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From field to plate: Farmer-to-consumer direct marketing for organic and regional products

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Abstract:
The importance of direct marketing for high quality farm products has increased in the last few years. This paper analyses the impact of customer satisfaction and its driving forces for farmer-to-consumer direct marketing and is based on a customer survey in 30 organic and conventional on-farm stores in Germany. The results emphasize the role of the store atmosphere and customer service as the main influencing factors on customer satisfaction.

Introduction and Objectives:

Farmers' direct marketing of food is a widely neglected branch of modern agribusiness marketing. It is certainly a niche market but plays a distinctive role for establishing high quality markets in the food business. Farmer-to-consumer marketing is of growing importance, not only in providing many farmers with greater net returns but also in retaining food traditions (KAMBARA & SHELLEY 2002). The direct contact between farmers and consumers enable both sides to boost special qualities like traditional agricultural products, organic food, denomination of origin etc.

The following paper discusses the marketing challenge faced by farmers working as producers as well as retailers and is focused on direct farm markets as outlets located at the farm used to sell their own produce. In Germany they are an increasing distribution channel especially in the segment of discerning consumers (RECKE & WIRTHGEN 2004). Costumer orientation and customer satisfaction are important assumptions for business success in this market.

Methods:

Customer satisfaction studies have been included in the standard repertoire of marketing since approximately 15 years (PARASURAMAN et al. 1988). In the service sectors, especially the food retail industry, the high relevance of service quality for business success is recognized and examined by periodical studies like the American or the European Customer Satisfaction survey (FORNELL et al. 1996; JUHL et al. 2002). The literature documents, in many cases, the effect of customer satisfaction on customer loyalty (BION 1993). Different methods of measurements were used in the past. Often used, for example, is Silent Shopping, i.e. the hidden observation of sales staff by test persons. In the field of subjective procedures, the explicit measurement of customer satisfaction by surveys plays the largest role together with complaint management (SCHÜTZE 1992).

Currently, the professional use of customer satisfaction research is limited to the global players in food retailing. The high price for a professional satisfaction survey deters most small enterprises. As far as we know, there are only a few independent food retailers who use market research to evaluate customer satisfaction. To our best knowledge, for direct farming no published satisfaction survey exists. This is problematic considering the relevance of personal relationships for small farm outlets with high costs. Because of cost disadvantages, small shops can only survive by achieving high service standards. The withdrawal of small retailers from the food business, for exam-

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ple butcheries or specialised cheese or fish shops, demonstrates that family owned independent firms show substantial deficits.

The following contribution presents the methodology and the results of a customer satisfaction survey for on-farm stores in Germany. 60,000 agricultural enterprises in Germany sell their products without middlemen; among them are approx. 14,000 professionally led enterprises. For these farmers direct marketing represents the main channel of distribution. This is a portion of 3.68 % of all agricultural enterprises in Germany (approx. 380.000 enterprises). The business volume in this market is about 3-3.5 billion € (RECKE & WIRTHGEN 2004).

Farmer-to-consumer direct marketing is in lively competition with other store formats, e. g., supermarkets and organic stores which have developed their own assortment of regional and high quality products. Thus, an objective of the following analysis is to determine the parameters of customer satisfaction and to investigate how the various factors contribute to customer loyalty.

Results and Discussion:

