Organic Marketing Initiatives
and Rural Development

A Guide to Successful Organic Marketing Initiatives

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Foreword

The background of this handbook derives from the results of a European Research project, Organic Marketing Initiatives and Rural Development (acronym: OMIaRD), funded by the European Commission from 2000 to 2004. The overall focus of the project was to identify marketing and promotion strategies that can maintain and enhance organic production and processing activities. This is particularly important as the volume of organic produce that is generally available is increasing, and significant players, such as large farms and conventional marketing co-operatives, are becoming involved in the market. Increasing volumes mean that farm gate sales and marketing through specialist shops, though still important, can now only be a specialised part of marketing in the organic food sector. The wider world of supermarkets, larger food manufacturers and mainstream marketing institutions provides opportunities, but is also uncertain, difficult to deal with, and fiercely competitive.

The project used the term OMI (Organic Marketing Initiative) to define an organisation in which 'organic producers and other players involved share a common interest in producing, processing and marketing organic products, possibly in a mix with conventional products'. Investigating these OMIs from a range of perspectives provided a rich source of information. Many of the more interesting experiences contributed to the development of the ideas set out in this handbook, and are included as examples in the text.

The rapid increase in production of organic food is creating new and more complex challenges for marketing, from vegetable box schemes to large co-operatives supplying the precise quality and volume required by supermarkets. This is particularly important for organic farmers in less favoured areas, or other areas where marketing opportunities are relatively underdeveloped. A possible strategy for many farmers is to co-operate in regionally or nationally operating marketing initiatives.

There are several advantages of marketing through collective marketing initiatives:

Organic Marketing Initiative Öko-Korn-Nord in Germany. *(Photo: D. Menzler)*

- Better collection of supply
- Increased market power
- Possibilities for diversifying marketing activities

For organic farmers, involvement in collective marketing has existed for many years, as a means of expanding what began as a small and dispersed organic market. The earliest example we describe in this handbook had already started in 1946, in a period when organic farming was in its pioneering phase. In recent times, in several countries, organic farming has become part of the mainstream. This requires organic farmers to market their products to a greater extent through conventional sales channels of supermarkets, which provide new challenges for collaborating groups. Some initiatives have had to revise their objectives, and many new forms of horizontal and vertical co-operation have been established.

Organic marketing initiatives and sustainable development

Though sustainability is a much-used word, it covers a wide range of complicated processes and its meaning changes depending on one's viewpoint, so different people understand it in different ways. Perhaps, for farming and the wider countryside, it could stand for the solution to the many problems and fears about unwanted changes, such as worsening environmental conditions from intensive agriculture, loss of young people to the cities because of poor wages and working conditions, breakdown of tradition. Sustainable development would not stop changes from taking place, but would protect important assets to maintain and improve the quality of rural life.

Conversion to organic farming is an important step towards sustainable development, as it reduces pollution and supports natural life cycles that build fertility and protect against pests and diseases. Reduced costs and premium prices can improve farm incomes, especially now that support is being decoupled from production levels. But in the fast-changing world described above, the role of organic food is changing. Dealing with this wider world, in which agriculture is only one part of an ever more complex whole, is risky. The gains for farming communities from organic agriculture could be lost unless the ability to respond to the new marketing challenges develops in an appropriate way.

Groups of producers, coming together to market organic products, can begin to take back control and gain more of the value added along the food chain. There are costs, of course. Working in groups requires discipline to maintain reliable levels of quality in output, and sometimes lower prices have to be accepted for the sake of longer-term profitability. The co-operative structure can be weak in terms of management decision-making, and ensuring that investment in jointly owned assets is adequate. On the other hand, the benefits from successful collective marketing initiatives can help to overcome the problems, described above, that affect so many rural communities.

First, collective organic marketing improves the competitive position when dealing with other businesses. Bringing together larger volumes over longer periods of time allows a range of different needs to be served (from food manufacturers to direct sales), improves profitability and thus allows prices to continue to be paid to farmers. If initiatives get involved in processing, more of the value added can be passed back to farmers in the form of improved prices, although it is important to accept that investment costs are necessary. But with control over several stages in the food chain comes influence over where jobs are generated. Farmers can decide, within some limits, where best to base their activities for the benefit of their communities, sometimes even being able to create jobs for themselves to supplement farm family incomes.

Second, control over marketing provides the opportunity to build up the knowledge of customers about the food they buy. They already recognise the organic food system as meeting their concerns about food and health, but an emphasis on the local, traditional nature of food can help to win loyalty from the home market, and reduce some of the wasteful transport involved in present distribution systems. Of course, in many rural areas the home market is limited, and the bulk of output has to be sold further away; but control over marketing allows this to be done in ways that boost the environmental image of the product, and can also contribute to building a positive image for the region in which it is produced.

Third, collaborative marketing gets people working together to solve problems. The skills needed to do this are the same as those required for solving larger problems, and are best got hold of through practice. There is now a great deal of evidence on the importance of self-reliance in economically successful rural communities. The trust generated by successful collective activity builds confidence and gets people involved in wider networks on behalf of the group; once established, this circle of activity allows more ambitious projects to be undertaken, as well as spilling over into other important benefits. The principles of organic farming fit closely with this path of social and cultural development, and can support lasting and worthwhile effects on rural communities.

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Introduction

1

Who is the handbook written for?

This handbook is based on the experience of active and successful organic marketing initiatives, and aims to provide advice for genuine and practical sustainability. This is not easy, since every rural community is unique, and the experience may apply only to that particular community. But the guidelines that they offer, such as meeting the specific requirements of consumer demand, maintaining high standards in terms of product quality and environmental impacts of their production, ensuring that decision-making is efficient and effective, can all help to strengthen and develop farming, the communities it supports, and the landscape it operates in. This handbook for a broad audience with an interest in establishing, strengthening and further developing marketing initiatives, such as:

- Farmers involved in collective marketing
- Advisors, especially in regions where farmers want to strengthen or improve their co-operation in marketing
- Processors involved with marketing initiatives
- Members and officials of regional marketing boards or groups
- People working with or for non-governmental organisations, who may act as initiators or partners of OMIs
- Regional development planners

As a consequence, we are not writing for specialist readers: our handbook has be easy to understand. We want to motivate potential readers to understand the basic concepts and be inspired (or warned!) by the good (and less good) examples given.

The purpose of the handbook is to give guidance for players who:

What is the main goal of the handbook?

a) Want to start or support a marketing initiative
b) Want to re-orient a marketing initiative

To make successful marketing possible we describe, on the one hand, the main challenges of the market and policy environment for

OMIs and, on the other hand, key factors for management. In different stages of the development of marketing initiatives, different priorities and activities are relevant.

How is the handbook structured?

Chapter 1 introduces the background and objectives of the handbook. It describes different types of initiatives and looks at their approaches and strategies. The importance of OMIs for regional development is outlined.

Chapter 2 describes emerging market trends and the future policy environment for marketing initiatives. This is based on the part of the OMIaRD project that explored the development of the organic market in Europe, including consumer trends for both organic and regional products. Here we look at what the trends might mean for OMIs in the future. Also, EU policies for the development of rural areas are outlined and, in general, the potential sources of support for OMIs are highlighted.

Chapter 3 is the principal section of the book. It provides an overview of the internal success factors in three phases of the lifecycle of an OMI, which are:

1. the pre-start or preparatory phase,
2. the start-up phase and
3. the maturing or reorientation phase.

In particular, in the pre-start phase we show how to identify a good business idea based on a vision. The vision needs to be translated into objectives, and good partners must be found and motivated to participate in the project. This should be based on analysis of the market and the market environment, as well as funding possibilities, leading to a SWOT analysis (strengths/weaknesses - opportunities/threats). A feasibility study will help to decide whether or not to proceed to the start-up phase.

In the start-up phase, we set out the importance of detailed analysis of internal and external factors that provide the key for defining strategic objectives. These will help in working out effective marketing strategies and establishing the correct marketing mix to meet the needs of the target consumer group(s). Management planning is a key issue for successful marketing and is therefore the focus of special attention in this book. The most promising form of organisation is explored, and the best ways to prepare implementation of the marketing plan. There are opportunities, but also risks, attached to using support from national or regional funds. In this phase, the key is to monitor objectives and achieve results most effectively.

In the maturing phase of an organisation, new questions become relevant, such as how objectives can be adapted over time, and the way strategies of the enterprise can be developed and combined to gain synergies (e.g. with segmentation, co-operation, price/quality strategy). It is shown how results can be evaluated and what adjustments are necessary to respond to a changing environment and membership, including adaptation of organisational structures, management, networking and reallocation of human and financial resources.

Chapter 4 summarises the main factors of success. These include the role of key individuals; management; the importance of strategic planning and clear objectives; the role of innovation; the role of coherence, motivation and identity; brand policy; the role of networks; the importance of market research; public funding; economies of scale; hazards and risks in general.

The authors hope that, in addition to presenting valuable information, the contents of the book will stimulate all those who are involved in organic marketing initiatives to reflect critically and constructively on their own marketing activities.

Analysis of the market and policy environment

2

2.1 Organic food market in Europe

Developments of the market for organic food are of great importance for all organic producers, as they define the framework for all businesses. This chapter gives a brief overview of the most important developments in the market. However, it is not easy to analyse the organic food market in Europe due to the absence of systematic data collection of organic production or consumption figures by government institutions. The following section refers to a comprehensive data collection that was part of the OMIaRD research project.

remarkable market growth

Organic production has shown remarkable growth in the 1990s in all European countries, with annual growth rates ranging from 10 percent in Austria to as much as 74 percent in Slovenia, measured in terms of the certified organic area. However, as figure A1 (see annex) shows, the organic share of total utilisable agricultural area was only 3.4 percent in the EU in 2001. There are huge differences between countries. While the organic share of utilisable agricultural area was 0.6 percent in Greece, it was around 9 percent in Switzerland and Austria.

What does a high organic utilised agricultural area in a specific country mean for an OMI?

It is obvious that an OMI in a country with a large share of organic area operates in a better-developed market, usually with more companies collecting and processing organic products. A high percentage of organic area also means that economies of scale in collecting and processing the goods lead to lower costs and thus lower consumer prices, which supports demand. On the other hand, a high percentage of organic area is normally also a sign of higher competition among suppliers, i.e. farmers, collecting wholesalers, processors, etc.

Certified organic area is only a rough indicator of organic production. As organic yields are lower than conventional ones, and as organic production takes place predominantly in less favoured areas with below-average soil fertility, the organic share of total food production is much lower than the organic share of total area. The fact that the production structure in organic agriculture differs considerably from the conventional production structure in many countries must also be taken into consideration. It might therefore be useful to look at tables A2 and A3 in the annex, where organic production as a percentage of total production in 2001 is listed for 19 surveyed countries and for the 13 most important product groups.

unbalanced development of supply and demand

High production shares for organic products do illustrate something about the scale of the organic market in the different countries, but a big market is not the same as a healthy market. In many European countries large numbers of farmers have been attracted by government subsidies for conversion of land to organic methods. As a result, the growth of production has been stronger in some cases than the growth of demand. This unbalanced development of supply and demand has not only led to decreasing producer prices for organic products, but also to marketing problems for organic products, with the result that some of the organic production had to be sold as conventional products without a price premium for their organic origin.

What does oversupply in a specific country mean for an OMI?
Clearly, it is much easier for an OMI to operate in a market where there is no surplus in supply leading to lower organic premium prices and sales problems. If there is a Europe-wide oversupply of an organic product, price pressure from buyers and competition between producers are high, whereas an oversupply only at national level means that there may be some good opportunities for exporting the products. If competition among producers is high due to oversupply, customers can only be attracted by special and additional features (e.g. excellent taste) and/or services (e.g. home delivery).

Figure A2 in the annex gives an overview of the percentage of organic products that could not be sold as organic in the EU in 2001. Europe-wide, there have been severe sales problems for grassland-based organic products such as sheep and goat meat, milk and beef, but also for wine, olives and fruit, whereas there have been fewer marketing problems for poultry, eggs, pork, potatoes and vegetables. The situation again varied considerably in the different countries. For example, marketing problems for organic fruit have only been severe in Italy, Spain and Austria, while in many other countries the whole of organic production was sold as organic. Details can be seen in the tables A 4 and A 5 in the annex.

oversupply for some products

On the other hand, there have also been supply deficits for some organic product in the past. In the OMIaRD market research study, several market experts in all 19 countries surveyed were asked in 2002 if they expected supply deficits for their country in 2003 and 2004. In table A1 in annex 2, the products and countries are listed for which market experts expected that national production plus im-

supply deficits for some product groups

What do supply deficits mean for an OMI in a specific country?
Supply deficits indicate that investments into production and marketing of the relevant products are more promising than for products with a supply surplus. However, it is necessary to exercise caution with this information. Organic markets are very small, and thus volatile, in most European countries. It only takes a few bigger producers to enter the organic market to result in an oversupply of a product in a country. In the past, there have been enough examples of rapid change between situations of supply deficits and oversupply such as the case of milk in Denmark, France and the United Kingdom, or pork in Germany and Denmark. Some short-term disturbances in the market can also be caused by food scandals in the conventional or in the organic food sector. The Europe-wide BSE crisis in the conventional agricultural sector in 2000 led to a sudden sharp increase in demand for organic products in many countries, whereas the discovery of the toxic pesticide Nitrofen in some organic poultry products and eggs in Germany caused severe sales problems for organic food in Germany that lasted for several months.

ports from foreign countries would be insufficient to meet consumer demand. The most frequently mentioned product was pork (in 8 countries), followed by vegetables (in 7 countries), fruit and seeds (in 6 countries).

import and export countries

The national degree of self-sufficiency as regards organic food products is another important piece of information for suppliers. The degree of self-sufficiency is higher than 100 percent if a country's production is higher than its consumption. Where the measure of self-sufficiency is less than 100 percent, this suggests that there is a shortfall in the nation's capacity to satisfy its own consumption through its own production. Tables A6 and A7 in the annex show the degree of self-sufficiency for the 13 surveyed product groups in all 19 countries investigated. They show that in 2001 there are some countries with a low degree of self-sufficiency for all or nearly all organic products. These countries are the United Kingdom, Belgium,

What does a low and high degree of self sufficiency in a specific country mean for an OMI?

A low degree of self-sufficiency, i.e. where a larger share of domestic demand is served by imports, often opens up good opportunities for domestic suppliers. Several consumers have doubts as to whether all imported organic products are really organic in origin. Other consumers have concerns regarding long-distance transportation of organic products for environmental reasons. This gives regional suppliers good opportunities to serve the domestic demand. This is especially the case in the United Kingdom and Norway, where there is a strong trend towards greater demand for domestically produced organic food. In the United Kingdom, there is also a public campaign encouraging people to 'buy British organic food'.

A high degree of self-sufficiency is a sign of good export opportunities for a country. For an OMI, however, it is much more difficult to build up a unique image for its products in foreign countries, especially if the specific region is not well known abroad. The opposite may be the case if the region is famous for its specialities, as in the case of the Champagne region of France for its sparkling wine, or the Italian Parmeggiano for its cheese.

Luxembourg and Norway. On the other hand, there are some, mainly Mediterranean countries, with degrees of self-sufficiency far in excess of 100 percent, especially as regard plant products. In these countries, significant amounts of domestic production are exported to other countries.

growth rates for supply partly higher than for demand

As a result of several market research studies in the last five years, it can be stated that there have been some product groups for which supply was continuously higher than demand in most European countries; these products were milk and beef, especially in central and northern Europe, whereas there was an oversupply of wine and fruit in southern Europe. On the other hand, the supply of vegetables, pork and poultry was low in most European countries over the last five years. Taking the supply of the EU-Accession countries into consideration, it is to be expected that these overall trends in Europe will continue in the near future, as these countries also have an oversupply, especially of beef, while pork, poultry and vegetables are in short supply there, too. For cereals and potatoes, for which the organic market in the EU was more or less in balance in the last few years, there has been a tendency towards oversupply, as government support for conversion of farms to organic production methods is very attractive for farmers in the eastern European countries and demand from domestic consumers is rather limited. It should also be noted that the growth rates for supply have been higher than for demand in the last few years in Europe. This will lead to strong competition and pressure on producer prices for nearly all organic products, and highlights the need for clear and convincing marketing concepts for all suppliers in the organic food market.

For a deeper insight see: Hamm, U., Gronefeld, F. and Halpin, D. (2002): Analysis of the European market for organic food. Organic Marketing Initiatives and Rural Development, vol. 1, University of Wales, Aberystwyth, UK. An update of this study will be published as Vol. 5 in the same series in 2004.

2.2 Consumer motives and barriers to buy organic products

results of consumer surveys

Within the scope of the OMIaRD project, a consumer survey of the development of consumer behaviour, as well as attitudes, expectations, motives and buying barriers concerning organic food was carried out. In the following sections, the main results and implications for OMIs will be described briefly.

Motivating factors for buying organic products

health as a buying motivation

The first and most important motivating factor for the purchase of organic products all over Europe is the health motive. Health-related buying motives are generally connected to fruit and vegetables. Consumers seem to be quite sensitive to the 'natural', 'unadulterated' character of products, especially of 'unrefined' and 'basic' fresh produce. This means that many consumers believe they get healthier food when they buy organic products.

The health aspect is considered by consumers mainly in two ways. On the one hand, consumers point out product attributes which they perceive as healthy (containing no or few pesticides and

The OMIaRD project consumer surveys. *(Photo: T. Richter)* additives, special method of processing). The health issue for consumers is often connected with feeling active and good ('gives me more strength; keeps me fit; I can make more out of the day; I do not get tired so quickly; I have more vitality') and with general values underlying wellbeing or quality of life, for example.

On the other hand, consumers relate organic consumption to their own or others' health (children, sick people, people with special needs), which can be maintained or improved by eating organic food. For families with children, family health is considered another important reason for buying organic food. Family health is expressed in terms like 'having a sense of responsibility for my children, not wanting to give something bad to my children, taking care of family; kids should eat healthy food; or, it is important that children grow up healthy in the future'.

It is quite clear that the change to organic is often induced by important incidents in the life of a consumer. Such situations may include, for example, the birth of a child, illnesses, or a dramatic experience. Nevertheless, it is important to know that consumers who turn their attention to organic products because of a sense of responsibility for their children's health – without becoming aware of the wide range of benefits of organic products – are more likely to return to buying conventional products as soon as their children start expressing their own wants.

When considering a specific country, an interesting phenomenon can be seen in Switzerland, where, in the context of meat, the emphasis on animal welfare is so strong that the health aspect is hardly touched on. In Denmark, the additional value of good health for humans and animals is a motivating factor. This is expressed by specific Danish comments such as 'wish to protect humans and animals', 'want people to be fertile in the long term' or 'general health'.

animal welfare as a buying motivation

Another important motivating factor for buying organic products is animal welfare. Appropriate husbandry is an important argument for buying organic products. This results from people feeling responsible and wanting to support animal welfare as they would otherwise suffer from a bad conscience. Appropriate husbandry is seen as animals receiving healthy fodder (not containing bone meal, being natural, animals being able to graze), fewer drugs/hormones, and being able to move freely inside and outside of their sheds.

In many countries, animal welfare is an additional motivating

Many consumers prefer naturally produced food for themselves or their children.
(Photo: M. Morgner)

factor when buying dairy products and especially when it comes to buying organic meat and meat products, but its importance varies, as do the attributes that are linked to appropriate husbandry. As mentioned before, the Swiss view animal welfare as the strongest motivating factor when buying meat and dairy products. In Mediterranean countries, for example Italy and France, the issue of animal welfare does not play such an important role.

food as enjoyment

To see food as enjoyment can also be a motivating factor for buying organic products. Experiencing good taste makes people feel satisfied and contributes to a general good feeling. Good taste and texture are specific attributes which give consumers pleasure when eating organic products. A number of the attributes making people believe that organic products are healthier, also makes them believe that the taste is better, too. Appropriate husbandry leads to good quality milk and meat products, making them not only healthier, but also tastier. The same concept applies to natural production. In most cases, the absence of pesticides/fertilizers and chemicals/additives in production leads consumers to feel that food products are higher-quality and better-tasting.

environmental concerns as a buying motivation

In most European countries, environmental concerns are a motivating factor for buying organic products, but not as strong as non-altruistic values such as health or food for one's own enjoyment. Some people want to actively sustain and protect the environment with their purchase decision. The resulting values are environmental protection, sustainability, harmony with and respect for nature, and also other people's health and well-being. Nature should be preserved, as a healthy environment is seen as a prerequisite for a healthy life from which future generations will also benefit. Contributing to environmental protection and sustainability by buying organic products soothes the consumer's conscience and gives rise to a good feeling (similar to the animal welfare motive).

One way to contribute to environmental protection is seen in buying products that are naturally produced (no or reduced use of pesticides/fertilizers, fewer additives/chemicals and natural/healthy fodder). An alternative is buying local/regional and seasonal products. In this way, only short-distance transportation is necessary and resources are not wasted. Health and environmental protection issues appear to be connected as they are rooted in the same attributes. Enormous differences exist between countries and product categories. Environmental issues have the strongest impact on buying decisions when it comes to fruit and vegetables. They are bought because their natural production is expected to prevent pollution through reduced use of pesticides/fertilizers.

trust as a motivating factor

Trust can be mentioned as a motivating factor, but also as a barrier for buying organic products. Here, trust is seen as a motivating factor. The reason why consumers want to trust in organic labels/products can be found in values such as health, safety and animal welfare. The ability to trust also helps people to make better decisions, and soothes their conscience as they are less concerned. However, it is clear that consumers want to be sure that they can trust organic products and that producers and control organisations will operate according to the rules. They want to be sure that they can believe in what is promised by producers, authorities and promotion.

When consumers were questioned on issues that inspire their trust in an organic label, the following main trust factors emerged: transparency, no/less misuse of the label, information about the labelling scheme, clearly defined standards, strict controls, personal verification, existing labels, issuing organisations and reliable people/organisations. The cognitive structures, how trust factors are interlinked and which are dominant, differ between countries, but transparency, information, clearly defined standards and strict controls are seen as important issues in almost all of the European countries.

specific quality as a buying motivation

Regular consumers of organic food especially see the premium quality of organic food as a motivating factor. They point out better taste, higher nutritional value of products (as regards vitamins, minerals, etc.) and even a longer shelf life. With regard to meat, they state that it can be used in better/different ways.

Finally it must be mentioned that for many regular consumers, eating organic is a lifestyle choice regardless of income. They pay attention to quality and they are convinced that organic food is healthier.

Barriers to buying organic products

The most important barrier to buying organic products is the price. The price issue is mentioned in all countries.

price as a buying barrier

The price of organic food is either too high or the consumers argue that their own food budget is too low. Even regular consumers describe the price level as very high and are not able to consume 100% organic products for economic reasons, but they predominantly see a corresponding added value. Also, some consumers state quite specifically that the price performance ratio is not justified. In fact, perceived 'poor value for money' is the current important barrier to buying and not the absolute price level, at least in Denmark, France, Germany, United Kingdom and Switzerland ('The whole transportation of organic products is often not ecological. Why is it actually called organic? For what should I actually pay up to 30% more?' (Switzerland)). Often it is not the actual price that is relevant for general acceptance of organic food, but the price feeling evoked by the precise buying situation, as illustrated by this Swiss respondent: 'There are days when I think, today it is worth buying a very special and expensive cheese, while on other days I look for the most reasonably priced cheese for myself.'

Consumers who do not, or only occasionally, buy organic products, see organic farming as socially important and desirable, but they do not perceive any personal benefit and organic products are seen as too expensive.

quality aspects as a buying barrier

Food as enjoyment can also be a barrier. Especially in the case of fruit and vegetables, bad appearance and lack of freshness are seen as a problem. Organic fruit and vegetables 'look shrivelled, wrinkled, have spots, are discoloured' or generally 'do not look appetizing.' Often, this impression is connected with a perception that their condition at the point of sale is not as fresh as conventional products. However, some consumers argue that when finding fruit with an excellent appearance, they do not believe that these fruits were produced organically.

trust aspects as a buying barrier

When asking people why they do not buy organic products, one argument is 'doubtful organic labels' in which people have no trust. 'Organic farmers cheat', 'organic farmers use medicine for animals as well', 'organic farmers have lost idealism and focus only on money', 'cattle are fed with fodder which is bought', 'fodder scandals', 'every farmer treats his fruit with pesticides', and 'fraud in the labelling' or 'big companies cheat people' are examples of the doubts people have with regard to organic products. On the other hand, conventional products are credited with trust and therefore preferred especially when they are produced locally. This argument becomes more forceful, as non-regular customers often see no difference and consequently no additional value for their money. Where trust is lacking, the perceived higher price is even less acceptable.

availability as a buying barrier

Lack of availability is also a strong argument for not buying organic products. The statement 'not available' refers mostly to the regular shopping places people use. For non-regular consumers who have insufficient information, the usual argument preventing them from changing their shopping behaviour or looking for the products in the shop is that products are 'difficult to find'. Frequently, organic consumption is associated with inconvenience. This is connected with lack of availability as well as with preparation at home. The purchase of organic food is described as more time-consuming. The constantly increasing range of finished and semi-finished products on the supermarket shelves shows that fewer people are able to spend time and effort on cooking. Organic products, however, are first of all associated with fresh and natural and unprocessed or minimally processed products that require a certain amount of preparation time. Non-buyers and occasional buyers of organic products often worry that an increase in consumption of organic food also leads to erosion of leisure and of purchasing power ('too much money is spent on these products'). The purchase of organic food tends to be seen as a burden and associated with restrictions.

Implications for OMIs

For an OMI it is important to know how to deal with consumer motivations and barriers to buy organic products. Dealing with motivation is not all that difficult. It is the task of an OMI to encourage a positive opinion on the part of the consumer. The use of the marketing instrument communication policy (see chapter 3.2) will be very helpful for this purpose. However primary motivating factors are also primary expectations with regard to organic food. When consumers obtain information that does not meet their expectations, the perceived additional value of organic products and consumers' willingness to pay higher prices for it are clearly reduced.

Even more important, however, is the question of how to reduce barriers. The following section will offer some advice on what an OMI can do to reduce the barriers.

premium quality positioning

For many consumers in all European countries, price is the main barrier preventing or limiting the purchase of organic food. It is difficult for the OMI to influence the price, especially if the OMI supplies retailers. Therefore, the only thing the OMI can do is to give consumers information along with the product, to the effect that they are not only buying the product but also an additional benefit like better quality, health, etc. The consumer must be made aware that she/he is receiving better value for his/her money. Promotional schemes like trial tasting or free samples would be supportive at this point (see chapter 3.2).

improved consumer information

Distrust is another barrier to buy organic products. A main dilemma seems to be that people trust people rather than labelling schemes. It is therefore the task of the OMI to build up a relationship of trust with the consumer. Handouts containing information on the OMI, the product and the method of production may be distributed with the product. Another trust-building measure might be to give the consumer the possibility of visiting the OMI or events centred around the OMI. Personalisation of the range on offer and personal contact can help people overcome their mistrust or even buy organic products when the consumer would not normally buy organic food (see chapter 3.2).

improved quality standards

As a consequence, the consumer must also recognize that organic products are of high quality. This means that the OMI must produce high quality products under the same label. Selling different quality products to the consumer is out of the question. The OMI must try to get away from the image that organic products are healthy but do not taste good and do not look particularly attractive. The fact that organic products are premium products needs to be communicated consistently and specifically in detail (see chapter 3.2).

improved product availability

Occasional consumers especially criticise the availability of organic products. In many cases it is not only a matter of expanding the range, but also ensuring adequate presentation of organic food at the point of sale to make the consumer notice what is on offer. It is difficult for OMIs to influence the presentation of their products, for example, in a supermarket. Nevertheless, the OMI should try to arouse the interest of the consumer with the products themselves. Interesting, easily recognisable packaging, information around the product and showing the special product attributes are just some ideas for catching the attention of the consumer (see chapter 3.2).

improved convenience standards

Convenience products are also a very important topic. The idea that organic products are just for people who can cook very well, or at least have plenty of time to cook, is still widespread. It is rather difficult for the OMI to offer convenience products. The OMI should nevertheless try to offer ready-to-use products, such as mixed salad in a fresh box, peeled potatoes or carrots. A higher processing standard for OMI products also opens new market channels, such as the food service industry of convenience shops in railway stations and motorway stops. Another possibility for arousing the interest of the consumer is to provide quick and simple recipes with the product for preparing an easy meal in a short time (see chapter 3.1).

highlight aspects of healthy nutrition

If the OMI is marketing its products, it should be aware that a problem may be posed by the fact that when people are asked what they associate organics with, they mention 'healthy nutrition', but, conversely, they do not immediately associate healthy nutrition with organic products. There are numerous popular publications on the topic of 'healthy eating and nutrition' that make no mention of the aspect of organic food. In advertising, promotion, and (consumer) education, it is therefore recommended that these characteristics be highlighted in the hope that consumers will make the association with organic products.

communicate lifestyle messages

Consumers expect a great deal from organic products. For the majority, they should combine all the advantages of conventional products (range, availability, quality) and furthermore they should give the impression that the consumer has committed himself/herself to a moral/ethical purpose, and/or has personally done something for his/her own or family's health and well-being. Organic products must be put across as supporting a modern lifestyle 'Pleasure without regret towards environment and animals!' (see chapter 3.2). Slogans like: 'Organic ketchup – red by nature' or 'Organic apple juice – sweetened by nature' or 'Organic pasta – nature bite by bite' would link organic products to food and life enjoyment and a natural way of life.

increased consumer information

Looking at all the barriers to buying organic food shows that one major problem is lack of information. Consumers, especially occasional consumers, do not have enough information on organic products and therefore distrust them. One major task of the OMI should be to give as much information as possible on organic products to the consumer. Information sessions in the store, 'open days' at the OMI's farms and processors, flyers, sales folders are just some possible ways of bringing more information to consumers (see chapter 3.2)

From this chapter, the following recommendations and advice for OMIs result:

- The additional value of organic products must be communicated (health, taste, contribution to environmental protection, food as enjoyment, etc.). Use the marketing instrument communication policy to get information across to the consumers (sales folders, advertisements in local newspapers, etc.). Do not forget to speak to consumers in an emotive way in order to put the message across to them.
- Organic quality as the only sales argument is not sufficient for many consumers.
- Reducing prejudice, developing a bond towards organic products (free samples or reduced-price offers as initiators of organic consumption) is helpful.
- Personalisation of offer, initiating real or simulating personal contact, thus helping people to overcome their mistrust. Build a relationship of trust with the consumer ('Open day at the farm!').

the offer should be personalized

- Increasing the quantities supplied and improving availability (for a broad consumer group) is necessary.
- Diversify the current range of organic food, particularly with regard to convenience products.
- A better coverage of new distribution channels is recommended. Organic industry must find its own answer to the fast food trend, perhaps by opening snack bars offering healthy fast food.
- Freshness and quality from the region offer a big opportunity for OMIs. Consumers often associate freshness with regional origin. Regional specialities often stand for quality. Freshness and quality can help overcome barriers relating to food as enjoyment (see chapter 2.3).

For a deeper insight see the OMIaRD publication Volume 4: The European Consumer and Organic Food, University of Wales, School of Management and Business, Aberystwyth, UK (http://www.irs.aber.ac.uk/omiard/publications/index.html).

2.3 Consumer attitudes towards regional organic products

In most EU countries, there is a general agreement that the origin of food products is important and local produce is preferred by the consumer. This holds true above all for fresh, perishable products like fruit and vegetables, milk and meat products, and applies to organic and to conventional food. However, for some consumers the concept of local production, processing and distribution is even more relevant when they consider organic products.

Consumers mainly associate local/regional origin with the following attributes:

consumer association to local /regional origin

- product quality (freshness/shelf life, purity),
- something friendly and small (specific characteristics),
- trust,
- loyalty to one's own region and
- environmental issues (the reduction of traffic as such, reduction of food miles, reduced pollution).

Product quality is an important topic as regards regional production. Consumers associate the attributes freshness and shelf life with being a direct consequence of shorter transportation. Product quality is also seen as a result of the products being farmed and processed in a specific region with specific characteristics. Trust is also important for consumers. It is human nature to trust something that sounds or looks familiar rather than something unknown. Social proximity to the home region is also an important motive. Consumers state that they act on grounds of loyalty towards their own region, which is complementary to trust-related aspects, too.

Some regular consumers, notably in the UK and Germany, confess that theory and practice are different aspects of the topic. Consequently they admit to themselves and assume that for others, too, adherence to origin is theoretically an important and eminently worthy topic, but in reality it is often not among the decisive factors when purchasing. It may be assumed that the same is the case in other countries, too. This statement leads to factors which moderate the significance of product origin. A common denominator seems to be that when consumers see their choices and comfort being limited, they make concessions regarding what they understand by origin. This means that they compromise on tropical fruit and supplement what would otherwise be a strong seasonal restriction. Moreover, German and French consumers state that the quality image and taste of products is often more important than where they come from. Another point, revealed by Austrians and partly supported by British and Italian consumers, is that if there were a common (EU-wide) label for organic products, origin would lose its significance when buying organic.

For some organic consumers the origin EU is already sufficient

acceptance of OMIs from other/foreign regions

The prevailing attitude in all countries shows that there is a general distrust of foreign organic products, resulting from uncertainty regarding organic regulation and certification in foreign countries. The majority of consumers have no knowledge about conditions elsewhere, which often leads to a lack of trust in foreign production practice.

Another factor impeding the acceptance of imported organic products is the apparent contradiction between organic farming values and food miles. Also often stated as a decisive factor in purchase decisions is the wish to express disapproval of other countries' politics and/or ethnic attitude by means of boycotting products from those countries. Indeed, the most relevant factor for the success or failure of foreign products seems to be the prevailing image of a country or region with regard to certain products. As long as a generally positive country image or characteristics of a positive country image are in line with certain products or product characteristics – or can be transferred to a product – the anticipation of good quality and taste outweighs possible reservations regarding the foreign origin of organic food. Furthermore, there is a country-specific reputation for certain products which promotes sales of those products in foreign countries; a classic example is Italian pasta. Indicated by almost all consumers (except Danish and UK), is acknowledgment of imports of products that cannot be farmed domestically, e.g. due to climatic restrictions, or where demand is higher than local or national output.

Other factors enhancing the success of foreign food products are detailed information about the producer, product quality and prices. Background information and reassurance about the credibility of the relevant labelling scheme are also expected.

OMIs' influence on the region

All consumers involved in regions in the OMIaRD project case studies recognised the positive impact of the organic marketing initiative on the region. Firstly, they pondered on general aspects like OMIs' contribution to the region's economy in terms of employment and further economic benefits, as well as on the environmental impact (reducing of food miles, environmentally friendly farming techniques). Additionally, however, organic marketing initiatives are also associated with aspects that would be expected less often with other (conventional) types of organisation in the food industry:

- providing new opportunities for tourism,
- motivating the catering industry to use organic produce,
- preserving culture and tradition,
- contributing to awareness of local food issues,
- maintaining a sense of community and providing good examples for other organisations – stimulating them to convert to organic production systems.

consequences for OMIs

This chapter shows that local production is an important issue for many consumers, especially regarding fresh and perishable products like fruit, vegetables, milk and meat. The OMI should try to pay attention to the five main attributes that consumers associate with regional origin (see the beginning of this chapter). These should also be the main attributes of the OMI's products. Figure 1(p. 32) shows the main attributes and the possibilities for the OMI.

using regional origin in marketing

Marketing instruments are very important at this point. In terms of communication strategy, regional origin should be a key aspect. It is important to signal clearly on the product that it is produced in the region.

Interaction of instruments is also crucial to achieve the consumer's expectations. For example, a key factor influencing the freshness of a product is distribution policy. A well-thought-out distribution policy is important in order to get the product to the consumer as fresh as possible. A well-thought-out communication policy is necessary to communicate the freshness to the consumer (see also chapter 3.2).

supply which markets?

The question of whether the OMI should sell its products primarily on the national or international market is difficult to answer. The OMI should try firstly to build up, or rather to supply, a regional market. Often it is difficult for an OMI to be successful on the national market. Exceptions can be OMIs that are located in a region with a positive image (e.g. cheese from the Allgäu or sausages from Bavaria) that is well known beyond the borders of a region. Familiarity and positive image of a region are not the only factors that can influence the national sales positively. However, concentration on the regional market should be the first priority for the OMI.

For a deeper insight see the OMIaRD publication Volume 4: The European Consumer and Organic Food, University of Wales, School of Management and Business, Aberystwyth, UK (http://www.irs.aber.ac.uk/omiard/publications/index.html).

