Local Food Marketing as a Development Opportunity for Small UK Agri-Food Businesses

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ABSTRACT

The study explores local food as a marketing opportunity for small food producers and identifies barriers to development. Research was conducted primarily through depth interviews, supplemented by a survey of food marketing group members in North-West England. The results of this local study were consistent with national survey data showing increasing consumer interest in food provenance, traceability and support for the local economy. Lack of an official and recognised definition of the term “local food” hindered marketing. Restricted access to finance and the burden of regulations were identified as barriers. Further, small business success was subjective and difficult to identify, since goals may be based on sustaining a lifestyle rather than profit.

Keywords: local food, marketing, small-business development, UK

1 Introduction

Recent trends within the agri-food industry have seen an emergence of local and regional sourcing policies, which aim to communicate a clearer message about food provenance and traceability in the supply chain. Local food marketing is looking to capitalise on consumers’ interest in reconnecting with their food and its production origins. The number of recent food scares in the UK has renewed buyers interest in what they are eating, and these concerns have helped to create a multiplier effect benefiting local production and retail economy.

This opportunity available to small businesses for potential growth and performance is tempered by micro and macro factors within their business environment. Onerous and costly government and industry regulations sometimes discriminate against small business, in particular the rising costs of implementing EU and national food policy. Such legislative barriers are a constant threat to the development of small and medium sized enterprises (SMEs).

The objective of this paper is to understand local food marketing as an opportunity for small agri-food businesses and to examine the challenges they face in exploiting this market. A review of literature assesses the background, definitions and implications for the term “local food”. The review also investigates the factors which impact on business performance. The term “agri-food business” is wide ranging, so to avoid confusion this study limits its meaning to the farm-based food and drinks output industry, i.e. production and retail and not the inputs sector, for example, fertiliser. The research approach is exploratory and primarily based on qualitative in-depth interviews with representatives from the industry. The majority of interviewees were based within the Lancashire county of North West England. This is followed by a small-scale postal survey to food businesses in the county. The results are then assessed with reference to the findings from published literature. Finally conclusions and recommendations are provided for small businesses in the context of local food markets.
1.1 What is “local food”?

Local food is increasingly topical in the current economic and agri-environmental climate, yet there is still no single, widely accepted definition of the term (DEFRA, 2003; Jones et al., 2004). The most generally accepted understanding is that used by farmers’ markets to identify producers who are entitled to sell there. This can be summarised as ‘food produced, processed, traded and sold within a defined geographic radius, often 30 miles’ (DEFRA, 2003). Accordingly, local food is subjective to the business and consumer and hence some realistic flexibility has to be allowed in its definition. From a consumer perspective local food is predominantly about distance. For example, the Institute of Grocery Distribution (IGD) (2005) found that “local” represents a fairly small area around where the consumer lives or purchases the product. Additionally The Campaign to Protect Rural England (CPRE) (2008) proposed a classification that products should originate and/or be processed within 30 miles of the store.

The Report of the Policy Commission (2002) on the future of farming and food in the UK recommended that DEFRA, the Food Standards Agency (FSA) and Food from Britain (FFB) need to devise an enforceable definition of ‘local’ for the full benefits of local branding to be realised. There is often confusion between what is meant by the terms regional and local, and this is not helped by supermarkets that extend the term “local” to a regional level and often fail to present a clear picture of food locality. A survey by the CPRE (not dated) found that the supermarkets are vague about what they mean by local foods, with the majority not setting a defined area or distance within which “local food” should be grown or processed.

In contrast to the prevailing consumer understanding another perspective is to define “local agri-food systems” as a territorially co-ordinated production/consumption networks (Fonte, 2006). Other terms sometimes used are “local production systems”, “local productive systems”, “agrofood local productive systems” (ALPS), “local agro-food clusters” and industrial clusters. These concepts are overlapping and add to the confusion. Given that the focus of this paper is on marketing, then small business and consumer perceptions are considered more appropriate.

