

Marketing Contra to the Trend: Back to basics

John L. Stanton, St. Joseph University, Philadelphia, USA

James B. Wiley, Temple University, USA

Dr. Ferdinand Wirth, Associate Professor, St. Joseph University, USA

Abstract

A trend that is capturing the attention of consumers around the world is buying local food. "Locavores" are defined as people who prefer to purchase their food from local sources, typically defined as 50, 100, or 200 kilometers from home. It is not clear from any research the distance that consumers are willing to consider "local." In this paper, the authors consider the case of suppliers that know they are disadvantaged with respect to the prospective, developing segment, local. This paper will focus on the attributes that the non-locavore value in selecting apples. Since producers and suppliers cannot change their "product location" they cannot therefore compete in the local or for the locavore market, they can however take advantage of all the other controllable product and marketing variables that will make their "non-local" product more attractive to the consumers segments who do not value or value to a lesser extent local production. The first step in the process is to identify who are the locavores and disaggregate their perceptions and preferences for the group who do not have a high value on local production.

Key words: attributes, consumers, food, locavores, marketing

JEL classification: E21, E23, M31

Introduction

A trend that is capturing the attention of consumers around the world is buying local food. "Locavores" are defined as people who prefer to purchase their food from local sources, typically defined as 50, 100, or 200 kilometers from home. It is not clear from any research the distance that consumers are willing to consider "local." There is no single definition of "'local' or 'local food systems' in terms of the geographic distance between production and consumption. But defining 'local' based on marketing arrangements, such as farmers selling directly to consumers at regional farmers' markets or to schools, is well recognized.

(Martinez, 2010) In qualitative studies, conducted by the authors, it was discovered that proponents of "local food" consider that the term "local" has little to do with distance or with the size of a "local" area. For example, some see the American state of Pennsylvania as being "local", although it is much larger than some European countries. In this case, transporting a food product across Pennsylvania could involve a longer distance than that between northern and southern European countries. It is also argued that national borders should not be used to define what is local. For example, a cheese produced in the Netherlands is likely to be more "local" to German people in Essen, than to French people in Marseille.

In another example, a Russian correspondent tried to eat only food made in Russia. His task was daunting as the correspondent reported, " My favorite lemon juice turned out to be made in Israel that I used for salad dressing instead of vinegar. And speaking of salads, my tomatoes were from Turkey, onions from Crimea, peppers from Bulgaria, and I had no idea where my cucumbers were from... I ended up giving a whole basket of fruit to the neighbor's kids, as well as my Swiss candy and chocolate." and even the Russian bread was not all Russian. 'The flour is Russian,' said Yury Katsnelson, the [Russian Bakers and Confectioners Guild] president. 'So is the sugar and salt. But part of the sugar is made from sugarcane imported from Brazil and Cuba. It is, however, manufactured in Russia. Half the yeast is Russian, and the other half is Turkish or French. Almost all the oil is Russian. The cream and milk are rarely imported. But the raisins are all from Central Asia, Turkey or Iran.' (Norton 2008).

While not quite at the level of the USA, the EU is making more of the local food issue. According to a BBC new story, European consumers will have to be told where most of their meat comes from under new EU food labeling rules set to become law soon. Euro-MPs backed the wide-ranging rules in a vote on Wednesday. Beef currently has country-of-origin labeling, but the plan is to extend that to poultry, pork and lamb too. A standard label including information about energy content, fats, sugar and salt is set to become mandatory for pre-packed food sold across the EU. (BBC, 2011) BEUC director general Monique Goyens said "consumers will be able to make more informed choices on food products, ...at a glance".

