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**THE REORGANIZATION OF TRADE CHANNELS  
OF A TYPICAL PRODUCT: THE TUSCAN EXTRA-VIRGIN OLIVE-OIL<sup>1</sup>**

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*ABSTRACT*

*The paper examines the ways changes in consumers' preferences determine the re-structuring of trading channels of the extra-virgin olive-oil of Tuscany, a traditional and typical agricultural product.*

*The analysis, supported by a specific survey conducted on olive-oil mills in the Grosseto Province (Tuscany), shows that the gradual reduction of importance of the local and traditional consumer has brought oil producers and mills to search for alternative trading channels. In this framework, the channels which refer to "rural development" have acquired a growing importance, and may be seen as one of the most important factors for the persistence and development of oil production in the area. Anyway, these channels require structural and organizational adaptations to firms.*

**1) ISSUES AND METHODS**

Traditional and typical products seem to benefit from a renewed interest by the consumer, and they constitute an excellent opportunity to develop and re-launch farms and medium and small agro-industrial firms, because they enable such firms to

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partly escape an increasingly global competition. However, consumption and consumers trends are not always clear, and consumption attitudes are often contradictory and conflicting. The positioning on these markets requires firms to carefully analyse trends in order to choose their strategies and organization, and to re-define the trade channels used.

The case of the Tuscan extra-virgin olive-oil, ideal high quality product, is symbolic of consumer trends and of the different methods of reaction and adaptation (or lack of adaptation) of firms and “operators” to changes imposed by the evolution of consumption.

This work, drawing from changes in consumers’ behaviour, analyses the reasons behind the present difficulties of traditional forms of promotion of Tuscan extra-virgin oil, based on direct sale by olive farms and olive-oil mills to the local consumer.

Besides, the paper has tried to highlight the opportunities offered by the emergence of a non-traditional and increasingly non-local consumer, together with the possible directions of the re-organization of trade channels, and the marketing consequences of the changing position of Tuscan extra-virgin oil, from a “traditional” product to a “typical” product.

This work, starting from previous studies covering the whole Tuscany [1; 2], is based on a specific survey carried out on olive-oil mills in Grosseto Province<sup>2</sup> managed either by farmers or privately and cooperatively run mills<sup>3</sup>; besides the survey, open interviews to “privileged testimonials” (Producers Associations, Province Service, etc.) have been carried out.

The choice of the territory of Grosseto province is due to the fact that it is a strongly rural area, “marginal” until some years ago, which today is involved in the promotion of tourism and several other initiatives of rural development.

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<sup>2</sup> The survey was carried out within the research “Osservatorio Agro-industriale per la Toscana” (Osservatorio INEA di Economia Agraria per la Toscana, Firenze). The interviews have been carried out on the basis of a previously prepared questionnaire, aimed at gathering information on the firms and the history of olive cultivation in the area, and mainly on the evolution of extra-virgin oil marketing methods in answer to the observed changes in buyers attitude.

<sup>3</sup> In particular, we have interviewed 18 olive-oil mills, selected from different size classes, territories and typology of the firm. In the last two campaigns, the interviewed mills produced about 40% of the total oil production by the 72 olive-oil mills still working in the province of Grosseto.

## 2) THE PRODUCTIVE SITUATION AND ITS EFFECTS ON PROMOTIONAL OPPORTUNITIES

In Tuscany, the olive chain presents different features from other Italian areas of greater production<sup>4</sup>, as a result of the characteristics of olive production and the organization of the subsequent phases.

The olive production of Tuscany is characterised by: a high dispersion<sup>5</sup>; the often secondary role assumed by olive within farms; the fact that olive is often not the crop from which the farmer derives the greater part of his income<sup>6</sup>; difficult paedologic conditions (mostly hilly soils); a planting layout that is predominantly traditional. Grosseto Province, object of the survey, has the same features, but with accentuated characteristics.

The peculiar characteristics of Tuscan olive-cultivation determine very high production costs, due to the difficulty of mechanizing various operations, in particular harvest operations. Harvest is still widely carried out following the traditional method of stripping off, or beating down and picking ripe olive fruits<sup>7</sup>; this method requires a lot of labour, but at the same time allows the production of olive oil to be almost entirely extra-virgin quality and reach high quality levels.

Such labour can be found only partially within a farm or the family of the farmer (family members and other relatives employed in other sectors, who provide this service during the picking period), and labour needs are rather satisfied either by “exchange of labour” with other farms in the area or mainly by daily labourers. “External” pickers are paid by the job; in other words, as remuneration for the work

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<sup>4</sup> During the Nineties, the Tuscan production of pressure oil - almost entirely extra-virgin quality - varied between 125,000 qls in 1993 and 238,000 in 1995, with an average yearly value of 184,000 qls (5% less than total national production, composed for a significant part also of non extra-virgin oil), partly due to the cyclic production performance.

