SUSTAINABLE INNOVATIONS IN THE PROMOTION
OF HOME PRODUCED PRODUCTS IN THE MARKET

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Abstract. This paper aims to describe and analyse the innovations in the promotion of home-produced products in the market in Latvia. To do this, the authors have carried out a survey of 50 home producers that makes up a 4.5% of home producers and reviewed research studies about marketing strategies of small farmers and home producers. The obtained results reveal that the most important factor in the marketing of home-produced products is the quality and taste of the products. It can be noticed that the market requires not a combination of traditional and often cultural heritage technologies in the development of the product itself, but an open mind and innovative approaches in the marketing and promotion of products in the market. The authors also conclude mainly the products are sold directly to the end user and therefore the communication with the client and mutual cooperation are highly significant.

Keywords: home produced, home producer, product promotion in the market.

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1. Introduction

Home production is one of the forms of micro entrepreneurship and lately this and other forms of small and locally oriented entrepreneurship are acknowledged for promoting self-employment and business involvement of local communities. A home producer is defined as a person who has registered as a food manufacturer in home and small scale manufacturing, processing or manufacturing products using locally sourced raw materials. As home producers have to do several stages of product production and promotion themselves, there is a vast room for innovation in product design, production technologies, marketing and branding of products, product presentation and communicating with consumers. Home producers also use several market channels for selling their production. Traditionally most of the production is sold in local markets and via direct sales to customers, but there are several innovative examples of cooperating with local sales groups, producer cooperatives, eco-stores etc.

Home production has been one of the occupations of households in Latvia for a long time; one could say that home production has been a traditional occupation for many centuries. However, at present, returning to traditional, natural and cultural heritage values in producing and distributing products may be considered an innovation. An increasing number of farmers wish to process part of their agricultural production on their farms, while small farms prefer to process all their agricultural production (Melece 2006). In Latvia, home production
is classified into ten activities: manufacture of meat products and minced meat; manufacture of dairy products; processing of fish products; manufacture of vegetable oils and fats; processing of products of plant origin; manufacture of bread and flour; production of eggs; manufacture of specific food products of animal origin; manufacture of non-alcoholic beverages and ice; and food production under home conditions.

In Latvia, home producers are registered with the Food and Veterinary Service (FVS); in the period from 2010 to 2014 their number rose by 57%. There were 1104 registered home producers in 2014. The number of home producers registered in the FVS database does not match their number if broken down by their registered activities, as there are home producers that are engaged in more than one activity. For example, a home producer produces foods from both milk and plants, and the FVS registers each its activity separately. In home production in Latvia, the most popular activity is the processing of plant products, as the number of entities registered for this activity increases every year, and at the end of 2014 there were 513 such home producers, accounting for more than 40% of all the mentioned activities. More than half or 60% of the home producers were registered as natural persons, while only a fifth was registered as farms and 13% were LLCs. Home production helps to preserve the traditional rural environment and ancient food processing techniques and generates additional revenue. A no less important argument is the rising food prices in the world and an increase in demand for quality organic food that is not chemically treated and transported in long distances. There are several factors that draw consumer attention to local foods such as environmental and geographic dimensions in their food choices – long-distance transport of food or so called food-miles is considered to contribute to greenhouse gas emissions, leads to a large food waste ratio and consumption of nutritionally poor and unified foods. It is also considered that local food is healthier and safer, and consumption of local goods supports local farmers (Guptill and Wilkins 2002; Ilbery and Maye 2005; Pirog 2009; Grīniņa 2011). Urban and rural residents are learning that they like to have direct connections to farmers and farm life. They like knowing where their food comes from and knowing that it was grown by family farmers who take good care of their farmland and their animals. This concern on the part of consumers is opening up more opportunities for farmers to direct marketing, or to sell their products through channels that keep the farmer’s identity connected to the product (Jewett et al. 2007, Pabedinskaite 2013). Martinez (2007) also states that the expansion of local food markets implies that consumers in a particular area are purchasing more of their food from nearby sources, and that more of the money they spend remains in their local community. Hence, local food systems have the potential to positively impact the local economy. Claims of economic development impacts – in the form of income and employment growth – are common in local foods research. The same positive effects are also created by local craftsmen. Both food producers and craftsmen use local knowledge, thus sustaining local cultural heritage and transferring it to everyday utility products. Strengthening and protecting cultural and biological diversity and localised specialty agriculture promotes regional micro-entrepreneurship, thus sustaining local communities.

