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Research Institute of
Organic Agriculture
Switzerland

Joint Bachelor Course on Organic Agriculture 2014

Lecture 11: Retailing, marketing & labeling of organic products

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APPROACH - modern knowledge and skills have to be used to boost organic sector development

OBJECTIVE

- To introduce modern concept of marketing outlining key success factor – appropriateness and consistency of product - what we sell when we are selling organic food?
- To outline key role of labeling schemes as quality signals and main tool to establish trust that is necessary in marketing or “credence products” such as organic food
- To explain World-wide concept of Quality Assurance Scheme at market place – functions and institutions that play main role

CONTENT

- Introduction - what we sell when we sell organic food? – what consumers have to “read” and “get” from the organic food
- Marketing mix - How to form proper, specific enough “message” that will activate customer’s basic values and motivate them to become loyal customers?
- Organic labeling schemes – how to form appropriate quality signals – certification and accreditation and standards
- World wide quality assurance system at market place

INTRODUCTION – what we sell when we sell organic food?

Figure 1: TRADE BEYOND THE BOUNDARY

The inner green shading represents the proposed safe operating space for these systems. The red wedges represent an estimate of the current position for each variable

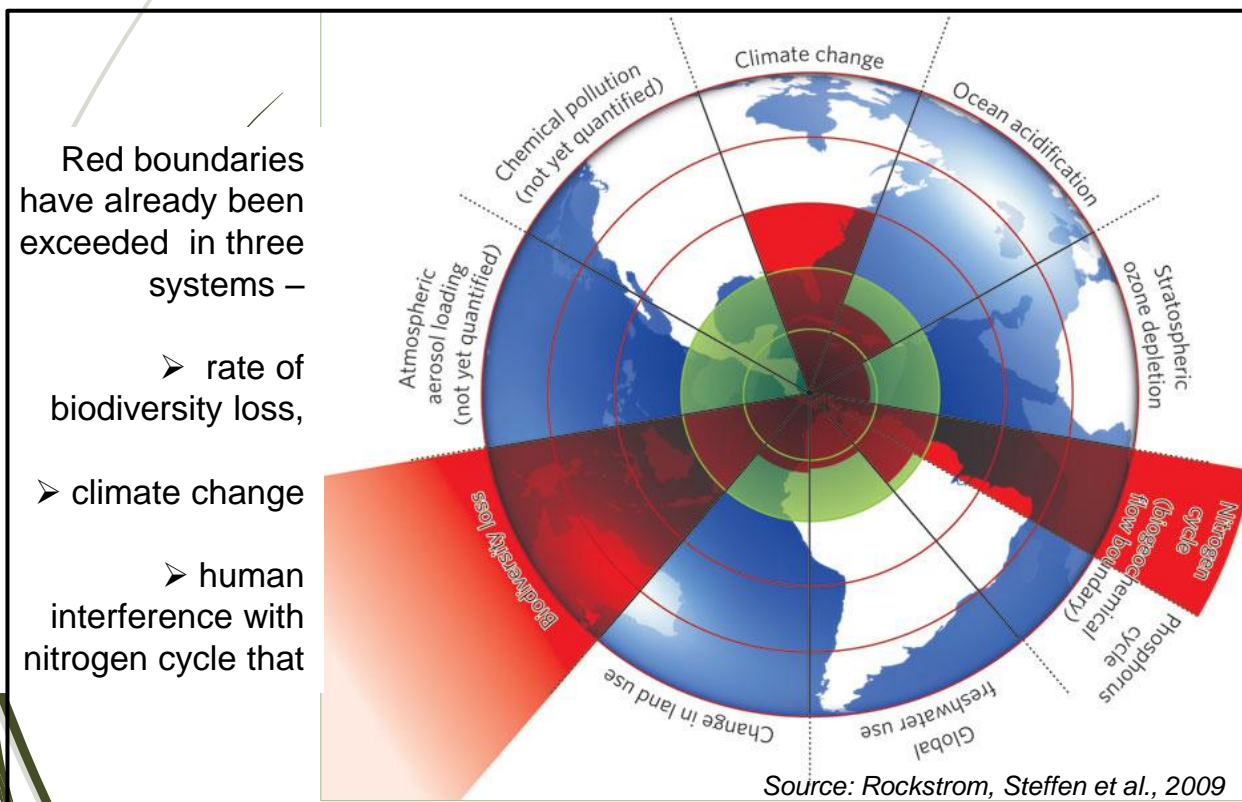
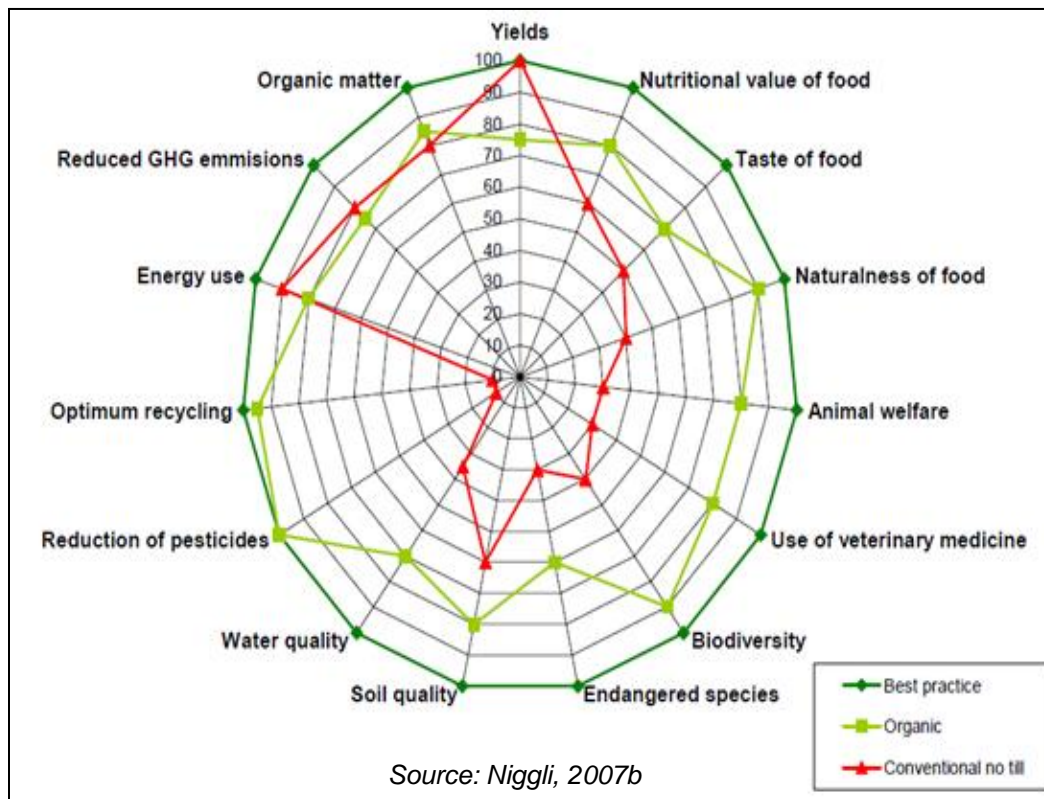


Figure 2: HUGE EFFORTS ARE NEEDED TO MAKE CONVENTIONAL FARMING SUSTAINABLE
trade-offs between performance aspects on organic mixed farms and conventional no-till maize cropping



INTRODUCTION – what we sell when we sell organic food?

