Organic Products as Key Differentiators for Business Success – Case Studies in the US and European Context

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Abstract— Though there is enough scientific evidence regarding the benefits of the consumption of organic food, organic food constitutes a small portion of the total marketing of food products. Farmers are unaware of the methods adopted in producing organic food products and land under coverage of organic products is very less resulting in low production and high prices. There is a crying need to improve awareness of producing and consuming organic food. This paper contains case studies of enterprises in US and Europe which have promoted organic farming and are now benefitting from increasing customer base and better revenue flow. They highlight methods they have adopted to cater to the customer requirements of fresh, clean organic produce. They can serve as guidance to firms in developing markets which plan to cater to requirements of the organic food products industry and help them greatly in developing a viable business model.

Index Terms— Organic Food Products, Environment, Differentiation, Sustainable Business Model

I. INTRODUCTION

Gaining and sustaining success in today’s business environment is a different ball game altogether when compared to success strategies adopted by companies in the past. While churning out good quality products and services was sufficient to achieve success in the past, it is no longer sufficient. Organizations today have to provide superior quality to stay in the market but to effectively compete and succeed they also have to differentiate their offering in ways which are appealing to their customer segment while focusing on creating value to all their stakeholders.

While companies are in their relentless pursuit of profits and growth, the customer is focused on deriving the best value from his every transaction. Value in today’s context has shifted from purely monetary value to a much more wide term which encompasses health, well being, protection of the environment, ethical business practices and organizational citizenship behavior. The relationship between the marketer and the buyer has transformed from an exchange based on money to an exchange based on trust, integrity and commitment. This presents great challenges to companies who need to focus on not only turning out quality products and services which are innovative in fulfilling customer requirements in ways which are better than what the competitor is offering but also have to rewire their organizations to do all their activities in a transparent and ethical manner not only taking into account the well being of the customer but also the planet.

While quality, cost, design, performance, features, adherence to delivery schedules and pricing were differentiating features in the earlier era, they have now become hygiene factors in the competitive arena. The world over there is increasing consciousness of the enormous harm that has been inflicted on the planet because of the mindless pursuit of growth and profit at all costs which had given rise to the tendency to exploit the resources of the nature without any regard to their renewal, replenishment and sustainability. There is increasing consternation among the consuming public about the corporate sector’s insensitivity and callous disregard for the environment as well as the well being of the stakeholders.

While the world is currently reeling under the downturn with no recovery in sight because of the greed of the so called wizards of the financial sector in the US, a more serious issue that needs deeper introspection is the enormous harm caused to human well being and the planet’s sustainability because of the transgressions of the food industry.

Continuous use of harmful chemical fertilizers, pesticides and over exploitation of land is threatening to convert once fertile land into fallow lands unfit for cultivation. Productivity levels are falling and yields are coming down prompting the World Bank to send alarm signals that the world would lose its capacity to produce enough to feed the growing population. While food riots have become widespread in the underdeveloped war ravaged regions of the world, the day is not far off when they spread to the developed world.

Though there has been enough documented evidence regarding the beneficial impact of the consumption of organic food, organic food currently constitutes only a small portion of the total marketing of food products. One of the main reasons is the lack of awareness of consumer and the other being the high cost of organic food products. Since many farmers are not aware of the methods to be adopted in producing organic food, the land under coverage of organic products is very less.
This results in low production and therefore high prices. In many Asian countries, organic food products are priced five to six times that of food products produced used chemical fertilizers and pesticides.

Therefore there is a crying need to improve awareness regarding the benefits of consuming organic food products among the consumers. The farmer’s associations in coordination with the agricultural department should train farmers on the methods of organic farming. Apart from organizing training programs for enabling production, marketing support should also be extended. Rise in demand for organic products would provide the required confidence to the farmers that their produce would find ready consumers and a steady stream of income.