<sup>5</sup> At the date of the last Census, Tuscan farms involved in olive cultivation were more than 70.000 (that is 43% of regional farms with Used Agricultural Area -UAA-), with an UAA that is less than 10% of the regional UAA; the average area occupied by olive per farm was 1,26 hectares. 7,5% of farms (those with UAA of more than 20 hectares) hold more than 37% of the regional olive area.

<sup>6</sup> According to the last Census, in Tuscany farms specialized in the olive cultivation (that is those whose Standard Gross Income deriving from olive production exceeds two thirds of the total) were 23% of total farms with olives; more than two thirds of these farms had an EDU (Economic Dimension Unit) smaller than 4.000 ECU. Furthermore, in Tuscany 50% of the farms with olives had an area occupied by olives that amounted to less than 7% of total UAA [7].

<sup>7</sup> These systems consist in, respectively, the manual picking of olives and the beating, still manually, of the branches of the tree, to make olives fall into nets stretched out on the ground.

done, they receive a percentage of the olives they harvest, or of the olive-oil obtained from them (in this case the olive grower bears also the milling expenses), which can reach even 50%.

Olives are sent to the mill in almost all cases by the farmer himself; the olive market - active in other regions of Italy and abroad - is not developed in Tuscany. The milling is done by a very high number of olive-oil mills (owned by farmers itself, co-operatives and specialized firms) that in many cases provide this service as their exclusive or main activity. The farmers usually want to maintain ownership of the oil obtained from their own olives, not only because of the differences in yields among growers, but for commercial and “sentimental” reasons as well; so the processing must occur by lots - keeping separate the lot of olives of each grower - with a consequent rise in the cost of production.

Payment for processing olive is often in kind, that is, with a certain percentage of the oil obtained<sup>8</sup>; these quantities are often the only ones that olive-oil mill sells. In most cases, the olive-oil mill has a “neutral” function in the oil marketing process, because it does not act as the “commercial counterpart” of the olive grower in the selling of olives and oil. For this reason the olive-oil mill is often a place where operators discuss, establish a net of interpersonal relations, and exchange information, either on the techniques or on market trends and on commercial achievements<sup>9</sup> [11].

What we have just seen has important effects on the global quantity of oil that can be marketed and on the methods with which such quantities are offered to the consumer. In the numerous farms in which olive growing has a secondary role<sup>10</sup>, where, in many cases the recreational function prevails over the productive one (“Sunday farms”), the oil produced (which in some years represents about 10 to 35% of the total Tuscan production of olive-oil) is destined for grower’s personal consumption, after removing the quantity due to the pickers and that used to pay for the olive-oil mill services in kind.

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<sup>8</sup> This happens very frequently in cooperative-owned olive-oil mills, in which members, at least until some years ago, conferred limited quantities of product.

<sup>9</sup> These considerations brought us to focus the direct survey mainly on olive-oil mills, thereby getting round to the problems arising from the high dispersion of production and marketing.

<sup>10</sup> We can estimate that about half of Tuscan farms involved in olive cultivation do not apply for the production subsidy paid out by the European Union [2].

Actually, also in other types of farms, the oil produced, sometimes a significant part, is very often kept for use by the owner and his family (or extended to friends and relatives); and even the pickers, who are paid by the job, are often motivated by the desire to acquire “genuine” oil for their own family needs.

Thus, the part of Tuscan olive-oil consumed by the producer (that is the consumption by the producer and his family and relatives) is very significant - at the beginning of the Nineties it amounted to about 40-45% [1] - and, above all, it is almost a constant quantity year after year. Consequently, for many farms (and thus also on the whole) the quantity sold is residual, and it depends on the high cyclic productive performance of olive trees. In addition, the quantity that can be sold is also in very small parts, held by a high number of subjects (olive growers, pickers, olive-oil mills - henceforth “holders”). As a result of this, Tuscan olive-oil encounters some difficulties in gaining access on “mass” channels, which, in order to be used, require significant and homogenous quantities.

On the other hand, it is the high production costs of Tuscan extra-virgin oil that forced to search for forms of promotion focused on some consumer segments (or intermediate users) able to appreciate the characteristics of this product and willing to pay a higher price for it than that of extra-virgin oils from other specific areas or of anonymous origin deriving from the mixture of extra-virgin oils from different areas [6]. These consumers often call Tuscan extra-virgin oil “olive-press oil”, as a way of indicating its genuineness, the traditional production process (pressure-extracted oil deriving from olives of one single farm or limited production area), and/or the way it is bought (buying directly from the producer).

### **3) THE TRADITIONAL LOCAL CONSUMER**

The promotion of Tuscan extra-virgin olive-oil requires “direct” and “niche” channels. At the beginning of the Nineties, it was estimated that about two thirds of Tuscan extra-virgin oil present in the normal commercial channels<sup>11</sup> were sold through direct sales to consumers (by holders).