- Organic agriculture “produce” not only food, but wide **set of ADDED VALUES** (public goods, environmental services, improved quality of life, care about natural resources, animals, human health, “humanity”, social responsibilities)
- It is **A WAY OF LIVING** which promotes responsible behaviour and it adopts local knowledge, cultural heritage and capacity of natural resources by promoting principles of prevention, trying to minimise «end of pipe» actions (mitigation of negative impacts).
- Those values are not easy to determinate - consumers may not detect the presence or absence of organic characteristics even after purchase and use. **Consumers may only know that the product is organic when they are informed** (Giannakas, 2002) by using different tools, but all characteristics of organic products have to be shaped in a way to send clear and consistent “message” that fit set of added values and promote a specific way of living.

INTRODUCTION – what we sell when we sell organic food?

Corporate (social and environmental) responsibility

- › activities of the company exceed legal requirements in any given area and are largely voluntary in nature
- › Education and development of skills
- › Equal opportunities
- › Health and safety
- › Corporate governance and leadership
- › Community involvement and social partnerships
- › Ecologically sustainable production and consumption.

Table 1. Ethical Concerns of Organic Consumers and their categorisation

Categories	Concerns
Ecological	<ul style="list-style-type: none"> › Sustainable resource use › Protection of ecosystems › Preservation of biodiversity › Minimise pollution
Social	<ul style="list-style-type: none"> › Civic responsibility, care farming › Food quality and safety, human health › Transparency and trust
Economic	<ul style="list-style-type: none"> › Fair prices for farmers › Fair prices to consumers, affordability
Other	<ul style="list-style-type: none"> › Local/regional supply chains › Animal welfare

– what we sell when we sell organic food?

Table 2.
**Key Concerns of organic
producers and processors
compared with EU regulation
834/2007**

Categories and concerns	Coverage by EC Regulation 834/2007
Ecological	
Sustainable resource use	Limited
Protection of ecosystems/biodiversity	Limited
Social	
Food quality and safety contributing to human health	Largely covered
Transparency and trustworthiness	Partly covered
Civic responsibility and care	Not covered except in principle of processing
Safe and equitable working environment	Not covered
Economic	
Fair and equitable financial returns for farmers (and consumers)	Regulation aims for fair competition, but no targets on prices are set
Cultural/Other	
Local and regional production	Not covered except compulsory to label of origin of raw materials
Animal welfare	Covered but no specific targets set
Integrity of supply chains	Limited coverage through control system

MARKETING MIX - How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?

It is necessary to establish fit between customer's needs and goods nature and food choice factors

CUSTOMER NEEDS

SATISFIED BY

- **general attributes of good type** (relate to food safety and human health, environmental effects, and farm animal welfare aspects, quality of life, landscape etc) and
- **commodity-specific attributes** (include variables such as visual appeal, nutritional value, taste, freshness, etc)

SHAPED BY FOOD CHOICE FACTORS

- **Biological determinants** -hunger and satiety, palatability of food, taste and other sensory aspects
- **Economic determinants** - cost, time, income and availability of foods
- **Physical determinants** - ease of access to food, education, specific skills (particularly cooking) and time constraints
- **Social determinants** - culture, family, peer-group pressures and meal patterns
- **Psychological determinants** such as mood, stress and guilt, and
- **Attitudes, beliefs and knowledge about food**

GOODS NATURE

- **Search goods** - with features and characteristics easily evaluated before purchase - are more subject to substitution and price competition, as consumers can easily verify the price of the product and alternatives at other outlets and make sure that the products are comparable.
- **Experience goods** - are difficult to observe in advance, but these characteristics can be ascertained upon consumption - typically have lower price elasticity than search goods, as consumers fear that lower prices may be due to unobservable problems or quality issues - reward reputation and create inertia.
- **Credence goods** - post-experience goods - for which it is difficult for consumers to ascertain the quality even *after* they have consumed them, such as vitamin supplements. Potential consumers of these goods may require third-party information, provided by private rating agencies or government bodies.

through **unique food products** the consumer attempts to **differentiate himself with qualitative aspects**, for example organic food consumption, veganism, vegetarianism and cultural identification and ethnocentrism

(Chambers, Lobb, Butler, Harvey, & Bruce Traill, 2007; Fandos & Flavian, 2006; Fischler, 1988; Parelli, 1996).

MARKETING MIX – How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?

