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Marketing channels used by small farmers

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This thesis project examines the marketing channels used by small farmers in the Uusimaa region and was commissioned by the Finnish Central Union of Agricultural Producers and Forest owners. The objective of the thesis is to determine the benefits and disadvantages of different marketing channels from the perspective of small farmers and to understand why they use the channels that they use. In the study the three most commonly used marketing channels are compared: selling online, selling in farmers' markets and events, and retail selling.

The theoretical background is based on the 4Cs of marketing and on the theory of marketing channels. The 4Cs (consumer wants and needs, consumer cost, consumer convenience and consumer communication) are explained as well as the linkage between consumer convenience and the marketing channel, as the marketing channel is supposed to ensure that the product is available for the consumers in the place they prefer. This section explains marketing channel as a term, and its most important functions and features, such as channel length, selectivity of the channel, and how each channel member should bring some extra value to the product.

To investigate the farmers' view on these channels a survey was emailed to the members of MTK Uusimaa. The survey received less answers than anticipated, so the results are not reliable. The results have, however, informational value and they indicate that the number of channel members in the marketing channel has a negative effect on the cost-efficiency and control the farmers have, but also a positive effect on the customer relations. Because direct selling via the Internet leaves the farmers with the largest profit, most farmers consider this to be a good marketing channel. However, the farmers find it difficult to create new customer relations via Internet, so they could utilize more the resources and contacts offered by additional channel members, or take some courses on for example social media marketing.

Keywords Marketing channels, small farmers, Uusimaa region

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Pienten maatalousyrittäjien markkinointikanavat

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Tämä opinnäytetyö käsittelee pienten maatalousyrittäjien markkinointikanavia Uudellamaalla. Sen on tilannut Maa- ja Metsätaloustuottajain Keskusliitto MTK. Sen päämääränä on selvittää eri markkinointikanavien hyviä ja huonoja puolia pienten maatalousyrittäjien näkökulmasta, sekä ymmärtää, miksi pienet maataloustuottajat käyttävät niitä markkinointikanavia, joita he käyttävät. Kyselyssä vertaillaan kolmea yleisimmin käytettyä markkinointikanavaa: internetmyyntiä, tori- ja tapahtumamyntiä, sekä vähittäismyyntiä.

Teoreettinen tausta koostuu markkinoinnin neljästä C:stä ja markkinointikanavien teoriasta. Markkinoinnin neljä C:tä selitetään sekä kuluttajien mukavuuden yhteys markkinointikanaviin, sillä markkinointikanavan tehtävänä on varmistaa, että tuote on kuluttajan saatavilla siellä, mistä kuluttaja sen haluaa ostaa. Markkinointikanava selitetään, ja sen tärkeimmät tehtävät ja ominaisuudet, kuten markkinointikanavan pituus ja valikoituvuus, sekä miten jokaisen kanavan jäsenen tulisi tuoda tuotteeseen lisäarvoa, selitetään.

Jotta pienten maatalousyrittäjien mielipide eri markkinointikanavista saatiin tutkittua, lähetettiin MTK-Uusimaan jäsenille sähköpostitse kysely. Opinnäytetyön kyselyyn tuli vastauksia odotettua vähemmän, joten lopputulokset eivät ole luotettavia. Ne sisältävät kuitenkin informaatiota. Markkinointikanavan jäsenten määrä vaikuttaa negatiivisesti pienten maataloustuottajien kustannustehokkuuteen ja vaikutusvaltaan, mutta positiivisesti asiakassuhteiden hallintaan. Koska Internetissä tapahtuvasta suoramyyntistä jää tuottajille eniten voittoa, useat pienet maatalousyrittäjät pitävät sitä hyvänä markkinointikanavana. Uusien asiakassuhteiden luominen koetaan kuitenkin vaikeaksi, joten pienet maatalousyrittäjät voisivat joko hyödyntää enemmän markkinointikanavien jäsenten resursseja ja kontakteja, tai käydä kursseilla, joissa opetetaan esimerkiksi markkinointia sosiaalisessa mediassa.

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1 Introduction

Many farmers, especially smaller business owners, prefer direct selling to its customers cutting out the middlemen like supermarkets. The purpose of this thesis is to find out the possibilities smaller farmers have with direct selling, as well as examine the threats they face operating this way. The research question is why small farmers prefer direct selling and what are the features that make retail selling less appealing.

The thesis will be conducted in cooperation with and at the request of The Central Union of Agricultural Producers and Forest Owners (Maa- ja metsätaloustuottajain Keskusliitto). From hereon it will be referred to as MTK. The representative partner from MTK is Klaus Hartikainen, who holds the post of Communicational Director in MTK.

This study will be limited to Uusimaa. Uusimaa is a region in Southern Finland that consists of 26 municipalities and 1,6 million inhabitants. It is a growing area, and at the moment it produces 37,8 per cent of Finland's gross domestic product. (Helsinki-Uusimaa Regional Council 2015.) It is a good limitation because of its size and importance in the Finnish economy.

1.1 Market situation

There has been some debate in Finland over the farmers' working conditions and income. In 2013 the average salary for a farmer was 5 euros and 90 cents per hour, nine euros under the goal of 14,90 euros. On average, the income received by farmers covered only 40 per cent of the salary they should receive. (The Central Union of Agricultural Producers and Forest Owners 2015) One of the main reasons for this is the structure of the consumer price of products. For example, only 17 per cent of the price of a kilo of potatoes sold in a supermarket goes to the farmer, whereas the supermarket receives 55 per cent of the price. The situation is similar for most products: from the price of chicken breast fillets 11%, from ham 14%, and from minced meat 29% go to the farmer, whereas the part of the supermarket and industry varies between 59 and 77 per cent. (The Central Union of Agricultural Producers and Forest Owners 2015)

Meanwhile, local food is a trend that seems to have arrived for good. The consumers prefer to purchase products that have been produced close to them and they would like to know where the products come from. As the locally produced product reaches faster the consumer fewer additives are needed. At the same time less transportation is required, and after these cut-backs the share of the price the farmer receives from the product is larger. Therefore local food is considered healthier, environmentally friendlier and fairer than the rest of the products. (The Central Union of Agricultural Producers and Forest Owners 2015)

As the local food has become more popular, new ways of grocery shopping have been developed. One of these is food circle, in which a group of people living in the same area make a joint order from a farmer based his catalogue. The order is delivered to a distribution point elected by the food circle, and then distributed to the members as agreed before placing the order. The Internet enables food circles to function fast and easy and the selection of produce available this way is already vast. The most common products sold this way include grain products, spices, honey, meat, and dairy products. (Luomuliitto 2015)

1.2 Purpose of the thesis

The purpose of the thesis is to study the difference between different marketing channels from the perspective of the farmer. It should help understand why small farmers choose the marketing channels they choose, and from the point of view of their distributional partners, what they could do to make their marketing channel more appealing. The purpose of the thesis is also to help the farmers make their business more efficient and give them an idea about which marketing channels they should focus on.