In the aspect of distribution, local food used to be almost completely linked to direct marketing, where the farmers and consumers had face-to-face contact. Direct marketing is still a very important part of the local food chain, but there are more opportunities now than ever before to sell locally (Jewett et al. 2007). Recent years, home producers have successfully competed with large producers in the food market by choosing a number of sales channels such as farmers’ markets, collective purchase and direct purchase groups, community supporting agriculture initiatives, farm visits, local food supplies to grocery stores etc. (Merrigan 2012, Local and Regional..., s.a., Little et al. 2009, Išoraitė 2014; Išoraitė 2015). For rural residents, it is an opportunity to start up their small business, while consumers can use local quality food products daily. Producers have to consider how to offer their products in order for their business to be successful. Just like any food enterprise, home producers too have to ensure their products are safe and of good quality (Vilcāne 2015). The concept of local food may also extend to who produced the food: the personality and ethics of the grower; the attractiveness of the farm and surrounding landscape; and other factors that make up the “story behind the food” (Martinez et al. 2010). Local food is linked to social embeddedness in the sense of social connections, mutual exchange, and trust that is viewed by some as an important feature of direct agricultural marketing (Hinrichs 2000; Sage 2003). Although home production is basing its techniques in traditional and family owned recipes, the attractiveness of the markets, finding the sales channels and the promotion of the produced goods involves several innovative aspects. Innovation is the ability to take new ideas and translate them into commercial outcomes by
using new processes, products or services (Fagerberg, Schumpeter 2003; Laužikas, Dailidaitė 2013; Rezk et al. 2015; Laužikas et al. 2015). Initially, the term ‘innovations’ had focused on technological innovations, while now non-technological innovations have become equally important. Technological innovations are seen as a process during which new or enhanced technologies are developed and commercialised, it can also involve such elements as marketing, enterprise’s external relations etc. (Volkova 2014). However, non-technological innovations are the new organisational or marketing techniques introduced in an enterprise and contributing to the creation of value for customers and the enterprise itself (Schmidt, Rammer 2007; Rezk et al. 2015). This suggests that both the enterprise and its customers make gains. The scope of non-technological innovations is very broad not only in the field of entrepreneurship but also management. In enterprise management, such non-technological innovations as marketing innovations, eco innovations, brand innovations, business model innovations, service innovations, design-driven innovations, supply chain innovations, financial and other innovations are used more and more extensively. Lately innovations in the use of ICT in marketing and communicating with the customers are the ones increasingly up taken and used by enterprises across EU (Matei, Savulescu 2012; Išoraitė 2014).

2. Materials and methods

Identifying the factors and communication techniques of promotion of goods in the market and the factors affecting consumer choices will give an opportunity to promote home-produced products in the market successfully. The present research designed a questionnaire and found out the opinions of home producers regarding presenting and promoting their products in the market. The authors have carried out a survey of 50 home producers that makes a 4.5% of the target group of home producers. Promoting products in the market plays a great role in the success of home producers, as its key objective is to extend the knowledge of consumers about the product, to encourage them to try it and to continue consuming the product. Therefore the authors employed a number of marketing analysis methods – to promote goods in the market, in this study the elements of marketing communication were analysed, with the key instruments being: advertising, sales promotion, public relations and publicity, direct marketing, personal selling and events/experience. Applying these key instruments to promoting home-produced products in the market, the values and advantages of a particular product have to be highlighted, compared with similar products. One can illustratively depict the production process of products and their uses, placing information about the products produced in various sources, thus arousing interest in the products. The value and importance of products have to be justified based on how a consumer might perceive the products, and the consumer has to be made to wish to act and purchase the products.

The authors suppose that in order that home producers can successfully promote their products in the market, communication is necessary between the producer and consumers. The AIDA model could be used in communication with consumers – both current and potential ones. The AIDA model is a model of action, in which the effect of promotion emerges at four steps that help to motivate potential customers to purchase or order a good or a service (AIDA model, [s.a.], Gharibi et al. 2012). The model’s purpose is to attract consumers’ attention, to arouse their interest in the product and, consequently, to cause the necessary action/behaviour of the consumers – buying. The model consists of four steps: creation of attraction, interest, desire and action.

An Irish food reviewer, writer John McKenna, characterises home producers and their products as 4 P’s interaction: personality, place, product and passion (Artisan Food: Artisan ..., [s.a.]). The authors believe that the interaction of the mentioned 4 P’s highlights the uniqueness of home producers and their products, as such products are produced under home conditions, adding them value and specific characteristics. Home producers have to examine consumers’ desires, use various sales opportunities, popularise their goods, placing information in various social networks, as well as place actual information on the label, which tells about the origin, values and uniqueness of the product. The production process would need to involve creativity, innovative ideas (Mačerinskienė, Bulygina 2013; Tvaronavičienė, Černevičiūtė 2015) and diverse ways have to be sought, for example, food products may be packaged in original packaging or designed as souvenirs, a legendary story may be added or it may involve other interesting ideas that could also attract tourists from other countries who would wish to buy home-produced food products.
3. Results and discussion

