug," "Skip," and "Scarf!" ratings. A Reuben pickle dog and spicy pork bowl are both winners (Scarf!), while Burnt Butt Ends, well, they earned a skip. The *Star Tribune* provided another rating system, listing vendors in categories of stars (four stars to one star). Each entry has a short summary and a handy map link to the vendor location.

Clearly, food at the fair is a big, if not the biggest, driver for many in attendance, with new options available every year to keep fair-goers coming back either for their trusty favorite or in search of something new. Minnesota, North Carolina, and The Big E are just a few examples of the recent push for product differentiation in fair food in an effort to drive revenue. The total estimated economic impact of the Minnesota State Fair in 2016 was over \$250 million. That's a lot of cookies and cheese curds!

