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Opportunities and barriers for niche marketing of lamb in European LFAs based on consumer attitudes to product quality

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Abstract

With commodity prices continuing to decrease and the policy constraint that farmers cannot increase incomes by increasing volumes of production, farmers must find alternative ways for maintaining their standard of living. In LFAs, where agri-environmental subsidies help farmers to improve the quality of environment, this can be achieved by environmental payments, which are either paid by government or the consumer of agricultural product through niche marketing.

This paper will draw on the results of a consumer survey carried out in Less Favoured Areas in Scotland, Germany, Greece, France and Italy to assess consumer attitudes of what constitutes quality of lamb and the extent to which this provides an opportunity to exploit niche marketing. Accordingly, the opinions of consumers will be compared and contrasted in four Member States of the European Union. The *extent to which niche markets provide a means of rewarding farmers through the value of primary agricultural produce for environmental management is discussed.*

Introduction

In an era of policy measures designed to control food production and limit agricultural public spending, farmers throughout Europe are increasingly being told to look to the market place to add value to their products. Equally, they are increasingly being encouraged to adopt agricultural production methods that are sympathetic to the natural environment in which they operate. These two challenges facing the primary producer, and policy maker, lead to the question of whether production systems that benefit the environment can be sufficiently rewarded through the market place for primary products or whether long term public support for the creation of the public good, landscape and environment, are needed.

The challenge of adding value for the primary producer of agricultural products is considerable, and is heavily influenced by the structure of the marketing chain and the effectiveness of the market intelligence channels. These challenges become even greater in the Less Favoured Areas (LFAs) where physical limitations on production systems and distance from markets are more pronounced. Furthermore, these areas include some of the most visited, prized, touristic environments and landscapes of Europe. Consequently, this paper will draw on the results of a consumer survey carried out in LFAs in Scotland, Germany, Greece, France and Italy, where agri-environmental measures are aimed at support new practices in animal farming, supposed to be more friendly to the environment. The survey assesses consumer attitudes of what constitutes quality and the paper discusses the opportunities this creates for establishing a niche market for selected livestock products produced in these areas.

Materials and methods

In order to compare and contrast consumer attitudes to product quality, four study regions have been considered, each of which is both an LFA and an area much visited by tourists for its natural beauty. The areas chosen are the Loch Lomond Park Authority area of Scotland, the Rhön Biosphere Reserve in Germany, the Pertouli valley in Greece, the Luberon Regional Park in France and the Matese Massif of Italy. All these regions produce lamb. Consequently, this commodity was chosen as the product used to assess the regional characteristics of the market.

A random survey of consumers was carried out, between autumn 1997 and early summer 1998, within the study area and the nearest large town or city to the study area. In Scotland's case the nearest city was Glasgow, in Germany the Biosphere Reserve Rhön, in France the National Park Lúberon, in Italy the Molise mountains and in Greece the Pertuli area. The survey was targeted at consumers between the ages of 18 and 75 who purchased lamb. The structure of the sample is shown in Table 1.

[Table 1]

Results

A series of common questions were asked in each study area to assess the relative ranking that each consumer gave to a number of issues relating to the purchase of lamb.

Product quality is shown to be the key criteria in the purchase decision in each country, being ranked first in each country on their mean scores. Similarly, animal welfare considerations were also generally accorded a high level of importance across all countries, consistently achieving the second or third ranking. In contrast, the importance of the relationship between the product, and landscape and tradition are generally scored lowly by all consumers and achieve the lowest rankings.

The meat consumption pattern is different between the countries. The knowledge of these data is important to have an understanding about the market potential. In Table 2 is shown that Germans like pork and beef but not lamb very much. France has a much more deversified consumption behaviour. Lamb is consumed much more regularly than in Germany. Scottish like beef and lamb very much, pork not so much. Italians and even greek people prefer beef and pork, lamb not so much. This is surprising for Greece, because they consume the most lamb in the EU (14.5 kg in Greece respectively 3.9 kg per capita and year in the EU, figures for 1994).

[Table 2]

However, two issues do show a level of variation between study areas, namely price and eco-labelling. Price is considered by the Scottish consumer to be ranked second only to quality in the buying decision, indicating that value for money clearly plays a significant part in the Scottish consumers' attitude to buying lamb. In all the other study areas, price was accorded the lowest level of importance. This does not necessarily mean that price is unimportant in the buying decision, but that other issues will influence the buying decision to a greater extent. A dichotomy in views relating to eco-labelling, for example labelling associated with the production system being organic, is revealed. Much greater importance is associated with labelling of this type in Germany and Italy than in France or Scotland.