Home producers sell their products via direct sales and, the authors suppose a great role is played by the ways of presenting the products and informing about them and by communication with consumers. To identify the opinions of registered home producers on these matters, the authors developed a questionnaire. The number of respondents in a survey conducted within the present research was 60 or 5.4% of the target population. The survey was carried out in the spring of 2014. The respondents represented all the regions of Latvia; 70% of them did their home production activities in rural areas, while 30% in urban areas. Of the total respondents, 26% were home producers for less than a year, while 22% were engaged in home production for more than a year. To identify the ways of sales by home producers, the respondents gave replies to the question “Where do you sell your home-produced products?” The highest proportion of replies – 72% – related to sales at local government-held fairs and delivery to customers on request. Specialty stores and market places were outlets for 36% and 46% home producers, respectively. Of the surveyed home producers, 48% sold their products on their farm or at their production place. Others sold them at the Kalnciema street market in Riga, direct sales groups, via post, via the Internet, at small fairs and stores or during various social events.

More than half (64%) of the surveyed home producers sold their homemade food products themselves, and almost half or 24 of them retailed their products 1-2 days a week. The authors assume it was done on weekends. Of the surveyed home producers, 16% sold their products 3-4 days a week, while only 8% of them did that all week long. The authors wish to emphasise that a third of them sold their products even less frequently, which might be explained by the fact large fairs or social events, in which home producers wanted to participate, did not take place every week. The reason was also the fact that part of their products was seasonal, for example, gingerbread and pickled vegetables, as such products were mainly purchased in winter.

In selling home producer products, the authors believe, a great role is played by the way the products are presented and by the product design. According to the surveyed home producers, the most important factor in marketing home-produced products was their quality and taste; it was stressed by 90% of the respondents. To ensure it, home producers have to have good recipes and technologies, so that the quality and taste of their products do not change. This factor is supplemented with an opportunity to taste the product, and consumers may be attracted in this way – they taste the product and decide whether to buy the product. However, only 26% admitted that in marketing products, it was important to indicate the place of production. Price tag and its placement were mentioned as unimportant factors in marketing products. The replies of the surveyed home producers concerning important factors in marketing home-produced products are presented in Figure 1.

When marketing their products to consumers, sellers have to be honest and show personal respect, as 70% of the respondents emphasised that it was important to be able to attract the attention of buyers and to communicate with them. Their sales place is also important. To contribute to the recognition of their products, home producers have to provide additional information about themselves and their products in various ways. It was
mentioned as an important factor by 68% of the respondents. More than half of the surveyed home producers spread information on themselves and their products via the Internet and social networks. On their websites, 34% of the home producers updated information at least once a week. Of the respondents, 30% provided a summary of information on their products at their sales place several times a week by using leaflets produced in advance; 18% placed information on their products in their local newspaper. Banners, which were placed at their sales places, had been created by 12% of the home producers, and they used their banners at their sales places at least once a month. Only 14% admitted that there was no need to spread information about them and their products, as their consumers found them themselves. More than a third spread information on themselves and their products in a different way – by telling their acquaintances –, their permanent customers popularised their products to others or information was spread to consumers through home producer associations. Trips to the place of production, which was an innovative way of marketing goods, helped to spread information on their products, as well as stories told on radio and television were effective. Regardless of the activities done by the surveyed home producers, 54% admitted that the available information on themselves and their products was insufficient.

More than 80% of the respondents admitted that they used to evaluate the way of presenting and the design of products made by other home producers. The authors identified the situation with the surveyed home producers with regard to the way of presenting and the design of their products (Figure 2). When starting to sell products, appropriate labels have to be developed; 78% of the surveyed home producers had already developed and introduced labels. A great deal of the respondents had also created logos, which meant that the recognition of their products by customers increased, although some 20% of the home producers believed they did not need a logo. Packaging was considered an important factor in marketing products by 56% of the respondents. Of the surveyed home producers, 68% had developed business cards. More than half of the respondents believed that banners or large billboards were not necessary, although 48% of the home producers already had them or planned to create them. The authors assume that before starting designing business cards and labels, uniforms and booklets, a single style and certain colours had been used in designing both a product and a sales place; therefore, such techniques could attract potential buyers and raise the buyers’ interest in their products.

