



## Marketing Strategies for Organic Products in Iran

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### Abstract

The strategic planning of marketing and the application of marketing strategies for achieving sustainable competitive advantages are of the factors that help the survival of producers of agricultural organic products. Although, there are evidences of the growth of organic farming in Iran but, there are no useful information and proposals for making marketing strategies in organic production holdings for producers and traders. For this, we assessed the influence of three effective elements include marketing approach, pricing and the sale of organic products in Iran. The study was based on the factor analysis, explorative interview and structured questionnaire. The study population was composed of 20 experienced experts and 118 organic agricultural producers from the various regions include Tehran, Khorasan-e-Razavi, Guilan, Khoozestan, Kerman, Kordestan, Qazvin and Isfahan for the periode of Jan 2014 to June 2015. It was found out that the main barriers to the development of organic products and their markets include inappropriate packaging, high transportation costs, the lack of unit manager and inconsistent strategy, market-making and customer-orientation, weak public advertisement, the lack of trust to organic brands at national level, and weak state support.

#### Keywords:

*Iran, Marketing strategy, Sustainable competition, Organic products*

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## INTRODUCTION

The success of a company depends on two aspects of strategic adaptation. The first aspect is related to the marketing and competitive strategies which should be adapted to target customers' demands and intentions and to the emerging competition realities of the market. This requires the continual modification of competitive strategies and the quality of the products. The second aspect is the strategic adaptation and effective implementation of the strategies which depends upon the coordination of organizational structure, policies, procedures and resources with the selected strategy (Kayryakov, 2010). General Motors Company is a good example. It acquired a sustainable competitive advantage in a certain time span by planning and coordinating its activities with an emphasis on customers (Nikolova, 2012). Market-oriented companies are more distinguished and responsive than other companies because of their personnel's continuous concentration in all departments and levels on customers' requirements and the competition conditions of the market (Arabska, 2013a). Thus, it can be said that it is necessary for companies to formulate proper marketing strategies and to implement them effectively in order to acquire a sustainable competitive advantage (Enamorado, 2012). According to Malcolm Baldrige's survey in 2013, 82% of senior managers believe that it is more difficult to implement a selected strategy than to design an optimum strategy. Various Iranian organizations have, also, applied the methods and tools of strategic planning. However, they have not often acquired the parameters of competitive advantage (Arabska, 2013b).

Given the lack of reliable data and in-depth studies in organic field and the need for strategic planning of the marketing of organic products, a huge gap can be seen in studies on marketing strategies of organic products resulting in issues and problems of strategic plans of organic products including high prices of the products, high cost of brokers, lack of access to market, improper packaging, improper spatial distribution of processing industries and high costs of trans-

portation resulting in the loss of interest for the consumption of organic foods in domestic market and consequently, the loss of the production and supply of these foods (Ebrahimi and Rezapannah, 2010). Therefore, the present study addresses the development of the market of organic sector with a particular focus on marketing strategies.

## Literature review

In an empirical study by interviewing with 62 marketing and non-marketing managers of American companies, Jaworski and Kohli (1990) concluded that profitability is the result of market-orientation, not one of its components. They introduced market-orientation as an application and on the basis of marketing thought and suggested that the translation of marketing thought into action creates market-orientation. According to their definition, market-orientation is to create smartness about customers' current and future needs throughout the organization, to disseminate this smartness among different parts of the organization and to thoroughly respond to this smartness. In this sense, market-orientation brings about a progress from the act of just selling towards the understanding of customers, their problems and needs and the attempts to find solutions for their needs. In addition, in terms of market smartness, they paid a special attention to the consequences of market-orientation and the effect of state laws, competitors, technology and other environmental forces. They proposed an index for estimating market-orientation known as MARKOR in their subsequent studies in 1993. The market-orientation index was proposed on the basis of three components – creation of smartness, dissemination of smartness and response to smartness – in which 20 items were included. The main features of this index included (i) the emphasis on customers and forces affecting their needs and preferences, (ii) the use of items that are based on activity not on business philosophy, and (iii) the distinguishing of general market orientation and its constituent components. Narver and Stanley (1990) stated that market orientation is

