

# ORGANIC PRODUCTS MARKETING



# INTRODUCTION

- ▶ Marketing can be defined as a set of processes that are required to bring the producer's goods to the consumer. Traditionally, marketing of agricultural products is perceived as "a process by which agricultural products go from the farm to the consumer" (Caldentey, 1992). This whole process involves several stages involving several factors: producers , conveyors, vendors, distributors, consumers.
- ▶ This definition can be applied appropriately to the marketing of organic products. All this process should constantly respect the characteristics of organic products and their special features so that they do not lose their essence and reach the consumer in the situation that the latter requires.

# INTRODUCTION

- ▶ However, for many farmers the marketing of organic products is still an unresolved issue. This sector is still small and marketing has not been sufficiently developed to allow compliance with the expectations of all those involved in these processes, from producers to consumers.
- ▶ The profile of the majority of organic production businesses are family-type businesses created with little financial resources and absolute ignorance or little knowledge of anything related to marketing. The distribution channels used so far to channel this production are consumer cooperatives, direct sale to the public in public markets, outdoor markets, organic and herb stores.
- ▶ Large businesses that usually work with conventional agricultural products are dedicated to exports and rely on the help of their administrations to promote their products.

The reasons why the internal market of organic products is not developing are:

- ▶ Lack of consumer information regarding the labeling of organic products.
- ▶ The slightly higher price of products compared with traditional.
- ▶ Lack of outlets "close" to the consumer.

# SALES STRATEGIES OF ORGANIC PRODUCTS

What is marketing?

- ▶ A short definition of marketing presents it as a set of techniques and methods to promote the best possible sale of one or more products. Another definition considers this as a study of techniques and methods that improve the sale or marketing of different products.
- ▶ To put it simply, we could say that marketing is all that can be done to sell products (even if the products are of a different nature) to the final customers. As a organic producer, you have acquired some products and now you want to sell them (to reach customers) so you can make a profit from this transaction. All that can be done to achieve this goal falls under the concept of marketing.

# SALES STRATEGIES OF ORGANIC PRODUCTS

- ▶ A more structured definition of Kotler (who is considered a "father" of marketing) defines marketing as a "social process and management process through which different groups and individuals acquire what they need and want, creating, offering and exchanging products of value to others".
- ▶ The goal of marketing is to make the work for the customer as good as possible, having regard to our needs and goals. Consumers have needs and organizations (businesses, farms, etc.) in which they have to present the products so they can "continue their work". By defining the conditions under which the product reaches the final customer (price, transport, packaging, where we find the mentioned product, etc.), we form part of the overall commercialization process.

- ▶ In many cases, consumers are unaware of or can not distinguish the added value of organic products, their true value and their contribution to the sustainable development of agricultural and environmental conditions. In order for the customer to "feel" that he is worth buying organic products, it is necessary to disseminate all this information.

For producers, in order to effectively market their products it is of great importance to carry out any advertising activity. An effective and cost-effective way is a website or a blog. There, information about **farm, products**, information related to the **environment and ecology**, the **benefits of organic products**, and so on can be included.

On the same page the producer can include their virtual store if they want to sell products over the Internet.

- ▶ When advertising organic products, it is important to emphasize our social value as patrons of the environment, sustainable development, respect for animal welfare, "natural traceability", and so on. Consumers should receive these messages in order to be able to understand and evaluate this differential and unique value. Selling miraculous products to sick or "tortured" people is not a good sales strategy.
- ▶ Consequently, it is more likely that a "**convinced and dedicated**" consumer buying organic products will go to specialized stores, direct sales, buyer associations or consumer cooperatives, and so on. However, the consumer of conventional products, in order to start gradually coming to the group of buyers of organic products, should be able to find these products at the conventional points of sale and at a reasonable, justifiable price, and also to find appropriate promotional and information actions.

# DIRECT SALE

- ▶ The most effective way of selling when marketing organic products is so-called direct sale.
- ▶ We can identify it as a series of techniques that provide direct and direct contact with the potential customer to promote a product, service, idea, etc. For this reason, we are directly developing systems or means of contact.
- ▶ The specific characteristics of the simple consumer of organic products make this technique the most suitable for us to approach it. The direct contact of the producer with the consumer is one of the key factors in the trade in organic products: your customer wants to know what he consumes, where he comes from, how it was made, how it was produced and who produced it.
- ▶ This type of information is what you can take to make any of the techniques you use more efficient and to ensure that your products reach the maximum number of customers. A website, brochures, link summary on a cooperative's website, direct online advertising, etc. are techniques based on direct sale.

