The increasing in value of a quality product by e-commerce: the case of study of organic extra virgin olive oil in Italy

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Abstract

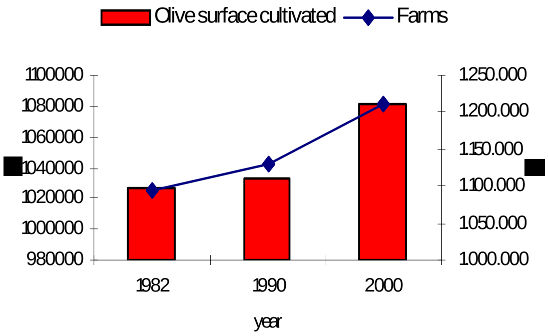
The aim of this work is to show as the Italian olive farms use e-commerce to commercialise organic olive extravirgin, highlighting weaknesses, critical states and good opportunities for the export, comparing the results with an another research carried out in 2003.

Keywords: *organic extravirgin olive oil, marketplaces, websites*

Introduction

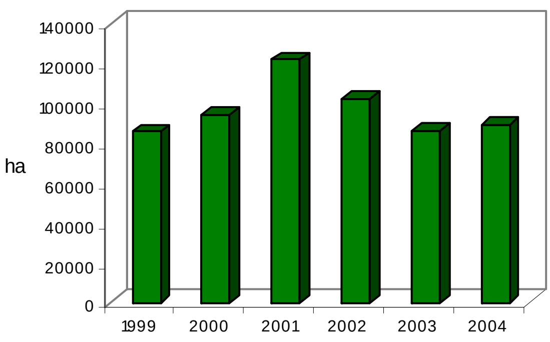
The olive cultivation has characterized Italian agricultural landscape, even if in these last years it shows a contraction of cultivated surface and of farms (Figure 1) and it is possible to observe a reorganization of cultivation methods and an increase of organic olive cultivation with a low environment impact (Figure 2).

Figure 1: surface and farms cultivated in Italy



Source : Istat, 2000

Figure 2: Organic olive surface in Italy

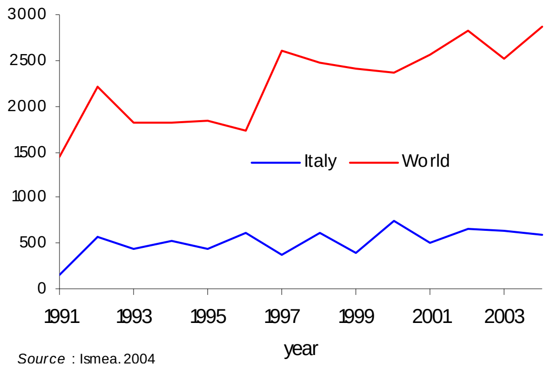


Source : www.sinab.it

In the world the Italian olive oil production is in second position, after Spanish production (Figure 3), and it contributes with 23% to overall world production of olive oil **(Unaprol, 2003)**. The sale prospects of quality certified and organic extravirgin olive oil, in particular, are very interesting, with important chances to increase the sales in European markets (Germany, Sweden, England) and in Extra-European markets (Brazil, Japan) (Figure 4-5). The e-commerce represents, for the olive farms with a limited dimensions and low-income also, an opportunity to enlarge the sales and to improve the marketing and business relationships. All the same, the necessity to control management costs had a direct effect about structure and administration of e-commerce websites; in fact, a lot of olive farms prefer to be part of "shop-window" marketplaces, losing their particularisms and their specificness, to have got, only, a website to advertise the farm, using to sell and for the commercial transactions the common distribution off-line channels as fax and telephone.

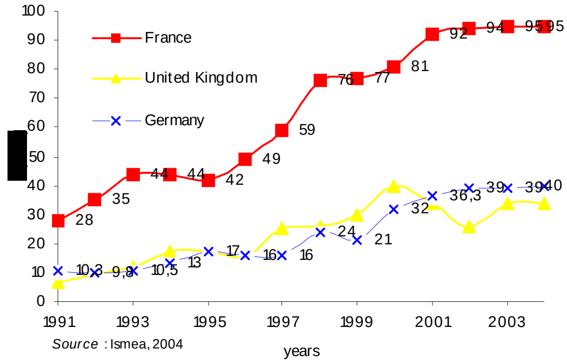
In Italy working marketplaces in primary sector had to adjust to the new commercial requirements with the consequence to reduce their number and their territorial distribution (location). In fact, confronting surveyed values during a previous research, carried out in 2003, the agricultural and agroindustrial marketplaces, oriented, in particular to international markets, are decreased of 5 units, changing from 12 to 7 on-line markets **(Gallacci, 2005)**.

