

Marketing practices in the olive oil industry



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Introduction

Olive oil is claimed to be beneficial for health, as it is rich in vitamin E and it does not contain preservatives it is widely used in cooking worldwide. As Duff (1998), mentions the preference for olive oil is due to health reasons, because as it was found, the replacement of saturated fats by olive oil results in a lowering of the rate of heart disease.

Olive oil is one of the most important products of the Mediterranean diet and a very important element of the Greek civilization and culture. For centuries it is used in various products such as soap and cosmetics (Giakoumaki et al., 1999) and for the storage of food products such as vegetables and fish. In addition, the Greek Orthodox church uses olive oil in baptism. In the ancient years it was used in medicine (Papaioannou, 1978) and in the Olympic Games, they placed on the heads of the winners leaves of olive tree, because they had a great respect for “Kotinos” (the ancient name of the olive tree).

The objective of this study is to examine the issues related to the production of olive oil and the marketing practices implemented by “Minerva S. A.”, a major player in the Greek olive oil market. Thus, the company’s target market and competition are analyzed, a SWOT analysis is performed and the marketing mix is presented. The marketing practices implemented by the company are compared with those employed by other companies in the international market.

Literature review

The olive oil market

The major producer of olive oil in the world is the European Union (EU), and it produces the 80 per cent and consumes the 70 per cent of the total olive oil world production (European Commission, 2007). Italy and Spain are the major producers and they can influence the prices of olive oil, for example in 2005, dry weather in South Spain resulted in the reduction of production and the consequent increase in price. On the contrary in 2006, there was a lot of rain, production increased and prices declined (Minerva, 2006).

Greece has the third place in the world production after Spain and Italy (Sandalidou and Baourakis, 2002), and it produces about 300, 000-400, 000â€‰tons annually (IOBE, 2006). In addition, it has the first place in olive oil consumption (Hellonet, 2006), since it consumes about 15, 000â€‰k per capita annually (IOBE, 2006). About half of the produced olive oil is exported and about the 75 per cent of it to Italy (Antoniades, 2006). However, not packaged/not standardized olive oil dominates exports (Antoniades, 2006) and very small quantities of the packaged/standardized olive oil are exported (about 6 per cent according to ICAP, 2006).

According to the Greek National Statistical Service, in the period 1990-2003, olive oil had the 65-76 per cent of the home market. However, not packaged/not standardized olive oil has a significant part of the market, which in 2004-2005 arrived at 38 per cent (ICAP, 2006).

In the Greek olive oil market there are a lot of small businesses, about 150 (Antoniades, 2006) as well as many peasants, about 450, 000 (Antoniades, 2006) producing not packaged/not standardized olive oil.

According to the Union of Greek Olive Oil Standardization Industries, 70 per cent of the not packaged/not-standardized olive oil is of low quality and although the EU is trying to prohibit sales, the percentages still remain high.

Since olive oil production exceeds demand, there are very few imports and great amounts are exported. In addition, taking into consideration that the Greek olive oil market is in its mature stage, exporting is the only way for the sector's development (ICAP, 2006).

Marketing practices in the olive oil industry

Olive oil is promoted as beneficial to health and industrial strategies and advertising are often based on health claims (Duff, 1998). Though, nowadays, the EU regulation has imposed the use of “ nutrient profiles”, which are already in use in the USA and Canada and are under development in some European countries. Many critics argue that this would mean that products such as olive oil should not carry health claims. At present, there are no harmonized rules at EU level to ensure the scientific accuracy and appropriateness of such claims. However, regulation is expected to set clear parameters across Europe for health claims and they will be allowed only if they are scientifically substantiated (Tamsin et al., 2005).

As Thompson et al. (1994), claim, a major reason for the consumption of olive oil is the improvement of the taste of salads and meals. In addition,

cost is a major consideration of the consumption of olive oil because it has a high price, depending on its origin and its quality (Bourdieu, 1984).

Unilever, launched in France the “ premium” quality olive oil “ Puget” in a traditional container. The company conducted extensive consumer research and decided to stress the authenticity and pure nature of the oil and promote through advertising health messages and quality of life. The company chose a steel container for the packaging of the product since traditionally olive oil is sold in tins and glass bottles. Tinplate is unbreakable, it can protect olive oil from light and reassure the high quality of the product. In addition, since most of the olive oils are packaged in glass bottles, steel differentiates “ Puget” from competition (FOOD, 2004). Furthermore, the research of Sandalidou and Baourakis (2002), in organic olive oil, revealed that the main sources of competitive advantages for packaging are: material, capacity and resistance.