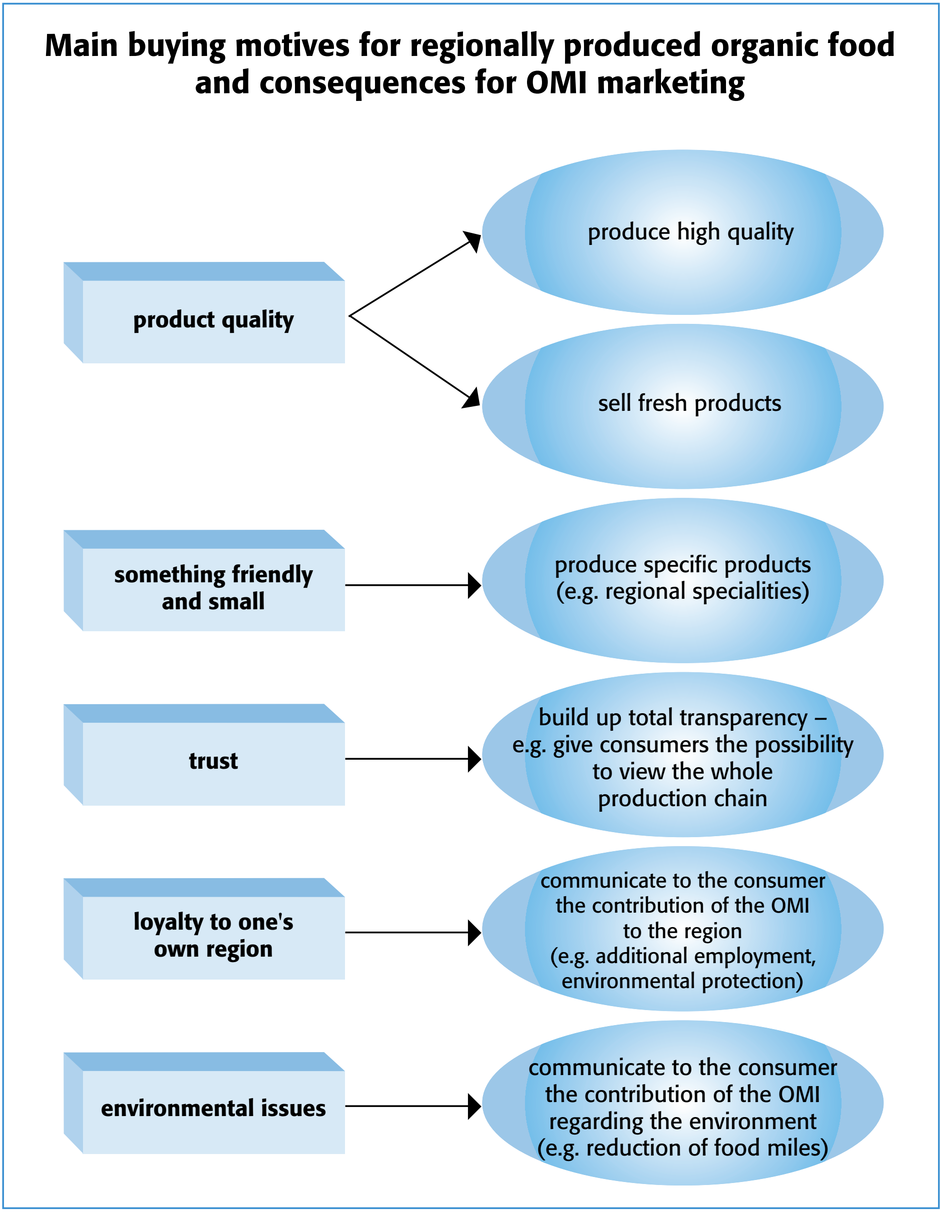


Figure 1: Main buying motives for regionally produced organic food and consequences for OMI marketing

2.4 EU support policies for rural development

agricultural policy and regional policy programmes

The major policies of the EU that touch on issues of rural development are divided into agricultural policy and regional policy programmes. Within agricultural policy there has been recently a pronounced shift from product-related payments to rural development (the so-called 2nd pillar of the CAP, the Common Agricultural Policy of the European Union). This has been a central goal of the CAP reform of 2003. Now, a single payment scheme, largely decoupled from support of agricultural production, is linked to issues of environmental, food safety, animal and plant health and animal welfare concerns (so-called 'cross compliance'). The resulting reduction in direct payments for bigger farms is intended to be used to finance the new rural development policy (http://europa.eu.int/comm/agriculture/mtr/index_en.htm).

These changes show a move towards goals already pursued by OMIs in the past. It is therefore expected that the organic food sector, and OMIs in particular, could increasingly become beneficiaries of this policy. We therefore try to present a brief overview of the main programmes and measures that could be addressed by OMIs.

the Structural Fund

In the 2000-2006 budget, the EU allocates some 195 billion Euros to regional aid. Two-thirds of the funds go to the so-called 'Objective 1 regions', defined as those with a per capita gross domestic product (GDP) at purchasing power parity (PPP) exchange rates of less than 75 percent of the EU average. Another 10 to 13 percent each goes to regions that are not necessarily poor, but are suffering from the results of structural change (Objective 2) or regional labour market problems (Objective 3).

The EU spends another 18 billion Euros through the cohesion funds on transport and environmental projects in countries whose per capita GDP is less than 90 percent of the EU average. The cohesion funds are different from other regional support in that they are given to countries rather than regions, and they do not require co-financing out of national budgets.

Each national government draws up a multi-year development programme as a framework for regional aid. Once the European Commission has accepted this programme, the central government, together with regional and local authorities, identifies projects that it wants to be co-financed by the EU in the following areas: (a) infrastructure, that is, transport, energy, telecommunications, and the environment; (b) support for local companies; (c) training for workers; and (d) research and development.

Several funds are in fact grouped under the banner of EU Structural Funds. These are:

- The European Regional Development Fund (ERDF), which aims to reduce the gaps in development between the Union's regions;
- The European Social Fund (ESF), which has the task of improving employment prospects in the Union;
- The European Agricultural Guidance and Guarantee Fund (EAGGF), which assists in part-financing national agricultural aid schemes and in developing and diversifying the Community's rural areas;
- The Financial Instrument for Fisheries Guidance (FIFG), which assists in the restructuring of the fisheries sector.

In addition, the EU funds four so-called Community Initiatives relating to interregional co-operation, urban development, and rural development. Of these, it is mainly the LEADER and INTERREG programmes that are important in terms of rural development.

Which EU programmes can be of major relevance for OMIs ?
Of the EU programmes under the Structural Funds, there are three main measures that can be of major importance for OMIs.

article 33 measures

- Measures relating to Article 33 (so called after the 2nd treaty establishing the European Community, concluded in Rome 1957, where agricultural matters are mentioned in the articles 32–38).

In the course of reforming the Common Agricultural Policy (CAP) in 1999, one aim was to account for the peculiarities in agriculture all over Europe, connected to the country-specific social contexts as well as the different structural and environmental realities of agricultural production. It was therefore necessary to differentiate agricultural support measures from EU-level down to national or even regional level. Government support must be in line with one of the main principles of the EU, namely free and undistorted competition. The EU proposed the following guidelines for government support concerning agriculture (excerpt of those relevant for OMIs):

- aids for investments on farms can normally be permitted at up to 40% of eligible expenses, or 50% in the less favoured areas; similarly aids for investments in the processing and marketing of agricultural products can normally be permitted at rates of up to 40%, with a 10% increase for Objective 1 areas, provided that it can be shown that normal market outlets exist for the products concerned;
- aids granted in return for agri-environmental undertakings given by farmers and other environmental aids;
- aids to compensate for handicaps in less favoured areas;
- aids for the establishment of producer groups;
- aids to encourage the production and marketing of quality agricultural products, the provision of technical support for producers and the improvement of the genetic quality of livestock;
  (see http://europa.eu.int/comm/agriculture/stateaid/back_en.htm).

The implementation of these support measures is regulated by particular EU programmes or national programmes, which are approved by the DG (Directorate General) for Agriculture.

measures under the EU programme LEADER+

LEADER is an acronym meaning Liason Entre Actions de Développement de l'Economie Rural. Following on from the LEADER I and II programmes, the third programme period (2000 – 2006) is called LEADER+.

The LEADER+ programme, also financed out of the Structural Funds, aims to support all kinds of actors in rural areas to improve their current position. It is sometimes termed a pan–European laboratory for rural innovation. It therefore includes support for integrative, high quality and innovative strategies for a sustainable regional development concentrating on partnerships and the establishment of effective networks. The LEADER+ programme is perceived as a regionally based, participative and integrative (bottom-up) approach for the sustainable development of rural areas. The programme therefore focuses on the following themes:

- making the best use of natural and cultural resources, including enhancing the value of sites;
- improving the quality of life in rural areas;
- adding value to local products, in particular by facilitating access to markets for small production units via collective actions;
- the use of new know-how and new technologies to make products and services in rural areas more competitive.
  (see http://europa.eu.int/comm/agriculture/rur/leaderplus/index_en.htm).

Support is granted not only for investment, but also for technical assistance required. LEADER+ places special emphasis on networking and exchange of experience between LEADER regions.

measures under the EU programme INTERREG

INTERREG III programme is aimed at intensifying and improving the cross border co-operation of regions within Europe, concentrating either on a transnational, national or interregional level. The total support offered by the European Regional Development Fund (ERDF) for the new initiative will be 4 875 million Euros for the period 2000-2006. The initiative is divided into three sections:

- Section A concerns cross-border co-operation, that is, the promotion of integrated regional development between bordering regions.
- Section B concentrates on cross-national co-operation, contributing to an integrated and harmonious territory across the European Union.
- Section C aims to reinforce interregional co-operation and to improve the policies and techniques of interregional economic development.
  (see http://europa.eu.int/comm/regional_policy/sources/docoffic/official/guidelines/index_en.htm)

The possibilities offered by these three Europe-wide programmes differ in their usefulness for OMIs mainly with regard to their focus and scope.

The EU programmes LEADER and INTERREG are important in terms of rural development. *(Photo: Y. Reisner)*

potential of programmes for the OMI

Article 33 measures aim to directly support the activities of the OMI itself, granting investment aids for improving the processing and marketing situation.

LEADER+ and INTERREG follow a territorial approach, aiming to strengthen the institutional environment of a region through inter-sectoral networks and co-operation.

As both integration along the supply chain and regional networking have been found to be crucial for the successful development of an OMI, all three programmes mentioned have the potential to contribute to the successful establishment and further development of OMIs, each in a specific way. While Article 33 measures can help to cover financial shortfalls during the start-up phase, the LEADER+ and INTERREG initiatives can provide a link into the rural development dimension. This, in turn, can assist the long-term development of the business.

How can OMIs participate in these programmes?

The requirements for participation in these programmes are closely connected to the fulfilment of certain standards.

Concerning Article 33 measures, only farm owners who fulfil requirements relating to technical qualifications, certain income limits and objective evidence of the economic efficiency of the project can participate. Support is open to individuals and groups.

As for LEADER+ and INTERREG projects, initiatives usually cut across economic sectors. Their project proposals have to fulfil special requirements and be approved by national and international assessment.

There is considerable variation within the Member States on the specific targets of the measures supported. Given that for lay persons it is quite difficult to gain an overview of the broad range of support available at regional, national and European level, the most effective way for OMIs to obtain country-specific information on support possibilities is to contact the technical advisory services of regional institutions. These may be sectoral institutions such as chambers of agriculture or organic farmers' associations or regional institutions such as the relevant offices in regional government or regional development agencies.

Close networking with the various institutional stakeholders in the agricultural sector and in the region seems to be a crucial aspect for adequate information as well as for the general support of the OMI.

Public support for OMIs by direct payments or subsidies on interest rates for OMIs is always two-sided; it can be positive as well as negative. The positive intentions of public support are obvious:

benefits and disadvantages of public support

- Financial support in the start-up phase seems to be an effective instrument for reducing economic risk for the individual member. This can overcome barriers to farmer participation. In many of the cases examined, public support at the beginning was considered a crucial aspect for establishing the OMI.
- Another positive point connected to public support is the requirement to draw up a realistic and viable business plan for the project, which has to be cross-checked and approved by an independent authority. This forces farmers to view their project through an economic lens. Sometimes this involves professional assistance from outside, which in general increases the chances of success.
- Increased contact with regional agencies, which can be instrumental in terms of information about possible support measures or assisting with their implementation, also often leads to closer integration of the project into regional networks. Although knowledge of other initiatives is not a guarantee for further co-operation, it is a precondition. LEADER+ and INTERREG especially aim towards establishing informative and effective networking structures, not only within, but even between regions.

Aside from these effects, public support can also lead to negative results:

- First of all, it can serve as a pull factor to create projects that are not supported wholeheartedly by the target group. Such projects are often started from the top down, so as 'not to miss out on the funding opportunity', but there is no immediate interest on the part of the farmers concerned.
- Secondly, the prospect of financial support can lead to exaggerated investments without sound calculation of the economic returns. Normally, during the start-up phase, investment is needed mainly for equipment. Initiatives sometimes tend to look over-optimistically at their business development, and invest disproportionately in what afterwards turns out to be more or less inflexible capital.
- This problem is not related only to investment. Sometimes

the calculation is based on continuous support rather than on initial assistance that is gradually phased out. Such support-oriented behaviour also prevents the development of an ownership feeling. Without members committing themselves to financial contributions and/or unpaid labour, the sustainability of a project is often endangered. The lifespan of such OMIs is thus more or less limited to the support period.

lack of public funding for networking, consultancy and advisory systems

It is generally easier to gain support for material investments than for the 'software', such as an adequate network of advice and assistance in business matters as well as in professional skills. The OMIaRD case studies have demonstrated that there is still a lack of public funding for networking, consultancy and advisory systems ('soft skills'), especially in the start-up phase of OMIs.

It therefore appears to be crucially important to establish and sustain 'one-stop advisory boards' for OMIs, where they can obtain advice in all matters relating to their business. Even where the institutional side is already incorporated into Local Action Groups (LAG) through the LEADER+ and INTERREG programmes, one major bottleneck is very often the co-ordination of the various institutions to finally provide an effective network. In times of increasing technical specialisation of all institutions involved, the efficiency of public support is not only a question of the amount, but also a question of how to establish an adequate information and co-operation network among all these agencies.

Successful marketing development

3

3.1 Pre-start phase

Vision / business idea

OMIs should know where they want to be in the long term

A vision is a draft of the future. A company can be effective for a short period without knowing where it wants to be in the long term. It will be more effective, however, if it knows where it aims to be in the future. A vision primarily describes what the company or the OMI initiator(s) want to achieve in the next 5, 10 or 20 years. Depending on the company, this may, for example, be higher profit, a bigger share of the market, maximum customer satisfaction or to contribute to the development of the region. The most effective method of finding a vision is brainstorming. This method will be explained later in this chapter.

How to find a business idea?

The vision goes together with a business idea. A bright idea – the solution to a problem – is the beginning of the development of something new. This may be a new business, a new product, service, manufacturing process, method of distribution or any other improvement in producing or selling a market service. The question is: how does one find such an idea? There are different ways and sources for finding a new idea. In the following section, several ways of finding a bright idea are outlined.

listening to customers

All companies should pay close attention to potential customers. Good ideas for new products often come from watching and listening to customers. This attention can take the form of informally monitoring potential ideas and needs of the customer, or formal arrangements for customers to have an opportunity to express their opinions. Even friends, family members or acquaintances can be customers in one way and they can help identify a new business idea. There are many aspects that need to be taken into consideration to ensure that the idea represents a large enough market to support a new business.

Existing companies, especially competitors, can also be an in-

Listening to the consumer needs and expectations e.g. when conducting guided tours. (Photo: M. Schermer/N. Gleirscher)

watching and listening to competitors

teresting source of a good idea. OMI initiator(s) should establish a formal method for monitoring and evaluating competitive products and services on the market. Often this analysis shows new ways of improving what is on offer, which may result in a new product that has more market appeal. Study trips to other regions or even to other countries will be mind-expanding. Such trips also provide stimulation for new ideas.

listening to distribution partners

Furthermore, the distribution channel is an excellent source of new ideas. Members of distribution channels know very well the circumstances and the needs of the market. It is possible that they will have good suggestions for improving an existing product, or even for a completely new product or service.

Finally, special seminars for entrepreneurs can be very helpful in finding a new business idea.

Milk, herbs and a mountain – a combination which attracts many consumers.
(Photo: M. Schermer/N. Gleirscher)

'Napfmilch', Switzerland
Milk, herbs and a mountain – innovative marketing of herb milk products

Napfmilch is a limited company in Hergiswil in the Napf mountain area in the canton of Lucerne, founded in 1998. The motivation for the founding of this market initiative is closely connected with the drop in milk prices due to market liberalisation in Switzerland. Some farmers in the Napf region decided to process their milk into dairy specialities, in order to improve their incomes, to contribute to the development of the region and to strengthen regional identity. Other mainly organic farmers had already started to grow herbs and medicinal plants for processing firms.

The initiator, an innovative organic farmer, had the vision of combining their milk and herb production by marketing special dairy products with local herbs under the name of their mountain (Napf). He persuaded large retail chains to support this project by directly approaching the managers responsible, with considerable success.

Napfmilch produces organic cream cheese with herbs, organic yoghurts with herbs, milk and curd. In 2002, Napfmilch processed a total of 2 mn kg of milk into dairy products, with 700,000 kg of the milk being produced organically. Over 50 % of the business's turnover comes from organic products. *Source: FiBL, Frick (Switzerland)*

'Bioalpin', Austria
Creation of an organic brand for mountain milk products – 'Bio vom Berg' (organic from the mountains)
In Austria (Tyrol) in the year 2000, the lack of opportunities for organised marketing of organic products in disadvantaged mountain areas led to large-scale re-conversion of organic farmers back to conventional farming. Out of that situation, the need to establish a common platform for marketing regional organic produce became more and more evident. Additionally, there was increasing demand from a regional retail chain, which had not yet developed its own organic trade mark but wanted to raise its profile vis-à-vis their bigger competitors. This led to the founding of the organic umbrella co-operative BIO-ALPIN on the initiative of the regional organic farmers' association, a conventional marketing association (Agrar Marketing Tyrol – AMT) and various interested organic farmers. Integrating a number of already converted small dairy co-operatives, an organic butcher, some innovative organic farmers, and subcontracting the biggest dairy in Tyrol ('Tirol-Milch') for organic fresh milk supply, created a wide range of further options.
The co-operative established a producer-based regional organic brand, 'Bio vom Berg'. This new brand was promoted via market partners and suitable regional media. The vision was to establish a strong producer-based regional brand that would not be exchangeable by other organic producers or retailers. Another vision was to add regional values as an advantage for export. The integration of various stakeholders to form a network, in particular large retailers and export firms, will be a crucial aspect for the further development of this OMI. *Source: University of Innsbruck (Austria)*

Methods of generating ideas

Even with a wide variety of sources available, coming up with an idea can still be difficult. Several scientific methods can help to generate and test new ideas. Some simple methods are described in the following section.

Brainstorming is a group method for developing new ideas and solutions. The brainstorming method is based on the fact that people can be stimulated to greater creativity by meeting with others participating in an organised group experience. It is well known that most of the ideas generated by a brainstorming session have no basis for further development, but in many cases a good idea emerges. Brainstorming sessions should be carried out as far away as possible from the daily business in order to free the mind for new and creative ideas (even if they seem unrealistic at first sight).

brainstorming

When using this method, the following rules should be considered:

- no manner of criticism (positive or negative) is allowed,
- no comments on ideas are allowed, except to clarify what they mean,
- it is important that all participants can express themselves freely – the more off-beat the idea the better,
- ideas should be developed as much as possible,
- quantity of ideas is desired – the greater the number of ideas, the greater the likelihood of useful ideas emerging,
- ideas of others can even be used to produce another new idea,
- no one should dominate or inhibit the discussion.

This method is very complex. A moderator leads a group of people (8-14) through an open, in-depth discussion. For a new product area, the moderator focuses the discussion of the group either in a directive or a non-directive manner. On the one hand, there is the possibility of conducting such a focus group discussion with potential partners, while on the other it is also possible to invite potential customers. Working with potential customers, however, assumes a basic business concept. The focus group discussion is also an excellent initial method for screening ideas and concepts.

focus group discussion

Using this method, it is possible to develop a new idea by means of a list of related issues or suggestions. Based on a list with questions or statements, it is possible to guide the direction of developing new ideas or concentrate on specific idea areas. The form and length of the checklist are variable. The following questions are possible key words for a checklist:

checklist method

- put to other uses? new ways to use? other uses if modified?
- adapt? what else is like this? what other ideas can be developed through the adaptation?
- modify? new twist? change smell, colour, form, shape? other changes?
- magnify? what to add? stronger? extra value?
- minimise? what substitute? smaller? split up?
- substitute? who else instead? other ingredient? other process?
- etc.

free word association method

Free word association means developing a new idea through a chain of word association. It is one of the simplest and most effective methods of generating new ideas. In the first step, a word or phrase related to the problem is written down. Subsequently, further words are written down, always related to the word or phrase before. With each new word an attempt is made to add something new to the ongoing thought process, thereby creating a chain of ideas and this may end with a new product idea emerging.

There are many different ways to find an idea. A bright idea can also emerge doing 'simple' things like shopping, walking or sleeping. During the development phase, a pen and a notepad are very important and should always be to hand.

Throughout the whole process, however, it should never be forgotten that the key to the success of a new product or a new strategy is a satisfied customer. The customer is buying the satisfaction of a need, the solution to a problem, for example, food and drink, well-being or self esteem. Determining market demand is by far the most important criterion for a proposed new product idea.

'Granalpin', Switzerland
Veterinarian's vision of vital cereals from cultivation in the mountains
A veterinarian had a vision of reactivating a regional tradition of growing cereals high in mountain areas as a mean of diversifying economic activities and of obtaining a higher price on the basis of the 'higher vitality' of such cereals. *Source: FiBL, Frick (Switzerland)*

It can be helpful even early on, in the idea-generation phase, to use external support in the form of neutral moderators or advisors. They can help to structure ideas and the discussion process or to raise relevant questions from a neutral point of view.

At the end of this section, the OMI initiators should consider the following questions:

- What is our **vision**?
- How can we turn our **vision** into a bright **business idea**?

Looking for potential support

After developing a bright business idea, the next step is to find out who can support this idea. There are different kinds of possible supporters. First there is the support from a partner, for example, in the form of co-operation. Here, the question is: 'How does one find a suitable partner?' Some of the main criteria for answering this question are discussed in this section.

For the OMI initiator(s) it is very important to develop a network of potential supporters, for example for advice and counselling on business activities, for government or private financial support and even psychological support. This network will not only help during the pre-start and start-up phase of the business, but is also relevant for the further development of the OMI.

Partnership / co-operation

Normally in the agricultural sector no producer, however large, is likely to be able to supply the volume required by the principal market actors. It is also quite obvious that many value added activities, product development, branding and effective promotion are difficult for the individual producer to achieve. One way in which a producer can improve these activities more effectively is by co-operating with other partners. Co-operation means two or more companies forming a network.

There are two different ways of classifying forms of co-operation:

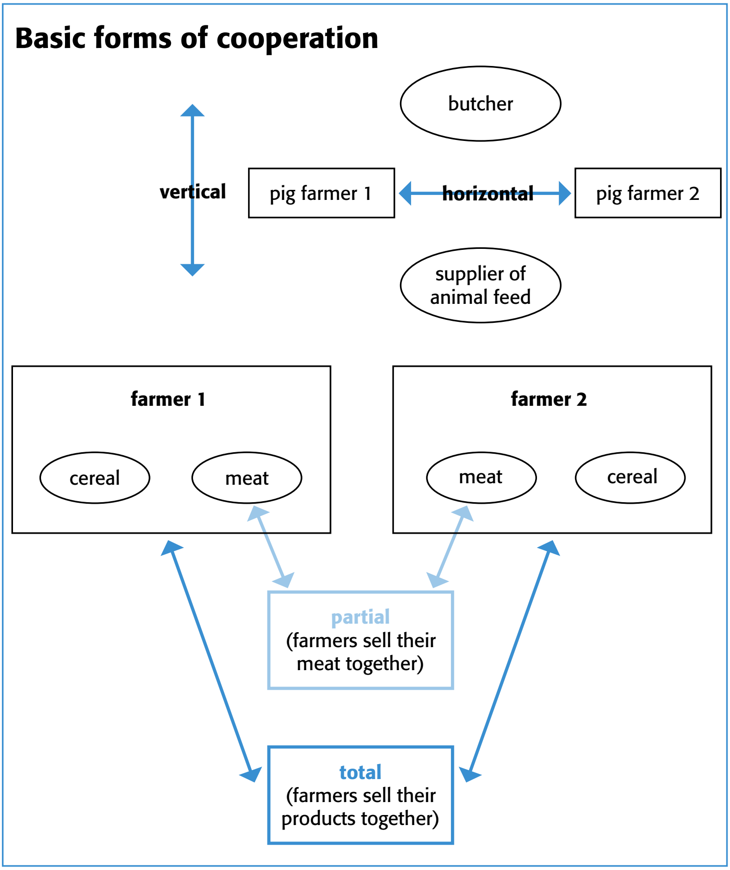


Figure 2: Basic forms of co-operation

horizontal and vertical co-operation

The first method of classification differentiates between horizontal and/or vertical co-operation. The horizontal form of co-operation can be found between producers who work at the same business level, for example two potato farmers. Vertical co-operation is when at least two partners from different business fields work together, such as a pig farmer and a butcher.

The second way of classifying co-operation is based on whether co-operation is total or partial. Total co-operation means co-operation relating to all business areas of the individual companies. This kind of co-operation is very exceptional in the agricultural sector. Partial co-operation is when co-operation involves one or more, but not all, business areas. The basic forms of co-operation are shown in figure 2.

total or partial co-operation

'BioBourgogne Viande', France

Strong regional network and support structure with public funds

BioBourgogne Viande (BBV) is a limited company with producers as shareholders, created in 1994: The manager is a producer. BBV is located in Burgundy (north-eastern France). Around 100 producers are members of the structure. This is a 100% organic venture and is engaged in organic meat marketing, especially beef cattle (mainly Charolais cull cows). In 2003, BioBourgogne Viande sold its products to retail chains (70 %), six organic butchers (three of them based in the region), one consumers' co-operative, one wholesaler specialising in frozen meat, and also via mail-order.

BioBourgogne Viande is an active member of the BioBourgogne association (a regional organic farming association with its own regional organic label). One of the aims of this association, created in the early 1980s, is to contribute to regional development by promoting regional products. Thanks to the development of a good regional network with one highly committed person, BBV obtained regional financial support for several years for investments in a meat processing unit as well as for staff (e.g. for a delivery service) from the Conseil Régional (regional council). It has benefited from the creation of SEDARB (Service d'Eco Développement Agricole et Rural de Bourgogne) in 1988. SEDARB was set up to exert an influence on the beef industry both downstream and upstream (especially the organic cereals and meat sectors), with a focus on rural development. Thanks to public funding, BioBourgogne Viande was able to invest in a meat cutting unit and sales structure, in particular to better serve the needs of special customers.

Although this strong support structure was very helpful in the pre-start and start-up phase, it could pose a risk if the public funding comes to an end and the OMI is ill-prepared to operate without public support. *Source: INRA, Le Mans (France)*

The question now is: ‘How does one find co-operation partners?’ First it is important to ascertain whether vertical or horizontal co-operation will be entered into. In the case of vertical co-operation, it is necessary for the farmer to meet the demands of the co-operation partner. For example, if a pig farmer is co-operating with a butcher, the butcher probably expects the same quality of meat during the whole year and a quantity that meets varying requirements at different times of year (for example, on special holidays the demand for pork is higher).

This means that the pig farmer must produce the same quality, while the quantity will vary according to the demands of the butcher over the course of the year. Before entering into vertical co-operation, the farmers must know exactly whether or not the demands of the co-operation partners can be met. It is also important to know whether the butcher will meet the expectations of the farmer. These questions must be checked before entering into vertical co-operation. It is similar in the case of horizontal co-operation. The demands and expectations of the co-operation partners must be clear. In the following section, five key steps for establishing co-operation are presented.

Step 1 – Decision to adopt a form of co-operation.
This step depends on the business idea. Before searching for co-operation partners, the form of co-operation should be quite clear. However, throughout the development of co-operation, the form of working together can still change, e.g., if a new co-operation partner comes up with a new or modified business idea.

form of co-operation

Step 2 – Number of co-operation partners during the start-up phase.
It should be clear how many co-operation partners are necessary at the beginning of the co-operation. Of course this number can change if co-operation develops further.

number of co-operation partners

Step 3 – Searching for companies to be considered for co-operation.
Depending on the form of co-operation, it is necessary to find companies that are suitable in terms of the objectives of the business and the business idea. Attention should be paid to the following criteria during the search:

choice of co-operation partners

- objectives – Does the partner share the same principal business idea, business objectives and also non-profit objectives?
- product – Is the potential co-operation partner producing/demanding the required product?
- quality – Is the potential partner producing the required quality and/or able to process products to the current quality standard?
- quantity – Is the potential co-operation partner producing a sufficient amount to make co-operation worthwhile?
- distribution – How far away can the potential partner be so that distribution is not a problem and co-operation is still worthwhile? Should the logistics system be carried out by the co-operation partners alone or should external companies take over this function?
- regionalism – Can the potential co-operation partner still count on regionalism? If 'regionalism' is used as a claim, the 'boundaries' of the region must be clear.
- reputation – Does the partner have a reputation as competent, co-operative, trustworthy and reliable?

Step 4 – Activating potential co-operation partners.

activating potential partners

After identifying potential co-operation partners, it is necessary to get involved with them. Depending on the number of potential partners, it is possible to introduce each partner individually or to invite them all together and present the business idea. It is not necessary at this point to present an elaborate business concept. The first meeting with the potential partners should just give them an idea of the sort of co-operation being considered, so that the potential partner has the possibility of assessing whether co-operation is attractive. The potential partner also has the possibility of bringing in his/her own vision and ideas regarding co-operation.

Step 5 – Checking personal assumptions.

checking potential co-operation partners

It is very important that the following criteria are met by all co-operation partners:

- willingness to accept sole authority and share authority in decision making,
- to set aside rivalries,

- openness,
- trust in partners,
- making sure information is forwarded.

These criteria are often not followed, especially in small companies. Unfortunately, many farmers are still deeply suspicious of co-operation, and argue on the basis of a few well-publicised past

'IG Bio Weide-Beef®', Switzerland
Vertical co-operation between producers, a large supermarket chain and an animal trading company for marketing of organic beef

IG Bio Weide-Beef (Interest group for organic pasture beef) is an association in Eastern Switzerland, initiated by an organic farm advisor of FiBL (Research Institute of Organic Agriculture). It was founded in 1999 with the aim of supporting the sale of organic meat from pastured cattle (Bio Weide-Beef®).

The association is based on contracts between the three partners of the organisation: the meat producers, the regional co-operative of the largest retail chain in Switzerland, Migros Ostschweiz, and the animal trading company Linus Silvestri AG. Operative decisions are made by the management board, strategic decisions by the general assembly.

Activities are: the organisation of the meat producers, close co-operation with a professional meat wholesaler and the supermarket chain Migros-Ostschweiz, co-ordination of price setting, co-ordination of supply and demand in order to create transparency in the market.

Bio Weide-Beef® is an important income alternative for milk producers who have had to reduce their workload. Furthermore, it contributes to the producer's quality of life (lower workload), to animal welfare and to an efficient use of grasslands.

Due to trust-based co-operation with the retailer Migros-Ostschweiz, the IG was able to increase the turnover of organic beef of Migros-Ostschweiz from 1.9 mn Euro in the year 2000 to 3.2 mn Euro in the year 2002 (with 19 % sales share in Migros-Ostschweiz). However, it is critical that the IG has only one customer and its success depends highly on the commitment of a few persons.

Source: FiBL Frick (Switzerland)

Beef from the brand Bio Weide-Beef® has a market share of nearly 20% in supermarkets of 'Migros Ostschweiz'. (Photo: B. Bapst)

failures that all co-operation is ineffective. Some of them only become interested in co-operation when they are in a business crisis. In such cases, another important precondition for the success of co-operation is not present, as a company is not interested in a co-operation partner that is facing economic difficulties. To summarise, it is important to know if the chairperson of the co-operation partner is willing to adhere to the criteria specified above and if his/her company is economically sound.

Development of a network

It is very important that co-operation should be surrounded by a network. A network is a group of actors and multi-form partnerships that can be established either along a market chain or in the form of a regional network with more external actors (see detailed description in chapter 4.1).

Some potential supporters that can be part of such a network are mentioned in the next section.

The OMI initiator(s) also need(s) advice and consultancy throughout the period when the new business is being established. This advice can be obtained from a mentor or from business associations, etc., in various fields – such as fundamental business activities, finance, marketing, accounting, law, or management. It would be beneficial to have one person who has knowledge of some of these areas as a co-operation partner, or involved in other ways in the development of the new business (product). On the one hand, it is quite difficult to find such a person, while on the other hand, professional support can be very expensive. Colleges or universities, for example, provide a much cheaper option for obtaining support regarding questions of marketing or business activities. Normally, university or college lecturers are always interested in practice-oriented projects for their students. Of course, the services of a good university or college are not free of charge, but may be cheaper than a consultancy firm.

business support

Government support is different in each country (see chapter 2.4). It is mentioned here only for the sake of completeness. The easiest way to find out what government support might be available for a new business idea is to approach the relevant agricultural administration or a regional chamber of commerce and industry. The employees in these institutions will be aware of any possibilities for obtaining government support, e.g. in the form of funding or adult education courses.

governmental support

Having a contact person in the regional media agencies is always beneficial. These persons are normally opinion leaders and they can influence public opinion in a significant way. It can be very helpful to inform the press about the development of the new business. Positive public opinion has a positive effect in terms of co-operation and raises the OMI's public profile. The type and frequency of media coverage, as well as the spatial area in which media agencies should regularly be contacted, depend on the volume, type and spatial scope of the OMI's sales activities.

press / media support

support through associations / organisations

Associations and organisations like environmental organisations or regional development associations are also opinion leaders. Active participation by the OMI initiator(s) in such organisations

'Organic Milk Suppliers Co-operative (OMSCo)', United Kingdom
OMSCo started with the advice/support/involvement of Yeo Valley (a yoghurt processor), which, as a buyer, provided early access to the market. In addition, the Elm Farm Research Centre (organic advice and research organisation) was involved in helping to set up the co-operative.
Source: School of Management and Business, University of Wales Aberystwyth (United Kingdom)

can have a positive impact on the new business. The OMI initiator(s) should always show that the new business will bring benefits to the region in which it operates.

Supporters from the more immediate business environment include, for example, lenders, suppliers and buyers. All stakeholders of potential interest to the new business should be involved in some way.

private support

Finally, there is one group of supporters that has not so far been mentioned. Starting a new business requires a great deal of time. Spare time, family time, and time with friends become shorter. For this reason it is important for each entrepreneur to establish a 'moral support network'. Spouse, friends and family – the 'hurrah squad' – play a critical role during the many difficult times that occur throughout the entrepreneurial process. The 'hurrah squad' may provide advice that is often more honest than advice received from

'Valplantes Co-operative', Switzerland
This co-operative, founded in 1993, is one of the leading organic herb-growing co-operatives in the Valais canton of Switzerland. 150 – mainly small – farmers are producing for Valplantes. The herbs are dried in a special unit and are used as raw materials for tea, confectionery, health and cosmetic products. They did get financial support in the startphase from a herb processing firm (Ricola AG).
Source: FiBL, Frick (Switzerland)

At the end of this section, the OMI initiators should consider the following questions:

- Do we want to co-operate with somebody or do we want to lead and run the business by ourselves?
- What form of co-operation is the right form for our business?
- Which co-operation partner is suited to our business / business idea?
- Who can give us business support?
- What kind of government support is available?
- Who is a contact person at regional media agencies?
- Which associations or organisations might be beneficial for our business / business idea?
- How can we persuade supporters from the immediate business environment (e.g. lenders) to back the business / business idea?
- Will we get full support from our family and friends?

other sources, and they also provide encouragement, understanding, and even practical help. Total family support is a major criterion for the success of a new business.

