

Launching Organic Food Products on the Market. Case Study

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Abstract

The paper presents the marketing process of launching organic food products on the market, underpinning the revenues and expenses and, as such, the economic efficiency. The demand for organic food is increasing in the last years, people being interested in health. Thus, food choices are determined not only by price, but also by the overall value of the products and their entire benefits. The research answers the question whether is efficient to launch and sell organic food on the market and its objective is to estimate the economic efficiency of these processes. In pursuing this, a marketing program have been designed for an organic homemade cake. The findings show that launching and selling organic food on the market is profitable and this could inspire entrepreneurs for developing markets for other organic food.

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1. Introduction

The market for organic products in Romania is growing, because, lately, consumers have turned to organic food and non-food products for a healthy lifestyle (Nastase et al., 2011).

Organic agriculture aims to produce cleaner food as regards the environment and beneficial to human metabolism (Andrei et al., 2015). According to the Ministry of Agriculture and Rural Development, during the agricultural production process, it is forbidden to use genetically modified organisms, synthetic fertilizers and pesticides, growth stimulants and regulators, hormones, antibiotics. For the preparation of organic food products, the use of food additives, complementary substances and synthetic chemicals is prohibited.

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The reports of the Ministry of Agriculture and Rural Development (2022) show that "consumers who buy products bearing the national logo and the Community logo can be confident that: at least 95% of the product's ingredients have been produced accordingly to the organic production method and the product complies with the rules of organic production". Moreover, organic agriculture is a dynamic sector in Romania that has experienced an upward evolution in recent years. The organisation of the marketing of products is an important element of the organic farming sector.

The provisions on the labelling of products obtained from organic agriculture laid down in Council Regulation (EC) No 834/2007 on organic production and labelling of organic products. The Commission Regulation (EC) No 889/2008 laid down detailed rules for the application of Commission Regulation (EC) No 834/2007. Regulation (EC) No 834/2007 are very precise and are aimed at providing full consumer confidence in organic products, as products obtained and certified in accordance with strict rules of production, processing, inspection and certification.

Bearing in mind the above regulations, we may argue that an agri-food organic product has the following characteristics:

- In the culture of cereals, vegetables and fruits, the insecticides, pesticides, chemical fertilizers are not used.
- In the livestock field, animals grow up in open environments, with fodder obtained from organic crops, and without growth stimulants;
- In factories for processing organic agricultural products, the food additives, preservatives or dyes are not used;
- Organically produced products have a reduced shelf life compared to conventional products.

In most hypermarkets and supermarkets there are special shelves with organic products, both with fresh products and with non-perishable products. Due to the high costs for obtaining organic products, a higher price of the finished product results, compared to the products obtained by the classical method (Ion, 2012).

In addition to the large stores that have mobilized financial resources in the marketing of organic products, there are also small shops. In addition, many micro farms have been set up for obtaining organic agri-food products. Small farmers have created and developed sites where they sell their products, stores for sale, but also deals for delivering products to customers' homes (Popescu and Ion, 2021). A small business of marketing organic agro-food products is developed by Naturalia Company, for which a marketing program will be carried out with the purpose of launching on the market an organic product.

The objective of the research is to estimate the economic results of the product's launch on the market, and the research answers the question: is it profitable to launch the organic food product on the market? The methodology of the research consists of documentation, planning, design. The relevance of the research is both the promotion of a healthy lifestyle and the use of the results by other organizations, given the growth of the consumption of organic products. A product obtained

through ecological processes is a safe and healthy product. A larger number of consumers will lead to the expansion and development of the agri-food market for organic agricultural products.

The elaboration of a marketing program was chosen as a research method, the main purpose of which was to ensure the performance of the enterprise and to obtain good results (Manole et al., 2003). Marketing has strategic objectives that aim to increase sales, this being combined with the quality of products. The main objectives of the marketing program are (Manole et al., 2011):

- Simultaneously entering the analyzed markets, aiming at increasing the sales for the product or service in question. To be successful, the quality of products must be superior, production costs must be as low as possible, and well-trained staff.
- Market coverage. Given the very high competition on the market, when a company enters the market, it must have a diversified range of products or services that cover almost all age-gender segments but also consumer preferences.

This work starts from the premise that the launch on the market of the organic product is efficient. The work is divided into four parts. In the first part, after the introduction, the materials and methods are described. Next, the results and discussed and, finally, the conclusions are drawn up.