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<sup>11</sup> If the average yearly production of Tuscan extra-virgin oil is taken to be 100 (between high and low production years), approximately only 60% is marketed and the rest is consumed by the producer. It can be estimated that the yearly marketable quantity during the Nineties has not exceeded 110.000 qls. The marketed part, besides being sold directly to consumers, is sold to traditional retailers, distribution

Historically, this has been done by selling the oil to a “traditional local consumer” (TLC), residing in Tuscany, either in the urban areas or in the rural areas: this “traditionalism” derives from both the purchasing motivations and the provisioning methods. The TLC purchases directly from the agricultural firm, the olive-oil mill or the picker, during one or more “visits”, mostly during the pressing period. Through these purchases the TLC satisfies entirely or partly the yearly need of extra-virgin oil. Product is bought almost entirely unbottled, filling buyer’s large containers (demijohns, tanks), and bottling in small bottles takes place during the year.

Another version of this system, used in urban areas, is the purchase (following more or less the same modalities) at particular selling outlets (vintners, oil stores, or similar shops) or from street vendors who are supplied directly by the producers or the local olive-oil mills (street vendors who sometimes are oil millers themselves, who have both a productive and a small commercial activity).

Among TLC it is possible to distinguish a particular type of consumer, directly related by “extended” family relationship or friendship ties to the holder, and often residing in the same production area; this type of consumer, who can be called a “proximity traditional consumer” (PTC), buys oil, but the holder is often willing to sell to PTC at lower prices which, at times, are so low that they can not cover production costs entirely.

The TLC is a consumer who is “used” to Tuscan extra-virgin oil, who wants to satisfy a “particular” taste which, until some years ago, could be hardly satisfied by the products present in the normal commercial channels. This type of consumer often maintains a strong relationship with the rural area of origin (even though now living in an urban area), and for whom the purchase of “that oil” is a way of maintaining that relationship; a consumer who is not uninterested in the specific origin of Tuscan oil, which does not represent an undifferentiated product, but which has some peculiar characteristics depending on the specific area of production, sometimes objectively established - for instance coastal or inside areas -, sometimes only “imaginary”.

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chains (already packed, especially by big private and co-operative olive-oil mills), oil-mixing and bottling firms (generally unbottled), restaurants [1]. These proportions can vary considerably, depending on the quantity produced in the year and the area.

The economic motivation of the TLC should not to be underestimated, too: buying unbottled oil directly from a farm or an olive-oil mill allows to obtain lower prices. In fact, the holder does not have to recover bottling, commercial intermediation and storage costs, while, at the same time, obtaining better prices than those of the usual alternative channels, especially of the “longer” ones.

The non-proximity TLC is less important in the “isolated” rural areas (such are many areas of the Grosseto province) and with a high percentage of olive cultivation, for reasons of accessibility and comfortability of purchasing modalities. In these areas, the PTC is less present, because the diffusion of olive cultivation makes “pure” forms of direct purchase easier. The specific survey carried out in Grosseto has highlighted that for these reasons, in some parts of the provincial territory, direct sale to the TLC, and in particular the PTC, was minimal until 20 years ago. In the same period, there was a constant supply of oil - directly or through local wholesalers - to other renowned areas of Tuscany (for example Florence Province and the Chianti area in general), and also towards mixing and bottling firms.

As time passed, direct sale to the TLC has grown even in these “isolated” areas. The accessibility problems faced by non-proximity TLC were partly overcome thanks to the diffusion of cars; the progressive loss of importance of agricultural activities in these areas (which precludes forms of production for personal use) facilitated also the increase in sales to the PTC, which has all the same remained marginal.

#### **4) THE EVOLUTION OF CONSUMPTION AND THE DECLINE OF THE TRADITIONAL LOCAL CONSUMER**

More recently, the TLC-oriented direct channel has shown in all Tuscan areas, although in a more or less significant measure, increasing signs of a progressive decline. For a long time, this weakening was concealed by the relatively small quantity of Tuscan extra-virgin oil compared to the needs of Tuscan population. At the moment this channel is clearly in decline, or worse, under a recession, as clearly emerges from nearly all the operators interviewed. The reasons for this decline can be ascribed mostly to the action of socio-economic variables that influence the evolution of food consumption. In particular, it is caused by the diffusion of female labour, the



reduction in the number of family components and of families living together under the same roof, and the increase in the distance between home and work place.