For the promotion of organic olive oil from Sicily, participations were arranged in trade fairs in Italy and in other countries. In addition, promotional events were organized in restaurants. Special attention was given to packaging, labeling, brand name and the shape of the bottle, so as to create a prestigious market image (Crescimanno et al., 2002).

In Greece olive oil is mainly advertised through TV. According to the marketing research company Media Services S. A. in the period 2000-2004, the 48-49 per cent of the olive oil advertising is done through TV. Some advertising is also done through the magazines and the radio, but newspapers are rarely used.

The Greek Association of Industries and Processors of Olive Oil (SEVITEL), is making intense efforts to increase the share of standardized olive oil and stimulate the demand of the Greek olive oil in the International market. With the EU financing and the Ministry of Agricultural Development and Food Products, the Union introduced in January 2005, the two years programme “Kotinos”. The programme is promoting the Greek olive oil in the Greek and the European market. Recently, other countries such as the USA, Australia, Canada and Norway joined this programme (SEVITEL, 2007).

Research methodology

Since the aim of this study was to examine the marketing practices of one company “Minerva”, the case study method is employed, since its fundamental characteristic is the “focus on a particular setting or event” (Stake, 1995).

The most appropriate sampling method for the case study approach is purposeful sampling because it allows the selection of “information-rich” cases (Cresswell, 1998) Two types of purposeful sampling were used: “snowball sampling” and “maximum variation sampling” (Minichiello et al., 1990). In snowball sampling the interviewees suggest others who are good prospects to be interviewed. The maximum variation sampling allows the selection of cases purposefully in order to obtain variation on the dimensions of interest. Thus, employees from different departments of the company were interviewed. The marketing manager was approached and he was asked to suggest four more people in the company from different departments. In particular, five in-depth interviews were conducted with the managers and top executives of the departments: Marketing, Sales and

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Exports. However, although this is a relatively good sample for a case study, it should be noted that since Minerva is a company with about 230 employees, there is potential for sample bias when it is projected to the whole population to the whole population.

In-depth interviewing is considered to be the most valuable data collection method (Lincoln and Guba, 1985). The questions were broad, to allow respondents as much freedom in their answers as possible. The summation of the responses was based on the content analysis method (Stake, 1995). Qualitative content analysis was applied and the material from the interviews was divided into content analytical units. Thus, the results were carefully put into categories according to the points of interest of this study and the strong points were presented. The in-depth interviews were based on a questionnaire presented in Appendix. In addition, since several authors have suggested that it is useful to gather data from multiple sources when conducting qualitative research (Lincoln and Guba, 1985; Mason, 1996). Therefore, secondary data concerning general information about the company were gathered through the company's leaflets and its Web page.

The findings

General information

Minerva S. A., was established in 1904 and it was the first Greek company producing olive oil, which was then packaged in metal containers. The company got its name from Goddess Athena of the Greek Mythology (Minerva in Italian means Athena), who offered to the Athenians as a present the first olive tree, to win the kingdom of Athens.

In 1930, Minerva was the first company to sell olive oil in glass bottles of 0.5â€%l. In 1949 the company started to export olive oil. Since 1950 the company exports olive oil in many continents and countries such as Australia, the USA, Egypt, Czechoslovakia, Germany, England, Venezuela, etc. Recently, the company is trying to export to Japan where there is an increasing demand for olive oil, and to Saudi Arabia.

Minerva S. A., produces four types of olive oil as well as organic olive oil. In addition to olive oil, the company produces, distributes and exports other products such as, kernel oil, sunflower oil, corn oil, margarines, cooking fats, olives paste, butter, rice, detergents, soap, etc. The company also offers professional products to hotels, confectioneries, bakeries, and other parts of the food industry.

The company is HACCP certified and its factory is ISO 14001 certified.

Minerva S. A. is trying to satisfy its customers and win their loyalty, by offering high quality products and is trying to become highly competitive and profitable.

Target market and competition

The company targets all Greeks who consume olive oil. However, the target market of the company, are women between 25 and 44 years old, because as the company's market researches have shown, in most cases it is women who buy the supplies of the house including olive oil.