The following survey represents an application of the seminal multi-item scale (SERVQUAL) developed by PARASURAMAN et al. (1988) for standardized surveys of service quality. SERVQUAL refers conceptually to an ex-post-evaluation of the perceived service elements. It is differentiated from attitude research by the actual purchase experience of the customers, thus it builds on a comparison of customer expectations (conceptions of an ideal store) and the experience made with a specific retailer. There are a growing number of academic studies on customer satisfaction. In a recent publication, SZYMANSKI & HENARD (2001) conduct a meta-analysis. They reveal that fairness and disconfirmation are strongly related to customer satisfaction on average. Among the outcomes, preventing negative word of mouth communication and repeat purchasing are mainly relevant. The findings in different surveys are however mixed. Customer satisfaction studies in food retailing are reported, for example, by GAIL & SCOTT (1995), BELL et al. (1997), HACKL et al. (2000) and JUHL et al. (2002). GOMEZ et al. (2004) describe a comprehensive survey, measuring the links between store attributes, customer satisfaction, and sales performance with data from 250 stores. They show three main antecedents to customer satisfaction in food retailing, i.e. customer service, quality of different products and value for money. Customer service is the most important determinant of overall satisfaction for US supermarkets. To our best knowledge for farmer-to-consumer direct marketing no customer satisfaction surveys are published. Our questionnaire consists of 13 question blocks in which 53 items are considered. The first question deals with overall customer satisfaction, followed by statements about the unique selling proposition and the respective store attributes - quality of products, service quality, location, store atmosphere etc. In most cases the scale is a 5 box Likert scale, ranging from -2 to +2. Additionally, some rating scales are used. Altogether, 1,310 customers were questioned in 30 on-farm stores in different German regions. 10 of the farms produce organic food. The average annual sales volume is about 130,500 € (range 9,800-696,000 €). The number of employees lies between 0.5 and 11. Successful enterprises have a sales volume per square meter over 5,000 €/m² (mean=3,183 €/m²). The survey took place in the outlets with self administered questionnaires. For direct marketing, knowledge about the characteristics of the customer is necessary. There is a considerable literature analysing consumer demographics for farmers markets (GOVINDASAMY & NAYGA 1996, KEZIS et al. 1998). Typical consumers are well educated, female, upper middle class and middle aged. The results of our sample confirm these trends, demonstrating a really outstanding target group of direct farming (Tab. 1).

Tab. 1: Customer profile.

Characteristics (n=1310)	Organic farms (n=502)	Conventional farms (n=808)
Average age	43 years	50 years
Share of customers with a net-income of more than 3.000 €	25 %	22 %
Share of customers with higher education	65 %	38 %
Share of regular customers (≥ 1x per week)	68 %	52 %
Share of customers in the neighbourhood (< 5km)	42 %	43 %
Share of male customers	22 %	33 %
Share of customers with children in the household	48 %	41 %

In comparison to the whole German population, customers of direct farming are characterized by higher education and income. Nearly the halves of the customers are family households. In comparison to conventional farms, producers of organic food have a more attractive target group with a higher income and better education.
The main objective of the following part is to evaluate the status quo and the antecedents of customer satisfaction for buying at an on-farm store. Generally, the degree of customer satisfaction is quite high (Tab. 2).

Tab. 2: Customer satisfaction.

Variable	Mean	SD	Minimum	Maximum
Customer satisfaction	1,66	0,537	1.18	1.88

Scale from – 2 (very dissatisfied) to + 2 (very satisfied)

In the next step, factor analysis (using principal component analysis) was conducted to gain an overview of the different aspects and determinants of customer satisfaction. Five factors explain 52,896 % of the variance (KMO=0,779). One main objective of the study was to reveal the driving forces determining customer satisfaction via regression analysis. The results demonstrate the important role store atmosphere in the farm outlet plays, which is determined by the store layout, the presentation of the assortment and the attractiveness for children. In addition to the identification of the main determinants on customer satisfaction the study demonstrates its significance for the long-term business success: Customer satisfaction is closely connected to word of mouth communication (r=0,345***) as the main important marketing tool and shopping frequency (r=0,096**).

Tab. 3: Regression model (OLS) to explain customer satisfaction.

Independent variables	Beta	t
Store atmosphere	.35	7.64***
Customer service	.21	4.66***
Fair prices and wide range of goods	.17	4.16***
Confidence in the farmer	.14	1.44***
Product quality	.14	1.44**

Depending variable: Overall customer satisfaction Adj. $R^2 = 0.676$; F = 140.91***;
* significant for *P*<0.05; ** significant for P<0.01; *** significant for *P*<0.001.

Conclusion:

The survey has indicated that the target group of direct farming presents a good opportunity for selling high quality food. Consumers on farms are characterized by a high income and a clearly above average education level. From other food consumer services it is known that these customers are willing to pay more for special high quality products. Therefore direct selling can be a starting point for developing a new food culture in Germany. The results provide insights into the antecedents of customer satisfaction in a small business environment. For a successful direct marketing it is crucial to offer an outstanding shopping event for customers. Under this condition customers are willing to spend more money for agricultural goods. The second most important point is a competent service, helpfulness and friendliness of stuff. Therefore, regular further trainings in customer orientation and product knowledge are an important task for the employees in an on-farm store. The survey is quite comprehensive concerning the amount of consumers involved but the number of stores was limited due to the ongoing status of the research project. Another limitation is caused by the interview situation. Self administered questionnaires allow only a small number of questions. Especially, the integration of attitude and food related lifestyle items would give more opportunities to cluster the respondents.

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