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Local Food Marketing:
Factors for Growth of Small Agri-food Businesses in the UK

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Abstract

This study aims to understand local food and explore the barriers to development for small innovative food businesses. Research was conducted through depth interviews and a survey in North-West England. Results indicate that small business success can be subjective and performance dependent on business aims. Identified were issues concerning access to finance, burden of regulations and the need for support from industry networks and government. Lack of an official and recognised definition of the term “local food” had implications for marketing strategy. Small businesses recognise that customers are increasingly concerned with food provenance and traceability, but that they and their representative associations need to do more to make these links.

Keywords: *Local, food, small-business, growth, 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 consumer interest in reconnecting with their food and its production origins. The number of recent food scares in the UK has renewed consumer interest in what they are eating, and these concerns have helped to create a multiplier effect benefiting the local production and retail economy. However, accessibility for certain demographic segments to local food is a contentious issue against a background of market dominance by major retailers whose predominant business ethos and business model is not centred on local and regional food.

There is a wealth of opportunity available to small businesses for potential growth and performance, but this is tempered by micro and macro factors within their industry environment. Sometimes onerous and costly government and industry regulations have discriminated 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).

A review of literature will assess the background, definitions and implications for the term “local food”, in addition to examining how food as an industry stands up in a business context. The review will also investigate the factors which impact on business performance, and how these are viewed from a range of perspectives. The term “agri-food business” is wide ranging across the industry, 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 e.g. fertiliser. The research approach is through qualitative in-depth interviews with representatives from the industry, with the majority of interviewees being based within the Lancashire county of North West England. This is followed by a postal survey to small-scale food businesses in the county. The results are then assessed with reference to the findings from published literature. Finally conclusions will be drawn and recommendations made for small businesses in the context of local food markets.

1.1 Is there a clear definition of the term "local food"?

Local food is increasingly topical in the current economic and agri-environmental climate, yet there is still no single, widely accepted 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. Local food is predominantly about distance; Institute of Grocery Distribution (IGD) (2005) research found that it represents a fairly small area around where the consumer lives or purchases the product, and additionally The Campaign to Protect Rural England (CPRE) (2008) propose a classification that products should originate and/or be processed within 30 miles of the store.

Within the Report of the Policy Commission (2002) on the future of farming and food in the UK, it is 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.

Fonte (2006) defines local agri-food systems as a territorially co-ordinated production/ consumption network. 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. The Policy Commission (2002) state that there is a great opportunity to add value and profit by building on the public's enthusiasm for locally produced food, and this is supported by Weatherell *et al.* (2003) who cite further policy initiatives that place emphasis on this.

1.2 Barriers to establishment and purchase of local food

Simms (2007) believes that the term "local" means 'real, authentic and connected' and thus marketing food on the basis of origin allows consumer ethnocentrism to be of an impact on purchase (Morley *et al.*, 2000). IGD (2006) found that support for the local producer accounts for 44% of purchase intention, with freshness being the most popular reason for buying local produce. IGD consumer research (2005) revealed price, awareness, accessibility and availability as the four core barriers to growth in the local market. For example, in their survey a high proportion of consumer respondents believed local food was 'too expensive' and/or 'more expensive than the alternatives'. Hence the perceptions of price, quality and value for money are issues that need to be addressed for consumer connection. Weatherell *et al.* (2003) suggest that the majority of UK consumers are interested in local foods, but it is a much smaller proportion who buy them. Research indicated that almost 25% of respondents were unwilling to pay more for local foods. Archer *et al.* (2003) add that other reasons for consumers not to shop at local food outlets include a lack of convenience and a preference for supermarkets.

Age and purchaser demographics are an additional consideration. Archer *et al.* (2003) found that the profile of consumers at farmers' markets mainly was female, over fifty-five and retired, with the majority travelling up to ten miles and spending an average of £3-£10. Therefore, consumer profile is an area which warrants attention for greater market penetration. Mintel (2003) shows that younger consumers are now accustomed to buying their produce all year round so marketing activity is needed to emphasise the role of buying local and/or British and the concept of seasonality in the context of 52 week availability.

Jones *et al.* (2004) contend that with increasing internationalisation of food supply and eating habits within the UK, there is potential to incorporate sustainability into modern food practices and the supply chain, encapsulated by local food. Knight *et al.* (2007) agree and propose that being able to trace production back to the individual grower is seen as a major advantage in sourcing produce, and since recent concerns surrounding food scares; this is increasingly important for consumer confidence. Yet as a result of this, Henchion and McIntyre (2005) and Rimmington *et al.* (2006) suggest that small scale producers could be disadvantaged due to diseconomies of scale, and hence with it their competitive position.

