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in

Nikolaidis A. (ed.), Baourakis G. (ed.), Stamataki E. (ed.).
Development of mountainous regions

Chania : CIHEAM
Cahiers Options Méditerranéennes; n. 28

1997
pages 57-63

MARKETING FOOD PRODUCTS FROM MEDITERRANEAN MOUNTAINOUS REGIONS: THEORETICAL CONSIDERATION

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KEYWORDS:
Marketing, Highlands, Marketing Channels, Marketing Techniques, Food Production

INTRODUCTION

Western food trends are changing rapidly as consumers become more sophisticated in their tastes and demanding in the range of products and product attributes they require. The underlying reasons for these changes are well documented: incomes are rising; communications systems are improving apace; there is greater accessibility to travel; trade is becoming more liberalised. Hence, a global food culture is emerging.

Opportunities for the more optimistic and marketing-oriented food manufacturers and processors are developing at a faster pace than has ever been witnessed. Take the USA, for example. In 1988, imports of fresh fruit accounted for 32% of all consumption; for broccoli, the figure was 40%; for spices, 91%; and for coffee, 100% (Senauer et al, 1991). The fundamental reason for this is the greater sophistication in food products required by consumers, resulting from the factors detailed above.

New opportunities develop as consumers seek additional benefits from foods. As the value of 'time' increases, consumers become increasingly willing to pay for convenience in foods. Increasing concern with health, and the realisation that 'you are what you eat', push up the demand for cereals as fat consumption decreases, due to moderate decreases in the amount of meat consumed. Environmental concerns create opportunities for organic producers. Related to this are concerns for animal welfare. Hence we see an emerging demand for meat products which are manufactured from meat reared under increasingly strict guidelines for handling and slaughtering.

We can summarise the emerging trends in terms of the broad product features which are increasingly demanded by consumers. Foods should be: fast (quick to prepare and eat); fresh; fun; foreign; friendly; fit (healthy); and famous (related to countries, regions and cultures). All of this, of course, has implications for marketing activity. The situation is particularly well summarised by Senauer, et al (1991):

"The individualistic nature of Americans, as well as their increased diversity, desire for variety, and economic ability to express themselves through food choices, indicate that non-traditional food marketing will be needed. The mass, middle-of-the-road, universal marketing of food is losing its effectiveness ... market segmentation and targeting of market niches will be necessary."

Hence, marketing food products to the masses will increasingly be replaced by marketing strategies designed to reach small groups of consumers. More companies will be concerned with micromarketing.

Consumers are no longer effectively segmented geographically. Researchers are also beginning to realise that age, gender and income variables are also relatively ineffective bases for segmentation. Consumers should be segmented by 'lifestyle' variables, by combining demographic variables with psychographic measures. In this way, marketers can begin to understand the preferences of niches in the market and target them more effectively. Micromarketing depends very heavily on being able to identify and describe small segments in the market. With increasing heterogeneity of consumers (i.e. more segments of smaller size) this clearly requires marketers to look beyond traditional segmentation bases (Gerhardy *et al*, 1995).

So what is the relevance of this to small farmers, producers and processors in what are often remote mountainous Mediterranean regions? Farmers often perceive marketing to be something which happens post-farm gate, i.e. not of concern to them. However, the increasing sophistication of consumers' needs presents farmers with opportunities to satisfy some of these preferences. Consumers are particularly interested in foods which are fresh, foreign, friendly and fit (perceived as healthy). Many of these attributes are already embedded in many food products produced in these regions. A good example of this is olive oil: it is produced in what many Western Europeans and North Americans perceive as romantic, wild, unspoiled, clean and exotic locations; the product is perceived as 'healthy', or at least a 'healthier' alternative to more traditional cooking fats; it is a fresh product, with little or nothing added to it; production and sales of the product support, to a very great extent, the economies of many farmers and regions in the Mediterranean. Many of these product attributes remain unexploited by producers who treat olive oil as a commodity, requiring little or no marketing support. This is not to say that there are no producers who are effectively marketing olive oil to maximise its appeal to consumers, but many more opportunities exist for similar marketing activity across a broad range of products.

From a marketing point-of-view, there are several key tools and activities which can help producers maximise the potential of their food products. The first requirement is to realise that, at some stage in the food supply chain, agricultural commodities become food products, and that it is not the producer of the commodity who reaps the greatest benefit, but the marketer in the food chain who best recognises what consumers demand in terms of product attributes, and then adds value to the commodity to turn it into a product. Secondly, it must be recognised that micromarketing is an activity which can help producers match products with added value with consumers and their 'sophisticated' tastes. Thirdly, consumers must be made aware that 'new' products (i.e. existing commodities with added benefits) are available, and informed as to what these new benefits are. Fourthly, branding can be used to differentiate two or more essentially identical products, and subsequently act as a signal to consumers as to what these product attributes are.