1.3 Research problem and research approach

The research problem is to understand the benefits and disadvantages of different marketing channels from the point of view of the small farmers. Their opinion will be asked from them directly via a survey. They will be able to give their thoughts on Internet selling, selling in farmers' markets and in events, and retail selling via, for example, supermarkets. Comparing the results of the different channels it will be possible to determine the strengths and weaknesses of each marketing channel. The result of the study will be a market channel recommendation for the small farmers.

1.4 Theoretical approach

The main theoretical approach is marketing channels as one area of the 4Cs of marketing theory. In order to analyze the results of the survey and to make conclusions of it, it is necessary to know the key factors of marketing channels, what should be taken into consideration, and how the choice of a marketing channel can effect the product, the producer, the consumer, and ultimately the sales of the product. The survey also needs to be based on theoretical facts and the questions have to be linked to the key issues of marketing channels.

1.5 Framework of the thesis

After the introduction the thesis will focus on the theoretical part. Marketing channel as a term is analyzed, and its key features are examined. In methodology the survey as a research method is explained, as well as the validity and reliability of a research on a general level and then in relation with this study. It is also explained how the survey was developed. After that, the empirical part starts with the SWOT analysis of the marketing channels and later with results of the study. From the results conclusions are made, and based on these, a recommendation for the small farmers is given. At the end, the conclusions and the results of the study are linked to the theory and finally, there is a summary of the entire thesis.

2 Theoretical background

The theoretical background consists of theory of the 4Cs of marketing and of marketing channels. First, each of the 4Cs are examined and their relation to the marketing channel is explained. In the part of marketing channels it is determined what a marketing channel actually is, then its importance, and lastly the things that should be taken into consideration when choosing and analyzing the channels.

2.1 The 4Cs of marketing

The 4Ps of marketing determined by Neil Borden and Jerome McCarthy in the 1960's include product, price, place and promotion. (Bergström & Leppänen 2009, 166) The more modern, updated version of this theory is the principles of 4Cs. The 4C model was developed by Robert Lauternborn in the early 1990's to bring the model to the era of customer focus. The 4Cs include consumer wants and needs, consumer cost, consumer convenience and consumer communication (Bergström & Leppänen 2009, 167).

2.1.1 Consumer wants and needs

If a product does not reflect consumer wants and needs, it will not be purchased. No company should try to sell a product that the customers do not need. Even if someone bought it ones, they will not find it useful and they will not buy it again. Therefore each business idea should be inspired by consumer needs. (Ewel 2012)

2.1.2 Consumer cost

Consumer cost refers to more than just the price of the product. Even if the product was considered cheap, it might be costly in the future if it needs, for example, expensive upgrades or

maintenance. On the other hand, the consumers might not see a product as costly even if it was expensive if it gives the consumer compensation. Many luxury products are seen less costly because of the status they give to their owner, and also for the quality of the product. (Ewel 2012)

2.1.3 Consumer convenience

Consumer convenience means the ease of purchase the customer has. Customers can shop online anywhere and any time, whereas products sold in special stores might need much more time and effort from the customer. On the other hand, with some products the customer might need some help from a professional that might be conveniently available at a store, but not online. (Ewel 2012)

2.1.4 Consumer communication

Communication is a two-way action between the company and the consumer. It is not enough that the company promotes something, in stead, they should communicate with the consumer. The customers should not only feel important, they should actually be important. Facebook marketing is a good example of communication with the consumers as opposed to a traditional advertisement. (Ewel 2012)

2.1.5 4Cs in relation to the marketing channel

Marketing channel affects greatly to these 4 principles of marketing. The strongest connection it has to the consumer convenience. Through the marketing channel the product should be available to the customer in the place they prefer. In addition, it also has a big role in the consumer cost, as every member of the marketing channel raises the price the product, and on the other hand, also reduces the cost for the customer, as they do not have to travel that much to get to the product or for example pay large shipping costs. (Bergström & Leppänen 2009, 287)

2.2 Marketing channels

Before a product reaches a customer, it passes by many hands. The producer has suppliers from whom he buys for example the materials, machinery or expertise that he needs to produce the product. For a technological company, for instance, this upstream supply chain is at the same time enormous and crucial. In marketing, however, the main focus is in the downstream chain that takes over once the product is already produced. After the producer has made the ready product, a logistic partner takes it to a reseller where the end customer can

purchase the product. This chain of logistics and resellers is called the distribution channel, or the marketing channel. (Kotler, Armstrong, Wong & Saunders 2008, 880)

The marketing channel consists of the producer, its suppliers and the end customer. Additionally, it can include distribution intermediaries such as importers, wholesaling or retailing partners, sales agents or co-operating companies like insurance companies or advertising agencies. The length of the marketing channel can vary greatly from none to any number of partners. If there are no partners involved and the product is sold directly to the end customer, it is called direct selling. Otherwise it is called indirect selling. (Bergström & Leppänen 2009, 290)

2.2.1 Duties of the marketing channel

The marketing channel has some important functions that the producer sets and evaluates. The main duties are the flow of information both ways: the marketing information to customers and the feedback to the producer, offering customer contacts, ordering, packaging, and distribution, and modifying the products into assortments suitable for the customer. The qualities or duties of the marketing channel are different for each producer. For smaller producers for example the marketing provided by channel members might be much more important than for a larger company. (Bergström & Leppänen 2009, 290)

Each partner in the marketing channel adds value to the product. Each member has its expertise, experience and contacts that the producer benefits from. However, by letting its product to the hands of a retailer, the producer loses control over the sale. The retailer can, as an example, set promotions on the product that the producer may not agree with. Additionally, each partner in the supply chain cuts a percentage of the profit, forcing the producer to raise the price of the product in order to brake even, which might lead to decreasing sales. Each channel member needs to therefore really deliver something beneficial for the producer, for example a larger customer base, in order to compensate its take on the profit. (Kotler et al. 2008, 881)

On the other hand, the customer relation might be more valuable than the number of marketing channel members. High levels of communication and a close relation with the customer create loyalty in the customer and make them purchase not only again, but more often. (Linton 2011, 156) Additionally, as the producer also gets to know the customer, it is more likely that the product meets the customer's needs. The producer learns what the customer values, and can strengthen those features, as well as change the ones that the customer is unsatisfied with. The customer is also more likely to buy at a higher price, when the relationship

between the producer and the customer is personal, and the customer feels valued. (Linton 2011, 161)