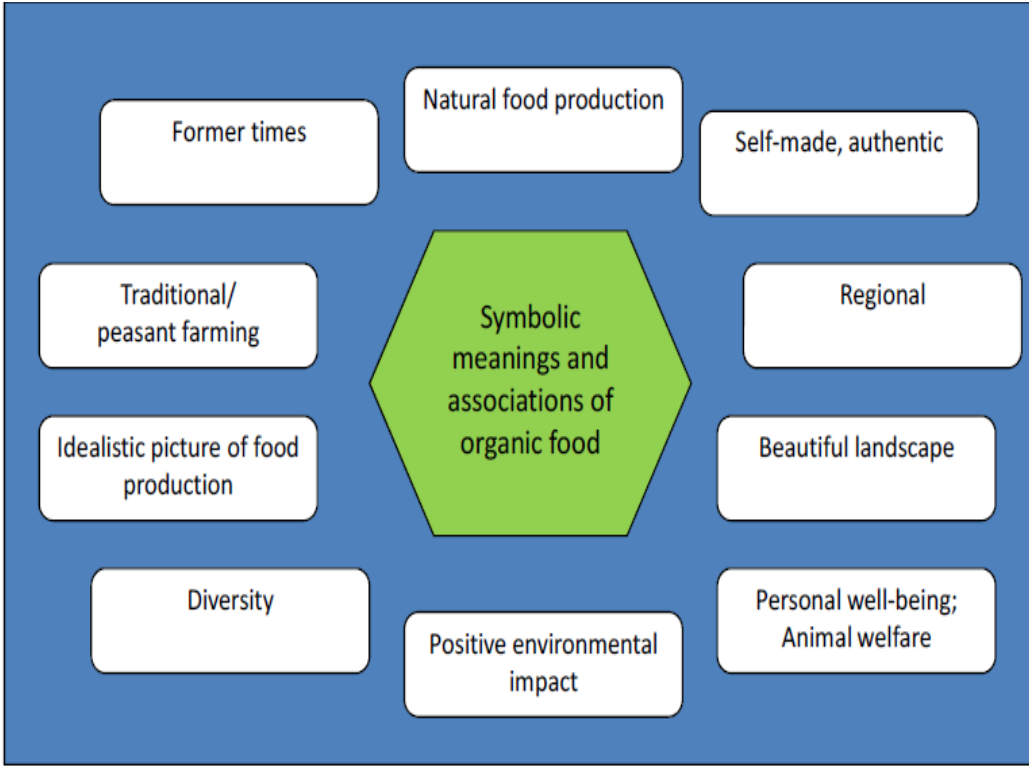
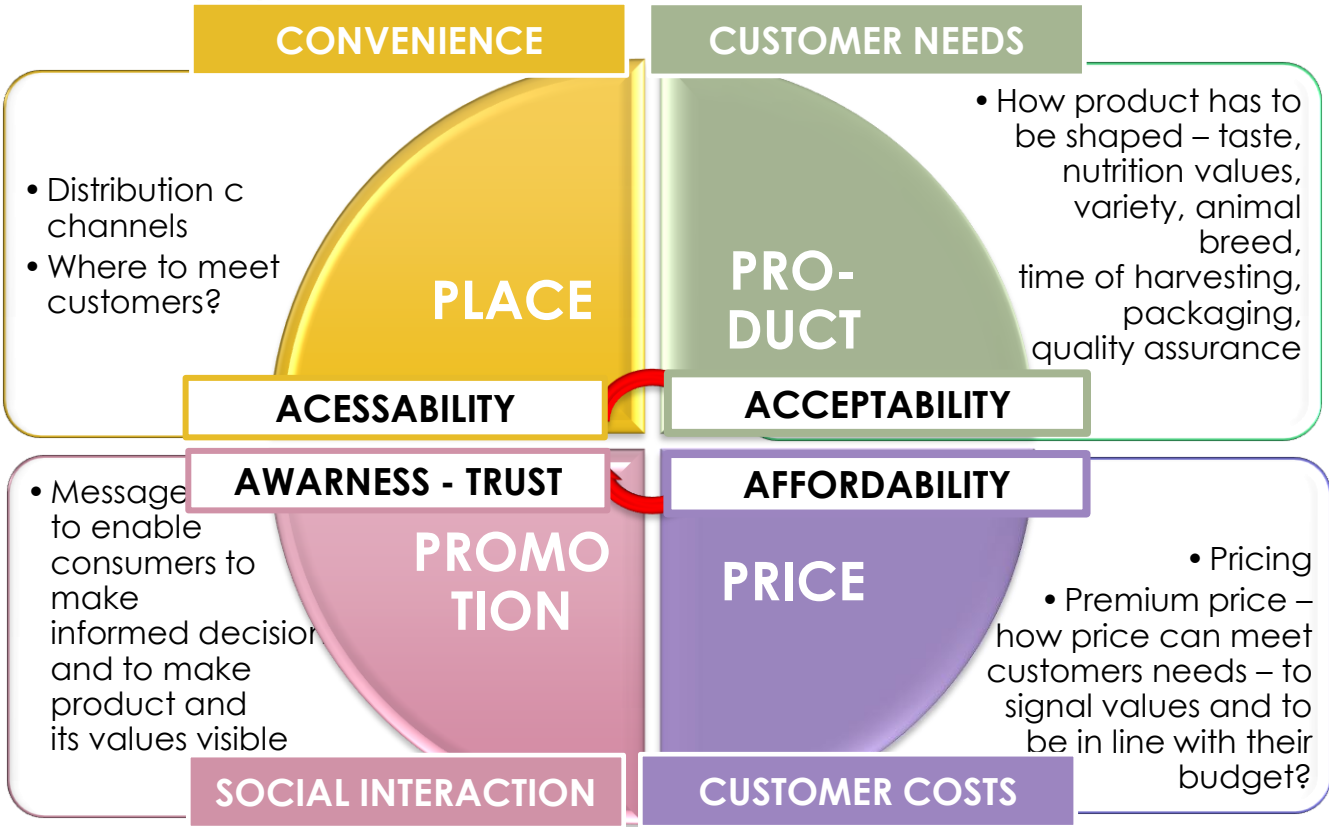
MARKETING MIX

(DECISION ABOUT 4 Ps & 4As & 4 Cs)

FORM CLEAR & ATTRACTIVE & CONSISTENT

DISTINCTIVE SYMBOLIC MEANING
(SHAPED AROUND ADDED VALUES AND LIFE STYLE THAT WE SELL)

