The Times They Are A-Changin': Adapting to New Agricultural Paradigms through Direct Sales

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Paper from EMAC Regional Conference, Lisbon, Portugal, September 25-27, 2024

EMAC
EUROPEAN MARKETING ACADEMY

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This study focuses on the impact of e-commerce on regional small-scale producers, exploring the transition from traditional to digital direct marketing. Utilizing a mixed-methods approach, the research combines semi-structured interviews with 15 Austrian producers and an upcoming quantitative survey. Focus on identifying the key drivers, opportunities, and challenges in digital transformation, particularly how it facilitates direct consumer-producer connections, eliminates costly intermediaries, and potentially increases the viability of small farms. Early findings suggest that digital direct selling enhances market access for producers and offers consumers greater transparency and choice, promoting more sustainable consumption patterns. This shift highlights the need for producers to professionalize areas like marketing and digitalization to compete in this marketplace.

Keywords: direct selling, small-scale producers, e-commerce

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1. Introduction

The current global conventional food production system is predominantly focused on mass production and excessive consumption. Such an approach excessively depletes natural resources, leading to significant environmental, economic, health, and animal welfare concerns (Berger et al., 2020; Gerber et al., 2013; OECD-FAO, 2021). Typically, conventional food products are transported over long distances from production to consumption sites. This creates extended value chains that involve numerous processing and marketing stages, often spanning multiple countries (Ermann et al., 2017). While globalization offers some benefits, it also presents substantial drawbacks for both producers and consumers. Notably, it contributes to the decline of farming businesses in Europe (Ermann et al., 2017), the erosion of regional specialties and craftsmanship, the weakening of local economies, and a reduction in biodiversity. Addressing climate change and ensuring a sustainable, enriching environment for future generations requires not only changes in behavior but also a profound, sustainable transformation of existing production and distribution models (Berger et al., 2020; Blackford, 2021; Porter et al., 2019).

A promising approach towards this transformation is direct selling, which uses digital technologies like e-commerce to revitalize the concept of Fair Trade. This method caters to a growing demand for transparency and shorter supply chains, facilitating direct links between consumers and producers and reducing the need for costly intermediaries. This ongoing research project investigates how digital distribution and e-commerce can broaden sales channels for local small-scale producers, identifying key drivers, opportunities, and challenges in the digital transformation of direct selling from the producers' perspective.

2. Theoretical Background

2.1. Consumer centric perspective

Acknowledging the relevance of consumers from both a scientific and practical perspective, extant research focused on consumer motives for sustainable food consumption practices ((Finney, 2014; Phipps et al., 2013). Research suggests that consumers play a critical role and are becoming increasingly attentive to social and ethical considerations concerning their consumption (Müller et al., 2016). Public awareness of the adverse effects of mass consumption has heightened, prompting consumers to reassess the environmental impact of structural practices and the damage caused by consuming specific goods (Antolin-Lopez & Montiel, 2018). The number of consumers being more willing to consume environmentally friendly, regional or sustainable products has substantially grown over the last years (Antolin-Lopez & Montiel, 2018; Black & Cherrier, 2010; Chatzidakis & Lee, 2013). However, improvements in consumer attitudes toward more sustainable food practices and their desire for sustainability in general, are often not enough to draw behavioral consequences (Padel & Foster, 2005; Vermeir & Verbeke, 2006). While consumers may be inclined to adopt sustainable food practices, such as consuming regional foods, various factors such as routines and habits could prevent them from doing so (Eckhardt et al., 2010; Lazell, 2016; Moloney & Strengers, 2014) and alter their everyday consumption practices. Munro et al. (2023) argue that even motivated consumers who are oriented towards sustainability face difficulties in implementing behaviors, such as purchasing regional products. Barriers include trust in supermarkets, product placement, pricing, and accessibility. These aspects cannot independently be influenced by consumers, as they are affected by the macro-environment. Given that, barriers to purchasing regional and sustainable food products can be identified in the traditional grocery retail sector, particularly in the interaction between producers and food retail chains. Benner and Kliebisch (2004) mention barriers in listing sustainable regional products. On the agriculture side, a lack of marketing knowledge is one reason, while on the trade side, the fluctuating quality of products is highlighted as a problem. Additionally, insufficient delivery quantities from producers also pose a hurdle (Benner & Kliebisch, 2004). Furthermore Ermann (2005) points out the restrictive standards imposed on farmers by the agro-industry.

