

Sale Potentials of Organic Food in the Autonomous Province of Vojvodina in On-line Business Conditions

Aleksandar Grubor

University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia

Nenad Đokić

University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia

Nikola Milićević

University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia

Abstract

Organic food market is growing globally. This is due to the increasing of levels of acceptance of organic food by consumers, but also as the consequence of support of a number of countries to organic food producers. In domestic conditions, this trend is interpreted as a potential export opportunity. On the other hand, the domestic organic food market is characterized by a pronounced offer of imported products. The issue of sale of domestic production of organic food to our market is open, and the actors in the value chain are facing different challenges. Also, one of the pertinent issues for companies in today's business environment is an adequate response to the process of digitizing business. With this in mind, the subject of this paper is to explore the potential sale of organic food in the AP Vojvodina in the on-line conditions. Comparative marketing research method is being used. The results show that organic food sale through on-line channels is present, but there are numerous possibilities for further development of such sale.

Keywords

Organic food, sale, on-line business, AP Vojvodina.

Introduction

Organic food market is growing globally. According to FiBL-IFOAM study of certified organic agriculture in 160 countries worldwide (Willer & Kilcher, 2012) total revenue from the sale of organic food and drinks amounted to 59 billion US dollars in 2010, and the market tripled within a decade (in 2000, the sum amounted to 17.9 billion US dollars). Even in crisis conditions, despite the fact that the growth was somewhat slower, the sale continued to grow at significant rates, especially in North America and Europe.

The above is due to the increasing levels of acceptance of organic food by consumers, but also as the consequence of support of a number of countries to organic food producers. Actually, what is of special interest for future growth and

development of the organic food market is acceptance by consumers (Bonti-Ankomah & Yiridoe, 2006; Hughner, McDonagh, Prothero, Shultz & Stanton, 2007). Furthermore, in addition to this market-driven approach (Dimitri & Oberholtzer, 2005), i.e. the pull strategy (Sudarević & Vujošević, 2004), there is also an approach facilitated by governments (Dimitri & Oberholtzer, 2005), i.e. the push strategy (Sudarević & Vujošević, 2004), where organic agriculture is understood as provision of public asset, justifying the intervention of government on the market. In connection with this, according to the European Commission Report (Anon, 2010), organic farmers received more on the average than conventional farmers, both in absolute amount and per hectare (in EU-27 in 2007, subsidies received by the organic famers amounted to 127 euros per

hectare on the average, whereas the conventional farmers received 24 euros per hectare).

In the domestic conditions, the global growth of the organic food market is interpreted as a potential export opportunity, while on the other hand the domestic organic food market is characterized by a pronounced offer of imported products (März, Stolz, Kalentić & Stefanović, 2012). The issue of sale of domestic production of organic food on our market is open, and the actors in the value chain are facing different challenges. Sudarević, Salai and Pupovac (2011) highlight the importance of domestically oriented development strategy of organic agriculture (implying, above all, an increase in the consumption of organic food by domestic consumers) in relation to export oriented. The advantage of such an approach is reflected in lower risks that would occur in comparison with orientation to foreign market, with the illustrative example of Hungary, which has had exactly such a negative experience, as the countries which used to import Hungarian food saw the advent of cheaper organic food of the same quality level from India, China, Egypt and other countries. On the other hand, Đokić and Milićević (2016) point out that 69% of domestic consumers do not wish to increase the frequency of consumption of organic food.

In addition to all the above mentioned facts, one of the relevant issues for companies in the contemporary business environment is the adequate response to the business digitalisation process. Bearing this in mind, the subject of this paper is research into the sale potentials of organic food in AP Vojvodina in on-line conditions. The following objectives are set before the paper:

- to consider on-line distribution in the context of existence of different physical distribution channels,
- to present the state on the organic food market in domestic conditions,
- to identify obstacles to the further development of the organic food market in domestic conditions,
- to research the state of on-line sale of organic food in domestic conditions, and
- to explore the sale potentials of organic food in AP Vojvodina in on-line business conditions.

Comparative method was used within the marketing research.

1. Physical distribution channels

In the immediate consumption sector, products can be distributed from producers to consumers in various ways. They can be delivered directly, or through retail stores. Figure 1 shows basic channels, through which products are distributed to retail stores.

Producers can deliver their products to retail stores directly from production facilities or through their own warehouses (distribution centres). On the other hand, products can also be delivered to retail stores through retail and wholesale warehouses, “cash & carry” facilities, brokers, specialised logistic and transport organisations.