Consumers attribute value on an increasing scale of importance: production, proximity of production to home, and product quality (Dawson, 2002), and these concepts have been embodied and pioneered by local food initiatives such as farmers’ markets, farm shops, food fairs and organic box schemes (CPRE, 2003; FARMA, 2008; Archer et al., 2003). Small, specialist local food producers may also depend upon the supporting network of regional and county food groups that aid promotion and marketing of produce, with the aim of sustaining local business and retaining money in the local economy (Duffy et al., 2005; Tregear et al., 2007). This diversification from mainstream agri-food retailing is hence more focussed on benefiting local producers and the local environment.

1.2 Local food marketing as a development opportunity

Concerns surrounding food scares have increased the importance of food provenance and traceability for consumer confidence. There has been a growing desire to move away from conventional food supply chains towards high quality markets based on origin, authenticity, and organoleptic properties (Morley et al., 2000; DEFRA, 2002). The opportunity to add value and profit by building on the public’s enthusiasm for locally produced food was highlighted by The Policy Commission (2002). Policy initiatives have been one response (Weatherell et al., 2003). Knight et al. (2007) argued that being able to trace production back to the individual grower is a major advantage in sourcing produce.

Locally sourced food and drink is clearly a growing category in the UK for both supermarkets and independent retailers. IGD (2010) report a doubling of interest in local food, with 15% of shoppers in 2006 saying they had purchased locally produced food during the last month, compared to 30% in 2010. Mintel (2010) similarly note that 29% of retail customers care if a food product is locally sourced. While recognising the definitional problems, Mintel (2008) estimated UK retail sales at £4.8 billion. This excludes expenditure in food service outlets serving local residents and tourists (e.g. bed and breakfasts, hotels, restaurants, pubs, tea shops, schools); an increasingly important market for small food businesses. Recent IGD (2010) and Mintel (2010) research indicates that buying locally sourced products is increasingly motivated by support for local farmers, food producers and retailers. In addition, the emergence of farm shops and other direct selling initiatives offers a great opportunity for SMEs to profit from this demand.

1.3 Challenges for local food marketing

An obvious obstacle for local food is the perceived price premium, particularly in a recession when luxury food products can be the first to be discarded by cost conscious consumers (Watkins, 2008). Several studies (Weatherell et al., 2003; IGD, 2005) have suggested that although UK consumers are interested in local foods they see them as more expensive than alternatives. Mintel (2008) found that price is regarded as the chief barrier to expansion of the market for locally sourced foods, with 20% of shoppers saying it is
too expensive. However, it was also established that 20% of consumers were sourcing local food as a way of saving money (Mintel, 2008). There appears to be some confusion around the relationship between higher prices and local food. Hence the perceptions of price, quality and value for money are issues that need to be addressed for consumer connection.

Archer et al. (2003) found that other reasons for consumers not to go to local food outlets include lack of convenience and preference for supermarkets. Together with price, IGD (2005) identified awareness, accessibility and availability as other core barriers to growth in the local market. Therefore, emphasis must be placed on the availability and accessibility of local food for future confidence and growth in the sector.

The profile of customers can be seen as a barrier. Archer et al. (2003) found that farmers’ markets shoppers were typically female, over fifty-five and retired, with the majority travelling up to ten miles and spending an average of £3-£10. Younger buyers are accustomed to all year round produce, so marketing activity is needed to emphasise the role of local and seasonal food