As a result, just a few regional small producers are listed in food retail chains. While previous research has focused heavily on individual characteristics, attitudes, and purchase behaviors aimed at enhancing sustainable food consumption, structural conditions for consumers are still less researched. This oversight is particularly surprising given that consumers often do not have the opportunity to consume convincingly sustainable products due to the strong oligopoly positions of food wholesalers. This project emphasizes the need to view sustainable food purchase behavior as a dynamic and complex interplay among various stakeholders, suggesting a shift in focus from individual consumers to the broader market conditions that influence consumer choices (Munro et al., 2023).

2.2. Producer centric perspective & direct selling 2.0

Worldwide, large retail chains directly determine the production logics of food, margins, re-selling prices and indirectly what consumers may purchase. For example: In Austria, this middleman structure is particularly acute. 4 food chains own 93% of food retailing market share. This dominating middleman structure increases dependence of producers and consolidates price control by large food retail chains, indirectly affecting agriculture, production methods, culture and the environment. Thus, monocultures are preferred to biodiverse cultivation methods due to cost efficiency and small-sized farms are increasingly confronted with existential problems. However, not least due to the Covid-pandemic, there has been a new development in the food market: the rise of direct selling 2.0. Small-regional producers, who, supported by new technological possibilities (e-commerce, digitalization), can no longer sell their produced food exclusively via food-wholesalers or in a very regionally restricted way. This rise of small-scale producers into new sales-spheres offers the opportunity (a) for consumers to consume differently and boycott unsustainable practices, (b) for producers to operate more autonomously from the constraints of large food-wholesalers, while offering a more diverse and sustainable variety of food products to the consumers and (c) have the *"potential to be leaner and cleaner, mitigating or eliminating the […] problems associated with mass production."* (Kohtala, 2015)

Direct marketing & selling in food production refers to direct selling of agricultural products (primary production or processing) from farmers to customers without involving intermediaries (e.g. food retailers) in the transaction process. In the case of Austria 83% of Austrian farmers see considerable potential in direct selling (Keyquest, 2021). These practices are not new, but especially since the Covid-pandemic, the importance of direct marketing (via e-commerce) has increased (not only) among Austrian farmers (Keyquest, 2021; Kohtala, 2015). The number of food producers who are selling their products directly is continuously increasing. 28% of regional farmers in Austria rely on direct selling as an (additional) way of offering their products (Keyquest, 2021). For 17%, this direct distribution channel has a very high income-relevant significance. Especially for small and medium-sized farmers, it is an essential source of income (Payrhuber & Prodinger, 2022) and independence. Farm stores, self-service offers and farmers' markets are considered as classic forms of farm direct sales (Payrhuber & Prodinger, 2022). During the Covid-pandemic, individual small-scale e-commerce solutions became an increasingly common extension of this traditional sales channel. In addition to the regional expansion and thus also the enlargement of the potential target group, the low monetary investment costs and the elimination of costly distribution infrastructures represent advantages of the digitized farm-gate sale (Umweltbundesamt und BM für Umwelt, 2004). The elimination of food middlemen structures results in higher added value for farmers. Furthermore, produced goods are not obligated to adhere to the standardized conventions used by food-wholesalers.

However, producers are also confronted with challenges as a result of this type of distribution, which make it necessary to expand their competencies. For example, due to the discontinuation of operational activities taken over by food retailers, producers face an increased need for professionalization, e.g. in the areas of marketing, digitalization, distribution and communication (Kirner et al., 2018; Payrhuber & Prodinger, 2022).