2.2.2 Choosing the right channel

The most typical moment for choosing a marketing channel is at the starting point of a new company. Additionally, the decision might be current when launching a new product, changing the strategy of a company, changing the focus group of a product, or, for example, when a competitor opens a new location for selling. (Bergström & Leppänen 2009, 290)

There are four key questions that have to be well thought before making a decision. These are the length of the channel, as in the number of the members, the selectivity of the channel, using multiple channels, and deciding the exact companies. These choices should depend on the purchasing behaviour of the customers: who they are, how many of them are there, where they would like to purchase the product, how often, and in what quantities. Of course, the resources and objectives of the company offer another important view. The image build on the product, how is it used or consumed, and for example the need for giving instructions to the customers all effect greatly on the choice. (Bergström & Leppänen 2009, 291)

2.2.3 Determining the length of the marketing channel

There are five things that affect the length of the channel. The first one is the target group and its purchase behaviour. The fewer customers the company has and the bigger quantities they want to purchase at a time, the easier it is to establish a direct marketing channel. But if the target group is large and divided into a vast area, the producer will need many partners to be able to offer the product to all customers. (Bergström & Leppänen 2009, 291)

The second point is the product itself. A complicated technological product that requires a lot of knowledge, understanding, instructions, maintenance or upgrades should have the most direct marketing channel possible. The more expertise the product requires, the less it can be demanded from the channel members. (Bergström & Leppänen 2009, 291)

The third one is the marketing of the product. The more the marketing communication is based on personal selling, the shorter the channel should be. Additionally, a shorter marketing channel usually enables the product to appear more of quality. (Bergström & Leppänen 2009, 292)

The fourth one is the resources of the company. If a company desires to have a direct marketing channel, it needs to have the time and the resources to create that channel as well as to

maintain the relations with the customers. If this is not possible, the company should have a longer marketing channel and utilize the resources of the partners. (Bergström & Leppänen 2009, 292)

The fifth and last point is technology. A direct marketing channel requires the use of technology, like the Internet and phones. Additionally, just having the technology is not enough: the company also has to know how to utilise it. Therefore, even though in theory technology enables the company to cut some members of the channel, often an intermediary that knows how to operate the technology is a good idea. (Bergström & Leppänen 2009, 292)

2.2.4 The selectivity of the channel and choosing the right partner

The selectivity of the channel refers to the amount of distribution points, or purchasing points for the customer. In intensive distribution the company chooses to sell the product in every place possible. The aim is that the purchase is done often and without much thinking, possibly while purchasing other items. (Bergström & Leppänen 2009, 293)

Selective distribution, on the other hand, means that the company chooses some stores in which to sell the product. This is often the case with high-quality products that want to maintain an image of an exclusive brand. Exclusive distribution is the extreme case of selective distribution, in which the company chooses only one distributor. This gives the highest feel of quality, but requires a well functioning partnership and common goals for the producer and the distributor. (Bergström & Leppänen 2009, 293)

The choice of the partner should not be taken lightly either. The list of the things that should be checked before making a final decision include the market share and turnover of the reseller, the level and capacity of the sales areas and storage areas, the already existing products (e.g. is it already selling a major competitor), the reputation of the reseller, the knowledge and expertise of the reseller, the pricing policy and the need of other services (is there for example maintenance, guarantee or spare parts available). (Bergström & Leppänen 2009, 294)

2.2.5 Making the final decision

The most important thing in the election of a marketing channel is making sure that the customers' needs are satisfied. The customers have to be able to find the product in the place they prefer, at the time they prefer, in quantities they wish and with the right price, or the product will not be bought. Often companies think that the channel most used is the best one and the research of the customers' preferences is left half done. This might be a big oppor-

tunity lost, as suiting the customers' demands better than the others would bring a huge competitive advantage. Additionally, the channel most commonly used has more competition than its alternatives. The company might also be able to bring extra value to the products and enhance its image with an approach that differentiates it from the rest. (Bergström & Leppänen 2009, 295) Often, though, the best decision is to mix different channels and use multiple ones at the same time. For example online shops are used as a parallel marketing channel to distribution in stores. (Bergström & Leppänen 2009, 294)

2.3 Summary of the theory

The choice of the marketing channel is one of the most important decisions of an entrepreneur. It determines how the product reaches its customers and therefore it should be based on the customers' wishes. They might vary greatly between different products, but as the consumer convenience is one of the main principles of marketing the product should be easily available to the customer.

The selection of a marketing channel is a decision that involves many smaller choices. After the customer wants are examined it should be decided whether the company needs additional channel members to fulfill the consumer wants and needs or not. If the company is able to reach its customers and deliver the product to them, they might not need any additional partners. This is called direct selling. If the company, however, needs help in, for example, marketing or distribution, it should have channel partners. Often companies use a combination of direct selling and channel members to reach all their customers.

Each channel member should be able to add some value to the product, as the profit made from the product is divided between the channel members. Channel length refers to the amount of channel members. The longer the channel is, the more the product will cost and the smaller the share of the producer will be. Therefore it is crucial to choose the right partners who can deliver the needed qualities.

3 Research approach

Based on the theory of marketing channels, there are some key issues that should be investigated. As the study is made from the point of view of the small farmers, these issues include the control they have over their products and the selling process, cost efficiency, if they receive feedback from the customers, if the image of the company is what they desire it to be and customer relations. Additionally, to have better understanding of the results it is important to know if the answerer uses the channel and if so, how much.

3.1 Research

Research is a scientific process that aims to observe, predict, determine causes of phenomena and explain the factors behind them. The process starts with general questions that have to be narrowed down to one specific research question. After that a research that can help to answer the question is designed and executed. When the research has been conducted, there are results that have to be analyzed and conclusions are made. This should resolve the research question. A scientifically conducted research should give the same results if replicated as long as the phenomenon itself has not changed. (Shuttleworth 2008)

3.2 Research methods

The research methods can be divided into two groups: quantitative and qualitative research methods. The quantitative methods are methods that give results in numeric format. It is most commonly used in studies that aim to give statistical information on the research topic. The results are seen as numbers, tables and figures. It is an objective research method as the analysed information is also given in numeric form. The research methods used in quantitative research include measurements and surveys. (Quantitative and Qualitative Research 2009)

The qualitative research methods, on the other hand, give information in form of words, images, and objects that can be explained differently by different researches. It is therefore more subjective. It is normally used in the earlier phases of a research to understand the overall situation, after which the most interesting findings are studied further with quantitative methods. Examples of the research methods used in qualitative research include interviews, observation and focus groups. (Quantitative and Qualitative Research 2009)

3.3 Survey as a research method

Survey is the most common way to acquire information that represents the opinions, views, experiences or attitudes of a large sample of people. Usually it is used to produce information in a distribution form to see the response frequency of each variable. The analyzed information can be used as a base for further investigation, and therefore survey is a good method to acquire an overall picture of the situation or a preliminary study for further research. (Anttila 1998)

