Marketing Techniques for Agricultural Products that Meet Consumer Needs

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About the Presenter

- KIYONO Seiki
  - Professor at Niigata University since 2010 specializing in marketing research for agricultural and food products.
  - Recent principal studies include
    JA marketing, in-store marketing and qualitative research.
  - Ph.D. in Agriculture.

Lecture Outline

- Food System
- Consumer Purchasing Behavior and Marketing issues
- “Sixth Industrialization” Led by Farming Operators
  - • Direct sales
  - • Farmers market
- JA Sales Business: Advanced Cases
- Summary

Food System

- Food System
  - The entire flow of food supplies from agriculture, forestry, and fishery industries, food wholesaling, and food retailing or restaurant industry before their use in supporting the diet of final consumers.
  - “Value chains” must be formed within the food system.

↓

  - The importance of marketing activities increases.

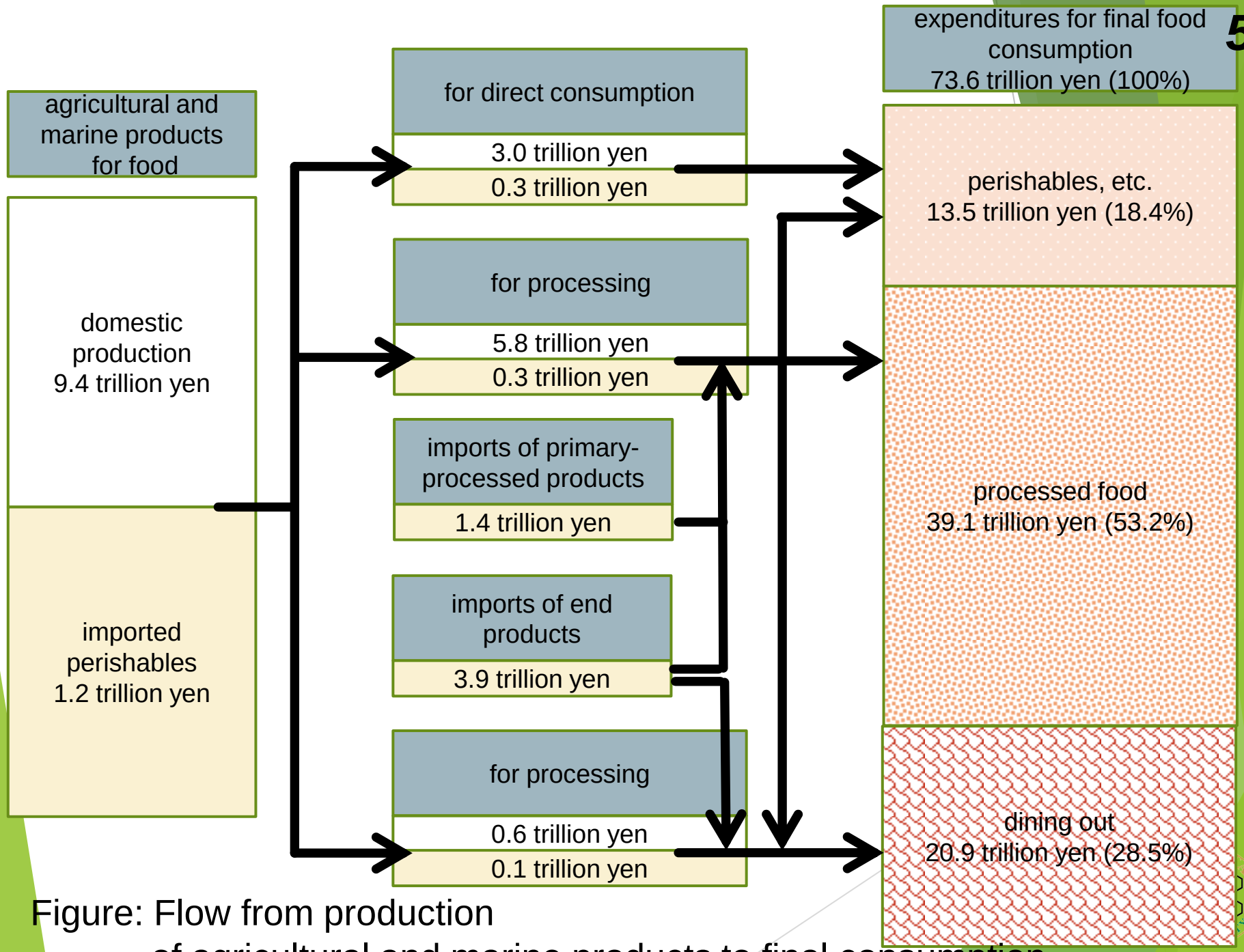


Figure: Flow from production of agricultural and marine products to final consumption