1.4 Retailer approaches to local food marketing

There has been a marked shift in attitudes towards local produce by the major retailers, influenced by wider public anxiety about the food system and the fact that consumers place higher trust in specialist or local shops (Padel, Foster, 2005). However, consumers’ first choice preference for purchase of local food is the mainstream supermarkets (Weatherell et al., 2003). If the market share of local foods is to increase significantly, supermarkets will have to play their part in relation to positively contributing to local economies (CPRE, not dated). It is clear that supermarkets want to be part of this resurgence, yet there are concerns that they do not have any underlying sustained commitment to a local food philosophy (Jones et al., 2004; CPRE, 2008). Also, noted by the CPRE (not dated) is the lack of agreement between the supermarkets on what constitutes local food. This is contentious because the local food sector is characterised by small businesses (DEFRA, 2003) but it is the supermarkets that attract the majority of shoppers. These have started to incorporate the local concept into their stores yet it is assumed that this is solely a reaction to current demand and their predominant interests still lie in global sourcing. Supermarket distribution systems are served from national buying (Hingley, 2005) and correspondingly retailer interpretations of the local food concept differ markedly. For example, some large multiple retailers have equated the term local to mean the area covered by a regional distribution centre (RDC), which could be over 100 miles; whereas food and drink featured in the Waitrose Locally Produced range is only available in branches within a thirty mile radius of production (Mintel, 2003). Further, Sodano and Hingley (2009) suggest that the centralised large retailer buying structure does not sit so easily in managing networks of smaller, niche or specialist suppliers; which are more likely to be de-centralised and do not produce the scale efficiencies of large supplier partnerships for such retailers.

In the last quarter of the twentieth century, localism and community based business became unfashionable and suffered in the age of national buying policies and centralised efficiencies (Sodano, Hingley, 2009). Thus in the modern food industry climate, the local food and drink sector is still a fledgling industry which needs support. Ilbery et al. (2006), believe that now the local food sector can offer a significant alternative to the dominant conventional food supply chain built around national sourcing (Jones et al., 2004; Watkins, 2008).

2 Factors affecting the growth, development and success of SMEs

Competitiveness embraces notions of innovation, dynamism, efficiency and the winning of greater market share (Bridge et al., 2003) and effective performance will help SMEs emerge as successful within an increasingly competitive environment. The terms growth, success and performance are often very closely linked in a small business, with success generally being a very subjective concept (Reijonen and Komppula, 2007). Growth can be evaluated in numerous ways, for example, in terms of employment, turnover or profit (DTZ Pieda Consulting, 1999). These factors are all related to an increase in size or an improvement in quality as a result of a process of development (Penrose, 1995; Bridge et al., 2003). Further, Straete (2008) adds that small firms must view business development as gradual and incremental, and this process of evolution is thus driven by continual innovation.

The unique synthesis of internal and external factors impacting upon business aids development and growth. Ultimate success depends upon the strategic awareness of these factors (Beaver and Prince, 2004). The Policy Commission (2002) found that most local food businesses consistently identified finance as the highest priority sector development issue, with additional barriers comprising market development, distribution, administration and regulations, which all need to be overcome to remain competitive in the
industry. The Policy Commission (2002) identify the lack of accessibility for some customers to local food networks. Therefore, for small local food SMEs, increased product awareness and encouragement of trial will help penetration into local markets. The success of the local food concept will increase with ease of accessibility and accomplishment in this area against a backdrop of external economic forces. Internal management and organisational characteristics will ensure continuing profitability, survival and growth (Keeble et al., 1992). However, if the sometimes insular view of local and regional food is allowed to persist it risks hampering further growth (IGD, 2005).

3 Methodology

Primary research for this study explores the factors affecting the growth, development and relative success of small agri-food businesses. The approach is both interconnected and purposive, with qualitative interviews leading to the formulation of small-scale clarifying questionnaire phase.

The investigation focused on ‘Made in Lancashire’; a regional food organisation located in North-West England. It was chosen as a typical UK local food marketing group. At the time of the study, in the early part of 2009, there were 108 SME members, including 80 specialist food and drink producers. Products include such foodstuffs as sausages, black puddings, cheese, ice cream, fudge, chocolate, roasted coffee, organic vegetables, free range eggs, pies, puddings, cakes, jams and chutneys. Some of the producers supply specialist retailer outlets directly, without intermediary distribution or wholesaling. Others supply to national supermarkets and local chain retailers. Lancashire, like its neighbour Yorkshire, has a strong cultural heritage and nationally known food products, such as ‘Lancashire hotpot’. With Made in Cheshire to the south and Made in Cumbria to the north it falls within the Food Northwest regional grouping, which obtains funding from the Northwest Regional Development Agency. The old county is roughly 60 miles by 40 miles, so notionally a 30 mile radius from the centre applies. Figure 1 illustrates the supply network and business environment.