The concept is relatively new and undoubtedly will attract attention in coming years as a potential segment to be targeted for assorted food products. It seems a new trend gets more

attention than it is worth financially (at least in the short run). For example hundreds of farmers' markets are springing up all around the USA. The U.S. Agriculture Dept. says the number of such markets reached 4,692 in 2006, its most recent year of data, up 50% from five years earlier. Sales from those markets reached \$1 billion. (Googol, 2010)

Not everyone agrees that the "eat local" trend is a global positive. One critic claims, "The food system is globalized and interconnected. This has both advantages and disadvantages. For example, economic disruptions in one geographical region can quickly be transmitted to others, but supply shocks in one region can be compensated for by producers elsewhere. A globalized food system also improves the global efficiency of food production by allowing bread-basket regions to export food to less favoured regions." (Evans, 2011)

However, for food exporting countries, growth of "buy local" sentiments in importing countries disadvantages products with high "food miles," especially if they also have a relatively large "carbon footprint," e.g., because they must be air freighted. While the segment of people demanding "local" is growing, it is still small. This paper suggests counter-segmenting in these cases; that is, focusing on segments where suppliers are not disadvantaged. Illustrative research is reported showing differing wants of Locavore and non-Locavore segments.

A core tenet of segmentation strategy is that resources should be marshaled to focus on segments where the firm has competitive advantage. This tenet is commonly ignored in marketing practice, where it is common practice to pour resources into attracting customers from recently recognized market segments long before the actual attractiveness of the segments are determined, let alone whether the firm has competitive advantage. An example of this behavior is organic foods. This has recently been a major marketing point for food processors and suppliers. For example there have been almost 6, 000 new organic food products introduced between 2002 and 2007 (Mintel, Organic Food report, 2007). Yet the segment has garnered only about 1% of total US supermarket sales and only 6% in fresh produce which is often considered the vanguard of organic foods (AC Nielsen, 2008). Organic dairy has decreased 1% in 2009 for the first time (Organic Trade Association, 2009). Yet the industry is still devoting significant resources to this small segment. Now the move is to local, yet an unproven but qualitatively attractive market.

In this paper, the authors consider the case of suppliers that know they are disadvantaged with respect to the prospective, developing segment, local. For example Romania selling its food products to Western European countries (even though they are part of the EU), or the Netherlands selling it colored peppers to the USA.

This paper will focus on the attributes that the non-locavore value in selecting apples. Since producers and suppliers cannot change their "product location" they cannot therefore compete in the local or for the locavore market, they can however take advantage of all the other controllable product and marketing variables that will make their "non-local" product more attractive to the consumers segments who do not value or value to a lesser extent local production. The first step in the process is to identify who are the locavores and disaggregate their perceptions and preferences for the group who do not have a high value on local production.

Methodology

The Product

The category of fresh produce was chosen. Previous focus groups with consumers indicated that when considering buying local one of the first categories to consider is fresh produce. Additionally most locals have access to some form of fresh produce. However when doing research on attributes of "fresh produce" it can only be meaningful to have consumers evaluate or consider a specific product and not "in general" or "all produce". In this study we choose apples. Apples are one of the most frequently purchased produce items in the supermarket and very often have local production. Apples are grown in every state in the continental United States, and all over the EU and Asia. They are grown commercially in 36 states (US Apple Association, 2006). Using Bananas, another very commonly purchased produce item would have greater frequency but there is virtually no local production outside the tropics.

The Survey

Data was collected using online survey of residents of the US and eastern state in the USA. The state is recognized as having a good representation of urban, suburban and rural settings and of industrial and agricultural commerce (US Census, 1995). The state also is a major producer and consumer of apples and ranks 4th among all US states in Apple production (PA.

Apple Board 2009)). The survey was developed and administered to a commercial panel of 1,218 residents who satisfied the screening criteria described below. Fifteen thousand nine hundred and ninety-one (15,991) invitations were sent to panel members. The overall response rate for the survey was 7.6%, which is typical for Internet surveys. The average time for completing the survey was 26.5 minutes.

The Questionnaire

The survey instrument was comprised of three primary aspects:

1. Traditional attribute, trial and usage (AT&U) data as well as demographics were collected and analyzed using traditional methods and/or replicating the work of other studies.
2. The survey also included a conjoint or trade-off analytic experiment where respondents were asked to rate their preference for various apple products consisting of different levels of key apple characteristics. The data was used to quantify how much consumers are willing to give up in terms of product appearance, price, value of locally produced or other variables obtained from demographic and AT&U variables.
3. The final part of the quantitative survey research collected two types of data describing respondents' wants for a apple attributes. The first data consists of consumers' rank order preference for twelve attributes of apples: Color, Flavor, Nutritional Value, Organically Grown, Price, Quality, Ripeness, Size, Texture, Variety, Country of Origin, and Grown in-State. The second type of data consists of respondents characterizing their "ideal" apple in terms of these twelve attributes.