In contrast, Morley *et al.* (2000) suggest a growing desire to move away from conventional food supply chains towards high quality markets based on provenance, authenticity, and organoleptic properties. Baker (2006) adds further that local foods have often put places on the map and brought significant economic benefits to their localities. DEFRA (2002) believe that consumers increasingly want to know more about the provenance of the food they buy and its impact upon producers, thus buying local is often thought of as a core tenet of ethical shopping (Clark, 2004). According to Archer *et al.* (2003), consumers' perception of farmers' markets is that they sell fresh, high quality, tasty, local produce, but that the food would not necessarily be cheaper.

1.3 Current trends within the industry

In the UK, locally sourced food and drink represents a buoyant, steadily growing category which Mintel research (2008) valued at £4.8 billion in 2008. This has been driven by greater consumer interest in provenance, ethical issues and food miles, and this figure is expected to increase year on year, with current predictions for 2013 at £6.5 billion (Mintel, 2008). The wider UK grocery retail market is predicted to be worth £170 billion by 2013 (IGD, 2008) and the proportion taken by local food is expected to rise in line with sector growth.

Seyfang (2007) maintains that the shift in attitudes towards high quality and authentic localised food challenges the global farming concept embodied in conventional food consumption. In the UK there has been an ongoing decline of independent retailers, resulting in industry domination by the major multiples and a demise of many local sourcing outlets. However, the emergence of farm shops and other direct selling initiatives, offers a prime opportunity to establish new attitudes to local retailing (Mintel, 2003). Supermarkets and leading brands can exercise market power due to their high market share (Sodano and Hingley, 2009), but with 70% of British consumers wanting to buy local food and 49% wanting to buy more (IGD, 2005) there is a great opportunity for SMEs to profit from this demand.

Dale (2007) asserts that there is an increasing demand for niche, added-value products. In contrast Watkins (2008) predicted that luxury food products could be the first to be discarded by cost conscious consumers. However, IGD research (2008) identifies a middle-ground of ongoing high demand for locally sourced products, but with price and value becoming more relevant issues for consumers, as exemplified by hard discounters such as Aldi and Lidl displaying impressive growth in the UK.

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 would be sourcing local food as an alternative way of saving money (Mintel, 2008). It thus appears that there is confusion around the relationship between higher prices and local food, which is an area that needs to be addressed if it is to be more accessible to the public.

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 and 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 who 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), 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 and 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 Small businesses

2.1 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 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).

The term entrepreneurship is frequently used in conjunction with business formation and development (Bridge *et al.*, 2003), with entrepreneurs common in SMEs, yet Dale (2007) warns that a high proportion of entrepreneurs will experience failure within the first two years. Characteristics of the subjective operating environment have a major influence on the drive and direction of the business, and also impact on performance with regard to costs, location, scale, demand and markets. In relation to lifestyle and economic goals for the entrepreneur, Alstete (2008), for example, believes that monetary goals do exist but are maybe somewhat superficial in nature; this single objective of profit maximisation ignores the fact that multiple goals exist in the agri-business sector (Wallace and Moss, 2002) and that often the process is just as important as the outcome (Bridge *et al.*, 2003).

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 questionnaires. The sampling frame was the membership database of a regional food SME organisation, 'Made in Lancashire' **(see Figure 1.** for an illustration of the context of the network). 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. Questionnaires were posted, as part of a regular communication, to all the 108 producer members of Made in Lancashire, with anonymity guaranteed. Thirty-one were returned; a response rate of 29%. 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.

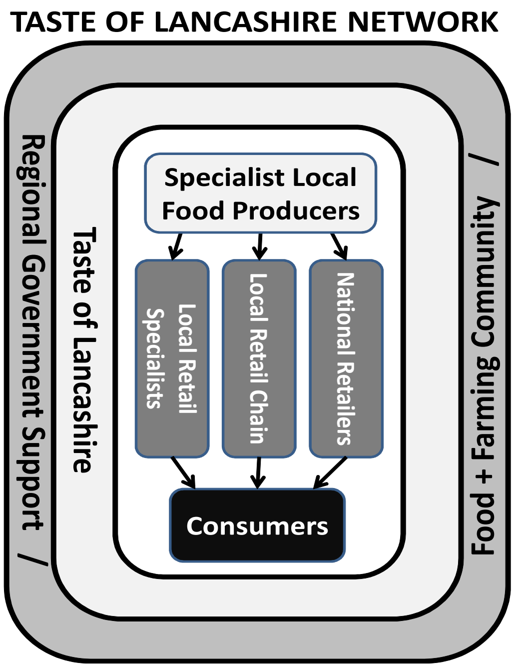

Figure 1.