[Table 3]

Niche marketing can potentially be achieved through regional labelling. In relation to this issue, a divergence in its level of importance is also revealed between Germany and Italy, who place greater importance upon it compared to France and Scotland. However, the level of disaggregation in regional labelling may influence the decision.

In the expectation that quality would be a key criterion in consumers purchasing behaviour, the survey asked a series of questions about elements of the product mix which may be regarded as contributing to quality. The results are summarised in Table 4. Consolidated results across the five study areas show freshness and taste to be key elements of perceived quality followed by concerns over chemical residues in the meat. However, considerable variations occurred between countries. Thus, the German consumers were shown to have greatest concern for chemical residues, by ranking it first amongst their perceptions of quality, and the Scots least concern. Equally however, freshness was consistently given a high ranking and, with the exception of Italy, fat-levels and colour were given a low ranking.

[Table 4]

Equally, great variability in scoring is seen between countries. Thus, on the lower ranked qualities, fat levels and colour, there was generally a much higher standard deviation within country scores. In contrast the higher ranking qualities in each country had a much lower spread of scores. Thus, freshness consistently revealed a low standard deviation in score in all study areas. This was also the case for taste and tenderness. In contrast, in Germany chemical residues, which were accorded high priority, showed a low standard deviation but in Scotland, where chemical residues received a low overall ranking a much wider range of individual scores was recorded.

When the elements of quality were considered against the age of those surveyed, no significant differences were observed for the scores of many of the elements of the product mix within countries. Nevertheless, Italians show some differences, at 5% significance levels, with age for colour and tenderness, and the French for fatness. In Italy, the oldest age group score tenderness as more important than the younger age groups and colour much lower. In France, the youngest and oldest age groups score fatness more importantly than their middle aged peers. Although not shown to be significant, the youngest consumers in Scotland also show more concerned about fat levels than their older peers. In France the consumers appreciate a specific quantity of fat in meat to grant better taste.

In an effort to identify how producers could provide information to their final consumers those surveyed were asked where they got information about the products they consumed, Table5. Scottish consumers are revealed to rely much more heavily on label information than consumers in other regional surveys. In the other regions trust in the supplier, the butcher, supermarket or restaurant, providing the information when asked or voluntarily is more apparent. Equally, in Italy and France consumers are more likely to use their own knowledge and therefore be well informed themselves about the products they are consuming. The dependence upon labelling in Scotland may be a reflection of the greater use of supermarkets when purchasing lamb products than in other study areas or of the mistrust to official sanitary controls. Eighty-two per cent of Scottish consumers surveyed make some use of supermarkets when buying lamb, although one fifth of these also use retail butchers, compared to 52% in Germany, 71% in Italy and 48% in France.

]Table 5]

Consumers were asked to consider what elements of the physical production system were associated with the product qualities that they had identified. In all the study areas, consumers generally observed that production methods were important, and that the physical location of the production process was less important, Table 6.

[Table 6]

While elements of the product mix may be identified by consumers to support farmers, there also has to be a willingness to pay a premium to elicit that feature in the product. This has been assessed at a general level across all study areas. In each study area, the consumers were asked to indicate whether or not they would be prepared to pay a premium for a product marketed using a locally distinctive label. The results are summarised in Table 7.

[Table 7]

The marked contrast between the Scottish answers and those in other study areas is apparent with the Scottish consumer less inclined to pay a premium for distinctive product, as they know most of the meat available in the retail outlets is of Scottish origin, anyway. The other countries are net importers of lamb, so local preference is more a matter of concern for the consumers. Within the age groups, those under 25 and those over 60 are the least likely of the Scottish and Italian consumers to pay a premium. In the German study area, the survey revealed that it was the younger consumer, those under 40, who was more inclined to pay a premium. In contrast, in France those under 40 were the least likely to pay a premium. The Greek consumers consider greece lamb as a best quality lamb and they are willing to pay more for it than for lamb from abroad.

Even if a premium is offered to producers, will it be sufficient to encourage a change in the producer's actions? To this end, consumers in France, Scotland and Germany who were prepared to offer a premium for a distinctive label were asked to quantify the level of premium they would consider paying, table 8.

[Table 8]

Discussion

The results of consumer surveys in different Member States raise a number of issues for producers and policy makers alike. Niche market opportunities do exist. However, the number of consumers willing to pay significant premiums are small. In an effort to exploit the niches that do exist, producers face a number of challenges. Equally, while commonalities do exist between Member States, some differences are also apparent. Most noticeably, there is a dichotomy in the importance of price between the consumers of the study areas in the purchase decision.

