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Selling traditional agroalimentary products through e-commerce

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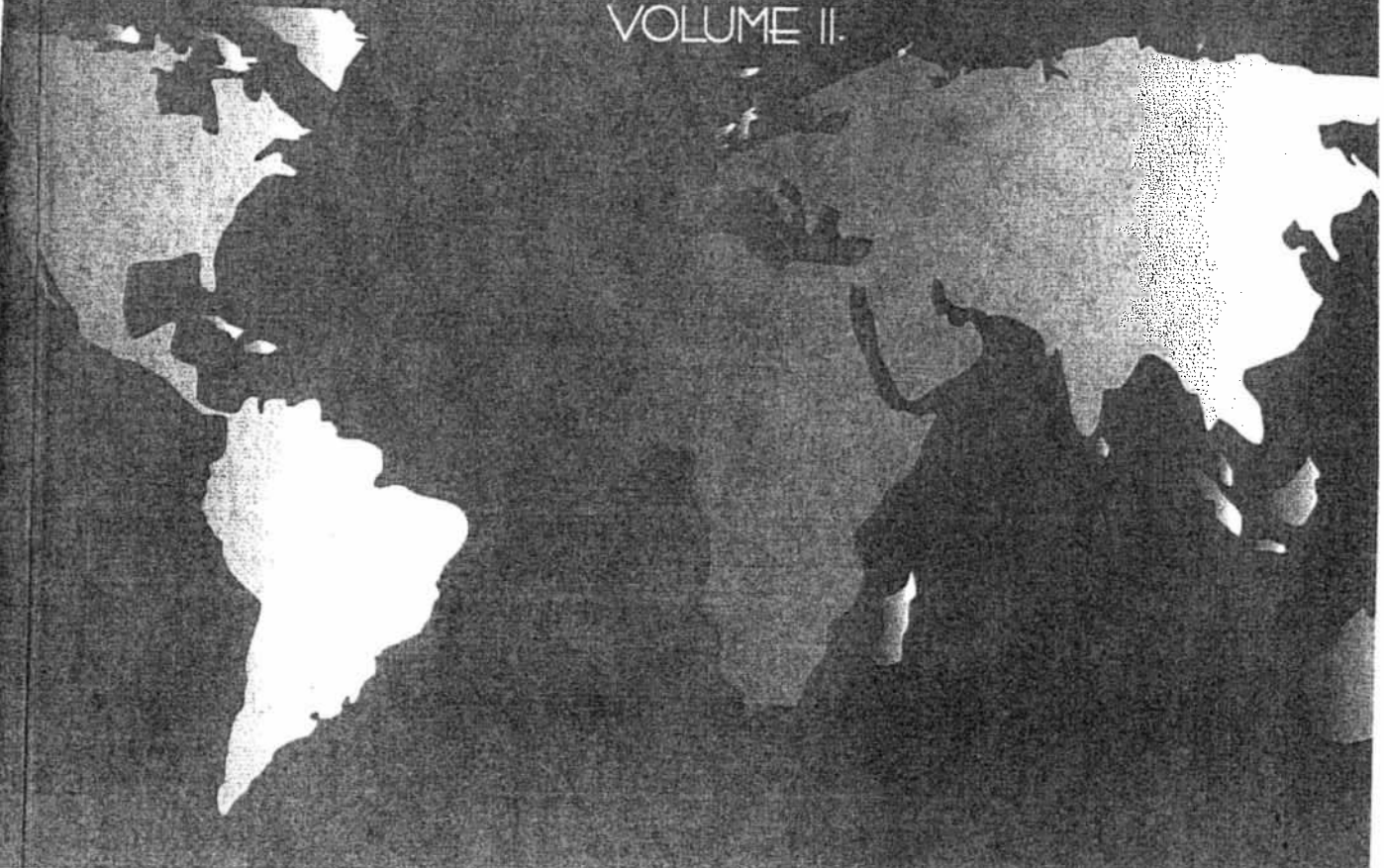
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PROCEEDINGS OF THE 13TH IGWT SYMPOSIUM

COMMODITY SCIENCE IN GLOBAL
QUALITY PERSPECTIVE

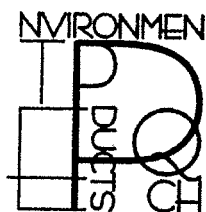


PRODUCTS - TECHNOLOGY, QUALITY AND ENVIRONMENT
VOLUME II.