Such variables, by reducing the availability of family labour for activities connected to nourishment, increase the willingness to save time in all the consumption process phases [3]. This is evident in the consumer's demand of *time-saving* services, at three different levels: product incorporating a high content of services (products that are easier to prepare and consume), new types of commercial services (that supply wider and deeper choices and facilitate the purchase activities), simplification of pre-purchase information collection and elaboration (increasing interest for the brand, and exaltation of pre-selection activities done by the distributor). Thus, even in the case of extra-virgin oil, the time available for the purchase and for every successive activity is reduced; in particular the storage and the bottling directly done by the final consumer have become difficult partly because, in the urban areas, infrastructures such as the cellar where the demijohns are kept and the bottling of the product is done have disappeared.

The action of the socio-economic variables weakens the relationship between the TLC and the local product partly because of the tendency, caused by the same variables, to concentrate the purchases in big de-specialized shops (mass or modern distribution); such tendency does not affect only the urban consumer, but also, and increasingly, affects the consumer living in rural areas. These shops offer a vast assortment and very differentiated set of industrially-processed extra-virgin olive-oils (deriving from the mixture of extra-virgin oils from very different areas and countries), at much more competitive prices than Tuscan extra-virgin oil.

Besides, the socio-economic variables determine a de-structuring of the way of eating<sup>12</sup>, that penalizes all products mainly used to “accompany” the main dishes, such as extra-virgin oil, in particular Tuscan extra-virgin oil which, as a result of its high price, is used mainly as a condiment.

The effects of socio-economic variables are broadened by the return to the use of prices, on the part of an increasing number of consumers, as the main decisional criteria for their choices. This is due not only to the effects of the economic slump, but also to a growing cultural attitude in the consumer leading to greater rationality in

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<sup>12</sup> The organization of meals is more and more characterized by frequent snacks, which are replacing the traditional structured dinners.

the expenditure of the income. It is not only the desire to “buy at the lowest price” (for example buying extra-virgin from hard discount supermarkets), but mainly the price/“quality” ratio of the product that now matters [15]. Thus the consumer is still ready to pay high amounts of money for such a product as oil, but less for image and “ostentation“ reasons, which leave instead space to the consideration of the features of the purchased product [9]. Furthermore, the renewed attention to the price presents ambivalent aspects as to the traditional direct channels: if, on the one hand, it potentially increases the TLC’s interest for mixtures of extra-virgin oils sold on modern channels (“industrial” extra-virgin olive-oils), on the other hand, it should stimulate the TLC (at least the one not disposed to renounce Tuscan extra-virgin oil) to buy the oil directly in the production area (instead of the specialized shops of the urban areas), in order to save on the purchasing price.

In some cases, this fact has made the TLC to become less “local”. In fact, there is a tendency to the direct purchase, also in large amounts and sometimes for a group of families, outside one’s own residence area and sometimes outside the region (especially in Alto Lazio and Umbria), often with the aim of purchasing the product at lower prices than the local ones but still maintaining the advantages of a closer link with the production.

There is a factor that has particularly speeded up the action of socio-economic variables: it is the big frost that struck Tuscany Region between 1984 and 1985, causing structural damages to a large part of olive plantations, which have required substantial renovations of the plantation and/or improvement of the old one<sup>13</sup>. The low availability of “Tuscan” product in the following years, besides determining a massive price increase, has made the product availability for the TLC difficult, who has been forced to “try” industrial extra-virgin oils.

This happened in a period when the big industrial olive-oil firms were massively using the “product” lever in their marketing strategies, offering their choices of extra-virgin oil of middle-high segments, which were also for the TLC (less demanding in

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<sup>13</sup> It has been estimated that the big frost, which occurred in Tuscany in 1985, damaged more than 17 million olive trees (out of 22 million existing at the time). The number of applications for the normal European Community olive production-subsidy has decreased from nearly 49,000 in 1985/86 campaign, to about 15,000 in 1986/87. At the same time, the number of olive trees which benefited from EEC production subsidy has declined from 16 to 4,3 million.

terms of organoleptic features, but more attentive to price) a “possible” alternative to Tuscan extra-virgin oil which the TLC was used to.

The socio-economic effects of consumption trends of the TLC are not referable only to their progressive decrease in number, but also as a consequence of the change in the purchasing methods used by the remaining TLC. Briefly we can say that:

- Tuscan extra-virgin oil is no longer used of all purposes (as the only edible oil); rather it is for specific uses/occasions (especially for raw dressing); besides, other extra-virgin oil and vegetable fats are used alongside it;

- purchase per-head is lower compared to the past, and the total quantity is bought at intervals during the campaign and not in a single purchase;

- preference for the bottled product has increased, especially for medium sized cans (5-10 litres) that allow a certain saving in comparison with smaller glass bottles and are more practical in comparison with other traditional types of container (tanks, demijohns).

The progressive recover of production, that has now reached almost pre-frost levels, occurred in a period when TLC-oriented traditional circuits of exchange were partly failed. Tuscan extra-virgin oil has since run into increasing placement difficulties, noticeable especially in certain areas and highlighted also by the progressive erosion of the price differential of Tuscan oil compared to other extra-virgin oil of different origins<sup>14</sup>.