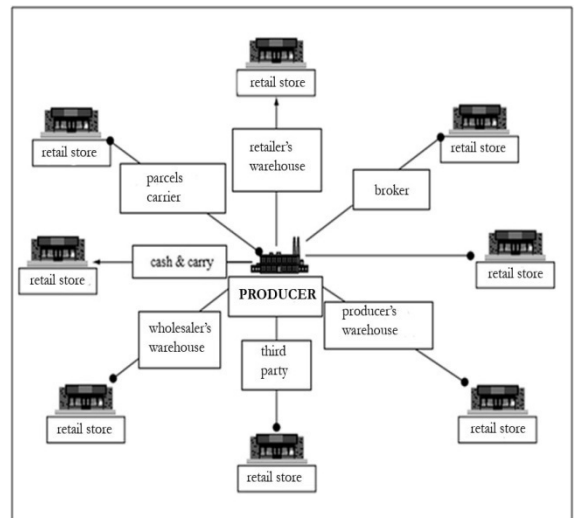


Figure 1 Distribution channels to retail stores
Source: According to Rushton, Croucher and Baker, 2014.

In addition to the above mentioned channels, Rushton, Croucher, and Baker (2014) point to the importance of alternative distribution channels, outside retail store. On B2C market, these include:

- Mail order. Goods are ordered by catalogue, and delivered to the consumer's home address by post or parcels carrier.
- Factory direct to consumer – a rare alternative, commonly used for one-off products that are specially made and do not need to be stocked in a warehouse
- On-line shopping from home – the products are ordered through the internet, while delivery is increasingly outsourced to organisations specialising in home delivery.

With the development of information technology, internet shopping is gaining increasing sig-

nificance. This form of channels offers numerous benefits to customers, in the form of a rich product range, a larger volume of information, faster performance of distribution function, easy switch from one supplier to another and lower cost of repeat purchases (Končar, 2008, p. 42). Certain benefits are also available to suppliers, through reducing administration tasks, requirement for real estate, inventory costs etc. (Končar, 2008).

2. Organic food market in Serbia and obstacles to further development

Willer and Lernoud (2014) state that in 2012, Serbia had 6,340 hectares of farming land certified for organic food production, and with the inclusion of wide collection, the area that can be considered for various forms of organic production in Serbia increases to 6,420 hectares. In the same year, Serbia had 1,073 producers, 32 manufacturers, 30 importers and 9 exporters of organic food. At the same time, the volume of organic food market in Serbia was 40 million euros, and average spending for organic food was 5.5 euros per capita.

As already pointed out, domestic organic products are considered as a potential export opportunity, but the domestic organic food market is also characterised by a pronounced offer of imported products (März et al., 2012). However, in the context of the issue of sale of domestic production of organic food on our market, in addition to the above mentioned fact that 69% of domestic consumers do not wish to increase the frequency of consumption of organic food (Đokić & Milićević, 2016), one must also bear in mind that other consumers also face certain obstacles: price (14.7%), availability (10.7%) and trust (5.0%).

The presentation of the market situation regarding organic food in Serbia can be supplemented with data from the Organic Europe website, pertaining to the presentation of state in it, provided by Jelena Milić from the Ministry of Agriculture, Forestry and Water Management (Organic Europe, 2015). In addition to growing, but still insufficient supply of domestic organic food, the limiting growth of the domestic market is also seen in the consumers' low purchasing power. Organic products are sold in specialised stores, on farmers' markets of major cities (Belgrade, Novi Sad, Subotica), and a few supermarket chains. With the exception of organic milk, there is a noticeable shortage of organic food of animal origin.

3. On-line sale of organic food in AP Vojvodina

Viewed globally, despite the advantages of alternative distribution channels, the organic food market is still dominated by traditional distribution forms. The prominent role of the leading retailers in this sector is especially manifest in Great Britain (Morgan & Murdoch, 2000). Organic products first appeared in the product range of the largest retail chains (Sainsbury's, Asda and Tesco) in 1980s, with their number increasing from year to year. Sainsbury's, where the sale of organic food accounts for 1% of total sales, has more than 180 different lines of organic products (Morgan & Murdoch, 2000).

As regards the situation in domestic conditions, typing the key words "grocery shopping on-line" into the web browser, three retailers will be identified at the top of the first page: Maxi, Idea and Univerexport. A summarised overview is given in Table 1,

Table 1 Organic food available on-line from retailers

Retailer (by order of sites offered by the web browser)	Web site	Number of organic products on April 8, 2017	Delivery terms	Territorial coverage in AP Vojvodina
Maxi	https://shop.maxi.rs/	31	Delivery times on weekdays are: - 10 a.m. – 2 p.m. (for orders latest by 4 p.m. of the previous day, with the exception of time for Mondays, when the order must be placed latest by 4 p.m. the previous Friday; - 3-7 p.m. for orders placed latest by 11 a.m. the same day; Saturday delivery times: - 10 a.m. – 2 p.m. for orders placed latest by 4 p.m. the previous day - 3-7 p.m. for orders placed latest by 11 a.m. the same day	no