This paper reports results based on the third category of data, demographic data, and shopping data. The latter is used to create Locavore/Non-Locavore segments. The Locavore category was created using 2-step clustering of five questions shown in Table 1. Three hundred and eighty-eight respondents (32%) fall into the Locavore segment and 836 (68%) fall into the non-Locavore segment.

Marketing to Non Locavores

To determine how to best market to the non-locavores one can rely on the four P's. For each of the four P's we examined how the two market segments (locavores and non-locavores) behaved.

Place: Beginning with Place, as shown in Table 1 the non-locavores do not shop at the variety of venues as locavores. They are supermarket shoppers. Clearly a focused program to supermarkets and to a lesser extent to Superstores (for the price conscious segment to be shown later) is the place to find the non-locavores. Additionally analysis has shown this to be statistically significant.

Table 1

In the past year, in which stores shown below have you made any food purchases?

	Locavore	Non- Locavore	Chi- square
Q19d. Health food store	31%	16%	37
Q19c. Small grocery store or neighborhood market	67%	52%	26
Q19a. Super Center (Wal-Mart, Target, etc.	77%	70%	6
Q.19b. Supermarket	96%	96%	0

(95% confidence level with 1 d.f. = 3.8)

Product/Price: The analysis of product attributes requires the use of product specific apple data. The results shown in Table 2 below shows three market segments which may well be representative of other food commodities. Besides Locavores there was a segment of people who just wanted low price and another segment that valued the quality of the product. The one segment was named Price Conscious and the other was About the Apple. . Below is an analysis attributes of segments including locavores as well as two other identified segment. A key finding of this research shows that regardless of the segment taste is king. Note that in this analysis more than half of the sample most valued a delicious tasty apple. Attributes such as flavor and quality are highly ranked in the non-locavore segments (as well as locavore. Targeting non-locavores in this segment requires a great quality product. Trading off flavor for attributes to make the apple ship better or last longer may be detrimental to sales. The Price Conscious segment is the second largest segment with 27% of the sample. For this segment adding taste etc does not make the product more attractive IF it increases the price. Finally the Locavore segment is the smallest segment with 19% of the sample. why the

excitement over the smallest segment, it is the fastest growing segment albeit small. Locavores want great taste but will trade almost everything else to be local production.

If a company is going to export and unable to be the "local alternative" that it should clearly be either the best tasting highest quality product or the lowest priced. The Price segment ranked "local production" the 9th highest attribute out of 12, and the quality/taste segment ranked it 10th out of 12 attributes. Whereas the locavores ranked it 2nd out of the 12 attributes.

Table 2. Cluster Analysis of Attribute Importance Rankings

Attributes	Mean Rank			
	Cluster size			
	27%	19%	53%	
	Price Conscious	Locavores	Quality/Taste	Total
Flavor (sweet v. tart)	3.21 (1)	4.68 (1)	4.04 (3)	3.94
Quality (blemish-free)	4.98 (4)	5.44 (4)	3.71 (1)	4.39
Ripeness	5.79 (6)	6.71 (8)	4.36 (5)	5.21
Texture (crisp v. mealy)	7.58 (8)	5.71 (5)	4.21 (4)	5.42
Price	4.54 (3)	6.83 (9)	5.55 (6)	5.53
Variety	9.14 (12)	5.32 (3)	3.95 (2)	5.62
Color	4.13 (2)	9.27 (12)	7.04 (8)	6.69
Size	7.23 (7)	9.02 (11)	6.26 (7)	7.07
Nutritional Value	5.73 (5)	7.57 (10)	8.69 (9)	7.67
Pennsylvania Grown	8.25 (9)	4.77 (2)	9.26 (10)	8.1
Organic	8.36 (10)	6.35 (7)	10.25 (11)	8.97
Country of Origin	9.07 (11)	6.33 (6)	10.67 (12)	9.38

Promotion: One can see from Table 3 below that the non-locavores are much less likely to use television/radio/newspaper advertising for information on the foods products than the

locavores. Table 4 indicates that the non-locavores have no difference in use of newspapers when deciding on what to buy. When targeting the non-locavores it appears that in-store advertising and store circulars would be a more effective use of promotional dollars than mass media.