Interviews were semi-structured using standard pro-forma questions. Six interviews (including two industry experts) lasting thirty minutes each were conducted face-to-face between December 2008 and February 2009. An outline of the questions was sent before the interview took place to allow familiarisation with the content. The interviews were recorded and full transcripts made.
Secondly 108 questionnaires were posted in March 2009, as part of a monthly newsletter distribution to the Made in Lancashire’s member database, including all 80 producer members. A covering letter was included that guaranteed anonymity, together with a pre-paid return envelope. The questionnaire was restricted to two pages in the hope that this would encourage returns. Disappointingly only 31 forms were returned; a response rate of 29%. Unfortunately, reminders were not an option as a condition of using the database was that no businesses could be identified. A diverse range of agri-food business types were canvassed, however, more responses were obtained from meat, fresh produce and dairy producer businesses, whereas some covered a range of business areas, such as farm shops. Respondents were questioned concerning their views on market development for local foods and on the support structures and organisations surrounding their network. The respondents varied considerably in terms of years in business and turnover; 29% of the businesses were between 0-5 years old and had a turnover of £0-£99,999 and 13% had a turnover of £100,000-£249,999. A few businesses had a turnover of £1 million or more. These tended to older and out of the establishment phase of 0-5 years. However, of the 12.8% of businesses that had been established for 21-50 years, half of them were still only turning over less than £250,000. This suggests that these could be ‘lifestyle businesses’ and the owners are not solely motivated by profit.

4 Study findings

4.1 Findings on the definition of “local food” and its use in marketing strategy?

The interview and questionnaire results both confirmed previous findings about the lack of a single clear industry-wide definition of the ‘local’ food. The interview respondents were in general agreement that local food was encompassed within the realms of a county boundary, with origins, local practices and community being integral to its perception.

“Local is about the community that surrounds that product, regional is about the place where it came from” (Interview Six)

Interviewees identified local supply as being ‘less than 30 miles’ from source. The majority of SME survey respondents (74%) agreed that ‘local food is primarily concerned with distance’ and 58% supported the opinion that local food is produced within 30 miles of purchase.

Interestingly several interviewees mentioned that the Lancashire regional retail chain EH Booths was committed to quality, provenance and local sourcing. They operate within 30 miles and occupy the middle ground between farm shops and national/international supermarkets.

The concepts of freshness and origin of food were important to localness. This suggests that businesses do recognise that consumers need to feel a connection with the food they eat; therefore the main task is conveying this through marketing strategies.

4.2 Local food marketing

Interviewees saw initial market research as essential for differentiation from competitors, since this allowed future development and growth without unnecessary risk on product positioning. Most of the interviewees agreed that supporting the local economy held credence with the consumer and was a source for competitive advantage that they used in their marketing strategy.

“We promote ‘eat, think and buy local’ so that is our ethos” (Interview Four)

Over 90% of the survey respondents agreed that targeting the ‘right’ market improved product performance. 65% identified freshness as the most essential attribute in local product positioning, closely followed by origin, locality and provenance. The findings here support prior consumer research, for example, a survey in the North West of England (Weatherell et al., 2003) which showed that consumers placed most importance on intrinsic food qualities such as quality and freshness, with price only of moderate importance. Similarly IGD research (2006) identified freshness as the most popular reason for buying local produce.

This suggests that businesses do recognise that consumers need to feel a connection with the food they eat through closer contact with the producer; therefore the main task is conveying this through marketing strategies. This study’s view that marketing is a critical issue concurs with earlier IGD research (2006) suggesting that access and awareness to local food outlets needs to be addressed to further improve local food availability.
Respondents felt the term ‘local’ has been desensitised by Supermarket approaches to the local concept.