"Sixth Industrialization" Led by Japanese Agriculture

- Developing processing, sales, and service business

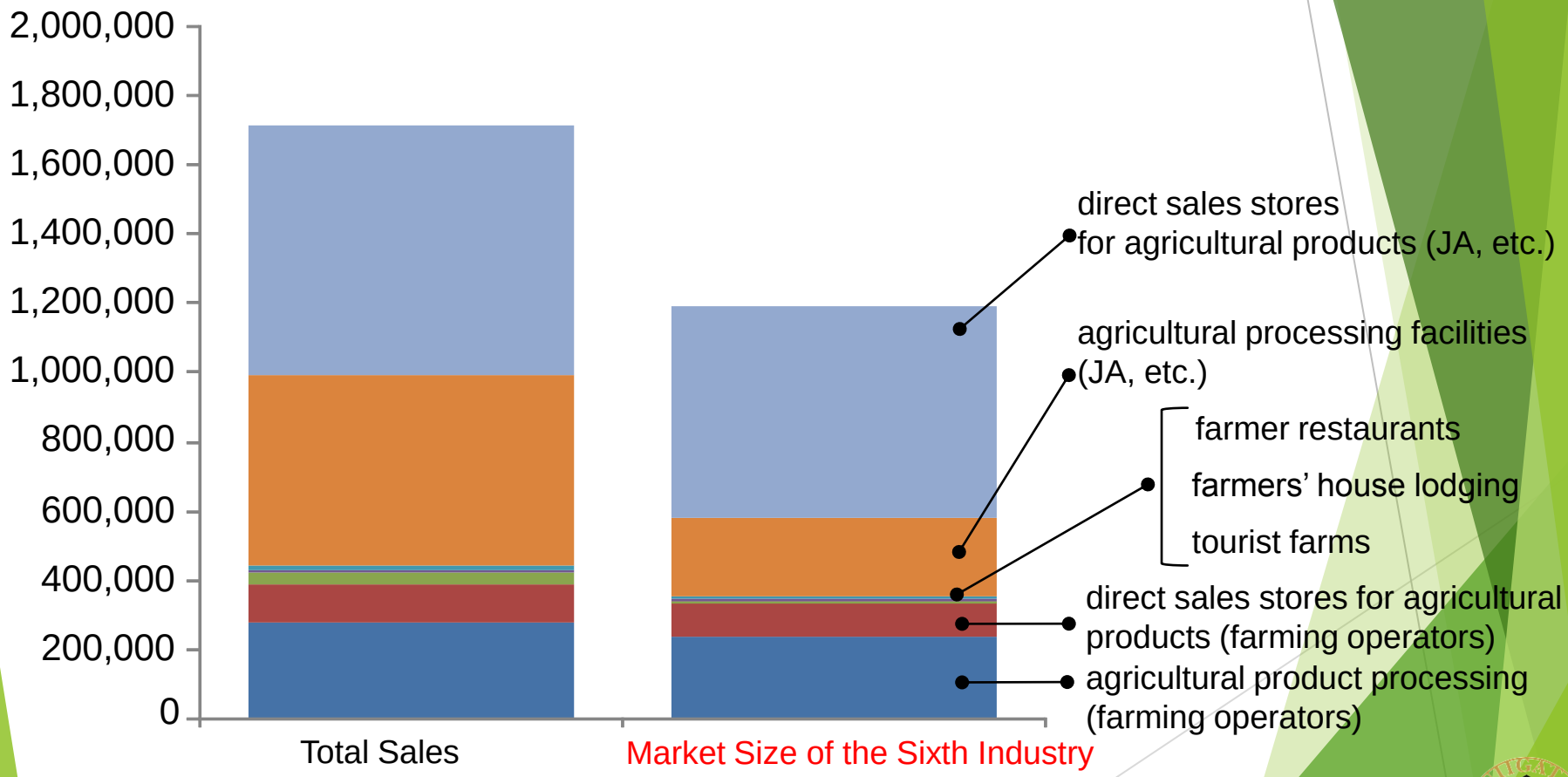


Figure: Market Size of the Sixth Industry

Consumer Purchasing Behavior & Marketing Issues

- Behavior of purchasing agricultural and food products
  - Unplanned purchases of agricultural and food products are often observed in consumer purchasing behavior.

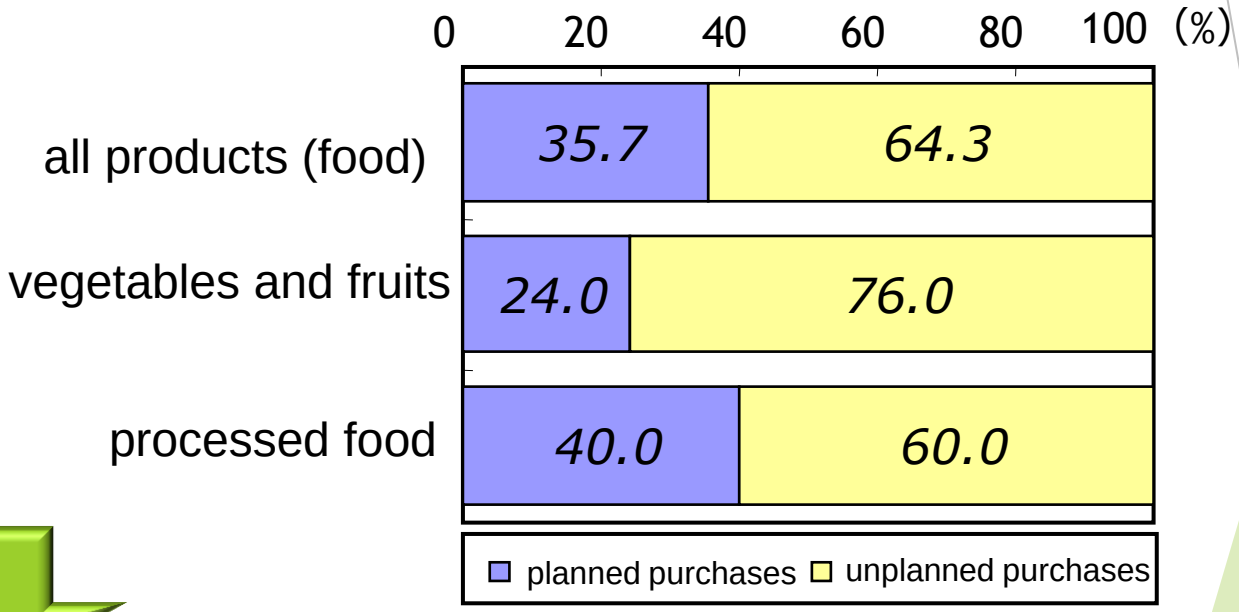


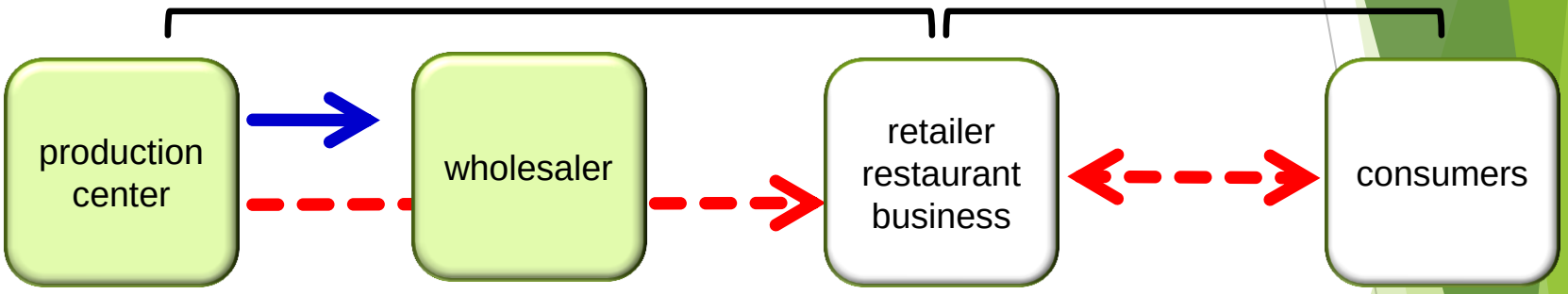
Figure: Ratio of Planned and Unplanned Purchases

  - Contact points with consumers (customer interface) will be important.

