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UDK 339.146.4 (497.5)  
Izvorni znanstveni rad

## MARKETING-MIX IN THE FUNCTION OF THE ORGANIC FOOD OF EASTERN CROATIA

*U suvremenom tržišnom načinu gospodarenja sustav organske poljoprivrede, posebice sustav proizvodnje organske hane, postaje sve važniji činitelj razvoja domaćih i međunarodnih gospodarskih sustava. Taj se sustav mora prilagoditi brojnim kvantitativnim i kvalitativnim promjenama okruženja, a to podrazumijeva primjenu marketinga. Važnost marketinga organske hrane uvjetovana je činjenicom da on omogućuje proizvođačima bolje razumijevanje zahtjeva potrošača, u cilju boljeg zadovoljavanja njihovih potreba, a potrošačima bolju spoznaju ponude organskih proizvoda. Određivanje osnovnog obilježja organske poljoprivrede i njene važnosti osnovno su polazište za konceptijsko postavljanje marketinga organske poljoprivrede. Marketing-miks čine proizvod, cijena, distribucija i promocija čijom se kombinacijom postiže tražena razina prodaje na ciljnom tržištu. U strukturi ponude organskih proizvoda istočne Hrvatske, najzastupljenije su žitarice (pšenice i kukuruz), uljarice (soja i suncokret), povrće, voće i prerađevine. Primarna proizvodnja organskih proizvoda ima nižu cijenu koštanja od konvencionalne zbog nižih ulaganja, ali su stoga i prinosi manji. Tržišna cijena organske hrane je viša od konvencionalne, a razlog tome su nedovoljno organizirani distribucijski subjekti. Organski proizvodi su novi proizvodi na tržištu istočne Hrvatske s još uvijek nedovoljno poznati potrošačima. U bržem i lakšem informiranju potencijalnih potrošača značajnu ulogu ima promocija na poljoprivrednim sajmovima, stručnim skupovima i aktivnostima udruga koji zastupaju organske proizvođače hrane.*

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## **Introduction**

Organic agriculture is known in the world as the one taking care of environmental protection and preservation of biological balance, a co-ordinated relationship between production of crops and cattle raising, sustainable systems of land cultivation, usage of organic materials, limited usage of synthetic products, higher standard and better employment, as well as production of food of special quality. The system of organic food production must be adjusted to numerous qualitative and quantitative environmental changes, which implies marketing as well. Marketing of organic food is a complex area, since it includes production, processing, modification or final processing, specific qualities in connection with supply and demand of organic food, and the role and importance organic products have from the level of a person as an individual to the level of national economy. Determining the fundamental characteristic of organic agriculture and its importance make the basic starting point for a conceptual setting of organic agriculture marketing. From what is mentioned above their follows the need of applying marketing-mix of organic agriculture on the farms in Eastern Croatia. Marketing-mix consists of a product, a price, distribution, and promotion, by the combination of which the required sales level on the aimed market is achieved.

## **Study areas and methodology**

The application of elements of marketing-mix in organic agriculture plays a very important role both on the individual and national level. On the individual level the production of organic food represents a good choice since it enables a relatively high income, whereas on the national level its production enables new market, less intensity of resource utilisation, environmental protection, arable soil, a higher employment rate in agriculture together with better utilisation of soil, which altogether represents a precondition for the survival and further development of the national economy. These and other reasons contribute to the fact that the possibilities for organic food production significantly differ from one area to the other in accordance with specific production and economic conditions. In terms of agriculture and food industry Eastern Croatia is a very important part of Croatia, since this area is remarkable for its resources and has comparable advantages. This region participates with 23.4% of cultivated land and 33.4% of arable soil; out of which 79.9% of cultivated land and 81.6% of arable soil is in private property. For the purpose of investigating this problem a survey in combination with an interview method was carried out. A sample of one hundred households in Eastern Croatia was used. We interviewed those households' members who most often take care of household's goods, whose average age is 42, and who in 67% cases

