

Interrelationships between Organic Food Industry, Innovation, and Consumer Behavior

Gaviglio, A., Licitra Pedol, M., & Pirani, A.

Abstract

The aim of this work is to investigate the relationship between organic food enterprises and innovation with particular attention to organic dairy production and consumer behavior. Using Porter's competitive analysis and a special case history, the work wants to study the role innovation plays in a business strategy based on an upgraded concept of differentiation.

Food enterprises' innovation was explored at three levels:

- *innovation connected to a product's presentation (packaged food);*
- *innovation connected to "ready to consume" packaged products (convenience food); and*
- *innovation connected to new products or new kinds of food introduced in the market (trendy food).*

The present work begins by describing enterprises operating in the organic market of Lombardy and it finishes by finding out how creativity and innovation contribute to business success.

The innovative capacity of the case history was linked up to the market and its components using Porter's model.

Starting from the Regional Register of organic operators (updated to the year 2006), it was possible to identify 20 enterprises involved in organic dairy production. Principally, they produce cheese (also Protected Designation of Origin), fresh pasteurized milk, UHT milk, and yogurt. A large number of them are small to medium enterprises (SME) and a few are artisan.

Except for some rare cases, all began to produce organic food in 1990. The firms' annual organic turnover averaged less than 20% and was 100% for only two of the firms in the sample. They market locally, regionally, and nationally and show a good ability to manage different clients such as the large-scale retail trade, the food industry, the Web market, and alternative commercial distribution. They think that this is a good way to balance their books and make a profit.

The sample produces more than one product category and only a few are mono-product. All of the enterprises are not oriented to real product innovation, but they are very interested in new packaging, new flavors, and restyling of the mature product.

Process innovation activity regards ISO 9000 and HACCP adjustment, as well as computerization of the administrative and commercial division.

Porter's model was applied to the yogurt market by measuring the innovative level of a special case history: one of the two regional organic firms operating in this sector. It is a leader in the organic yogurt market and is one of the most important yogurt manufacturers in conventional market as well. Moreover, even if yogurt is a mature

product, it is able to evolve in unexpected ways and to innovate in response to consumer behavior.

The case history is suitable to the study because innovation was the mission of an activity that was successfully carried out over a period of 20 years.

The firms' activity is oriented to high-quality food and environmental sustainability. In fact, dairy production, the industrial process, and the packaging are all ecological.

The firms began by producing only yogurt for the regional market, and today their portfolio includes natural and fruit flavors, yogurt made through fermentation, milk, fresh citrus juice, and desserts.

The last innovative action, dated 2007, was the restyling of the fruit-line yogurt and the launching of new flavors. For the future, the plan is to gain possession of parts of market where organic production has been absent.

For the entire sample, innovation is a very important strategic factor in differentiating firms from each other. Those that take advantage of this opportunity in the organic market, but also in the yogurt market, will have a greater opportunity than those that sell in the conventional market.