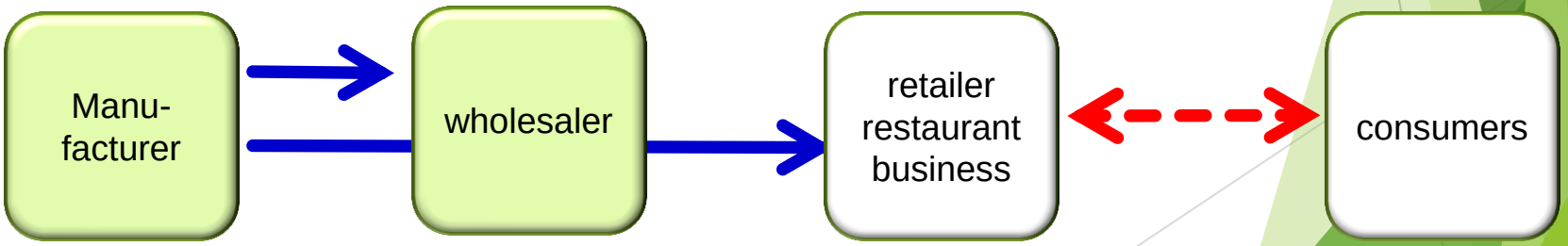
Weaknesses of Agricultural Product Marketing

- "Sales" / "Store"

[Agricultural Products]



[Processed Food]



“Sixth Industrialization” Led by Farming Operators

- “Sixth industrialization” led by farming operators
  - Mostly “processing” and “sales" operations
  - Much of processed food is vegetables and fruits.

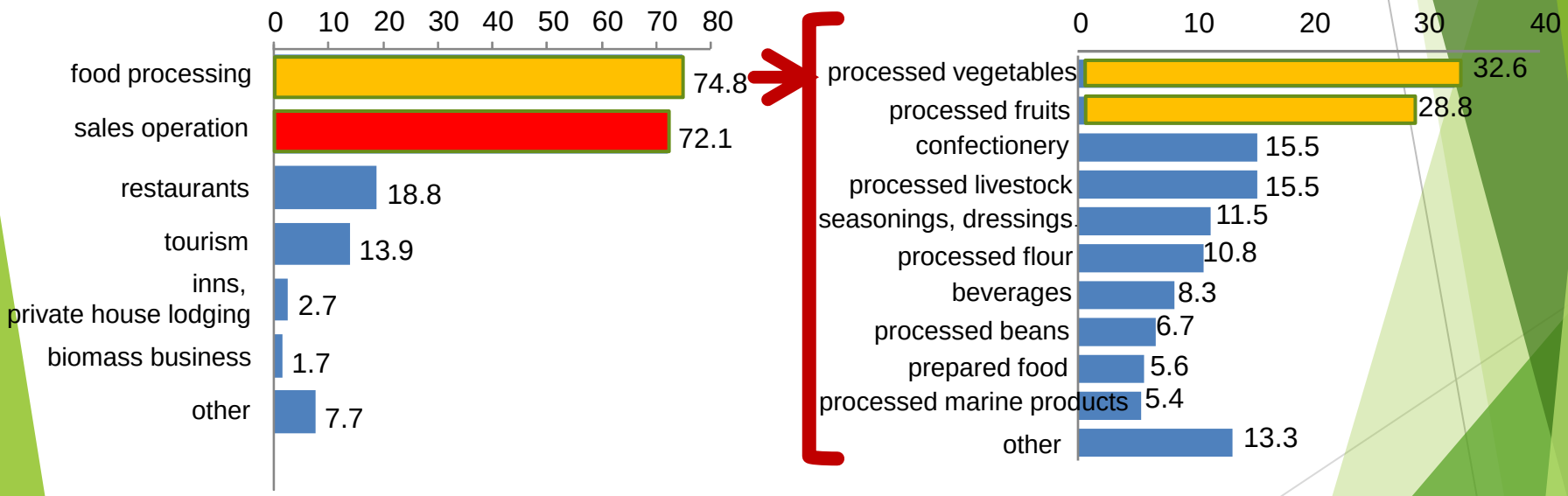


Figure: Major Business Development (Left)
and Manufacturing Items of Processed Food (Right)

- More than half of the operators have been engaging in "sixth industrialization" for more than one year and fewer than five years.
- One stable growth period comes in 10 years; another comes after more than 20 years.

Table: Number of Years Engaged in Sixth Industrialization

	Planning to Start	More than 1 and Fewer than 5 yr	More than 5 and Fewer than 10 yr	More than 10 and Fewer than 15 yr	More than 15 and Fewer than 20 yr	20 yr or More	Not Applicable
Total	7.5	59.8	10.4	5.9	3.0	6.2	7.2
Agriculture	52.2	–	–	–	–	–	47.8
Sixth Industrialization : Start	–	90.9	5.8	1.6	0.8	0.8	–
Sixth Industrialization : Stable Growth	–	37.1	23.1	17.5	7.7	14.7	–
Sixth Industrialization : After Growth	–	10.0	30.0	10.0	13.3	36.7	–
Sixth Industrialization : Stable Growth	–	–	31.3	25.0	12.5	31.3	–

- Operators concentrate on “sales” and “food processing” during the period from the start to stable growth.
- Subsequently, business expands to retail and restaurant industries and then to the tourism industry (service sector)

Table: Business Expansion Areas for Management Development

	Agricultural Production	Sales Operation (direct sales, sales of purchased goods)	Food Processing	Retail	Restaurant	Tourism	Inn/House Lodging	Biomass	Other
Total	57.6	63.3	59.8	14.3	24.4	19.5	2.9	4.4	4.1
Agriculture	65.7	47.8	32.8	13.4	9.0	9.0	0.0	1.5	6.0
Sixth Industrialization: Start	56.2	68.0	69.1	14.0	27.0	20.4	3.9	5.5	3.0
Sixth Industrialization: Stable Growth	61.5	66.4	58.7	16.8	26.6	22.4	3.5	3.5	3.5
Sixth Industrialization: After Growth	62.1	62.1	48.3	13.8	31.0	24.1	0.0	3.4	3.4
Sixth Industrialization: Stable Growth	46.7	26.7	40.0	20.2	6.7	33.3	0.0	6.7	6.7

- Operators concentrate on their own commercial activities in market development.
- Orders from buyers and business partners increase particularly during the stable growth period.