Nevertheless, opportunities do exist for producers to add value through improved product quality and product differentiation. However, the extent to which regional branding can achieve or benefit from these elements is still to be confirmed. Consumers do not generally identify place of production with product qualities, but rather they associate quality of product with the production system. Thus, to exploit the market potential the producer will have to promote the elements of the production system he uses. To do this, he needs to promote the virtues of his production system against elements of the quality mix identified by the consumer, particularly animal welfare and chemical residues. Indeed these are the elements of the quality assurance schemes currently being developed by various bodies within the EU. However, markting schemes like the RSPCA's "Freedom Foods" in the UK or "Rhönlamm" in Germany are generic in nature and do not provide the unique selling point required to raise the value and profile of products from the study areas considered in this paper. Instead, this would require consideration of regional branding and product identity.

The level at which regional branding is to be considered is also identified as an area for further consideration. In the Scottish context, consumers were more likely to pay a premium for a “Scottish” product than a “Loch Lomond” product. In considering the same question in the French study area Boutonnet (1999) identified a number of problems in achieving a localised niche product and concluded that “retailers are interested in a regular convenient supply......for them, every type of formal distinction is, at best, useless, or worse, disruptive.” Discussion with retail butchers in and around the Scottish study area produced a similar response. Retail butchers did not buy directly from the producer, relying instead on a meat wholesaler to provide them with a consistent quality product on a regular basis. Consequently, the retail butchers had little interest in branding a local product. However, they do sell products branded as a national “Scottish” product just as French retailers are prepared to use nationally recognised labels. In opposite to these countries Rahmann (1999) found in the Biosphere Reserve Rhön in Germany that retailers prefer local or regional labels for marketing strategies. They use the regional identity as added value more than national labels. Consumers do trust "added values" more in local products. They are only willing to pay more for "added values" when they are sure that they can trust the offered qualities. This is given with local products (transparancy of production) and PDO-labels. This is close to the approach Italian retailers do but marketing with "added values" is only rarely done as Brunori *et al.* (1999) mention.

A further element in the willingness to pay a premium for a local or regional brand may be connected to the association by the consumer between the area and the product offered. Within the Scottish study area, consumers were found not associate the area with sheep production (Ashworth *et al.*, 1999). In contrast, in the German study area, a product of particularly distinctive local identity exists namely “Rhön lamb”, which is produced from the local Rhön breed of sheep (Rahmann, 1999). In this study area, the product has potential for both a regional identity and a product identity. Nevertheless, Rahmann (1998) identified a number of constraints to the exploitation of the niche market offered by this combination of selling points. These included the problems of low meat quality and quantity, creating the associate problem of continuity of supply, the seasonality of production not equating with the seasonality of demand and the loss of “added value” when the product was moved outside its immediate regional market.

The results of the case study analysis described in this paper show that opportunities do exist for the development of niche markets for sheep meat. Although qualitative in nature, the results of this case study raise two questions or challenges for producers namely:

- at what level should local distinctiveness be identified? and
- can a locally branded product be supplied in sufficient quantity, quality and continuity of availability to exploit the niche?

The analysis also raises issues for policy makers. Particularly, the analysis suggests that there are limited rewards in the market place for production systems that are particularly sympathetic to the local environment. This is particularly the case if this incurs additional costs or changed cost structures through modified farming practices. To achieve this goal, policy intervention geared directly to environmental management will be required. Nevertheless, niche markets have potential to sustain farm businesses and by retaining farm businesses in Less Favoured Areas the niche markets will help to manage the environment. Equally however, it is concluded that significant regional differences in response to niche marketing can be expected in different parts of Europe. The impact of regional cultures and market infrastructures have not been considered in this paper, although this analysis suggests that they are important.

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Table 1

Structure of survey of consumers of lamb

	Scotland	Germany	Italy	Greece	France	Total
No. Interviews	322	480	437	392	299	1,930
Female	47%	56%	70%	45%	65%	57%
Male	49%	44%	28%	55%	35%	42%
Missing information	3%		2%			1%
< 25 years	9%	8%	11%	16%	9%	11%
25 to 40 years	34%	32%	37%	36%	38%	35%
40 to 60 years	37%	40%	35%	34%	41%	37%
> 60 years	20%	20%	18%	10%	12%	16%
Missing information	1%			4%		1%
Urban	85%	50%	18%	95%	35%	55%
Rural	15%	50%	81%	5%	65%	44%

Table 2

Meat consumption pattern: How often do you consume following meat

(in % of 1,902 answers)

