

Opportunities and Challenges for the Marketing of Organic Products in Szeklerland

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Abstract: At present, the demand for organic products in the Szekler region is very low, partly because of the high price of products on the market, and the lack of knowledge about these products on the other hand. Based on preliminary experiences, interviews with organic farmers and the analysis of the market situation of traditional products and local foods, it can be said that some of the biggest challenges facing new products entering the market are their sale and marketing. Despite the fact that product development is successful, distribution channels, and messages targeting customers are inadequate. The aim of the study was to identify the marketing tools that could promote the sale of organic products in this region.

1 Introduction

Bio-agriculture, the production of organic products is still in its infancy in Szeklerland and the surrounding region, very few people are actively involved in such activities, though there are already some initiatives, some subsidy programs that support the development of such agriculture in this region as well.

However, it's not enough to focus only on the technologies and skills necessary for the development of organic products. The current low demand for such products in the region needs to be addressed as well, which is due on one hand to the high prices of products already on the market, on the other hand also to the lack of information about such products [6]. Currently, the price of locally produced organic products is approx. 20% higher than average products, but still competitive with imported organic products. Approx. 70% of organic products produced in the country is exported, mainly because it is difficult to sell it at local markets.

According to our prior research [1][2][3] and field experience as well as the market analysis of traditional products and local food products [7], the biggest challenge facing new products entering the market is their sales. Successful product development alone does not suffice without proper distribution channels

and properly targeted communication. It is no novelty to anyone anymore that high quality products can miss their success if their customers are not sufficiently informed about them or if the product fails to reach them in a desired manner.

With respect to organic products, their proper marketing is especially important since there are multiple factors complicating the process. Higher prices and specific added value such as health- or environmental consciousness already decrease the number of potential buyers, while at the same time there is a general lack of information about these products.

Businesses active in organic farming tend to be small, family-run farms that lack the necessary commercial background. Finding the proper sales outlets can also prove to be difficult. It is for these reasons that it's worthwhile to focus, beside the production and certification of products, also on marketing activities. Although organic farmers have an interest in the development and strengthening of these processes, the development and successful operation of these outweigh the potential of individual farmers. This problem requires a strategic activity of regional professional / institutional actors. [4]

2 The application of marketing tools in the sales of organic products:

As conclusioned by the Greenfood¹⁰ project, the most beneficial situation for small producers as well as for customers is if distribution channels shorten and middlemen are left out. This can lower prices for customers as well as raise margins for producers. The possibility of selling on close-by, local markets can also lower transport costs that can have a great influence on final price.

The tools of marketing can be applied even in this small sector, from market segmentation, definition of target groups to product positioning.

The defining, identifying and analysing of customers is one of the most important key elements of marketing. So as to be able to effectively reach, communicate to and influence customers in their buying decisions, we need to get to know their expectations, their needs and buying habits.

¹⁰ A biotermekek forgalmazása és marketingje - GREENFOOD PROJECT 2010-1-ES1-LEO05-20948
http://projects.ifes.es/porqualLeonardo/do/get/binary/2013/02/application/pdf/A_BIOTERMEKEK_FORGALMAZASA_ES_MARKETINGJE.pdf

Currently, the group of customers of organic products is very small in the region, due to multiple causes such as the scarcity of information that has been spread about these products, the lack of knowledge about their added values, but also due to the small number of organic products available on the market, as well as the high price these products command as they are mostly imported goods - local organic products are near impossible to find.

During the definition of potential customers of organic products it is important to take note of factors such as the generally higher environmental- and health awareness of people who buy such products. Energy efficiency, selective waste collection, restrained eating habits, focus on health are all traits that are frequently shared by the members of this group. This is currently still a very small segment in Szeklerland, however the gradual, albeit slow penetration of the latest lifestyle and nutrition trends into the region will see this group rise in numbers here as well.

At the same time it is important to note that there are specific medical conditions or diseases that require, or at least benefit from the consumption of organic products (allergies, intolerances, etc.). These conditions are becoming more prevalent in recent years, meaning that not only people already diagnosed with them can be potential customers but also individuals focused on prevention.