From vision / business idea to concrete objectives

A clear statement of objectives is essential even in the smallest business. A statement of objectives is also normal practice in co-operation, and should be in OMIs too. Activities should be aligned to business objectives. So, the question is: 'Where do we want to go?' which means that the economic, environmental and social objectivities should be specified.

Determining business objectives is an extremely complex process, especially if several people work together. Objectives are reference points for corporate performance and as such they need to be clearly identifiable. This means an objective should be measurable, achievable, realistic, time-based and communicable. The main business objectives of an OMI can be divided into the following three categories (see HAINES 1999):

Economic objectives	
Market leadership, measured by:	competitive position
	degree of innovation
	technological advance
Market spread, measured by:	number of product markets
	number of customer segments
	number of countries
Customer service, measured by:	product utility
	product quality
	product reliability
	product availability
Growth, measured by:	sales revenue
	volume output
	market share
	profit margin
Profitability, measured by:	return on capital employed
	return on assets
	profit margin on sales revenue
Customers satisfaction, measured by:	repeat orders
	logistics benchmarking
	goods returned
	complaints
	lost customers
	customer surveys
Efficiency, measured by:	sales on total assets
	stock turnover
	credit period
	liquidity
	department costs on sale
Personnel, measured by:	employee relations and morale
	personal development
	average employee remuneration
	sales revenue per employee
Ecological objectives	
Environmental protection, measured by:	organic agriculture area/share
	soil fertility indicators
	biodiversity (animals and plants)
	healthy and balanced plant existence
	animal welfare
	no use of genetically modified organisms
	resource-saving working methods
Social objectives	
Social responsibility, measured by:	corporate image
	price/profit relationship
	human resource utilisation
	public activities
	community welfare
	number of new jobs
	contribution to the development of the region

Objectives can be defined in a more or less democratic or autocratic way. Both approaches offer advantages and disadvantages. The more persons are included within the process of defining objectives, the more complicated and slower the process will be. Additionally, objectives elaborated according to a very democratic process are more or less a compromise between individual objectives, attitudes and wishes. Therefore they partly lack the clarity and directness that are necessary for the OMI to take off successfully in commercial terms. On the other hand, if the objectives are set in a more democratic way, the outcome will probably gain more support from the broad majority of the OMI members and they will identify more closely with 'their' objectives.

clear hierarchy of different objectives

In order to subsume individual objectives into a system, it is necessary to analyse the relationship between the objectives. There are two main types of interaction between objectives – complementarity and competition. Complementarity is present if achieving one objective enhances the likelihood of achieving another objective (for example profit and – to a limited extent – turnover). If achieving one objective has the consequence that another objective cannot be achieved, then competition between objectives is present (as for example between the pursuit of short-term profit and the pursuit of animal welfare).

Especially in co-operative ventures (where several managers work together), it may be quite difficult to arrange objectives into a hierarchy, in other words, establish which objectives are more important than others. For this reason, it is important that all co-operation partners define their objectives clearly and precisely. All co-operation partners should come together for a discussion on objectives. During this discussion the relationship between the different objectives must be analysed. Complementarity and/or competition between objectives should be the focus of this discussion. Competing or conflicting objectives should be eliminated from the outset among co-operation partners in order to avoid later conflicts and disappointments among partners concerning their expectations. At the end of the discussion, a clear hierarchy of the different objectives of all co-operation partners should be the outcome.

'Prignitzer Weiderind', Germany
From vision/business idea to precise objectives
The OMI Prignitzer Weiderind was founded in 1993 in north-eastern Germany by 10 organic farmers with the intention of selling beef and veal together to obtain a better price. The initiative is an economic association, which was linked from the beginning to a regional association for landscape conservation and a regional organic farmers' organisation (Biopark). Because of the low purchasing power in the region, the OMI is selling meat throughout the whole of Germany, mainly through large retailers and producers of baby food. Only a small share is sold through farm stores and organic food shops.

In the pre-start phase, the OMI defined the following objectives:

economic objectives:	obtaining a better price for their products
	added value in the region
	economic stability of the OMI
	profit-making
social objectives:	maintaining jobs
	co-operation in the network
ecological objectives:	keeping poor grasslands in production
	landscape conservation
	animal welfare

All objectives were achieved thanks to a strong network.
Source: University of Kassel (Germany)

At the end of this chapter, the OMI initiators should consider the following questions:

- Where do we want to go with the OMI?
- What are the main economic, environmental and social objectives?
- Do we have a clear system of objectives, free of competing and conflicting objectives?
- Are the objectives defined clearly?

limited number of objectives

Finally, it is also important to know that the number of principal objectives should be limited to between six and eight, because too many objectives makes control and monitoring difficult. Obviously, these objectives should represent key areas for ensuring business success.

First rough market analysis and assessment

After developing an idea and a network, it is important to analyse the market and the market environment. Such analysis should include funding possibilities and an analysis of key actors and stakeholders.

analysis of micro- and macro-environment

The business environment of an OMI can be divided into the macro- and micro-environment. What this differentiation looks like is shown in figure 3. The term macro-environment defines factors that are common to all businesses regardless of sector. These factors normally include national and international politics, the economic situation, the social or cultural situation, scientific and technological issues, the legal framework and the natural environment. Relevant developments in the macro-environment can be very important for an OMI. Impending legal changes, for example in the EU Regulation on organic agriculture, should definitely be given attention during the planning of an OMI. If the OMI is far-sighted in its approach in this regard, it is possible to gain a competitive edge. Evaluating external sources (for example studies by research institutes) can help to analyse the macro-environment. Colleges and universities are also suitable partners for such an evaluation.

analysis of local region

It is difficult to assign the image or the characteristics of a region to either the macro-environment or to the micro-environment. For this reason, the region is assigned to a separate category between the macro- and micro-environment. The image or characteristics of a region is very important for the OMI and should be analysed closely. At least in terms of product marketing, detailed knowledge regarding the image of the region will have a positive effect. If the region is well known, with a positive natural image even outside the region, the OMI may be very successful in adopting a supra-regional market approach. If the contrary is the case, (i.e. poor image, for example due to a heavy industrial presence in the region) then a focussed, internal, regional approach for marketing consumer goods

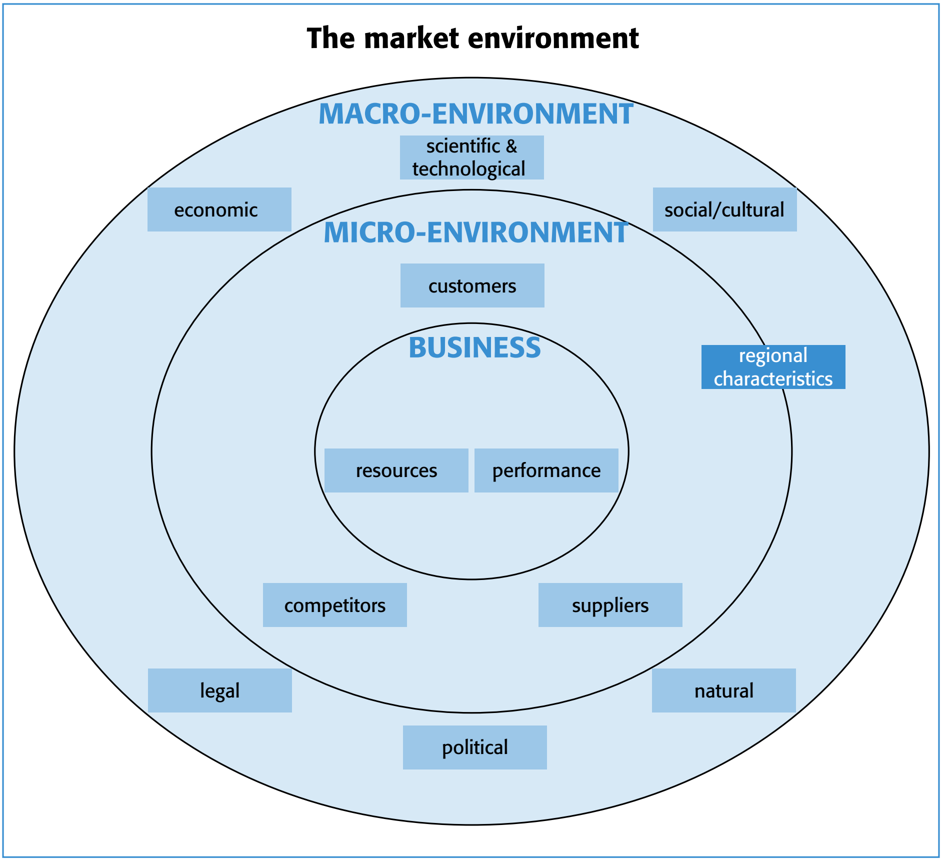


Figure 3: The market environment *Source: adapted from HAINES 1999, p. 33.*

may be required. The marketing might be limited to raw materials for industrial processing. In the latter case, another approach that might be successful could be to concentrate on the handling of large supply volumes.

The micro-environment is shaped by factors that are unique to every business. In the case of an OMI, it will consist mainly of the customers, competitors and suppliers of the OMI.

A careful analysis of the micro- and macro-environment is an essential precondition to start OMI activities. (Photo: R. Schmutz)

The end customers (consumers) are not only buying the 'product'; they are also buying the value behind the product.

analysis of the end customers

For this reason, information should be gathered about the needs of the consumers. For the development of a business, the long-term behaviour of the consumers is also important. Especially in the food sector, many studies on the behaviour of the consumers are available. Once again, universities and colleges can be very helpful in this context.

analysis of the main competitors

Analysing competitors is one important aspect of an initial rough market analysis. At the outset, it is necessary to identify competitors. For this reason a clearer focus on the potential market is necessary. The following criteria help to define the potential market:

Factual

- The special product and all products that have a similar use for the customer must be considered (for OMIs, this means taking into account as competitors not only other organic producers with similar product portfolios, but also conventional marketing initiatives with similar products and considerable marketing budgets).

Customer-specific

- It is not enough to make general distinctions between customers (e.g. individual consumers or canteens), but rather to subdivide customers further (for example regular buyers and occasional buyers of organic food, or canteens with a fixed price for meals and those with meal pricing according to the value of the food products used).

Spatial

- The existing or potential sales region of the OMI should be a criterion in this context.

Temporal

- The whole period of availability and the real time of storage must be taken into consideration.

Press reports, statements from consumers about competitors, price lists, and advertisements from the competitor can all be very helpful. For this reason, a special file should be compiled for each competitor with all the information about this competitor. With the help of this information, it is possible to identify where strengths or weaknesses of the competitor lie and how these strengths and weaknesses can be turned to the advantage of one's own business. It may be possible to turn a competitor's weakness into a strength for one's own business.

analysis of the potential suppliers

Suppliers are not normally directly involved in the success of the OMI. Nevertheless, a good supply chain is an important component of the micro-environment. However, it is necessary, for example, to check the quality of raw materials, because the quality of the raw material also affects the quality of the end product. A good relationship between the supplier and the OMI is also important. Especially if problems arise, a flexible and co-operative supplier will be very beneficial.

analysis of financial resources

Resources include financial and human resources. Financing is a very important criterion. Available options for financing should be analysed. Depending on the business idea and the type of business, it is necessary to establish how much capital resources and how much borrowed capital must be mobilised. The next question is where to obtain the borrowed capital. At this point, the possibilities should be assessed. Bank loans, subsidies or credits from the government with a reduced interest rate, money from private investors, etc., are just some of the possibilities. However, it is advisable to be cautious with government aid. An OMI that cannot finance itself from the very outset will probably run into financial problems after the government aid comes to an end. For this reason, it is much better to use government aid as a supplementary resource to deal with potential business risks and not as part of the start-up capital.

analysis of human resources

Analysis of human resources is also essential. Establishing an OMI involves a great deal of work. It is therefore important to consider not only the quantity, but also the quality, of the human resources. It should be clear that the OMI initiator(s) or promoter need to possess special abilities appropriate to the OMI's business and objectives. Basic knowledge of business management, marketing, of leading groups, and so on, are key conditions for the success of the OMI. In addition, personal skills (for example willingness to give up and/or share sole authority or to set aside rivalries) must be present.

Performance provides information on the contribution of the OMI in the micro-environment. To improve the performance of the new OMI, a rough SWOT analysis can be very helpful.

rough SWOT analysis

A SWOT analysis is a means for evaluating the overall strengths, weaknesses, opportunities and threats of an OMI. Strengths and weaknesses are about where the business is now, compared with its competitors; opportunities and threats are about where the business is going. This means opportunities are attractive areas for action where the business is likely to have some advantages or make a special contribution. Threats are critical trends or specific disturbances in the environment that could lead to stagnation, decline or demise of the business or a part of it. The SWOT analysis allows the OMI to better identify market gaps, and should be considered when marketing efforts must define a specific and unique market positioning for the OMI and its products. Carrying out a SWOT analysis can itself be quite difficult. During the process, finding the weaknesses may be easy but uncovering the strengths is often challenging once the process has started. The methodology for carrying out a SWOT analysis is shown in Figure 4.

The SWOT analysis starts with an analysis of the OMI. This means analysing where the OMI is positioned in the market. This analysis should take into account the special abilities and limitations of the OMI. The same procedure should be followed for the analysis of the main competitors. A comparison of the strengths and weak-

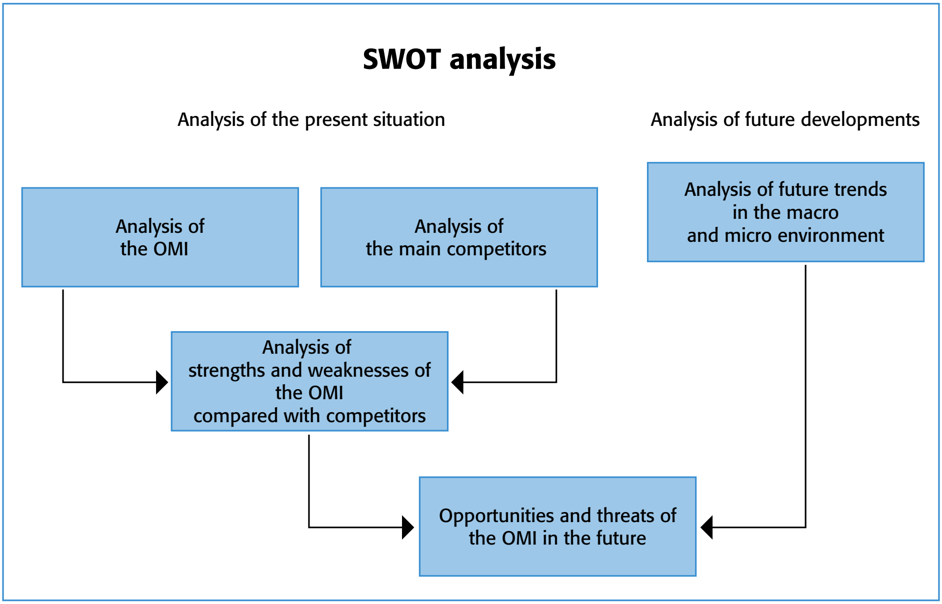


Figure 4: SWOT (Strength – Weaknesses – Opportunites – Threats) analysis
Source: HAMM 1991.

nesses of the OMI with the strengths and weaknesses of the main competitors will reveal the advantages of the OMI vis-à-vis its main competitors. As shown in Figure 4, the SWOT analysis also includes an analysis of future trends in the macro- and micro-environment. It is then the task of the OMI initiator(s) to find a connection between the trends of the future analysis and the strengths and weaknesses of the OMI. If, for example, the future analysis shows that the customer prefers regional products, and one of the strengths of the OMI is production of a product with a strong regional affinity, an opportunity is obvious. An example of a threat might be where the customer is asking for a wide product family, but the OMI only produces one or two products within a product family.

Both the evaluation of strengths and weaknesses and the evaluation of opportunities and threats give the OMI relevant information regarding the way, the type of products, type of partners and type of organisational and marketing structure an OMI needs to act successfully in the start-up situation.

regular repetition of SWOT analysis

Conducting a SWOT analysis is recommended not only in the planning phase of an OMI. It should be repeated periodically in order to adapt strategic planning according to changing market environments, competitor performance or changes in one's own potentials and limitations (see also chapter 3.3).

identify stakeholders and key actors

Finally, another part of an initial rough market analysis is to establish who will be the stakeholders and the key actors. Stakeholders are people that have an interest in the new business. For example, they may be trustees, volunteers or people from outside the business like private investors. It is necessary to identify the stakeholders and to give them special attention. The key actors should manage the development of the new business. Especially in a co-operative venture, where more people work together, it is essential to appoint a main person as the key actor. It is also important to define exactly the task of every key actor. Possible conflicts can thus be avoided from the beginning.

Feasibility study / business plan

After a first rough market analysis it should be clear whether there

At the end of this chapter, the OMI initiators should consider the following questions:

- Who are our customers?
- Who are our competitors?
- Who can be suppliers?
- Is there a market for the product we will produce?
- Do we have enough financial and human resources?
- What are our strengths and weaknesses in comparison to our main competitors?
- How can we turn our strengths into opportunities?
- Where are possible threats?
- Who will be stakeholders?
- Who will be a key actor of the OMI?

is a market for the product or services the OMI will produce. Now it is necessary to concretise the whole idea and test whether the idea is realisable. A business plan can therefore be very helpful. A business plan is a written document that describes all the relevant external and internal elements involved in starting an OMI. The business plan will be prepared by the OMI initiator(s).

Before expending a great deal of time and energy on preparing a business plan, the OMI initiator(s) should carry out a short feasibility study. A feasibility study includes research to determine the economic feasibility of a proposed business. Based on this feasibility study, the OMI initiator(s) will see if there are any possible barriers to success. The study should contain a market evaluation of the local economy, demographics, accessibility, and information on potential local competitors. It should also include the market potential for the proposed OMI products.

feasibility study to identify barriers to success

First of all, the OMI initiator(s) need to know whether there is market potential for the new products or services. It is therefore necessary to define the market. The OMI initiator(s) must ascertain, for example, if the product is most likely to be purchased by single people, young families with children, people with a high income or low income, highly educated or less educated people, etc. This informa-

market information

'Napfmilch', Switzerland
Smaller investment with greater flexibility and lower costs
Before starting to produce fresh herb cheese, it was necessary to make a business and investment plan to obtain money from banks for their milk processing unit. This study was prepared by 2 finance specialists who have been taken onto the board of their limited company (one of them has been a director of a large dairy co-operative and a university lecturer on market co-operation). As a consequence, instead of investing in an expensive new building for cheese processing, it was decided to invest in the reconstruction of existing buildings for half the cost. The construction and processing equipment, as a result, was rather small and seemed less economical. But the advantage of this small operation was later revealed: the processor is much more flexible and can produce all kinds of herb cheese specialities.
Source: FiBL, Frick (Switzerland)

tion can often be found in market research studies published on the internet, books, periodicals, or newspapers. In addition, approaching trade associations, colleges or universities can also be helpful.

Furthermore, the type of processor required by the OMI's products, both inside and outside the region, needs to be established. In addition, an initial, rough exploration of the market should assess the form and characteristics of products potential market partners expect. If, for example, a local canteen is interested in purchasing regional organic products it must be clarified whether the canteen would be able to process the products by themselves or whether the OMI must assume this task. If one knows this, then one knows the total marketing costs and the nature and scale of investment needed.

operational needs

Depending on the nature of the OMI, special operational needs may be required. The following points may be relevant and information on them must be gathered.

Obtaining all this information should not be difficult. The OMI initiator(s) will be able to obtain the necessary information through direct contact with the appropriate sources.

Location:	accessibility to customers, suppliers, and distributors
Manufacturing operations/equipment:	drawing up a list of all basic machines and assembly operations required
Raw materials:	drawing up a list of all raw materials that need to be supplied drawing up a list of suppliers
Labour skills:	drawing up a list of each unique skill/person required drawing up a list of pay rates
Space:	drawing up a list of the necessary space (e.g. for an office) and information regarding whether the space will be owned or rented
Overheads:	drawing up a list of everything that is necessary to support manufacturing operations (e.g. computer, office equipment, etc.)

financial information

Finally, it is necessary to carry out a complete evaluation of the profitability of the OMI. Such an evaluation will provide information about:

- the profitability of the OMI (interesting for potential investors),
- the amount of money needed to launch the OMI,
- short-term financial needs,
- where the money is coming from (how much capital resources, how much borrowed capital, etc.).

There are three main areas for assessing the financial feasibility of an OMI:

- expected sales and expenditure figures for at least three years,
- cash flow figures for the first three years,
- current balance sheet figures and pro forma balance sheet figures for the first three years.

All data should be based on the market information previously collected.

'Biolait', France
Launched with an unfavourable feasibility study
Biolait was founded by six organic milk producers at the end of 1994. Biolait plays the role of a middleman (as its main activity is to organise the collection of organic milk and then to sell it to processors).
In 1992, organic milk producers in many regions were unable to sell their organic milk with added value. The organic milk producers began considering ways of collecting organic milk in their region. Different possibilities were considered (e.g. to create commercial links with a few specific dairies; to work and create a long-term partnership with one single family dairy, etc). Nevertheless, none of these projects was successfully completed.
Two years later, in 1994, on the initiative of a Chamber of Agriculture, a feasibility study was carried out to examine the possible creation of a collecting group specialised in organic milk, in partnership with some industrial processors. The study recommendations were not in favour of creating such a producers' collecting group. However, the study was regarded as not fully conclusive, which rendered this project not completely impossible, and so the organic milk producers decided to go ahead nevertheless and set up Biolait at the end of 1994. In 2001, Biolait included 300 organic milk producers and collected 20% of the total domestic organic milk production (35 million litres). However, in 2002 Biolait faced severe economic problems due to competition from large conventional dairy companies offering prices that are more attractive for farmers and retailers (and sometimes even a conversion premium), sometimes for the acknowledged purpose of harming Biolait. *Source: INRA, Le Mans (France)*

What does a business plan mean?

A business plan precisely defines your business, identifies your goals, and serves as your OMI's resume. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. Because it provides specific and organised information about your OMI and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals.

The business plan has four main tasks. These tasks can be described as:

- providing the OMI initiator(s) with an exact view of all areas of the OMI that are relevant for success ('What must the OMI initiator(s) think about?'),
- an outline of the business idea and different possibilities ('Is the idea realisable?'),
- mid-term planning, with a written concept as a basis for implementation ('How will the idea be implemented?'),
- mid-term financing, consisting of a collection of all financing options ('How will the project be financed?').

A lot of literature exists about how a business plan might look, and how to develop a business plan. Helpful examples of business plans can also be found on the internet. For this reason, the following text includes only the main items covered in a business plan.

What should contain the covering page?

The business plan starts with a covering page. This page should clearly identify who wrote the plan and all contact details. A statement of the plan's confidentiality is also advisable. The covering page is followed by the executive summary. The executive summary is one of the most important parts of the business plan. By summarising the highlights of the new OMI it should be possible to grab the attention of the reader. It makes sense to write the two-to-three page executive summary after the whole plan has been written. The summary should include:

What should contain the executive summary?

- a short description of the business,
- advantage over competitors, the specific idea/products behind the OMI,
- the legal structure of the OMI,
- overview of achievements like patents, contracts, market research etc.,
- brief introduction to the management team,
- brief outline of the financial plan (capital investment, capital resources and amount of expected borrowed capital).

It is necessary for the OMI initiator(s) to explain in a nutshell the important details of the OMI to the audience at whom this plan is aimed.

A business plan has to define the OMI business precisely. (Photo: M. Morgner)

description of the organisational structure

The next items in the business plan are the management team profiles and the ownership structure. This section should cover the following:

- major categories of business management in the OMI (for example sales, marketing, etc.),
- who else is working for the OMI (what are their job descriptions?),
- personal skills of the OMI initiator(s),
- description of work contracts, non-competition agreements, etc.,
- description of the ownership structure of the OMI,
- brief introduction to advisors and professional services (for example consultants, colleges, lawyer, banker, etc.),

- human resources requirements (details of other employees the OMI may need in the future, for example details of skills that may be needed, compensation packages, salaries, etc.).

business summary and history

This section is followed by the business summary and history. In the history, the work done so far should be outlined. A description of the individual partners of the OMI, their background and their contribution to the development of the OMI should also be part of this chapter. Further on, it is important to give some background about the market the OMI will operate in (for example, if the OMI is producing and selling organic meat, it is advisable to include information on the organic meat market and its prospects).

The business summary should give information about the OMI. The following points should be mentioned:

- description of the product (including an honest assessment of strengths and weaknesses),
- description of the competitors (strengths and weaknesses, market share, etc.),
- description of barriers to entering the market.

description of the target market

The next important item of the business plan is the description of the target market. This chapter should give an explanation of the type of business or person that is likely to buy the product and how large the market is. This explanation should also include demographic data on the target group. Additionally, it is necessary to explain any trends that are affecting the target market for the product. A description of direct and indirect competitors is also useful. Points such as trends in the market, growth prospects of the market, seasonal factors that may affect the market, etc. should be outlined.

description of the marketing plan

The description of the marketing plan is also an important item of the business plan. At this point the reader should find information about the product, the price, the distribution and the communication that is planned. The section on product information should include all important aspects of the products or services the OMI plans to produce. This section should primarily answer the question: 'What is the one thing above all else that makes the product unique?', and 'Why should the customer buy the OMI's products and services and not those of its competitors?' In addition, aspects such as packaging, quality and any special services should be mentioned. The pricing section should explain the way in which the OMI established the base price for the product and all important facts about the price (for example how the price competes with the market price; why it is higher or lower, etc.). A plan detailing how transactions between the OMI and the customer will be managed is vital in the context of the distribution plan. Finally, a communication plan will explain in detail how the OMI is going to communicate the product to the customer.

assessment of threats

Every new product or every new OMI will face some potential risks. Therefore, the assessment of threats is also a part of the business plan. This section should include a description of potential hazards and alternative strategies to meet the objectives of the OMI.

description of the financial situation

The financial section is the opportunity to determine the extent to which the OMI is financially viable. Generally, there are three financial areas discussed in this part of the business plan. These three areas are:

- the forecast sales and the appropriate expenses for the first three years (first year's projection should be given on a monthly basis),
- cash flow figures for the first three years (first year's monthly projection),
- projected balance sheet (to show the state of the OMI at a specific time).

appendix with references

Finally, the last section of the business plan is the appendix. The appendix mainly includes back-up material that it is not necessary to include in the text of the business plan. These materials may, for example, be letters from customers, distributors, suppliers, etc. In the plan itself, reference should be made to each of the documents in the appendix.

At the end of this chapter, the OMI initiators should consider the following questions:

- Does the feasibility study show key barriers to the success of the OMI?
- Has a complete business plan been developed?

3.1.6 Decision to start or not to start

Ready to start?

After elaboration of the above documents, the decision to start or not to start should not be very difficult. However, the following checklist summarises all the important items again. The checklist on the next two pages should help to provide an overview and facilitate a decision on whether the concept is ready for starting up the business.

'Luomubotnia': 'Pirkanmaan Luomutuottajat' and 'Saimaan Luomu', Finland

Support in the pre-start phase with training courses for co-operative marketing

In these three cases, groups of farmers held discussions and decided to form a farmers' company to sell organic products. The idea was supported by providing training courses about co-operation and networking in marketing activities. Working together was seen as one solution to the situation where they all had more volume to sell than could easily be handled alone. The decision to start to work and handle the marketing together was based on the idea of getting a better price while working together. Some farmers may have had more experience on marketing issues, but the decision was based mainly on trust between the farmers, who knew each other.

Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

Check list	Yes/No	Criteria	Who	When
Vision / business idea				
Is the vision concretely defined and written down?				
Is the business idea concretely defined and written down?				
Does the business idea sound realisable?				
Potential support				
Are there potential co-operation partners interested in the business (the OMI)?				
Are these co-operation partners suited to the business idea and will they achieve the following?				
■ producing the product needed				
■ producing the quality needed				
■ producing the quantity needed				
■ short distance between the co-operation partners				
■ still counting on regionalism				
Willingness to give up or share sole authority				
■ to set aside rivalries				
■ openness				
■ trust in partners				
■ making sure information is forwarded				
Is the business of the co-operation partner in a good state of economic health?				
Is the number of co-operation partners clearly identified?				
Is it possible to obtain business support (e.g. from colleges or universities)?				
Is it possible to obtain government support?				
Is there support from opinion leaders like:				
■ press/media				
■ associations/organisations				
Is there support from people in the immediate business environment (e.g. lenders, suppliers, buyers)?				
Does the family support the OMI initiator(s)?				

Check list	Yes/No	Criteria	Who	When
Formulation of concrete objectives				
Are the objectives defined clearly and precisely?				
Are the objectives:				
■ measurable?				
■ achievable?				
■ realistic?				
■ time-based?				
■ communicable?				
Is it possible to eliminate competition between objectives?				
Is there a clear hierarchy of the different objectives of all co-operation partners?				
First rough market analysis				
Has sufficient information about the customers been gathered?				
Has sufficient information about the competitors been gathered?				
Is financing clearly defined?				
■ internal capital resources				
■ borrowed capital possibilities				
SWOT analysis				
Are strengths clearly identified?				
Are weaknesses clearly identified?				
Are opportunities clearly identified?				
Are threats clearly identified?				
Is the business idea backed up by the results of the SWOT analysis?				

The answer to all questions should be 'yes'. Questions to which the answer is 'no' should be analysed again and the reason for the 'no' should be found. If necessary, some points in the process of the pre-start phase should be modified again.

3.2. Start-up phase

Marketing planning

After deciding to enter into the 'Start-up' phase, the marketing initiative must elaborate a detailed plan of strategic objectives, marketing strategies and marketing instruments.

the route planning process

In a symbolic way, the marketing planning process works similarly to a route planning process. First of all, the objective or destination must be defined ('Where do we want to go?' – Marketing Objective). Secondly, there are often different ways of reaching the destination. It is possible, for example, to choose the most beautiful, the shortest or the fastest route ('Which way do we want to go?' – Marketing Strategy). Last but not least, there are different carrier opportunities by which to reach the destination ('How do we want to get there?" – Marketing Instruments). It must be decided, for example, whether car, bus, ship or plane is the most effective and efficient way to reach the destination (see also figure 5). Marketing objectives, strategies and instruments must be elaborated in a consistent and rigorous way. It is like a puzzle in which only pieces from the same puzzle are suitable to build that picture, not pieces from other puzzles.

A SWOT analysis allows an OMI to better identify market potentials, market gaps and competitors. It should be considered when marketing has to define a specific and unique market positioning for an OMI and its products (see details in Chapter 3.1). The outcome of the SWOT analysis should therefore reflect all steps of the marketing planning process.

It should be noted at this stage that the SWOT analysis, as well as the marketing planning process, should become the 'guidelines' for navigating through OMI activities. This should be revisited periodically in order to adapt strategic planning according to changing market environments, competitor performance or the changing nature of an OMI's own potential and limitations.

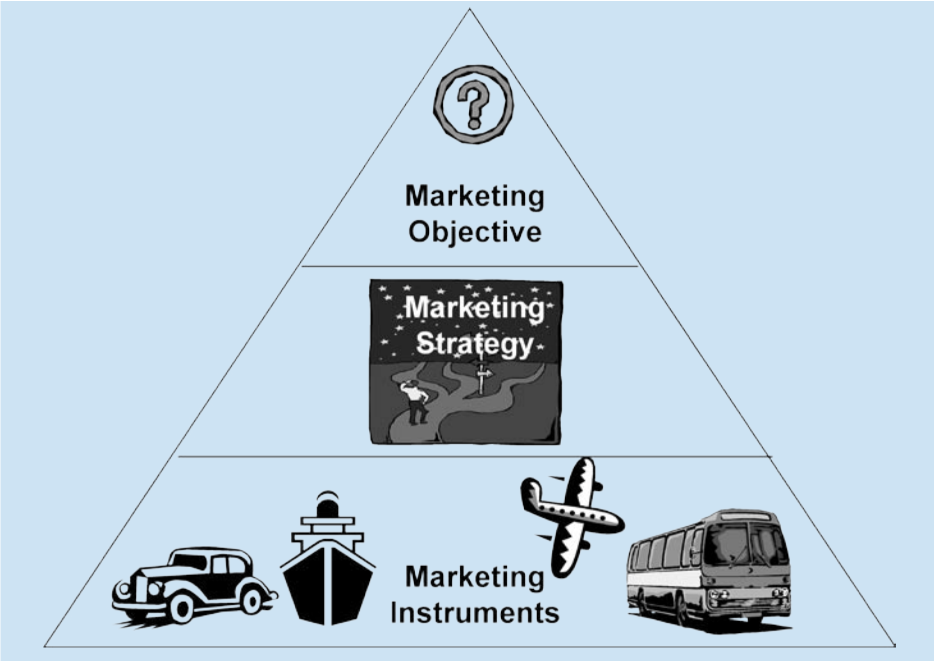


Figure 5: The three dimensions of marketing planning

As already explained, developing the marketing process means a step-by-step process.

step-by-step approach

1. To carry out an appropriate situation analysis (Where are we? What information do we need? What does the SWOT analysis show? What does the market segment analysis show?),
2. To formulate strategic marketing objectives / market policy (What market share do we want to achieve? Which qualitative objectives do we want to achieve? Which other objectives, including non-economic objectives, do we want to achieve?),
3. To develop the overall strategy or different strategies for different market segments (Which way do we want to go? With which existing and/or new products and services will we operate now and in the future?),
4. To formulate operative marketing objectives (What quantitative objectives do we want to achieve?),

5. To balance the use of marketing instruments in the marketing mix (In which way should marketing instruments be applied?),
6. To clarify the use of resources (What financial, human and natural resources can we use most efficiently?),
7. To develop the marketing plan and marketing measures (What must be done by whom, when and how?),
8. To determine the indicators for monitoring (How will we measure success or failure?).

'Biobauern Sulzberg', Austria
Marketing planning without relying on public support

Before the establishment of Biobauern Sulzberg, a small dairy co-operative in Vorarlberg, producers were integrated into a conventional dairy co-operative. Due to ongoing quarrels, mainly concerning the different price levels for organic and conventional milk, the small but well-educated group of organic farmers began searching for alternatives. The possibility of renting an abandoned dairy nearby led in 1996 to the separation of the organic producers and the establishment of their own business. This created social differences among the farmers' community (the conventional dairy lost experienced functionaries as well as quite a large amount of milk).

Before starting the detailed marketing planning, there were several internal and external factors to be considered. Production and investment costs, market potential, marketing channels, internal management and organisational issues (e.g. collection of the milk) were analysed mainly by the initiators themselves with the support of an organic farmers' association. In order not to build the success of the new co-operative on public financial support, all calculations were elaborated without considering public support possibilities. Safeguarded by intensive and accurate planning in the preparatory phase, it was possible to persuade participating farmers to invest time, labour and money in the new initiative, which on the one hand was quite risky, but on the other hand had a motivational effect too. To work for one's own project appears to have been crucial and challenging for the venture's further development.

Source: University of Innsbruck (Austria)

Cheese processing for 'Biobauern Sulzberg'. *(Photo: Biobauern Sulzberg)*

It is important when setting up an OMI to look at the interactions between different elements of the marketing concept. Of special importance is monitoring all the above steps.

strategic and operational marketing objectives

Based on the overall objectives of the OMI, the next step is to define strategic and operational marketing objectives (see figure 6). Scope for defining these objectives, however, is limited by the outcomes of the SWOT analysis with regard to:

- the OMI's willingness, opportunities and threats,
- the OMI's (expected) market position (leader, challenger, niche player),
- the behaviour of the main competitors.

Figure 6: The role of strategic and operational objectives within the marketing planning process. Source: Figure adapted from HAMM (1991)

Careful consideration must also be given to ensuring that marketing objectives are not contradictory to the predefined overall objectives of the OMI. For instance, communicating an aggressive price strategy as a supplier would need to be avoided if the overall objective of the OMI members were to earn higher prices.

short-term and long-term objectives

Put simply, strategic objectives can be described as the long-term goals of an OMI (e.g. quality leadership for organic speciality food in a certain region) and operational objectives as short-term goals (e.g. planning turnover effects by means of certain sales promotion activities).

Both strategic and operational objectives must be regularly evaluated and, if necessary, adapted to the changing market environment. This is also relevant to the start-up phase, not only to the maturing phase (see also later in Chapter 3.3).