Survey is an economical method of research, and it allows the answerer to have information privacy. On the other hand, this privacy also means that the study relies on the honesty of

the target group. In order to have reliable results, the answers have to be truthful, and the information has to be documented and analyzed correctly. (Anttila 1998)

The results of a survey are always based on the answers of a sample group, unless the target group of the research is so small that every one of them can take part in the survey. Therefore it is crucial that the sample group has been selected properly. It has to be scientifically representative of the target group and large enough to be reliable. The most common problem of a survey study is that many members of the target or sample group do not answer the survey. This might make the survey biased, as the people representing negative or neutral opinions are usually the ones who do not take part in the research. (Anttila 1998)

There are four factors that form the basic principles of a survey. It should be systematic, meaning carefully planned and executed, and the content of the survey has to cover the research topic sufficiently. It should represent the entire target group as well as all the possible forms of the phenomenon. The data should be objectively collected and analyzed as precisely as possible. Lastly, it should give information in a quantitative form, which means that it can be displayed in numbers. (Anttila 1998)

3.4 Methodology

The research was done with quantitative methods as the study was executed in the form of a survey. It is an effective tool for getting opinions from various farmers in a form that is easy to compare and analyse. A link to the survey in Google Docs was sent to the 1814 member farms of MTK-Uusimaa via email. Only 7 farmers answered the survey. The survey can be found in the appendixes both in Finnish as sent to the farmers as well as translated in English.

3.5 Construction of the questionnaire

The questionnaire was designed taking into consideration the theory of marketing channels as well as the recommendations of the professionals from MTK and from Laurea. The survey included 9 statements which were to be evaluated on a scale from 1 to 5, 1 being "I totally agree", 2 "I somewhat agree", 3 "I cannot say", 4 "I somewhat disagree" and 5 "I totally disagree". These nine statements were repeated for three different marketing channels: Online marketing, farmers' markets and events, and retail sales. There was also an open question at the end of each part where the answerer could write any important information about that channel.

Statement one “Marketing channel is important in terms of the sales amounts” was designed to find out whether the marketing channel is in use, and if so, how important its role for the farmer is. If a farmer did not use the channel at all, the answer would be 5 “I totally disagree”, and if it was the channel where most of purchases were made, the answer would be 1 “I totally agree”.

As each channel member decreases the percentage of revenues the farmer receives, the second statement in the survey was “Marketing channel is good in terms of profitability “. Because each channel member also has an effect on the sales and on the image of the product and the company, there were statements “Customers’ image of the company is what I pursue” and “I have control in the selling of my products”.

In relation to the questions about customer relations, statements “Marketing channel helps to attract new customers” and “Marketing channel helps to develop already existing customer relations” were added. “I receive important feedback through the marketing channel” Also has to do with customer relation as customer feedback, but also as channel member relations as channel member feedback.

Statement “I believe that in my field this marketing channel will have more importance in the future” was added to the survey to find out which channel the farmers are most relying on and what their plans for the future are. Lastly, statement “Marketing channel helps me to predict my sales” was added to help the distributional partners to develop their channels, as the production capacity is sometimes a question mark with small companies and, at the other hand, not producing waste is crucial to the farmers.

3.6 Validity and reliability

Validity can be divided into two types: internal validity and external validity. Internal validity refers to the design of the study, and the external to the interpretation of the results and the conclusion made from the results. For a research to have validity it has to be designed so that the participants represent the entire population of the study, it has to be well designed and controlled, and the conclusions made have to be based on the correctly recorded results. (Shuttleworth 2015)

Reliability means that if someone else did the same research with the same equipment, he would have the same results. When a research is reliable, its results are not based on personal interpretation or opinions, but undeniable information such as numeric results. This makes the study scientifically reliable. (Shuttleworth 2015)

3.7 Validity and reliability of the research

In terms of design and control the study is valid, and numeric results make it reliable. The conclusions and linkages made from the results are based on statistics received from the study. The answers have been treated with care and the results represent the answers.

However, because survey received only 7 answers it cannot be considered as valid or as reliable. If the study was repeated with more participants, it is very likely that the results would be different. It cannot be said that the results represent the overall view of small farmers in the Uusimaa region.

4 Empirical study

4.1 MTK, The Central Union of Agricultural Producers and Forest Owners

The Central Union of Agricultural Producers and Forest Owners, in Finnish Maa- ja metsätaloustuottajain Keskusliitto, is a trade organization serving over 400 000 farmers, rural entrepreneurs and forest owners in Finland. It consists of 14 provincial unions and 80 forest management associations. It aims to help the financial and social wellbeing of its members, and the sustainable use, care and development of forestry and farming. Additionally, MTK promotes Finnish cuisine. (The Central Union of Agricultural Producers and Forest Owners 2015).

4.2 SWOT analysis of the market channels

Edmund Learned, Roland Christensen, Kenneth Andrews and William Book developed SWOT analysis in the 1960s. It is a tool used to determine the qualities of something, in this case a marketing channel. SWOT stands for strengths, weaknesses, opportunities and threats. In the analysis each of these categories is examined and as a result the most significant features can be determined. The goal of SWOT analysis is to understand the positive and negative factors that should be taken into consideration before strategic planning and decision-making. In this case, it will help to determine how each marketing channel differentiates from each other. (Goodrich 2015)

4.2.1 Online selling

<p>Strengths:</p> <ul style="list-style-type: none"> • Direct contact with customer • Feedback from customers • Cost effective • Customers can be found from anywhere 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Difficult to find new customers • Less resources in use
<p>Opportunities:</p> <ul style="list-style-type: none"> • Easier to adapt to the customers' needs • Vast customer base 	<p>Threats:</p> <ul style="list-style-type: none"> • The customer might not find the company • Can be seen as inconvenient

Figure 1: SWOT analysis of Internet selling

Figure 1 shows the SWOT analysis of Internet selling. The strengths of selling online include the direct contact with the customers which is also seen in direct feedback from them. Additionally, via Internet customers might buy the product nationwide or even from abroad. It is also the most cost effective marketing channel. These create some opportunities like vast customer base and with the communication and feedback from the customers it is possible to have a more suited product to the customers' needs.

The weaknesses of Internet selling would be the difficulty of getting into contact with new customers. As Internet selling is a direct marketing channel it also eliminates the possibility to utilize the resources of channel members. The farmer has to manage with the resources he has. The threats these weaknesses create are that the customer might never find the company or the product even if, in reality, he would be interested in purchasing. Some customers might also find it inconvenient to search for information online, make an order, wait for the product to arrive etc.