The placement difficulties have increased recourse to the conveyance of oil to co-operative olive-oil mills (a rare phenomenon till then, however occurring during years of high production yield). In this situation the co-operatives, used to press their members' olives giving back the oil obtained, often encounter great difficulties in meeting the marketing requirements put forward by its members; sometimes they are forced to act as oil sellers for the first time in their life, thereby obtaining poor results, or to sell the oil below cost to wholesalers or big packers at the end of the campaign.

## **5) CONSUMPTION “CULTURALIZATION” AND THE EMERGENCE OF THE NON-TRADITIONAL CONSUMER**

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<sup>14</sup> The price of Tuscan extra-virgin oil has been rather stable in recent years, not having benefited from the general price increase of extra-virgin, which was caused mainly by the bad production outcomes of some big producing countries, particularly Spain.

The willingness of the consumer to pay more for Tuscan olive-oil than for other extra-virgin olive-oil presupposes that, even though the consumer has not a specific “culture” of olive-oil, he is capable of, and willing to, recognise the different characteristics of Tuscan olive-oil.

Practically, a general formation of this willingness to pay more is made difficult by some factors, especially for the consumer who turns to normal selling channels (traditional retail, modern distribution). Normally, the consumer (both local and non-local), who is not devoted to Tuscan olive-oil out of habit or traditional use, is confused by the presence of extra-virgin olive-oils on the market with large price differences and at the same time in competition with other oils (both seed and olive derived oils, but not extra-virgin). The situation is made worse by the confusion deriving from the opportunistic behaviour of some oil enterprises, which offer mixtures of extra-virgin oil from different production areas (Puglia, Tunisia, Spain, ecc.), setting-up a communicative context that refers to Tuscany in different ways<sup>15</sup>. Furthermore, the progressive detachment from the traditional channel, accentuated by the 1985 frost, has also led the TLC to get used to “industrial” extra-virgin<sup>16</sup>, generally brighter, sweeter, and often perceived as better controlled and safe, and of reasonable prices<sup>17</sup>.

Opportunities offered by some changing factors in consumer behaviour seem to attenuate, and sometimes overcome these problems.

In fact, while the trends originating from socio-economic changes push towards a strong slow down of traditional commercial channels and traditional purchasing procedures, consumption trends originating from the socio-cultural sphere of the

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<sup>15</sup> Some oil enterprises use a commercial name emphasising particular Tuscan sites, others highlight on the label the place where the oil is bottled (Lucca, Florence), or offer a publicity message that refers to Tuscan context (landscapes and monuments, dialects).

<sup>16</sup> This trend was sharpened, in the years soon after the frost, by frequent “rumors” about the presence of non-Tuscan olives and oils sold as if they were so, even by local olive-oil mill and olive farms.

<sup>17</sup> During the survey, many extra-virgin oil holders have highlighted how the consumers ask more for a packed product (sealed up) and hygienically guaranteed. The increasing attention paid by the consumer to health-related features can damage the more traditional and smaller milling-plants, and orient purchases towards bigger structures (co-operatives, for instance) and “industrial” extra-virgin olive-oils. This re-orientation can also be encouraged by the opportunistic behaviours of some holders, who, when olive-oil quality is not high, sell the olive-oil on their own - trying to take advantage of the information asymmetry with regards to the average final customer - rather than give it to the co-operative or to the olive-oil mill, more “shrewd” customers, and that pay the olive-oil for its real (lower) market value.

consumer appraise both the traditional product and its selling procedures, even if re-interpreted and re-adapted to the new context.

The search for physical well-being, with the revaluation of vegetable fats and the “Mediterranean diet”, has given a new impulse to the consumption of extra-virgin olive-oil (at a loss to seed-oils and non extra-virgin olive-oil).

Today, however, it is the consumer’s attention for the “immaterial dimension” that determines the main pressures to the change. The consumer shows a growing tendency to interpret the purchase of the product as a means not only of meeting hedonistic objectives (exaltation of sensorial, gustative and aesthetic aspects of the product), but also of communicating his own participation and belonging to a specific life style, his own convictions and attitudes [3]. Consumption incorporates therefore a cultural dimension: consuming and/or purchasing the goods becomes a “communicator” [12], a “symbol”, a way to create social links and distinctions (“culturalization of markets”) [8].

The consumer participates more and is also concerned about what happens to the environment, and about the effects his consumption activity can have both now (or in a spatial dimension: other people, social classes, ethnic groups) and in the future (inter-generations solidarity). The attention paid to the effects on the social and cultural environment leads also to the recovery of “traditional” products and/or selling methods. In this case, consumption expresses the consumer's desire to share and/or approve the “countryside”, and to preserve a “tradition”, a sole environment, sometimes perceived as if it was “coming to an end”.