Table 3 How often articles /television/radio reports help food items to

	(b)		
	How often articles /television/radio reports help food items to purchase?		
	Locavor	Non-Locavor	
Never	5.70%	11.40%	
Occasionally	71.60%	68.40%	
Usually	20.60%	16.70%	
Always	2.10%	3.50%	
purchase?	$\chi^2 = 13.3$, d.f. = 3, p = .004		

Table 4 How useful would you say advertisements in newspapers are helping you decide which food items to purchase?

	Locavor	Non-Locavor
Very Useful	16.50%	16.10%
Somewhat Useful	56.40%	51.80%
Not Very Useful	27.10%	32.10%
$\chi^2 = 3.3$, d.f. = 2, p = .195		

Result and Summary

While it is important for food marketers to keep current and responsive to trends, it is also prudent not to over react to fads. Marketers often see emerging segments as a new source of sales growth while ignoring the base business. In the case of the trend or fad of "local production", the bulk of the market for fresh produce is likely to value both taste/flavor and Price over local production. This means that imported or product with more "miles traveled" must cater to the audience that really values attributes other than local.

While it may seem obvious that to market food that competes with locally food you must be great on at least one of the two attributes. The first choice would be the best tasting, best quality products. Food products are still most valued for its taste. This opens up whole avenues of marketing opportunity into heritage varieties or special varieties that deliver the best taste. An example in the USA is the British Colombia (Canada) cherries are consider the best tasting cherries by many. They are NOT local, but are in high demand and at a high price. The "non-local" marketers should be looking for the highest prices

If you can't be the tastiest or local than you must be the cheapest choice. For both the non-local segment focus on basics. Be in supermarkets (low price in supercenters) and stick to basic in-store marketing.

This paper shows that there is a market for "non-local" foods and shows what the non local segment of consumers value and are willing to buy and pay for. They want their product in Supermarkets, good quality, where they are less influenced by advertisement s and more by in-store information. And of course price must be fair and represent a good value.

Following a trend is usually good advice but giving up the base business for a market that some companies can't conquer is often the beginning of the end.

References:

- [1] Evans Alex, *Chew on that, locavores*, <http://www.globaldashboard.org/2011/03/14/chew-on-that-locavores>, March 14, 2011
- [2] Gogoi, Pallavi *The Rise of the 'Locavore'* Bloomberg Business week, May 20, 2008
- [3] The Nielsen Company, 2008, Organic Trends Report, Food, Drug, Mass Merchandisers, excluding Wal-Mart.
- [4] Martinez, S, M Hand, M Da Pra, SPollack, K Ralston, T Smith, SVogel, S Clark, L Lohr, S Low, and C Newman. *"Local Food Systems Concepts, Impacts, and Issues"*. Economic Research 97, 2010
- [5] Mintel Reports, *New food and beverage products making a claim of organic or all natural*, 2002-07
- [6] Norton, James, Chow website, <http://www.chow.com/food-news/5446/pity-the-russian-locavore/>

[7] Pennsylvania Apple Board, 2009, <http://www.pennsylvaniaapples.org/Home/Facts.aspx>

[8] Peter, Laurence BBC News EU targets meat origins with new food labeling. July 6, 2011

[9] US Apple Association, 2006, [ttpwww.usapple.org/consumers/applebits/core.cfm](http://www.usapple.org/consumers/applebits/core.cfm)

[10] US Census Bureau, 1995, Released: Oct. 1995, *Urban and Rural Population: 1900 to 1990*

[11] USDA World Markets and Trade *Report, Fresh Deciduous Fruit* (Apples, Pears, and Grapes), 2009