4.2.2 Farmers' markets and events

Strengths: <ul style="list-style-type: none"> • Easy to meet new customers • Successful events improve company's image • Control over sales 	Weaknesses: <ul style="list-style-type: none"> • Keeping the customer is hard • Success depends on the organization of the event
Opportunities: <ul style="list-style-type: none"> • New contacts 	Threats: <ul style="list-style-type: none"> • The event might be unsuccessful

Figure 2: SWOT analysis of selling in Farmers' markets and in events

In figure 2 it can be seen that the strengths of selling in farmers' markets and in events include the ease of meeting new customers and control over sales as in face-to-face contact with the customer the sales person has a big effect on the outcome. Successful events leave the customer with a better image of the company, and mentioning that the farmer has been a part of some famous event might be a good reference in the future. The opportunity created in farmers' markets and in events is the possibility to collect new contacts and customers, as people often go to these types of events to try new things and looking for something interesting to purchase.

On the other hand, getting into contact with the customers might be difficult in the future. Even if they have tried the product ones and liked it, they might not buy it again just because they cannot return to the event to purchase it, and they might not know where else to get the product. Another weakness would be that the event itself is a crucial part of the end result. If the event is successful there will be lots of customers and it will improve the image of the company, but if it is not, it might harm it or be unprofitable. There are also factors that cannot be controlled and still are key issues in events, such as weather in outside events.

4.2.3 Retail selling

Strengths: <ul style="list-style-type: none"> • Large customer base • Less marketing needed • Ease of purchase for the customer 	Weaknesses: <ul style="list-style-type: none"> • Large share of profit lost
Opportunities: <ul style="list-style-type: none"> • Nationwide distribution • The image can be modified with the selection of the store 	Threats: <ul style="list-style-type: none"> • Might not be profitable

Figure 3: SWOT analysis of retail selling

Strengths of retail selling are the large customer base a retail store provides and the ease of purchase for the customer as shown in figure 3. Retail selling also demands less marketing from the farmer, as the retail stores also do marketing on their products. Additionally, the customers will see the products even without any marketing, unlike, for example, in online selling. Nationwide distribution is a big opportunity offered by retail selling. It is also possible to affect the image of the product or the company with the selection of retail partner. Some products might, as an example, benefit from the image of an organic store.

The threats and the weaknesses have to do with the amount of profit that the farmer loses with this marketing channel. The farmer has to be able to sell considerably more in quantity to balance out the lost share of profit. If this not happen, the farmer might not get compensated on his work.

4.3 Results of the study

4.3.1 Internet selling

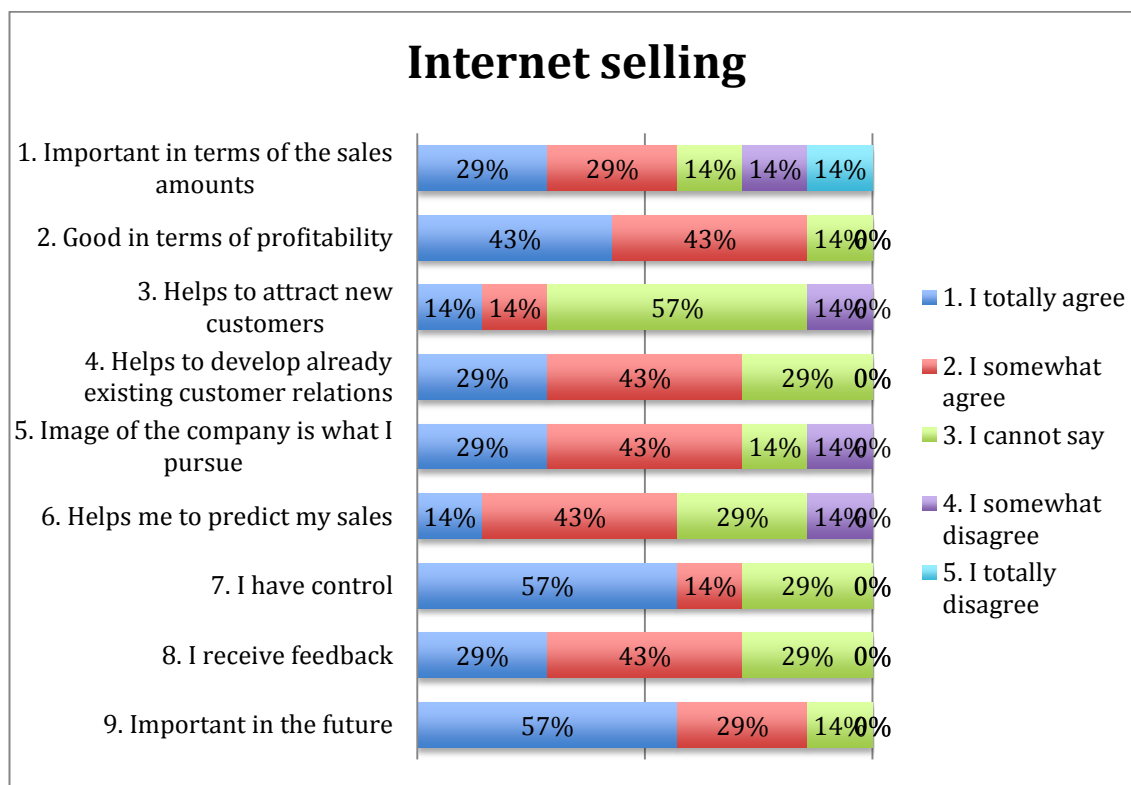


Figure 4: Results on Internet selling

In figure 4 it can be seen that selling online was seen as an important marketing channel in terms of sales revenue, as only 28 per cent disagreed with the first statement. Also profitability and control over the sales were clear perks of online selling, as none of the answerers disagreed with these two statements. Customers' image of the company was also considered to be as intended with only 14 per cent disagreeing and confidence for its future seems high as no one disagreed with this statement. Everyone also agreed that they receive feedback through this channel, and only 14 per cent thought that it does not help in the prediction of sales. The majority by 57 per cent could not say if selling online helps to attract new customers, but 72 per cent thought that it is useful in developing the already existing customer relations. In this part one answerer wrote a comment to the open question. This comment was that he had not reached his goals on online selling yet in terms of revenue and customers.