SNF/SCOPES

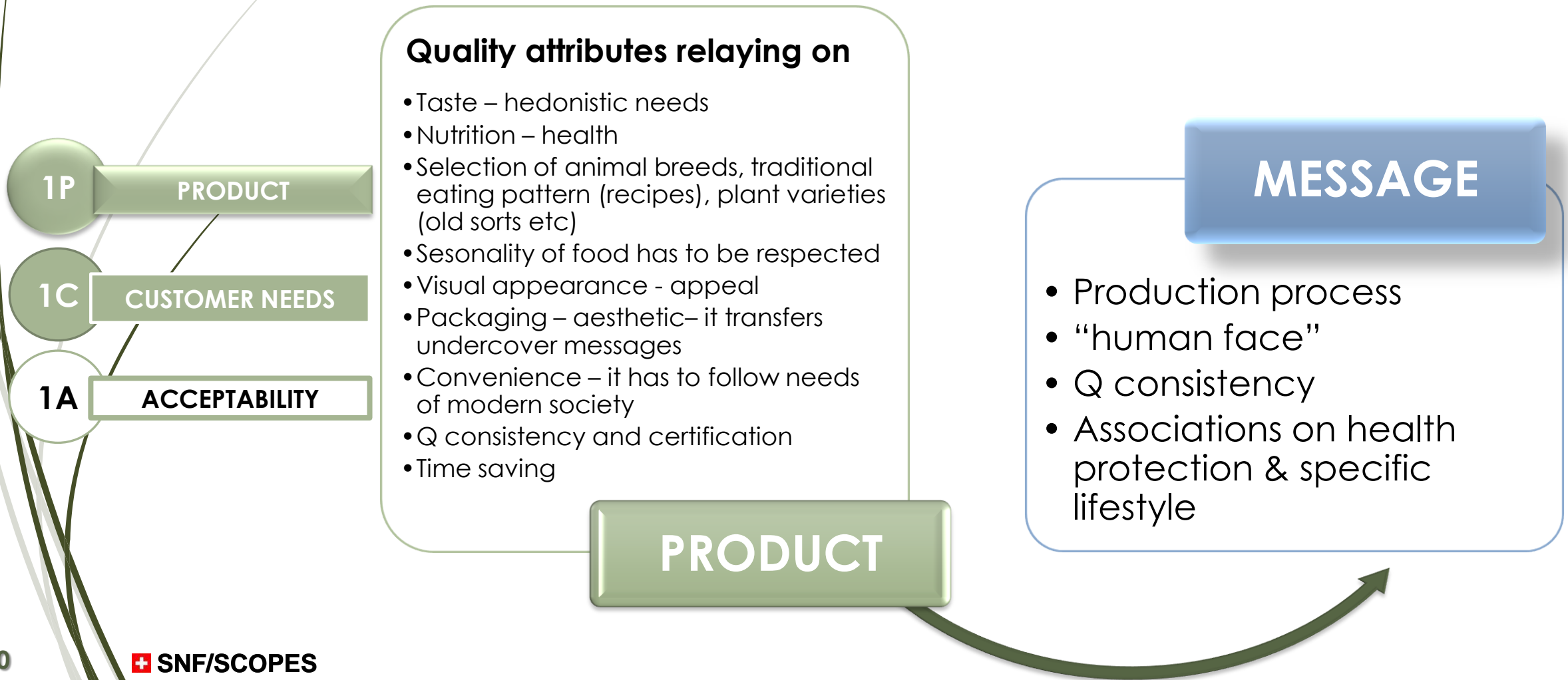


MARKETING MIX – How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?

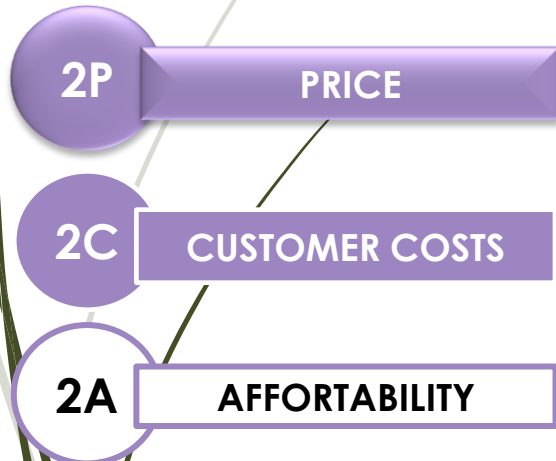
- Organic food can be part of any types of goods, but its marketing has to be build around factors that shape customer's decision. It has to develop, present and make visible a set of added values that are communicated
- The message can be shaped differently, but basic meaning should be:
“...UNIQUE FOOD UNIQUE VALUES THAT I RESPECT...”
- Each of the four parts of marketing mix has to **CONTRIBUTE TO AND HIGHLIGHT VALUES/SYMBOLIC MEANING (QUALITY ATTRIBUTES) OFFERED** in order to **SEND CLEAR TRUSTFUL MESSAGE WHICH WILL ENABLE CONSUMER TO MAKE INFORMED DECISION**
- **COMMUNICATION ARGUMENTS**
 - Difficulties (Complexity of organic farming system & Consumers' perceptions are selective and subjective)
 - Consequences (Effort to educate consumers about the overall system of organic farming has little prospect of success)
 - Solution (Choice of catchy and relevant communication arguments)



MARKETING MIX – How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?



MARKETING MIX – How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?



Decision regarding price premium and policies has to be build upon the:

- Need to send underlying message about values that we sell – credibility & in line with product nature
- Need to build loyal consumers and social interaction – different prices schemes and presents – “human face”
- Need to outline identity & to make distinction – “sharing risk” schemes – pay in advance, pay for tree, animal etc

PRICE

MESSAGE

- PRODUCERS CONTRIBUTION TO the QUALITY OF LIFE added value
- Customer need to contribute to the quality of life – be socially responsible

MARKETING MIX

– How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?

Factors behind the main message

- Making clear differences and outlining symbolic meaning
 - Clear statements about positive consequences of OF consumption
 - E.g. CO2 emission reduction for XX which is the same like XXXXX
 - “human face” and Q consistency
- Labeling schemes
 - Easy accessible info
- Specific lifestyle
 - It is not only food production, it is way of living
- Local identity and culture
- Education function of message is important but it has to be “undercovered” and simple

DELIVERING

- **Social interaction** and credibility have to be focused - innovative approaches
- Mouth to mouth promotion
- Education – involvement
- Point-of-sale information

PROMOTION

3P

PROMOTION

3C

SOCIAL INTERACTION

2A

AWARENESS - TRUST

MARKETING MIX – How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?

It makes “added values” more visible, product more attractive and communication more efficient !!!

4P

PLACE

4C

CONVENIENCE

4A

ACCESSABILITY

Factors behind the distribution options

- Credibility of distribution chain
- Need to have rich social interaction – to know what we eat
- Sending message of social responsibility, greening efforts
- Convenience – time saving
- Domestic or global; large scale or small retail structures; direct & E - marketing

PLACE

DELIVERING

- **Trust & Social interaction (“human face”) & Identity**
- Employees – careful, approachable & informed
- Customer services – info, taking care, easy accessible interface
- Business culture
- Physical environment – clean, bright, smart, facilities, comfort

MARKETING MIX

– How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?

It makes “added values” more visible, product more attractive and communication more efficient !!!

Areas of competition for retailers in selling organic food in matured market

- Assortment
- Price
- Quality
- Convenient shopping
- Traceability
- Competence, advising
- Reliability
- Personal relations
- Value trading

Influence of dominant and important retail chains on organic market development

- › Able to lead the organic market out of the niche
- › Able to catch broad consumer segments
- › Able to drive market, set trends
- › Dominate discussion of standards and regulations
- › Able to start new project to develop organic market
- › Able to stop/slow down organic market development

4P

PLACE

4C

CONVENIENCE

4A

ACCESSABILITY

MARKETING MIX

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– How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?