“I think the major retailers are getting more and more interested in exploiting the niche that can make them more money by being local” (Interview One)

However, it was acknowledged that they were simply reacting to customer demand and profiting from renewed consumer interest and discernment; a strategy that SMEs in the industry should also be adopting.

Business type and product has to be considered since different attributes assume differing importance roles in marketing strategies, for example, freshness and seasonality will be less important for beverages than for fresh produce. Thus maintaining a product’s credibility and reputation is essential to keep consumer demand

4.3  Competition

Competition was widely viewed as positive in that it promotes and drives active business development. Being able to constantly react and adapt to changing consumer demands was seen as fundamental to success.

“I have no fear of competition... competition is very healthy” (Interview Two)

Most interviewees stated that the main source of competition was from the major retailers, as these use global sourcing and low prices to their advantage. However direct selling helps to convey a closer relationship with the consumer and through this concept there was a perception that SMEs possess an inherent advantage in their smaller scale.

“Our biggest competition is convincing our customers we’re the right place to come for food” (Interview Six)

4.4  National food policy

Respondents claimed that the cheap food policy present in the UK was an indication of the Government’s neglect of the industry, leading to a greater amount of imports and with it issues of food safety and security.

“I’m not aware that we have a documented food policy...the Government has abdicated food policy essentially to the supermarkets” (Interview Five)

A general consensus was that the food industry is now controlled by the major retailers, yet food SMEs can still maintain profitability as a result of recent consumer interest in reconnecting with food. The challenge therefore is to influence consumer behaviour through marketing and re-education.

“There is a massive lack of communication with the consumer, [and] that is half the problem” (Interview Three)

4.5  The impact of the economic climate on local food

All respondents felt that pessimism in the agri-food industry would not materialise and consumers are more likely to switch between brands rather than reject a sector, such as local food completely. Interviewees indicated that impact on their businesses had not been altogether negative; consumers’ reappraisal of their food repertoires had resulted in businesses experiencing a downturn, but then gains had been made through acquisition of competitors’ business.

“Actually we’re quite enjoying this sort of food reconnection” (Interview Six)

It was noted that demographic factors determine that the lower end of the socio-economic spectrum will see no change as they will continue to eat cheaply, yet price is still a major influence on food purchase. The underlying message is to emphasise value for money and businesses should aim to promote this directly to consumers.

4.6  Barriers to growth and success

Interviewees mentioned barriers facing new entrants to be price and finance. Customers are increasingly price and value conscious which makes it harder for SMEs when competing against the economies of scale realised by larger retailers. Yet conversely it was also proposed that these issues should not always be restrictive as such barriers may also an opportunity to enhance business development to a subjective level of performance.

“Price... you need to find an edge to be able to compete” (Interview Three)
Survey respondents were less conclusive on what constituted barriers to business growth and performance. Regulations were mentioned as a barrier and this is supported in that small business rates and bureaucratic hurdles were seen as a problem. Price, access to finance and insufficient business knowledge were also cited as issues. However, none of these businesses responded that finance was a particularly major barrier to business performance. The more detailed interview results, by contrast do consistently identify access to finance as a barrier. Questionnaire respondents were more likely to cite lack of industry organisation support and restrictive regulations. There are those who believe that UK Government has virtually devolved enforcement of quality and safety to major retailers as they are ‘gatekeepers’ of consumer satisfaction and protection. However, for SMEs the burden of legislation in the food market is onerous and could be seen as excessive given the smaller size, scope and turnover of their businesses.

Results show that remaining small and manageable enables SMEs to occupy a position in the market which is both profitable and exclusive. However, it is worth considering this in the context of prior literature. Even though competition was quoted as healthy for business and not a negative aspect, Towers and Burnes (2008) warn that when SMEs attempt to preserve their basic characteristics and develop their competitive abilities at the same time within collaborative chains, it may lead to contradictions.