Techniques to be used to attract buyers are diverse, and the authors summarised the experience of the surveyed home producers in how to do it best in Figure 3.
The authors’ summary on the best sales techniques shows that they resemble the steps of the AIDA model. There are only small changes or it is done in a different way, but the mentioned model’s idea is reflected in the activities presented in Figure 3. Everything begins with attracting the buyer’s attention, which can be achieved with an attractive seller, a smile, by speaking straight to the buyer in the form of invitation, as well as with an opportunity to taste the product. An additional interest in home producers’ products can be created by the unique and appropriate visual design of both their sales places and their products. One may not consider that the seller’s appearance plays no role; the appearance (the uniform, harmony with the rest of the designs) have to be considered. Impressions are also made by the placement of products and their packaging, which are noticed by consumers. For example, candied berries and fruits are colourful, their packaging has to be transparent, so that consumers can see what they look like; the same situation is with bread, natural teas and other products. In contrast, there are some products the appearance of which is not appealing – then an effect has to be created by means of packaging. For example, the appearance of cannabis butter (fried, ground hemp seeds) – a grey, soft and grainy paste – might not make the buyer interested in it. In this case, the packaging has to be attractive and informative about the good properties of the product.

Home producers use an opportunity to highlight their product’s values and uniqueness by creating and telling stories about it. There are products that can be evaluated by tasting them or feeling their aroma. To make consumers interested in them, their advantages have to be used and presented to potential and current consumers, for example, spice mixtures – aromatic, vegetable and fruit products – fresh, just as cooked at home. The authors believe that communication is necessary to make consumers interested in; it is particularly important to home producers, as they sell their products via direct sales – at the market place, fairs, exhibitions and anywhere where there is direct contact with potential and current consumers. Communicating and speaking with buyers arouses a desire in them. Sellers have to speak straight to their buyers; they have to be honest and unobtrusive. Otherwise, it can create an opposite effect – the buyer is discouraged. Sellers have to tell about their product’s quality and origin and identify their buyers’ desires during the conversation in order to satisfy their desires. When communicating with buyers, sellers have to serve them in a polite and friendly way. The final – fourth – step in the AIDA model involves action or making a purchase, while the summarised opinions of home producers refer to the flow and availability of information on the part of both home producers and buyers. This manifests itself as mutual exchange of information about successful purchases, customer recommendations and comments after purchases have been made. However, home producers have to be active and provide information about themselves in social networks in order to increase their sales. An opportunity to visit the place of production, which is created for interested individuals, results in additional recognition and future actions – making purchases.
When selling their products, home producers might face not only positive attitudes from their consumers and competitors. When speaking with potential buyers, they might be faced with reluctance and no desire to listen to the offer. Individuals have to be aware of the value of local products in order to buy them. Demand for home producers’ products is volatile, depending on various circumstances – the place of sales, weather conditions and human attitudes and, of course, the population’s purchasing power. Home production is often an additional occupation, along with paid employment; therefore, it is difficult for individuals to combine all their duties – to work, to produce and to sell their products themselves. It is difficult to compete with small home producers who have not registered themselves and sell their products illegally. For this reason, they have no additional costs in relation to product safety tests, sales places and taxes; in the result, the prices of products supplied by officially registered home producers are higher. The authors suppose that promoting home producer products in the market is of great importance in order to highlight their values. An invariably important condition is to maintain the quality of products. The majority of the respondents considered the presentation and offering of their products. Since home producers usually do their work themselves, the replies regarding informative materials and visual aids were positive. The importance of spreading information was acknowledged by the majority of the home producers, and it was important that the information was placed in various sources, for example, in social networks where it was possible to create a free-of-charge informative profile on products; however, not all of them used this opportunity. Activities for attracting consumers and arousing interest in them to buy a product are diverse; it may be achieved by both visual elements and personal attitudes.

4. Conclusions and proposals

Home production is one of the ways of starting up one’s own business if an individual wants to produce and sell food products, initially, in small quantities. However, at present in Latvia, there is no single definition regarding what is home production, although already 1104 home producers had been registered at the end of 2014, and their number grows from year to year, while the proportion of unregistered home producers is still high.

Promoting products in the market is an important key element in marketing home-produced products, and a great role is played by communication with consumers. Home producers have to be able to arouse interest and desire in consumers for their products. For this reason, studying and assessing the steps of consumer behaviour is important to be able to offer products and information about them in the way consumers wish it.

Of the surveyed home producers, 72% marketed their products in their local community and delivered them to customers upon request. The products were also marketed in specialty shops and sold directly on the farm or production facility. Of the respondents, 68% had noted that it was necessary to promote product awareness and provide sufficient information to the customers through the Internet and social networks, thus acknowledging the necessity of innovation in communication with the customers.

To contribute to the availability of local products and their recognition by consumers, home producer cooperation groups have to be established. To achieve a greater sphere of influence and to educate the public about the role of local products, all the home producer associations have to cooperate. The initiative to start cooperation has to be assumed by the association “Latvijas Mājažotāji” (Latvian Home Producers). The association has to hold joint events, thereby speaking to individuals of various ages and social groups. It has to also focus on school-age children, telling them about the value of local products and the necessity to support local producers. As a result, foundations would be laid for the idea that choosing local products provides support to the local population already during their teenage years.

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