The strive for an aware lifestyle is on the rise in this region as well, though still mainly characteristic to the urban, better educated population of young adults who dispose of higher incomes. The purchase of organic products is clearly still only affordable to people with high incomes. The current situation highlights that even in the case of customers who have a need for such products, the price is still a limiting factor.

Based on this information we can outline two main tasks that, by taking into account the situation and needs of local customers, could improve the sales of local organic products on local markets:

- Prices of locally produced organic products could decrease significantly compared to imported ones, if middlemen can be eliminated from the supply chain or their number decreased. This however requires that producers get in direct contact with the final customer.
- The number of potential buyers can be constantly increased by actively disseminating information. In the case of organic products, one of the main tasks of marketing communication is the emphasis of the unique values of eco products. Why they are different to other, high quality products. It is important to underline their social value, their role in environmental protection, sustainability, animal welfare, as well as describing the technological processes that differentiate the production of these products

from competitors. These activities of informing the public however are not the sole tasks of the producers any more, but should rather develop into a common cause advancing the development of the whole sector.

3 Sales opportunities for organic farmers:

Direct marketing is one of the most effective form of sale for organic products, that is establishing direct contact between producer and customer. This form is best suited to building customer trust. When purchasing these kinds of products, besides their quality, customers are also interested in learning about the production process, origin of the product, as well as the person behind it. A direct, personal relationship affords opportunities to obtain these pieces of information and learn about the products. This however requires that the producer assume a role not only in the production process, but also in the distribution of their products. This also leads to a shortening of the supply chain, bringing multiple benefits - yet another reason to evaluate this opportunity:

- A reduction in the number of middlemen (retail and wholesale) leads to a reduction in commercial costs.
- By the way of a personal relationship, customers gain much more information, leading to them having a better knowledge about these products.
- Products become much more affordable.
- Can lead to social and environmental effects such as sustaining the ecosystem and regional development.

The simplest and most obvious form of establishing a personal sales relationship is through partaking in local fairs and markets. This form of sales has numerous advantages, since it affords a stability and permanence both to the customer and to the producer (products are permanently available to the customers, while the producer can count on forming a stable group of clients thus guaranteeing the sale of his products), the products remain easily controllable as to their quality, while the personal rapport also affords an easy channel of market research to producers to further understand their customers, their needs and expectations, while saving costs needed for the development of sales channels. The only potential downside of partaking in local fairs and markets are their fixed schedules, thus forcing the producers to adapt to them.

Local markets are suited especially to the sale of fresh goods, although we can see processed goods ever more often.

Another form of direct marketing is selling at the point of production. This can imply greater costs if there is a need to create a suitable retail space for this activity. This form is advantageous for producers since they can sell products locally, saving transport costs. One disadvantage however is the necessity to convince customers to buy directly at the producer. This implies the creation of a constant, loyal base of customers that are not only casual buyers but who are committed. This form of marketing is suited especially to small settlements.

Should it be impossible (or not justifiable) to create a suitable retail space in-house, a possible alternative is a packet/pick-up system, which implies the customers picking up their orders directly from the producer, or having them delivered (implies transport costs that need to be taken into account).

Exclusively doing sales in person however can restrict expansion at some point and can even hinder producers in their development, so analyzing alternative sales channels that can help expand the market reach may be worthwhile.

One such alternative is the establishment of local, producer's organic shops or entry into already established bio-shops.

The creation of producer's cooperatives can also be beneficial, since they can potentially ensure the sales of products and exert control over prices.

Sales can target besides individuals also institutions or hospitality. This offers the benefit of selling larger volumes while also ensuring demand.

The rise of new technologies affords opportunities such as e-commerce, the sale of products in online. This presents the producers of organic products with the possibility to create their own online shops where they can cater to consumers or other businesses directly, but also to create shared online shops. A common virtual platform where more than one producer can share their products can turn out to be a very effective tool. For one, they can reach their customers more easily (consumers of organic products tend to be a well defined group) online, while also lowering marketing and communications costs as these are shared between all sellers. One possibility of running these online shops is through cooperatives. Even this way, costs with distribution are kept low.