4.3.2 Selling in farmers' markets and in events

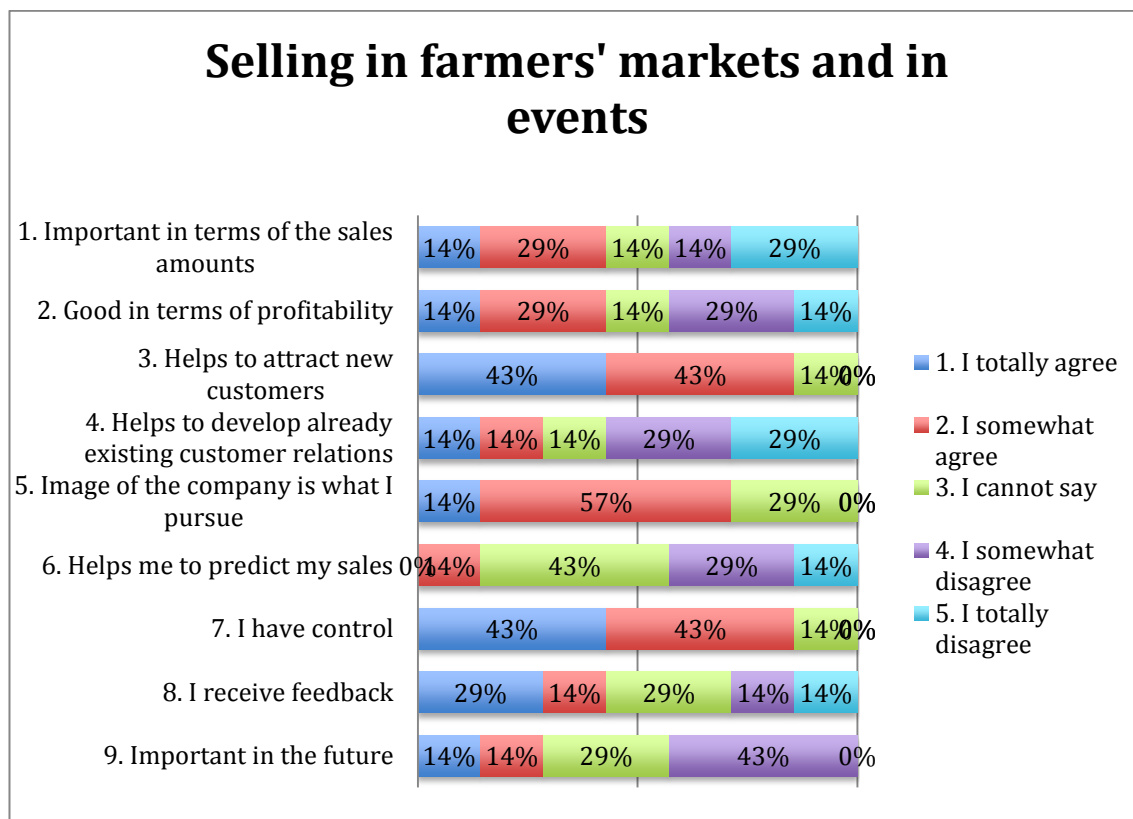


Figure 5: Results on selling in farmers' markets and in events

Figure 5 shows that selling in farmers markets and in events was not an important marketing channel in terms of the sales amounts for most, and it was not profitable for the same amount of answerers (43 per cent). It was considered good for attracting new customers as 68 per cent agreed, but not ideal for developing the already existing customer relations as the amount of agreements fell to 28 per cent. 43 per cent thought that they receive important feedback. Control over the sales and the customers' image of the company were seen as positive things with 86 and 71 per cent agreeing, but faith in the future of this marketing channel was not high: only 28 per cent agreed that it will be important in the future. Only 14 per cent found this channel useful in the prediction of sales. This part also had one answer in the open question: someone wanted to say that he does not see farmers' markets as an important marketing channel in the future, but other food events yes.

4.3.3 Retail selling

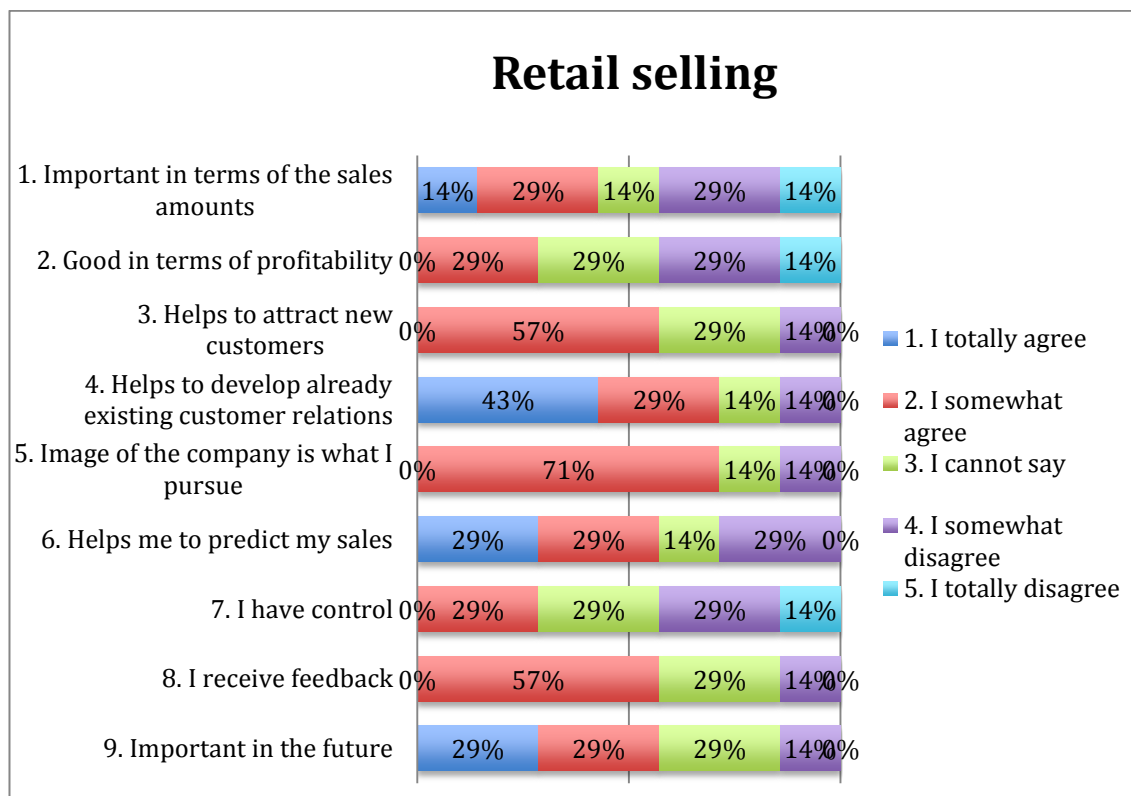


Figure 6: Results on retail selling

Figure 6 shows that only 43 per cent found retail selling an important marketing channel in terms of revenue, and only 29 per cent found it good in terms of profit. The majority saw it as a good way of getting new customers as well as developing the relations with the existing ones as only 14 per cent disagreed. The image of the company was also what the answerers wanted it to be as 71 per cent agreed and most of them, 57, received feedback. Only 29 per cent felt like they have sufficient control but most of the answerers (58 per cent) still saw retail selling as an important channel in the future. This category had no answers to the open question.

