Chapter 2
Internet as a Sales Channel for the Agri–Food Sector: A Case Study of Organic Products

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ABSTRACT
The Spanish market for organic products is notable for a supply side that offers one of the largest ranges in the world and a demand side that can only be termed symbolic. The reasons that have been given for this situation include the few and scattered points of sale, higher prices than for the conventional equivalents, and the consumers’ disinformation about this product range. The Internet offers solutions to these barriers that some companies have used to facilitate online transactions in organic products. The case study presented in this chapter focuses on examining a virtual platform managed by an intermediary, not a producer, which puts producers and consumers of organic products in direct contact with each other. Making use of the Internet’s advantages as a sales channel, developing a differentiation strategy based on promoting values such as the environment and sustainability, and the company’s mutualist relationship with its small-scale suppliers have generated an associate and customer base that ensures the success of this business model.

INTRODUCTION
Consumers are increasingly concerned about the deterioration of the environment (European Commission, 1999). This has been reflected in their purchasing decisions and consumption habits over the past two decades and, on the supply side, in the exponential growth in organic farming that has made this one of the most dynamic areas of today’s agri-food sector. For example, over 24 million hectares worldwide were already given over to organic farming in 2004 (Willer and Yussefi,
2004) and over 100 countries grew organic food in commercial quantities in 2006 (Rodríguez, 2006).

Focusing on Europe, one of the features defining growth in this market is its regional imbalance, as demand is largely concentrated in central and northern Europe while the Mediterranean countries have specialised in growing and exporting organic produce. Spain, for instance, has the largest certified organic farming surface area in Europe and the sixth-largest worldwide (Willer, 2009). Moreover, it has an impressive growth rate, having multiplied its organic area by five over the 1999-2009 period. On the demand side, however, the market share of organic products in Spain is under 0.7%, as they only account for a small proportion (barely 1%) of the Spanish consumer’s shopping basket (Padel et al, 2009). The result is that over 70% of Spain’s organic output is destined for foreign markets, mainly in Germany, the Netherlands, France and the United Kingdom (MARM, 2007). These figures show the considerable potential of the emerging Spanish market.

Many authors have attempted to explain the situation outlined above. Generally speaking, the consensus is that the main factors holding back the demand for organic foods (in Spain and in other countries) are the price differential between organic foods and their conventional equivalents, poor distribution (a shortage of points of sale and the limited range on offer) and the consumer’s ignorance and confusion about this type of food, which at times becomes a source of mistrust (Schmid et al., 2007; Tsakiridou et al., 2008; Roitner-Schobesberger et al., 2008, Hamzaoui and Zahaf, 2008; Padel and Foster, 2005; Radman, 2005).

In this context, the Internet is an attractive sales channel for organic food, for various reasons. On the demand side, it is noticeable that the defining features of the Internet user’s profile are basically identical to those of organic product consumers. As shown in table 1, the defining socio-demographic characteristics of Spanish internauts are: male, 25-34 years old, employee, with a high level of education. This profile suggests a far higher degree of sophistication and purchasing power than that of the population at large, just as in the case of organic product consumers. Some Spanish and international studies indicate that young people are more predisposed to buy and consume organic products (MacEvoy, 1992, Fraj and Martínez, 2002); that those with a high educational level are more prepared to consume this type of product (Minetti, 2002, Fraj and Martínez, 2002); and that those with high income levels show greater concern for and consumption of organic products (Minetti, 2002; Balderjahn, 1988).

According to the classification of Brunso et al. (1996), the organic product consumer’s profile belongs in the group of rational, conservative and adventurous consumers, who are typically more concerned about the quality- and authenticity-related attributes of the food product than about its price (Morley et al., 2000). Consequently, they make the effort of seeking out alternatives to the mass-produced products sold by the supermarkets and tend to look to other, alternative sales channels (Pickernall et al., 2004).

On the supply side, the increased use of the Internet as a sales channel for organic produce solves many of the above-mentioned problems that are currently holding back growth in this sector, such as high prices, scattered sources and the consumers’ lack of information.

Bickerton et al. (2000) showed the Internet’s potential to bring prices down, largely because it makes it easier for consumers to choose between different products, increasing the overall competition between companies, and because it cuts production overheads. On the latter subject, a large number of works note that information and communication technologies (ICT) have the potential for reducing transaction costs between businesses and the risk inherent in each transaction (Bakos, 1991, Strader and Shaw, 1997; Benjamin and Wigand, 1995 y 1997; Steinfeld et al., 1997), as well as improving efficiency in the value chain (Rayport and Sviokla, 1995; Evans and Wurster,
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