a culture that provides the behavior required for the buildup of more values for shoppers in the most effective and efficient way and consequently, provides superior performance for the business. They reviewed previous results and defined market orientation as a concept composed of three behavioral components: customer orientation, competitor orientation and internal concordance of the organization. They named their index for measurement of market orientation as MKTOR. In their next study, Slater and Narver (1994) reviewed the moderating effect of environmental variables on yield and found it to be negligible. They, however, concluded that market orientation positively influences the performance in all conditions. In a study on market orientation and environment, Deshpandé and Farley (1988) suggested that market orientation and attention to the environment are the main elements of marketing and are important factors for enabling companies to understand the market and to design proper product and service strategies for meeting customers' needs and demands. O'Cass and Ngo (2007) stated that organizations that pursue market tendency are likely to have better performance because they have a close relationship with customer performance. Demiyurek (2010) mentioned dissatisfaction with the performance of organic products marketing companies, the hardships of producing organic products, the lack of syndicates of organic products producers and the use of traditional methods instead of scientific methods for the production of organic products as some challenges of organic systems. Raju *et al.* (2011) studied SMEs in 1987-2008 and found a significant relationship between market tendency and the performance of the enterprises. Arshad and Othman (2012) studied the effect of market orientation and social responsibilities of 242 firms in stock market of Malaysia on their performance and found that market orientation and social responsibility are of the most important business strategies in building superior performance for the firms. In addition, they reported that market-oriented firms integrate market-orientation activities with their business

strategies. Ogbonna and Ogwo (2013) studied the effect of market orientation on the performance of insurance firms in Nigeria and revealed that the engagement of firms in market orientation activities improved their performance. Hilman and Kaliappen (2014) studied the effect of market orientation activities on the performance of the firms. Their target population included 475 three-star-rated and above hotels and they collected the data by an electronic questionnaire. They used hierarchical regression analysis for testing the relationship among the variables. They reported that hotels in Malaysia use customer orientation and competitor orientation as their main marketing strategies and their customer and competitor orientation have positive, significant relationship with their performance. Wilson *et al.* (2014) investigated the relationship of market orientation and (strategic) alliance orientation with business performance in hygiene, medical and biotechnology industries in Canada with the statistical population being made of the managers in relevant organization. They found that market orientation and alliance orientation were significantly and positively related to the performance. Furthermore, they showed that the influence of market orientation on performance was stronger than that of alliance orientation. In a study on the relationship between market orientation and firm performance with a look at the moderating role of business environment, Shehu and Rosli (2014) used 640 SME managers in Nigeria as the statistical population out of which 511 managers filled out the research questionnaire. They used structural equation modeling for data analysis. They found a significant relationship between market orientation and firm performance, but there was no significant relationship between business environment and firm performance. They, however, showed that business environment as a moderating variable can play a role in the relationship between market orientation and firm performance.

## MATERIALS AND METHODS

The present investigation was a practical study

in terms of objective because it was aimed at designing marketing strategies for organic products. The procedure was a questionnaire survey and the tools for data collection were explorative interview and questionnaire. The study population was composed of 20 experienced experts and 118 organic agricultural producers that were sampled from the various regions include Tehran, Khorasan-e-Razavi, Khoozestan, Kordestan and Kerman, Guilan, Qazvin and Isfahan as a simple random sampling technique for the periode of Jan 2014 to June 2015. To measure participants' opinions, data were collected by a structured questionnaire. Furthermore, in accordance with the fact that the research was aimed at designing marketing strategies for organic products, the opinions of experienced experts and managers of some successful organic production companies were used.

## RESULTS AND DISCUSSION

According to interviews and the data, the decision about producing of organic products in Iran is not made on the basis of such assessments as market assessment, whilst most viable business plans involve general information about market assessments. We assessed 14 important criteria in organic marketing in Iran (Table 1). The Iranian organic producers are relatively aware of their competitors at national and regional levels (Table 1). However, they are ignorant of customers' needs. Although, the knowledge and skills of farm managers are relatively high but the planning and strategy for organic aren't evident. Rossetto (2002) indicated that lack of well design marketing plan could be a weakness for Italian wine-makers and exporters, as more and more competitors, such as the US, Canada, Australia with well planned marketing strategy.

The organic producers have limited or even no advertising (Table 1). Also, the results showed high rate of interest for organic farming and the low extent of sale in organic sector.

This was according to the Dehdashti and Pourhosseini (2013) findings. They explained that there were positive and significant relation-

ships between sale and marketing strategies with the sale performance. In addition, low rate of state supports, trust to organic brand at national level, low product diversity, price, farm management and financial planning were seen (Table 1). Trehan (2007) and Mira and Karimi (2012) showed that the equity for product brand was the most important concept of marketing. Other studies showed that within the discipline of marketing dynamics, various studies state supports for organic production and use of financial measures of brand equity to analyze the short- and long-term effects of marketing actions and polices, such as advertising and price promotions (Srinivasan *et al.*, 2010; Buil *et al.*, 2013). If organic farms and products are regarded as product supply and their sale as demand, it can be said that their equilibrium has been lost which would affect their production at regional level. It is necessary to build trust and change consumers' behavior and visions in order to develop the domestic market on the basis of the development of organic products. The companies need to develop strategies which encourage the growth of brand equity (Keller, 2007). Accepting the logo of organic product as a symbol of trust is one step towards introducing organic products in market and avoiding their confusion with ecological products by consumers (Arabska, 2014). Therefore, it is necessary to have a pricing scheme, to design sale and promotion strategy and to have an appropriate management for rationalizing the investments on organic production. On the other hand, the conversion of production procedure to organic has some advantages and disadvantages including of responding to environmental requirements, acquiring competitive advantage in marketing, higher prices of purchase and diversity of products and clear target market, respectively.