Table: Efforts for Market Development and Sales Expansion

	Orders from Buyers and Business Partners	Referral/Introduction of Friends/ Fellow Operators	Their Own Commercial Activities	Business Meetings, Events, Fairs, etc.	Advice of Consultants or Coordinators	Referral of Financial Institutions	Internet	Other
Total	49.7	26.6	56.3	30.0	4.6	3.4	7.8	4.6
Agriculture	60.4	33.3	35.4	12.5	0.0	2.1	4.2	2.1
Sixth Industrialization: Start	45.1	27.6	58.6	33.4	5.5	4.3	7.4	4.0
Sixth Industrialization: Stable Growth	52.6	25.5	59.9	30.7	3.6	2.9	10.9	5.1
Sixth Industrialization: After Growth	53.6	25.0	57.1	39.3	0.0	0.0	3.6	3.6
Sixth Industrialization: Stable Growth	80.0	0.0	60.0	13.3	6.7	0.0	6.7	6.7

○ Direct selling

Table: Benefits and Shortcomings of Direct Selling

Benefit	Response %
Stable price	41%
Reduced shipping expenses	13%
Reduced shipping labor	8%
Reduced labor needed for adjusting planting quantity	8%
Opportunities for communication with consumers	7%
Below this is omitted	(Omitted)

Shortcoming	Response %
Difficulty in adjusting shipping quantities	34%
Contract negotiations with counterpart	18%
Increased number of items	8%
Increased shipping labor	7%
Increased labor for cultivation	6%
Below this is omitted	(Omitted)

Procedures to start direct selling

- Step 1 select business partners, shipping method, etc. to suit conditions for starting
  - 1) Understanding business details
  - 2) Number of items and production lots that match the business partners
  - 3) Product characteristics assumed by the business partners
    - e.g., Needs of supermarkets responding to head office: “safety” = “delivery date” = “price
    - Needs of supermarkets responding to stores: “freshness” ＞ “safety”
    - Needs of co-op: “safety” ＞ “freshness”

- Step 2 to the selected, specific contract
  - 1) “Three Cs” required for a contract

    Concept
    Cost
    Communication

  - 2) Details of contract

    Price
    Quantity
    Payment site, etc.