To define strategic marketing objectives, the market in which the OMI intends to operate must first be defined and boundaries

'Freiland Association' and 'Frisch&Frei delivery service', Austria
Combination of strategic objectives for animal welfare and distribution
When the Freiland Association was founded in 1982 by a group of veterinary students, its main purpose was to undertake public relations work for animal welfare all over Austria. Due to its increasing membership and popularity, the association was restructured in 1994. The 'Frisch&Frei' GmbH was founded, a delivery service for organic products in Vienna.
Analysis of the situation carried out by initiators of the Freiland Association in the pre-start phase, has shown that an appropriate information policy on its own is not sufficient to meet members' expectations. Therefore, an economically independent delivery service was created, which is owned by the Freiland Association.
The combination of information policy and delivery service, especially in big cities, where there seems to be more awareness of animal welfare concerns and organic production, can be considered an interesting solution in terms of combining different strategic objectives.
Source: University of Innsbruck (Austria)

with other markets established. It is not enough to only plan the product range and its intended performance at this stage. The main target groups/customer groups for the products (e.g. young families/the catering industry) and the distribution area (local, regional national, international) should also be defined.

strategic objectives guide OMI activities over the long term

'UK Riverford', United Kingdom
A decision was made to cut down the amount of produce going to supermarkets / wholesale in order to concentrate on home delivery scheme, which was later further developed though its franchising system. Actively sought growth, e.g. set up SDOP (South Devon Organic Producers) to source more produce and franchising to expand its delivery network. *Source: School of Management and Business, University of Wales Aberystwyth (United Kingdom)*

evaluation of marketing objectives

Marketing objectives must be evaluated regularly. They must therefore be defined quantitatively and as accurately as possible. An objective that says 'we want to be better than OMI X or brand Y!" or 'we want to make a profit through our activities!" is not clear enough and not only lacks a clear objective but also makes it impossible to monitor.

Due to this precondition, strategic objectives should be translated into single objective parameters, quantity parameters and time parameters. The more quantitatively and precisely the objective parameters are defined, the easier it is to monitor them. Figure 7 shows an example of how strategic objectives can be further elaborated.

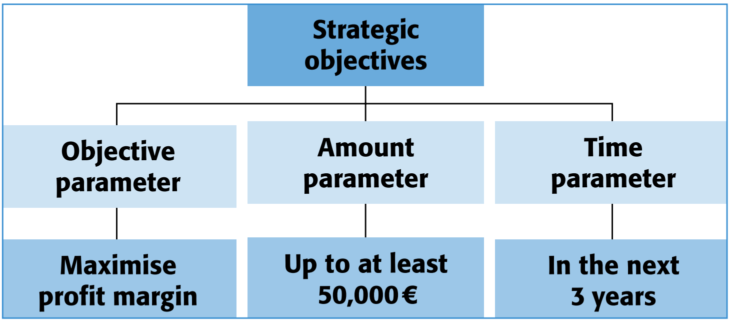


Figure 7: Example of the definition of a strategic objective

As discussed in Chapter 3.1, the strategic objectives of an OMI should not be limited strictly to economic objectives. They should also include quality, ecological and/or social aspects (e.g. to gain quality leadership, to provide new jobs). In organic marketing initiatives, social objectives are often more important than economic objectives, which often limits profit opportunities (e.g. an OMI that works with disabled people, an OMI that wishes to promote direct contact between producers and consumers and therefore starts a producer/consumer organisation, or an OMI whose primary goal is that nobody will lose their job even if this would be advisable from an economic point of view).

hierarchical set of objectives

Setting priorities in the form of a hierarchical set of objectives is strongly recommended:

'Biolait', France and 'Biomilchpool', Switzerland
Solidarity among members = social objective
The primary objective of a nationwide milk-producing OMI (e.g. Biolait or Biomilchpool) is a social one: solidarity among the OMI's members. This means, for example, when a situation of surplus organic milk arises, all OMI members would accept price reductions or provide additional contributions for sales promotion activities in order to increase organic milk demand again. Nobody would leave the OMI in order to earn higher prices by signing individual contracts with dairy companies. Therefore, in this case, the objective of maximising profit for single farmers is secondary to the primary objective of solidarity among OMI members.

Source: INRA Le Mans (France); FiBL, Frick (Switzerland)

- The overall primary or main objective determines the way to go. Primary objectives should focus, in all cases, on a priority and therefore define the frame for secondary objectives.
- Secondary objectives are different. They indicate the steps to follow. Some of these sub-objectives may be dependent on whether other objectives are achieved.

operational objectives depend on strategic objectives

Operational objectives must be based on strategic objectives. They can be understood as a list of milestones on the path towards achieving strategic marketing objectives. The more quantitative the operational objectives are, and the closer the time periods defined for single milestones, the earlier and more sensitively a monitoring/control system is able to respond when internal problems appear or the environment of the OMI changes.

Operational objectives should be directly linked to marketing measures (see as an example figure 8). For instance, if an OMI plans to introduce a new product onto the market, it may accompany the introduction with special introductory prices and other sales promotion measures. In this case, the time period and the financial realisation of the marketing measures should be calculated and the contribution to the underlying strategic objective should be formulated.

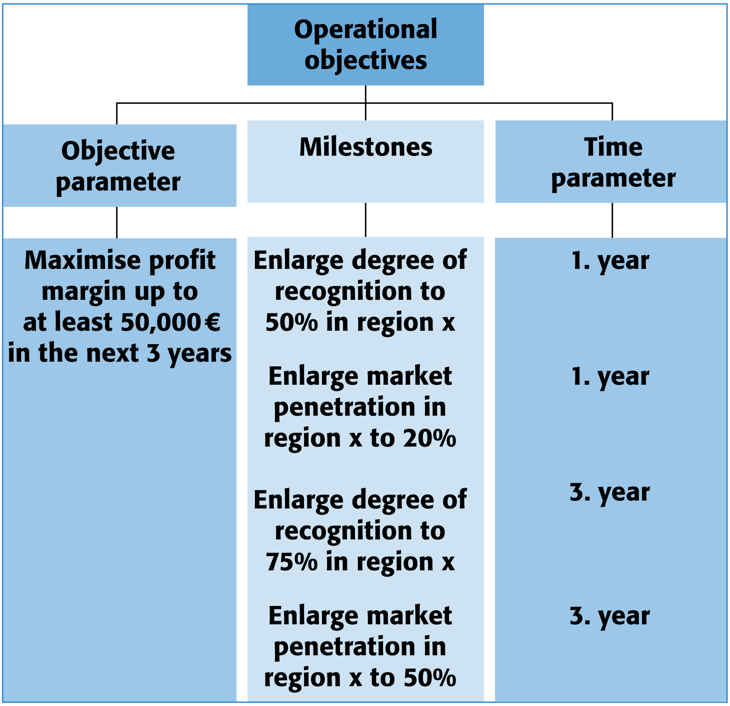


Figure 8: Example of the definition of an operational objective

developing and deciding on marketing strategies

Strategies are general decisions oriented towards the medium or long term. They can be understood as paths that are designed to reach the objectives an OMI is working towards. They also give an outline for the implementation of appropriate marketing instruments. They must be based on the overall objectives of the OMI and the chosen strategic marketing objectives (see also chapter 3.1). They are the binding element between the strategic and operational marketing objectives (see figure 9). This means they have a central and pre-eminent position within the marketing planning of an OMI.

What does a marketing strategy mean?

But what does a marketing strategy mean for an OMI? It means achieving the best possible match between the OMI's resources and strengths and the opportunities and threats of the market environment. The chosen marketing strategies should lead the OMI to a unique and stable position within the market.

How to select the appropriate marketing strategy?

The selection of a marketing strategy is strongly influenced by the results of the SWOT analysis and is derived directly from the strategic marketing objectives. Traditionally, and in most cases, planning for a new business starts with the definition of strategic objectives that determine the framework for developing a marketing strategy (see figure 9). However, small and/or family-owned companies, and also many OMIs, frequently start off with a bright (business) idea. This means they have considered a strategy before they start to define the objectives behind the strategy. For instance, a group of mountain farmers came up with the idea of producing cheese according to ancient cheese-making recipes from their region. In this case, only the second step of the overall objectives and marketing objectives was considered.

Figure 9: Marketing strategies between strategic and operational objectives.
Source: Figure adapted from HAMM (1991)

What influences the selection of an appropriate strategy?

Generating strategies should be undertaken as a stepwise and creative process within the leading or steering group of an OMI. Due consideration must be given to the fact that each strategy consists of several individual elements which must be composed in a consistent way.

Therefore the development of a successful strategy should be centred around four principal questions:

1. Which products will focus on which markets? (Product market focus)
2. How do you stimulate the market – by product quality or price advantages? (Means of stimulation)
3. What are the target groups for the products? (Market segmentation)
4. What is the spatial coverage of the OMI's products? (Spatial coverage)

1. Which products will focus on which markets?

the right products for the right markets

- Market penetration strategy: to push an existing product more strongly onto an existing market (e.g. by a strong increase in its advertising budget, the OMI's apple brand will gain a greater degree of recognition and a better image with regard to its health benefits).
- Market development strategy: to introduce an existing product onto a new market (e.g. expanding the sale of a cheese sold only on its own regional market into the market of a neighbouring region).
- Product development strategy: to develop a new product for the existing market (e.g. to develop an organic beef brand which substitutes the existing "no name" organic beef scheme, or to provide additional customer services).
- Diversification strategy: to develop new products for new markets (e.g. an OMI which delivered organic vegetables to the wholesaler and now starts to develop an processed vegetable line in order to sell its products to a catering company).

2. How to stimulate the market, by product quality or quantity?

quantity or quality strategies

- Quality strategy: focuses on the premium product segment with high quality product standards in order to be able to earn high product prices (e.g. an OMI plans to produce high quality pasta under its own brand label)
- Price-quantity strategy: to build up high product volume capacities in order to get higher prices from wholesalers or processors (e.g. an OMI of vegetable producers which bundles

The answers to the following questions facilitate the selection of the right product-market-strategy:

- Does the OMI have market familiarity (new, well known or related market)?
- What is the attitude of the OMI to its potentially most relevant competitors (friendly, aggressive)?
- What is the attitude of the OMI concerning product and technology innovations?
- Is the OMI able to use small or large marketing budgets?
- Is the target market already matured or not with regard to the OMI's planned products and services?

'Luomubotnia', Finland

Price-quantity strategy to maintain a strong market position in the vegetable market

Farmers belonging to this vegetable selling company produce a remarkable share of carrots, potatoes and onions in Finnish organic markets. This company tries to concentrate on these volume products and thereby secure the base of the business. They profit from economies of scale because handling volume products is more effective than handling other products in smaller quantities. Wholesalers are content to have more from one place. The Finnish trade system is highly centralised and carriage distances are long. A strategy based on high volume products and high market shares also serves the aim of having a better farmer price premium for organic products. Negotiating power is better and the company can be a price maker rather than a price taker.

They also sell some smaller quantities of many different vegetables to the wholesalers. These products are marginal in terms of volume and are available only seasonally. When volume products are the way to enter the retailer chain, these special products are seen more as service and a way to develop the business relationship.

Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

The answers to the following questions facilitate the selection of the right strategy with regard to the market stimulation:

- What are the primary goals of the OMI (to maximise turnover, returns, market share, or to realise higher product prices through higher quality and sales services or by exclusivity)?
- What are the primary areas of performance that the OMI wants to achieve (premium quality, price advantages, proximity to customer, …)?

together the supply of its members as its main function in order to get more market power).

focus target groups

3. What are the target groups for the products?

- Mass market strategy: no market segmentation is carried out – all customers or consumers are potential clients (e.g. an OMI which collects milk nationwide in order to get more market power).
- Segmentation strategy: the OMI's products focus on one or a few particular customers or consumer groups (e.g. an OMI which produces and processes a traditional regional pork species into high-quality sausages focuses its products especially on tourists and consumers who prefer delicatessen food).

4. What is the spatial coverage of the OMI's products?

- Local / Regional / National / International market strategy

The answers to the following questions facilitate the selection of the right strategy with regard to the market segmentation:

- How should the market be developed (differentiated or undifferentiated)?
- Do specific customer or consumer groups exist for the OMI's products?
- Which market segments/customer groups are focused upon?
- Should a niche or market leader strategy be followed?

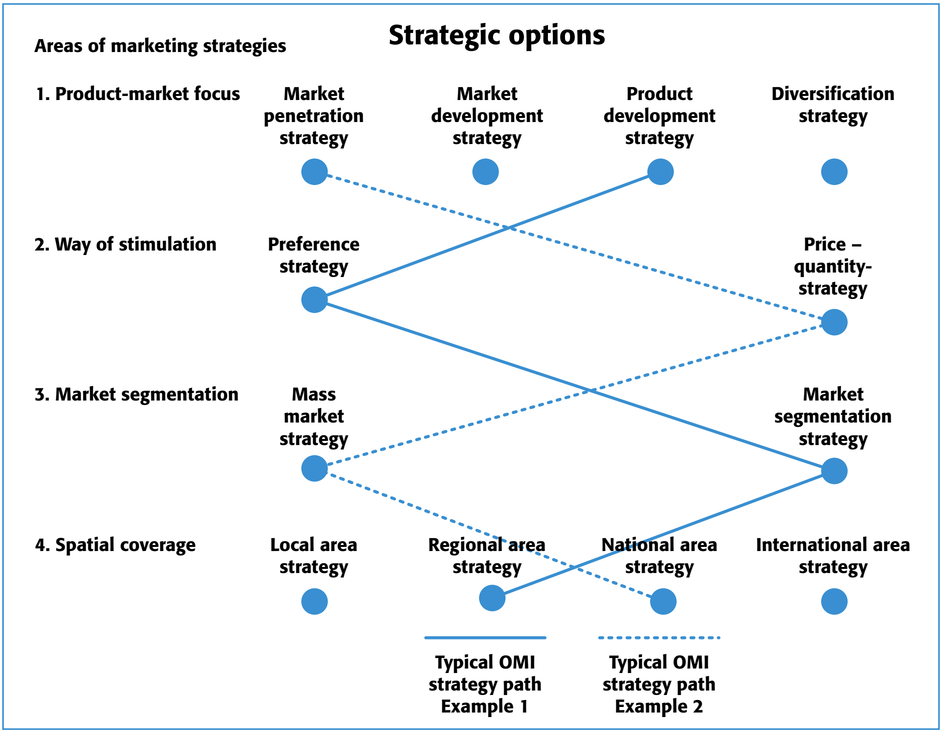


Figure 10: Marketing strategy options and typical strategy composition examples for European OMIs *Source: Figure adapted from Becker 2001*

1. Example: *An OMI produces different organic cheese varieties with typical regional herb ingredients. The OMI aims to place the cheese in the regional market at the premium level. Therefore it follows a preference strategy that focuses on the segment of tourists and regional consumers who prefer delicatessen food.*

2. Example: *An OMI where milk producers nationwide co-operate horizontally aims to enlarge its market power and market transparency by bundling together large product volumes and steering price negotiations between regional sub-groups and all relevant national dairies. The OMI follows a market penetration strategy, does not differentiate between market segments and follows a price-quantity strategy.*

spatial coverage

The answers to the following questions facilitate the selection of the right strategy with regard to the spatial coverage:

- What is the demand potential for the OMI's products in its own region/nation?
- Is the domestic region also well known outside the region?
- Generally speaking, what image does the domestic region and its produce have both inside and outside the region from a consumer's point of view?
- What product volume will the OMI be able to sell in the medium term?
- Is personal contact important to consumers or not?

Ways of co-operating

Apart from the areas of strategy already discussed, defining the type of co-operation plays a crucial role in planning the marketing of an OMI.

right way of co-operation

As described in Chapter 3.1, there is a distinction between horizontal and vertical forms of co-operation. In general, the bigger a vertical chain of co-operation partners is, the less the OMI's core producer group is able to steer the marketing process and vice versa. On the other hand, co-operation partners in the processing and retail sector can assist with fast and effective market introduction or with the development and advertising of brands.

Most OMIs, at the very least, use forms of horizontal co-operation with producers. The question here is: what is the optimal number and structure of co-operation partners? The more partners

The OMI 'Landbrugslauget' in Denmark which provide box scheme systems started with the vision to give consumers the possibility to look behind the production process. (Photo: T. Nielsen)

'Landbrugslauget', Denmark
Consumer-producer co-operation – from vision to realisation
The OMI was launched on the basis of a vision from a scenario workshop with participation of consumers, farmers and academic researchers.
The realisation of the idea started with a few persons (8) working hard to formulate the visions and then to find a farm suitable for the purpose. The idea was that 2-3 farmers should be engaged in the project and be employed to produce different products.
The initiators succeeded in finding a farmer on a farm south of Copenhagen who was interested in the project and who wanted to sell his farm and be an employee. The situation of the farm close to Copenhagen (which is where the most consumers live, especially those who buy organic) was quite important in order to be able to fulfil one of the visions – to give consumers the possibility of going to the farm to see it or lend a hand on working weekends, etc.
In a short time, they had 500 consumers committed to the project paying shares of minimum 675 € each. They experienced that it was quite hard to find farmers who were interested in this kind of production while not owning their farm. And they also realised that they were too ambitious in their variety of vegetables; although flexibility had been one of their visions, this was a too heavy workload. This may, however, have been a consequence of bad management in the first year, since they had some problems co-ordinating production and sales.
Today, the OMI sells products from their own production and products from other producers through box schemes. They sell their produce partly to the consumers who own a share (not all the consumers who paid a share are interested in having the products) and partly to other consumers. The commitment of the consumer shareholders is growing.
Source: Technical University of Denmark, Lyngby (Denmark)

involved, the bigger the product volumes that result; market power will therefore be stronger, but there will also be less flexibility; processes of decision-making on strategic questions will be slower and market orientation will tend to be more conservative.

'AgriBio Union', France
Union between organic and conventional co-operatives
The co-operative AgriBio Union in the south-west of France decided to create a union of co-operatives with two conventional co-operatives active in the cereal and oilseed sector. One of the AgriBio Union manager's skills was to be able to get out of the organic 'milieu' (e.g. by making a commercial agreement with an important actor on the dietetics market) and so to reach better 'non-organic' clients.
The strategic choice was to go for increased quantities of basic production rather than for added value by processing and packaging the products for consumers, contrary to what other firms in the same sector have done. AgriBio Union (specialised 100% in organics) has 520 producers and a reported turnover of € 9 million in 2000 with an annual growth rate of 20 %.
Nevertheless, this union with the conventional firms and the financial arrangements have been highly criticised (in the current union, the manager brought his business as capital). Strategic dependency cannot be denied: nevertheless, the co-operative has managed to grow thanks to commercial links to the conventional co-operatives' clients. Ultimately, the development of a strong and dynamic economic activity was in the region's favour. *Source: INRA, Le Mans (France)*

The answers to the following questions facilitate the selection of the right strategy for co-operation:

- How flexible is the market and will the OMI be able to react to changed parameters in the micro- and macro-environment?
- What are the attitudes of the OMI members as regards co-operation and solidarity?
- What are the labour and financial flexibilities and restrictions of the OMI (is there any public financial support)?
- What is the OMI's own competence with regard to all relevant marketing questions?

most OMIs are niche players

Many OMIs begin with the intention of members to obtain higher prices for their products. However, consideration should be given to the fact that OMIs that are generally able to earn higher product prices than the regional average are those that pursue an exclusive preference strategy. An exclusive strategy has a great many implications in terms of planning marketing instruments, as well as additional costs. Merely labelling a product as regionally produced is not sufficient to induce consumers to pay more.

It is also important always to consider an OMI's market position and market size when defining strategies. A potential market leader needs different strategies for successful operation than those of a niche player. Because most OMIs are niche players rather than global players, some specific issues concerning strategies for niche players are described below.

Niche players are smaller suppliers who concentrate only on certain product markets. They successfully establish themselves in a niche that is forgotten or neglected by bigger suppliers who are unable to fill them efficiently.

The success of niche market strategies is based mainly on greater specialisation and focus on specific products and/or customer groups. A niche can be defined in many different ways, e.g. using geographical, customer, product, price or sales channel criteria.

Operating in several niches at the same time, rather than exclusively in one, is recommended in order to minimise market risks and dependencies involved in the case of one product, market channel or product life cycle.

Niche players are often very successful because they know their smaller customer group much better than the big players do. They

'Otto Marzo', Italy
Typical local products for the regional home market
Otto Marzo specialised in local dairy products (yogurt and typical Italian cheeses) and wines.
It has good links with the territory, runs an agrotourism and farm shop and works a great deal with schools (open days). Its main outlets are wholesalers working with organic specialised shops in the home market. *Source: Università Politecnica delle Marche, Ancona (Italy)*

are also able to react quickly and appropriately to specific customer needs. Another advantage is that, most of the time, there are fewer competitors than in a mass market. Niche products therefore have higher value for many customers.

Communication of marketing strategies

It is not sufficient to define appropriate strategies exclusively among an OMI's steering group. Because strategies are not an end in themselves, they also must be communicated to relevant partners, supporters and customers. It is important, however, that not all strategic options developed by an OMI may be relevant to market partners. For example, strategies aimed at earning maximum money are, of course, relevant for OMI members, but it is not appropriate to communicate this strategy to customers. Certain strategies should therefore be formulated in a manner that can easily be communicated to customers but that also improves how OMI members identify with their initiative.

Such strategies, for example, might include: to provide regional specialities, to better co-ordinate the supply of a certain product by co-operation-based marketing, to provide the best quality cheese in a certain region, to provide the most exciting or diversified product range or to have the best delivery service for restaurants and cafeterias inside a region.

Marketing micro-strategies need to be adapted regularly

The micro- and macro-environments of OMIs develop dynamically. Rules, consumers and some of an OMI's marketing objectives might change over time because the structure of the OMI has changed or there is a push from some OMI members to enter new markets or develop new products. Changes also often occur when marketing controls reveal that objectives have not been achieved within a defined time frame.

All these possibilities can occur and force an OMI to rethink the original marketing objectives and marketing strategies defined at the outset. In most cases it is necessary to adapt them (see figure 11).

The last check for developed marketing strategies

The following list should facilitate a final check when planning of strategies has been completed. It is useful to check these points in

Check list	(✓)
Is it clear which market segment will be developed, with which products and with which strategy?	
Is the marketing strategy (or strategies) coherent in terms of the OMI's overall objectives and marketing objectives?	
Were the main results of the SWOT analysis for planning the marketing strategy taken into account?	
Have the operative marketing objectives been clarified (turnover, returns, market shares) and adapted to the strategies?	
Is the strategy sufficiently customer / target group-oriented?	
Are the primary performances the OMI wants to achieve well defined (premium quality, price advantages, proximity to customer, …)?	
Does the marketing strategy allow short-term benefits for members?	
Is the concept of co-operation clear and able to be implemented by all OMI members?	
Have the labour and financial resources and restrictions of an OMI been adequately taken into account?	
Is the marketing strategy understandable for external people (e.g. financial partners; potential co-operation partners) as well?	

Figure 11: Checklist for the dynamic process of strategic marketing planning

order to identify gaps and inconsistent points in the strategic marketing planning.

Determining marketing instruments in a marketing mix

In order to implement strategies, there is a need for more detailed specification and planning of concrete measures. Planned measures are determined by analysing an OMI's potential and constraints, its market position, the strategies of its most relevant competitors and the macro-environment. In sum, the task of planning marketing instruments needs to define an optimal marketing mix which promises the realisation of most of the OMI's objectives and strategies.

The marketing budget and its relationship to OMI objectives

The marketing plan for an OMI must be strongly based on the available budget. The process of budgeting requires prior planning

The German retailer 'Feneberg' developed with the organic brand "Von hier" ('from the own region') a clear strategy to focus the organic product offer on regional products. (Photo: G. Hempfling)

of operational objectives (planned performances) for production and marketing, as well as planning to define personal responsibilities within an OMI. Planned performances can be turnover, market share, economic returns or gross margin. The budget allocation must take into account the implications of different operational objectives. It should also include the costs of areas such as market research that are not directly linked with any planned performance.

marketing budgets have to be linked to the expected sales

In practice, the planned budget for marketing activities is generally linked to expected sales (a percentage of turnover). It is also possible to use business standards usually applied by other firms in the same sector. Keep in mind that the first approach, a rigid 'percentage of sales', could cause problems in a situation of lower sales. In this case, marketing power should be strengthened by an above-average marketing push (anti-cyclical reaction). Therefore an OMI objective-oriented budget should be preferred over sales-related budgeting.

The marketing mix

A typical marketing mix consists of the following factors: distribution policy, promotion policy, product policy and price policy, (see figure 12). Behind each factor are many individual marketing instruments and questions about how to use these marketing instruments in an appropriate way, including how to combine them most effectively. It is essential that the chosen marketing instruments are adjusted to the operational marketing objectives. It is also essential to emphasise that the chosen marketing mix should not be statically fixed, but must adapt to the changing operational objectives.

Distribution policy

One of the first and most important strategic decisions when a starting an OMI is to plan the right strategy for distributing products. This decision depends to a large extent on whether the OMI has chosen a quality/premium product strategy or a price/quantity strategy.

Figure 12: The four elements of the marketing mix

Source: Figure adapted from HAMM (1991)

What does distribution mean?

Distribution in this context includes the aspects of transportation, storage, sorting, packaging and stock control of physical products. The meaning of decision-making in the distribution policy area, however, has implications that go well beyond the financing of storage buildings or logistic chains. It also sets the framework for managing all selling and marketing activities or binding customers by services activities. All distribution decisions interact strongly with other aspects of the marketing mix. Where and how a product is distributed is related to, and may even be dictated by, an OMI's given business objectives, its chosen strategy and the availability of human and capital resources.

implication of distribution policy

Choosing the 'wrong' distribution channel in the first instance, and consequently having to change it, usually results in substantial financial losses. Careful market channel evaluation is therefore essential. It takes a great deal of time and money to build up contacts with appropriate distribution channels, to convince them of a concept and products and then to prepare the OMI to fulfil the requirements of the future market partner(s).

To select a market channel, frequent contact and discussions with possible partners are important. This enhances the transparency of possible partners. As a result, an opportunity/threat analysis of each possible partner/distribution policy might be useful.

distribution channels with high and low investment requirements

Generally, a distinction is made between the direct and indirect physical distribution of organic products to consumers (see figure 13). The longer the supply chain, the lower the chances that an OMI can steer the market through its own marketing measures and convince consumers through its own promotion activities.

strategic objectives should determine selection of distribution channels

Deciding on the preferred distribution channel must be based strictly on the strategic objectives. Sales channels that operate via agents, wholesalers or processors clearly require less marketing involvement and investment than distribution via selling directly to consumers, retailers or the food service/catering sector. There is also a higher risk involved in having only one major distribution channel. If, for example, the only processor or major market retailer within the OMI's region opts out of co-operating in the market, the OMI must carry the market risk by itself.

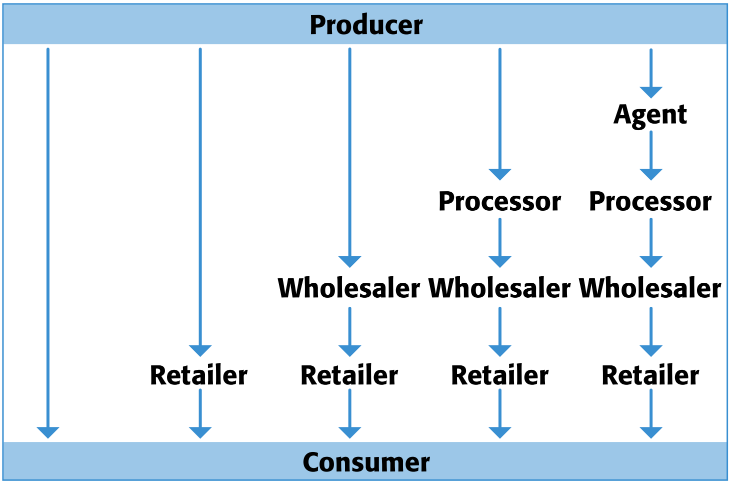


Figure 13: Distribution options from OMI producers to consumers

Source: HAINES (1999)

Generally speaking, the shorter the chain between OMI products and the final consumer, the less dependent the OMI will be on the success of other market actors. Direct selling activities to the retail or catering industries also requires an OMI to undertake additional processing and marketing activities. For example, retailers often expect products to have been packed and labelled ready for sale. Cafeterias or food canteens are used to products that are ready to cook (i.e. potatoes or carrots that have been cleaned, peeled, are uniform in size, etc.).

Apart from the length of the supply chain, the chosen distribution policy also covers:

- Spatial aspects (to sell locally, regionally, nationally or internationally),
- Availability aspects (to provide products exclusively to one particular company or selectively for one particular distribution channel, such as natural food shops, or to provide access for the products to all channels).

Where to sell – inside or outside an OMI's region?

Spatial distribution areas should be considered carefully when selecting distribution channels. If a marketing profile has an entirely intra-regional focus it is often difficult to find appropriate partners in the processing, wholesaling or retailing sector. Often, in this case, compromises must be made. On the other hand, however, spatial focus and search for regional market partners is less important for OMIs that focus mainly on 'exporting' large volumes of commodity products outside their region. Nationwide market partners generally need large supply volumes and demand a very professional marketing relationship. They are also often unable to emphasise adequately the regional origin of products.

exclusiveness or broad market penetration

One important question that needs to be considered from the start of an OMI project is whether the OMI has a preference for using several channels to sell their products or wishes to concentrate exclusively on one company or one main sales channel.

Both exclusiveness and broad market penetration bring advantages and disadvantages that must be considered carefully. The more channels used, the more effort is needed to manage negotiations or to fulfil the daily changing needs of the market partners. The fewer channels are used, the fewer selling and service activities are needed. Furthermore, choosing an exclusive market distribution channel provides the possibility of shortening the supply chain and enlarging the product value. Dependency on market partners, and therefore market risk, will, however, be increased.

dependency on market partners

Even when an OMI has one major reliable partner that is a small to medium enterprise, there is a danger that the enterprise will merge with a bigger company. There are countless examples that show that the new bigger companies are often not willing to take over the region-specific products of an OMI. Another danger includes changes over the years in the key personnel responsible for dealing with the OMI project. It is often not clear if the replacement personnel will support the OMI project in a similar way. The aspect of dependency is therefore quite important when an OMI chooses a market partner.

As mentioned before, distribution channels should be chosen in accordance with the product and price policy as well as the ma-

market partners with a common set of objectives/ strategies

nagement capacity of the OMI. If an OMI tends to sell high premium products or origin-specific products, market partners should share this philosophy/approach. Therefore, these partners should also be selected with regard to their non-economic objectives and their image in the marketplace. (Are their objectives similar to the OMI's objectives? Are they trustworthy and able to pay on time?)

Discounters, for example, generally need large, regular supply volumes and demand very professional, specific product attributes with regard to size, packaging, etc. They are often unable to emphasise regional origin and they want to sell products at a relatively low price to consumers. For most OMIs, therefore, smaller regional wholesalers, smaller shops, weekly markets, box schemes or natural/ health food shops seem to be more suitable partners.

customer services

Customer services include all the logistic systems that are necessary to make a product available (stock holding, efficient delivery systems, order processing and documentation, packaging). All these activities are quite expensive for an OMI to manage alone. Managing them requires a constant level of attention to customer wishes and changes in the micro- and macro-environments. Failure in any of these areas could result in lost sales or contracts due to unsatisfied customers or might also lead to a loss of reputation within the market. One of the main strategic questions with regard to a distribution policy, then, is to decide which customer services an OMI is willing and able to undertake on its own and which must be outsourced.

strategic relevance of customer service

The strategic relevance of customer services is often underestimated by OMIs because farmers tend to think mainly about production and product quality. At best, they might perhaps imagine that an attractive low product price would guarantee a sales contract. However, in an increasingly saturated food market environment and in an increasing number of cases, customer services can be more crucial to the purchase decision of a retailer or a caterer than the product price offered. Because the cost of customer services is so high, it is important to identify an optimum level of service activities that satisfy the customers on the one hand and are also efficient on the other. An OMI should therefore focus clearly on the priorities and requirements of its main market partners (e.g. the required frequency of delivery) and the service levels that its main competitors provide.

Effective and efficient customer service requires permanent monitoring of an OMI's performance, and that of its competitors, through monitoring activities and market research.

distribution channels and promotion policy

The chosen distribution channels directly influence communication policy, too. If the products of an OMI are sold directly to consumers by the OMI itself (e.g. via box schemes), OMI members have a better chance of directly communicating with consumers. They can convince consumers of product authenticity by explaining how the product is produced or processed. This situation changes when OMI products are sold via supermarkets or other non-OMI channels. First, the products must communicate the main messages independently (e.g. by labelling). Second, the person responsible in a sales outlet must be motivated to place the products in a favourable position for sale. These sales staff should also be briefed on the necessary information required to be able to convince consumers about the properties and added values of the products.

distribution channels and price policy

The channels through which products pass directly determine the revenue received. Generally speaking, the more direct the contact from the producer to the consumer (e.g. direct sales, retailer delivery) the higher the sales price will be and vice versa. Also, the influence that producers have on the consumer sales price falls the longer the distribution chain, and vice versa. For instance, if a premium quality/high price strategy is planned, supplies sold through price aggressive retailers or discounters should be avoided. If, for example, consumers buy a premium OMI product at a low price on the supermarket shelf, they may not believe that they have bought a premium product. This illustrates how the image of a whole OMI and its products can develop in a way that contradicts its intentions.

Of course, the staff requirements and investment (e.g. to run a box scheme) are relatively high. Before a distribution channel is chosen, therefore, an exact calculation of the gross margin and the return on investment should be carried out for each alternative. The channel with the highest sales price does not necessarily result in the highest profit.

The longer and more complex transportation of the food from the OMI's location to the customer, the greater the need is for special transport and packaging systems to guarantee consistent high quality (i.e. freshness, shelf life, etc.), food safety and traceability of products. It is important that the particular requirements of customers are considered when selling via new channels. This often needs other logistics systems (e.g. cooling systems) and additional services (e.g. delivery time requirements) that often cannot be provided by the OMI itself without considerable investment. In general, the dependencies of the whole system will be much higher and, in most cases, so will the costs for distribution (e.g. for labelling and packaging material or special analytical tests).

distribution policy and product policy

When choosing a distribution channel, it is important to consider whether products are to be sold immediately or stored and sold later (e.g. in the case of more durable products like grain, carrots or potatoes). The longer after harvesting the products are sold, the higher the price in most cases. Building up storage or processing capacity often involves substantial investment. Co-operation among several farmers allows more efficient use of storage or processing capacities.

The type of customers also influences quality expectations relating to OMI products. Of course, every customer expects to buy quality products; the level of quality requirements, however, depends heavily on whether private consumers or commercial companies purchase the products. While a certain degree of quality heterogeneity is expected when selling directly to consumers (e.g. larger and smaller fruit sold at one price), large wholesalers or retailers expect homogeneous quality at a higher level. This means that already in the pre-start phase, when selecting a distribution channel, an OMI's choices with regard to quality assurance need to be clear.

A further cross-relation between product and distribution policy concerns the volume of production. Generally speaking, retailers as direct market partners have higher expectations with regard to demanding product volumes than processors or wholesalers. Therefore, larger OMIs that co-ordinate the production of many producers regionwide or nationwide tend to be more interesting market partners for retailers as they can try to establish a regional farm product line or nationally distributed organic labelling scheme.

A checklist for the selection of distribution channels

Last, but not least, a list of relevant questions will help an OMI make the right decisions concerning the selection of appropriate distribution channels. The answers may well determine whether an OMI remains relatively dependent on processors or wholesalers as a raw material supplier, or whether it becomes more independent as a self-contained market actor.

The answers to the following questions facilitate the selection of the right distribution strategy:

- Are the visions, objectives and market sizes of a potential market partner appropriate in terms of the OMI's own philosophy and structure?
- Is the general product positioning of a potential market partner appropriate in terms of the OMI's expectations (premium versus discount)?
- Are contracts over longer periods possible or is the potential partner acting on a spot market?
- How is the channel co-ordination managed (i.e. by contractual agreement or just by informal relationships)?
- Can the products be sold regularly throughout the year or only during certain seasons?
- Is the OMI's supply quality suitable for the requested quality of the potential market partner?
- Which partner is responsible for quality assurance and promotion activities for the products? Many retailers demand a fee, for example, for listing products or for promotional activities, when they enter into an agreement.
- Is the OMI's price expectation appropriate in terms of the price expectation of the potential market partner?
- Does the OMI have sufficient human and financial capital for investment in logistic infrastructure and customer services?
- Does the OMI have processing resources (e.g. for delivery to cafeterias) and storage resources, or not?
- Will the market partner accept an OMI's own producer brand as opposed to retailer's own trademarks or not?
- Which part of customer service is an OMI willing and able to provide?
- Which means of distributing products promises the highest long-term profit?