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FOREWORD

Welcome to the 13th IGWT Symposium under this year's title of "Commodity Science in Global Quality Perspective. Products - Technology, Quality and Environment" and in the organisation of the Institute of Technology at the Faculty of Economics and Business at the University of Maribor. This is the first IGWT Symposium in the 3rd millennium, in the 42nd year of teaching and research of commodity science at the Faculty of Economics and Business, Maribor.

The fate of good quality products and services in hands of the consumers seems to be a crucial challenge for commodity science in modern society. With the accelerating growth of the importance of the natural environment, good quality will no longer be possible without the fulfilment of the environmental requirements. Due to these facts the only perspective worth our efforts is a good quality of life in the conditions of sustainable economy.

The papers to be presented over the next few days explore various aspects of the primary topic, i.e. "Commodity Science in Global Quality Perspective". A diverse group of scholars and top managers in business and industry have gathered to study the topic from many perspectives. We are very proud that a very highly competent group of experts has thoroughly reviewed all the papers received. Nevertheless, the published papers represent the research and opinions of the authors, not of the editors.

We believe that owing to the fact that such a large number of eminent scientists working in the field of Commodity Science and other related areas from all over the world are taking part in this symposium, we will benefit greatly from the exchange of ideas during stimulating presentations and fruitful discussions. By thanking you most cordially for coming to 13th IGWT Symposium I wish you a very pleasant stay in Maribor and hope that all of you will leave our beautiful town with a renewed energy for new challenges.

Yours sincerely,

Chairman of the
Organizing Committee

Prof. Dr. Vojko Musil

SELLING TRADITIONAL AGRO-ALIMENTARY PRODUCTS THROUGH E-COMMERCE

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***Abstract:** The transition from the old to the new economy has been marked by a rapid dissemination of "new technologies". As today's society is characterized by the search for "speed" in any type of operation, the desire to make purchases on-line is spreading rapidly. The Internet enables potential consumers to discover new products and to purchase them without having to go to a sales outlet and enables producers and retailers to increase their turnovers. The paper examines several sites dedicated to the promotion and/or sale of traditional Piedmont products.*

INTRODUCTION

E-commerce, a general expression used to define a purchase and sales process supported by electronic means[1], has proven to be particularly useful when the products to be purchased are not easily found on the market or where the distance from the retailer makes the purchase of said product by traditional means difficult, if not impossible.

The EITO[2] has predicted that by 2003 around 50% of the population of the current members of the European Community will be Internet users; this means that there will be around 140 million web users, of which 34 million will be web buyers. However, predictions of an exponential growth of the sector, based on the trends on the US market, have not been fully respected in Italy and Europe and in fact current data confirms steady growth in this sector.

The conception, development and widespread use of the tools provided by the advent of these new technologies have created a new network of contact between operators in the economic world. The relationship between the purchaser and vendor has changed considerably: if, in the not so distant past, the majority of transactions involved some form of human contact, a physical presence that undoubtedly influenced the level of trust instilled between the parties, the advent of Organized Large-Scale Retailing (OLR) has diminished the importance of the role of the vendor. As a result of this, the labeling of the package or the product itself has become a "silent salesperson". The advent of e-commerce has meant that simply labeling a product with ingredients and characteristics, as occurs for goods sold using traditional methods, is not enough. The fact that the goods are not physically present and that the exchange is therefore completely devoid of any form of human contact, has to be compensated for.

These new opportunities have forced companies to develop *ad hoc* competitive strategies that are increasingly attentive to the needs of the customers and the change in their expectations.

At the same time, consumers expect a preferential channel to be created to enable them to be in direct contact with producers, to avoid the costs of the middleman, to obtain a reduction in delivery times, to overcome geographical and linguistic barriers, hand in hand with the issue of disciplinary standards for the sector.

The "new economy" and in particular, the Internet represent a challenge for the legal world. Internet is a means of communications that has no borders and therefore the development of new sales practices have given rise to problems regarding the confidentiality of data, information security, tax regulations and consumer protection[3].