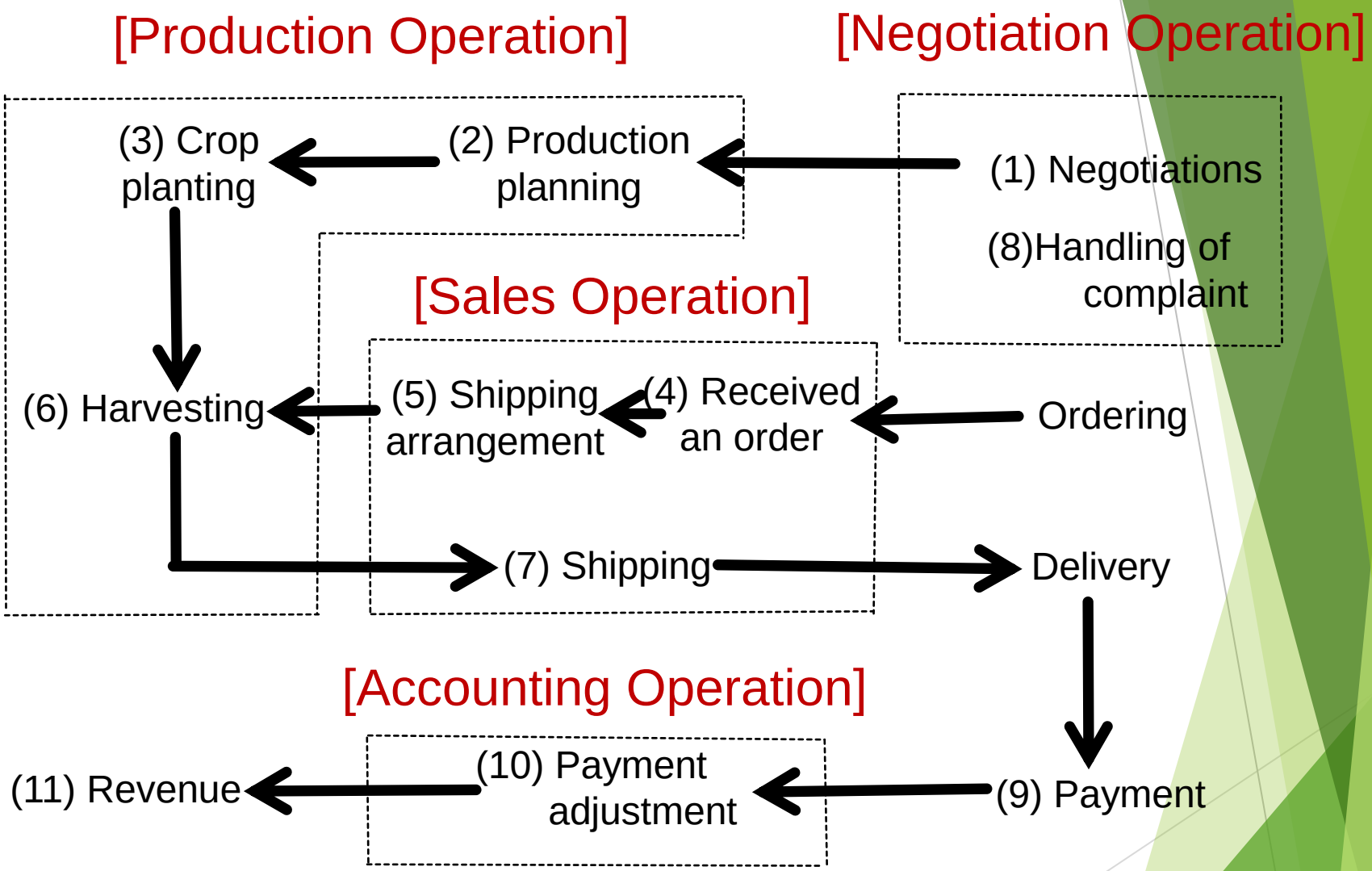


Figure: Operation Based on Direct Selling

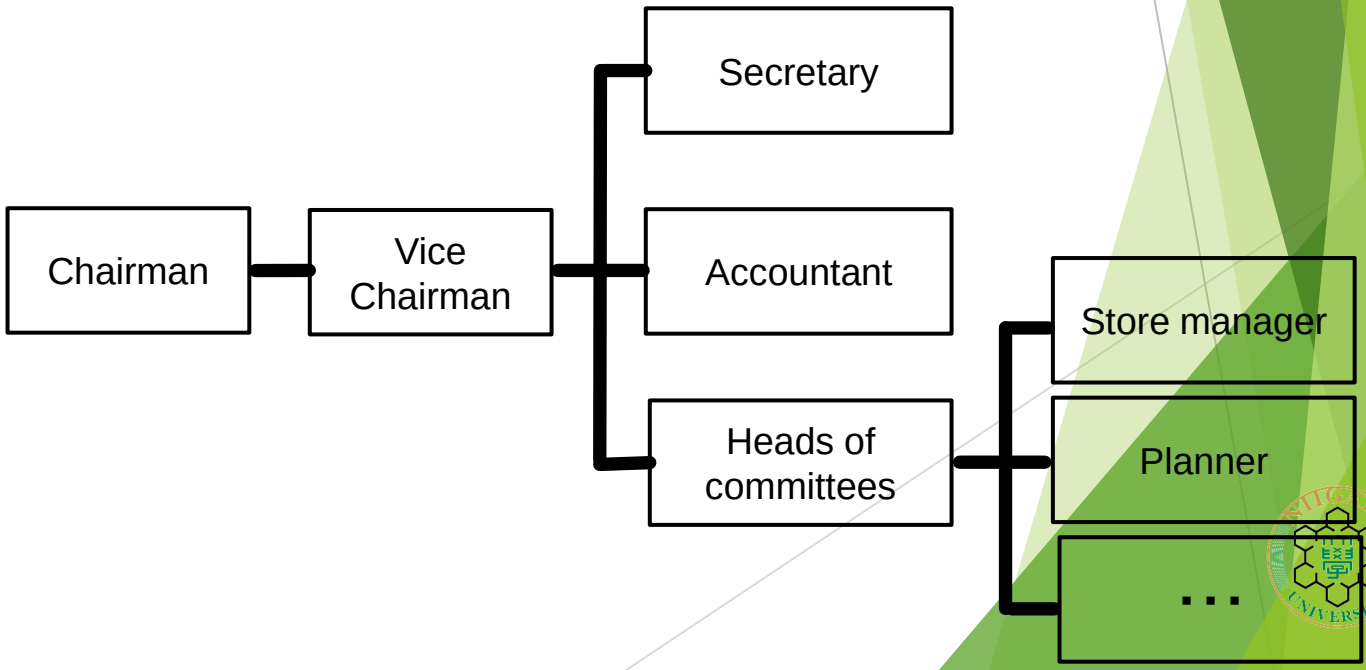
○ Farmers market

Table: Benefits and Shortcomings of Farmers Market

Benefit
Products can be shipped from a single piece.
Standards are simplified.
Products can be increased through collaboration of multiple farmers.
Local products can be promoted and consumed.
Communication with consumers allows understanding of their needs.
Below this is omitted

Shortcoming
Sales and payment operations are needed.
Packing/packaging is needed.
Some products remain unsold.
Below this is omitted

- Procedures to start Farmers market
  - Step 1 Design the type of store and build an organization.
    - 1) Select the type
    - 2) Build the organization
      (1) Determine “common principles” and “purposes”
      → Establish “rules”
      (2) Build a management organization



- Step 2 Store preparation and management
  - 1) Understand the trade area characteristics and select a location
    - Factors affecting a trade area:
      Surrounding geographical features, means of transportation, consumers' income level, and purchasing behavior
    - Agricultural products are "nearest products"; the trade area is small.
    - Select the location in consideration of competing stores and complementary stores.
  - 2) Understand and plan production capacity (supply capacity)
    - Shipping research
    - Cultivation plan in view of the product assortment.

- 3) Selling area layout
  - Basics: Promote longer times during which shoppers stay in the store and purchase larger numbers of items
  - Key Points
    The entrance area features the season and colors.
    Ensure visibility from the entrance to the back of the store.
  - Consider placement of featured (attractive/promotional) products and navigability

- 4) Store management
  - In-store sales promotion
  - Measures to prevent stock-out, etc.

[POP: description of producer]

[POP: description of product]

[Tasting of products]

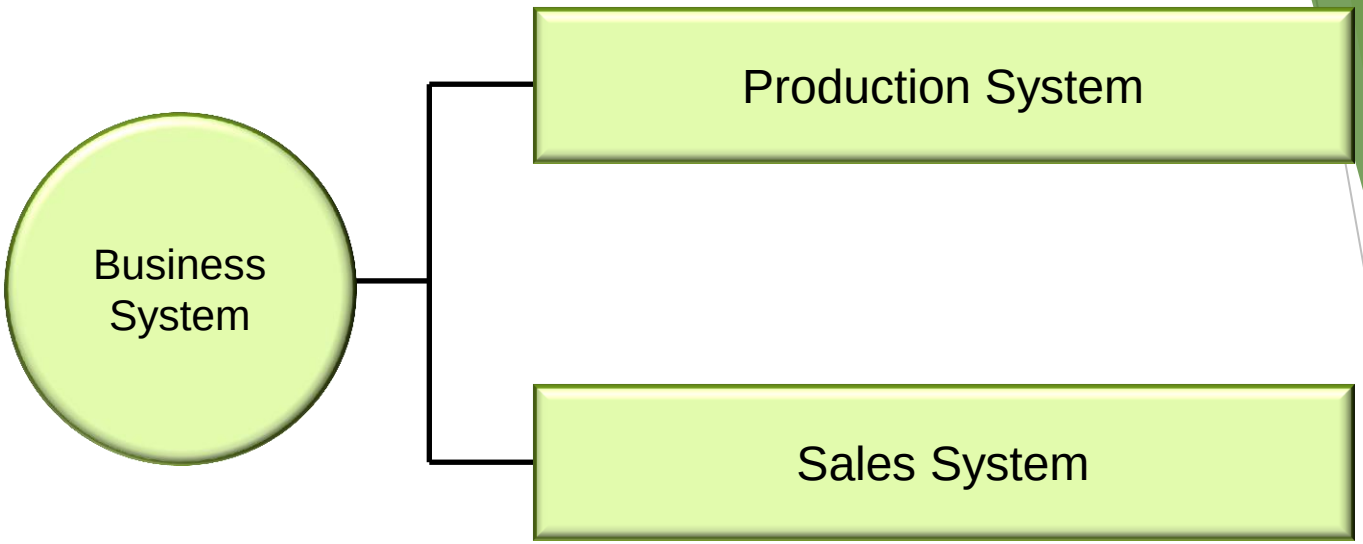
Photo: In-store Promotion at Farmers market