4P

PLACE

4C

CONVENIENCE

4A

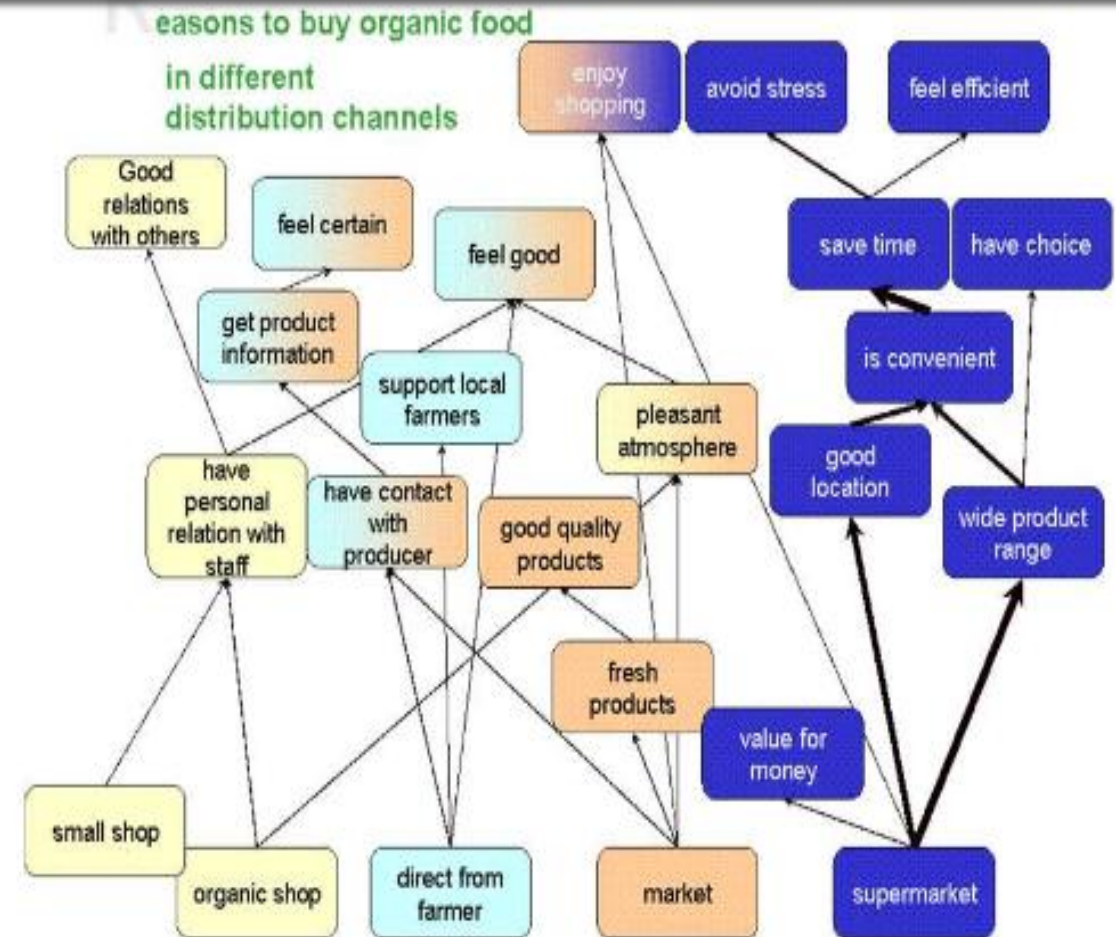
ACCESSABILITY

Main distribution channels

- › Relevance of conventional retailing chains as distribution channels for organic food
- › In most countries conventional retail chains sell more than 50% of total organic food

To buy organic food is more than just to look for a good product

Figure 3. Reasons to buy organic food in different distribution channels



Case Switzerland

Source: OMIARD project, 2003

MARKETING MIX

– How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?

PRO's to purchase organic

- to be able to produce goods and services in which customers see a superior value relative to price and relative to competing goods and services, and
- to be able to do this at low relative costs.

CON's to purchase organic

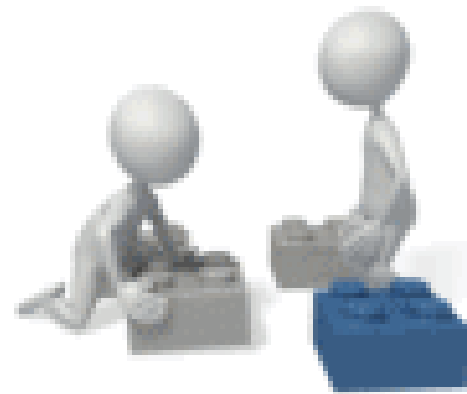
- actual or perceived inaccessibility of organic food,
- inadequate organic food assortment,
- low consumer confidence in the quality and environmental standards for the production of organic food,
- low consumer confidence in the process of certification and labeling of organic food,
- difficulties in identifying organic food and insufficient education of consumers, i.e. their lack of recognition of organic food

MARKETING MIX

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– How to form proper, specific enough “message” that will activate customer basic values and motivate them to become loyal customers?

WE SELL ADDED VALUES – CERTAIN LIFE STYLE



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**ALL ASPECTS OF BUSINESS PROCESS AND PRODUCTS
SEND A CONSISTENT MESSAGE
“...UNIQUE FOOD UNIQUE VALUES THAT I RESPECT...”**



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Organic labeling schemes - how to form appropriate quality signals – certification and accreditation and standards

- Considering the **risks associated** with product consumption, consumers will search for and adopt several risk reduction strategies (Mitchell and McGolrick, 1996; Brunel, 2003) such as brand image (Gurviez, 1999; Gurviez and Korchia, 2002), store image, or label references.
- **LABELING SCHEMES** are mechanism enabling OF to satisfy customers needs regarding “credence goods” attributes – to be able to believe in positive consequence of OF consumption
- are a core of quality assurance system and **COMMUNICATION** at market place



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Lecture 11

Organic labeling schemes - how to form appropriate quality signals – certification and accreditation and standards



- › Helping to transform the credence characteristics of such products into search attributes, thereby allowing the consumer to better evaluate quality before deciding to buy the product (Caswell, 2000).
- › Enabling easy, efficient communication based on trust by providing information how product is produced (according standards)
- › Using signs (quality marks, names) for internationally recognized coding and decoding of messages about products set of values
- › **Being total quality and value signals**
- › Ensures traceability and transparency (it is always possible to reconstruct production process and discover where problem was raised and who is responsible)



Organic labeling schemes - how to form appropriate quality signals – certification and accreditation and standards

ORGANIC LABELLING SCHEME - STRUCTURE

› THE TRADE MARK (sign of labeling scheme)

- › Inform consumers how according to which standards product is produced if the producers have permit of certification body (certification process)

› STANDARDS

- › Focusing the processes giving general statements how processes have to be organized and implemented and define how product has to put on the market

› CERTIFICATION

- › Third party (neutral inspection body) – its role is to control, monitor and inspect producer
- › In the case everything is done in line with standards it issues certification letter and therefore permission to use the trade mark of labeling scheme
- › It has to be accredited – nationally or internationally. The type of accreditation shape its working space (national or international)

› ACCREDITATION

- › Third party – its role is to control, monitor and inspect certification body - the accreditation body issues permit for certification body confirming that certification body is equipped and able to work professionally and be neutral providing the guaranty that producers is following standards. It has to be recognized by international body IAF – International Accreditation Forum. If it is recognized by IAF than certification bodies accredited by them can work at international, world market providing services.