Figure 3: production of olive oil (000 t)



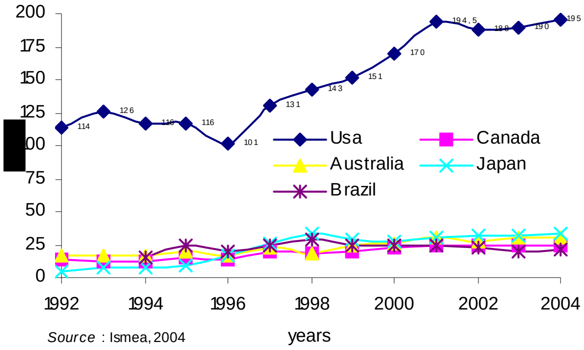
Source : Ismea. 2004

Figure 4: consuption of olive oil in EU



Source : Ismea, 2004

Figure 5: consuption olive oil in extra european markets



Source : Ismea, 2004

Materials and methods

The aim of this research is to value the potential about e-commerce, Business to Business in particular, for Italian farms, able to market organic extra virgin olive oil; in fact, in these last years there are a lot of very interesting new export oriented opportunities in some international markets. This research, besides, has carried out a temporal comparison with a previous work, conducted to highlight the evolution of e-commerce in olive farms, comparing the new results with those surveyed in the same analisys carried out in Italy in 2003 **(Galluzzo, 2005)**. This research, has weighed up, using a common search engine, the diffusion of Italian farms, able to sell organic olive oil, checking some indicators, with the specific object to highlight critical states and potentiality:

1) company incorporated site;
2) customer relationships;
3) order management;
4) customer relationships after selling.

On the basis of different abilities that each farm has to approach the customers and market, it was possible to share and catalogue 4 kinds of sites:
a) shop window e-commerce site, without interactions, used only to advertise the farm. There is not an e-mail, fax and telephone are used to sell olive oil;
b) interactive e-commerce site, that advertises the farm and to sell it uses fax and e-mail;
c) e-commerce site with high interactions. Internet is used as an instrument to diffuse the farm, her agricultural products, and there is an on line contact form, used for relationships between farm and customers during pre and after selling phase;
d)e-commerce site with high interaction and reciprocity. The farm web site is multilingual, the selling is exclusively by virtual trolley; customers are registered, assigning a code to utilize for following orders, moreover there are contact form and newsletter.

Results and discussion

The research showed as many olive farms, that use e-commerce to sell their organic olive oil, are localized in southern and central Italy, confirming territorial production vocations; in these areas, besides, there are the most elevated rise in utilization of Internet like new instrument by agricultural sector to sell and to market agroindustrial products (Figure 6). Websites with high interactions and reciprocity was pointed out in 6 different Italian regions about 20 like Tuscany, Sicily, Apulia, where there are many specialized olive farms (Map1).
This work highlighted as farmers have understood the e-commerce is an important strategic instrument to innovate the farms and to place organic olive oil from a niche area to a global market; there are, yet, some weakness, even if in reduction in comparison with former research, like low diffusion of multilingual sites, able to expand the exchanges (Table 1-2). Compared with previous research conducted in 2003 there was a decrease of olive farms that used B2B to commercialise their products, there were an interesting improvement of web sites, used for e-commerce, that are not “shop windows” any more to publicize the farm but they became virtual shops with possibility to diversify type and form of payment (credit card, bank transfer are replacing cash on delivery). The olive farms improved their marketing strategies about customer loyality describing in website, in the addition of farm description, folk traditions, context of production and olive oil health characteristics, so that to develop territorial marketing, and to link, strategically, the organic olive oil with the territory, offering a lot of informations, that the consumer appreciate very well. The scarceness of multilingual and bilingual sites of e-commerce is a heavy weak point to enlarge business profitability (Figure 7).
In comparison with former research, carried out in 2003, there was an increase about 100% of olive farms that sell organic olive oil through well structured and efficient e-commerce sites.