- ▶ What is the most appropriate type of strategy?
- ▶ Once you have "approached" your client or potential customer, it is time to define how you would like your products to reach the customer, which will be the most appropriate channel to achieve maximum success at the lowest cost.
- ▶ Depending on your potential, needs and resources, you can choose a type of distribution channel that you find the most suitable for you. There are several alternatives according to the varying degrees of complexity and the number of intermediaries that form part of the distribution channel.

- ▶ The more intermediaries need a channel, the more they have to "go up" and the costs that are due to them, and this will have an impact on the final product. It is important to bear this in mind as organic consumers see price as a barrier to accessing them: in some cases, they consider them to be very expensive and inaccessible, although they are fully convinced of their quality.
- ▶ However, there are sales strategies that can be used to offer new opportunities for distributing your products. These include the short supply channel, the local market and the green public contract. Below we describe their features in detail.

Channel type	Characteristics
Direct sale	<ul style="list-style-type: none"> <li>- Without middlemen</li> <li>- The producer performs the majority of the tasks → commercialize, transport, store and take risks</li> <li>- The most important activity is direct sales → via telephone, e-mail or through a directory, online sales</li> </ul>
Retailer	<ul style="list-style-type: none"> <li>- There intermediary level: retailers → specialty stores, warehouses, supermarkets,</li> </ul> <hr/> <p>supermarkets</p> <ul style="list-style-type: none"> <li>- Is there anyone dealing with the deal with retailers</li> </ul>
Chubby trader	<p>Two levels of intermediaries:</p> <ul style="list-style-type: none"> <li>✓ → Chontremporoi middlemen who usually perform all activities of chontremporoi</li> <li>✓ → Retailers middlemen who sell retail to final consumers</li> </ul>
Sales through dealers / intermediaries	<p>Three levels of intermediaries:</p> <ul style="list-style-type: none"> <li>✓ Broker / Dealer → commercial business customers who are looking for manufacturers or help close trade agreements</li> <li>✓ Chontremporoi</li> <li>✓ Retailers</li> </ul> <p>Used in very small markets producers and many retailers Almost all sales functions are run by</p> <hr/> <p>intermediaries</p>

- ▶ As a producer of organic products, your first concern is to produce and sell your products in such a way that your work offers you a comfortable life. However, in many cases the logic of the forms of commodification on the world market clearly opposes authentic organic production.
- ▶ For you, it is more important to keep in mind that the chain of commerce consists of a series of stages: production, distribution, storage, preparation, sales and consumption. Consumers form the last link in the chain. In this respect, special care is devoted to ensuring that food and drinks of high quality, freshness and taste meet the needs of those who buy them. This type of chain is considered a long chain of supply.

- ▶ The short trading channel is created when producers and end-customers understand that they share the same goals and they are achieved by creating new opportunities that strengthen local networks. This strategy gives you the opportunity to regain a more active role in the food distribution system because local production has a focus and this minimizes the number of steps to be taken in the commercialization channel.
- ▶ For small companies, this type of distribution channel has many advantages: by removing any of the intermediaries between producers and consumers involved in large-scale distribution and sales, and consumers and producers can re-discover their environment and the essential pieces of identity as well as to develop new relations between the rural and the urban world.

# ADVANTAGES OF SHORT MARKETING CHANNELS

Short marketing channels have advantages:

- ▶ Reduce marketing costs.
- ▶ Public knowledge creation for the quality of organic products.
- ▶ Facilitate access to quality names and promotions.
- ▶ Facilitating contact producer - consumer.
- ▶ Contribution to rural development and protection of ecosystems.
- ▶ A short marketing channel also facilitates a fairer price, because consumers get a better picture of how much agricultural production and food costs. In addition, the high costs often charged by distributors can be fairly shared by producers and consumers, which would allow producers to receive a good income from their work and consumers to pay less and to know exactly what they pay.