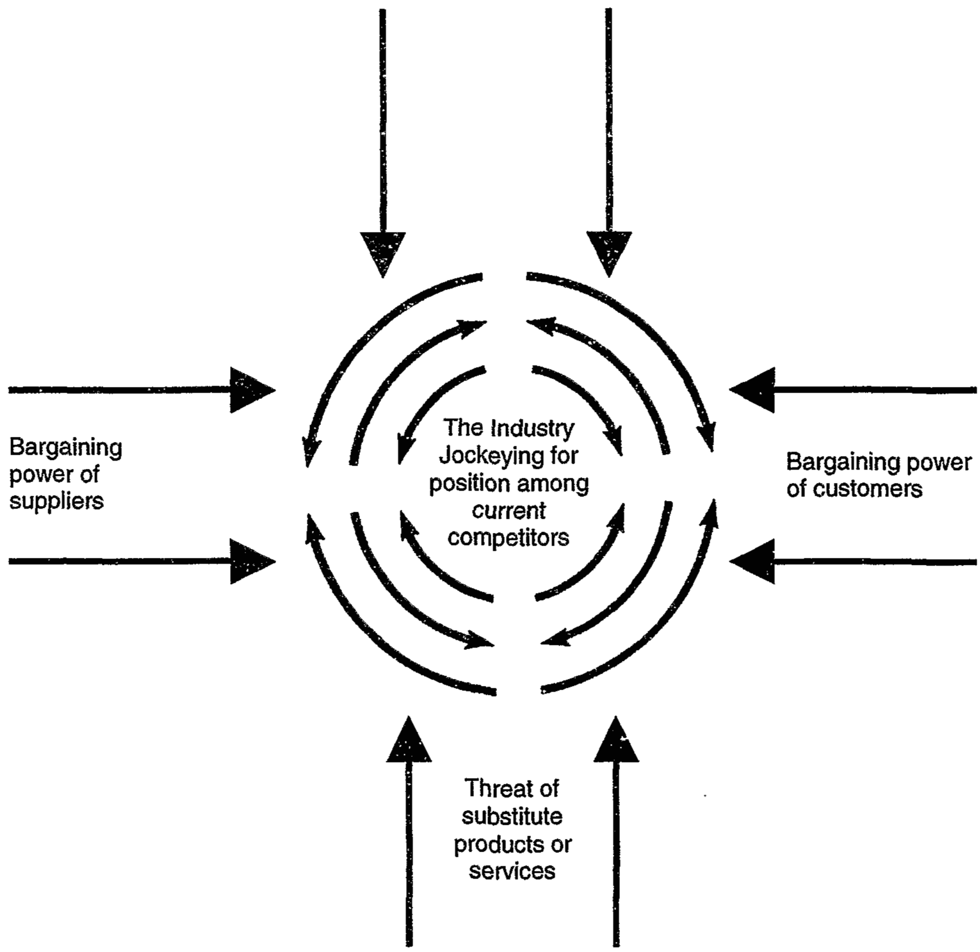
The power of retailers and relationships with them must also be considered. In the United Kingdom for example, the largest ten food retailers account for approximately two-thirds of all retail food sales. These supermarkets control the food market, and hence it is imperative to bear in mind that marketing food products is as much about convincing supermarket buyers that consumers will demand your product as it is about convincing consumers that you produce a good product. Relationships with supermarkets are the key to success in the long run.

Finally, having taken on board these types of messages, there must be a systematic approach adopted to take advantage of these opportunities. Hence, there is a requirement for marketing strategy.

The Role of Marketing Strategy

The objective for individual firm in the market place is to find a position in the industry where it can best defend itself against the competition (Littler and Wilson, 1995). This competition is not just about other direct players in the market, but also includes suppliers, customers, potential new entrants to the market and the threat of substitute products (Porter, 1995). Strategy formulation is essentially about dealing with these 'competitive forces'.

Figure 1: Porter's Five Forces



The effective strategist should examine what underlies each of these forces. This might involve determining the bargaining power of suppliers, or the extent to which the industry is vulnerable to entry. The model is just as appropriate for the farmer or small processor as it is for the global corporation. Indeed, it could be argued that the model is more important for small players in the market to take on board, since they are likely to be the most vulnerable players in the market.

The strongest forces will tend to determine the profitability of an industry. For example, even the strongest firm in an industry will earn low profits if it faces strong competition from a close substitute product. Any small farmer will agree that the theory is intuitively correct. Few industries can match agriculture in terms of the large numbers of small producers who are all essentially producing the same product.