In the European Community, Directive 2000/31/CE has been adopted regarding several aspects of information society services, in particular electronic commerce in the internal market (directive on electronic commerce) that must be transposed by 17 January 2002.

It is worth noting however, that while on one hand the market appears to be oriented towards standardizing consumer goods, on the other some categories of consumers appear to be increasingly oriented towards the purchase of niche products which include, amongst other things, traditional agro-alimentary goods which represent one of the few categories that have succeeded in preserving their cultural and social heritage.

In an attempt to promote the farm produce market, and to enable farmers of the most disadvantaged marginal areas to preserve their territory [4] as well as to enhance the value of the food and wine heritage of the Italian Regions, *Decreto Legislativo* no. 173/98 art. 8 has established a category of traditional products. *Decreto* no. 350/99 of the Ministry of Agricultural Policy establishes the *Regolamento* governing the identification of these products.

In Piedmont, from the winter of 1999, a mechanism to identify traditional products by the interested parties (Chambers of Commerce, Trade Associations, Municipalities, individual producers) has been launched. The products, 320 to date, have been validated by Universities and published in the Official Bulletin of the Piedmont Region[5].

The Piedmont Region has recognized the opportunities offered by e-commerce and has therefore financed a project aimed at the sale on-line of traditional Piedmont products.

Global visibility, the reduction in sales cycle times and the opportunities offered by new sales channel were some of the reasons that encouraged several Piedmont companies to apply to join the e-commerce program.

EXPERIMENTAL

Strategies to benefit from the sale of agro-alimentary products through e-commerce

Running a business in the “virtual” world has very “real” consequences, such as for example investments, revenue expectations, profits and organizational capabilities.

To sell products on-line, in this case agro-alimentary products, you have to first gain the trust of the consumer. To encourage potential e-commerce customers to put their trust in them, companies have to be extremely transparent in order to overcome the suspicions that lead to 65% of consumers abandoning their virtual trolleys before reaching the check-out[6].

Information awareness campaigns could be used to build up the trust of potential on-line customers and to reassure them that the relative payment methods are safe. These campaigns could be organized jointly with consumer and industry associations and could promote alternative ways of settling disputes, trustworthy brands and effective codes of good practice[7] (one of the aims of Directive 2000/31/CE mentioned above).

An Internet site dedicated to electronic commerce must do its utmost to facilitate the visits of users, breaking down any linguistic barriers. To reach the widest audience possible, multi-lingual sites are a must.

In addition, visitors to a site should be offered the possibility of subscribing to the site, leaving an e-mail or postal address, so that they will then receive information about any *ad hoc* e-commerce initiatives devised to instill a direct, safe and fast relationship with potential customers. Better visibility can certainly be achieved if the site is registered with one of the more prominent search engines or uses advertising banners.

The importance of after sales service should not be forgotten. On one hand this keeps the contact with the customer alive and on the other it guarantees the customer a point of reference for any problems that might arise. It is widely felt that e-commerce will only be really fully successful when the Internet is able to integrate adequate before and after sales services.

It is worth mentioning that with e-commerce transactions, the possibility of negotiating any sales aspects such as, for example, the price disappear and therefore the autonomy of the customer is reduced to the choice between “take it or leave it”. This situation already exists to some extent in mail-order catalogue sales. Products

should therefore be offered at prices that are considerably lower than those of traditional retail sales.

On-line sale of traditional agro-alimentary products: the piedmont region case study "Tast@Piemont"

Electronic commerce is a combination of innovative activities that can seldom be considered without clearly defined strategic planning. Particularly in the case of Small and Medium sized Enterprises (SME), this implies the development of synergies between commercially similar complementary partners to set out a strategy for e-commerce aimed at increasing the number of business transactions[8]. The SME tend to experience the most difficulty in entering the electronic market both because that do not have the necessary knowledge of the legal scenario and due to the apprehension of new technologies. Through a scheme entitled "Go digital" the Commission intends to provide support to SMEs in their efforts to enter the world of e-commerce and to therefore operate outside of national borders[9].