Organic labeling schemes - how to form appropriate quality signals – certification and accreditation and standards

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Accreditation
standards
IFOAM
EN45011



Figure 4.
General function of organic
quality assurance scheme

Source: Nikolić (2014)

Organic labeling schemes - how to form appropriate quality signals – certification and accreditation and standards



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Figure 5.
Source
Belloso et al.,
2003

THE PROCEDURE OF INSPECTION AND CERTIFICATION ACCORDING TO ISO 65

WHAT	WHO	WHAT
SURVEILLANCE AND INSPECTION	Inspector	Observing, recording (fact finding)
INSPECTION REPORT	Inspector	<ul style="list-style-type: none"> • result of the examination • determination of conformity • information to understand
PREPARATION FOR EVALUATION	Person of certification body (not the person who make certification decision)	<ul style="list-style-type: none"> • ensures that requirements for certification are clearly defined • Resolution of any difference in understanding between the certification body and applicant • Ensures that certification body has capacity to perform certification eg. Language skills
EVALUATION	Person of certification body (not the person who make certification decision)	<ul style="list-style-type: none"> • evaluation of applicant against the standards covered by the scope defined in its application
COMMENTS ON THE INSPECTION REPORT	Person of certification body (not the person who make certification decision)	<ul style="list-style-type: none"> • certification recommendation • identified any non conformities and extend of further evaluation and testing
CERTIFICATION	Certification officer	<ul style="list-style-type: none"> • certification decision • Issuing the formal certification documents – certification letter

Note: ISO 65 and/or EN 45 011 and IFOAM guidelines define how certification bodies have to perform its duties

Efficient system

- › Based on assessment of 3 different actors
- › Each actor is lead by its business interest – customer recognition and trust depend on certification quality (lack of risk of fraud) – the demand for certification services (certification body business survival) depend on customer's recognition and trust – that is why system is efficient and less corrupted
- › Supported by regulations which request mandatory elements of labeling process
- › Internationally recognised – same quality signals at each national market

Organic labeling schemes - how to form appropriate quality signals – certification and accreditation and standards

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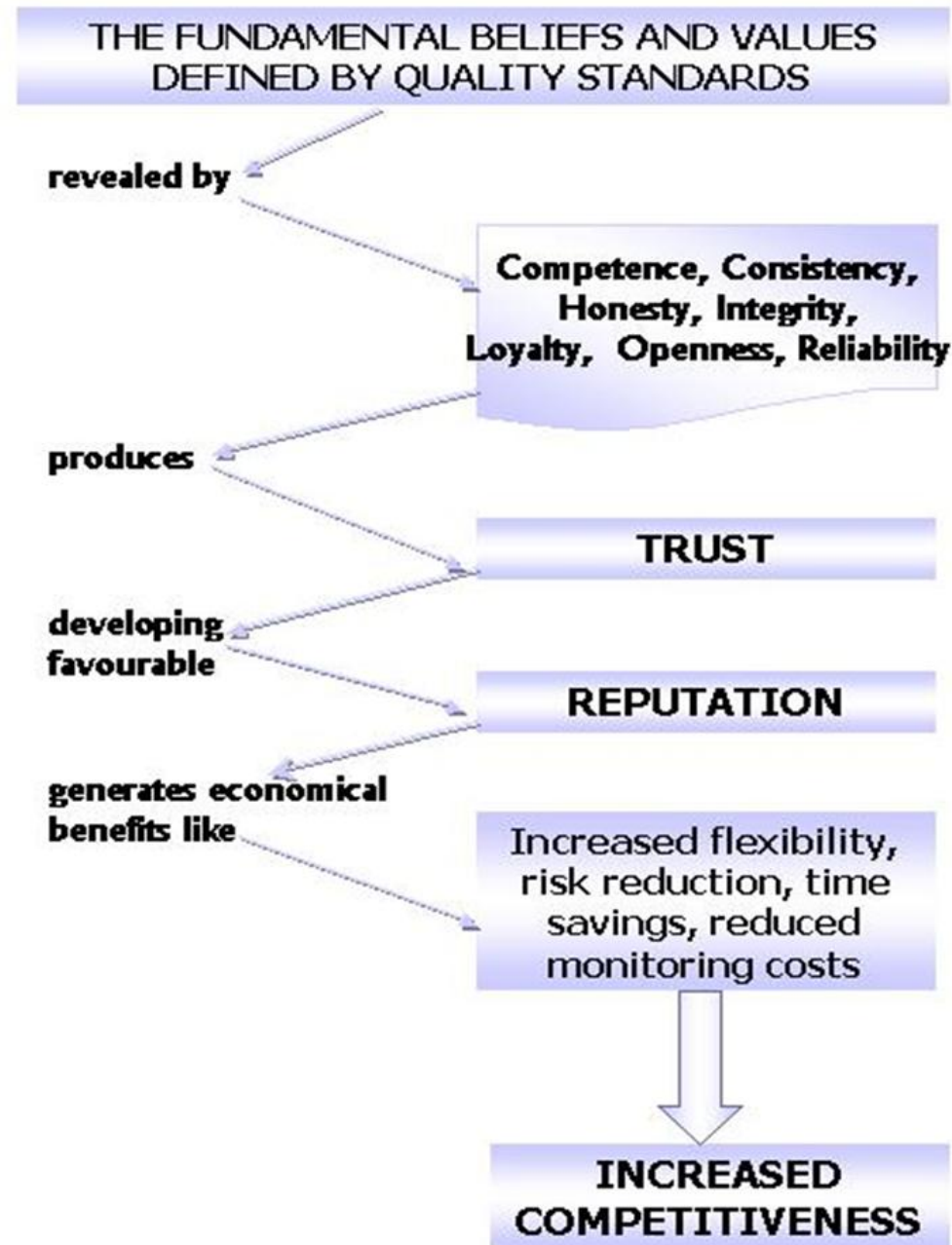