Product policy

When farmers discuss agricultural products, they like to speak about the production process and the enormous efforts that are related to production. Generally speaking, most farmers prefer to sell higher quantities of their harvest irrespective of quality. Because of this, they lose part of the market relevant to their products. Producers must therefore change from a more producer-oriented way of thinking to a more market and customer-oriented way of thinking. When choosing an appropriate name for a label or brand programme, for example, a name should be selected that persuades the customer, rather than satisfies the farmer. Do not forget that consumers often speak a completely different language to that of farmers and have different meanings and images in mind when they hear the name of a label/brand.

market orientation replaces production orientation

Due consideration must be given to the fact that the objective qualities that influence a consumer's buying decisions are the image and appearance of a product. Several studies of beer and wine in Germany, for example, showed that consumers ranked well-presented products more favourably during a taste test. However, the quality ranking was completely different when the same products were tasted in a blind test. Other tests showed that the same wine presented in three different bottles and presentation styles was evaluated completely differently by all tested consumers during a tasting. This means that many consumers determine product quality directly on the basis of appearance. Product quality attributes in a classical view sometimes play a minor role in buying decisions. This, of course, does not indicate that consumers do not care about these aspects of quality.

importance of product appearance and presentation

Qualitative consumer surveys in Austria have shown that consumers expect the following characteristics when they buy regional farm products:

consumer expectations relating to product policy

1. products must provide a certain degree of convenience,
2. products must be of a certain homogeneity,
3. products must suggest a specific and authentic way of production,
4. products must be suitable to normal diets.

'Talkion Leipomo', Finland
Investment in product development to maintain a leading position as a bakery
Talkion Leipomo is a bakery with an annual turnover of over 16 million Euros and about 90 employees. It was founded in 1943, and launched organic products in early 90s in a period of deep economic recession. The availability of organic raw materials was limited. Organic bread at that time had novelty value, and the company saw a clear opportunity with it. Talkion entered into direct contracts with the farmers to secure the raw materials. They then invested significantly in product development, which they still see as very important for maintaining their leading position on organic bread markets.
Before launching new products, they worked to get their own personnel and retail purchasers committed to organic products. Also, sales representatives and product demonstrators were well trained. Staff have continued to participate actively in R&D work. The company has increased the organic share of their production and actively launches innovative new products into the market.
Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

Concerning product quality, defined quality assurance systems can help to standardise production and product quality throughout the whole process of production and over time. This makes an OMI's products more attractive to potential traders and assures the consumer that they can buy the same product, and be guaranteed of its quality and availability over time.

narrow or broad product range

Product policy decisions must always be made on the basis of business objectives and chosen strategies. Account must, however, be taken of the fact that an OMI may, in many cases, have limited opportunities to produce and process products. This could in turn determine all other related marketing aspects. For most OMIs, the basic product decision (i.e. which products can be provided) is limited by the natural environment (e.g. mountain areas, which tend to allow the production of milk, beef and sheep) and climatic conditions (dry or wet areas). However, product choice can be further restricted by legal and hygiene aspects, which can limit low-cost milk or meat processing on farms.

The desired product assortment can be based either on one product or on a relatively broad assortment. The broader the assortment, the less risky the marketing because selling activities are based on different pillars. There is the disadvantage, however, that broad assortments often lead to the effect of less specialisation and the effects of economies of scale are reduced. The smaller the assortment, the more specialisation is possible.

Another aspect relates to the product range. If an OMI processes cheese from its own milk, a decision must be made about how many different types of cheese should be produced. The broader the product range, the more cost-intensive it is. However, it also provides a more attractive assortment for potential market partners. A well-balanced assortment policy decision should therefore be made to ensure that the requirements of the chosen marketing strategy and the expectations of the main market partners are fulfilled.

'Thise Mejeri', Denmark
Large assortment of dairy products with innvovative product development

Thise Mejeri is a small Danish organic dairy located in the northern Jutland. The dairy is owned by 45 organic farmers, who produce 17 million kg milk/year. The dairy follows a diversification strategy with many product varieties (75 different product numbers) in relatively small volumes. The dairy had developed a very stable supplier system, but they are very sensitive to competition in the marketplace from bigger companies. It has a high public profile and this profile is used by the supermarket chains in their competition. One supermarket retail chain in particular (owned by COOP) markets the products and up to 70% of the milk they sell is organic from this dairy.

It is clear that innovative product development plays a very central role in this company. As the company's dairyman says:

'The only way we can survive in a market that is dominated by giants is by rapid development of new, quality products'.

Source: Technical University of Denmark, Lyngby (Denmark)

The 'Thise Mejeri' produces a large assortment of organic milk products. (Photo: T. Nielsen)

product characteristics

Customers purchase products based on general objectives that they try to achieve by obtaining certain attributes from the product. For instance, a multiple retailer tries to position its assortment as a high-premium programme. In this context, this retailer tries to purchase maximum product quality attributes as well as social and ecological standards. This is because consumers that prefer premium products also often expect the products to be produced in a socially and ecologically sound way. Therefore, the purchasing manager of this retailer would probably evaluate the products on the basis of the following attributes:

- Functional attributes (e.g. nutritional values, consistency, taste, additives, appearance, packaging, ready to cook)
- Added value attributes (e.g. attractive brand, speciality/novelty, produced under ecological/social concerns, traditional production method)

purchase decisions depend on added value

Functional attributes have a central significance and represent the expected core competence of a product. Few consumers would buy an organic apple solely because of the fact that it is 'organic' if, for example, the product's appearance are not acceptable to them. However, in a saturated market environment, where almost all suppliers provide the functional attributes at high standards, OMIs must look mainly for advantages in the added value attribute area. Added value attributes are the main reason why consumers are willing to pay more for Product A over Product B, even though it has similar functional attributes (e.g. do consumers may accept higher prices for meat if animal welfare is a special concern of the OMI's production standards).

It is important to keep in mind, however, that actors within the distribution chain weight attributes differently. Processors, for example, are more interested in functional attributes of the raw materials that are important for their processing methods (e.g. consistency) while retailers expect products with functional attributes that are more important for consumers (e.g. taste) and, additionally, products with added value attributes.

brands and labelling schemes

The development of real brands that communicate underlying values, is one of the most important, but also challenging, success factors in marketing. Today, one of the main factors for failure in the European organic industry is the lack of well-known and highly preferred brands. Analysis of OMIs shows that general OMIs with an attractive brand are able to perform successfully in the market. The brand can be developed exclusively at the producer level, but in order to create effective synergies, it is clearly recommended that an OMI must integrate processors and retailers into the process.

Brands reduce the customer's risk of buying 'black box' generic products. For OMIs, brands provide the possibility of attaining higher customer/consumer loyalty. This helps in periods when the purchasing decisions of many consumers are more focussed on cheaper prices than on better quality. The problem underlying this is that consumers tend to compare prices more easily than quality standards, and they often distrust quality promises if they are not linked to well-known brands and reliable quality assurance programmes/

Attractive organic brands are able also to convince critical consumers. (Photo: La Terra e il Cielo's, Italy)

systems. Brands give consumers the certainty of a defined standard of quality. However, it is still important to realise that, in order to make a brand well known and evoke the desired image, aggressive promotion activities are necessary.

For products with a specific regional focus, OMIs often use a regional brand, in particular when the products are to be sold in their own region. In such cases, the use of more than one brand might be useful.

'Juvan Luomu', Finland
Strengthening the company's own brand by using a strong brand of a large company
Because of a strategic alliance with the leading national dairy, this company has the possibility of using a very well known national dairy brand. This brand is one of the most valued brands in Finnish business. The company name, Juvan Luomu, is still seen on the products, but the national brand is much better known and consumers and retailers trust it. In addition, the partner is able to support the brand very effectively through different promotional activities, which the company itself cannot afford. The partner takes good care of the organic brand, while it is part of its own image towards the consumers and is a support in confidence-building.

Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

'Styria Beef', Austria
Losing the strong potential of a regional brand by expanding in large markets
A regionally-based initiative for marketing organic beef from suckler cows provides a good example of neglecting appropriate brand policy in the home market. Beginning with about 40 farmers, the initiative rapidly increased its membership due to professional management as well as the creation of a strong regionally-based brand. The focus was therefore placed on developing new markets.
With the increasing number of producers, the strategy of the OMI switched from regionally-based distribution channels first to nationwide and then to international market channels, which finally led to neglect of the regional origin. Nowadays, therefore, due to the increasing supply of organic products all over Europe, the OMI has lost its most important feature that gave it uniqueness and non-interchangeability in negotiations with large players, namely its regional origin. Moreover, due to decreasing brand awareness, a comeback on the regional or national market is becoming more and more difficult. In this case the OMI failed to use its enormous previous brand potential to maintain a strong position on the home market in addition to its international activities. *Source: University of Innsbruck (Austria)*

product quality standardisation

One of the most relevant areas for marketing improvement at the farm level lies in product quality standardisation. Variability and diversity are attributes that are often associated with, and tend to be main objectives of, organic farming. However, processors and retailers especially expect standardised quality because this is the basis for efficient processing and retailing. Standardisation is also necessary to enable national and international purchase of products by product specification or description. This is particularly important for fruit and vegetable production, as well as beef and pork fattening by OMI producers, where different varieties and species are often sold under one marketing umbrella. For instance OMIs that produce beef from suckler cow fattening often sell beef from up to 10 different breeds under the one brand. The quality and quantity of the slaughtered carcasses varies tremendously in these cases. However, if production and marketing is carried under an own brand or labelling scheme, greater standardisation of quality is essential to maintain customer loyalty.

Despite efforts to improve and standardise quality in agricultural production, for example through breeding, product quality depends strongly on the species, varieties and breeds used. In some regions certain ancient varieties and species are cultivated and supported. However, from the customer's point of view, breeds and varieties rarely contribute to added value character (even when this characteristic is combined with organic production). Often, the functional attribute quality of these products is lower (e.g. pork with a higher fat content) and less standardised than in the case of products that have been modified by breeding power.

product variation for specific customer needs

Quality variations can be successfully dealt with by an OMI within the marketing process, but this requires special efforts with regard to product and communication policy. OMIs should not try to mix products from different breeds/varieties or origins and sell the mix via one ordinary brand. Special breeds or varieties are better integrated into an OMI-owned labelling scheme. Retailers, butchers or bakers that are trying to diversify their ranges are often keen to sell specific products from ancient breeds and varieties.

For products of lower quality, other possibilities for further processing must be found. If, for instance, an ancient pig or cattle breed has too small a potential for high quality meat production a specific sausage labelling scheme could be developed (like the well known 'Chorizo' sausages from a Spanish pig breed with a high fat ratio).

product policy and communication policy

Product quality is normally not enough in itself to attract consumers. Amidst the flood of information and thousands of food products in supermarkets or hypermarkets there is a probability that even the highest quality is not recognised by consumers. Indeed, many quality attributes are intrinsic ones that consumers are unable to discern on the basis of the product's appearance alone. Alongside product development and production process, therefore, OMIs should remember to promote their ranges and the functional and added value attributes of their products.

Most importantly, new product releases should be accompanied by high-intensity public relations or advertising campaigns in order to attract the consumer's attention.

Product tasting at the point of sale is an important measure to convince consumers of product quality. Additionally, members of the OMI should be encouraged to promote their products directly in person at the point of sale. Farmers are able to inform consumers during a tasting about the background of the production process and, in so doing, help the consumers to understand the unique characteristics of their product (such as processes in organic production or specific origins or varieties/breeds behind the product).

Organic producers have limited means of standardising product qualities because they are unable to use synthetic fertilisers and pesticides. Because consumers and retailers are largely unaware of this, it must be explained directly by means of product leaflets.

Increasingly, organic varieties of fruit and vegetable are being developed that are resistant to fungal diseases. The problem is that the retail buyers and consumers are often unable to keep up with these new names and are confused if they cannot find the old varieties. When a new variety appears on the market, most people avoid it, since its taste qualities are unknown. It is therefore recommended that a colour-based communication concept be developed in which all new and existing varieties are grouped together under generic 'taste types'. Using this system, consumers and retail purchasers have no problem identifying varieties that are suited to their personal taste preferences.

product policy and price policy

The price expectation and the price evaluation of consumers and purchasers of processing, wholesaling or retailing companies are closely connected to the total product quality (sum of all relevant product attributes). While processors or wholesalers tend to give greater weight to functional attributes, consumers tend to give greater weight to the additional and emotional qualities of a product when they define their willingness to pay for the product. The more consumers are able to recognise specific qualities and quality differences vis-à-vis other ordinary products, the greater their willingness to pay a higher price.

For retailers or organic supermarkets that are partners or members of an OMI, it is important to understand that different

A checklist for the selection of the right product policy

The answers to these questions facilitate the selection of the right product policy:

- Has a clear decision been made as regards whether to supply a mass market product (like milk) or a premium high quality product (like cheese or sausages)?
- Is the product decision based closely on the OMI's ability to process the raw material(s) and to influence the distribution chain to follow the same positioning maxims?
- Do the products have a clear profile (non-interchangeable) with a high quality standard and/or regional identity?
- Have special product quality standards been developed and applied for special customers?
- Are there possibilities for developing a label or brand or any other exclusive product programme?
- Are regular product innovations made?
- How many different products are to be produced and sold to be cost-efficient?

consumer groups do indeed exist with regard to expected product quality and willingness to pay. There are consumer groups that, due to their limited household budget, look especially for cheaper products, while other groups tend to buy products with the highest prices because they also believe that the highest quality is reflected in a high price. In all product groups, therefore, both assortment lines should be offered: products of basic quality under a retailer's trademark, and premium products under a producer brand.

Pricing policy

the unique role of prices

For many farmers, high prices are the most important indicator of a successfully operating OMI. Therefore farmers' prices not only have an economic function but also a psychological and sociological function as regards the farmer's commitment to an OMI. This means that, generally speaking, farmers are more interested in being or remaining a member of an OMI if the product price is higher than for comparable products of competitors.

Price also plays a unique role in the consumer's buying decision. When consumers reject organic food, they argue that their main barrier is the relatively high price level. For many consumers, the product price is the central classification criteria for products being interesting or uninteresting to buy. Often, certain price borderlines as well as price image (e.g. with organic products), limit the consumer's willingness to buy or reject an organic product (see Chapter 2.2). Accordingly, if the sales price of a product is within an acceptable price range, the price plays a less important role in the decision to buy than when the price is above an acceptable level. Reference prices from frequently bought products strongly influence price awareness. These price levels are completely different from product to product and must be taken very carefully into account.

Not only consumers, but also wholesalers have certain price barriers that are determined by their most important customers as well as by the price conditions offered by other suppliers competing with the OMI.

The most challenging task is ascertaining what possibilities there are to influence the prices set by an OMI activity in a given market environment. This depends very much on the overall strategy an OMI has chosen.

direct and indirect price policy

The term price policy in this book covers all measures which directly or indirectly influence the product price. Direct price policy covers the formation of prices, the definition of the supply price and price frameworks, and the changing and differentiation of prices, and represents the main content of the sub-chapter on price policy. Indirect price policy is important in the business-to-business market partnership. It is important in terms of attracting market actors, getting the OMI products listed, transferring promotion activities from the producer side to the retailer side by offering discounts and allowances or longer payment terms.

formation of prices

Price formation is complex, with many influencing factors. Price setting depends on several factors that may vary according to the product, situation, time and quality. Often, however, prices are shaped by the market partners or competitors. An OMI is generally less able to control price formation than to control product, promotion or distribution policy.

Farm prices for organic products should, as a minimum, cover the production costs.

Furthermore, organic product prices at the farm gate level depend on the general supply situation and its development, the development of demand, development of competitor prices, and the development of the conventional sector and its prices.

An OMI is in a better position to cover its costs of production where it has considerable market power (i.e. a high market share), its products are more exclusive and its competitors have a reduced influence on the price formation process. It is also more likely to achieve its desired price in situations where the demand for organic products that the OMI produces develops faster than the supply.

However, as shown in Chapter 2.1, there has been an oversupply of organic products like milk and beef in many European countries in recent years. This has put pressure on producer prices, with some producers selling their organic products at conventional prices.

One way to avoid this difficult situation is for an OMI to differentiate itself from other products by developing its own brand or producing niche products. Also, an OMI which tries to co-ordinate and steer the selling of a product nationwide has a better chance of achieving relatively high prices because its market power increases with increasing market share.

Generally speaking, OMIs are more able to influence the sales price:

- the higher the market share of an OMI is (price-quantity strategy) or
- the more exclusive the products are (preference strategy).

achieving higher product prices

Many OMIs analysed in Europe try to achive higher product prices by specific exclusive quality strategies. However, there are also some OMIs which are able to achieve at least quite stable prices by bundling larger volumes of products. These OMIs take on a product pool function and are therefore often attractive suppliers for processors or retailers. Nevertheless, it must be noted that larger product pools can come under tremendous price pressure if there is a supply surplus in market constellations. In this instance, OMIs must place a larger supply in the market as a single supplier with a relatively small product volume. Conversely, in supply shortage constellations product pools are able to pull up the price.

pricing must be based on chosen strategies

In most cases, regardless of the chosen distribution channel, there is a product price difference based on whether a product can be sold via a brand or a labelling scheme or not. Early on, at the stage of defining its objectives and strategies, an OMI must decide whether it wants to adopt a mass product or premium/niche product strategy. The price strategy should never be decided upon without reference to general product positioning as defined in the objectives and strategies. An OMI that pursues an exclusive premium product strategy would probably lose consumer credibility if it chose to follow a permanent discount price strategy as well.

price-quality relationships must also include additional services

The price of a product is closely linked to an awareness of its quality and vice versa. Quality includes all kinds of services which contribute to the added value of a product, such as a good delivery service, sales staff education, user-friendly information (e.g. recipes), etc. Consumer tests in the USA have shown that if consumers are aware of large differences in quality they tend to buy the more expensive product. If they are aware of fewer quality differences they tend to buy the cheaper product. In less transparent markets, consumers also tend to be guided by prices which they use as a key attribute for quality. This means that quality awareness is often closely dependent on product price.

price premiums mean added value for the customer

From both the consumer's and the retailer's perspective, higher product prices are associated with added value. It is therefore important, if a niche or premium price strategy is planned, that an OMI defines which of its product's specific attributes can be communicated as an additional benefit for retailers and consumers. This can be the emotional value of a brand, the unique quality of a product or performance of a specific service (e.g. the exciting taste of a specific herb cheese or the very animal-friendly husbandry system of an organic pastured beef label). It would be wrong to assume that organic and/or regional origin would be recognised by the consumer as added value and therefore an appropriate justification for a much higher price than average.

Consumer studies within the OMIaRD project show that consumers evaluate the value of an organic product in different ways. Some products like milk, whether organic or conventional, have a very positive image. In this case the willingness to pay more for organic milk is, in many cases, lower than e.g. for organic vegetables.

reduce price barriers by 'special prices'

Results of qualitative consumer surveys within the OMIaRD project show that some occasional buyers of organic products bought an organic product for the first time when its price was reduced. An experiment conducted in Danish and Swedish retail chains showed that reducing organic product prices, for example at 'special offer' prices, leads to tremendous growth in sales, especially when a new product group is introduced into a retail chain or shop. Often consumers who do not usually buy organic products because of higher prices can be motivated to try organic products. Special 'introductory prices' for a limited time (e.g. for 4 weeks) may also help to reduce barriers if supported by good promotion.

Price barriers for wholesalers can be reduced by offering special sales conditions (e.g. delivery service, price reductions for large quantities, etc.).

competitor prices must be taken into account

Also relevant to market success is an OMI's competitiveness in terms of its product prices. An OMI that sells products directly to wholesalers, retailers or consumers must take into consideration the prices of the relevant substitution products offered by their competitors, especially if their own products are not very exclusive.

price variation for different products, customer groups and regions

Many OMIs must follow or develop a price differentiation strategy the longer they operate, depending on products, customer groups, quantities, seasonal aspects and regions.

Prices may be different when products are sold to different customers, under different brands, in different regions or within a particular season. It is important that all relevant information is gathered to set a realistic price that is competitive in different customer regions, but also cost-efficient and competitor-oriented.

Product prices must also be differentiated within a product group. For example, a milk processor might get a high price for some cheese specialities but a low price for pasteurised milk because of the competitive situation. An overall calculation is therefore necessary.

Also, consumer willingness to pay for organic products can vary from one product to another. While consumers are generally willing to pay price premiums of up to 100% for organic products like fruit, vegetables or grain, they typically accept price premiums of 10 – 20% for organic milk or beef.

Another reason for price variation can be influenced by climatic conditions, for example drought or extraordinarily good growing conditions that lead to a shortfall or surplus in supply during a certain period. Again it is important that a time-limited price change is communicated to consumers and other customers.

strategic prices

Organic price development is more or less directly connected to the price development of comparable conventional products. That means that even if there is a shortage of organic products, organic price premiums compared to conventional goods cannot increase beyond what consumers are willing to pay. However, there is a danger that in a situation where there is a surplus of organic products, such as milk, organic product prices may decrease even faster than conventional prices. When prices fall it is generally an irreversible process, even where supply may fall relative to demand in subsequent years. Therefore, rather than accept a straightforward price reduction in negotiation with processors, wholesalers or retailers, OMIs should try to offer more services (e.g. tastings, information leaflets) or higher quantities (e.g. offer 1/10 more product volume) for the same price. This makes it easier to keep the price stable in difficult sales periods.

price policy and promotion policy

As shown in Chapter 2.2, high prices for organic products are one of the main buying barriers for consumers. Even when consumers are interested in organic products, they often argue that the family budget is not sufficient to buy organic products generally or to increase the number of organic products they buy.

‘Special prices’ are therefore able to encourage consumers to test organic products for the first time and to reduce general buying barriers. The results of the OMIaRD consumer survey in Switzerland revealed that especially in the case of meat, fruit and vegetables, consumers started to buy these products during the ‘special price weeks’. More importantly, they continued to purchase organic products after the special offer period because they were impressed by the excellent

The answers to these questions facilitate the selection of the right price policy:

- Does the price policy correspond with the general marketing strategy?
- Can the organic price premium be justified with an adequate added value?
- Are the prices competitive on the market place?
- Is it possible to earn an higher price than without the OMI activity?

taste. There are several possible ways of offering 'special prices', such as simple price discounts in seasons with a surplus. Alternatively, attempts to stimulate additional purchases could include offering larger volumes per price unit, providing money off for the next purchase or offering cross-selling special price activities (e.g. full-price tomatoes with half-price mozzarella).

Price promotions are very common and are generally considered to have short-term sales benefits. When an OMI releases new products, use of special prices is recommended for a defined period. This attracts the retail purchasers to try out the new products in addition to attracting the attention of consumers to the new products. This is important because consumer buying decisions are influenced by special price products.

Promotion policy

OMIs that do not actively promote their products will remain generally unknown and struggle to perform economically. The myth that good products sell themselves is, unfortunately, really just a myth.

no promotion, no perception of OMI performance

Even if budgets spent on promotion activities seem expensive and without direct benefit for many farmers, it must be emphasised that without promotion the best product or service will be overlooked in the flood of offers which consumers receive every day from competitors. Examples of many successful firms with well-known brands show that with a large marketing budget for promotion even average-quality products are able to acquire a certain uniqueness or even market leadership.

The OMI 'Alce Nero' in Italy tries to convince consumers by advertising "the faces behind the products". (Photo: Alce Nero)

Above all, in markets which are actually matured, and where difficulties exist for consumers to distinguish one beef labelling scheme from another, the story behind the products and the frequency of promotion decide which products the consumer will prefer.

The short-term goal of an OMI's promotion activity is to achieve greater sales by gaining a higher degree of customer recognition for its own products in competition with comparable offers. The long-term objective is to achieve customer loyalty for the OMI's products and the OMI itself.

objectives of communication

What do market partners or consumers want to know about an OMI and its products? They mainly want information about an OMI's available products and its product attributes and quality assurance programme, the added value, about product prices and product availability, about sales promotion activities, as well as the OMI itself and its production methods.

All promotion about an OMI and its products creates a certain image in consumer eyes which influences demand. Above all, consumers want to know about the specific benefits of the products. Why should they buy them? Are the products tastier, healthier, processed using an ancient recipe, or do they have a longer shelf-life than other products? Why is the specific OMI product better than a competitor's product? Even if the sales price is higher than average, consumers want to know the reasons and the personal benefits of such products.

Even if a product's advantages are difficult to identify, a good story based around the product can help to improve the image of an OMI and its products. Consumers like to hear or read stories behind a product, about the region, about the farmers and their work, about the animals. All this helps to improve the image in consumer eyes.

Due consideration must be given to the fact that positive communication messages can arouse consumer interest in general. Even with good promotion, however, there is no substitute for good quality. At the least, after purchasing a product for the first time, the consumer critically assesses the product and compares it with his/her expectations and promotion promises. If consumers are not satisfied with a product they will not buy it again, regardless of promotion efforts.

instruments of promotion

Several methods and instruments exist to communicate the performance of an OMI. It makes sense not to concentrate on only one instrument. Different instruments should be combined for a promotion mix that addresses stakeholders, opinion leaders and potential customer groups, with different media types at different times.

Promotion activities can be roughly divided into direct and indirect activities (see table 1).

Table 1	***Direct measures: sales promotion and advertisements***	***Indirect measures: public relations (PR)***
High-cost promotion	Media advertising • Sales promotions • Merchandising	
Medium-cost promotion	• Leaflets, brochures • Telephone sales • Direct contact with opinion leaders (e.g. teachers, nutrition advisors, doctors, regional advisors)	• Trade fairs • Exhibitions • Press receptions • Open days
Low-cost promotion	• Posters	• Press releases • Newsletters

Table 1: Classification of promotion instruments and methods

Many promotional activities cost a great deal of money. However, there are also opportunities to communicate messages about an OMI and its products with small budgets.

The right composition of individual instruments depends on the business area, the products, the message, the competition, the main customer groups and, last but not least, the available budget.

The following paragraphs describe the most relevant approaches for promotion activities.

public relations

Public relations activities are the cheapest form of promotion. Many farmers and OMIs use public relations activities such as farm parties or open days to make their farms and products well known. Besides informing existing and potential customers, it is important to interest local journalists to write articles in newspapers. It must be borne in mind that, after the second general article about an OMI, it is difficult to find new information. Special product innovations or services might attract attention at a later stage of an OMI's development.

The main objective of any public relations activity should be to enhance publicity and to improve an OMI's image. The OMI itself should be highlighted and not the products, as in advertisements. These activities save a lot of money in comparison to advertising

'Käsküche Isny', Germany
The Käsküche Isny is an example of co-operation between a dairy and eight farmers. This OMI was founded in 1998 by the manager of the dairy and one farmer.
As regards marketing, the OMI works with an active communication policy. The dairy is presented as a kind of exhibition dairy, making the whole production process transparent. After a short theoretical introduction about the production of cheese, consumers can see how the premium dairy products are produced. Within its cheese production, the OMI also produces curd cheese, yogurt and butter. There is a little shop in which the OMI sells its own dairy products and other purchased organic products like eggs, fruit and vegetables, bread, etc. The shop is open during the week and also on Saturdays and Sundays. The premium products, the business hours and the exhibition dairy make the 'Käsküche Isny' a popular visitor attraction for tourists. The dairy is also a fixed stop for coach tours throughout the area. The manager of the dairy makes a positive appearance in the press and media as often as possible, which means 'low-budget advertising' for the OMI. In 2002, the OMI won first prize in a NABU competition (Naturschutzbund Deutschland e.V. – German nature conservation organisation). Entering the competition was very beneficial for the OMI's name because many articles on the competition were published nationwide in newspapers, journals and through the internet.
Source: University of Kassel (Germany)

activities and connect the OMI more closely with regional/local networks.

Public relations activities should also include relevant stakeholders and opinion leaders. An invitation to market partners or even to the sales staff of a retail chain, for example, every second or third year might be very useful and contribute to a better common understanding. Also direct contact with teachers, nutrition consultants, owners of natural and health food shops or doctors can be helpful. These people are able to pass on information about the OMI to their pupils and clients.

In the start-up phase of an OMI, public relations measures are particularly important in raising the OMI's profile within and outside the region. The more new elements, products or specific stories can be reported about the OMI the more public attention the OMI will have.

An increasingly important part of public relations concerns crisis communication. Several food scandals in the organic and conventional sectors in the last few years have highlighted the importance of having answers ready to all critical public questions. In the event of a crisis, quick responses are crucial in order to maintain the trust of the OMI's customers and consumers in its products. Even if an OMI is not the actual source of a scandal or a crisis, it should be able to respond to public or customer questions. In particular, it should be able to explain whether it is affected by the scandal and whether it uses critical foodstuffs or components, etc.

advertising

The main tasks of paid advertising are to make the products well known and give them a positive image in the eyes of consumers. When an OMI is in the second phase of its development, advertising measures are often more effective than public relations measures because the OMI has been away from the public eye for a while. At this stage it is more difficult to convince regional media to report (positive) news about the OMI or to publicise any new products or services the OMI may provide.

The effectiveness of public relations measures strongly depends on factors outside of the OMI. With advertisements, however, the OMI has more control over the image that is portrayed.

OMIs which decide to actively invest in advertising should first consider how much money they are willing and able to spend on it. The costs involved in placing advertisements in the media, as well as the costs of media agencies which transform ideas and messages into an advertisement, must be considered.

The more consumers an advertisement reaches, the higher the expenditure. Media types such as TV and radio reach millions of consumers, but they also cost a great deal of money in comparison with magazine advertisements. Cheaper still are advertisements in regional newspapers or bulk mail advertisements. Due to their limited marketing budgets and often regionally focussed sales activities, OMIs tend to use newspapers more frequently.

It is important that advertisements contain clear messages. These messages should reflect the specifics of the products. They should be designed in a way that is appropriate to the main target group of customers. For example, for young consumer groups, the use of language will be different from that used for older consumer groups.

Another very efficient way to communicate is to use synergies by co-operating and networking with other sector activities in a region. OMI producers could place advertisements in tourism leaflets or carry out personal selling activities during local fairs or events. A good network with regional actors can be very helpful in terms of finding partners outside agriculture for common advertisements campaigns.

Effective communication depends on transmitting a clear and informative message. The message must communicate what is essentially different about a product and the particular benefits the consumer will derive by purchasing it – the unique selling proposition (USP). This should be achieved efficiently in a very short time, due to the expense involved in paid media use.

Last but not least, word of mouth advertising should be mentioned. The experience of consumers who buy organic products shows that the majority started buying organic products following a recommendation from family, friends or colleagues. This process can be stimulated for instance by advertising gifts when customers convince new consumers to buy OMI products. Also customer magazines may provide information about the added value character of OMIs products or interesting stories about the OMIs behind.

sales promotion

Retail companies like OMI sales promotion activities because they tend to be free of charge for them and lead to higher sales of the promoted products in the short to medium term. These activities might be combined with a product taste preference test. Taste preference tests help improve product perception by consumers. They often encourage consumers to test a new product for the first time, above all when the product price is positioned at a premium level. Consumer surveys during the OMIaRD project show, for instance, that some consumers who were buying organic products for the first time were motivated by the quality of the product after a convincing taste preference test.

'Napfmilch', Switzerland
Product sales promotion in supermarkets with farmers present
When Napfmilch, a small dairy processing initiative in the central Swiss Alps that makes a variety of fresh herb cheeses, was founded, all farmer members had to agree to go one day per year to a supermarket store. Their task was to offer samples of their fresh herb cheese to consumers to taste and to tell them about the project and their farms. Although at first some farmers did not want to participate, they learned to speak with consumers and were happy afterwards that they had been pushed to engage in this sort of promotion. Their presence was well accepted by consumers. They helped to sell many more of their products compared to professional sales promotion staff. The two main supermarket chains in Switzerland still continue to run this type of promotion of Napfmilch products.

Source: FiBL, Frick (Switzerland)

If farmers are to engage in direct, face-to-face promotion at the point of sale, it is important that they can talk actively, are open-minded and present themselves in a positive way. This encourages the consumer to communicate with the farmer. The more charming a promotion person appears, the more attention will be paid to the promotion activity.

In several European countries it is possible to obtain some public funding for sales promotion activities, for example, for print materials when selling products at fairs.

effective promotion with limited budgets

Although many small OMIs have quite small budgets, it would be wrong to neglect promotion. Even with a small budget, all types of public relations should be used in order to anchor an OMI in the mind of relevant stakeholders and customers groups. Each new product and new milestone in an OMI's development should be used to generate a story which can be published in local or regional newspapers. At least once a year, a media conference should inform the local/regional media outlets on the latest news concerning an OMI and its development. Normally, media representatives are keen to obtain information about regional actors, at least when messages are contained in interesting stories.

Personal sales promotion activities can generally be organised by the OMI itself and for the most part require only the labour input of OMI members.

All these activities may not lead to a very high level of publicity and knowledge for consumers. However, these are suitable and efficient measures for informing and convincing people of the OMI's performance. Last but not least, sales promotion activities are an appropriate way to enter into direct contact with consumers, to inform and convince them, but also to obtain feedback about products.

The answers to these questions facilitate the selection of the right communication policy:

- Are the efforts for the communication adapted to the requirements of the chosen sales channel(s)?
- Does the budget for communication correspond with the available resources and with the expected sales?
- Are the media chosen adapted to the target customer group(s)?
- Does the OMI regularly inform the most relevant and appropriate media about the latest developments and new product releases?
- Is it possible to use existing image potentials in the communication (e.g. regional origin, etc.)?
- Is the internal communication with OMI members sufficiently taken into account?

Organisational structures and management planning

From the beginning, the success of a marketing initiative depends not only on marketing measures but also very much on management planning (see Chapter 3.1). The challenge is to find an organisational structure that is efficient and appropriate in terms of implementing the strategic and operational objectives of an OMI. It should also allocate the necessary human and financial resources. The advantage is that, in the start-up phase, OMIs are rather small organisations that do not need complicated structures.

suitable organisational structure

Although there is no one ideal organisational structure, it is possible, in small and medium enterprises in particular, to build the most suitable and optimal structure. In most cases one person or a very small group show strong leadership capabilities and form a board to develop the embryonic initiative. These people are highly motivated and have a strong vision, but are often lacking in the necessary professional skills (marketing, management) to run such a business. Learning by doing may be very challenging personally, but it can be also very costly and risky for an OMI. It is strongly recommended to promptly acquire, in one way or another, the necessary skills that are lacking. This means learning, training and recruitment, subcontracting or making alliances.

Most OMIs start with a Board of Directors of the organisation, which then decides to hire a full or part-time (general) manager and, in the case of larger initiatives, some staff. The board, in the case of small OMIs, must take over some management functions, or at least be responsible for specific tasks (see below).

The organisational working structure should ideally be designed after the leader/initiator and/or the board of the initiative have decided the long-term strategy. This determines what kind of human resources and skills are necessary.