The strongest of the competitive forces for the small agricultural producer in a Mediterranean mountainous region would seem to be:

- the threat posed by possible new entrants
- the bargaining power of suppliers
- the threat posed by substitute products
- the jockeying for position among current competitors

So how can such producers develop strategies to deal with each of these?

The seriousness of the threat of new entrants depends upon the barriers to entry. It is unlikely that economies of scale will ever prevent new entrants entering the market. Capital requirements are relatively low in small-scale agriculture, and hence will tend not to deter possible new entrants. However, product differentiation is one way of reducing the threat posed by new entrants. through branding.

One mechanism for achieving this is the following:

Suppliers of agricultural inputs can squeeze margins by increasing prices. However, what should concern us are the circumstances when buyers of agricultural inputs are in a more powerful position. Buyers are clearly more powerful when they purchase in large volumes. This is unlikely to be the case for small farmers and the like. However, the situation changes when the product supplied to them is undifferentiated. This presents farmers with an opportunity to 'shop around'. However, there is a further important message here. When the product supplied forms a significant part of the end-product, and when the product supplied is undifferentiated, the buyer will be strongly tempted to 'shop around'. This, of course, is often the case when farmers are in the position of suppliers. Their products are undifferentiated, and form significant parts of finished food products. Hence they are in a weak position as suppliers. The solution is to differentiate the agricultural commodity by adding value to it.

Substitute products effectively place a ceiling on the price a firm can charge. Again, the strategic message is clear: reduce the number of substitute products by differentiating your product; or alter the quality of the product, thus reducing competition by entering a new market segment.

Jockeying for position, or the degree of rivalry amongst competitors, is related to many factors, including:

- the number of competitors, their size differential and their power differential (farming is a fairly classic example of an industry which contains many competitors of similar sizes and market power)
- slow industry growth, and hence intense struggles for market share gains
- lack of product differentiation
- degree of perishability of product offerings (hence strong temptations to cut prices as time progresses
- high exit barriers (management feels tied to the firm and the industry)

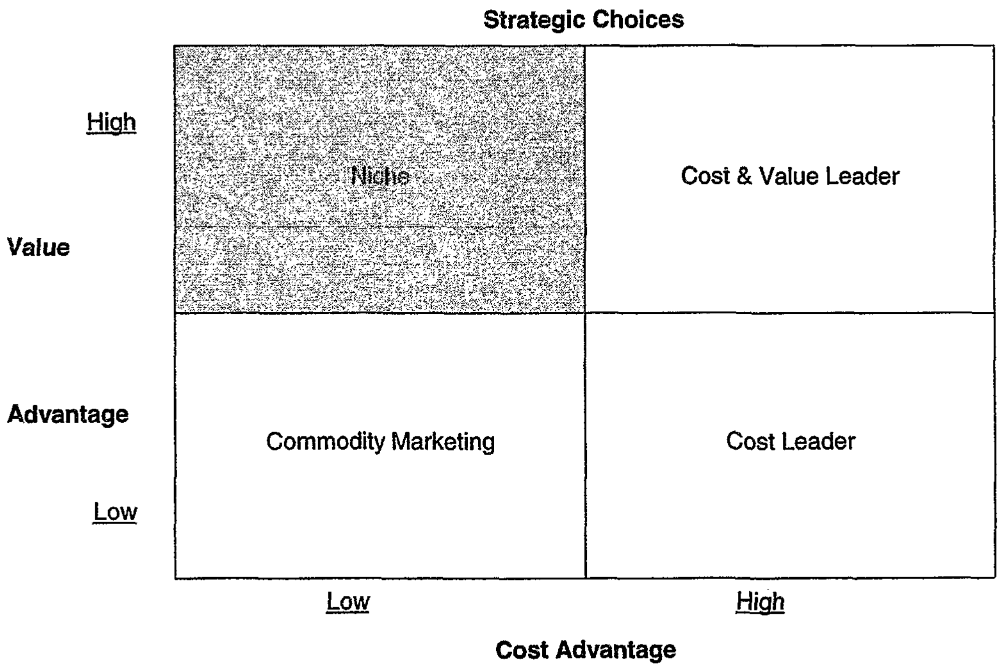
STRATEGIC DIRECTION

The competitive forces in agriculture are apparent, and indeed particularly keen in mountainous Mediterranean areas, which are characterised by large numbers of small-scale farming businesses. Some of the possible solutions have been suggested. A repeated theme is product differentiation related to the identification of consumers micro-segments which are likely to demand the differentiated products. The next stage is to formulate a strategy to deal with the forces. This involves: positioning the firm so that it can defend itself; influencing the balance of competitive forces through strategic management; and, predicting future changes in the factors which determine forces, and planning ahead for them.