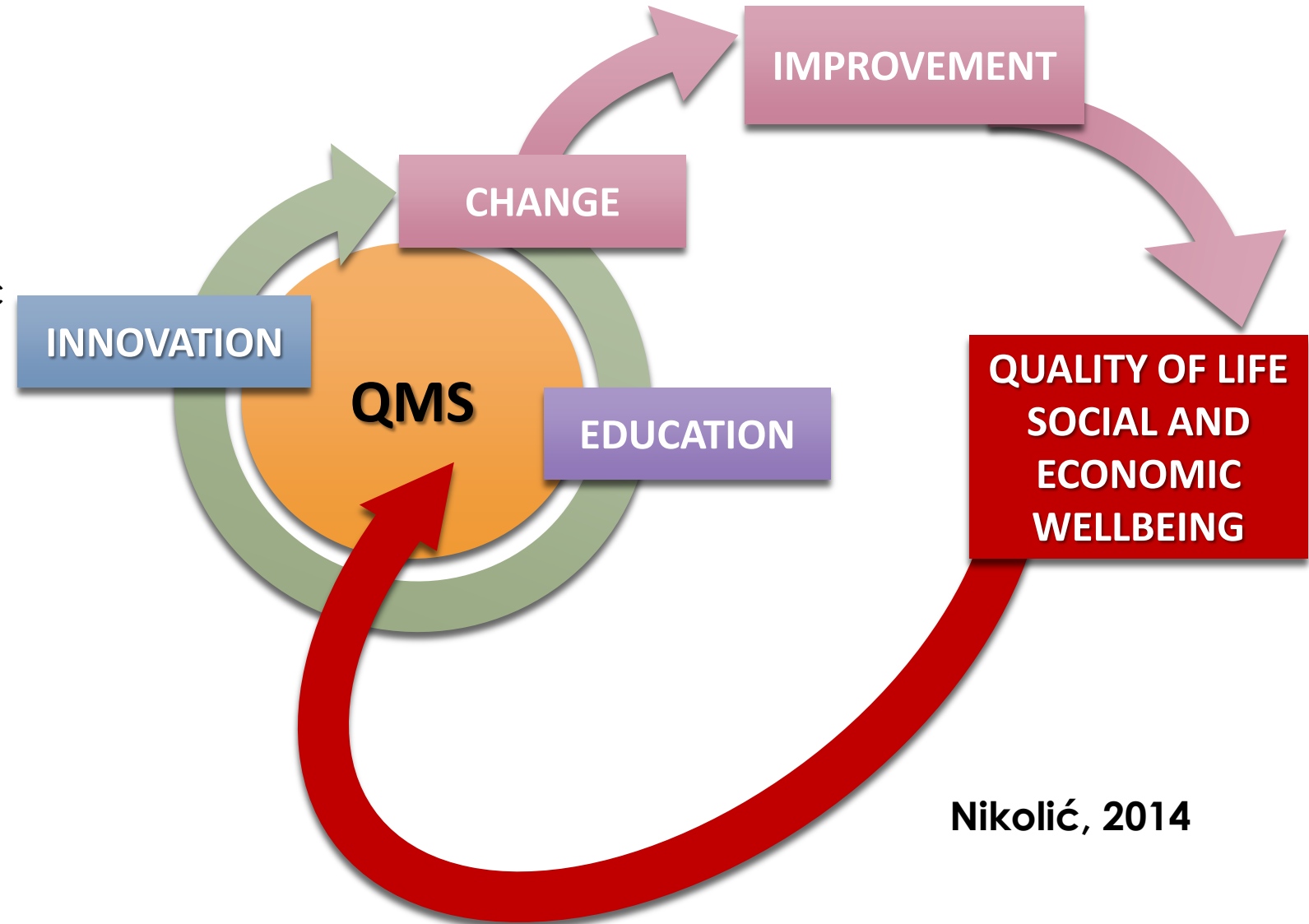
Figure 6.
Third Party Quality Assurance
Mechanism of quality signals
development and impact

Source Belloso et al., 2003



World wide quality assurance system WAY TO SUSTAINABILITY

- quality is “fitness to purpose” of all stakeholders (users)
- ultimate purpose is social and economic wellbeing of all



Nikolić, 2014

World wide quality assurance system at market place



Overview of Quality Infrastructure

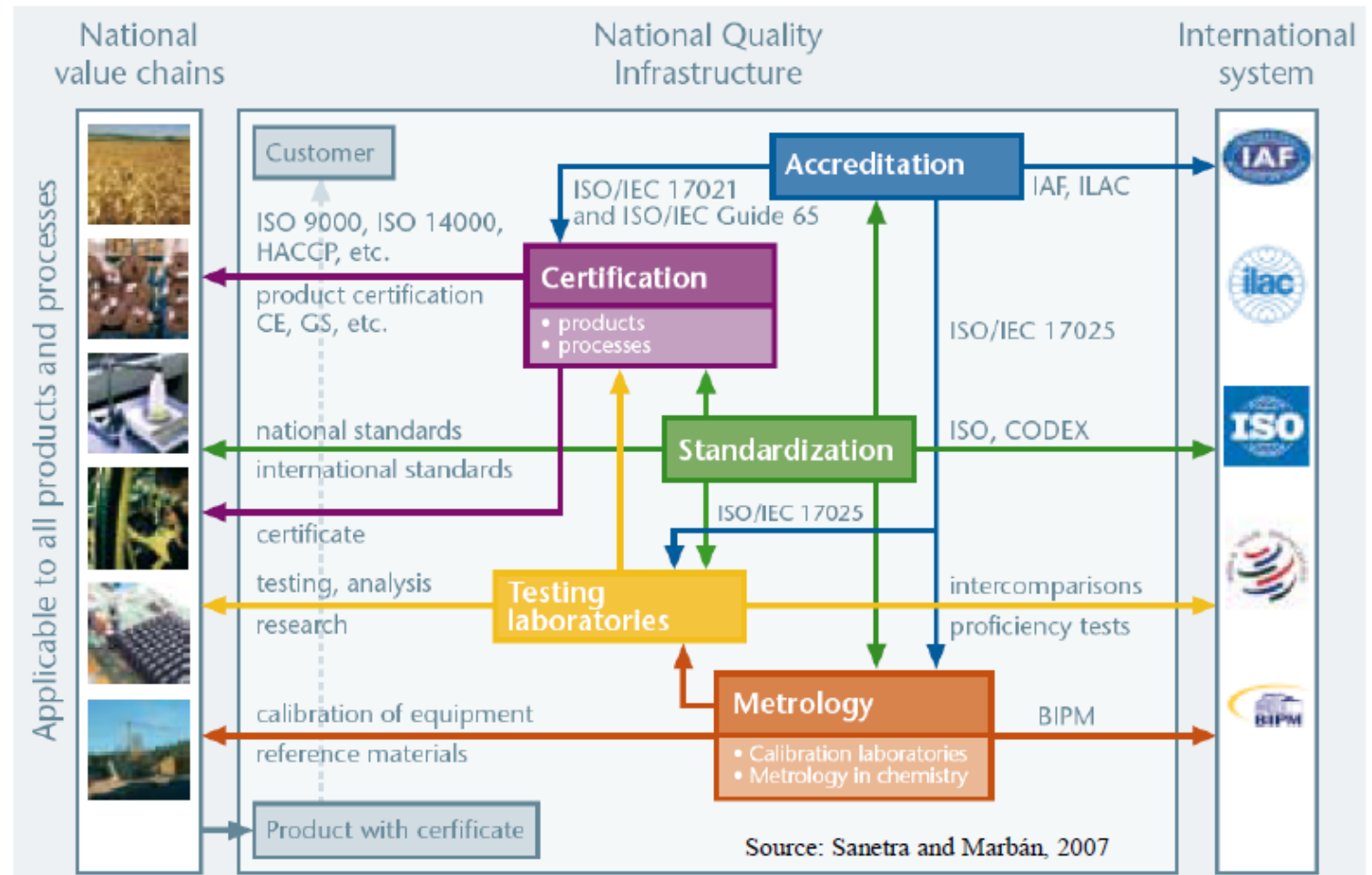


Figure 7.
Overview of Worldwide Quality
Systems – institutions at national
and international level