Figure 6: distribution of e-commerce in Italian organic olive farms

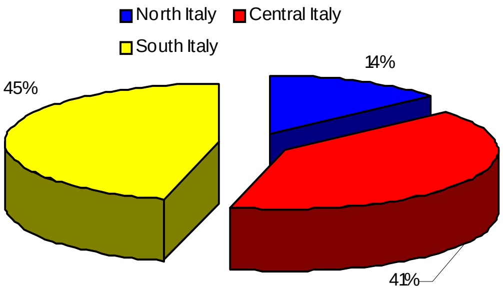


Figure 7: languages used in B2B websites that sell organic olive oil

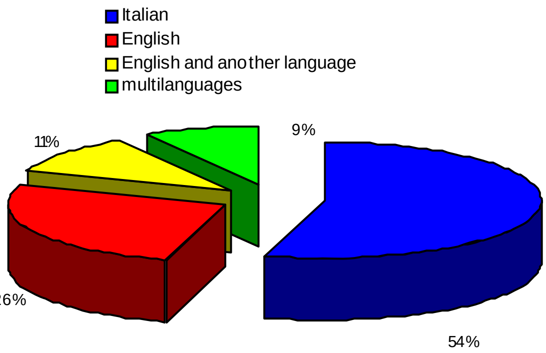


Table 1. Weakness and force points of organic olive oil farms appeared during the research

Indicator	Specific action	Observed farms	Force	Weakness
1)Farm websites				
	Incorporated site	33	X	
	Non incorporated site	4		X
2) Customer approach				
	English website	12		X
	Multilingual website	4	X	
	Farm description	35	X	
	Helt property description of olive oil	12	X	
	Territorial marketing (folks traditions)	28	X	
3) Execution of order				
	Fax / thelephone	4		X
	On line oil list	15	X	
	Trolley	18	X	
	E-mail	14		X
4)Commercial relationship pre and after selling				
	Newsletter	4	X	
	Form	15	X	
	e-mail	33		X

Table 2. Weakness and possible solutions about Italian olive oil farms that use B2B

Weakness	Solution
Purchase without Seeing it in first	To send free samples
Farm not qualified	To form a producers' association To certify the productions and the farm
Perishability and time of delivery	To use logistical operators with punctiform distribution
To know the saleges during on-line order	To prearrange the e-commerce site (not improvise the on-line trolley)

Map 1: areas where are Italian organic olive farms that have e-commerce sites with high interaction and reciprocity

Conclusions

The comparison with previous research carried out in 2003 showed as olive farmers reduced their presence by e-commerce sites, even if there was a strong decrease of shop window sites and a strong increase of high interactivity and reciprocity B2B sites (Figure 8), that, often, are managed by young farmers; they have replaced old generations in farm management, with a strong rise in commercial transactions. The main factors of contraction of e-commerce sites are: i) considerable rise in administration and layout costs; ii) insertion of some olive farms in specific telematic markets, that pool different farms of a determinate territory and/or of a particular commercial category, with the consequence to lose the business and territorial specificities, because in these sites there are a considerable variety of commercial range as organic and typical products. The selling prospects, in particular for organic olive oil, are very profitable (Table 3); they are estimated, for Italian olive farms, in 8 millions of Euro and, for next years, it is possible to suppose an increase of turnover in 15 millions of Euro, in particular international markets like America and Asia (Japan, China).

Figure 8: type of B2B w ebsites examinated in Italian organic oliv oil

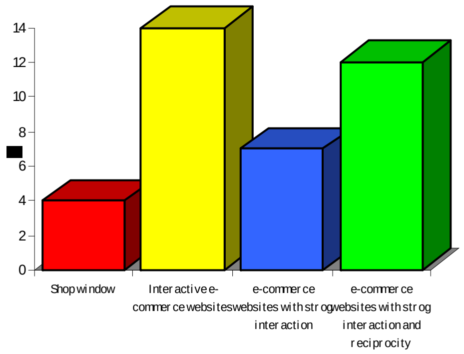


Table 3. Price of different kind of olive oil produced in Italy

year	DOP Olive oil (€/kg)	IGP Olive oil (€/kg)	Extra virgin olive oil (€/kg)
2000	6,58	5,84	2,29
2001	6,22	6,29	2,32
2002	6,11	6,57	2,7
2003	6,04	6,37	2,94
2004	6,76	7,13	2,82
2005	5,96	4,71	3,13

Source: Ismea 2004

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