Idea	http://online.idea.rs/#/home	88	Every weekday from 9 a.m. till 9 p.m. and Saturdays and Sundays from 9 a.m. till 3 p.m.	Futog, Novi Sad, Petrovaradin, Rumenka, Sremska Kamenica, Veternik
Univerexport	http://elakolije.univerexport.rs/online.php?get_p1=prijava	47	Private persons: mornings: 10 a.m. till 2 p.m. afternoons: 4 p.m. till 8 p.m. Sundays (except Vršac): 9 a.m. till 1 p.m.	Novi Sad, Čenej, Sremska Kamenica, Petrovaradin, Bukovac, Sremski Karlovci, Veternik, Rumenka, Vršac

Source: listed web sources

Typing key words “organic food on-line” into the web browser will produce several specialised organic food retailers. A summarised overview of suppliers from the first page is given in Table 2.

Table 2 Organic food available online from specialised retailers

Retailer (by order of sites offered by the web browser)	Web site	Offer on April 8, 2017	Delivery	Territorial coverage in AP Vojvodina
Organic Bg delivery	http://www.organicbgdelivery.com/	three “baskets” with different number of foods changed on a weekly basis	Saturdays	Not explicitly stated, but it is obvious from the supplier's name that they only cover the territory of Belgrade
Ambrela organic	http://www.ambrelaorganic.com/index.php	three “crates” with different number of foods changed on a weekly basis	Wednesdays and Thursdays	no
Jovanjica	http://jovanjica.com/online	a wide assortment of organically produced fruit and vegetables, and a wide choice of seeds, seedlings and accompanying programmes for organic production	not stated	Most probably yes, because they provide e-mail for orders, and there are no stated limitations

Organico	http://organico.rs/	457	Free delivery on the territory of Belgrade for purchases more than 3000 dinars. Delivery on the entire territory of Serbia, sending parcels by courier.	yes
Beyond	http://www.prodavnicaazdravhrane.rs/	a wide assortment	two days after order	yes

Source: listed web sources

With a changed search criterion, only one of the retailers from Table 1 appears, not before the end of the first page of the listed web sites.

4. Recommendations and conclusions

The use of on-line distribution channels in the domestic conditions is in the initial development stages, both in terms of distribution of food in general and distribution of organic food. Only a part of leading retailers offer this method of product ordering and organises delivery. Furthermore, delivery is available mostly on the territory of the city of Belgrade, or includes the territory of the city of Novi Sad. The above mentioned solutions acquire sense in the context of size of these two cities as markets and fierce competition in these places. Organic products can be ordered within the offer of the above mentioned retailers.

Organic products are also present in the offer of suppliers specialising in this food where the difference in terms of the width of product range is even more pronounced, and where the situation with the coverage of places in AP Vojvodina is somewhat more favourable. The business models of such suppliers are noticeably different, so that in addition to selling a certain combination of organic food on a weekly basis with clearly stated origin of this food, i.e. the farm where it was pro-

duced, there are also companies with a broader spectrum of activities, offering products not only to final consumers, but also to retailers, and moreover, play the role of suppliers to producers. Generally, with certain exceptions, the visual identity of sites through which organic food can be ordered, as well as their functionality and user-friendliness, should be raised to a higher level.

As a general conclusion, it can be pointed out that research results indicated that organic food sale is also partially present in on-line channels, but also that there are numerous opportunities for improving this type of sale.

Before defining the potential widening of on-line sale of organic food, in addition to considering costs, it would be necessary to examine consumers' opinions regarding this. On the one hand, as it has already been pointed out, among consumers who would like to consume organic food more frequently, insufficient availability of this food ranges among significant reasons for inability to meet such preferences. However, on the other hand, purchasing from producers on the farmers' market or directly in specialised organic food stores also provides buyers of organic food a special experience of talking to the producer and/or salesperson, enabling a further consolidation of trust for organic food, obtaining information about the experience of other consumers, and reaching more simply the intention of purchasing new organic products.

Profiling consumers inclined to on-line purchases of organic food, measuring the attractiveness of this segment and developing the positioning and marketing mix for such consumers can be a subject for further study. In this sense, one should also include the different determinants of on-line shopping and compare the potential differences regarding the different categories of organic foods, or even different brands. Moreover, it is necessary to investigate the intentions of actors on the supply side, not only in terms of further plans, but also difficulties that they face in current business operations. **SM**

✉ Correspondence

Aleksandar Grubor

Faculty of Economics in Subotica
Segedinski put 9-11, 24000, Subotica, Serbia
E-mail: agrubor@ef.uns.ac.rs

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