- ▶ 2.2. Local market
- ▶ In recent years, consumers have become more aware of the impact of their purchasing decisions on the environment in general and on their health in particular. In addition, the consumer has better options at the point of purchase.
- ▶ One of the best choices consumers have for accessing organic products is local markets. Local markets are located at a predetermined location or in a modern shopping center, in a central area of the city.
- ▶ They offer consumers the opportunity to get acquainted with organic and seasonal products, establish more direct relationships between farmers and consumers, and discover the true flavor of products according to biological criteria ("authentic flavors"). This type of shopping is usually carried out periodically (annually, monthly or weekly).

- ▶ Some major leading retailers have included in their product range some national and international organic products. Some shops even have their own brands and in the usual range of products they offer to customers have included products produced according to biological criteria. This adds extra quality to their image.
- ▶ This type of market has unquestionable advantages for both the producer and the consumer.

Advantages of the local market		
For the consumer	For the farmer	
Proximity of the product	More product control	
Knowledge of the product		Ability to reach local customers
Continuous supply capability		Assured production sale
Creating local employment		
Production of wealth and local / regional development		
Respect for the environment		

### ▶ 3.ALTERNATIVE CHANNELS FOR SALE OF BIOLOGICAL FOODS

- ▶ As we have already pointed out, commercialization of organic products represents a weak link in the chain that extends from the producer to the customer. Part of the problem has to do with the commencement of the commercialization chain: producers dedicated to this activity cover a small area of land, they are not co-opted, and their main motivation focuses on seeking a better quality of life, leaving commercial proportions to a second degree.
- ▶ What counts most, especially at the beginning of activity, is how to master the production techniques. Your interest as a producer focuses on how to produce according to established standards so that your production is considered to be absolutely organic. However, once these issues have been resolved and we have learned how to manage the production process as a whole, it is important to solve the commercialization problems because what you will do with the products as soon as you have them - what can you do with them?
- ▶ The main problems with commercialization are: market search, price regulation and product transfer.

- ▶ As a producer, the process you will take to be able to market your products includes a number of stages. First, you're looking for direct consumer contact that allows you to set prices directly without the intermediary of a middleman and without advice on product features. These will be direct sales that you can perform in a variety of ways: on the farm itself, on the markets, and so on.
- ▶ However, if these variations are successful, you will understand that you are starting to need a lot of resources to manage the sale, and it turns into a job that seems impossible to manage for yourself. In addition, if your business is successful and you want to expand your business, the direct sale, exclusively between you and your customer, has maximum limits.
- ▶ To deal with this situation, you will need to expand your market (or potential market). There are a number of alternative distribution channels that are slightly different from the usual food commercialization models: direct sales, buyer groups and e-commerce. Below we explain the characteristics of the most distinguished.

- ▶ 3.1. Alternative distribution models
- ▶ Alternative distribution channels play a very important role in spreading the social, biological and economic benefits of organic production, facilitating the direct relationship between producers and consumers themselves.
- ▶ The organic producer, when including his products in a channel for the sale of conventional products, is likely to face initial difficulties: the structures are not well adapted to sales of agricultural products. Distribution is still a crucial part of this sector, as due to the large territorial dispersion and the fact that the quantity of moving products is small, the unit cost of production is growing significantly.

Price is one of the problems that many consumers face when purchasing organic products. If these products are introduced into traditional distribution models, in most cases consumers think the product is very expensive and they are unaware of why it is. The point is to make the customer pay a fair price for what he purchases and you as a producer, to get a fair price for your job. And that is the point that will be much more preferred when determining the alternative distribution channels that "facilitate" the movement of products across the chain and make the prices lower until we reach the desired setting.

## Advantages of direct sales

For the consumer

Reducing prices

Respect for the freshness and seasonality of the products

Knowledge of the product and its origin

It responds to ethical and environmental approaches

Increased employment opportunities

It produces more income

Increasing the added value of the product

For the farmer

Increase profits

Instant contact with consumers

Distribution of local products and items

Direct access to the market

## Disadvantages of direct sales

For the consumer

It has to go to the place where the product is sold

Difficulty in accessing products if there is a shortage in your area

For the farmer

Higher costs: new investments, need for training, recruitment of new staff

Less time to do the particular work of producing and managing the farm

# IN THE CASE OF ORGANIC PRODUCTS, DIRECT SALE CAN TAKE SEVERAL FORMS:

- ▶ Direct sale at the farm ➡ the site preparation for the sale of products on the farm may prove costly.
- ▶ Associations and producer cooperatives ➡ allow greater control of prices and ensure to the producer sales of its products.
- ▶ specialty organic stores ➡ sell only organic products.
- ▶ Natural food stores ➡ Sale to a botanist along with others natural products.
- ▶ Supply Restaurants ➡ the administrations buying raw materials directly from the promoter.
- ▶ "Drawing box or bag" ➡ the customer passes from the farm or receives a box or a bag of products in his home.