The emergence of this “new consumer” is evident in the consumption pattern of Tuscan extra-virgin oil. In this case, it is possible to talk of a general type of consumer defined as “socio-cultural consumer” (SCC). The diffusion of this type is favoured by the fact that the average consumer - without an “olive-oil culture” - generally recognises a *plus* in the Tuscan extra-virgin oil (as for Tuscan wine), deriving not only from a direct knowledge of the characteristics of the product, but also from the fact that, in collective imagination, wine and olive-oil are associated with Tuscany for historical reasons and cultural factors.

For the SCC the context where the exchange takes place is of fundamental importance [4], because it is able to recall images “close” to him. This consumer therefore prefers shops specialized and/or located in particular environmental

contexts, but above all he likes to go directly to the olive farm or the olive-oil mill. The SCC usually prefers traditional (now in the sense of typical) milling (millstone) and stocking (terra-cotta containers) methods, likes to converse with the producer, see the milling plant and the olive-yard, know the production and transformation processes and the qualities of that particular extra-virgin oil, and to taste different kinds of extra-virgin oils. The SCC therefore is a consumer who spends time willingly, both in searching and selecting pre-purchase information, and when purchasing and using the product; in the latter case, Tuscan extra-virgin olive-oil is used in particular occasions and/or with particular food.

What are the differences between the SCC and the TLC? In general, the SCC neither lives nor has links with the production area, and is very often not Tuscan, and gets in contact with product mostly during holidays, and/or week-end excursions. The SCC manifests occasional purchasing attitudes<sup>18</sup>, buys a more limited quantity of product, usually packed, often in bottles. Unlike the TLC, the SCC does not consider the Tuscan extra-virgin oil as a product of current use, and pays more attention to the accompanying “services” [5].

When the consumer is satisfied by the product, the occasional purchase can change into a continuous purchase, involving quantities of a certain importance: product-loyalty changes the non-local SCC into a “non-local traditional consumer” (NLTC), who can not find in the place of residence an “authentic” Tuscan extra-virgin oil (or finds it at very expensive prices). Frequently, the meeting between the olive-oil holder and the NLTC no longer takes place in the production area, but at a distance, by home delivery, even abroad. The NLTC becomes then an important promoter of olive-oil, arousing the interest of other potential consumers through informal communication channels (the so called “word of mouth”). The existence of groups of consumers residing far from the production area, and organizing collective purchasing missions (or sending collective orders) to satisfy the needs of a group of families - thereby limiting the relative costs - is very frequent.

The survey has highlighted a significant diffusion of both forwarding product to consumers’ home, and collective purchasing missions. These practices are often of

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<sup>18</sup> Many interviewed firms have highlighted the great importance of a casual contact with the non-local consumer.

interest to small olive farms and olive-oil mills; in some cases, they are becoming very important for the vitality of oil commercialization in the area.

The motivations of this new consumer can be the same as those of the traditional local consumer, who may have different purchasing and consumption motivations at a time: this is a “hybrid traditional local consumer” (HTLC), who uses Tuscan extra-virgin oil of his area (which is still at the base of his supply) alongside other types of Tuscan oil.

Socio-cultural motivations can also lead a local consumer not (more) traditional, to (newly) activate direct forms of supply. For this “new local consumer” (NLC), the direct purchase from the holder is often complementary to purchasing from long channels, from which the NLC continues to buy a more or less consistent part of his extra-virgin oil needs.

## **6) TYPES OF TUSCAN OLIVE-OIL CONSUMERS ON THE DIRECT CHANNEL**

The previous paragraphs have highlighted how, as a result of the decline of tradition as the prevailing motivation for purchasing Tuscan extra-virgin olive-oil from the direct channel, the space occupied by socio-cultural motivations is increasing. Besides, on the basis of these motivations, a “new devotion” to Tuscan extra-virgin oil can arise from the SCC.

The table illustrate the main types of consumers as outlined by the firms interviewed during the research.

Habit and simple “geographic proximity” are increasingly less important in determining the purchase of Tuscan olive-oil, while, on the contrary, “cultural proximity” is becoming more important, especially when accompanied by suitable information and guarantees (including an institutional type such as the denomination of origin), that reinforce the perception “of excellence” [2]. Mostly for consumers who use the direct channel, Tuscan extra-virgin oil is increasingly becoming less a “traditional” product, and more and more (perceived as) a “typical” product.

