Unraveling the complexity of the organic catering supply chain

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Abstract **– The last decade supply chains other than retail are becoming more interesting for organic sales because of significant market growth. In this out of home sector the article's focus is on catering, since that's where professionalism with respect to marketing and logistics has developed best. A model of the catering supply chain will show it's organisational complexity, which is often mentioned as the main obstacle for introducing organic food. In this paper it is shown that this is a problem indeed, yet it relates to non-organic issues. It is shown that, by decomposing the problem of introducing organic food in catering, it can be embedded in a more general context leading to opportunities in knowledge transfer and other priorities in how to upscale organic catering.**

Introduction

The out of home market is growing in many countries and has significant market share in Europe. About 24% of all meals in Europe are consumed outside the home in 2002 and this is expected to grow towards 27% in 2007 (see Figee et al., 2004). Following the consumers, companies are setting up special out of home business units and develop strategies to enter these channels (hospitals, company catering, fastfood, etc.). Last but not least research is getting involved more seriously although the number of journals on out of home is still very low.

In the slipstream of these trends organic food is entering foodservice. In very many countries organic is getting attention from government and/or environmental stakeholders enabling not only famers and producers but researchers also to get financial support. At the moment the studies very often are not coherent and start from a particular stakeholder situation whereas a lot can be done if one looks at it from a decomposed view.

Decomposition of organic catering

Twenty years ago many people went shopping for food in retail outlets and came home with regular food. Nowadays catering is incorporating organic food in it's menus. This is a combination of two steps as shown in Figure 1:

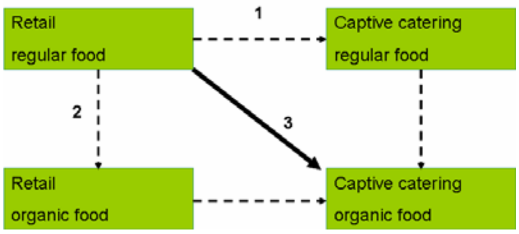

Figure 1: decomposition of organic catering

Note that research is restricted to captive catering[1]

[1] Captive catering=restaurants with limited access

On the one hand there is a shift from eating at home towards out of home. This trend became significant about a decade ago, however started with regular food. On the other hand not that many years ago organic food entered retail in a professional way. Hence it is obvious that the combination, which is organic catering, is behind in (absolute and relative) market size.

The essence of Figure 1 is that you can learn from step 1 and step 2 to take step 3.

Step 1: from retail to captive catering

To understand the differences a description of the supply chain is used. The retail supply chain is simple:

Figure 2: stakeholders in retail supply chain

Out of home channels are much more complex and have a very diverse structure. Captive catering though (schools, hospitals, elderly homes, working places, etc.) can be modelled as shown in Figure 3.

It is immediate to see that there are much more interfaces in captive catering. Also very much decentralised decision making takes place frustrating any process of change at the supply chain level.

There are more differences thwarting changes. In Table 1 they are listed:

Retail	Captive catering
- 3 stakeholders	- at least 5 stakeholders
- high IT level	- low IT level
- large scale	- small scale
- uniformity in outlets	- outlet contract and management diversity
- food is primary	- food is secondary
- prepared and consumed at home	- prepared and consumed not at home
- family shopping	- personal eating
- 15000 articles in store	- very limited assortment (space)

Table 1: main differences retail vs captive catering

The main point here is that because of these differences optimising promotions is difficult as well as centralising assortment management and introducing organic food. As such being organic is not the explanation for the difficulties met as a consequence of these differences. Even more important is understanding that e.g. improving the IT level will help to professionalise captive catering including organic catering.

STEP 2: FROM REGULAR TO ORGANIC FOOD

For many years organic products find their way through organic food shops and small scale selling targeting for the 'environmental friendly' consumer. However since retail is involved category sales boosted in many countries and other type of consumers are ready to buy organic. Retail integrates organic products and struggles with their small scale logistic process and marketing. Main issues are

regular vs. organic
organic food is (sometimes much) more expensive than it's regular equivalent
regular food has no or less *personal* added value (most arguments are environmental)
organic is hard to manage (cross-category item)
many differences in performance of organic: shelflife, product, supplier,
small scale logistic costs

Table 2: differences regular vs organic food

Obviously these issues are channel independent and therefore studies on these topics in retail can be used in captive catering methodologically. Of course the application is circumstantial and requires research, but there is no need for a blank start.

CONCLUSIONS

1. Sometimes the implementation of organic catering can be supported better by tackling a more generic problem in a catering vs retail context. Note that a generic issue might get more management support than starting up organic.
2. Along the other axis of decomposition a lot can be learned from retail in a context from regular to organic. Many studies in organic catering start from zero whereas many insight can be derived from the large amount of retail studies. This holds in particular methodologically.

Note that not all issues can be decomposed, like for instance certification, which is not an issue in retail since no value is added at the outlet.

EXAMPLES

Sales promotion with organic catering is often used as introduction strategy. If this is done in a large scale company with many catering outlets it is important to get quantitative feedback. However the IT level is not adequate and mostly decentralised (see Soethoudt,J.M. , 2004) in which case good evaluation is impossible and management support is hard to get. This not only holds on the sales level, but also on the cost level, where in an ECR[2] context a lot of research is done in retail using Activity Based Costing.

From an organisational point of view there is another example where a process of change is described with employee involvement (see Mikkelsen, B.E.,2004). This approach can certainly be applied to starting up organic catering at the outlet. Note that from Figure 3 it is immediate that this problem is most important. But it is also clear that organic is not a part of it.

A more general example is packaging. The Dutch government is shifting focus from farmer towards end consumer. Not only 'green' consumers should buy organic. Hence effort and financial support is given to trigger the so-called 'light users'. One way of doing so is to use consumer segmentation studies and adapt the marketing mix. Packaging is a part of it and at the moment design projects are carried out to create added value for this other type of consumers. In catering there are various packaged products, and producers might learn from the development in the design area (cf. Biofach 2006) to attract more consumers to organic products.

REFERENCES

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[2] Efficiënt Consumer Response