# PRODUCER MARKETS

- ▶ Producer markets, so-called "green" or "folk" markets, are a kind of direct sale that avoids making large capital investments for marketing. They take place in open public places and producers sell directly to the public.
- ▶ They are used in particular for the sale of fresh produce, although more and more processed products are being sold. They allow it selling fresh products, literally the same day, maintaining nutritional content and this is supposed to be the main lure for the consumer. There is also considerable savings in terms of transport as it is no longer necessary for the product to "travel" to reach the consumer.

## Advantages of the green market

For the consumer

Easy access to products

Knowledge of the product: its origin, mode of production,

Possibility of finding local varieties

Custom Price

Conservation of natural resources

Maintenance and execution of activities in the area

Increasing social cohesion in the rural environment

## Disadvantages of the green market

For the consumer

The varieties of available products are fewer

For the farmer

Saving resources in commercialization

Maximum value setting

Ease of gathering information about customer needs and wishes

Maintenance of the activity

For the farmer

It must achieve sufficient production

# BUYER GROUPS

- ▶ There is another way of direct sales - distribution to consumer groups that implies a higher level of organization. These consumers are usually grouped into small co-operatives that later place the order and organize the transfer. This model has some limitations when demand and supply are expanding.
- ▶ To solve this level of complexity in the sale of organic products, producer cooperatives are set up, who in turn communicate with cooperatives or any other kind of organizations involved in the marketing of producers.

## Advantages of buyer groups

For the consumer

Access to the products they need

Guarantee that the products will be exactly as they want

Maximum product price setting

Maintenance of the activity

Increasing social cohesion

## Disadvantages of buyer groups

For the consumer

Complexity to create a group

For the farmer

Guarantee for the commercialization of its products

Saving commercialization resources

Guarantee for a fair price

For the farmer

Need to adjust production to customer wishes

# PRODUCER ASSOCIATIONS

- ▶ Producer associations are a particular species within purchasing groups. They consist of the association of various organic producers who trade their products at fair, reasonable prices according to their production costs.
- ▶ These groups are formed in rural areas or regions where there is a wide variety of agricultural products. Producers have different products and each one gets out of this deal. They also organize other types of activities such as guided tours, organizing seminars for the dissemination of biological activity, participation in exhibitions and more.

# E-COMMERCE

- ▶ The Internet represents a unique opportunity for marketing and sale of products. E-commerce means that all of these transactions are conducted on the Internet. Also called online shopping and online shopping.
- ▶ There are different types of e-commerce. In the case of organic products the most practical are:
  - ▶ From a company to the end customer. This is the best known. It includes a business that sells its products to final customers. You, as a producer, sell your products through a website. On this website you can include information about your business, the production process, how you can buy, delivery terms and other information. For example, on your farm you produce tomatoes and your customers can request their weekly tomato quantities through your website. These quantities are delivered directly to the customer or the customer goes to the farm to pick them up.
  - ▶ From one enterprise to another. Businesses sell their products to other businesses or if an enterprise expresses purchasing requirements for raw material. For example, if you form a group of vegetables in a rural cooperative, you can make them available to restaurants in the area to make their orders via the Internet.

## Advantages of e-commerce

For the consumer

Ease of purchase and receipt of products

Ability to compare products and prices

Access to seasonal and local products

Direct contact with the farmer

Saving resources for packaging

Fair price for products when intermediaries are eliminated

Contributing to energy saving and environmental protection

For the farmer

Almost unlimited potential customer purchases

Larger sales opportunities: "virtual store open" 24 hours a day

Direct relationship with the customer

Likelihood of loyal, continuous clientele

## Disadvantages of e-commerce

For the consumer

Few varieties in product offerings  
(seasonal products only)

Disbelief when paying by credit card

For the farmer

Need to invest resources for  
deliveries

Need for proper knowledge of virtual  
shop operation