It is also important in the start-up phase that the structure of an organisation is designed in such a way that it can evolve and grow in the future. Therefore, instead of an organisation model chart,

Checklist for the design of organisational structures:			
Question	***Yes***	***No***	***Remarks***
Is responsibility clarified? (Who assumes the leadership role and who supports?)			
Does the structure facilitate the decision-making process? (Who decides what and when?)			
Are tasks clarified? (Who is supposed to do what, by when and with whom?)			
Are the responsibilities for internal communication clear? (Who is supposed to inform whom and when?)			
Is the motivation of the staff kept high? (Who is responsible for the staff and enterprise culture?)			
Does the organisation facilitate control? (Who is responsible?)			

some criteria are given which can help to optimise the design of a dynamic organisational structure.

efficient decision-making structures versus democratic organisation

Many existing OMIs have had problems coming up with an efficient decision-making structure. Some have even changed their statutes, changing from a more co-operative type of organisation to a 'classical' form of limited company. There are co-operatives, however, that still operate very efficiently. What can be learnt? The authors believe that the legal structure is not the main point. It is much more important that responsibilities on each level are clarified and clearly assigned (see table 2):

Table 2:
Member groups of an OMI and their recommended specific responsibility areas

Member groups of an OMI	***Responsibility areas***
Board of Directors	Mission, strategic objectives, development of working guidelines/code of conduct, controlling, investments, leading specific task force working groups
President	Support of manager, controlling, networking
Manager	Operational objectives and implementation of marketing plan, general management, finances
Responsible staff members	Specific tasks (formulated in an updated job description)
General meeting of members	Budget, election of board, strategic orientation (guiding principles)

The key to giving OMI members a feeling of participatory involvement is continuous internal communication. This is even more important after some years of functioning. It is not enough just to write an annual report at a general meeting if an OMI wants to maintain a coherent relationship with its membership. A simple newsletter for producers (at least 4 times a year) can be helpful.

the meaning of management

Often (but not in all cases) key people are also the managers of an OMI. But what does management actually mean? Management is traditionally divided into four phases: planning, organisation, realisation, and the evaluation of objectives and strategies. In the context of an OMI, the main management targets are to allocate

'Rösslerhof, Erzeugergemeinschaft Allgäu – Oberschwaben', Germany

Management by the owner and initiator

The Rösslerhof was founded in 1984 by organic dairy farmers with the intention of obtaining a premium price for organic milk. The OMI now comprises a small dairy and 8 organic farmers. The manager of the OMI is the owner of the Rösslerhof, an organic farm with its own farm shop. Only the founder and the manager of the dairy are members of the OMI; the other seven farmers are just suppliers. The three different cheese products are sold mainly through a local organic cheese-selling organisation to wholesalers, and a small part is sold locally. There are possibilities for selling directly in combination with guided tours for tourists and visitors. The part-time manager knows how to handle suppliers and customers and can therefore satisfy both sides. He has carried out the management and networking job with such commitment that the turnover of the OMI grew by around 23% between 1999 and 2001.

Source: University of Kassel (Germany)

and optimise short factors of time and cost capacities, to maintain contact with market partners and principal stakeholders, both inside and outside the region, and to ensure the successful implementation of objectives and strategies within an OMI.

Several studies conducted in non-agricultural sectors indicate that success, as well as failure, are closely connected to the personal skills of the manager(s). This is much more relevant than the political, market and competitor environment (see also Chapter 4.1).

How should an OMI's management be structured?

Firstly, a decision needs to be made about how many people, and who specifically, should lead the OMI: an individual person or an executive board. It is recommended that responsibility for making key decisions should rest with more than one person. The more people are persuaded to become members of the executive board, the greater the diversity of external views and competences influencing the OMI. The question of structuring and developing management must be clarified in the pre-start phase of an OMI project.

'Juvan Luomu', Finland
Strategic alliance with a large market player
Juvan Luomu is a small dairy with 16 farmers producing organic milk. The dairy has six full-time employees. The company's own resources are limited. To secure possibilities for positive development and profitability, the company formed a strategic alliance with the national dairy company right from the beginning. The partner handles about 80 % of the total nationally produced milk; it has more than 15 000 milk producers and almost 4 000 personnel. In this strategic alliance model, these two companies have found a way of co-operating in which the combination of skills serves organic milk producers, and the objectives of companies and consumers. The partner's R&D, marketing and information systems are linked to the production management systems of the company. The manager of Juvan Luomu takes care of relationships between farmers and the partner. As one result of business development, their products are well known and have a high quality. The alliance has been seen as the only option for the company to get its products into all possible stores nationwide effectively enough. Of course this gives a great deal of power to the partner and could be a strategic risk in different market conditions.

Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

clear management structures from the beginning

Furthermore, as already mentioned in table 2 for target-oriented co-operation within an OMI, the responsibilities and competencies of members of the management team and other OMI members and partners must be clearly defined. The earlier the management structure is developed, the easier and more transparent the management of OMI members will be. This facilitates external communication. It should be clear from the beginning who is the contact person for any question regarding practical, organisational and legal aspects of the co-operative venture.

Responsibility for central management may be assumed either by an external person or by an internal person, where free resources of OMI members are available. Generally speaking, it is recommended that an external, employed person take on the role of manager in order to maintain neutrality in relation to OMI members. The more the manager knows the expectations of the processors, wholesalers and retailers, the better accepted he/she will be by market partners as a competent representative of the OMI.

internal and external management

Close personal relations and contact between the management/ board of directors and OMI members must be developed from the start. It is important that OMI members and partners follow the same main objectives and share mutual solidarity even if they do not necessarily share the same viewpoint about each idea. The opportunistic behaviour of single members or partners could lead to permanent conflicts between members and partners and, as a consequence, could result in a severe crisis or failure of the OMI. Therefore, management should promptly prepare plans for conflict management with the help of individual partners or OMI members.

It may be helpful to develop an 'enterprise culture' within an OMI, formulated as a 'Code of Conduct', for example, which could be based on the following principles:

a Code of Conduct as a management tool

- The entire OMI, not the individual farmer, is the star of the team.
- Mutual acceptance between members and OMI market partners.
- Reliable and fair relationships.
- Willingness to engage in real co-operation.
- Open communication.
- Readiness to give and receive positive criticism.
- Important decisions must be taken in consensus.
- Active participation of all members in stimulating the motivation for co-operation.

The board of directors, manager and/or president, must not be specialists in all marketing areas. This would be unrealistic. However, it is important that people who are engaged in management have a set of core competences. They should at least have the following abilities:

required management competences

- people with clear vision,
- all-rounders that are able to conceptualise ideas as clear, strategic and realistic operational objectives,
- able to understand main marketing principles,
- good organisers and planners (managers),
- creative and willing to integrate new ideas into the business,
- excellent at communicating ideas and services,
- keen and able to network with different partners both within and outside the supply chain,
- socially competent.

delegation or outsourcing of functions

These people must not necessarily be good bookkeepers or publicity specialists. Such functions can be delegated internally more easily and more cost-effectively, or outsourced, for example to:

- market research agencies which support small enterprises
- public relations or communication strategy design agencies
- finance specialists with expertise in larger investments (e.g. from banks)
- management consultants who can help with periodical external analysis and evaluation of the business

sound finance and investment strategy

It is important that a finance strategy is built upon realistic assumptions. Investment should help to improve the strategic position of an OMI in the marketplace by maintaining sufficient liquidity and a satisfactory medium to long-term return-rate/cash-flow as outlined in a business plan (see 3.1). Such investment might be necessary in storage areas, processing equipment and staff or marketing concepts. Furthermore, investment might also be necessary to improve the working conditions of the staff with regard to efficiency and motivation (e.g. office equipment and conditions).

All these investments need capital, generally in the form of external capital from banks, private capital (e.g. from members and supporters of the initiative) or capital from public sources. One problem is that, given the risk, banks are often very restrictive in providing capital for small marketing projects. Regional development banks might be more open to such financing than national banks.

'Failed OMI approach in a German case'
Shortcomings in management and financing
The vision of one OMI analysed was to make it profitable for farmers to sell their products together at a weekly market. The main objective of the OMI was to obtain a good price for its products. In addition, social objectives were defined such as creating and saving jobs and building up a network among farmers. Six farmers decided to build up a marketing initiative together and to operate a stall at different markets in the area. At these markets, the OMI sold its own organic products such as cows', ewes' and goats' milk, dairy products, lamb, beef products, eggs, bread and pasta products. In order to get the different market stalls running, a special sales car was needed. Because OMIs in Germany must buy new investment goods to obtain government financial support for the investments, the OMI bought a new sales car. At the time, the OMI's management did not have enough knowledge of management and finance to realise that this investment, even with government support, was much higher than a second-hand sales car without financial support. The resulting financial burden was the main reason for the failure of the OMI. With the benefit of hindsight, the managers also mentioned the following reason for the OMI's failure: the OMI was managed by six people (farmers who were also the suppliers), instead of a full-time manager. The organisational effort was grossly underestimated. Decisions made by all the farmers were often problematic and too time-consuming. The OMI had to cease operations after four years.

Source: University of Kassel (Germany)

Based on the results of analysis of many OMIs within Europe, the following recommendations should be followed if an OMI plans to undertake larger investments:

realistic investment planning

1. to prepare a business plan (see also Chapter 3.1),
2. to make a financial plan that is not primarily based on public funding in order to avoid unrealistic cost-efficiency,
3. to make a cash flow estimation for the period when public support is no longer provided,
4. to give precedence to adapting existing building capacities instead of new buildings,

5. to better outsource such functions like transport/distribution, market research to specialised firms,
6. to invest in human capital rather than in buildings, knowing that the success of OMIs depends very much on the skills and the professionalism of the staff,
7. to involve people who can provide financial support in the preparatory phase (e.g. regional banks).

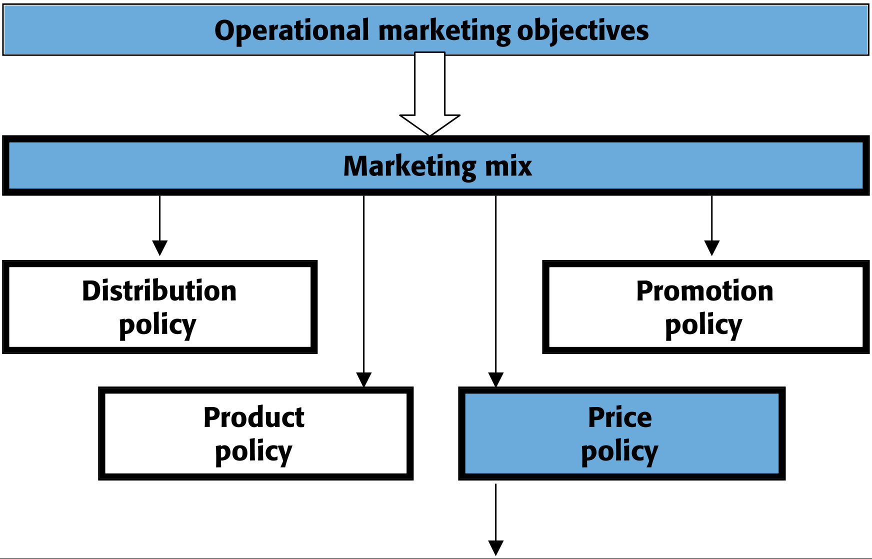
In some cases, processing firms might even be interested in helping with the costs of some OMI investments that help to improve the quality of the end product (e.g. drying equipment for herbs).

implementation of the marketing plan

The implementation of a marketing plan means the transformation of strategic (more theoretical) objectives into operational (more practical) objectives by means of a set of well-tuned action plans (or individual projects) which are part of the overall implementation plan.

While the marketing strategy concentrates on questions about the 'what' and 'why', marketing implementation involves asking questions about the 'who', 'where' 'when' and 'how' of marketing measures. This means that milestones must be defined and implemented.

Using the example of a milk-producing organisation, figure 13 shows how price policy can be divided up into single milestone activities.



Measures	Responsible person(s)	Deadline	Status
Calculate the average unit production cost			
Estimate the supply / demand development for the relevant markets			
Estimate the competition situation and competitor sales prices			
Definition of a sales price frame for negotiations with market actors			
Definition of periods for 'special prices '			
(Annual) negotiation with relevant market actors concerning volumes and prices			
Regular price monitoring			
…			

Figure 13: Example for planning individual marketing measures within the price policy area

use action plans with clear deadlines and milestones

If the overall goal and strategies are clear, it might be better to divide implementation into several sub-projects for different customers and product groups. It would then be necessary to define the intermediate milestones and deadlines of the specific action plans, which, if achieved, motivate the participants and allow them to better measure progress.

Developing an implementation guideline for marketing measures can be seen basically as a classical planning process (as described).

Monitoring and control concepts

The process of financial monitoring and control is described generally in the literature. However, the authors interpret the term in a broader sense and include in the process monitoring and control of

'Pohjolan Luomu', Finland
Relationship marketing with strong co-operation

The company works as intermediary between organic farmers producing grain and mostly foreign customers. The business is based on the principles of relationship marketing. The key elements of the business might be seen as willingness to co-operate with every partner (farmers, customers, administrators, advisers) for a longer period, respect for relationships, active working in different networks and building up a good information system regarding the demand situation and harvest estimations. The company has successfully used its information networks and has a good reputation in the markets. It has been able to provide organic farmers with a better price for their grain, as the export markets have had a better price level than the domestic market. Indeed, this has stabilised the whole organic grain market by exporting the surplus. The company has been active in developing contract-based farming in the very scattered and badly organised organic grain and fodder sector. It has grown by leaps and bounds and is a profitable business with an impact on the whole cereal market in Finland.

Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

'Kornkreis', Germany
Innovation activities must be maintained
The Kornkreis was founded 1991 by 24 farmers with the intention of selling organic cereals. Now, the OMI comprises 45 farmers. Some of the products are processed into bakery products by subcontractors. These bakery products are delivered to organic food shops and bakeries. The remaining cereal is sold through different larger customers. The OMI always paid close attention to providing good service and high quality. Hence, the OMI also offers training for the sales staff of the organic bakery products.
Nevertheless, it must be mentioned that low risk and little willingness to engage in innovation are reasons for a slight decline in turnover over the last few years. *Source: University of Kassel (Germany)*

all management activities to evaluate the degree to which defined objectives have been achieved. Monitoring and control concepts are an important element of the management plan and therefore an important factor for success.

Monitoring and control concepts/measures can be differentiated into strategic and operational elements (see table 3). The strategic element focuses on the long-term objectives of an enterprise/marketing initiative. The criteria and the tools used are much more qualitative and descriptive. They try to recognise success factors, potential and bottlenecks for the future, opportunities and threats, and help to develop and optimise strategic measures.

Table 3: Overview about different levels of monitoring and control

Monitoring/control measures for:	***Focus***	***Criteria***	***Possible tools***
Strategic objectives	Long-term objectives	Qualitative and descriptive: effectiveness	Portfolio analysis SWOT analysis
Operational objectives	Short-term (1 year) or medium-term (2-3 years) objectives	Quantitative: cost-efficiency, liquidity, profitability	Key economic figures (e.g. turnover, rates of return on investment, cash flow, etc.)

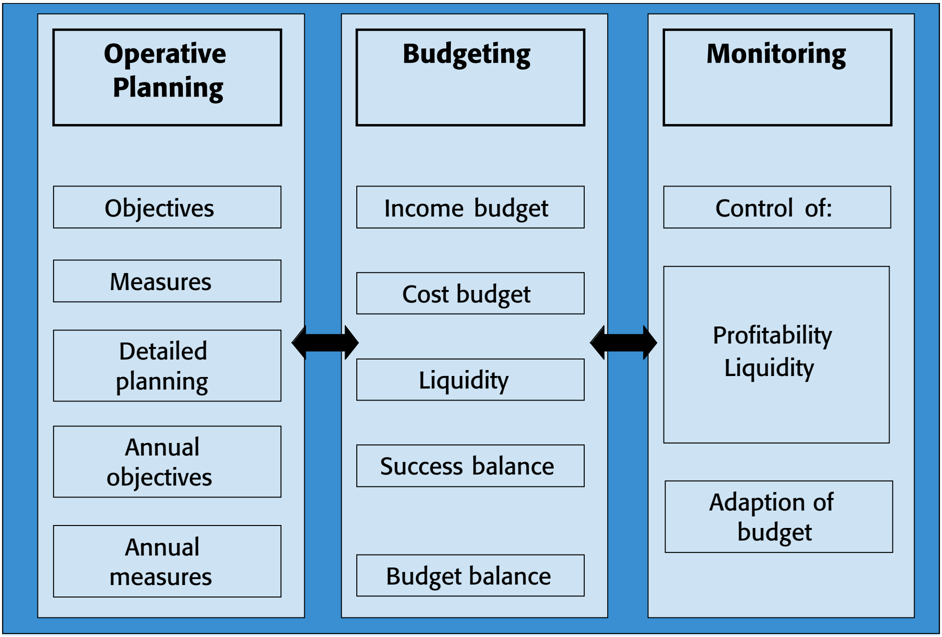


Figure 14: Theoretical process for budgeting and monitoring of OMI activities

The monitoring and control measures must include all areas of business activities. These should be carried out regularly to ascertain whether they are still appropriate with regard to the changing environment.

In many OMIs, the monitoring and control concept is often neglected. Problems that have been identified include the following:

problems with implementation of monitoring and control measures

- Objectives are not defined clearly enough (they are not operational, no quantification, no check, no reformulation, etc.).
- No clear indicators are set up to measure the results.
- Not enough relevant information is collected by the management to facilitate regular performance analysis of the enterprise.
- Instruments for monitoring and control are not thoroughly understood or not applied systematically.

- Initiatives with more than one product are not able to clearly evaluate which profit share came from which product.
- There is no systematic procedure for dealing with complaints from customers (e.g. quality problems, etc.).

In the following paragraphs, some of the main areas of monitoring and control are described.

strategic monitoring and control of supply management

It is important that production, processing and marketing are organised in such a way that a high degree of flexibility can be achieved while maintaining high cost efficiency.

It is also important to regularly assess whether the right quantity of products of the correct quality will be available at the right time and place for the customer. Comparisons of the past two years, as well as with competitor(s), are useful and will show if the OMI is improving. Such an analysis could focus, for example, on the suppliers' product quality and identify threats with regard to quality standards and availability from different suppliers. This might result in the exclusion of certain suppliers (farmers).

use portfolio analysis

For strategic monitoring and control conducting one or several portfolio analyses are recommended. These systems, which are well described in the literature, are useful to enable OMIs to gain a better picture of which strategy should be chosen for which products compared to their competitors.

The main task is to identify if suitable strategies and measures have been chosen. This will depend very much on market conditions and the life cycle of a product.

This analysis can be done by carrying out several key economic analyses, for example, a complete multi-stage gross margin analysis of the different products to find out which products, which customers or which sales areas are the most profitable. It is important to analyse turnover with regard to growth rates and market share development in the future, which is the basis of a prognosis of future market potential. Another tool is the break-even point analysis, which shows what minimum turnover allows all variable and fixed costs of a product to be covered.

The control of the promotion measures undertaken is often forgotten. However, evaluating the impact of promotion measures

monitoring and control concept of promotion measures

enables one to get an idea of their effectiveness. Effectiveness is measured in terms of the development of the level of knowledge of a product and the product's image in consumers' eyes. Standard market research techniques are used to measure consumer awareness.

It must be mentioned that consumer survey results cannot be used directly. Sometimes they suggest having high image products that convince 90% of all consumers. Even if there is a very positive attitude towards, and a certain interest in an OMI and its products, this does not necessarily mean that consumers will also buy those products. Only one-third of a consumer's buying decisions relating to food are driven by attitudes. The concrete buying situation (which can change nearly every day for the same product) and social environment (family, friends) have more influence on the buying decision. Nevertheless, results of consumer surveys at least show whether or not the products and the process of marketing are going in the right direction.

monitoring and control concept of investment, liquidity and finance strategies

Liquidity is influenced very much by investment. It is particularly important to analyse liquidity when planning substantial new investments. An investment should clearly improve the financial situation of an OMI in the near future. Otherwise, it is better simply to make small but efficient adaptations or renovations to accommodation or equipment.

An analysis of the impact of a future investment should look not only at the economic benefit of an investment, but also include an analysis of the other benefits (technical, social, environment, etc.). Furthermore, threat analysis can predict what would happen if the market environment were to change significantly (e.g. breakdown of demand).

establish an early warning system

The monitoring and control of investments is part of the assessment of the finance strategy and planning. The focus of such an analysis should be:

- Short-term aspects: liquidity, cash flow for investments
- Medium-term aspects: return on investment rate
- Long-term aspects: capital structure, depth coefficient

OMIs are recommended to have such an analysis carried out by experienced external people from time to time. This should help to establish an 'early warning system' and to get a certain feeling for the current economic situation of the OMI.

'Growing with Nature', United Kingdom
Monitoring by external evaluator
The OMI Growing with Nature used a consultant to evaluate their business activities and used the information to make relevant changes to their operations.

Source: School of Management and Business, University of Wales Aberystwyth (United Kingdom)

monitoring and control measures of other relevant areas

In smaller enterprises (which OMIs usually are), it is recommended that monitoring and control also look at the following areas:

- human capital/staff: qualification, motivation, need for training,
- time resource management: priority-setting by management and staff,
- environmental management: waste and energy management, etc.,
- research and development: need for small market research survey,
- information management: appropriate equipment.

The answers to these questions facilitates the selection of the right monitoring/control measures:

- Do the monitoring and control measures show that the objectives are achieved?
- Can the factors for success and failure be identified?
- Are gaps between objectives and reality visible?
- Have proposals for corrections been elaborated?

3.3 Maturing phase

Adaptation of objectives and concepts

The adaptation of objectives and concepts is one important point for an established OMI. The following text will give a short and abstract example of how an established OMI analysed the situation of the OMI one year later.

example of the analysis of an OMI

The OMI involves co-operation between organic farmers and an organic bakery, located 30 minutes away from a bigger city. The farmers' vision was mainly to obtain a better producer price and to ensure the sale of their cereals.

As objectives, the following were defined:

Economic objectives:	to keep the added value within the OMI and to ensure stable prices and sales
Environmental objectives:	to support, stabilise and increase organic agriculture in the region
Social objectives:	to maintain jobs in and support the development of the region

Does the own concept work as it planned?

After one year, the strategy of the OMI to build a mill and co-operate with an organic bakery has developed very well. The bakery only sells bakery products produced with flour from the OMI under a regional organic label. The bakery has a store and a market stall in the city. At the moment, the bakery is considering opening another store.

Analysis of the OMI is very helpful for ascertaining whether the concept is working as planned and whether the objectives have been achieved. Attention should focus on the following points:

Location	The conditions for production, transport, and access to sales markets are still very good.
Production	The members of the OMI are mainly mixed organic farms, which co-operate for the marketing of the cereal products. Because the processing still has spare capacities and the demand still has the potential to grow, the OMI is looking for two new members.
Business management	Up to now, the OMI was managed by a member in addition to his farm work. The OMI, however, recognised that management of the OMI demanded full attention. The OMI is therefore looking for a person who will manage the OMI exclusively.
Finances	When the OMI started, a financial plan was drafted for three years. After the first year, the financial situation of the OMI was analysed again via an external consultant (to avoid 'occupational blindness'). The analysis showed that the investment costs involved in starting the OMI (mill) were successfully amortised by profits from the cereal products.
Marketing	Analysis of the OMI's marketing showed that product identification is very high and expansion can be put into practice by enlarging the quantity and product range. Analysis also showed that an active communication policy is necessary to establish a regional premium label for bakery goods and so ensure stable premium prices.

The detailed criteria for the overall analysis of an OMI will be described in the following section.

Checklist for overall analysis

1 Location

1.1 Natural production conditions (for example soil, climate) in the individual production areas

1.2 Market conditions

1.2.1 Transport connections
- streets
- public transport

1.2.1 Access to sales markets
proximity to:
- processors
- suppliers
- retailers
- consumers

1.2.1 Access to procurement markets
proximity to:
- suppliers of equipment, means of production
- suppliers of other products to supplement the range of products

1.3 Internal transportation conditions
- location of the production areas
- location of possible sales shops to each other
- location of storage or processing facilities

1.4 Attractiveness of the OMI and its environment
- appearance of the OMI and possible sales' shops
- attractiveness of the environment
- proximity to special attractions in the region

2 Production (quantity and quality specified for the product)

2.1 Production capacity

2.1.1 Product (for example animal production, plant production)

2.1.2 Processing capacity

2.1.3 Storage capacity

2.1.4 Transport capacity

2.2 Proficiency level (quality, quantity and stability)

2.2.1 Plant production

2.2.2 Animal production

2.2.3 Processing

2.3 Production technology

2.4 Costs of production

3 Business management, employees
- creativity
- negotiating skills
- enjoy working with other people

- open-mindedness regarding new things
- flexibility
- motivation

4 Finances

- capital resources (short-term and long-term)
- accounts payable
- liquidity

5 Marketing

5.1 Distribution

5.1.1 Channels of distribution

5.1.2 Delivery service

- delivery time
- delivery conditions
- delivery flexibility

5.2 Product policy

5.2.1 Individual products

- product characteristics
- consistency of product characteristics (quality consistency)
- product environment (environmentally sound, supporting animal welfare, etc.)
- product packaging
- product identification (trademark)
- product image

5.2.2 Product mix

- extent
- specialities
- dependent on the season
- service

5.2.3 Additional service to the product

- information about use, processing, etc.
- guarantee of quality characteristics

5.3 Pricing

5.3.1 Price level

5.3.2 Consistency of the price

5.3.3 Differential pricing

5.3.4 Discount

5.3.5 Terms of delivery and payment

5.4 Communication policy

5.4.1 Advertising

5.4.2 Sales promotion

5.4.2 Public relations


Often it is helpful to use external experts to analyse the current business situation. (Fotos: N. Gleirscher / M. Schermer)

This analysis can be carried out either by an insider or by an external person. An insider is probably cheaper, but 'occupational blindness' can strongly influence the results of the analysis. In order to avoid this problem, an external person is a better solution for analysing the OMI. Such an analysis might be an excellent topic for a diploma or degree thesis. Trying to save money by doing this analysis alone could end up costing the OMI much more than, for example, providing an incentive for a degree student.

strategic meetings

Based on the analysis, it should be possible to ascertain where the OMI stands at the moment. The results of the analysis must be discussed at a strategic meeting with the supervisory board, the management board, etc. The previous results of the OMI should be compared to the objectives initially compiled. The question that must now be asked is: 'To what extent have the objectives been achieved?' If the objectives have been completely achieved, which could only be the case with operational (short-term) objectives, new objectives must be developed. If the objectives have not been achieved, it is necessary to analyse the reasons for the divergences. This can also be done at a strategic meeting. All the important people involved in the OMI should attend such meetings. These can take the form of different strategic meetings with the staff, stakeholders, etc. Total transparency is very important during the revision of the objectives. It is also helpful to have an external moderator present at strategic meetings. This renders discussion easier and probably also more effective.

At such strategic meetings, the following question must be discussed: 'What were the reasons why the objectives were not achieved?' There may be different reasons for not achieving the objectives. Some of these will be discussed in the following chapters. Here we explain how to progress, in the event that the objectives themselves or the concepts are the reason for not having achieved the desired results.

check the objectives

It is possible that the fixed objectives themselves are the problem. Potential reasons are:

- objectives were too ambitious (euphoric OMI initiator(s), inaccurate market analysis, etc.),
- no clear hierarchy of objectives (competing objectives),
- wrong hierarchy of objectives (objectives that were not so important for the start-up phase of the OMI were seen as very important, e.g. personal objectives of some leading persons were given priority).

It may be necessary to think the fixed objectives over and redesign the hierarchy of objectives. This can also take place at a strategic meeting.

'Frantsilan yrttitila', Finland
More professionalism with clearer objectives
The company made major adaptations to the way it managed the business from 1997 on. Earlier decisions were generally based on the vision of the owners. After 1997, all new products or service ideas were evaluated with regard to profitability aspects as well as whether these products were appropriate to the ideology of the company, to the quality objectives and to the needs of the specified customer sectors. In a way, this adaptation has helped product development because now the resources are used more effectively. The company still wants to be the forerunner in the herb business, developing new products that might not exist yet in Finnish herb markets, e.g. looking into organic cosmetics. *Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)*

check the business concept/ marketing strategy

It is possible that a concept that worked yesterday will be not effective in today's marketplace. For this reason, analysing the concept of the OMI is also an important item. Analysis will show if there are problems with the concept, for example if the OMI is not producing what the customer is asking for (wrong quality, wrong quantity, etc.). A concept that is not adapted to the demands of the market can also be a reason for not achieving the objectives.

Furthermore, it is possible that the business concept is good but the marketing concept is not working. The product may be excellent, but few consumers are aware of the main advantages of the product because of a lack of advertising. To find out whether, for example, advertising or the whole marketing concept is the problem, a consumer survey could be very helpful.

Finally, it is also possible that external factors are the reason why some objectives have not been achieved. Some factors, for example food scandals, can have a negative effect on the objectives of an OMI. When BSE was found in an organically-raised cow in Germany, German consumers also stopped buying organic beef for a time. As a result, many organic farmers, who pursued the strategy of producing high quality organic beef, had problems selling their beef. Unfortunately, external factors like food scandals cannot be influenced by the OMI, but they have a big influence on sales, for example. This influence focuses attention on achieving objectives.

Adaptation of networking

As explained in Chapter 3.1, networking is very important for the OMI. Consequently, adaptation of the network is also necessary. To ascertain whether the network should be adapted, it is also essential to analyse the network. Strictly speaking, each part of the network should be analysed to find out if adaptation is necessary.

It is possible for the network of an established OMI to be very different from that of a newly established OMI. In the pre-start phase, for example, authorities such as the municipality or other departments dealing with special queries play an important role. As the OMI develops, other people become more important. If the OMI is starting up in business, the press or associations that help the OMI gain a positive image must also be included. It is important for the OMI to have a positive public image right from the beginning. Nevertheless, the press is very important at all times and should always be given attention. If the OMI is up and running, a consumer or environmental organisation can help the OMI to keep going and to grow. Such organisations should be an inherent part of the network. After some time, the OMI should also start to build up a network with other OMIs and farms. Also the friendly contact with competitors can be very beneficial for the OMI.

special attention to press and media

Adapting the network should not prove too difficult. However, networking is essential for the OMI and therefore special attention should always be given to the press and media, associations or organisations, supporters in the immediate business environment, businesses, and private supporters.

Adaptation of organisational structures and management

In the course of establishing an OMI, continuous adaptation of the organisational structure is necessary. The organisational structure initially selected may be beneficial for the start-up phase, but it is

'Brio/Ecor', Italy
Corporate engineering (fusion and incorporation) in order to cope with growth crisis

The Brio Initiative was established at the beginning of the '90s as the result of a merger of various pioneering organic co-operatives in Veneto, mainly operating in the fruit and vegetable market. They decided to merge due to a growth crisis resulting from institutionalisation of the organic market in Italy. In order to supply supermarkets, new forms of logistics and quality assurance systems needed to be established, and the need for investment capital led some of these companies to merge and then to become incorporated as Brio.

Similarly, Ecor, another OMI, was established in the same period in order to reduce the costs of wholesale distribution to specialised organic shops, and was the result of a merger of co-operatives and a limited company. It is now the largest wholesaler for specialised organic shops in Italy, covering both fresh products (fruits and vegetables, dairy, meat, fresh-made pasta, etc.) and dry commodities.

Both OMIs gained more market power but are still facing strong competition in the marketplace.

Source: Università Politecnica delle Marche, Ancona (Italy) possible that the OMI will develop much better in future with another organisational structure. This may be the case, for example, if co-operation partners change or the OMI is growing quickly and many co-operation partners join the OMI. Analysis of the OMI (referred to at the beginning of this chapter) will also show whether the organisational structure is working well or if modification should be undertaken.

check the management

The analysis of OMIs in Europe, conducted as part of the OMIaRD project, showed that the biggest problems experienced by OMIs are management-related. Management is one important reason for failure among OMIs.

After a period of one or two years, it should be obvious whether the management is doing a good job or not. If analysis of the OMI shows that everything is going well and there are no big problems, there is no need to make big changes. If, on the other hand, the analysis shows serious problems, then management may be a reason. In a strategic meeting (with all relevant people for the success of the OMI), there should be a discussion on the kind of management changes that may be necessary. Does 'the problem' lie with the whole management, or with one individual person? It is possible that the whole management may be going in the wrong direction. Reasons might therefore be:

- objectives – the management is not working with the aim of achieving the objectives,
- no clear delineation of the tasks of the individual members of the management,
- lack of trust and openness among the members of the management,
- lack of communication within the OMI,
- lack of management skills.

In order to prevent a failure of the OMI due to management, the managers should improve their skills as much as possible. Special management training courses can assist managers to develop their skills.

'Frantsilan yrttitila', Finland
More efficient business structure and management
In 1997 this organic herb company re-evaluated its way of doing business. Before this, the couple who owned the business made almost all decisions alone and economic criteria played less of a role. Now the company has a business manager, a product manager and a financial manager. In addition, they have two persons responsible for raw material supplies. Although the company has about 12-13 employees, they still have daily meetings around the coffee table. The new structure helped the business processes and now decisions can be made in a more efficient manner. All important decisions are made together. At the same time, the company decided that all new investments must be implemented with company cash flow or assets instead of the owners' own capital.

Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

Reallocation of human and financial resources

check the human resources

As the OMI grows, there will usually be a need to reallocate staff or even hire new people. For this reason, the reallocation of human resources is also very important for the OMI.

The reallocation of human resources means that the OMI ascertains whether 'new' or 'other' human potential is necessary. If the OMI is growing, there may be a need for a special sales manager, who is solely in charge of product sales. It should be clear that one person cannot do everything. It will be more effective if tasks are distributed according to the skills of the employees.

It is always difficult to dismiss an incompetent employee or manager. For this reason, a fair process of employee evaluation is important. It can be very helpful if the employees or managers give feedback on a regular basis. Any problems should be identified, along with a proposed solution agreeable to the employee/manager and the partners of the OMI.

Finally, financial resources are one of the most important critical points within the development of the OMI. Most OMIs have a

'Biolait', France
Development of human resource management with external advice
In terms of social concerns and needs, in 1999 Biolait had to deal with a period of rapid 'human' growth. This was a sign of the business's success, but was also synonymous with a state of constant flux (growth in the number of producer-members, continuous recruitment of lorry drivers, increase in administrative staff, etc). For this reason, in 2000 Biolait decided to seek advice and called in an adviser specialised in human resources management. Biolait aimed at providing the best integration possible for every employee within the structure: after this diagnosis, it was noticed that most of these employees understood and shared the producers' group objectives.
Source: INRA Le Mans (France)

check the financial resources

need for sizeable investments during their development (for example store rooms, employees, etc.). Normally these investments cannot be financed out of the OMI's own capital. Many OMIs already start with high debts. One important objective for these OMIs should be to reduce their debts as soon as possible and prevent new debts from accumulating. Once again, it is appropriate to reiterate our words of caution as regards government aid. After a short and sometimes unforeseeable time, government aid may come to an end and financial difficulties can arise as a result. Government aid should therefore be used as an additional resource and not as part of the financing of the OMI.

For reallocating financial resources, the financial part of the business plan is very helpful. Analysis of this plan should show whether there are financial problems to be expected and where those financial problems are likely to be found. In most cases, high costs are the reason for financial problems of the OMI. The items involving the highest expenditure are mainly personnel costs and debts. In addition, unsatisfactory sales can be a reason for financial problems. It should be clearly identifiable where the sources of the high costs are. Unsatisfactory sales, for example, are often the consequence of inadequate market research or insufficient investment in marketing. Some OMIs are inclined to squeeze the marketing budget as soon as financial problems emerge. The thought behind this is probably that marketing is not that important. Unfortunately, this assumption is completely wrong. To reduce the marketing budget will probably lead to a decline in sales and this in turn leads to a smaller turnover, which can only exacerbate financial problems.

To analyse the financial situation and the reasons for possible financial problems, colleges and universities can be very helpful. Such an analysis will show whether and how the financial resources must be reallocated. However, it should be clear that the first priority of the OMI is to maintain liquidity.

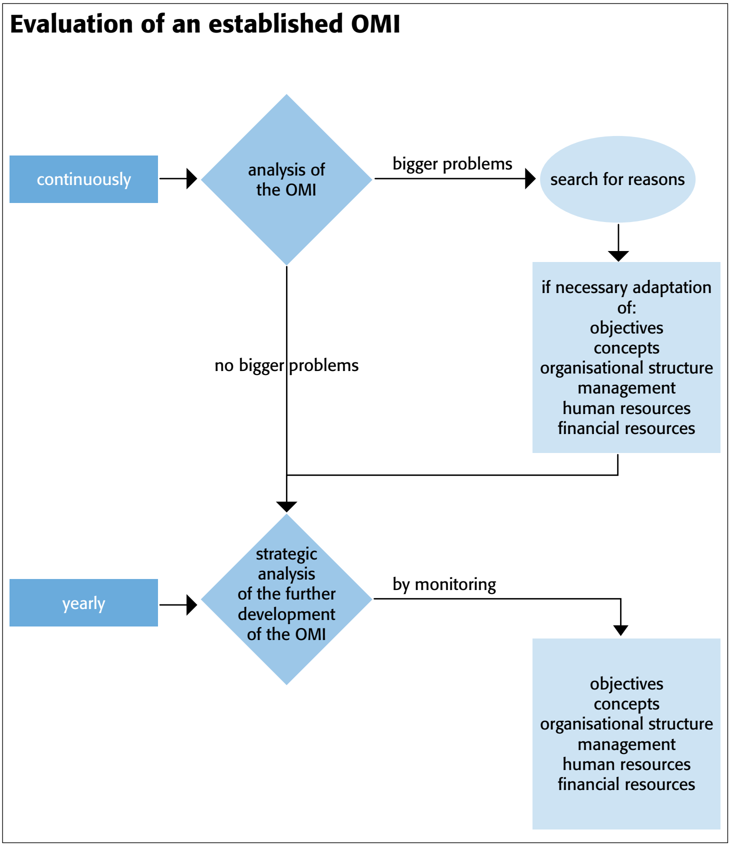


Figure 15: Steps for the evaluation of an established OMI.