This paper contains a few case studies of enterprises in US and Europe which have promoted organic farming and are now reaping the benefits of increasing customer base and better revenue flow. These case studies highlight the methods that they have adopted to cater to the customer requirements of fresh, clean organic produce. They can serve as guidance to firms in developing markets which plan to cater to the requirements of the organic food products industry and help them greatly in developing a viable business model.

II. RESEARCH GAP

While the usage of differentiation as a key tool of competitive advantage has been well documented in the strategic management case studies, the existing literature predominantly relates to manufacturing and the service sector. Moreover adoption of differentiation has been with the prime objective of growth, profitability and market share gains. Not much research has been carried on the adoption of differentiation in tune with responsible business practices and the literature on this subject is therefore quite scarce.

III. RATIONALE OF THE STUDY

The increasing interest and focus on ethical consumerism has shifted the onus from growth at all costs to growth derived from ethical and responsible business practices. This shift is more evident in the consumer space with added emphasis on food products. Therefore the researchers evinced interest on showcasing few case studies of enterprises across the developed world with particular reference to the US and Europe which have achieved great success by doing good. The enterprises which are featured in the case studies are shining examples of creating profitable businesses by differentiating their offering through catering to the need of consumers for organic food produce.

IV. LITERATURE REVIEW

Theodore Levitt (1980) stated that differentiation is a matter of continuously looking for gaps in market coverage that the company can fill, of looking continuously at new ways of influencing buyers to choose one’s product instead of competitor’s. Differentiation is not limited to giving customers what they expect. What they expect might be augmented by things they have never thought about. Customers attach value to a product in proportion to its perceived ability to help solve their problems or meet their needs.

Peter R.Dickson, James L.Ginter (1987) stated that product differentiation is not limited to only non-physical product characteristics. Product differentiation is not an alternative but a means to implement market segmentation.

Corstjens and Corstjens (2000) opined that retailers and manufacturers compete for a consumers mind space. Mind space is about making a consumer learn and remember. Brands need to differentiate and move to supplying wants for shoppers rather than meeting their basic needs. A successful consumer product builds up a web of experiences and assures buying habits for the end consumers. There are not that the manufacturers hold outside the company in the minds of the consumers and retailers.

Chris Zook and James Allen (2011), stated that differentiation is the essence of strategy, the prime source of competitive advantage. You earn money not just by performing a valuable task but by being different from your competitors in a manner that lets you serve your core customers better and more profitably. The sharper your differentiation, the greater is your advantage.

Nucifora and Peri (2001) stated that organic food has indisputably entered the food market while market demand for such products has expanded rapidly in the past decade. People throughout the world, especially those with a higher standard of living, seem to prefer foodstuffs that are produced and processed by natural methods. Moreover they are beginning to opt for products of organic origin, wherever available.

Lampkin and Padel (1994) stated that organic products first appeared in the Europe in the 1920’s, but at that time the financial difficulties constituted a barrier to entry in the market. It was not until the 1980’s that organic agriculture started to gain acceptance and international standards were set.

De Haen (1999) suggested that action should be taken in order to support consumer confidence. Reliable systems for monitoring and verification for certifying the organic nature of the products could also contribute to this direction.

Kotler (2000) The market of organic products is a market of differentiated quality products and primarily requires long term strategic policies and tools in order to establish effective marketing conditions

Davies and Wright (1994) opined that packaging or organic products should be ecological, modern and attractive. The label should include all the necessary information and guarantees associated with the organic origin and certification of the products, based on reliable analysis.

Balats (2001) suggested that in case of organic food products, consumers should not be confused by technical terms placed on the label. On the contrary, since label
information seems to affect consumers’ purchasing decision, the information appearing on food package labels should be unambiguous.

Loader and Hobbs (2009) suggested that the traditional and dietary customers are more likely to become customers of organic products. Thus, good communication is essential. A very effective way of reaching the customer is through advertising and sales promotion. Indeed, in order to make commercial progress regarding the image of these products,

Jennifer S. James, Bradley J. Rickard, William J. Rossman (2009) had the objective of studying consumer preference of locally produced and low organic food. A consumer survey was administered that asked respondents to choose an applesauce product from a list of products differentiated by price, and by labels that described fat content, nutrition content, and whether the product was grown organically and/or locally. Their analysis indicated that consumers were willing to pay more for locally grown applesauce compared to applesauce that was labeled USDA Organic, Low Fat, or No Sugar Added.