5 Conclusions and recommendations

Based on the results selling directly to the consumers via Internet will be an important marketing channel in the future. Therefore every small farmer should pay attention to its online sites, Facebook and visibility online and especially on sites dedicated for connecting the consumers and local farmers. The fact that answerers found it difficult to attract new customers online makes it even more important to be visible and attractive on those pages. Courses on

social media marketing and how to use existing customers to attract new ones would be a good idea for any small farmer who is trying to make sales online.

Retail selling was not an important marketing channel for most, which can be explained by the profitability. Even though retail selling was the best in terms of image of the company, attracting new customers and in sales prediction, and it was seen as an important channel in the future, if it is not good in terms of profitability, the farmers will avoid using it. The point of business is to make profit, and the channels that ensure the highest profit margin are the ones that farmers prefer to use.

Another reason for the low level of usage of retail selling as a marketing channel might have to do with the target group. All small farmers might not be able to produce that much or in such a steady pace that they could offer their products for retail selling. Some of these farmers might also look for the marketing channel after they know the amount of products they have for that season, and make the decision based on that.

In the results of the survey it can be seen that the amount of channel members makes a great difference to the outcome. In Internet selling there are no channel members, so it is direct selling to the consumers. This shows in the profitability of this marketing channel, as well as in the control the farmers have. Also, the relation with the customer is easier to develop and feedback is easily received, as there are no channel members between the producer and the customer. On the other hand, it can also be seen that the lack of channel members makes it difficult to get new customers, as the farmer is not able to utilize the resources of, for example, a bigger grocery chain.

In retail selling the opposite results can be seen. With the help of the channel members, the farmers are able to attract new customers, and therefore the channel members add value as they should. At the same time though, the profitability suffers as the channel members take their part of the sales, and the farmers lose some control over the sales.

None of the channels were perfect to any of the farmers, so each farmer should consider their own strengths, weaknesses and resources when choosing the appropriate marketing channel. For example, if the farmer has already a good-sized customer base that can easily be found online, selling online might be the best solution. On the other hand, if the farmer has a good product that the great majority of people should like, but it is the type of necessity that people are used to picking up from the super market, utilizing the customer base and distributional channels of some channel partner might be a good idea.

In the results it can also be seen that using multiple channels might be the best choice as was suggested in the theoretical part. For example, it might be a good combination to use farmers' markets and events to meet new customers, and later online selling to keep the customer and to develop the relationship.

6 Theoretical linkage

The chosen theory was suitable for the research. The theory helped to design the questionnaire and the results were in line with the theory of marketing channels. Additionally, the theory assisted in the understanding of the results. Some parts of the theory were more significant in the research as others. The length of the channel and the members' affect on profit share, image of the product, control over the sales, customer relations and feedback constructed an important part of the study, but, for example, the selectivity of the channel and the effect it has on the product was not researched.

7 Summary

Choosing the right marketing channel is crucial for any company. Through the marketing channel the product reaches the customer, and if the choice of the channel is not right, the customer and the product may never meet. Even though there is no one right channel every producer should look for the best channel for its products and for its target customers.

The number of the channel members determines the channel length. Each member should give some extra value to the product or the company that it would not have without the channel member. The profit is divided between the channel members, so if the member is not creating any extra value, it should not be a part of the channel. If there are no members in the channel, if the product goes straight from the producer to the customer, it is called direct selling.

For small farmers choosing the right channel might be difficult, because the resources are very limited. For many of the small farmers in the region of Uusimaa the potential customers exist and the question is how to reach them effectively. In the survey it was clear that finding new customers was easiest in farmers' markets, events and in retail selling. Online it was more difficult to get new customers, but it was the most cost-efficient marketing channel that also allowed the small farmers to have control over their sales and develop the customer relations further.

Even though the attracting new customers was easier with the help and resources of retail sellers, it also made the small farmers feel less in control, and they did not see it cost-

efficient enough. As a result the small farmers did not use this marketing channel as much and therefore it did not form a great part of their sales amounts.

The farmers believe that in the future online selling, retail selling and events will be important marketing channels. Many of them already use online selling, even if they have not achieved their goals yet. Event selling was seen promising because it is a good way to attract new customers, as well as retail selling. Based on these results the small farmers in the Uusimaa region should focus on their online presence and marketing. They should also take part in food events and maybe combine these two marketing channels. Retail selling might be a valid option too, if the value the channel partner adds, with for example distribution and customer base, is worth the share of the profit they take.

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Appendix 1: Survey for small farmers

Survey for small farmers

Dear recipient,

This survey has to do with a thesis made in Laurea Leppävaara. The thesis is about the marketing channels of small farmers. The thesis has been requested by the Central Union of Agricultural Producers and Forest Owners. The aim of the thesis is to compare the most used marketing channels by the small farmers: online selling, selling in farmers' markets and in events and retail selling.

The survey consists of three pages. Each page has the same questions of a different marketing channel. First, there are 9 statements that should be evaluated by circling a suitable alternative on a scale where 1 is I totally agree, 2 I somewhat agree, 3 I cannot say, 4 I somewhat disagree and 5 I totally disagree. After that there is an open question where you can write whatever you feel is important or should be considered in regards of the marketing channel.

Thank you for taking part in the survey, your opinion is important!

Best regards,

Laura Lintunen
Laurea University of Applied Sciences
Leppävaara, Espoo

tel. 040 5019002
laura.lintunen@laurea.fi

Internet selling to consumers

	I Totally agree	I Somewhat agree	I cannot say	I somewhat disagree	I totally disagree
1. Marketing channel is important in terms of the sales amounts.	1	2	3	4	5
2. Marketing channel is good in terms of profitability.	1	2	3	4	5
3. Marketing channel helps to attract new customers.	1	2	3	4	5
4. Marketing channel helps to develop already existing customer relations.	1	2	3	4	5
5. Customers' image of the company is what I pursue.	1	2	3	4	5
6. Marketing channel helps me to predict my sales.	1	2	3	4	5
7. I have control in the selling of my products.	1	2	3	4	5
8. I receive important feedback through the marketing channel.	1	2	3	4	5
9. I believe that in my field this marketing channel will have more importance in the future.	1	2	3	4	5

Is there something else that you would like to say about this marketing channel?