Given the potential of e-commerce, various schemes have been launched for example "www.qualitagiovane.it (young farmers open their doors to e-commerce to promote high quality traditional products through the Internet that can then be purchased off-line through direct contact with the producers), "www.esperya.com"; "www.gastarea.com"; "www.langheroerofood.it"; "www.alistore.com". One of these, "www.TastaPiemont.it", a project set up by the Piedmont Region is examined in further detail. The Region (which took on the triple role of guarantor for the image, financer and coordinator) within the scope of the agreement drawn up with the *Istituto per il Commercio con l'Estero* -ICE- (Institute for Foreign Trade) for 1999, appropriated the sum of 100,000,000 lire to set up an experimental virtual shopping center to sell traditional Piedmont agro-alimentary products, aimed above all at NAFTA countries (USA, Canada and Mexico). The project was supported by an advertising campaign developed jointly with the Italian Chamber of Commerce (CCIAA) in Los Angeles.

The Piedmont CCIAA have contributed, even though with considerable difficulty, to identifying companies potentially interested in the scheme, which submitted their applications by February 2001. Seven companies were chosen, on the basis of the following criteria:

- As the primary objective of the project is to sell the products to NAFTA countries, the possibility of selling all over the world took on a secondary value. Preference was given therefore to companies that possessed the appropriate certification to sell products in the USA in particular, in terms of customs legislation, fiscal and technical requirements, or that demonstrated that this gap could be overcome in a very short period of time;
- to have entered into an agreement with a Credit Institution signaled by the Piedmont Region to be able to accept payments from customers by credit card;

- to have entered into an agreement with an international carrier of its own choice;
- to have identified, within the organization, a single contact person for the project.

Each store has its own shop window, created on the basis of individual and specific requirements and/or tastes. The scheme is not necessarily directed towards Business to Consumer (B2C); in fact the companies in question could become suppliers of other business enterprises that wish to offer their customers traditional Piedmont products.

In addition, gastronomic tours could be organized, in unison with the companies participating in the project to visit and fully appreciate the Piedmont area. An e-commerce site dedicated to the sale of typical Piedmont products will certainly operate in a niche market. Experience in the United States has shown that these types of businesses are more likely to survive market forces than other sectors.

Due to the success of the scheme and the optimistic forecasts of its development in the future, the Piedmont Region has established further measures that enable other small enterprises, strictly linked to the world of traditional Piedmont products, to trade over the Internet.

CONCLUSION

Apart from the obvious applause of schemes aimed at enhancing the value and of increasing the awareness of Italian products on the Global market, some more specific matters need to be addressed *in primis*. Unfortunately, visits to sites dedicated to the promotion of traditional Italian agro-alimentary products have highlighted that more often than not incorrect or imprecise terminology is used, and that rarely the products that appear on the National List of Traditional Products are those on sale.

Furthermore as far as the Piedmont Region is concerned, there appears to be a lack of coordination between schemes involving the Business Sector (promoters of the virtual window of traditional Piedmont products) and those of the Agricultural one (advocates of the categorization of traditional Piedmont products) as the Tasta@Piemont site contains only a few products that may rightly feign to be traditional.

The use of catch phrases (“produced with age-old traditions”, “unique and unrepeatable”, “ancient recipes”, “according to ancient traditions”, etc) that evoke a sense of traditionalism when referring to products that should not be defined in this way as they are not categorized as such, goes against the principles of transparency that are supposed to discriminate relations with consumers in all sectors.

In addition, the products illustrated in these sites rarely possess the fundamental characteristics for future official recognition as “traditional”. More often than not

they do not respect the rules of traditionalism which entail at least twenty-five years of production using the same methods as well as other aspects that strictly link the product to the area it comes from.

If it is true that traditional products, created and developed in local markets, can experience growth trends on the global market that were once unimaginable and that paradoxically the Internet could save Italian alimentary traditions by creating a new sales channel to encourage their production[10], it is also true that it is absolutely essential not to create any confusion in the eyes of the consumer.

Farm produce will be increasingly exposed to wider and more aggressive competition from new firms and production areas. However on-line trading of products that originate from local isolated areas will enable them to be sold anywhere, avoiding advertising expenses that are often extremely high. In any event the clarity of information is essential also because, in the words of Charles Baudelaire "for the tradesman, honesty is merely one of many ways to speculate". In this context honesty is intended to mean the appropriate behavior in the various stages of negotiation and in the after sales management of the customer relationship and will be a guarantee of future success.

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