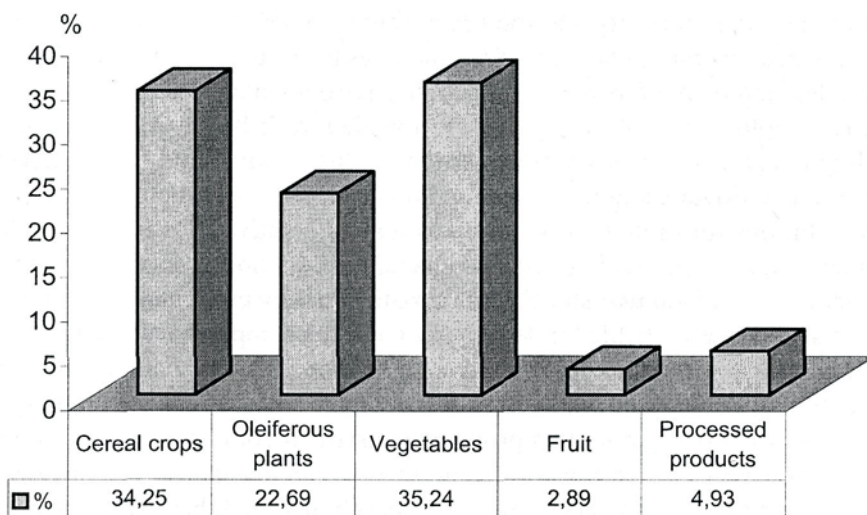
purchase food several times a week. The average number of household members was 3.73. The research was carried out within the project financially supported by the Ministry of Agriculture and Forestry "Design of development of family farms in the Eastern Croatia", in Cupertino with the project "Organic agricultural production as a means of ethnic groups integration", dr.ph Peter Fankhauser, DEZA Swiss Agency for Cupertino with E. Europe, head of the management team in the Republic of Croatia dr.sc. Davor Šamota, assistant professor, Faculty of Agriculture in Osijek.

### Characteristics of organic agriculture in Eastern Croatia

In Eastern Croatia organic agriculture started to be applied in the last two decades when it was introduced on numerous farms. In the Republic of Croatia there exists an Association for organic-biologic economy, environmental protection and promotion of health with two county branches in Eastern Croatia. Domestic market of organic food is not large, about 100 special shops, which is primarily caused by bad organisation, distribution and poorly informed consumers. In the structure of the supply of organic products in Eastern Croatia the most represented are vegetables, cereal crops (wheat and corn), oleiferous plants (soybean and sunflower), then fruit and processed products. (Figure 1.).

Figure 1.

STRUCTURE OF ORGANIC AGRICULTURE PRODUCTS  
IN EASTERN CROATIA



At the same time the appearance and growth of marketing are closely connected with needs and tendencies of economical subjects to accept and apply the concept of doing business that enables rational and successful realisation of goals on the market. The observed organic food producers in Eastern Croatia, if they want to be profitable, should base their business orientation upon demand needs; that is, they should adjust their production according to wishes and demands of consumers on the market. Organic food marketing denotes a business activity that connects production with consumption with the goal of satisfying market needs in terms of demands. Therefore, the task of marketing is to maintain certain balance between supply and demand, production and consumption. Consequently, the system of organic food marketing is based on an interdependent relation between a consumer, producer and marketing activities, as well as external factors, which are not affected by organic food producers. In order to achieve these goals it is important to create and implement a good marketing-strategy, which consists of choosing and analysing the target market, as well as creating and maintaining marketing-mix. Organic food producers involved in marketing activities come across variables related to marketing-mix which can also be affected by variables related to marketing environment they cannot influence. What has been mentioned so far implies that it becomes necessary to determine the type and quantity of marketing-mix individual constituents.