According to the market research company AC Nielsen, in January 2007 in Greece Minerva S. A. had the first place in the olive oil market with a market share of 32. 2 per cent. The major competitor of Minerva is Elais S. A., a <https://assignbuster.com/marketing-practices-in-the-olive-oil-industry/>

member of the Unilever Group, which had a market share of 25.2 per cent. The two companies together have the 57.4 per cent of the market. The rest of the companies and the Agricultural Unions have the 19.3 per cent of the market and the private label olive oil have 23.3 per cent. Since the Greek olive oil market is in its mature stage and the only way for growth is exports. However, there is severe competition in the international market from Spain and Italy. Thus, the two major players of the Greek market Minerva S. A. and Elais S. A. have grown through merging and acquisitions of other companies with diverse food products.

PEST and SWOT analysis

At this point a PEST and a SWOT analyses for the olive oil of Minerva S. A. will be conducted. PEST and SWOT analyses are business strategy tools, particularly useful for companies' decision making. They fall into the situation analysis stage in strategic and marketing planning.

A PEST is an analysis of the external business macro-environment that affects all companies. PEST is an acronym for the political, economic, social, and technological factors of the external macro-environment of a company (Kotler, 1994). Thus, PEST helps companies understand the big picture of the political, economic, socio-cultural and technological environment they are operating in and build their vision of the future. The analysis examines the impact of each of these factors (and their interplay with each other) on the business. By making effective use of PEST analysis, a company can ensure that its actions are aligned positively with the powerful forces of change that are affecting the world. By taking advantage of change, companies are more likely to be successful than if their activities oppose it PEST analysis also

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helps not to take action that is doomed to failure for reasons beyond the company's control. In addition, it helps to break free of unconscious assumptions, and to adapt quickly to the realities of the new environment (MindTools, 2007).

A SWOT analysis builds on the results of the PEST analysis, since SWOT looks at the organization's internal strengths and weaknesses and also to external factors, which may have been highlighted in the PEST analysis. SWOT stands for strengths, weaknesses, opportunities, and threats and requires listing and analyzing these four issues (Doyle, 1994). SWOT analysis can help a company identify its strengths, understand its weaknesses, uncover its external business opportunities and take advantage of them and manage and eliminate threats. Then the company can craft a strategy that will help it distinguish from its competitors and compete successfully in the market (Piercy and Giles, 1989). SWOT analysis is better to be applied at product or product line level, rather than at the much vaguer whole company level.

PEST analysis

Political factors

Since November 2003, the EC regulation prohibits the distribution of olive oil in packages over 5â€%l without labels and it is obligatory to put on the packaging the name and the address of the producer. In addition, the legislation imposes standards to olive oil producers, concerning their establishments, equipment, technological methods of production and standardization, employees security, working conditions and payment and the quality of the product. These standards reassure high quality olive oil for

consumers and they will diminish the sales of not packaged/not standardized olive oil.

Economic factors

The difficult economic situation in Greece can influence the sales of standardized olive oil, because of its high price.

Social factors

The respect for the environment demands technologies friendly to the environment, for example waste elaboration units, recycling, etc.

Technological factors

The technological evolution resulted in an increased need for high-end technological equipment to produce high quality olive oil and to conduct quality control. In addition, the technological innovations should be used also in the offices of the company, its accounting department, customer service, etc.

SWOT analysis

Strengths

A strength of the company, is the high quality of its products. The company has laboratories for the quality control of olive oil. Another strength is its innovative technological equipment and its modern technological production and standardization processes.

In addition, the company is in contact with its customers and has a web site where consumers can get information about the company, its history,

products and about the olive oil. The company has an interest in the development of the society and is sponsoring social events.

Minerva S. A. is a member of the Federation of Hellenic Food Industry, contributing in this way to the formulation of a national strategy concerning the food sector. Membership in these Federations helps the company to operate according to the rules of the market. In addition, the company pays special attention to its employees and offers continuous training to them.

The company respects the environment and has a waste elaboration unit, uses natural gas because it does not pollute, recycles used materials during the production process, is a member of the Greek Corporation of Recycling and has grass and olive oil trees in the area around its factory.

Weaknesses

The awards, which Minerva's competitors have won, are a disadvantage for the Minerva. For example, Elais S. A., has gained awards for its olive oil products many times. This weakens Minerva's position in the market, although it is also an incentive for the company to try harder.