4 Results and Discussion

4.1 Definition of the term "local food" and its use in marketing strategy?

There was no definitive acceptance of the term local food, but the interview respondents were in general agreement that it was encompassed within the realms of a county boundary, with local practices and origins 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)

The majority of SME survey respondents (74%) favoured the statement that 'local food is primarily concerned with distance'. This was followed by support for the opinion that local food is produced within thirty miles of purchase (58%). The interview and questionnaire results both confirmed previous findings about the lack of a single clear industry-wide definition of the term.

Interviewees identified local supply as being ‘less than 30 miles’ from source. Interestingly, the Lancashire regional retail chain EH Booths was cited by them as a retailer occupying a middle ground between farm shops and national/ international supermarkets, and its regional distribution of only thirty miles is obviously a prime factor in its appeal and could offer an advantage over larger national retailers who operate at a national buyer/RDC system that makes it difficult for them to operate at the local level; and this corresponds to the view cited above of Hingley, (2005).

The concepts of freshness and origin of food were important and over 90% of the businesses surveyed agreed that correct target marketing improved product performance. 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. This need for trust and connection through direct contact with the consumer is supported by IGD research (2009), which found that the number of shoppers buying locally produced food has almost doubled in the last three years to 27%, compared to 15% in 2006. Earlier IGD research (2006) also suggested that access and awareness to local food outlets needs to be addressed to further improve local food availability. They concur with this study’s view that marketing is a critical issue.

4.2 Local marketing

Most of the interviewees felt a local marketing strategy was beneficial to the business and a source for competitive advantage, in that supporting the local economy held credence with the consumer.

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

This corresponds to the findings in Sodano and Hingley (2009) that community centered local sourcing networks are innovative and different from the norm.

Retailer approaches to the local concept were judged to be following an ‘egotistical’ outlook and respondents felt that in a commercial sense, the term ‘local’ has become desensitised. However, it was acknowledged that retailers were simply reacting to customer demand and profiting from renewed consumer interest and discernment; a strategy that SMEs in the industry should also be copying.

“*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)

4.3 Advice for new entrants to the industry

Interviewees saw initial market research as essential for differentiation from competitors, since this allowed future development and growth without unnecessary risk on product positioning. 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)

4.4 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)

4.5 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)

4.6. The impact of the economic climate on the industry

All respondents felt that pessimism in the industry would not materialise and consumers are more likely to switch between brands rather than reject a sector 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.

"*We've all got to eat but we can have choices with what we eat*" (Interview One)

4.7 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 interview results consistently identify access to finance as a barrier, whilst 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 and access to finance. 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 gives consumers an opportunity to revert to type in giving price as an obstacle to purchasing local food.

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.

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.

4.8 Subjective business influences affecting business development

From this study it appears that success is reliant on subjective business objectives and not necessarily in terms of profit and performance. Yet to succeed irrespective of future business direction, it is essential to identify the right market for the product.

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.

From this study, SME businesses achieving a higher annual turnover (for example, over £1m, generally tended to be longer in existence and out of the establishment phase of 0-5 years. Yet of the businesses that had been established for 21-50 years, a small but notable amount were still only turning over less than £250,000. This indicates that these could be ‘lifestyle businesses’ and the owners are not solely motivated by monetary concepts. Larger businesses are inherently more complex to run, and by remaining manageable the smaller businesses can stay connected with the consumer, and many smaller businesses are happy to stay at this level.

4.9 Product marketing

Survey respondents emphasised the importance of targeting the ‘right’ market when trying to attract the consumer to their product and were further asked to expand on the most important attributes in marketing their produce (price, convenience, freshness, seasonality provenance, origin, locality and branding). Of these, freshness was considered the most essential attribute (65%), closely followed by origin, locality and provenance, for which it can be assumed that these local businesses recognise these particular values as integral to their product positioning. The majority of responses indicate that all attributes have a degree of value and importance.

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 will also enable SMEs to benefit from enhanced performance).

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 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 more 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.

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