In a nutshell, this evolving megatrend of neo-ecology through direct selling promotes a critical examination of consumption in all areas and gains even more relevance as the range of options becomes more accessible and diverse. The increasing reflection on, for example, the origins of products encourages new consumption patterns and fosters a transformation.

This ongoing research project delves into the impacts of digital distribution and e-commerce on expanding sales channels for regional small-scale producers, examining the shift from traditional to digital direct marketing. It addresses the broader implications of the digitization trend for various stakeholders, including consumers' access to new markets, competition faced by brick-and-mortar food retailers, and the socio-political aspects of rural economic development. The study focuses on identifying the key drivers, opportunities, and challenges associated with the digital transformation of direct selling, emphasizing the effects of increased online demand, digital connectivity, data privacy, and market competition on both producers and the wider community.

3. Methods

3.1. Data collection procedure

An exploratory mixed-methods research design was used to gain a comprehensive understanding of factors influencing the digitalization of direct marketing. Study 1 comprises semi-structured interviews with Austrian producers, including both active and former users of digital sales channels. Explorative-qualitative insights got distilled into quantifiable categories using Gioia's grounded theory approach. In Study 2 (upcoming), these categories will be validated with a broader sample of regional small-scale producers through an online questionnaire.

3.2. Participants

For the qualitative, exploratory study, 15 Austrian small-scale producers and direct marketers were selected who are primarily active in the food sector. These participants represent a variety of businesses, including farms, artisan businesses and small businesses that market a wide range of products from fresh produce to processed foods.

Participants were selected based on their regional focus, with their business operations geared towards producing and selling food in specific geographical areas of Austria. This provided insights into the specific challenges and characteristics of regional food production and marketing.

Particular attention was paid to small producers and direct marketers who sell their products directly to consumers, whether through farmers' markets, farm stores, online platforms or other distribution channels. The participants cover a wide range of experiences and backgrounds in the food industry, from established family businesses to emerging start-ups. The interviews provide valuable insights into how small-scale regional producers and direct marketers operate in the food industry, the challenges they face and the opportunities available to them.

4. Results

The empirical results derived from the study and the accompanying illustration, which offers a multi-layered perspective on the marketing environment, point to a complex interaction between the macro, meso and micro environment in the field of direct marketing (see Fig. 1).