Survey respondents did not specifically cite any one particular issue as being a major barrier, but said the recent economic climate had impacted on competitive pricing. This is to be expected, but indicates that whilst normally these aspects do not hinder performance, in a poor economic environment they present barriers to business growth. It also may give consumers an opportunity to revert to type in giving price as an obstacle to purchasing local food.

Accessibility and awareness of local food is a particular barrier when analysed on a socio-demographic and economic scale. Prior research suggests that the lower end will continue to eat cheaply regardless. The CPRE (2002) recommended that if supply of local foods in shops and restaurants is increased, more people will have the opportunity to purchase them. A survey by Weatherell et al. (2003) in the North West of England showed that consumers placed most importance on intrinsic food qualities such as high quality and freshness, with price only of moderate importance. This would appear to support the findings here, in that price and socio-economic status still control consumer behaviour to a certain extent, but it is not an utmost barrier and consumers will engage in brand-switching to achieve the desired product.

Business type and product has to be considered since different attributes assume differing importance roles in marketing strategies, for example, freshness and seasonality will be less important for beverages than for fresh produce. Thus maintaining a product’s credibility and reputation is essential to keep consumer demand for local products (IGD, 2006). Padel and Foster (2005) similarly suggest that the importance of motives and barriers varies between different product categories. Thus future research should focus on product segmentation.

4.7 Subjective business influences affecting business development

A common theme noted was that business success is subjectively linked to the owner and thus care must be taken with matching business objectives to realistic outcomes.

“Making that leap to a larger business can take them outside their comfort zone and that is why they stay small and lifestyle [oriented]” (Interview Five)

Previous literature has suggested that in the food sector, globalisation produces inequalities, social and environmental damages and a dramatic concentration of power (Sodano and Hingley, 2009). In this context, therefore, local food SMEs need to find a route to specialisation and differentiate from the major retailers in order to survive and thrive. However, it seems that the local food sector is in a prime position to take advantage of a new era of consumer reconnection with food. Promoting greater awareness of the local food concept through ease of availability will then surely be rewarded with increased performance.

5 Conclusions

One issue that is abundantly clear from this study is that there is still no single definition of the term “local food”, which is hampering the development of the local concept and its translation to consumers. It is apparent that in the modern business climate there is an imbalance of opportunity which favours the larger retailers; however SMEs should not view economies of scale as a disadvantage but instead as a chance to create a profitable differential. Increased government and industry sector support (through for example, regional aid and small business emphasis) would also enable SMEs to benefit from enhanced performance. However, in the current era of economic belt-tightening this is less likely to happen.
It has been established that small businesses are subjective to the outlook of the owner/entrepreneur, and thus within the food industry competitive environment it may be that smaller and micro-location specific products hold more credence with the consumer as a form of local food than that which is offered in supermarkets, for whom ‘local’ may mean a product of a wider regional or national origin. Additionally there are further potential benefits to be made from developing an image of ‘community centredness’ and local businesses at the heart of food networks.

Business success will be attained through the use of attributes which are balanced against the strategic capability of the business. Sustainable business models need to be built around the needs of the individual business, which in turn will allow flexibility and opportunistic response up to their capability threshold; and this will also be aided by identification of the right market for correct product positioning. Finally it can be concluded that the local food sector is still relatively small within the industry and if targeted changes were to be implemented in price, accessibility and awareness, consumer interest should be followed by increased spend.

6 Recommendations

There needs to be one recognised definition of the term “local food” for both businesses and consumers alike.

Local and regional product marketing should be emphasised more strongly in the current economic climate by producers, and consumers should also be reminded of the community benefits of spending within the local economy.

Businesses should create strategic plans that reflect their objectives, whether it be run by an entrepreneur or exist as a lifestyle business.

A clear and coherent national food policy needs to be implemented by government to place more emphasis on locally grown foods and to provide support for the local sector and SMEs.

Further investigation should be made into a consumer study into attitudes towards local food and a local ethos.

References