The ecological and environmental conditions in most parts of Iran afford appropriate opportunities for organic products (Table 1). Therefore, it can be said that the returns of organic products were higher than traditional farming systems.

Some of the Iranian farmers such as pistachio

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and saffron farmers, attempt to find alternative marketing channels for exporting to other countries where there are customers with more appropriate shopping behaviors and more extensive demands. Organic crops are not adequately advertised in Iran whilst imported processed or

Table 1: Estimation of 14 studied criteria from the viewpoints of experienced experts of organic products

No.	Criterion	1	2	3	4	5
1	Unit manager and inconsistent strategy		•			
2	Attention to market and customers		•			
3	State supports	•				
4	Trust to domestic organic brand		•			
5	Advertisement		•			
6	Diversity of products	•				
7	Price	•				
8	Sale		•			
9	Competitors' recognition				•	
10	Farm management				•	
11	Strategy formulation	•				
12	Financial planning	•				
13	Interest for organic farming	•				
14	Ecological and environmental conditions					•

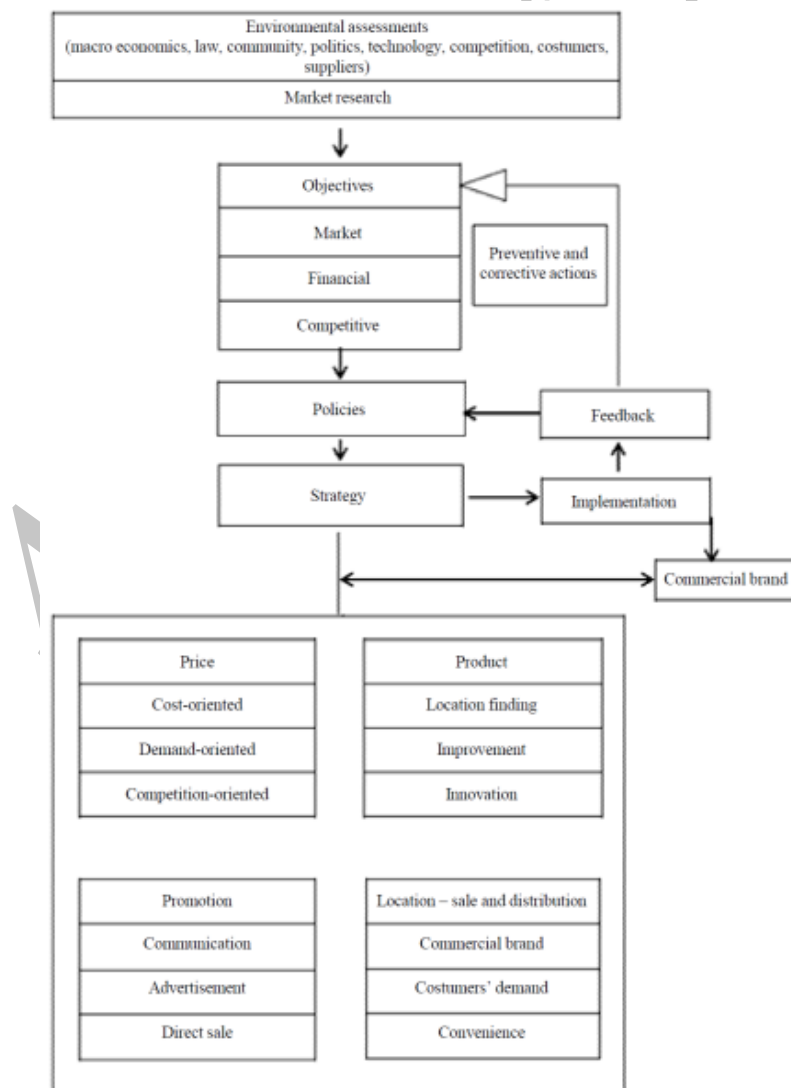


Figure1: Proposed model for designing strategy for organic products (Arabska, 2014)



ganic olive (with usually higher prices) are more famous and demanded even though the standards of lifestyle is low in Iran. The change in organic products supply-demand balance is directly related to the general development of this sector (state policies, production, processing, trade, research and innovation, training, information constitutions, etc.).

In a study, a model was proposed for designing organic marketing strategy including four marketing mix elements (product, price, promotion, place) (Figure 1). The model presumes appropriate knowledge and science in organic production and management as is the case for product marketing.