2. Materials and methods

Naturalia Company, for which the case study is carried out, was founded in 1995, its headquarters being located in Voluntari city in Ilfov county, Romania. The firm is successful thanks to its founding members who are people with important specializations (doctors, scientists, professors). The Naturalia Group is made up of several commercial companies, a philanthropic foundation that deals with people with cancer, and an organization that wants to establish a palliative care clinic. The Naturalia Group owns a laboratory where it produces over 52 assortments of bakery products. They contain organic and natural ingredients to provide consumers with healthy and tasty products. The group's stores are located in Bucharest, in the most important and circulated areas, very accessible to customers.

The main organic products produced and / or marketed by the company are: vegetables, fruits, meats, teas, cheeses, bread and bakery products, pastries and confectionery, beer, wine, etc.

In the last three years, despite the unstable economic and social situation, the company's revenues have not registered significant decreases, the trend being an increasing one. The company's profit is close to the average of the economic branch. The most important and analyzed indicator by entrepreneurs, losses, did not exist, in the last three years.

The main activity of the marketing program is aimed at launching an organic food product on the market, more precisely the organic homemade cake.

The main objective for this research is to promote the product, attract consumers to buy this product and to discover the differences between a product obtained from organic products and a conventional one (Dimitriu, 2020).

It starts from the premise that many consumers, when choosing certain products, analyze the price more than the content and ingredients they contain, therefore, the products with a lower price register very high demand. On the Romanian market, organic food products have registered a growth in demand in recent years, but conventional products remain on the first place in terms of consumers' demand.

Along with the main activity, the marketing program includes the following secondary activities (Table 1).

Table 1. Marketing program activities

Symbol	Operation	Previous operations	Length of time (days)
I	The decision to launch the new product		1
II	Market investigation, knowledge of the behavior of future consumers	I	25
III	Allocation of the amount of money for the examination	II	10
IV	Conducting investigations	I	10
V	Choosing the date when the launch will take place	III, IV	15
VI	Renting of warehouse and refrigerators	III, V	10
VII	Making the video and the promotion posters	VI	25
VIII	Making the website and launching it	V	20
IX	Distribution of informative and promotional materials	V	15
X	Launching promotions and discounts in retail stores	V	25
XI	Organization of tastings in stores	V	10
XII	Analyzing customer responses after the promotion campaigns are completed	VII, VIII, IX, X, XI	1

For a better visualization, we present the activities in the form of a diagram (figure no.1).