	Scotland	Germany	Italy	Greece	France
Pork					
• Daily	1%	5%	4%	4%	6%
• 1-2 times/week	20%	80%	46%	42%	59%
• 1-2 times/month	42%	13%	28%	25%	23%
• Occasionaly	19%	3%	16%	22%	1%
• Never	10%	2%	6%	7%	11%
Beef					
• Daily	3%	1%	12%	3%	18%
• 1-2 times/week	51%	43%	74%	60%	58%
• 1-2 times/month	20%	30%	8%	24%	17%
• Occasionaly	11%	14%	3%	10%	1%
• Never	6%	13%	4%	3%	6%
Lamb					
• Daily				2%	3%
• 1-2 times/week	13%	4%	13%	20%	54%
• 1-2 times/month	42%	12%	32%	19%	23%
• Occasionaly	25%	55%	46%	47%	16%
• Never	10%	28%	9%	13%	4%

Table 3

Consumer perception of factors influencing the buying decision

(1 = unimportant, 5 = very important; n=1,730)

	Scotland	Germany	Italy	Greece	France
Price	52%	9%	39%	18%	5%
Quality	79%	73%	79%	87%	65%
Animal welfare	41%	56%	60%	42%	11%
Regional product	21%	40%	63%	68%	3%
Eco production[1]	9%	44%	57%	41%	13%
Traditional farming	20%	18%	54%	47%	9%
Landscape conservation	5%	33%	43%	43%	13%

[1]Eco production is not only organic farming but even environmental friendly production.

Table 4

Consumer perception of factors influencing quality

(1 = unimportant, 5 = very important; n = 1,752 answers)

	Scotland	Germany	Italy	Greece	France
Freshness	91%	77%	91%	81%	75%
Taste	87%	67%	82%	65%	26%
Color	58%	17%	62%	46%	3%
Tenderness	76%	50%	67%	62%	23%
Low fat / cholestine	48%	37%	60%	47%	19%[2]
No chemical additives	52%	76%	88%	62%	26%

[1]many french persons mentioned, that fat is important for taste: that means they gave a low ranking for low fat.

Table 5

How consumers get informed about lamb quality

(% of survey respondents)

	Scotland	Germany	Italy	France	Greece
Suppliers	12%	67%	68%	43%	51%
Labels	38%	15%	4%	19%	9%
Own knowledge	10%	14%	27%	36%	
Supplier & label	29%			1%	
Other	11%	3%			40%

Table 6

Consumer perception of physical factors influencing quality

(% of 1,717 consumers surveyed)

	Scotland	Germany	Italy	Greece	France
Freshness n =	322	474	431	215	275
• Place of origin	10%	48%	24%	37%	9%
• Animal keeping	12%	44%	37%	46%	22%
• Both	34%		32%		1%
Taste n =	322	474	430	191	282
• Place of origin	8%	11%	24%	35%	23%
• Animal keeping	16%	82%	38%	61%	66%
• Both	52%		33%		9%
Colour n =	322	474	430	189	245
• Place of origin	6%	10%	24%	35%	11%
• Animal keeping	16%	64%	38%	57%	74%
• Both	42%		32%		2%
Tenderness n =	322	474	431	190	265
• Place of origin	8%	5%	23%	35%	6%
• Animal keeping	16%	71%	38%	57%	66%
• Both	42%		33%		3%
Fat & cholestine n =	322	474	431	187	277
• Place of origin	5%	7%	23%	23%	4%
• Animal keeping	19%	78%	38%	68%	92%
• Both	36%		33%		2%
No chemicals n =	322	473	431	187	275
• Place of origin	5%	3%	23%	20%	6%
• Animal keeping	22%	86%	38%	62%	68%
• Both	39%		33%		2%

[1]Numbers do not add to 100 due to exclusion of other answers and possibility to tick several answers. [2]In Germany respondents were asked consider origin and system only.

Table 7

Proportion of consumers willing to pay a premium for lamb marketed using a locally distinctive label (n=1,851 answers)

	Scotland	Germany	Italy	Greece	France	Average
Yes	37%	79%	75%	66%	61%	66%
No	59%	21%	17%	34%	35%	31%

Table 8

Level of premium offered above current market price for

lamb with distinctive labelling by those prepared to pay a premium

(if willing to pay additional is given; n=742 answers)

	Scotland	Germany	France	Average
< 10%	81%	9%	4%	40%
10 to 20%	5%	49%	58%	30%
20 to 30%	6%	32%	33%	21%
> 30%	2%	11%	4%	7%

[1]"Added values" are asked: "How much more would you pay for lamb, when is is produced environmental friendly and with local distinctiveness".