4 Marketing and communication tasks for organic farmers:

As mentioned earlier, one of the most important tasks in this regard is the education and proper information of potential customers about the added value of organic products. Also, winning and maintaining the trust and loyalty of existing customers as well as brand building, which is essential to being able to compete with other quality products on the market.

It is advised to keep some aspects in mind throughout the branding process, such as:

- Is the producer producing one or more products?
- Are these products part of the same family?
- Are they selling fresh or processed products?
- The place and characteristics of the sale process (direct or indirect, shared or private)

Branding is important to producers as it allows them to differentiate themselves towards customers, so as to allow them to be easily identifiable on the market. A brand helps customers find what they are looking for, and even if competition is not particularly stiff, there is a need to use certain elements that define the traits of the product. A well built brand means safety, trust, quality. It communicates everything we wish to project about a product (in this case such as the added value of a product). Branding however doesn't stop with an attractive logo, name, slogan and maybe high quality packaging. For one, all these need to be used in a consequent and constant manner, but they also need to be paired with messages that we want to be associated with the products and the brand on the long term.

Depending on the number, nature and sales method of the products, one can use individual brands or a common brand, maybe an umbrella brand that encompasses more than one product family.

When speaking of marketing communication, most people associate it with classical advertising (tv, radio, print ads), however in the marketing of organic products, owing to the nature of the products as well as the specifics of the target group, these traditional channels prove to be less effective.

The emphasis here is on rational persuasion and the building of trust, both of which can be much more easily achieved through non-traditional advertising: personal sales, markets, fairs, exhibitions, advertising at the point of sale or the use of web 2.0 elements in the online space (social media, blogs, online shops).

One of the biggest advantages of these channels, besides building a more personal connection, is their lower cost.

Due to their high costs, traditional forms of advertising can only be effective if producers use shared advertising. For the advertising of a larger, shared online shop or of an umbrella brand, traditional mass-media is effective.

However, communication for organic products does not simply target direct sales, there is a need for market expansion here as well, to be able to address new customers and to shape customer needs. To this end, mass communication tools can prove to be more effective. On the one hand it is worthwhile to support and promote a health- and environmentally conscious lifestyle, emphasizing their beneficial effects (besides private gains also their social and commercial benefits). On the other hand, if distribution channels can be shortened, the shrinking prices may result in the products becoming more affordable, something that customers need to be made aware of: organic products do not need to be in the realm of the unaffordable.

The promotion of organic products and the technologies behind them is a common cause that should be addressed not by individual producers but jointly, with the help of professional guidance and consulting. Best of all would be if these tasks were to be undertaken by a third party, who could create the necessary awareness for this sector through guided, consequent communication so as to be able to consolidate continuing support.

Conclusion

The application of organic farming can present an extraordinary opportunity to small producers, however it needs to be emphasized, that besides the production process, sales present an equal challenge. Therefore it is advised, that producers attend educational activities, workshops and presentations not only about the technologies involved in the production process, but also about elementary commercial and marketing skills. This way, marketing and sales activities will be much more manageable to them as well, helping them decide on the proper commercial practices suited to their business.

Organic farming can in time become a sector that presents opportunities not only to producers, but to the financial development of the whole region and the increase of its competitiveness, provided the sector can develop and strengthen properly. However, theoretical support and guidance is not enough, as we are talking about an emerging sector, the actors of which may prove to not be financially and politically strong enough for the time being. For their consolidation, there is a need for an inclusive, supportive organization the main goal of which would be the promotion, dissemination and maybe even financial aid of this activity.

For small producers, even if they succeed in promoting and selling their own products, the task of promoting and communicating the benefits of the whole organic farming process may prove to be too much. At the same time we need to emphasize that the launching of many such activities in parallel tends to have a stifling, rather than amplifying effect on each other. For this reason there is a need for a centralized body that could fill this role. Besides creating new demand for these products through promotion and information and by positioning organic products alongside locally available products, this body could also help in securing support for the sector.

This kind of support can help producers reach long term financial stability, but can also contribute to the development of the region, since it could ensure the prospering of this still emerging sector.

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