Opportunities

The company participates in many conferences, where its well-trained employees inform consumers about its products and can create a good image of the company in these participants who are doctors, dieticians, etc. The good impression, which Minerva S. A. creates in these conferences, influences sales because consumers can understand the responsibility and the prestige of the company.

In addition, as it was mentioned very small quantities of the packaged/standardized olive oil are exported and this is an opportunity for the company to increase its exports.

Threats

A serious threat for the company is severe competition from its most serious competitor Elais S. A. Another threat is the illegal trade of unpackaged olive oil and the unlawful competition in the olive oil market.

In Figure 1, SWOT analysis is presented.

The marketing mix

The marketing mix is the basic, tactical components of a marketing plan. The term “ marketing mix” became popular after Neil H. Borden published his paper in 1964, The Concept of the Marketing Mix. The ingredients in Borden’s marketing mix included product planning, pricing, branding, distribution channels, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. E. Jerome McCarthy later grouped these ingredients into the four categories that today are known as the 4P’s of marketing (Wikipedia, 2007). As Kotler (1994) describes these are: product, price, place and promotion. However, some marketers have added other Ps, such as people and process. These four P’s are the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environment. The goal is to make decisions that center the four P’s on the customers in the target market in order to create perceived value and generate a positive response.

Minerva pays special attention to all the components of the marketing mix and combines them in various ways to achieve its objectives.

Product

Minerva S. A. is distributing four types of olive oil: Minerva classic, which is a high quality olive oil and is sold in packages of 750â€ml (glass bottle), 1â€ (PET), 1â€ (tin) and in packages of 2, 3 and 5â€; Minerva Village Koroneiki Variety: which is the only olive oil in the market made from one the best varieties of olives in Greece, the Koroneiki. It is distributed in a 750â€ml glass bottle, 1â€ PET and in 2â€ and 5â€ packages; Minerva Mountainous Regions, which is made from selected mountainous olives from Peloponnesian. It is distributed in 750â€ml glass bottle, in 1â€ PET and in packages of 2 and 5â€; Minerva Lowland Olive Groves, which is a virgin olive oil made from selected lowland olive groves in Crete. It is distributed in 750â€ml glass bottles, in 1â€ PET and in packages of 2 and 5â€; Minerva Biological Virgin Olive Oil, which is distributed in tin packages of 750â€ml. The company is starting to distribute biological olive oil since it entered the market in January 2007.

Price

Minerva S. A. offers its products in good prices so as to be competitive. However, prices of standardized olive oil are higher than those of not standardized olive oil and for this reason many consumers do not prefer it. The price of olive oil is estimated taking into consideration several product attributes, such as production and processing, quality control, labeling and distribution. Price is also influenced by factors relevant to quality of life

consumers' income as well as their psychological needs, since in Greece consuming extra virgin olive oil is a tradition.

Place

Minerva is trying to cover the whole market and distributes its products in all the country. For this reason the company is trying to have a good distribution system, so as to serve consumers better and it is investing in various points of the country, in human resources and in technological infrastructure. The company distributes olive oil in the supermarket chains and in smaller shops such as groceries and convenient stores. Minerva has a wide distribution strategy so as to cover the whole Greek market.

The company has five storehouses in all the country, so as to cover all the market, which are near national roads, railway stations, ports and airports.

Minerva distributes its products to consumers through wholesalers and retailers and never sells directly to individuals.

Promotion

Minerva S. A. published its first advertisement of olive oil in 1930. In 2006 Minerva started to advertise its four types of olive oil in TV.

In order to promote its products the company offers discount coupons and discount stickers on the packages. In addition, it offers gifts, which are either another product of the company, for example with each package of Minerva Classic Olive oil a package of Minerva corn oil 1lit is given for free, or other gifts such as cooking accessories, cups, etc.

Furthermore, the company to increase the sales of olive oil organizes lotteries and competitions, where consumers can participate if they buy Minerva products. They can win presents, and money-checks, for example when consumers buy products of 50, they receive a check of 3.

Another method, which the competitors of the company also use, is to add points in the supermarket cards of consumers with every package of olive oil they buy. When consumers gather a certain number of points, they get gifts such as special discounts, etc.