JA Sales Business : *Advanced Cases*

- The following introduces the JA advanced sales businesses for vegetables and fruits

Table: Cases (JA, target products)

Name of JA	Target Products	Remarks
JA Tomisato ([T])	Vegetables and Fruits* (for commercial and household use)	Actively developing sales business
JA Fukuoka Yame([Y])	Vegetables and Fruits** (mostly household use)	Promoted direct sales at the time of merger (Tokyo office, etc.)
JA Himi([H])	Bottled Beverages(Job's tears tea)	Developing and selling processed beverages (bottled Job's tears tea)



- Production System
  - Common factor:
    - Actively organize and reorganize production system through commercial activities.
  - Differences:
    - [T] and [Y] → Reorganization from item-based subcommittees to organizations serving each customer and need
    - [H] → From a system with no subcommittees to direct management production (agricultural production method) and to organization of producers

- Sales System
  - Common factors:
    - Importance of inter-sectoral cooperation between farming guidance and sales
    - Actively organize and reorganize production system through commercial activities.
  - Differences:
    - [T] → The importance of farming instructors increases, particularly for commercial-use vegetables.
    - [T] [Y] → For vegetables and fruits, operators make investments in physical bases (PC center)

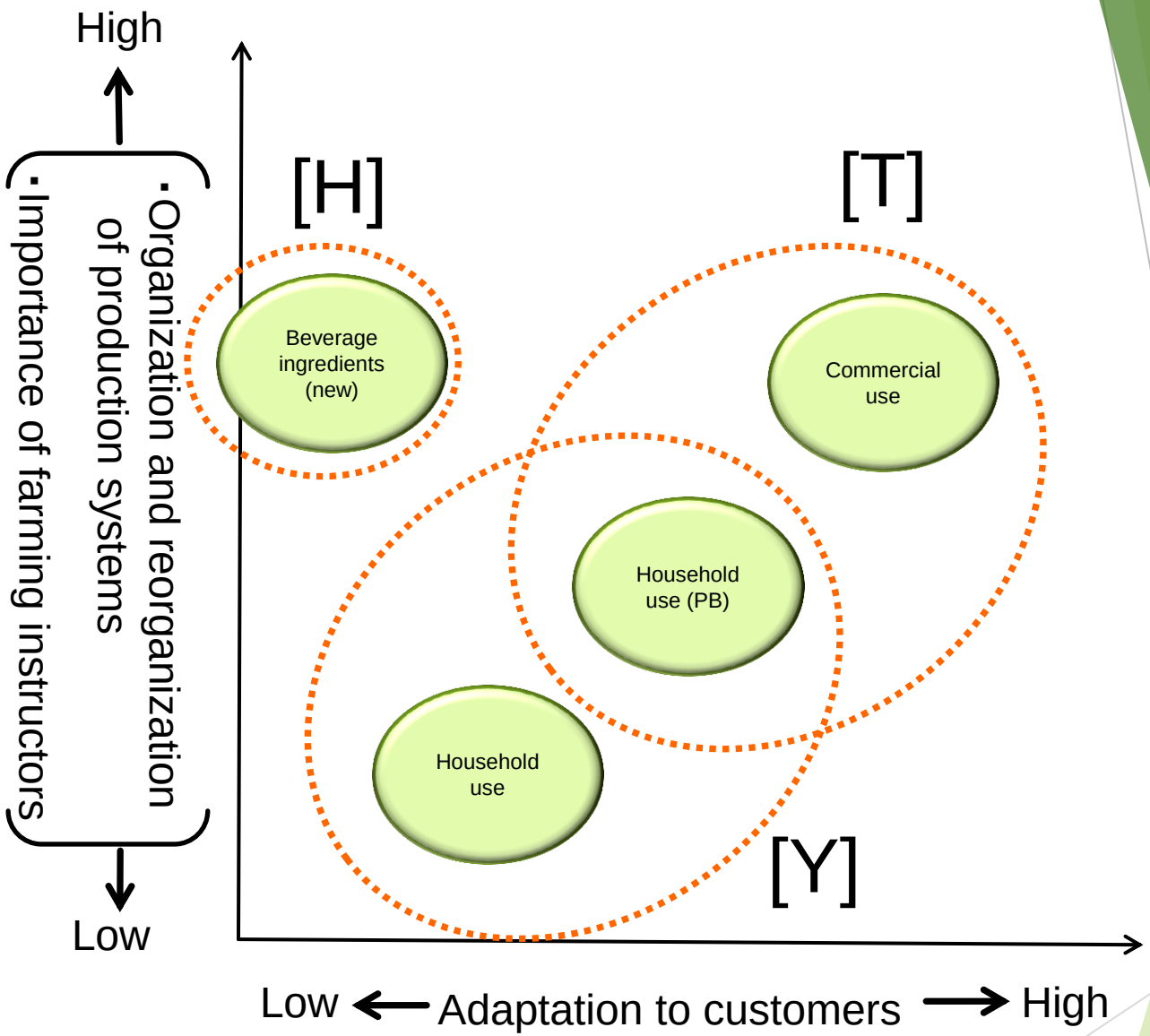
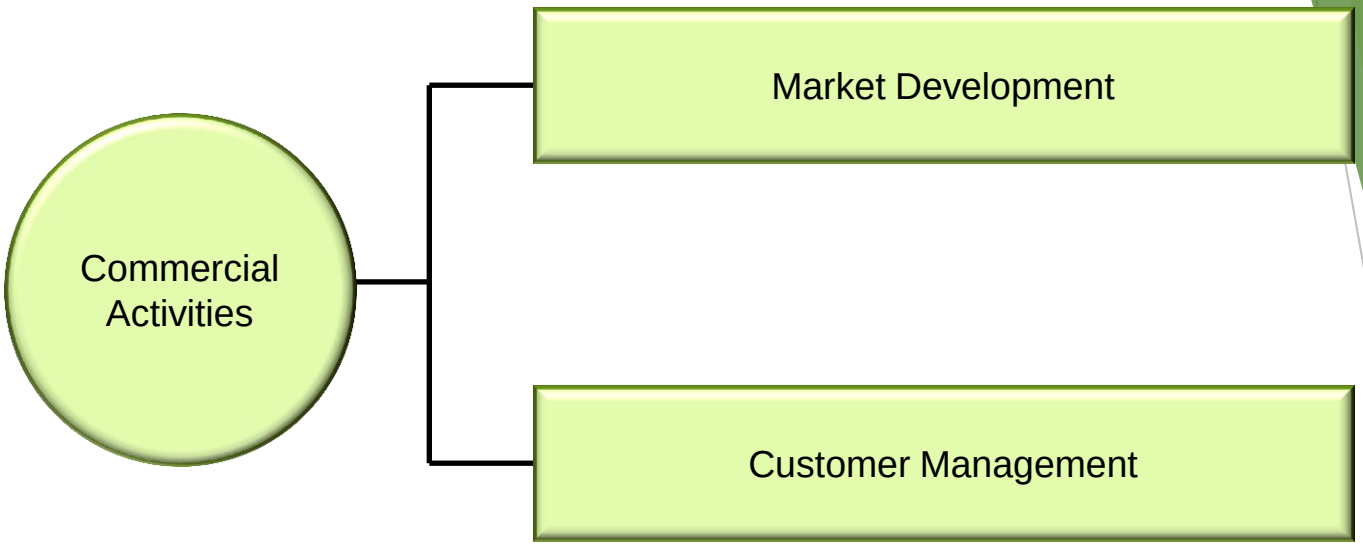