Jervell, A.M.; Borgen, S.O. and Flaten, O. (2004) stated that while 3 percent of the fields in Norway are grown organically in the advent of the 21st century, only a small share of the resulting products reaches the consumers as organic food. A number of factors can explain the relative lack of success of organic products through the value chain. Lack of differentiation from conventional foods may discourage consumers.

Pretty at. Al (2005) and Thilmany, Bond and Bond (2008) opined that a ‘locally grown’ designation would be an equally lucrative differentiation strategy compared with “organic” with lower up-front costs.

Loureiro and Hine (2002) conducted a survey in the produce departments of Colorado grocery stores to determine consumers’ willingness to pay for locally grown, organic, and genetically modified organism-free (GMO-free) potatoes. Results showed that consumers were willing to pay an additional 9 cents per pound for the Colorado-grown potatoes, 7 cents more per pound for the organic potatoes, and 6 cents more per pound for GMO-free potatoes.

Loureiro, McCluskey, and Mittelhammer (2001) conducted an intercept survey of grocery store shoppers to examine the relationship between socio-demographic characteristics and consumer preferences for organic, eco-labeled, and conventionally produced apples. Overall, eco-labeled apples were determined to be an intermediate choice between organic and conventional apples; “green” consumers, those with characteristics shared by buyers in the organic and eco-labeled market, were more likely to purchase organic apples.

McEachern and Willock (2004) conducted a survey in the United Kingdom to find out the main drivers of organic meat purchases. Their survey revealed that the main drivers of organic meat purchasing activity were higher perceived standards of animal welfare, health benefits, and farm experience.

Cloud (2007) stated that there is some indication that growth in organic sales has reached a peak in key markets, while sales of locally produced foods are expected to increase over the next decade

V. CASE STUDIES
A. Case Study 1: Door to Door Organics (US)

The enterprise has built a viable business model of bringing quality food from farms adopting healthy and sustainable practices to the table in an efficient manner with the aid of technology. The firm is committed to:

- A service that is guaranteed to delight customers.
- Making Good Food choices easy, accessible, delicious, and fun.
- Goals to get it right -- every order, every time.
- Seeking sustainability in all its activities
- Building partnerships that create win-wins for suppliers and customers.
- Becoming leaders in promoting Good Food.

The firm ties up with organic farms whose produce are USFDA certified. It aims to provide locally produced organic fresh food products to its customers and also provides customers information from where the products are sourced. This enables the customers to know from where their food is coming from and make informed choices. Some of their suppliers are:

Customer Benefits:

- Organic Products at Fair Price
- Clean Products free of dust and bugs
- Fresh Produce
- Since the contents of the box that would be delivered is intimated to the customer in advance, changes can be made according to customer requirements
- Flexibility to sign up and exit from the service any time
- Customers have the option of putting items in either a list titled “Produce I think is awesome” or “Produce I don’t want” to make sure that they only get what they prefer.
- Customers have the option of choosing the time and place of delivery
B. Case Study 2: Riverford, UK

Riverford has been following organic farming from 1980. Under the weekly veg. box scheme organically growth fruits, vegetables, dairy and meat products are delivered to the customers.

Riverford has five farms for growing the organic produce. The firm which started with weekly delivery of 30 boxes, today delivers over 50,000 boxes per week nationwide. The success of the firm has been mainly because of the positive word of mouth from satisfied customers.

The website offers information about not only the ingredients in the boxes that the company offers but also provides advice on which type of box to be ordered based on the number of members in the family and the number of times cooking is done for the household.

Its website contains a list of recipes and also encourages users to share their tasty recipes. In keeping pace with recent technological developments it also provides the facility of free download of recipes on iPhones.