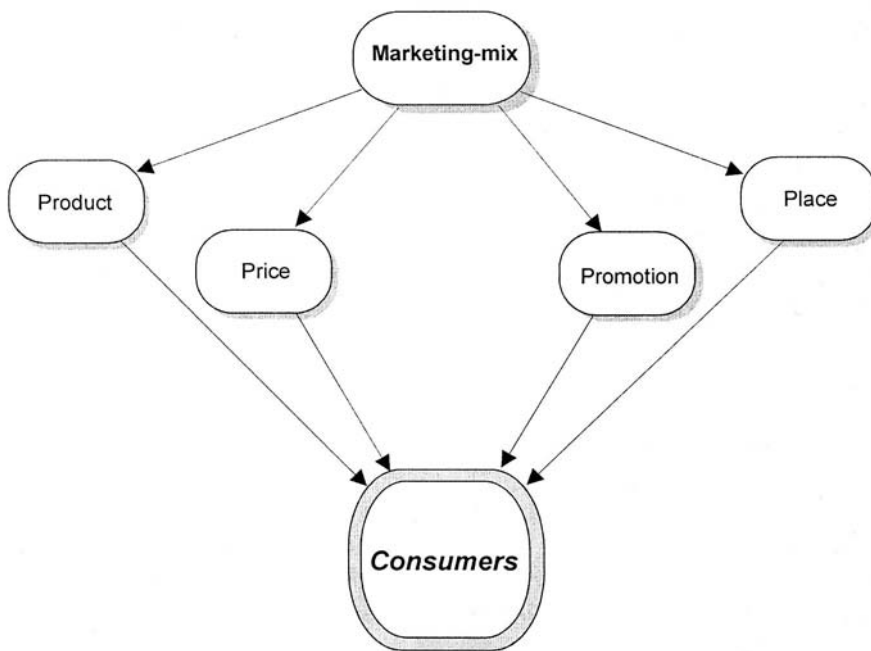
### **Marketing-mix of organic food**

In modern marketing economy the system of organic agriculture becomes a more important factor in the development of domestic and international economic systems. In such relations it is not possible to successfully sell products without necessary specific skills and knowledge of market policy and marketing-mix, which represent fundamental factors of a successful and profitable sale of these products. It means that there is no market economy without marketing, and that marketing goals cannot be reached without marketing-mix. Relevant characteristics of the term organic food marketing are the process of product planning, price forming, promotion and selling of these product to customers for the purpose of satisfying their needs, wishes and demands. In the focus of marketing activities of an organic food producer there is the customer with his changing needs, wishes and readiness to buy organic food products. Achieving goals of market economy, i.e. marketing business of an organic food producer, represents defining marketing instruments, i.e. marketing-mix (Figure 2.). Since marketing-mix of organic food represents a dynamic bond between an organic food producer and a customer on a very demanding and selective organic food market, combining marketing elements must be prepared timely and consistently. Marketing-mix of organic food products should

satisfy space and time dimensions through activities of an organic food producer, bearing in mind that space dimension refers to current and potential markets, and time dimension relates to short-, medium- and long-term marketing activities on the current and potential market.

*Figure 2.*

#### MARKETING-MIX ELEMENTS IN THE FUNCTION OF ORGANIC FOOD



Characteristics of organic food influence the combination of marketing-mix elements, and since these are final consumption products, in combining elements specific quality and width of the market should be taken into account, which means that more attention should be paid to the organisation of distribution and promotion activities.

#### **Characteristics of organic food as a product**

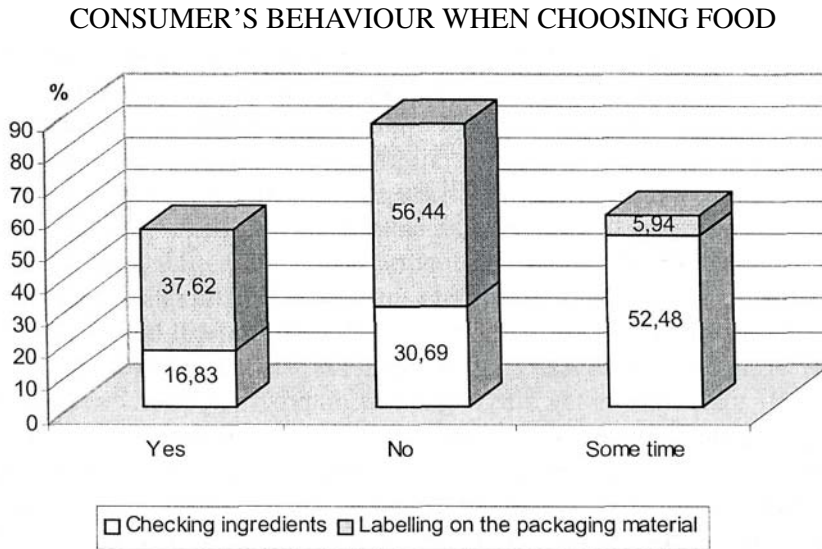
Organic food as a product is the most important marketing-mix variable. Before organic food producers enter the organic product market, they should be pre-