### CONCLUSION

Our study revealed the barriers and challenges of agricultural organic production and marketing in Iran. The most important requirements to develop organic sector is to improve organic farmers' finance and to develop producers' trade unions and systems instead of the over-reliance on state supports. Policies must be for encouraging and motivating rather than imposing strict controls on producers. The strategies of this sector should be based on initial assessments of the current status and should periodically ensure the current status. Also, these strategies should be based not only on financial criteria for support but also on increasing the awareness and knowledge, the effectiveness of the trainings, scientific and research activities. Importance should be placed on risk management and its prevention during the control, distribution, labeling and brand-making for the product. Since the lack of information has become a preventive factor for the development of this sector, an organization is required to give information about the advantages of organic products to customers on the one hand and to producers, processors and traders on the other hand. Big chain stores can be the main platform for the supply of the products where customers can visit and shop. Training activities should be based on practice and trainees' needs and capabilities. In this sense, it

is crucially important to use appropriate and specific literature.

Unfortunately, there was no close relationship between scientific and research organizations and real life in most cases in Iran. Producers' network plays a key role in marketing and product processing as the integration of organic agriculture with tourist.

E-commerce should be actively used in this sector because it creates plenty of opportunities for the access of interested customers and for the change. Given the determinative role of price in purchase decision-making, it is absolutely necessary to consider the difference between organic products and traditional products and the advantages of the organic products. The structures active in organic activities in private, public and non-profit sectors are not coordinated at present. However, bigger problem is that they are far away from the real problems of producers, processors and traders. A better environment can be fostered for the development of organic sector by introducing 'environmental services' i.e. marketing strategies (especially for domestic market).

### RECOMMENDATIONS

The present study which considered organic sector and related market developing in Iran has focused on the important issue of the extent of interest to organic production and marketing planning. The acceptance of organic products does not suffice as a tool for sustainable development and the change in customers' behavior in order to create interest in them for the consumption of these health-based products. Market prices are the main element for customers' decision-making to buy on the one hand and for producers' decision-making to produce on the other hand. The easy access to global market and the appropriate price of raw materials have led the organic sector in Iran to be based on export. Priorities and broadening of state supports (financial, etc.) from organic products can put this sector in a winning position and help it to greatly grow in future. However, local supply-demand and domestic market for these products

are very weak and do not respond to the local organic production, whereas imported processed products are welcomed in domestic markets even with higher prices. The present study found the main problem to be the approach in financial supports in Iran and national programs as well as the lack of a real marketing program and the lack of strategy designing policy. The need for supplying the knowledge and information about organic products (the value of organic products in customers' views) and farm management, price control, pricing, value-added, sale, distribution and promotion is obvious. Therefore, the present study introduced a model for designing strategies in organic farms in which the main emphasis is put on environmental priorities and market assessments, marketing mix elements and feedback of strategy implementation.

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## راهبردهای بازاریابی محصولات ارگانیک در ایران

محمود محمدیان<sup>۱\*</sup> و محمد علی داداشی<sup>۲</sup>

نقشه راهبردی بازاریابی و استفاده از راهبردهای بازاریابی در دستیابی به مزیت رقابتی پایدار از جمله عواملی هستند که به بقاء تولیدکنندگان محصولات کشاورزی ارگانیک کمک می‌کنند. اگرچه شواهدی مبنی بر رشد زراعت محصولات ارگانیک در کشور ایران دیده می‌شود و لیکن، اطلاعات سودمند و پیش‌ترج‌های لازم جهت ایجاد راهبردهای بازاریابی برای تولیدکنندگان و تجار وجود ندارد. بدین منظور تاثیر سه عنصر مهم راهبرد بازاریابی، قیمت و فروش محصولات ارگانیک در کشور مورد ارزیابی قرار گرفت. این مطالعه بر اساس روش تحلیل عاملی، مصاحبه اکتشافی و پرسشنامه انجام شد. جامعه آماری شامل ۲۰ متخصص با تجربه و ۱۱۸ تولیدکننده محصولات کشاورزی ارگانیک متعلق به مناطق متعدد کشور شامل تهران، خراسان رضوی، گیلان، خوزستان، کرمان، کردستان، قزوین و اصفهان طی دوره زمانی دی ماه ۱۳۹۳ تا خرداد ماه ۱۳۹۴ بود. نتایج نشان داد که، بسته‌بندی نامناسب، هزینه زیاد حمل و نقل، فقدان مدیریت واحد، راهبرد غیر ثابت و ناپایدار بازاریابی و مشتری محوری، تبلیغات عمومی ضعیف، عدم اطمینان به برند محصولات ارگانیک در سطح ملی و حمایت ضعیف دولت از موانع اصلی توسعه محصولات ارگانیک و بازار آن‌ها در کشور به‌شمار می‌روند.



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