*Types of Tuscan extra-virgin oil consumers on the direct channel*

	<i>place of origin</i>	<i>dominant purchase's motivation</i>	<i>typology of direct purchasing</i>	<i>purchased quantity per-capita</i>	<i>purchasing frequency in the year</i>	<i>life cycle's position</i>
<b><i>PTC</i></b> <i>proximity traditional consumer</i>	internal	custom and cheapness	in the area, loose	large but declining	once a year	decline
<b><i>TLC 70's</i></b> <i>traditional local consumer in the '70s</i>	internal	product's appreciation; cheapness	in the area, loose or in big vessels	large	once a year	maturity
<b><i>TLC 90's</i></b> <i>traditional local consumer in the '90s</i>	internal	product's appreciation; cheapness	in the area, loose or in medium vessels	declining	high increase	decline
<b><i>SCC</i></b> <i>socio-cultural consumer</i>	external / internal	socio-cultural; tourism	in the area, bottled	low	occasional	development
<b><i>NLTC</i></b> <i>non-local traditional consumer</i>	external	socio-cultural; product's appreciation	by mail, in medium vessels (cans)	medium or large	once or twice per year	high development
<b><i>HTLC</i></b> <i>hybrid traditional local consumer</i>	internal	socio-cultural and custom	in the area, packaged	low (to integrate other Tuscan extra-virgin oils)	occasional	development
<b><i>NLC</i></b> <i>new local consumer</i>	internal	product's appreciation	in the area, in medium or big vessels	medium or large	once or twice per year	high development

## **7) THE ADAPTATIONS OF FIRMS AND THE SUPPORT OF RURAL DEVELOPMENT**

The evolution of consumers using the direct channel has some important consequences for the holders of Tuscan extra-virgin oil.

In the past, the commercialisation of Tuscan extra-virgin oil, centred on the TLC, allowed the holder to be in a passive and waiting position. In this case the customer went to the olive farm or to the olive-oil mill following a routine, to make his yearly purchase. The holder could count on immediate cash from his own extra-virgin oil (sold, in large part, during the processing period); he did not care neither of the bottling of the oil, nor of its storage (except for minor quantities). The simplicity of



the commercialisation did not require particular abilities on the part of the firm<sup>19</sup>; the time dedicated to the process was concentrated in a short period, the number of transactions followed were reduced (few buyers bought significant quantities, needed for a whole year's need of some numerous families) and they were based on a habitual relationship.

These characteristics were the same even in the case of selling to subjects like small bottlers and wholesalers who placed Tuscan extra-virgin oil mainly on urban areas of Tuscany, where, until some years ago, the local production suffered only limitedly competition with “industrial” extra-virgin olive-oil.

The evolution from the sale of extra-virgin oil to the TLC (and, in more “internal” and marginal areas, also to wholesalers), to the sale to the non-local and non-traditional consumer, in its various typologies, requires from holders a whole set of adaptations of a technological and infrastructural kind, organizational and - above all - of mentality and approach to the market [10]. This refers to olive farms and olive-oil mills in particular, while pickers are “cut off” from the directly selling to non-TLC because of the small quantities they can offer.

These enterprises must first of all build storage facilities for extra-virgin oil, including necessary space and equipment for bottling, and all these imply considerable difficulties, not only with regard to costs, but also as a result of complexity of the procedures involved (authorisation, bureaucratic practices, etc.). It becomes then necessary to maintain high quality levels of the product, in order to justify the difference in price when compared to other extra-virgin oils, and to conform to regulations that pay increasing attention to organoleptic aspects<sup>20</sup>. It has been noticed that the operators have responded very well on this subject, for instance anticipating and concentrating the picking operations, reducing the waiting time of olives before processing, improving olive and oil preservation methods. For the farms, this has meant a major need for “external” labour (the reduction of the picking period makes it difficult to use only internal labour of the family-farm), and the need to increase the capacity of processing plants, and this has determined the closing down of many of them.

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<sup>19</sup> These abilities could have come from a “low-quality” labour, present in the firm [11], or provided by older people (where necessary).

<sup>20</sup> See, in particular, the Reg(EEC) 1915/87 and the Reg(EEC) 2568/91.

The fragmentation of sales (ranging from few clients who bought large quantities, to many clients - heterogeneous both in terms of motivations and origins - who buy limited quantities), and their distribution all over the year, impose on olive-oil mills and olive farms the need to change their commercial attitude completely, and become more active and client-oriented. Casual contact with the client and “word of mouth” are not enough to promote sales, even though the increase of the agri-tourism and of the rural tourism in Tuscany and in the Grosseto area has, without doubt, strongly favoured the presence of potential clients. In order to take advantage of these opportunities, it is necessary to use such techniques as road advertising posters, the participation to local initiatives (festivals, trade fairs), linking product to current tourist initiatives<sup>21</sup>, and provision within firms of some agri-tourist activities (residential, sports, recreative) that add the value to the production through the direct sales.

Besides, the non-local and non-traditional consumer, once “attracted” to the olive farm or the olive-oil mill (which should be equipped and welcoming), has to be encouraged to purchase the product, be informed of the characteristics of the product and the process. This implies a more active role of the holder, and more time, in order to meet the need for “direct contact” shown by the “socio-cultural” consumer and to face the high turn-over of non-local customers (tourists).