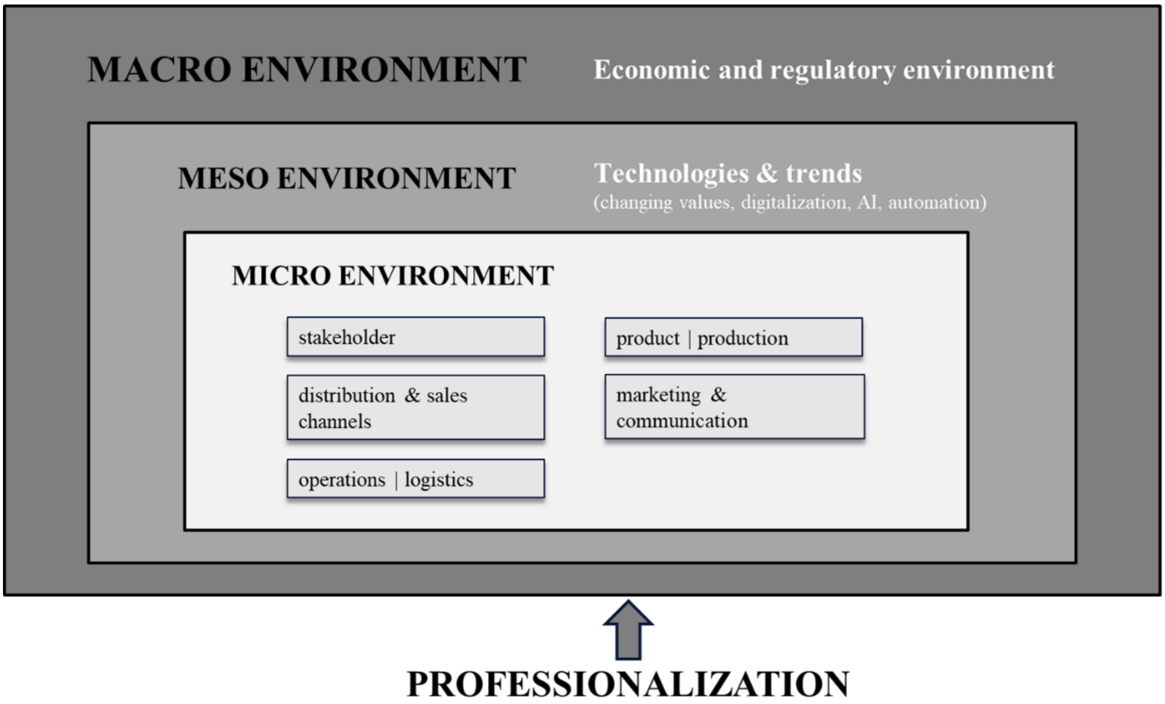

Figure 1 - Environment of direct selling

The macro environment, which is characterized by economic and regulatory factors, shapes the overarching conditions under which direct marketers operate. Within this framework, the meso environment is influenced by prevailing technologies and trends such as digitalization, AI and automation, thereby changing the dynamics between direct marketers and their market strategies. As these technological trends evolve, they require an adaptation of the marketing mix and force producers to consider innovative ways to distribute products and engage with customers.

At the micro level, direct marketers face the challenge of scaling their operations without compromising on product quality, indicating a complicated balance that must be struck for sustainable growth. The empirical data suggest that direct marketers face increased labor, resource constraints and difficulties in targeting appropriate distribution channels in their attempts to scale. In addition, the characteristics of the product itself, its complexity and need for explanation, as well as the logistical challenges of, for example, cold chain compliance or glass packaging, limit its suitability for wider online distribution channels, impacting sales potential and necessitating a reassessment of marketing and communication strategies within the microenvironment.

At the interface between logistics and legal restrictions, direct marketers face formidable obstacles. The unreliability of service providers, difficulties in identifying suitable shipping solutions for food products and bureaucratic complexity add to the operational challenges. This is compounded by policy and regulatory frameworks that often fail to take into account the specific issues faced by direct marketers, as well as a lack of transparency in product certification that can mislead consumers and damage trust.

To meet these challenges, the first results of the qualitative study underline the need for direct marketers to push ahead with their professionalization and skills development. This endeavor is crucial as they operate in an environment that increasingly requires technical know-how and skill in e-commerce and online marketing to remain competitive. The increasing investment in professional development highlights a significant shift in the marketing landscape, indicating that direct marketers need to leverage technological advancements to optimize their operations and marketing efforts. Using digital tools and platforms is proving to be a key strategy to save on human and financial resources, offering direct marketers the opportunity to expand their reach and capabilities, as illustrated in the meso and micro levels of the marketing environment.

5. Implications & Research Outlook

In summary, Study 1 illustrates the broad spectrum of the direct marketing ecosystem, taking into account both internal operational barriers and external pressures from market conditions and regulations. The identified dependencies and challenges at different levels of direct marketing require a strategic and agile approach. The synthesis of these empirical findings with the thematic insights of the visual framework suggests that leveraging technological trends, fostering professional capabilities and maintaining a customer-centric approach are critical for the resilience and growth of direct marketers in an increasingly digitalized world. A fundamental need for direct marketers is to professionalize their skills in all areas, including product development, marketing, sales and legal aspects. In the following study 2, these initial qualitative exploratory results will be validated through a quantitative online questionnaire and assessed in terms of their importance. By triangulating qualitative and quantitative results with theory this project aims to provide a holistic view of digital distribution channels, revealing drivers, potentials, and challenges. And thus, derive practical recommendations for small producers and broader socio-political levels.

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