Selling in farmers' markets and events

	I Totally agree	I Somewhat agree	I cannot say	I somewhat disagree	I totally disagree
1. Marketing channel is important in terms of the sales amounts.	1	2	3	4	5
2. Marketing channel is good in terms of profitability.	1	2	3	4	5
3. Marketing channel helps to attract new customers.	1	2	3	4	5
4. Marketing channel helps to develop already existing customer relations.	1	2	3	4	5
5. Customers' image of the company is what I pursue.	1	2	3	4	5
6. Marketing channel helps me to predict my sales.	1	2	3	4	5
7. I have control in the selling of my products.	1	2	3	4	5
8. I receive important feedback through the marketing channel.	1	2	3	4	5
9. I believe that in my field this marketing channel will have more importance in the future.	1	2	3	4	5

Is there something else that you would like to say about this marketing channel?

Retail selling

	1 Totally agree	2 Somewhat agree	3 cannot say	4 somewhat disagree	5 I totally disagree
1. Marketing channel is important in terms of the sales amounts.	1	2	3	4	5
2. Marketing channel is good in terms of profitability.	1	2	3	4	5
3. Marketing channel helps to attract new customers.	1	2	3	4	5
4. Marketing channel helps to develop already existing customer relations.	1	2	3	4	5
5. Customers' image of the company is what I pursue.	1	2	3	4	5
6. Marketing channel helps me to predict my sales.	1	2	3	4	5
7. I have control in the selling of my products.	1	2	3	4	5
8. I receive important feedback through the marketing channel.	1	2	3	4	5
9. I believe that in my field this marketing channel will have more importance in the future.	1	2	3	4	5

Is there something else that you would like to say about this marketing channel?

Kysely pienille maataloustuottajille

Hyvä vastaanottaja

Tämä kyselykaavake liittyy Laurea Leppävaarassa tehtävään opinnäytetyöhön, joka käsittelee pienten maataloustuottajien markkinointikanavia. Opinnäytetyön on tilannut Maa- ja metsätaloustuottajain Keskusliitto MTK. Kyselyn tavoitteena on vertailla yleisimpiä pienten maataloustuottajien käyttämiä markkinointikanavia: suoramyyntiä kuluttajille, torikauppaa ja vähittäiskaupan myyntiä.

Kyselykaavake koostuu kolmesta sivusta, joissa kustakin markkinointikanavasta esitetään samat kysymykset. Ensin kyselyssä on 9 väitettä, joiden paikkansapitävyyttä tulisi arvioida ympyröimällä sopiva vaihtoehto asteikolla, jossa 1 on täysin samaa mieltä, 2 hieman samaa mieltä, 3 en osaa sanoa, 4 hieman eri mieltä ja 5 täysin eri mieltä. Sen jälkeen kyselyssä on vielä avoin kysymys, johon voit halutessasi kirjoittaa mitä tahansa mielestäsi tärkeää tähän markkinointikanavaan liittyen.

Pyytäisin ystävällisesti lähettämään täytetyn kyselykaavakkeen joko skannattuna osoitteeseen laura.lintunen@laurea.fi tai sitten oheisessa palautuskuoressa perinteisellä postilla osoitteeseen Laura Lintunen, Ulrikankuja 6 A 4, 01400 Vantaa.

Kiitos, että otat osaa kyselyyn, mielipiteesi on tärkeä!

Ystävällisin terveisin

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INTERNETMYyntI KULUTTAJILLE

	Täysin samaa mieltä	Hieman samaa mieltä	En osaa sanoa	Hieman eri mieltä	Täysin eri mieltä
1. Myyntikanava on minulle kokonaisyntimäärän kannalta tärkeä.	1	2	3	4	5
2. Myyntikanava on minulle kannattavuuden kannalta hyvä.	1	2	3	4	5
3. Myyntikanava edesauttaa uusien asiakassuhteiden syntymistä.	1	2	3	4	5
4. Myyntikanava edesauttaa pitkäaikaisempien asiakassuhteiden kehittymistä.	1	2	3	4	5
5. Asiakkaiden mielikuva yrityksestäni on sellainen, jota tavoittelen.	1	2	3	4	5
6. Myyntikanava auttaa minua ennakoimaan menekkiäni.	1	2	3	4	5
7. Pystyn vaikuttamaan tuotteitteni myyntiin.	1	2	3	4	5
8. Saan tärkeää palautetta myyntikanavan kautta.	1	2	3	4	5
9. Uskon myyntikanavan merkityksen kasvavan edustamalla tuotantoalueella.	1	2	3	4	5

Onko mielessäsi jotakin muuta olennaista tämän myyntikanavan merkityksestä?

TORIKAUPPA JA TAPAHTUMAT

	Täysin samaa mieltä	Hieman samaa mieltä	En osaa sanoa	Hieman eri mieltä	Täysin eri mieltä
1. Myyntikanava on minulle kokonaismyyntimäärän kannalta tärkeä.	1	2	3	4	5
2. Myyntikanava on minulle kannattavuuden kannalta hyvä.	1	2	3	4	5
3. Myyntikanava edesauttaa uusien asiakassuhteiden syntymistä.	1	2	3	4	5
4. Myyntikanava edesauttaa pitkäaikaisempien asiakassuhteiden kehittymistä.	1	2	3	4	5
5. Asiakkaiden mielikuva yrityksestäni on sellainen, jota tavoittelen.	1	2	3	4	5
6. Myyntikanava auttaa minua ennakoimaan menekkiäni.	1	2	3	4	5
7. Pystyn vaikuttamaan tuotteitteni myyntiin.	1	2	3	4	5
8. Saan tärkeää palautetta myyntikanavan kautta.	1	2	3	4	5
9. Uskon myyntikanavan merkityksen kasvavan edustamallani tuotantoalueella.	1	2	3	4	5

Onko mielessäsi jotakin muuta olennaista tämän myyntikanavan merkityksestä?

VÄHITTÄISKAUPAN MYYNTI

	Täysin samaa mieltä	Hieman samaa mieltä	En osaa sanoa	Hieman eri mieltä	Täysin eri mieltä
1. Myyntikanava on minulle kokonaisyntimäärän kannalta tärkeä.	1	2	3	4	5
2. Myyntikanava on minulle kannattavuuden kannalta hyvä.	1	2	3	4	5
3. Myyntikanava edesauttaa uusien asiakassuhteiden syntymistä.	1	2	3	4	5
4. Myyntikanava edesauttaa pitkäaikaisempien asiakassuhteiden kehittymistä.	1	2	3	4	5
5. Asiakkaiden mielikuva yrityksestäni on sellainen, jota tavoittelen.	1	2	3	4	5
6. Myyntikanava auttaa minua ennakoimaan menekkiäni.	1	2	3	4	5
7. Pystyn vaikuttamaan tuotteitteni myyntiin.	1	2	3	4	5
8. Saan tärkeää palautetta myyntikanavan kautta.	1	2	3	4	5
9. Uskon myyntikanavan merkityksen kasvavan edustamallani tuotantoalueella.	1	2	3	4	5

Onko mielessäsi jotakin muuta olennaista tämän myyntikanavan merkityksestä?