Figure: Relation between Adaptation to Customers and Production (positioning)



- New customer development
  - Common factors:
    - Heavy emphasis is placed on “commercial activities through personal connections” and “referral from others.”
  - Differences:
    - [T] and [H] → “Interaction-based” marketing
    - [H] → In addition to the common factors above, visualize customers through advertising and promotion and approach them through marketing personnel.

- Customer relationship management
  - Common factors:
    - Emphasis on customer relationship management
  - Differences:
    - [T] and [Y] → Personnel level (human relationships + "company level (organizational relationships*)" are stronger in the category of vegetables and fruits
      ＊organizational relationships: physical bases, technology

- Sales personnel
  - Connection between “external activities” and “internal activities” affects the marketing style and performance.

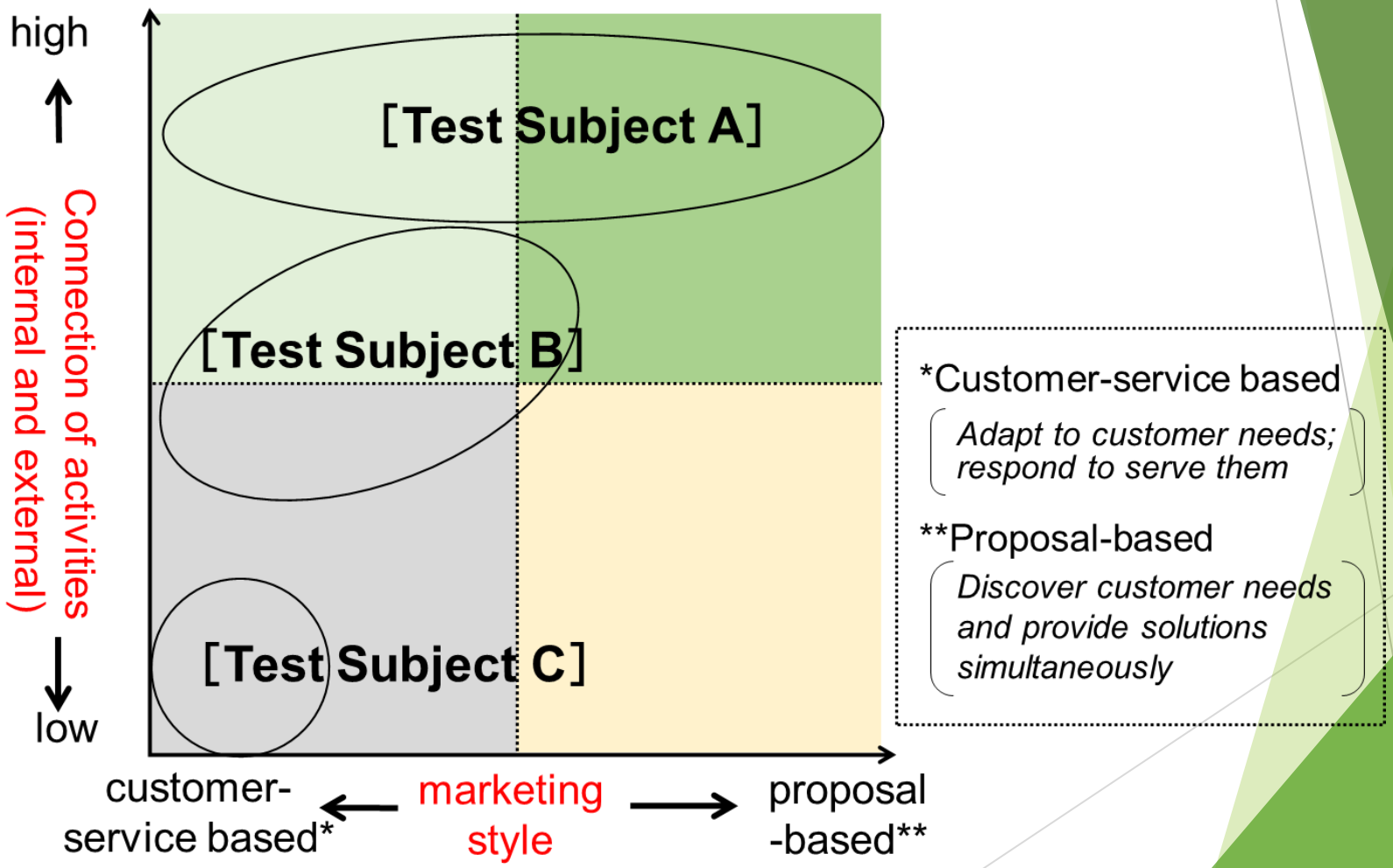


Figure: Connection between Marketing Style and Internal and External Activities

Summary

- The importance of marketing to build “value chains” in food systems is increasing.
- For agricultural products, for which consumers’ purchasing behavior (unplanned purchasing behavior) is active, "sales activities" and “in-store promotion" become important aspects of marketing.
- “Direct selling" and “Farmers market” developed by farming operators (individual businesses)