Positioning the firm so that it can defend itself relies very heavily upon analysing the firm's internal strengths and weaknesses and matching them to the opportunities and threats posed by the industry. An offensive strategy aimed at altering the cause of the forces can help to influence the balance in favour of the firm. The require innovative marketing activity (perhaps branding), capital investment, and, in the extreme, might involve vertical integration, or at least developing some form of alliances with suppliers and' buyers. The exploitation of future industry changes relies very heavily upon understanding how consumers are likely to change and developing product strategies to create the product offerings which can best serve the evolved market niches.

Broadly speaking there is a choice of four strategic directions in which a firm can go, depending on the extent to which it has or can achieve a cost and/or value advantage.

Figure 2: Strategic Choices Matrix



Cost advantages tend to come from being 'big', i.e. large firms tend to have the greatest cost advantages due to economies of scale, or through experience curve effects. Value advantages tend to come from the fact that a product offers a very distinguishable set of benefits or has additional values or benefits.

It is essentially the case that most small farmers will tend to be following a commodity marketing strategy: their commodities are undifferentiated and they are relatively small players in a relatively large market. Hence their cost advantage is low. The long-term viability of such a strategy is uncertain (it could be argued that this is a 'non-strategy'). Cost leadership strategies are based on productivity gains, cost minimisation and taking advantage of experience effects. The strategy is probably only appropriate when the firm has already reached a position of cost leadership and where the target market is large. Cost and value leadership is a panacea. Few firms will be able to manoeuvre themselves into such a position. Broadly speaking this is unattainable and unrealistic for small farmers to pursue. However, an appropriate strategic direction might be to pursue a niche strategy. This involves pursuing a value advantage in a market where attaining a cost advantage is unrealistic. It differs from merely differentiating the product in that niche strategy is about differentiation focused on one market segment, whilst recognising that satisfying the whole market is unrealistic an unattainable. Differentiation per se is about producing several different product offerings aimed at different segments in the market which, when added together, make up the whole market (Doyle, 1994).

Niche Strategy

So, a niche company focuses on one niche or market segment. It is important to note that survival may be considerably more difficult than for a company which serves more than one segment, since, if the size of the served segment decreases, or if the preferences of the members of the segment change without the product offering simultaneously changing, the market will diminish or disappear completely with no other markets or segments to sustain the company.

A niche strategy is most appropriate (Lambin, 1993):

- in the early or growth stages of a market
- for companies where market leadership is unattainable
- where the company's skills and competencies fit well with one segment
- where strategy is based on offering superior value to consumers in the segment (either superior perceived quality or lower-priced alternative).

It is important to recognise that the market, as far a farmers in Mediterranean mountainous regions are concerned, must be viewed as extending beyond traditional, local markets. Returning to the example of olive oil, the type of market for olive oil in Cyprus is entirely different from that which exists in the United Kingdom, where the market is in its infancy. Superior value to UK consumers might mean low grade Greek olive oil with added herbs or citrus flavourings. This would clearly not be perceived as superior value to more discerning Greek, Cypriot, Italian or Portuguese consumers.

A niche strategy is only viable when (Doyle, 1995):

- there is a separable niche
- the cost of production for one segment alone are viable
- there is a lack of interest in the niche by other players in the market (perhaps it is too small to be of interest to major competitors)

It is also important to bear in mind that as the market matures, the viability of any one niche will tend to diminish. Hence, any niche strategy must take account of this and either anticipate the changing needs of the current niche, or seek new opportunities elsewhere.

Conclusion

Farmers and food processors in Mediterranean mountainous regions face some of the toughest competitive conditions in Europe: markets are difficult to access; climatic and soil conditions are often adverse; economies of scale are impossible to aspire to. Yet there are market opportunities for those who adopt a marketing philosophy and recognise that in order to survive they must consider the changing needs of the market place. This necessitates not only a change in philosophy, but a willingness to fully utilise marketing tools and to accept that maintaining the status quo will ultimately lead to more difficult trading condition.

There are significant hurdles to clear, even if the intention is to adopt a marketing orientation. These include discovery of suitable and significant market niches, tailoring the product offering to satisfy the needs of the segment, and gaining access to the market. However, the rewards for the willing and capable adaptor are likely to be significant.

This paper is by no means intended to act as a manual for such entrepreneurs. It merely serves to highlight the need for more marketing support in this area.

Finally, it is worth noting the view of the British National Farmers' Union:

> "The future of the rural economy, rural society and rural landscape depends upon a viable farming community. The future of the farming community depends upon success in marketing."

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