pared to correspond best to the wishes of their consumers by the design, purpose and function. What organic food consumers are most interested in are the following items: production program, product quality, packaging material, packing, product labelling, and price setting. This is closely related to the product *image* that implies everything a consumer creates about the product as an image, atmosphere or a feeling. Orientation towards consumers intensifies problems regarding relevant factors in the design of the production program as a means to satisfy consumers in a demanding and competitive battle on the market and achieve goals in that way. An example illustrating this are the goat milk products as different types of cheese (cottage, smoked, dried, etc.). Consumption of organic products is in a positive interaction with a degree of human need satisfaction. Whether the offered production program corresponds to a certain customer category will be evaluated from the information obtained by carrying out market research as well as from the level of customer satisfaction by the offered production program. Therefore, the design of the supply production program should always be in correspondence with the set goals as well as customers' satisfaction and optimization of business results, for which an active approach and proper information on the market are necessary.

Nowadays, in conditions of powerful competition and increasing demands of consumers quality has become a fundamental factor of survival on the market, profitability, and development of organic agriculture in Eastern Croatia. A strategic business concept is based on the management of product quality, which makes it an advantage and a necessity of market competition. The goal is supposed to be achieved by the overall quality management – to produce a product which a customer and a consumer wants and expects by increasing effectiveness, flexibility and business efficiency.

An integral part of organic food is packaging material, which represents the material that protects and preserves organic food on its way from the producer to the consumer. The packaging material is not only a means of organic food preservation, but by its aesthetic and marketing impact it also contributes to the improvement of production, distribution and transport. It does not only affect sales, but it represents an important element of costs, encourages purchase by enabling a customer to identify organic products whose specific qualities he got familiar with through producer's promotion activities.

Figure 3.



It was obtained by analysis that 52.48% of the persons questioned occasionally inspects product ingredients listed on the packaging material, whereas only 16.83% regularly check ingredients and the producer of the product they purchase. This phenomenon is closely related to product labelling (ingredients, producer); 56.44% of the persons questioned are not satisfied with labelling on the packaging material. In order to achieve a better sale of organic food, a trademark should be designed and developed which has many advantages for both customers and producers. A trademark helps customers to distinguish between the wanted product and other similar products on the market. For the customer it represents a guarantee of product quality, gives information on the origin and source, and has a psychological impact on the customer. In that way the trademark enables us to differentiate organic food on the basis of its origin and quality, gives guarantees for the listed characteristics, enables a closer contact between a producer and a customer, offers a possibility of product protection and assists the sale of other products of the same trademark.

### **Price as marketing-mix of organic food**

Price makes the second element of marketing-mix, which brings income, while other marketing-mix elements represent costs. The product price must be in line with product's basic characteristics and features. Thus, it must closely correspond

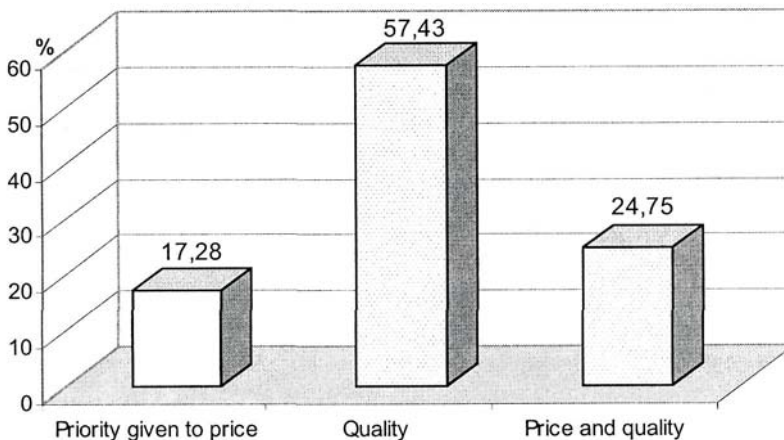
to product's quality, design, packaging, etc., exemplifying at the same time the realised productivity.