Key factors for success

4

In Chapter 3 the authors showed in a series of chronological steps, how to prepare, start and successfully operate an OMI within a changing market environment. Methods and factors were described which seem to be the most relevant for success. These were derived from the analysis of numerous successful and failed OMIs in Europe.

Regardless of national markets, national political frameworks, products produced and sold, or types of co-operation, it became obvious that a certain number of predominant factors explain the success or failure of OMIs. If relevant factors are not sufficiently taken into account, there is a high risk that an OMI will not survive in the long term. If OMIs are only viable during the time within which they receive subsidies, something is wrong. Also, if after many years of operation, production is still more important than customer and market orientation, an OMI will face difficulties.

This chapter summarises and highlights those key factors which influence the operations of an OMI (see figure 16). Because most of the factors were described in detail in chapter 3, the intention of this chapter is simply to identify the most important factors and to explain their roles in the process of marketing planning.

Key factors for success

internal and external factors of success

Success factors are divided, for the purposes of this chapter, into internal and external factors. Internal factors can be directly influenced by OMI members. External factors can be considered as the framework of opportunities for, and threats to an OMI and determine the direction and volume of strategic options.

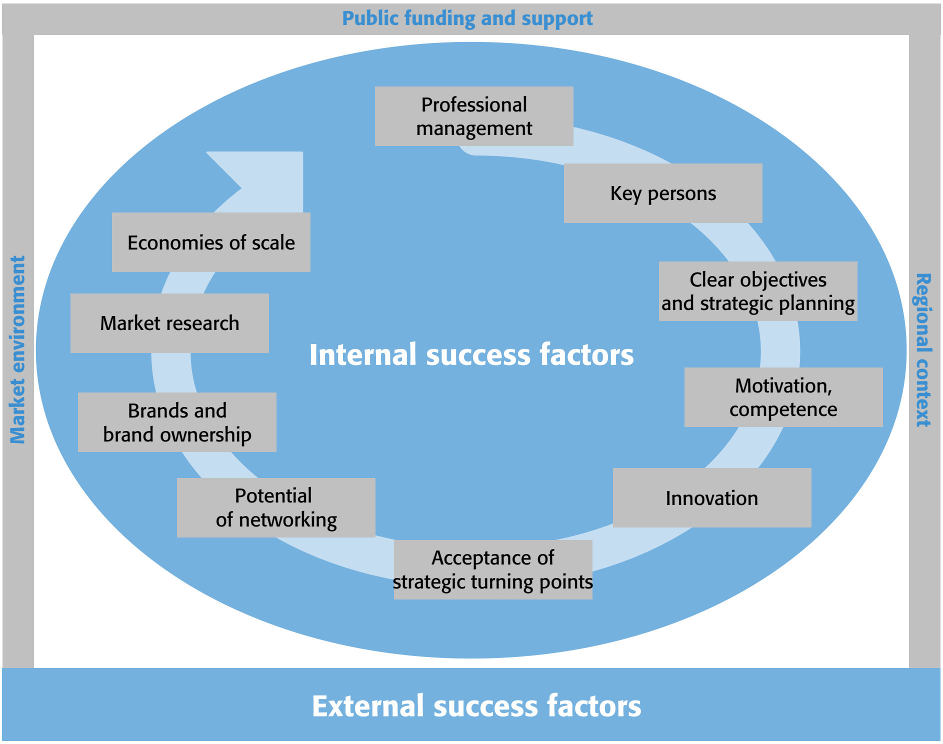


Figure 16: Key factors of success for Organic Marketing Initiatives

For a deeper insight see the OMIaRD Publications:
Sylvander, B./Kristensen, N.H.(2004): Organic Marketing Initiatives in Europe. Volume 2.
Schmid, O./Sanders, J./Midmore, P. (2004): Organic Market Initiatives and Rural Development. Volume 7.
University of Wales, School of Management and Business, Aberystwyth, U.K. (http://www.irs.aber.uk/omiard/publications/index.html).

4.1 Internal factors

The role of key persons

Many studies examining the success or failure of marketing initiatives show that the human factor is clearly more important than market, political or economic conditions.

Market potential will remain useless to an OMI if one or a few members are unable to realise and exploit it. These people are called the key persons of an OMI. They have a leadership role within an OMI and perhaps even also in the region within which the OMI operates.

required personal skills

Key persons are individuals who have outstanding personal skills. They help an OMI to get started, to negotiate successfully with business partners and even to survive in difficult situations. They are able to motivate OMI members and lead an OMI to become a well-known regional or national institution.

In the best-case scenario, key persons know the agricultural, processing and/or retailing sectors very well. This cross-sectoral know-how not only helps in terms of understanding the market partners, but is also useful in phases of negotiation with market partners, as well as in the internal and external communication of an OMI.

Key persons should have many of the following skills. They should be able:

- to maintain their integrity and honesty and be open-minded,
- to recognise beneficial market potentials for an OMI,
- to think generally and strategically as opposed to specifically, egocentrically or only operation-oriented,
- to persuade other people,
- to solve problems and be able to make decisions in complex, risky, conflict-ridden and difficult situations,
- to persuade people or institutions that support and promote the OMI's development of its benefits,
- to communicate with relevant stakeholders and understand their requirements,
- to communicate with media in media language and understand their requirements,

- to push developments (in working groups, for product development, initiating events, in organisational matters),
- to analyse markets and competitors and draw up strategic recommendations,
- to integrate people and different opinions.

Psychological and social studies show that there is no one ideal type of key person. There is also no superman or superwoman who has all these skills. However, the more communicative, creative and able a person is to recognise interesting potential, the more likely it is that such a person will be able to lead an OMI to success.

Key persons should lead the OMI themselves or at least become a board member. It is important that key persons are engaged on a long-term basis. If a key person is financed only by temporary public support, the OMI might face severe problems when that person can no longer be financed after subsidies have stopped.

shared leadership

However, there is also a danger in leaving all decisions and crucial tasks to one key person. In the event of this person leaving the OMI, the OMI is in danger of losing not only important know-how but also essential internal and external network systems that they have been built up. It is therefore wise for key persons not to be left working independently in a leading role. Leadership should be shared by several people, including the board.

The role of management

When looking at OMIs which have failed or have economic problems the following weak points were identified:

weak management factors

- a board with weaknesses in decision-making,
- unclear or overlapping decision-making competences,
- a board with false market expectations,
- no risk management scenarios available for completely new market constellations (for example new competitors appear on the markets, losing contracts to main market partner),
- less developed or implemented monitoring and control systems (gaps in knowledge about own market performance and cost parameters).

All the above factors are very similar to possible factors facing OMIs and are linked to the scope, structure and human factors of

'Alce Nero', Italy
Personality of the founder as a driving force
Gino Girolomoni was the founder and president in perpetuity of Alce Nero. In 1973, he was elected mayor of the village of Isola del Piano, where he realised that conventional agriculture was unable to solve the issues of rural development in mountainous areas. In 1974, he started to involve himself in organic farming, leading to the foundation in 1977 of Alce Nero at the Monastery of Montebello, a few miles way from Isola del Piano, on the top of a hill.
Alce Nero's successes and failures are all accountable to Gino's passionate and visionary personality. Gino has a large network of cultural, philosophical and political acquaintances, which makes Alce Nero a unique entrepreneurial and cultural experience.
Gino couples a strong charismatic and fascinating personality with an individualistic and stubborn character, which raises mixed feelings among his counterparts: some adore him, but he has also gathered many enemies. Alce Nero nowadays is a 'family co-operative', where family bonds are very strong and evident. His visionary ideals are strongly mixed with his deep-ecology Catholicism, very close to the teaching of St. Francis of Assisi and the Italian theologian Sergio Quinzio, to the point that Alce Nero, in his own words, represents his 'life-long prayer'.
Source: Università Politecnica delle Marche, Ancona (Italy)

management. This highlights the crucial role of the process of management planning and implementation.

'hard' and 'soft' management skills

Generally, a distinction must be made between 'hard' and 'soft' management skills. Soft skills are related to the abilities and skills of people (managers). Hard skills are related to technical and organisational methods of management/project planning and implementation. These management skills and abilities influence each other.

Often soft skills (for example the ability to lead people, to communicate, integrate or negotiate successfully) seem to influence the success of an OMI more than the theoretical ability to control all relevant methods of time scheduling, budget planning or budget controlling.

Key factors for success

management of human resources

OMI managers must manage internal human resources as well as relationships with external partners and stakeholders. To do this, close personal relationships and contact between the management board, OMI members and OMI market partners must be developed from the start. Often an OMI's efficient 'networking' is more productive than higher production output.

OMI members and partners should share the same principal objectives

Most importantly, it is essential that OMI members and OMI partners pursue the same principal objectives and share mutual solidarity even if they do not necessarily always share every single idea. Opportunistic behaviour on the part of individual members or partners could lead to permanent conflict between members and co-operation partners and, as an ultimate consequence, lead to a severe crisis or failure of an OMI. Also, management should have theoretical plans in place for the eventuality of conflict arising between individual partners or OMI members.

monitoring and control concepts

The ability to run a monitoring and control system is one of the main 'hard' skills that managers should possess. The elements included in a control system (e.g. marketing measures or cost efficiency) can be found in Chapter 3.2. Control and monitoring

'AgriBio Union', France

The initiator's good knowledge of foreign markets as a success factor

AgriBio Union is located in the south-west of France and is specialised in organic cereals (especially cereals for storage). It was created in 1986 and brings together more than 500 organic cereal growers.

The founder and key person of this co-operative was an expert in foreign markets for cereals (with sound knowledge of German and Italian markets) for many years. Contact to these foreign clients enabled him to get to know and fulfil their requirements (deadlines, quality, grain purity, hygrometry). All this provided him with good technical knowledge and gave him a good reputation in France.

This key person is still a producer, which enables him to remain in touch with production difficulties (or opportunities) and obstacles that need to be overcome. *Source: INRA Le Mans (France)*

'BioRegional', Germany
Part-time management without remuneration
BioRegional is a co-operative venture established by organic farmers and gardeners near Munich to sell their vegetables together. The OMI was founded in 1996 by five organic vegetable producers. Today, 22 organic vegetable producers and three wholesalers work together in planning supply and delivery. They are able to sell 80 % of their products regionally.
The management of the OMI is carried out without remuneration by two farmers. These farmers can only undertake the management tasks in a limited way. This is a source of many problems within the OMI. *Source: University of Kassel (Germany)*

concepts should be considered as an essential instrument for the permanent evaluation and steering of the development processes within an OMI. This is an important task for management to carry out regularly. The board also has a responsibility to supervise this process and consider the results.

Keep in mind that regular comparisons between strategic, financial and marketing objectives are essential elements of the monitoring concept. The preconditions for this are clear objectives that can be quantified and measured (indicators of success).

Controlling (or monitoring) should answer the following questions posed by a manager:

- Were the planned measures implemented in the defined period (Were there delays? What was the reason for delays? Were there organisational or practical barriers to implementing the measures?)?
- What is the impact of the measures (positive, negative, as planned, not as planned)?
- To what extent have objectives been met?
- Have the expected benefits for OMI members and partners been achieved?
- What adaptations of the objectives should be considered and which of these can be realised?

If the answers to these questions indicate that the main objective(s) may not be achieved, there is an urgent need to identify the reasons and to adopt or re-orientate existing objectives.

Last but not least, the monitoring and control measures must include the permanent observation of an OMI's profitability. If profitability rates start to decrease, the reasons for this should be analysed. Permanently controlling profitability and liquidity helps to prevent irreversible financial difficulties.

The importance of strategic planning and clear objectives

objectives have to be defined precisely

Objectives should be orientation points for the direction and structure of all strategies and activities planned by an OMI. They not only have to include economic goals, but also social, environmental and image-related objectives. The more precisely and more quantitatively objectives are defined, the easier it is to control the level of success of an operating OMI.

also competitor strategies should influence the own strategy selection

Strategies show how objectives can be implemented in daily business. Hence, when the phase of defining an OMI's objectives has been completed, the next step is to consider which strategies are generally helpful in achieving these objectives. Not only should an OMI's objectives drive the selection of strategies used. The strategies of the main competitors should also have an important influence on strategic decisions.

As for the definition of OMI objectives, a group of leading OMI members should consider and jointly decide elementary strategic points. To identify suitable strategies it may also be helpful to include an external expert's point of view.

Market studies, analysis of sector reports, a telephone call to potential market partners or a meeting with an external consultant can help to identify strategies to be included or excluded.

For more detailed information about the strategic planning process, refer to Chapter 3.2.

The role of motivation and competence

maintaining the motivation of members and staff

Motivation is an essential factor and is very important in the pre-start and start-up phases. At this time, the driving force comes from the initiators, mainly farmers. It is important to note that in many OMIs the motivation of the initial/pioneer phase can diminish, especially if the producer price is not significantly higher than in the case of using other distribution channels. However, if the initiative follows a premium quality strategy, it is necessary for all members to remain fully behind the idea and strategic objectives. Members need to understand when strategies must be changed. In order to keep members and staff motivated in the mature phase of an OMI, planning short-term goals, and not only long term strategies, is recommended. Furthermore, regular internal communication with members is important.

In the analysis of countless OMIs in Europe, the motivating factors of staff in larger Organic Marketing Initiatives was seen as especially important. This motivation can be improved when:

- there is a good working climate,
- the human factor is seen as important to the management,
- the staff can work within a sufficiently large framework of agreed objectives with their own responsibilities,
- special efforts and results are acknowledged by the management and the board.

In general, winning the commitment of all members to an OMI's principles and objectives and binding them closely to the initiative is important for the image and messages that OMI members transmit to the market environment.

competencies and learning curves

Many OMI founders/initiators start with a 'learning by doing' approach to marketing due to a lack of background knowledge on marketing matters. Usually they acquire the skills they lack over time, as shown in Chapter 3.2. Obviously, this process of skill acquisition does not just happen. Many OMI founders and initiators are forced to learn to 'make money' with classical business management skills and by marketing without 'losing their souls' (ethical objectives). 'Amateurism' in marketing, as seen in the pioneering phase of organic agriculture in the seventies and eighties, has now generally disappeared. The challenge, however, is still whether these management functions should be performed by the OMI itself through learning or recruitment (internally) or whether they should be contracted out or entrusted to an allied firm (externally).

'Saimaan Luomu', Finland
Active role of farmers in planning and quality development within their vegetable firm
Most of the 34 farmers who own this vegetable initiative and sell products to this company have worked together for a long time and know each other well. They have formed a number of farmers' product circles, e.g. for growing organic onions. In this way they can plan areas, species and volumes together. Moreover, this is an effective way of sharing common knowledge and helping each other if problems arise. Farmers are committed to the development of production and feel motivated when they succeed in reaching their objectives. Farmers' skills are high, storage conditions very good and packaging systems well suited to customer needs. They are also carefully pursuing possibilities for adding value to the basic vegetables. Farmers have actively participated in development projects of local research organisations while trying to develop their production methods and business operations. It can be said that elements of coherence and motivation are active networking, sharing knowledge between farmers, commitment to common objectives and, to a certain extent, ability to take risks.

Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

OMIs must develop their own specific learning curves. The 'trial-and-error' approach that is often used has one important advantage: it allows a fast and continuous optimisation of the strategy. This fast-track approach can even give a competitive advantage in the marketplace as long as any errors made do not endanger the overall strategy of the enterprise. Entrepreneurship also means taking certain risks. Within this challenging learning process, however, gaps in knowledge and gaps in skills should be identified. Appropriate measures to acquire the missing knowledge and skills are then easier to take on board and justify.

The role of innovation

The experience of many OMIs shows that innovation is an important element for success. There are several reasons why continuous innovation is important:

facilitating innovations

- new products, new services, a new label or communication message attract new customers,
- old products lose attractiveness over time (life cycle of products),
- new products and services help to improve customer value and loyalty,
- new production or processing methods might improve cost-efficiency,
- with innovation an enterprise can compete better on the market place and react to new trends,
- new products, services and a background story that are well promoted help to keep an OMI in the minds of consumers and business partners.

In particular, product policy and communication policy innovation can raise the market competitiveness of products and services. Periodical development and presentation of new products and convincing communication ideas are therefore essential for products to remain attractive to customers at all levels. Above all, when starting a new label, an excellent product idea is essential alongside an attractive product structure. It should be newer in many ways than existing labelling schemes.

The advantage of OMIs is that they are not large enterprises where new ideas are hindered by hierarchies or complicated plans. They are not limited by research and development departments. The manager, together with the staff, the board and the OMI members must be the motor for ideas and innovations. All ideas put forward by people within an OMI or by friends should be welcomed and supported if they seem promising. However, each innovation should be evaluated as to whether the market really needs this innovation and, moreover, if the product is able to cover the costs of production and processing.

OMI members as motor for ideas and innovations

Creativity and innovation cannot be dictated from the top down, but they can be facilitated, for example, by:

- an OMI's 'internal enterprise culture', where new ideas are welcomed and taken seriously,

- collecting good ideas that come from customers as written correspondence and then considering them as new strategies,
- sending OMI members to other regions, countries, companies, trade fairs or adult education forums to provide motivation and stimulation,
- bringing small task-force quality groups together that look for new product and service ideas.

The same methods can be used as described in Chapter 3.1, for example, yearly strategic workshops organised in a special creative environment.

'Frantsilan yrttitila', Finland
Innovation in developing new herb-based products
As the company has been one of the pioneers, it has gained a great many skills relating to herb production methods, processing techniques and market opportunities. In contrast to the competitors, who generally produce dried herbs and make different herb mixtures or herb teas, Frantsilan yrttitila have tried to develop more processed and new innovative products for the Finnish market. Examples include different extracts, and R&D work with organic cosmetics. Exploring innovative areas has also created difficulties and extra work, while there have been no clear organic regulations relating to these areas. In the case of some products, a great deal of negotiation has been needed with the authorities to obtain permission to sell them as organic products. In this way the company has worked for the benefit of the whole sector.

Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

The role of brands and brand ownership

In Chapter 3.2 and elsewhere, the importance of brands in product policy are mentioned. In summary, we can state that 'own' brands must fulfil the following requirements if an OMI wants to operate a successful brand. The brand must:

'Bio Weide-Beef' from Switzerland is one of the most successful European organic meat brands. (Photo: Migros Ostschweiz)

- suggest a certain functional and emotional benefit to the customer,
- communicate specific values for specific customer groups,
- be able to be associated with a defined certain lifestyle,
- communicate the regional origin and 'typical' nature of the brand,
- give a certain guarantee of consistent quality,
- help to constitute and identify the firm/OMI.

Keep in mind that there are also several factors which limit the use of brands by OMIs:

- brands are seldom well-known outside of their region unless they are powered by tremendously high marketing budgets in order to achieve a high recall rate,
- raising the profile of a brand can be very costly,
- the communication of a brand needs a good psychological knowledge of consumer reactions,
- a brand needs persons that feel responsible for management of the brand.

'Alce Nero', Italy
Error in outsourcing brand management and ownership for Italian market

Alce Nero, an Italian organic pasta initiative, ended up concentrating on supermarkets and the export market due to circumstances, not because of a long-term strategy.

At the beginning (Alce Nero was established in 1997), the export market was the only market available for the first Italian organic pasta maker: the local market was non-existent or too small. The encounter of Gino Girolomoni, founder of Alce Nero, with Josef Wilhelm, founder of Rapunzel Germany, in 1983, was the beginning of a partnership lasting over 20 years that assured Alce Nero a stable outlet in the German market.

Nowadays, the export market is still very important (Alce Nero sells more than 80% of its turnover abroad), with Germany accounting for 50% of its exports (other export markets include: Japan, USA, France, Switzerland). It is also the only market where Alce Nero has complete control of its brands (Alce Nero, Montebello), since brand management within Italy is carried out by Mediterrabio, a partnership with other co-operatives that owns the brand Alce Nero on the Italian market. Mediterrabio was established in 2001 to manage some organic brands on the Italian market and has mainly targeted the supermarket and large retailing groups. As a result, in the last 3 years Alce Nero's brand has almost disappeared from the specialised organic shops in Italy, which still account for 50% of the domestic organic retail market, while the marketing manager of Alce Nero can only operate in the export markets, which have gained further momentum.

The descion to establish Mediterrabio was in part a solution to Alce Nero's severe financial problems in the late '90s. Unfortunately, due to a change in strategic alliances in Mediterrabio, Alce Nero completely lost control of its brand in the Italian market. Alce Nero is currently trying to buy back its brand from Mediterrabio, at the cost of several million euros.

Source: Università Politecnica delle Marche, Ancona (Italy)

Brands are more important where OMIs sell their products to customers and network partners indirectly via a long chain. If OMIs have a more direct link, it is important to evaluate whether a brand will really bring enough benefits to the OMI. There may be other ways to communicate the origin or special quality of the products.

clever brand policy

There are some essential rules when using brands:

- A brand must stimulate pictures, images and emotions in customers.
- A brand must become an umbrella of constraints for all further strategic questions and marketing activities.
- A brand needs not only a visual label but also a name which makes an emotional link (e.g. to mountains or pastures like the Swiss OMI brand 'Bio Weide-Beef').
- OMIs should not give up their brand ownership (even if market actors offer a relatively high-sounding price). The OMI would definitely lose market power and would be more dependent on the new brand owner.

'BioBourgogne Viande', France
Brand for regional products but with a weak profile
BioBourgogne is a regional brand that can be used for many different products. It is owned by a regional association and can be considered as the reflection of a general inter-sectoral dynamism. The BioBourgogne brand was registered in 1983.
This regional brand is part of an established and strong endeavour, but currently has a low profile (vis-à-vis consumers, for example). Moreover, it is a collective sign of quality but unfortunately with no precise brand policy. Besides the indication of the origin, no further requirements are stipulated that might create added value for the consumers. *Source: INRA Le Mans (France)*

The role of networks

networking as an interactive process

Effective co-operation is an essential factor for the success of marketing initiatives. A network is a group of actors and multi-form partnerships that can be established either along a market chain or in the form of a regional network with more external actors.

Networks are nothing new, but their meaning and importance have changed. Today, networking is seen in more dynamic terms and as a process. From this perspective, a network is not only seen as an instrument for making commercial decisions, but as an opportunity to transform power relationships between different actors.

Better cultivation of networks is often neglected by the management of OMIs. Communication as an interactive process plays a key role. It therefore follows that OMI members who are verbal, convincing and with a neutral standing or, even better, with positive awareness, should generally engage in network activities in a region or market. There are examples of OMI managers who have wonderful ideas or are very good decision makers, but when they communicate their own ideas or opinions they are aggressive. They are not the right people for 'networking'.

opportunities for market-related networks

Market-related networks allow marketing initiatives to obtain new and diversified information about market development. They help to gain new internal and external competitiveness through co-operation, productivity flexibility and more adjustable marketing capabilities. They facilitate the development of partnerships with customers that are based on trust and fair trade practices.

Networking allows a multiplication of co-operation opportunities on different levels:

- at local level, in the day-to-day co-operation of farmer groups and small entrepreneurs,
- in the emergence of locally organised commercial initiatives to establish a structure for selling direct to consumers or to create a local brand,
- at micro-level, as initiatives to create new and more independent market structures or to negotiate better conditions with the distribution system,
- productive diversification which needs heavy financial and technical investments.

Region-related networks are important as they help to better integrate an OMI into a region. They enable more efficient identification and use of local resources and potentials and early awareness

Despite of the existence of the brand 'BioBourgogne' there is no precise brand policy. (Photo: O. Schmid)

region-related networks

of possible fields of conflict with other regional actors. They help by providing better access to public funds, e.g. support from regional development funds.

Furthermore, it is mainly through regional networks that an OMI can contribute most to rural development.

Further benefits of such regional networks can be:
- to contribute to the identity of a region,
- to create a positive attitude towards the future development of less favoured areas,
- to stimulate new, innovative ideas,
- to contribute to the multiplication of income possibilities.

support-related networks

To recognise and use the helping hand provided by actors that are able to give support by financing or consultancy activities can be one of the most relevant factors for economic success. Support-related networks may comprise public and private consultants, associations, bodies from the financial sector, and university researchers.

> **'Pohjolan Luomu', Finland**
> **Building up and organising the organic grain market thanks to continuous networking**
> As this grain company has based its business on the principles of relationship marketing, they are very committed to an active role in networks. The company participates actively in the development of the whole organic grain sector in Finland and tries to increase knowledge-sharing between actors. Clear information about the needs of their customers gives the company possibilities for planning production with the farmers. The company tries to work in such a way that farmers can concentrate on farming and the company takes care of logistics solutions, quality control and helping farmers obtain the necessary certification documents.
> The importance of networking is clearly stated in the business policy because, in order to manage its business successfully, the company relies on many partners and a great deal of co-operation among actors regionally, nationally and internationally. Before Pohjolan Luomu started building up its network of relations, organic grain markets were not at all organised in Finland.
> *Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)*

New actors with new ideas may join the network at a later stage and this may create conflicts. The ongoing exchange of information, knowledge and values is a condition of the participation process. There are different ways of improving 'networking' by communication, for example:

- with regular newsletters,
- with round table discussions or social events (e.g. once a year) to which all relevant stakeholders are invited.

The role of market research

systematic collection of information

Market research is the systematic collection of information on existing or potential markets for analysis and subsequent action. Every marketing initiative needs information to define or redefine their strategic objectives as the basis for strategy planning and the decision-making process. To obtain relevant information you need to collect and analyse precise information on the dynamics of the chosen marketplace, on consumer behaviour and needs, and on future trends and the competition. The aim is to be able to:

- react more effectively to the changing market environment,
- ascertain the needs of chosen customers,
- find out what your competitors are doing,
- identify new market potentials,
- minimise risks,
- customise products,
- maximise returns.

Market research is a wide and expensive field that needs an outstanding understanding of the function of the market and factors influencing it. OMI actors do not need to be such specialists (they

'Biobauern Sulzberg', Austria
Well developed network with the umbrella organisation, which strongly supports the economic activity of the OMI
BIOVorarlberg, a marketing association for regional organic products, in addition to other activities, aims to increase the supply of public kitchens and canteens with organic produce. Hence, in connection with an INTERREG project, BIOVorarlberg has started to rent canteens itself. The main supplier is the delivery service of the organic farmers of Sulzberg, an OMI that focuses mainly on marketing the products of their members. This network of well-established personal and organisational relationships offers advantages to the BIOVorarlberg by providing fresh regional organic produce, and for the farmers by increasing their added value by using an alternative food supply chain. Additionally, for both sides it seems to be an interesting way of enhancing their reputation and increasing public awareness as an advantage for further marketing opportunities. The difficulty in this case is the production management of the farmers to meet the demand of public kitchens as well as the challenge of developing an effective and reliable logistics system.

Source: University of Innsbruck (Austria)

can outsource market research activities); however, they should at least have some idea of the approaches/methods of market research, the cost/benefit ratio of different market research methodologies and about the meaning and interpretation of market research results.

For field research, several methods are available that cannot be described in detail here. Each of these methods has advantages and disadvantages. The methods can be combined.

low budget market research

OMIs do not usually have large budgets to conduct market research. There are, however, always ways of co-operating with universities or other supportive people (as already mentioned in Chapter 3.1).

It is important to find out what information you really need for decision-making so as not to waste time, effort and money with comprehensive surveys where 80% of the answers cannot be analysed or interpreted for the particular case of an OMI. There are many issues which would be interesting but cannot be dealt with. It is important to determine the most urgent key questions. It might be useful to develop some hypotheses or main questions which can be researched and, if possible, also tested in practice. This suggested combination, including practical testing, is important because there will always be a gap between what customers/consumers say they will do or want to do, and how they really react or what they really need.

Table 4 gives a rough overview of some field research methods and how they can be applied to OMIs.

Table 4: Overview of field research methods and their applicability to OMIs

Methods for large organisations/firms	***Methods better adapted for OMIs***
Face-to-face/street interviews (direct) with representative approaches	Own market observation
Product testing (market testing or laboratory testing)	Exploratory interviews during tasting campaigns
Representative surveys	Written questionnaires
Consumer panels	Telephone interviews

'Bioland GmbH Nord', Germany

Bioland GmbH Nord was founded in 1988 in the context of an exemplary project of the German Federal Ministry of Agriculture. Bioland GmbH Nord was an initiative of different product-related producer initiatives. Shareholders of the initiative were farmers who produce their products according to the guidelines of the BIOLAND association. The initiative co-ordinated the production and marketing of organic products and supplied retailers and processors.

Academic researchers from the University of Hohenheim provided support during the founding and the first three years of Bioland GmbH Nord. In addition to the scientific support from teaching staff, a PhD dissertation and a thesis were written on the topic. In the context of the dissertation, a marketing concept was completed for the initiative relating to organically produced meat. The topic of the thesis was the evaluation of the efficiency of OMIs with different products. In addition, academic researchers conducted a yearly weekend seminar with managers, leading farmers and the staff of the OMI to monitor the economic success and develop and promote marketing strategies. After five years, this OMI became the leading OMI in Germany with the highest turnover of all German OMIs.

Source: University of Kassel (Germany)

role of external services such as universities

Apart from relatively cheap methods of market research, consultations with university researchers and libraries may be an appropriate way of obtaining valuable market information on a low budget. Even more specific information can be derived if market research is linked to a university Master or Bachelor thesis. Building up close relationships with the academic sector should therefore be part of OMI networking. It is important that during such research, a responsible member of staff, if possible the manager, keeps track of the work. If there are interviews with market actors, a person from the OMI should also be present. If this does not happen, there is always a risk that valuable information could get lost or may not be taken up properly in the report because the student was unable adequately to establish the context of such information.

Key factors for success

If an OMI carries out market research on its own or co-operates with marketing specialists, it is important to clarify the:

clarifying information needs

Objective:	What do you need to know? What information is relevant?
Samples:	From whom do you need the information?
Method:	What method will be used?
Structure:	What types of questions are relevant and give valuable information?
Analysis:	In which format should the results be summarised and presented?
Outcome:	What will you do with the information?
Costs:	How much has to be paid and is it worth it?
Timing	When are the results needed?

OMI managers should participate in the process of market research as much as possible, even if a foreign agency is subcontracted to conduct market research. They should also talk with customers and consumers to get a feeling about the OMI, its products, competitive products and general market and consumer trends. Understanding the market is one of the main preconditions for anticipating changes in market development and for predicting the consequences for the OMI's products.

relevant market research questions for OMIs

Market research should normally ascertain what the customers need, what image they have of the OMI, and ideas about the main competitors. Questions must be addressed in such a way that the answers can provide direct input into OMI strategies, like the following examples:

- What can be improved in the product quality and/or service of the OMI?
- Is the packaging and delivery convenient? What should be improved?
- What image do our products/brands have for our target groups? What image do the competitors' products/brands have for our target groups?
- Is the product range sufficiently broad and of high enough quality in the eyes of the consumer?
- What other products and services would the customer wish from the OMI?

'Talkion Leipomo' and 'Juvan Luomu', Finland
Access to market research with co-operation
Different market research activities are important tools to direct business decisions in big companies. In order to have access to market research, the two Finnish OMIs, Talkion Leipomo (a bakery initiative), and Juvan Luomu (a milk dairy) have both made a strategic alliance with large, international companies (Fazer and Valio respectively). Big companies follow the development of organic markets carefully, because these markets are one of the most rapidly growing markets, together with health-related markets. The results of different market research can be taken into account directly in product development, pricing, packaging policies, etc. For small companies, market research is too expensive to derive benefit from it.

Source: University of Helsinki, Mikkeli Institute for Rural Research and Training (Finland)

The role of strategic turning points in OMI development

Most OMIs arrive, at some point, at a limit in their strategies. They find themselves at a crossroads which happens, to use an air travel metaphor, after take-off, the climb and the cruising point (see figure 17 next page). This figure is very similar to the normal product life cycle theory perspective. In accordance with that terminology, revitalisation points arrive at which managers need to make critical decisions and focus efforts on developing concepts so that a new growth period can be achieved.

This moment of truth leads them to think again about their objectives and to reformulate their strategies. This section aims to describe this stage of an OMI's development and to show that one of the conditions for coming through this stage successfully is to resolve the questions of internal and external cohesion. The only way to pass this point is with the support of the majority, both within and outside the business.

the strategic turning point

Strategies go through several types of phases: start phase, consolidation phase and adjustment phases (or strategic turning points). The following questions might be asked after a while:

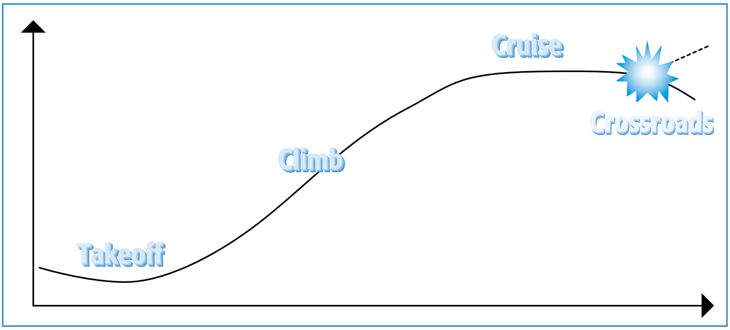


Figure 17: The strategic turning point for an OMI using the air travel metaphor
Source: Sylvander et al. 2004

- Should we aspire to increased growth?
- Should we move into franchising?
- Is a niche strategy viable in the long term or should we expect the market to develop greatly?
- Should we invest in new products, new equipment and new markets?
- Should we put producer prices first?
- Should we join forces with conventional firms?
- Should we outsource some tasks or do things ourselves?

Such strategic questions are relevant to OMIs and are also general questions in organic agriculture today. Having achieved recognition from public policy and consumers and society at large, new entrants are coming in at all levels. The far-reaching changes involved in the rapid development of the organic market bring many risks for those who have been in the organic business for a long time: an economic risk if they lose their market power specific to the niche and if prices collapse; a political risk if, as it develops, the organic market becomes no more than one of many lines for diversified marketing and its universal message is weakened.

At an OMI's enterprise level, as shown in Chapter 3.3, there is no other choice than to periodically analyse the opportunities and threats of all activities. This should facilitate re-orientation of objectives before serious problems arise. It might be useful to include external evaluators in this process, because they have a more neutral view.

The role of economies of scale

The term 'economies of scale' is often used to refer to the fact that larger enterprises have better cost-efficiency and will be more profitable (e.g. a large central cereal mill will have much lower production costs than a small regional mill with old equipment).

Fortunately, the reality is not that simple and sometimes quite different. This depends very much on the strategy an OMI has chosen. There are two main groups of OMIs: those that go for a quality

'Biobauern Sulzberg', Austria

Strategy for small-scale processors: optimisation of existing capacities

For most small dairies, the production costs of milk due to high fixed equipment and personal costs as well as collection costs is a crucial aspect of competitiveness. Biobauern Sulzberg, a small organic dairy co-operative, collects about 1.3 million kg of milk a year and processes it mainly into ripened cheese specialities.

As regards economies of scale, one strategy of the OMI could be growth, which would unfortunately raise the question of existing capacities – human, financial, as well as for the volume of marketed produce. Cutting across a certain production level in this case would enormously increase the need for investments (cheese production and storage, milk collection lorry) and employees, causing a rapid increase in fixed costs. Acting in a high-price niche market, the increasing amount of produce would additionally lead to crucial marketing problems due to a more and more saturated market and consequently a decrease in the average selling price.

Because the OMI is not able to compete on the level of price, the strategy chosen was optimisation of existing capacities to ensure the most cost-effective usage. In practice, this means finding a balance between the capacity of production (production costs) as opposed to the capacity of product marketing at a cost-effective price level. Although in general there seems to be no common concept for OMIs, the strategy chosen must meet the specific potentials and capacities in the sector and the region.

Source: University of Innsbruck (Austria)

or exclusive product strategy and those few OMIs that are volume players. For both groups, economies of scale are important. However, if an OMI is a volume player, the consistent management of economies of scale should be one of the most driving and important economic success factors. A smaller OMI with a quality strategy has other advantages to compensate for disadvantages, for example, greater flexibility and special services that the volume player cannot provide.