Minerva S. A. organized a very successful outdoor promotional campaign in all the country. The company had a 15â€™m bus, called “ promo-bus”, which visited certain shops in each town, mostly big supermarket chains, to launch the new products of the company. Every morning “ promo-bus” was outside the shops and well-trained employees of the company invited consumers to visit the bus. The bus was decorated with the logo of the company inside and outside as well as photos of the company’s products. Inside the bus, consumers were informed about the products, they watched advertising spots on TV, they could participate in competitions, they could get discount coupons, recipes, leaflets with information on health issues and free samples of the products.

Furthermore, Minerva S. A. participated in International Food Exhibitions. For example, in October 2006, the company participated in SIAL, the international food exhibition in France, where other 198 Greek companies participated.

The company is promoting olive oil in the Australian market, because it is a big market and has lot of Greek emigrants, through local magazines. In its advertisements Minerva S. A. emphasizes the beneficial virtues of olive oil on health and its uses in cooking. In addition, it placed Greek recipes on the bottles. The company when exports olive oil is always informing foreign consumers about its benefits and its uses. Minerva is sponsoring social events, for example in 2006 it sponsored the painting competition organized by the Greek Children's Art Museum with the subject " Olives and olive oil in all the seasons of the year, in myths, in social customs and the traditions of Greece".

People

Minerva S. A. gives special attention to its employees because it can understand well that it is them who will achieve its objectives. Thus, the company offers continuous training to its employees and it has a system to evaluate their performance and give them opportunities for promotion.

Discussion

As it has been mentioned Greece is exporting about half of its production of olive oil, that is about 150, 000-200, 000 tons annually (Antoniades, 2006). However, not packaged/not standardized olive oil dominates exports (Antoniades, 2006) and very small quantities of the packaged/standardized olive oil are exported (about 6 per cent according to ICAP, 2006).

Another major problem of the Greek olive oil market is that except the two big companies Minerva S. A. and Elais S. A. there are a lot of small businesses, about 150 (Antoniades, 2006) as well as many peasants, about

450, 000 (Antoniades, 2006) producing not packaged/not standardized olive oil. This fragmentation of the market results in higher prices for standardized olive oil.

In addition, Greece exports large quantities of olive oil to Italy and Spain (Antoniades, 2006). This olive oil is mixed with olive oil of lower quality and it is exported to the international market in lower prices.

Thus, the Greek olive oil, cannot be competitive in foreign markets and there is also the danger that in the Greek supermarkets may soon appear cheaper Italian and Spanish olive oil (IOBE, 2006).

In order to grow, Minerva S. A. should make efforts to increase its exports. Since the promotion of the Greek olive oil abroad is limited, the company should conduct more intense promotional campaigns in foreign markets through magazines and participation in Exhibitions to inform consumers about the superior quality, the use and the benefits of its olive oil. For example, Unilever through advertising, stressed the authenticity and pure nature of its olive oil “ Puget Héritage” (FOOD, 2004). In addition, Minerva should emphasize the superior taste of its olive oil to fight competition from other “ healthy oils” sold in the foreign markets, e. g. rapeseed, soybean oils, and offer free samples to consumers to taste it. However, since cost is a major consideration for the consumption of olive oil. (Bourdieu, 1984 and Duff, 1998), the company should try to keep prices as low as possible.

The Greek government should strictly apply the legislation and inform consumers about the dangers engendered in the consumption of unpackaged olive oil and as Crescimanno et al. (2002) mentioned, olive oil

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producers should collaborate with each other, with associations, the industry and distributors and create clear rules respected by everyone.

In order to increase its market share in the local market Minerva should intensify its promotional activities, because as Duff (1998) and Crescimanno et al. (2002) claimed, promotion and advertising are important in the olive oil market. The company should also pay special attention to packaging, bottles, labels, etc. which as Sandalidou and Baourakis (2002) and Crescimanno et al. (2002) mentioned are attract consumers and try to differentiate from its local competitors.

The contribution of this study

This study contributes to the olive oil sector since it is one of the few so far that have provided an insight in the marketing of olive oil and has gathered knowledge concerning the Greek market where limited research has taken place on these issues. In addition, it gives valuable information on how a Greek olive oil company can grow in the local market and increase its sales by exporting.

The results of the study can be of definite interest and potential value to managers in this sector. Academically, further research based on these findings can add to the present pool of knowledge by further examining the marketing practices employed by other companies in this sector in Greece and worldwide.

ImageFigure 1SWOT analysis

Figure 1SWOT analysis

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