World wide quality assurance system at market place

Figure 8.
General division of functions & responsibilities in organic agriculture in BiH

Legend

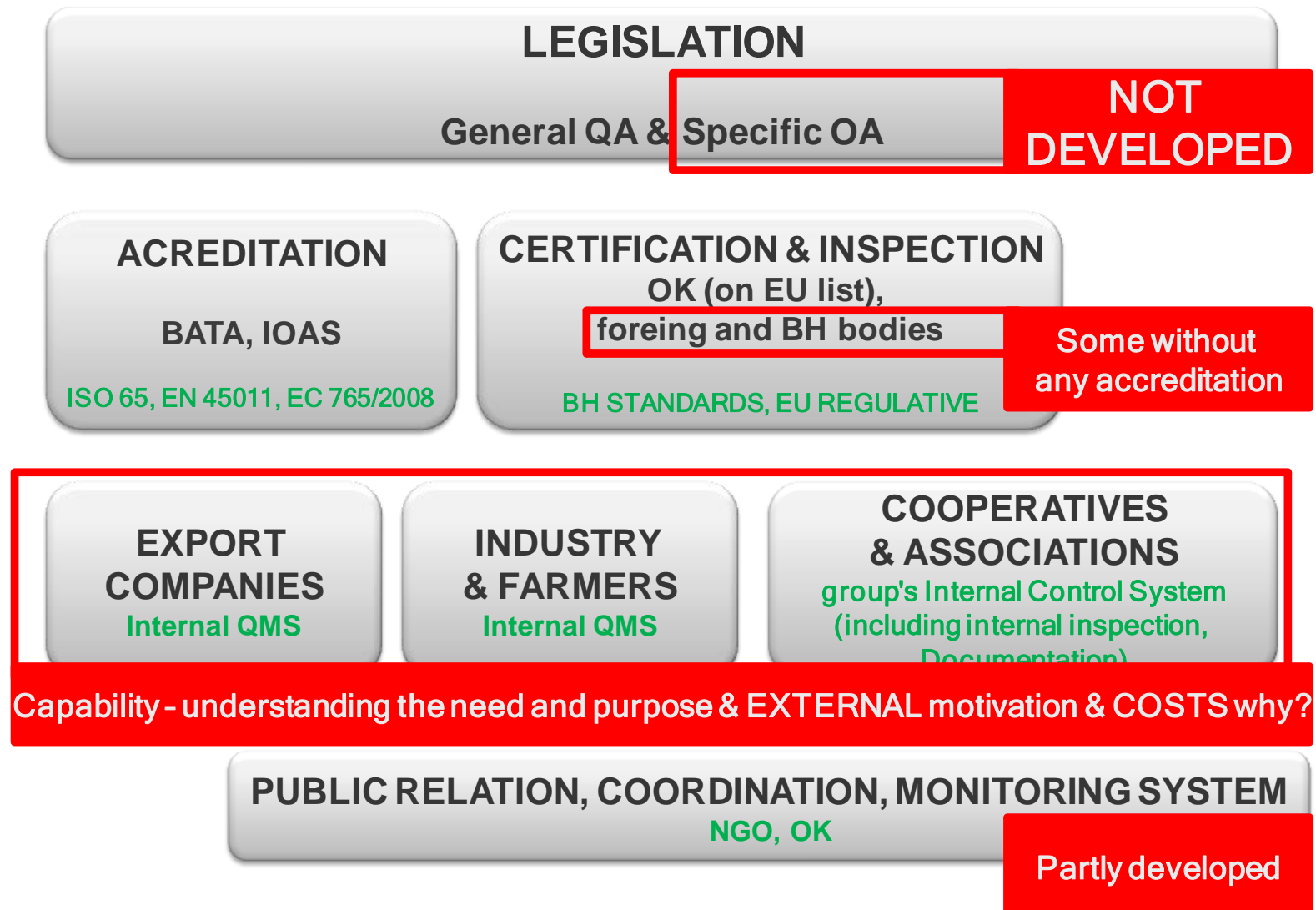
	Full responsibility
	Shared responsibility
	Leading actor in shared responsibility

In each country government civil society and business payers have important role managing organic sector. The division of work and responsibilities between those three stakeholder groups depend on national legislative. The trend is that civil society and business actors play main role.

	Governe ment	Civil society	Business actors
DEVELOPMENT OF REGULATORY FRAMEWORK			
DEVELOPMENT OF INSTITUTIONAL FRAMEWORK			
SUPERVISION			
MONITORING			
ENFORCEMENT			
PUBLIC RELATIONSHIP			
FOREIGN AFFAIRS			
SUPPORT OF SECTOR DEVELOPMENT			

World wide quality assurance system at market place

Figure 9.
OA QUALITY
ASSURANCE SYSTEM IN
BiH



CONCLUSIONS



- OF production system produce set of added values that fit to consumers main concerns – it produce certain life style
- The consumers have to be informed about those values and all elements of business process and products as well as all elements of marketing mix have to form clear, attractive and consistent message in order to activate consumers beliefs
- The message has to be “ this is food with distinctive identity that offers specific values in which I respect...”
- Quality signals have to be shaped in a way to be easily recognized and to be able to communicate added value and raise trust and loyalty
- Quality system take care that needs of all stakeholders are fulfilled and that system is improved all the time, so quality assurance system is and will be key of market development and will path way to sustainable development of Planet
- **Modern marketing concepts, knowledge, skills and institutions have to be used to boost organic food development**

FUTURE READING

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- › http://orgapet.orgapet.org/annexes/annex_C4-6.pdf
- › <https://www.fibl.org/en/shop-en/article/c/w/gen-economics/p/1362-consumer.html>
- › <https://www.fibl.org/fileadmin/documents/shop/1636-organic-world-2014.pdf>

Lecture 11



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