The survey has highlighted how such adaptations - which, if examined separately, turn-out to be purely incremental innovations - are not easy to be implemented, especially in those (numerous) firms managed by elder people or where the extra-virgin oil activity is not of central importance, and the activation of forms of direct sales following the new modalities would cost too much in terms of resources and time. In these cases, co-operative olive-oil mills are asked to provide more collective commercialisation services, and this request is often made, in many cases, quantities that are not planned at the beginning of the campaign (the olive farmer often applies to sell to the co-operatives quantities he is not able to place by himself), which vary from one year to another. Co-operative olive-oil mills are also asked to provide the farm with services that add value to the oil produced, such as bottling and labelling, or real services or consultancy on how to export the product. These needs in turn

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<sup>21</sup> The survey has highlighted the presence of firms taking part in exhibitions in hotels and signing conventions with tour operators to encourage guided visits in the production place.

determine important adaptations in organization, human resources and management for olive-oil mills, and sometimes the need to open special selling points.

But the extra-virgin oil holders can find a fundamental support even within the local system, thanks to the rural development policy of the European Union, which has led to important achievements in the province of Grosseto, centred on the development of agriculture and the rural environment [13]. In fact, the re-vitalization of the rural territory deriving from it, favours a re-launching not only of “classical” tourism, that is mostly linked to bathing resorts, but also encourages the development of “new” rural tourism and agri-tourism, and in general, the use of the “territory” as a whole made up of natural, artistic, architectonic, and cultural resources, and the landscape. Furthermore, the rural development policy allows the activation of collective initiatives, like wine and extra-virgin oil roads, rural museums, fairs, promotions outside the area, that can be very functional to the direct placement of typical agricultural productions.

## **8) CONCLUSIONS**

In Grosseto, but also in many rural areas of Tuscany, the importance of the non-local and non-traditional consumer in the marketing of extra-virgin olive-oil has contributed to awake a certain interest in olive farmers, who in many cases have enlarged their plantations or increased the density of olive plants per area<sup>22</sup>. This is partly due to some incremental innovations that fasten picking (in particular the facilitating machines, that are spreading quickly), making up for the lack of labour and partly reducing the high cost of paying pickers in kind.

The direct channel to the consumer is certainly not enough alone to solve, at least in the short period, the problems of outlet facing Tuscan and in particular Grosseto production in these last years, even though today it is essential for the vitality of quite an important number of agricultural firms.

Today, in fact, the selling of the unbottled product to middlemen and to big olive-oil enterprises is not profitable, besides becoming more and more difficult (for

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<sup>22</sup> The characteristics of the olive plant has, without doubt, contributed to this phenomenon because it adapts well to part-time and “Sunday farming”; it has been pointed out that often olive trees are less cared for compared to the past, and there are less cultivation operations, thereby worsening the effects of the climate on productive volumes obtained.

problems of homogeneity of the product and limited volumes available); equally difficult for almost all olive farms and olive-oil mills is gaining access with their product to modern distribution chains.

It is therefore necessary that Tuscan extra-virgin oil should acquire a niche within the value-adding long channel, in particular in the modern distribution system, in order to complete the “channel niche” of direct sales to the consumer. Significant, in this sense, is the experience of a big co-operative society of Grosseto, that sells a part of the extra-virgin oil conferred by members to some big oil enterprises<sup>23</sup>, guaranteeing its Tuscan origin and bottling with the trade-marks of the same enterprises that offer this product as the “best”.

An important role can also be played by the approval of the denomination of protected origin of Tuscan extra-virgin oil. This could be very useful in the elimination of opportunistic behaviours of many bottling agents, but may have less importance for the direct channel to the consumer, considering that the consumer, in this case, gets the product guarantee in other ways. The denomination of protected origin could, on the contrary, favour or strengthen the placement of Tuscan extra-virgin oil in big or medium bottling enterprises, which, in order to include in their stock products marked “Tuscan” will have to (at last) buy from Tuscan producers.

In conclusion, the case study examined has highlighted the important effects consumer evolution, and in particular the culturalization of consumption, can have in the re-organization of the commercial channels of traditional and typical products. This re-organization is not painless, but requires suitable adaptations both on the part of single enterprises, and the whole system of firms and the complex set of “actors” operating in the territory. Adding value to the product is decreasingly an entirely firm affair and increasingly a collective affair, in which a central role is played by factors external to enterprises but present in the territory.

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<sup>23</sup> These enterprises support the bottling of Tuscan extra-virgin oil on behalf of a third party both for technical reasons (it is a question of small quantities that would interfere with the normal “mass” processing), and for commercial reasons (indications on the label such as “product directly bottled at the olive-oil mill”).

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