The price policy regarding organic food in the observed farms of Eastern Croatia tends to adjust the price to the needs, wishes and purchasing power of customers and consumers, yielding at the same time an optimal profit. By the price policy of organic food producers tend to influence an increasing demand and a quantitative improvement of consumption structure. Price and demand are usually inversely proportional. However, price is not only influenced by demand, but also by a fast changing taste of customers, prices and availability of other products that could function as a substitute for organic food, as well as customers' income.

The taste of customers influences that what customers *would like to buy*, while prices, substitute's availability, and customers' income influence what they *can buy*. The factors listed determine not only price, but also customer's readiness to purchase and pay for a certain product. By researching consumers' attitudes towards food purchase it was found out that more than half of them (57.43%) prefers quality, whereas 17.38% consumers give priority to the price of food by food purchase. Results obtained in such a way support the hypothesis on the development possibilities of organic food production in spite of higher prices (Graph 2.).

Figure 4.

#### CUSTOMERS' ATTITUDES BY FOOD PURCHASE



All marketing-mix variables are tightly connected, which actually means that the decisions regarding prices are related to product variables, its distribution and promotion. It can be said on the basis of the above-mentioned that price is the only



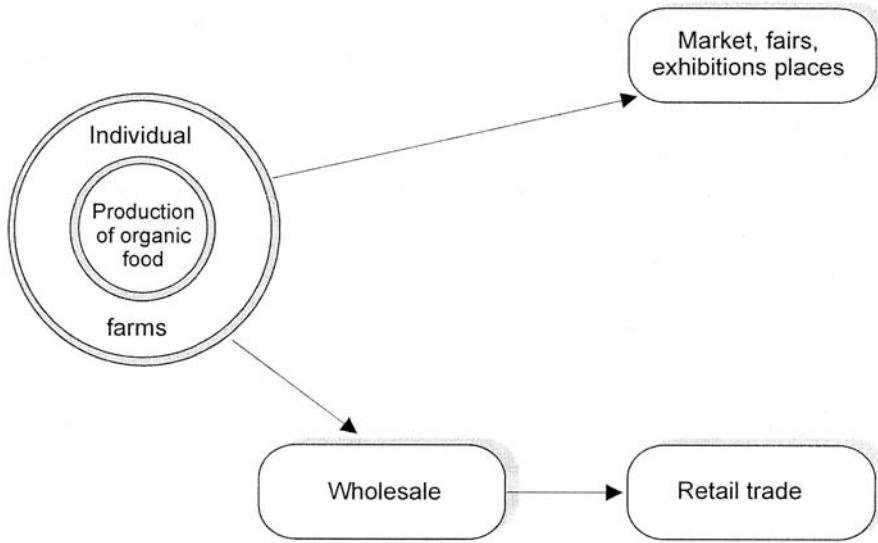
variable in marketing-mix which can be easily and quickly adapted in order to respond to the changes in the environment.

### **Distribution of organic food**

A necessary condition of organic food production is to develop a distribution system within the framework of the overall economic system, which is conditioned by the development of market-competition relations. It can be considered from the standpoint of technology activities (physical distribution), and from the standpoint of economical subjects (distribution channels). In order to achieve faster development of organic food production, producers in Eastern Croatia should detect potential consumers of their products and select suitable distribution channels on Croatian and international market. Various authors show various possibilities of distribution channel classifications, but according to the basis classification there are two types of such channels: a direct distribution channel where producers sell organic food directly to individual consumers, and an indirect distribution channel where trade (a shop) is involved as a mediator. The choice of the distribution channel represents the most important decision of any producer, since other marketing decisions also depend on that choice (e.g. who will sell organic food, price policy, promotion issues, etc.). Development and other tasks of distribution establish a multi-layered connection with other business functions on farms, primarily with sale and production. The overall processes taking place in the storage and transport system, resp. is the processes affecting the policy of product quality. The success of distribution depends on phases through which organic food passes on its way from a producer to a consumer, as well as on the number of mediators in each of the individual phases (Figure 5.).