- Characteristics of sales business run by advanced JA and high-performance sales personnel (including methods of human resource development)

Thank you for your attention

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Characteristics of Marketing Activities of Japan Agricultural Cooperatives for Vegetables and Fruits: For Development of Marketing Personnel

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Background and Purpose

Changes in the environment of vegetable and fruit distribution have encouraged some Japan Agricultural (JA) cooperatives to sell their products directly to supermarkets and restaurants, which increases the importance of commercial activities. Most JA cooperatives, however, have conventionally relied on consignment trade in wholesale markets. They are virtually groping in the dark in their commercial activities.

This study was conducted to analyze the characteristics of the attitudes and emotions of JA cooperative personnel in charge of marketing vegetable and fruit products and to contribute to sustainable future human resource development of JA cooperatives.

Methodology

This study used Personal Attitude Construct (PAC) analysis, which is regarded as appropriate for explaining latent psychological processes in individuals. The test participants were three people, each at a different career stage ("experienced," "mid-career," and "young" workers), in charge of marketing vegetables and fruits at a JA cooperative (Akita Prefecture, Japan) that is implementing active commercial activities.

Perspective

Commercial activities are divisible into two types: external marketing activities targeting customers and internal marketing activities such as production (Hosoi et al., 2004) 【Fig. 1】. This study examines behavioral and psychological characteristics of commercial activities from the perspective of connection between external marketing activities and internal marketing activities.

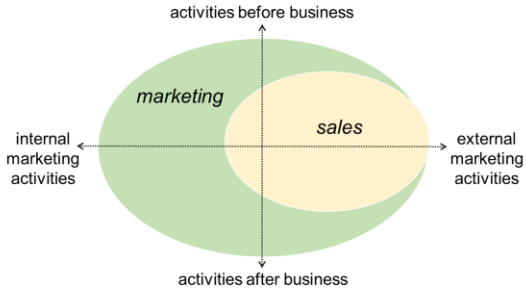

Fig.1 Differences between commercial activities and sales activities; characteristics of marketing.

Results

■[Test Subject A]

(1) 【Fig. 2】 presents PAC analysis results for the "experienced" worker Test Subject.

(2) The clusters can be interpreted, respectively, as "production-oriented stance and producing center management that become the basis of commercial activities," "sales management," and "expansion of commercial activities."

(3) Test Subject A reported that internal marketing activities are the basis of commercial activities and his belief in local orientation as his code of conduct. His skills in internal marketing activities as the basis of his commercial activities increase their connection with external marketing activities, which helps his commercial activities to expand.

■[Test Subjects B and C]

(1) Other test subjects (results of B and C) are presented in 【Table 1】.

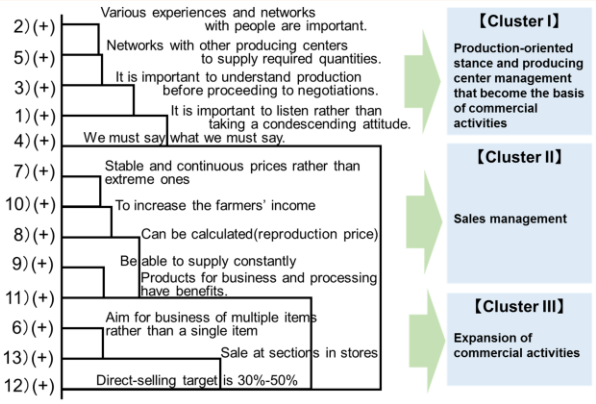

Fig. 2 Results of Test Subject A (PAC Analysis Dendrogram).

Note: Numbers at the left are the importance rankings assigned by the test subject.
Signs (+, 0, and -) represent the test subjects' perceptions of respective factors.

Table 1 Results of Other Test Subjects (Summary)

Test Subject	Results of PAC Analysis (General Interpretation)
B (mid-career)	Assuming that the understanding of the producing centers ("internal marketing activities") engenders effective "external marketing activities," he specifically examines information-based internal marketing activities. Although subject B emphasizes adaptation to customer needs, he consciously conducts external marketing activities for which the basis of his decision-making in negotiations is to ensure the benefit of the producers.
C (young)	With low emphasis on "internal marketing activities," he specifically examines meeting of customer demands to sell products and continue business as a sales person. He fights back his anxiety and emotional conflicts in commercial activities by learning from others such as observing the activities of his workplace predecessors and builds his ideal marketing style.

Discussion

(1) The experienced and mid-career workers carry out their commercial activities based on internal marketing activities while connecting them with external marketing activities.
In contrast, the young worker emphasizes external marketing activities, failing to establish strong connection with internal marketing activities.

(2) The connection between internal and external marketing activities facilitates a broader range of commercial activities .【Fig. 3】

Development of JA's marketing personnel must specifically examine 【1】 the improvement of skills in internal marketing activities, which was often overlooked in the past, and 【2】 understanding the two aspects of commercial activities and providing an appropriate experience of linking the two.

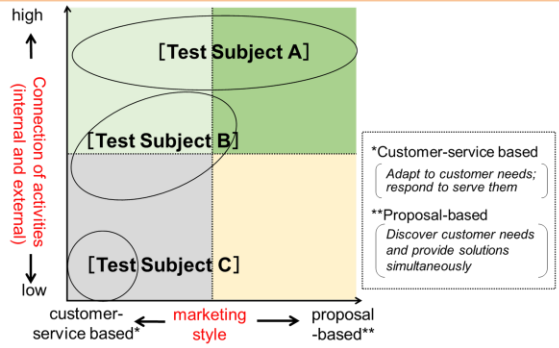

Fig.3 Connection between internal and external marketing activities and relationship with styles of commercial activities.