The firm regularly organizes farm visits which provide an opportunity to the public to have a first-hand experience of the organic farming practices of the enterprise and also serves as a learning opportunity for the children to understand how food products are produced. It runs its own restaurant which serves a 2 course meal and a 3 course supper.

C. Case Study 3: Aarstiderne of Denmark

Aarstiderne is an online food supermarket supplying organic food produce to over 45,000 customers in Denmark and Sweden. Started in 1999 by farmers, Thomas Harttung and Chef Soren Ejlersen it has created an online platform to connect consumers with farmers.

Initially started with a network of 15 farmers, today it procures food products from over 50 farmers who practice organic farming. Farmers produce are procured, packaged in environmental friendly packaging material and delivered at customers doorsteps. Though the focus is on local produce, based on customer request some items are imported.

Since the firm was started with minimum capital, to tide over the problem of finances, it earlier required customers to pay a 3 month advance which has now been reduced to a month. It offers customers wide ranging combinations of lunch and dinner menus and also nutritious snacks for professionals.

Customers can order online and the products are delivered weekly. Earlier the company was taking order through a call centre. The problem with this model was that customers were not able to pick and choose from the variety on offer and had to buy what the company provided. To enable customization of orders the company moved to a web based platform. As proof of the customer friendly nature of the website it won the IT business’ e-commerce prize and has established itself as one of the most advanced e-commerce companies in Denmark.

To popularize the concept of organic food among children, the company runs, ‘Garden to Stomach’ which has over the years grown to become a very famous school project. In this project, school children are taught about co-operation, farming, cooking and healthy eating. The children participating in the project can grow their own gardens, experience nature and cook together.

Aarstiderne has also become a preferred training ground for corporate. Companies send their employees to the firm for getting training on team building and also attend health and wellness camps.

D. Case Study 4: Estafette Odin, Amsterdam

Estafette Odin deals in organic and biodynamic food. The organization has created in 1983 to serve as a platform for connecting the producers, consumers of organic food. The organization which was basically started as a co-operative venture to promote the concept of organic farming and organic produce now has a turnover exceeding € 40 million. The shares of the company are foundation by a foundation Odin is involved in wholesale of organic and biodynamic food, the Odin vegetables and fruit subscription, and the (expanding) network of the Estafette organic food shops.

The goals of the company are:

a). Ensuring a healthy agriculture that respects and cares for the earth;
b). Supplying high quality food that respects humans and their health;
c). Maintaining a healthy company that respects humans, raw materials and the earth.

Customer can place their orders from any participating health food shop. They can pick up the package weekly on a specific day and you payments have to be made a week in advance. Customers have the option of skipping weeks.

Products are sourced both locally and from the Mediterranean and are transported by road and not by air in order to reduce the carbon foot print.

Currently around 15,000 customers pick up their fruit- and/or vegetable bag at one of the approximately 350 pick-up points all over the Netherlands. Every week customers are supplied with a different range of organic and biodynamic quality products, which are accompanied with product information about growth, origin and recipes.

Customers can also shop at the Odin-webshop which is stocked with a growing range of the best quality organic and
biodynamic fruit, vegetables, meat, dairy, fish, marmelades, juices, wine, baking products and other groceries. Customers at the webshop can pick up their order at an agreed pickup point nearby on an agreed day of the week.

IV. CONCLUSION

The modern day agriculture and livestock industry based on continuous and widespread use of chemical substances does not only threaten food security but has also resulted in a variety of ailments and health disorders. This has resulted in the call for organic based agriculture and food produce. The shift from chemical or synthetic based food and food products production to organic produce has been slow because of its higher cost, but communities across the world have come to realize that they may have to pay more, the long term benefits for mankind and the planet far outweigh the higher costs. This has prompted enterprises in the developed world to undertake organic farming practices which provide for better quality of human life while at the same time ensuring sustainable livelihoods. The welcome shift from chemical based farming and food production to organic farming has been greatly welcomed by consumers as evidenced by the range of enterprises that have been started to promote organic produce as also from the growing sales of such produce.

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