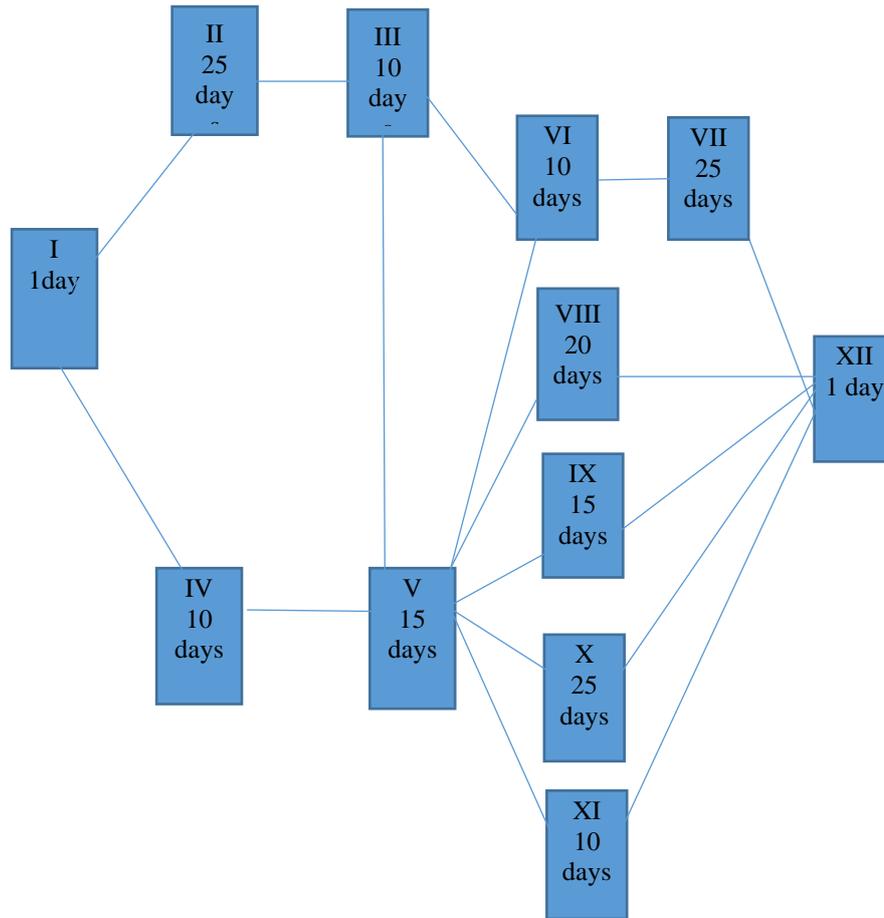


Figure 1. Diagram for marketing activities

In order to launch the new organic product on the market, the following assumptions are taken into account:

- The new product will be sold in well-sealed cardboard trays to maintain its freshness;
- The product will be sold in quantities of approximately 450g/piece;
- The company assumes that in the first year about 30,000 pieces (13.5 tons) will be sold;
- Sales growth of 10% to 30% is expected in the coming years, most of these benefits will be redirected to new investments;
- The product will have the selling price of 5 euros / piece, similar products existing on the market are priced between 1 and 7 euros with a weight between 300 and 500 grams;

- To produce a single piece, the cost of production is estimated to 2 euros / piece;
- The company estimates a price of about 1 euro / piece for transport, the price can change slightly depending on the distance;
- Regarding the product launch program, the expenses are estimated to 91,000 euros.

These assumptions are used in designing the marketing program and in assessing the economic results.

3. Results and discussions

Considering the activities and the starting hypotheses, it is estimated the marketing budget necessary for the launch of the organic product on the market. Its amount is estimated to 84,400 euros (Table 2).

Table 2. Marketing budget projection

Activity	Value (euro)
1. Consultation of the market concerned	7,000
2. Verification of the results obtained	1,100
3. Organization of distribution subsidiaries	11,500
4. Creating your website	1,200
5. Making the advertisement	2,100
6. Dissemination of the advertising spot in mass media	40,000
7. Expenses related to the specialisation of the sales force of distributors	10,000
8. Researching the impact of product launch	4,000
9. Employee expenses	7,500
10. TOTAL	84,400

Most of the budget was allocated to the dissemination of the advertising spot in mass media, 40,000 euros. Other significant sums were allocated to the distribution: 11,500 euros for the organization of the distribution, 10,000 euros with the specialization of the sales force of the distributors. Also, the consultation of the targeted market and the expenses with the employees present important amounts – 7,000 euros, respectively 7,500 euros.

By summing up the marketing expenses in the amount of 84,400 euros with those necessary to obtaining the product, in an estimated amount of 60,000 euros, it results total expenses of 144,400 euros. The revenues from the sale of the product are expected to be 150,000 euros, resulting in a profit of 5,600 euros (Table 3).

Table 3. Expected efficiency of launching on the market the product organic homemade cake (euro)

Expenses (launching and production)	Sales revenue	Results
144,400	150,000	5,600

Considering the fact that the process of launching organic food on the market is efficient, as results from our analysis, we may argue that businesses in the field are feasible. Moreover, the consumers are more educated and informed about the benefits of organic products, like other research found (Nastase et al., 2011). This leads to the conclusion that organic sector is subtly developing in Romania.

Furthermore, bearing in mind the new directions and principles of the European Green Deal, and that the reasons why consumers choose organic food are related to health, social and environmental responsibility, we claim that organic food sector is a significant branch of the economy.

4. Conclusions

The present work has demonstrated the efficiency of the activity of producing and launching of an ecological product. The expenses are estimated to 144,400 euros, and the revenues obtained from the sale of the products are expected to be 150,000 euros. The result is a profit of 5,600 euros, with a margin of 3.7%.

It can be stated that marketing has a high importance in selling the new product. It helps the company to develop economically and financially, in this case the marketing program, and a large number of consumers were attracted by the new product. The launch of the product is based on a strong promotion, but it will also have the role of informing about the content of the product, and encouraging consumers to buy natural or organic products that stands for a healthy life.

Organic products have begun to be very common in the domestic market, but many of them do not have intense promotion campaigns. Because of the slightly high price, consumers are still turning to conventional products, many of them being conducted by price, not by the quality of the product, in their purchasing behavior. Future research could focus on how to promote the consumption of organic food products.

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