4.2 External factors

External market factors give OMIs a limited degree of freedom. They determine the paths along which OMIs can move, and even sometimes force OMIs to cease trading (e.g. when funding sources dry up or new competitors enter the market niche of OMI products).

public support / funding

An OMI should not be founded simply in order to apply for public funding. Public funding can be a support in the start-up phase, but an OMI should be able to work profitably without external funds (for details of problems that can arise, see also Chapter 3.2). It is therefore important not only to calculate the viability of an OMI for periods with public funding. Scenarios without external funding possibilities should also be calculated and risk avoidance strategies should be developed to assure the long-term existence of an OMI. Analysis of OMIs that did not survive after an initial period show that loss of public funding was the main reason for their failure, as well as the inability of the OMI to handle the situation.

There may only be potential to obtain more public funds if an OMI is part of a larger network, for example, with local processors or tourist organisations. This could even mean the creation of a new form of co-operation or the closer integration of other partners into an OMI's organisation. Conditions in different countries can be quite varied (see Chapter 2.4). The advantages and disadvantages of different funds should be evaluated, e.g. the rate of interest and/or repayment in the case of credit.

If funds are available, it is important to clarify which investments will bring the greatest return. It might be better to invest in a marketing concept rather than in storage buildings that could also be rented.

macro- and micro-environment

As described in detail in Chapter 3.1, an OMI's market environment can be roughly divided into a macro- and micro-environment.

The macro-environment includes the (agricultural) policy framework, economic, social and cultural conditions, scientific and technological issues, the legal framework and the natural and demographic environment. All these aspects determine the scope of strategic options. Market environments are generally predetermined, however, by effective lobbying and network activities where OMIs are able to influence policy-related factors (at least within their own region).

The micro-environment includes the customers, competitors, and suppliers of an OMI. In contrast to the macro-environment, an OMI can influence the micro-environment by its own performance, messages and negotiation skills. Generally speaking, an OMI's influence grows when it achieves greater market power and a relative uniqueness of its products, and vice versa.

identify needs of the main customers

OMIs must identify the needs of the main customers within the target group with regard to quality, price and services. It must be emphasised that marketing strategies should look for selling attributes that make an OMI's products distinct from the competitor's products. This is because customers compare the market performance of an OMI's products with the performance of its competitors. Such selling attributes can be higher organic, social or environmental standards than those provided by competitors, quality benefits and/or specific regional image advantages. In each case, the unique selling proposition must be communicated clearly and in a way which makes the message easily understandable by customers.

regional setting

In every country, certain regions have positive, negative or neutral images in the eyes of consumers. The attractiveness of a region is mainly influenced by its natural beauty and importance for tourism. The existing image or characteristics of a region are very important for an OMI and should be analysed in detail. At least with regard to the marketing of products, detailed knowledge about the image of the region will have a positive effect.

use potentials of regional image for OMI communication

If the region is well known and has a positive natural image even outside the region, a regional market approach can be very successful. This also means, generally speaking, that products from this type of region will by perceived as being of high natural quality. In contrast, a region with a poor image, for example, a heavily industrial region, could benefit from a focussed internal regional marketing approach for consumer goods or an inter-regional marketing approach centred on raw materials for industrial processing, or a strategy that concentrates simply on the steering of big supply volumes. Generally speaking, it is more difficult to convince consumers of natural food quality in industrial regions.

Annex

Annex 1

References for further reading

Armstrong, G. and Kotler, P. (2003): Marketing – an introduction. 6th edition. New Jersey: Prentice Hall. (English language)
This book provides a very detailed introduction to marketing. All important marketing concepts are described and illustrated with examples. Although it does not relate marketing to agriculture, it is suitable both for beginners in the field and for 'professionals' who want to brush up their marketing knowledge.

Becker, J. (2001): Marketing-Konzeption. 7th ed. München: Vahlen. (German language)

Haines, M. (1999): Marketing for farm and rural enterprise. Ipswich: Farming Press. (English language)
This book provides an introduction to marketing in the context of the farm-based business as it finds itself increasingly exposed to market forces. It is management-oriented, not theoretical, introducing marketing concepts and terminology only as they are relevant to the owner-managed business. It is useful for farmers who need to improve their competitive position and their revenue from the market.

Hamm, U. (1991): Landwirtschaftliches Marketing. Stuttgart: Ulmer Verlag. (German language)
This book deals with the basics of agricultural marketing. All important items from the preparation of the decision basis for marketing concepts up to the different action levels of marketing are clear and structured. As the title says, the whole book is related to agriculture. That means all marketing items are specifically described for business in agriculture. Even though this book is more than 10 years old, it is an excellent introduction to agricultural marketing and therefore the book is very useful to OMIs.

Hisrich, R.D. and Peters, M.P. (2002): Entrepreneurship. 5th edition. New York: McGraw-Hill / Irwin. (English language)
This book describes how to establish a business, beginning with how to source business ideas and working through management, growth and realising the new venture. Financing, marketing and the business plan are included, together with many detailed examples. Although the book does not relate directly to agriculture, it is a valuable resource for those who are new to entrepreneurship.

Heucher, M.; Ilar, D.; Kubr, T.; Marchesi, H. (1999): Planen, gründen, wachsen – Mit dem professionellen Businessplan zum Erfolg. 2. aktualisierte Auflage. Zürich: McKinsey & Company. (German language)
This book describes in detail, how to develop a business plan. It takes the reader through the process from the formulation of the business idea to the conception of the new venture and includes brief information on aspects such as financing, marketing etc. It is recommended for its guidance on the developing a professional business plan.

Kotler, P. (2003): Marketing Management. 11th edition. New Jersey: Prentice Hall. (English language)
This volume represents a benchmark in marketing. It provides a very detailed description of marketing management, assisting the reader in analysing marketing opportunities, developing marketing strategies and delivering marketing programmes. Again, it does not relate directly to agriculture but is recommended for those who wish to explore marketing more deeply.

Levicki, C. (2003): The interactive strategy workout – Analyze and Develop the fitness of your business. London: Prentice Hall (English language)
The book gives a practical set of guidelines to managers who have to understand strategy to do their jobs. Using easy-to-follow guidelines, the book identifies: key approaches to organisational structure, recurring patterns of difficulties in implementing strategies, the process of strategy analysis and how to most effectively develop objectives that will maximise a company's opportunities. It also points out the importance of creativity, teamwork and strong leadership.

Pümpin, C. (1992): Strategische Erfolgspositionen – Methodik der dynamischen Unternehmensführung. Bern, Stuttgart: Haupt (German language)
This book is written for decision makers who steer the strategic processes within a company. The principles and process of dynamic strategy planning and adoption are explained clearly and concisely and case studies are used to illustrate all the main ideas.

Russell-Jones, N.; Fletcher, T. (2002): The marketing pocketbook. Hampshire: Laurel House (English language)
The pocketbook is about the fundamentals of marketing and will be usefull to everyone with an interest in the field of marketing, especially: those, requiring an overview of the marketing process; those, starting a marketing course, for whom it will provide a basic framework; people interested in business in a general sense and non-marketers who have to input to the process of marketing. Graphs and tables are used to illustrate points.

SAB (Schweizerische Arbeitsgemeinschaft für Berggebiete) (1998/99): Handbuch Regional-Marketing. Brugg: SAB (German language)
The handbook offers practical marketing guidelines for all market actors within the food sector, focusing on regional markets. Each chapter provides a general overview of theoretical concepts and examples translate the theory into practice. It is also a very easy read.

Schmid, O.; Sanders, J.; Richter, T. (2003): Vermarktungsinitiativen für Bioprodukte – Beispiele, Strategien und Erfolgsfaktoren. Frick: Forschungsinstitut für biologischen Landbau (FiBL). (German language)
The book is written for the marketer of organic products generally and for managers and members of marketing initiatives, which sell organic products as well as for those involved in policy and the business environment. The book introduces different types of organic marketing initiatives, shows 15 different case studies of successful marketing initiatives in Switzerland and identifies and describes the most relevant success factors for an organic marketing initiative to survive within a challenging micro- and macro-economic environment.

Sylvander, B. and Kristensen, N.H. (2004): Organic marketing initiatives in Europe. Volume 2 OMIaRD Publications. Aberystwyth, Wales (English language)
This publication ist made in the OMIaRD EU project gives a broad overview of Organic Market Initiatives in Europe, which were the one of the source of this handbook. In depth studies of 5 initiatives in Austria, France, Italy and UK give an insight in the functioning and achivements of such collaborative enterprises.

Internet

URL: http://entrepreneurs.about.com Status 2003-07-09. Author unknown. (English language.)
This site provides information on entrepreneurs and entrepreneurship, altough it does not relate directly to agriculture. It provides an overview of what an entrepreneur may expect, but does not offer practical guidance on developing a business.

URL: http://www.akademie.de/business/links/gruendung/businessplan.de. Status 2003-04-11. Author unknown. (German language.)
This site offers information on business activities such as finance, marketing, public relations and general management, altough it does not relate directly to agriculture.

Annex 2

Figures on the European organic food market

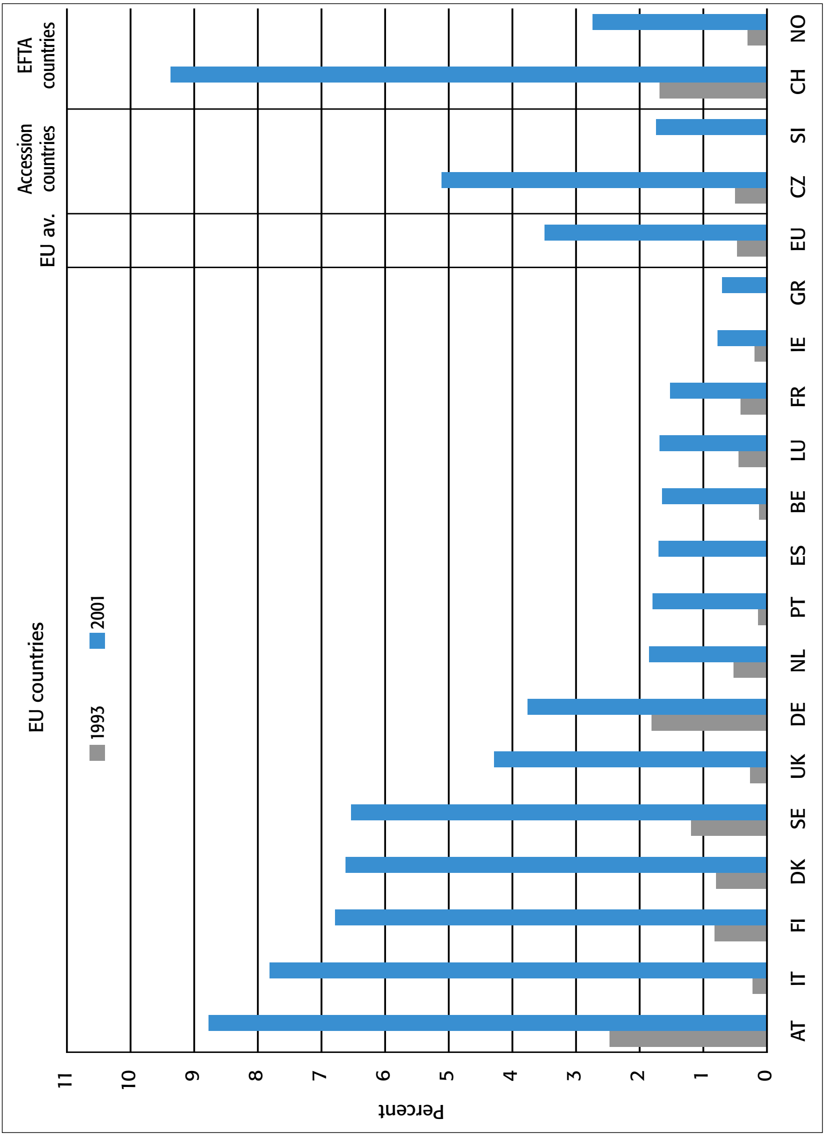


Figure A1: Development of organic utilisable agriculture area as a percentage of the UAA for 19 European nations between 1993 and 2001

Source: Lampkin 2001 and own data

Figure A2: Share of sales of organic products not sold as organic in the EU in 2001 (in %)

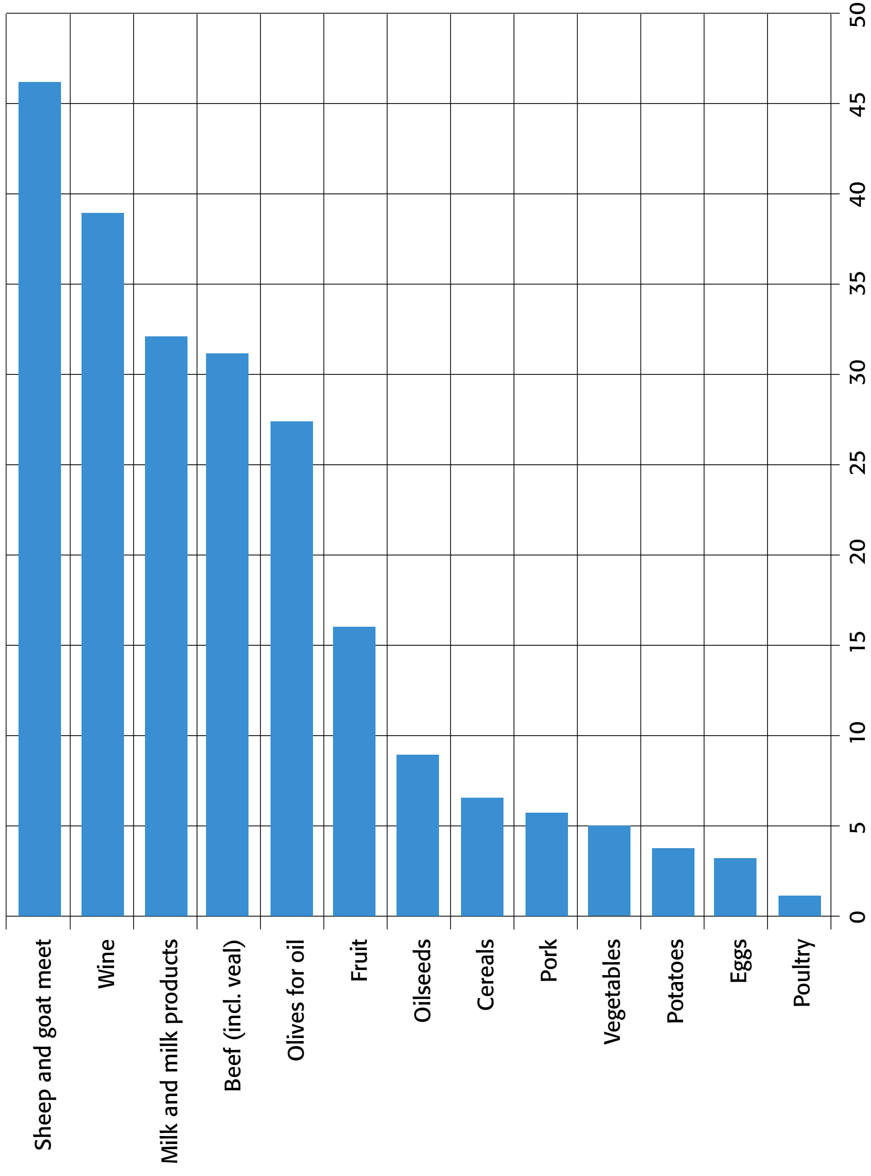


Table A1: Organic products for which the amount of national production plus imports were expected to be insufficient to meet consumer demand in the years 2003 and 2004

Product	Countries that mentioned a supply deficit for this product	
	EU countries	Accession countries and EFTA countries
Cereals		SI
Wheat	DE	SI
Barley	DE	SI
Rye	FI	SI
Oats		
Oilseeds	DE, FI, SE	
Olives for oil		
Potatoes	DE, SE	SI
Vegetables	DE, FI, IT, NL, PT, SE	SI
Fruit (incl. nuts)	DE, FI, NL, SE, UK	SI
Wine		SI
Milk	ES, FI	SI
Milk products	ES, FI	SI
Meat products	ES, FI, SE	SI
Beef (incl. veal)	ES, FI	SI
Sheep and goat meat	ES, PT	SI
Pork	AT, BE, DE, ES, FI, PT, SE	SI
Poultry	DE, PT, SE	SI
Eggs	ES, SE, UK	SI
Animal feed	FI, UK	
Leguminous fodder crops (for example peas)	AT, DE, IT, NL, UK	
Feed mixtures	ES, IT, NL, PT, UK	
Seed	DE, FI, IE, IT, PT, UK	
Others	FI[1]	CZ[2]

[1] *Convenience food, pastry, ice cream, fish*
[2] *Convenience food*

Table A2: Organic plant production as a percentage of total plant production in 2001

Country[1]		Cereals	Oilseeds	Olives for oil	Potatoes	Vegetables	Fruit (incl. nuts)	Wine
EU								
AT	(8.7)	2.8	4.4	–	4.1	7.6	1.4	1.7
BE	(1.6)	0.3	0.0	–	0.2	0.7	0.8	2.5
DE	(3.7)	1.0	0.5	–	1.2	5.9	2.0	1.2
DK	(6.6)	1.5	0.3	–	1.4	19.0	2.8	–
ES	(1.7)	0.7	1.3	2.1	0.1	0.1	0.4	0.5
FI	(6.7)	2.2	2.0	–	1.2	2.2	1.2	–
FR	(1.4)	0.2	0.4	nd	0.3	2.1	1.3	0.9
GR	(0.6)	0.1	0.0	0.4	0.0	0.2	1.3	2.4
IE	(0.7)	0.1	–	–	0.4	2.5	0.8	–
IT	(7.8)	2.5	nd	14.4	2.0	1.3	3.8	2.9
LU	(1.6)	0.3	0.1	–	4.7	9.2	0.8	0.1
NL	(1.9)	1.1	0.0	–	0.3	1.4	0.6	0.0
PT	(1.8)	0.9	1.5	3.0	0.4	0.4	1.8	0.4
SE	(6.5)	1.9	0.9	–	0.9	1.4	3.1	–
UK	(4.3)	0.4	0.0	–	0.6	2.0	1.6	0.0
EU[2]	***(3.4)***	***0.9***	***0.5***	***4.9***	***0.8***	***1.4***	***1.9***	***1.5***
Accession countries								
CZ	(5.1)	0.2	0.0	–	0.2	0.2	0.2	0.0
SI	(1.7)	0.1	0.4	0.1	0.5	0.4	2.0	0.2
EFTA								
CH	(9.3)	1.0	0.4	–	1.8	5.5	0.8	0.9
NO	(2.6)	0.4	0.0	–	0.9	1.4	0.8	–

[1] In brackets: Organic share of the total utilisable agricultural area (UAA) in % for 2001
[2] Given that we had no figures for some products in some countries the production of these countries, which accounted for a certain percentage of total production, was subtracted from the total EU production used to calculate this average.
nd: no data

Table A3: Organic animal production as a percentage of total animal production in 2001

Country[1]		Milk	Beef (incl. veal)	Sheep and goat meat	Pork	Poultry	Eggs
EU							
AT	(8.7)	12.7	9.6	25.0	0.5	0.5	3.3
BE	(1.6)	1.2	1.0	2.2	0.1	0.3	0.5
DE	(3.7)	1.5	3.2	6.5	0.4	0.7	1.6
DK	(6.6)	10.4	4.4	6.7	0.3	1.5	10.0
ES	(1.7)	0.1	2.2	2.1	0.0	0.0	0.0
FI	(6.7)	1.0	0.8	15.7	0.5	0.1	2.7
FR	(1.4)	1.0	2.2	1.4	0.2	0.4	2.1
GR	(0.6)	0.5	1.2	1.1	0.1	0.0	0.1
IE	(0.7)	0.1	0.9	0.4	0.0	nd	0.4
IT	(7.8)	1.9	1.6	0.0	0.2	0.1	0.7
LU	(1.6)	0.5	0.4	5.9	0.6	9.2	2.3
NL	(1.9)	1.0	0.3	1.4	0.1	0.1	0.4
PT	(1.8)	0.1	0.2	0.2	0.1	0.0	0.0
SE	(6.5)	4.0	2.8	4.8	0.6	0.2	3.0
UK	(4.3)	1.5	0.7	0.8	0.4	0.2	1.6
EU[2]	***(3.4)***	***1.9***	***2.2***	***1.6***	***0.3***	***0.3***	***1.3***
Accession countries							
CZ	(5.1)	0.0	0.1	2.2	0.3	0.0	0.0
SI	(1.7)	0.9	3.1	1.0	0.0	0.0	0.2
EFTA							
CH	(9.3)	4.8	4.8	13.3	0.7	1.1	4.0
NO	(2.6)	1.1	0.6	1.4	0.0	0.0	0.8

[1] In brackets: Organic share of the total utilisable agricultural area (UAA) in % for 2001
[2] Given that we had no figures for some products in some countries the production of these countries, which accounted for a certain percentage of total production, was subtracted from the total EU production used to calculate this average.

Table A4: Share of sales of organic plant production sold as organic in 2001 (in %)

Country	Cereals	Oilseeds	Olives for oil	Potatoes	Vegetables	Fruit (incl. nuts)	Wine
EU							
AT	86	100	–	93	100	85	95
BE	100	100	–	100	97	97	100
DE	97	85	–	97	95	90	100
DK	100	100	–	100	100	100	–
ES	80	80	nd	100	90	80	60
FI	80	74	–	99	99	100	–
FR	100	100	–	100	100	95	90
GR	97	nd	99	99	98	97	99
IE	100	–	–	100	100	100	–
IT	90	nd	70	94	89	80	45
LU	100	100	–	100	100	100	90
NL	100	nd	–	100	100	100	100
PT	10	80	90	100	100	100	100
SE	100	100	–	100	100	100	–
UK	100	100	–	85	90	100	nd
Weighted EU average[1]	***93***	***91***	***73***	***96***	***95***	***84***	***61***
Accession countries							
CZ	90	40	–	100	100	100	nd
SI	76	100	100	100	78	55	12
EFTA							
CH	100	100	–	100	100	100	100
NO	100	nd	–	100	100	100	–

[1] Weighted by organic production
nd: no data

Table A5: Share of sales of organic animal production sold as organic in 2001 (in %)

Country	Milk	Beef (incl. veal)	Sheep and goat meat	Pork	Poultry	Eggs
EU						
AT	54	60	30	97	92	83
BE	100	75	85	100	95	100
DE	82	70	60	97	100	95
DK	31	33	60	75	100	100
ES	60	20	20	90	90	80
FI	100	65	90	75	34	90
FR	87	100	100	100	100	100
GR	40	50	92	100	100	90
IE	100	50	90	100	nd	100
IT	100	60	nd	97	95	100
LU	65	100	50	100	100	100
NL	100	100	90	100	100	100
PT	30	80	80	90	100	100
SE	75	90	100	100	100	100
UK	65	95	80	85	100	90
Weighted EU average[1]	***68***	***69***	***54***	***94***	***99***	***97***
Accession countries						
CZ	nd	nd	nd	nd	100	100
SI	19	2	5	41	100	100
EFTA						
CH	88	42	26	82	100	100
NO	42	25	25	25	95	67

[1] Weighted by organic production
nd: no data

Table A6: Degree of self-sufficiency in organic plant products in 2001 (in %)

Country	Cereals	Oilseeds	Olives for oil	Potatoes	Vegetables	Fruit (incl. nuts)	Wine
EU							
AT	107	78	0	120	80	40	nd
BE	2	nd	0	56	116	50	nd
DE	77	39	-	105	86	43	53
DK	57	nd	0	105	102	10	0
ES	316	nd	nd	100	345	440	nd
FI	171	100	0	87	99	67	0
FR	35	nd	nd	83	86	64	nd
GR	62	nd	nd	100	137	197	nd
IE	51	0	0	61	79	53	0
IT	62	nd	nd	113	114	177	433
LU	28	22	0	79	17	2	10
NL	17	0	0	100	190	27	0
PT	65	201	103	143	98	69	100
SE	103	nd	0	100	72	21	0
UK	28	nd	0	66	55	4	nd
Accession countries							
CZ	nd	nd	0	100	119	108	nd
SI	100	100	100	100	100	100	100
EFTA							
CH	5	1	0	98	79	23	45
NO	19	0	0	71	47	13	0

nd: no data

Table A7: Degree of self-sufficiency in organic animal products in 2001 (in %)

Country	Milk	Beef (incl. veal)	Sheep and goat meat	Pork	Poultry	Eggs
EU						
AT	129	124	100	114	113	115
BE	84	75	nd	82	99	76
DE	102	113	129	106	86	77
DK	111	100	100	125	125	101
ES	100	100	100	nd	100	100
FI	100	100	100	100	100	100
FR	85	98	nd	100	122	130
GR	100	62	100	100	100	100
IE	63	244	nd	100	nd	100
IT	90	74	0	86	81	84
LU	30	80	96	91	33	14
NL	125	52	100	98	106	222
PT	93	100	100	100	100	2
SE	100	100	117	118	83	100
UK	97	60	94	76	67	90
Accession countries						
CZ	nd	nd	nd	nd	100	nd
SI	100	100	100	100	100	100
EFTA						
CH	101	100	100	100	100	90
NO	94	100	101	97	91	81

nd: no data

Annex 3

Background information on the OMIaRD project

The Organic Marketing Initiatives and Rural Development (OMIaRD) project was a shared-cost research project, funded by the Quality of Life and Management of Living Resources Programme, part of the European Union's Fifth Framework Programme for Research and Technological Development. It took place from January 2001 to February 2004 and involved 10 partners and 11 subcontractors from a total of 19 European countries, both within and outside the EU.

The School of Management and Business at the University of Wales, Aberystwyth, United Kingdom, co-ordinated the project. The other main partners were:

- Polytechnic University of Marche, Ancona, Italy.
- University of Kassel, Germany
- National Institute of Agricultural Research (INRA), Le Mans, France.
- Research Institute of Organic Agriculture (FiBL), Switzerland.
- Mikkeli Institute for Rural Research and Training, University of Helsinki, Finland.
- Institute for High Mountain Research, University of Innsbruck, Austria.
- Department of Technology and Social Sciences, Lyngby, Technical University of Denmark.
- Institute for Trade and Marketing, University of Innsbruck, Austria.
- University of Applied Sciences, Hamburg, Germany.
  (detailed addresses: see annex)

What were the main aims?

The two major aims were to investigate potentials for developing the environmental, ethical and regional product characteristics of organic farm outputs; and to identify and contribute to the development of marketing institutions and strategies that correspond to the satisfaction of the growing dimensions of consumer demand. The project was designed to produce workable results for improved marketing, as well as to inform policymakers.

What was done?

During the project many marketing initiatives, large and small, from every part of the organic food chain, were analysed to explore the problems and opportunities they face. The project team was also interested in finding consumers to join discussion groups exploring attitudes and behaviour in purchasing and using organic products. Finally, to develop a future-proof overall strategy, people in key positions or with special expertise were asked to join in an expert panel to comment on our work through several consultation rounds. Details of the methodological (theoretical) approaches are discussed in the following paragraphs.

target group: organic marketing initiatives

Methodological approach of the OMIaRD project

A major part of the OMIaRD project was the analysis of "Organic Marketing Initiatives" (OMIs) to achieve the following objectives:

- To analyse whether organic marketing initiatives can contribute to the development of rural areas throughout Europe and what strategies are planned for the initiatives. This survey contributes to the overall aim by identifying a range of OMIs in all countries being studied and, in so doing, provides an account of the key characteristics and the current state of OMIs throughout Europe.

- To improve knowledge of success factors in marketing by comparative narrative case-study analyses in regions selected to illustrate the diversity of condition and needs, distinguishing local contextual factors from transferable practice, and focusing on individual commodities or commodity groups, distribution channels and promotional strategies.

- To identify the contribution of OMIs to sustainable rural development using formal techniques of income and employment and other analysis methods to encompass financial, physical, environmental, social and cultural variables, including regional identity.

- To develop a marketing guideline for newly founded and established OMIs using the information gathered about factors of success and failure in established OMIs .

The evaluation of the OMIs was carried out in three main stage, which are briefly described in figure A3 and the following text.

Main steps in the evaluation of OMIs in Europe

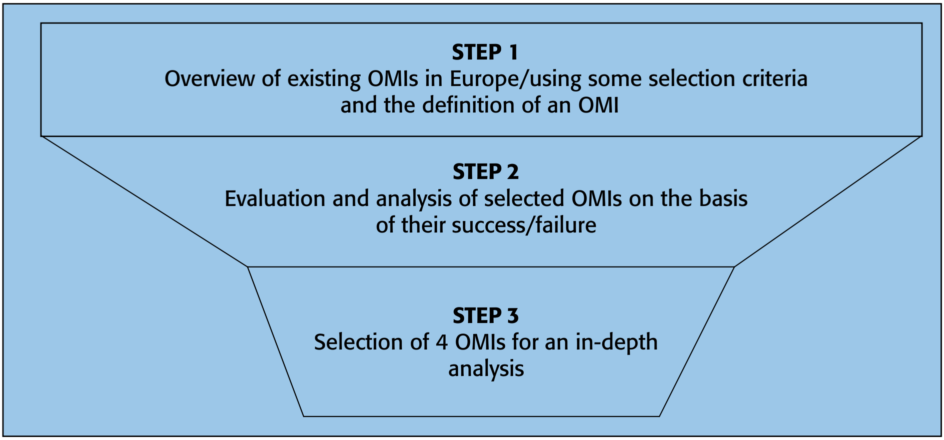


Figure A3: Main steps of the evaluation of OMIs in Europe.

identify OMIs all over Europe

In the first step, the researchers tried to identify as many OMIs as possible in the whole of Europe by using some selection criteria and the definition of an OMI. Sources were literature, the internet, farmers' organisations and also some key informants who had already been identified at the start of the project. The working hypothesis was that the initiatives should not be too small and should sell a large proportion of their produce as organic. In the second round, conducted 18 months later, the criteria were changed a little to increase the participation of initiatives and to include younger initiatives. In general, the criteria applied in the first round considerably restricted the number of OMIs included, particularly as it became apparent that large numbers of the OMIs initially identified by respondents (especially in some countries) fell below the turnover threshold, and in others a large share of the market volume of organic foods apparently passes through larger, mainly conventional food processors and distributors. Therefore, it should be borne in mind that the survey does not represent the overall structure of the marketing of organic produce in Europe, but rather identifies the particular OMIs that are the focus of interest of this research; these, in total, account for only a limited proportion of the turnover of the organic market.

analysing selected OMIs

The second step was the analysis and evaluation of selected OMIs. At first the researchers developed more specialised criteria for defining and selecting OMIs on the basis of their success/failure (economically, socially and environmentally) and their regional context, the opportunities and threats involved in the development of small-scale marketing initiatives in disadvantaged regions, and the extent of current utilisation of market potential. Secondly, an extensive survey analysis of OMIs in up to 40 regions was carried out, making comparisons within each country and between countries to establish the factors influencing the success of marketing initiatives. OMIs that were evaluated during this second step are used for the marketing guideline. As examples of the success or failure of an initiative, they demonstate how the theory works (or does not work) in practise.

in depth studies of four OMIs

Four OMIs were selected for an in-depth analysis from those identified in the previous survey. Using a variety of sources (documentary material, etc.) a descriptive and analytic account of each marketing initiative was developed. Emphasis was given to the historical narrative of the initiatives' development, the regional socio-economic context, the current structure of the relationship between actors and production, distribution and promotion activities. The analysis also showed how the following facts support the relative success of the OMI:

Attention was also given to how the OMI benefits the individual actors involved, the network as a whole and the overall goals

market structure	overall market context
support framework including extension services	communication
strategic approach	social and environmental orientation
pricing policy	cultural factors
importance of development of human skills in ensuring success	co-ordination and management of the initiative

of regional development. The case study also included an evaluation of the potential of the OMI for the future, examining strengths and weaknesses and opportunities and threats.

which influence OMIs have on rural development

The influence of the selected OMIs on rural development was also part of the in-depth analysis. In each case study documentary evidence and semi-structured interviews with key actors (representing producers and marketing, processing and distribution interests) in policy networks were combined to identify specific policy mixes, including European, national and regional actions for rural development. Special attention was also given to the performance of OMIs, in terms of their interaction with other rural development initiatives, innovation quality, contribution to overall strategies and the extent of participation and decision marketing. The social effects of the OMI, such as its relationship with regional environmental policies, were also part of the case study.

market and consumer research activities

The market analysis and consumer research activities within the project were also important in defining the basic conditions under which OMIs operate.

Although the area devoted to organic production has increased more than five-fold between 1993 and 2000, and organic farming now receives additional financial support in most European countries, it was virtually impossible to obtain accurate data about organic markets from official statistics. Typically, the only official data describe the number of organic farms and their area; published statistics on organic production, consumption, imports, exports, and prices do not exist and therefore the researchers tried to collect the missing data. On the basis of a previous survey they sent questionnaires to a number of market experts in each of the nineteen countries investigated. The response from the market experts was cross checked for reliability, and in many cases the researchers have obtained additional data from the internet and other sources. The results of the market analysis can be found in the book "Analysis of the European market for organic food" (Volume 5: The European Market for Organic Food: Revised and Updated Analysis).[1]

[1] Further details can be found at the project website http://www.irs.aber.ac.uk/omiard/.

The prospective investigation of consumer demand trends for and attitudes towards organic products and organic farming is important for OMIs. If the OMI does not know what the consumers expect and demand, it is not possible for the OMI to satisfy their needs. Based on a special means-end analysis technique (laddering) the motivations of the consumers for buying or not buying organic products, with particular emphasis on quality, distribution channels, regional origin, environment and health were explored. Further data were collected by means of focus groups with sub-groups of regular, occasional and non-consumers of organic food in urban and rural regions in each partner country to uncover their cognitive structures.

The results of the study of OMIs in Europe, the analysis of the market for organic products in Europe and the consumer research combine to form the basis of this marketing handbook.

Annex 4

Publications

A series of reports have been published over the three-year duration of the OMIaRD project:

- **Analysis of the European market for organic food**
  In providing the most comprehensive and up to date information and analysis of European organic food markets, this volume offers important information in its own right but also contributes a foundation for further study. It covers all important aspects of the organic market, including production, consumption, foreign trade, supply deficits, prices and premiums. Nineteen countries have been separately investigated, and comparison and overview allow important policy and marketing conclusions to emerge.

- **Organic Marketing Initiatives in Europe**
  This volume draws together the results of the extensive surveys of Organic Marketing Initiatives (OMI) carried out in the winter of 2001/2 and up-dated in winter 2002/3 with the more detailed survey of 78 OMIs in 35 regions in Europe carried out in the winter of 2001/02 and the 4 in-depth case studies conducted in 2002 to create an overall picture of the situation of OMIs across Europe.

- **Organic Producer Initiatives and Rural Development – four European Case Studies**
  This is an assessment of the rural development impacts of Organic Marketing Initiatives (OMI) based upon in-depth case studies carried out in Austria, France, Italy, and the UK during 2002.

- **The European Consumer and Organic Food**
  This volume draws together the finding of the scenario analysis and consumer studies, including focus groups and laddering interviews carried out throughout Europe.

- **The European Market for Organic Food: Revised and Updated Analysis**
  This volume builds on the foundation of the first volume, providing updated information and analysis of European organic food markets for 2001, and comparision with data collected for 2000.

- **Organic Marketing Initiatives and Rural Development**
  This book is the concluding volume in the series of reports produced by the European Commission co-funded project of the same name. As well as summarising the main findings of the research project, it also includes some material exploring future European prospects for the organic market and policy reform in agriculture. The volume includes comprehensive analysis of organic marketing initiatives in Europe, outlining their important role in rural regions. It reports the results of the investigation of the current market conditions for organic products in Europe and the strategies adopted by the OMIs in response to them. It also examines factors influencing success or failure of organic marketing initiatives. It concludes that, for initiatives, strengthening their ethical basis to deal with increased competition, reducing dependency on supermarkets, responding to growing demands for convenience food, and improving price-cost relations are all important requirements. Policy reform should take account of the potential of these businesses by improving market intelligence, supporting knowledge transfer, helping to improve consumer education, facilitating networking and using public procurement as a catalyst for development.

Publications can be ordered from the project website at http://www.irs.aber.ac.uk/omiard.