Figure 5.

### DISTRIBUTION OF ORGANIC FOOD IN EASTERN CROATIA



Organic products in Eastern Croatia are mostly produced on individual farms; they are distributed directly – in most of the cases through market places and fairs, as well as ‘from-door-to-door’ sale. They are rarely distributed indirectly, i.e. through a mediator, retail trade or wholesale which take over the greatest part of the overall distribution. In Eastern Croatia, as well as in other European countries (Italy, France, and Germany) an indirect distribution of organic food is realised through special shops selling organic food, supermarkets, department stores, etc. It can be pointed out here that this activity is becoming more and more important.

### Promotion of organic food

Due to the easier and quicker access of potential consumers to the relevant information on organic food entering the market, i.e. in order to help customers decide on the purchase of certain organic products, producers advertise their products in media. Consumption of organic food in the Republic of Croatia has not reached the consumption level of the developed countries whose high standard and care about health caused a rather high consumption rate of organic food per person. Therefore, it is necessary to promote a change of old habits concerning nutrition, influencing higher health standards, capacity for work and the overall

satisfaction of the population. Producers tend to inform or encourage customers or consumers to purchase their products, whereby they use all possible media. The most important media by which promotion messages are sent to the final consumers are the following: newspaper, TV, radio, post, and new media like satellite cable TV, etc. A very important information for producers when creating a promotion/advertising message is who decides in the family on the purchase of a certain product, so that they can address that particular person in their message. In order to have an ad corresponding to its purpose and goal, producers should organise a research of organic food advertising, since it is only the consumer who can say what he expects from a certain product and which needs will be satisfied by each of the products produced by an organic food producer.

### **Conclusion**

Specific characteristics of organic food influence the combination of marketing-mix elements, whereby in particular combinations of these elements specific quality and width of the market should be taken into consideration; i.e. more attention should be paid to the organisation of distribution and promotion activities. Organic food products are considered to belong to a group of sensitive products. Packaging material and packing, as well as sub-elements of marketing-mix, play a very important role in the protection and preservation of organic food from external influences (damaging, dissipating, spoiling, etc.). For the purpose of better organic food sales producers in Eastern Croatia should develop a trademark. For organic food it is not enough only to have a demand for such products, but it is also necessary to supply these products to consumers by using appropriate distribution channels.

A quality guarantee of organic food products directly influences consumption intensity, absorption power of the market, packaging material design, advertising messages, choice of the distribution channel, and distinguishing organic from conventional products according to their market characteristics makes the fundamental factor of the product differentiation and diversification with the aim of producing such organic food that would certainly find its way to the consumer.

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## MARKETING-MIX IN THE FUNCTION OF THE ORGANIC FOOD OF EASTERN CROATIA

### Summary

In the modern market economy, the system of organic agriculture, especially the system of organic food production, becomes more and more important factor of national and international economic system development. The importance of organic food marketing is conditioned by the fact that it enables producers for better understanding of customers' needs, serving the purpose of better meeting their needs and it also enables consumers to realise better organic products supply. Defining the main feature of organic agriculture and its importance is the starting point for conceptual establishment of organic agriculture. In the organic food products supply of Eastern Croatia mostly represented are cereals (wheat and corn), oilseeds (soybeans and sunflower seeds), vegetables, fruits and various different food products. The primary organic food production has a lower price than the conventional one due to lower investments, which on the other side results in lower yields. The market price of organic food is higher then the conventional one and the reason for that are insufficiently organised distribution subjects. Organic food products are new products on the Eastern-Croatian market, so they are still not well-known to the customers. The important role in informing potential customers quicker and easier plays the promotion of organic food at agricultural fairs, symposia and through the activities of organic food production associations.