



## *Local products have a healthy future*

### **From humble origins to growing market**

The odd special cheese or sausage were about the only local products available in the Netherlands at the end of the 1980s. By 2004 such products had an estimated turnover of 150 million euros, involved some 1000 primary producers and a further 1700 processing companies, and accounted for 1% of the total added value in Dutch agriculture (the organic sector is 2%). The change came at the start of the 1990s as farmers and horticulturalists perceived the need for a more sustainable and market-orientated approach. Local and regional initiatives mushroomed, often generously and enthusiastically supported by provincial and European funding.

A growing group of consumers is interested in local, high-quality products as witnessed, for example, by the rapid expansion of the slow food movement. Producers have been joined by the local processing industry, retail outlets, hotels and restaurants in an effort to generate added value products, which distinguish them from the ‘brutality’ of agribusiness, wholesalers and supermarket chains. In the traditional markets prices and sales are under increasing pressure. However, producers of good local products are increasing their market share and maintaining their margins.

A more professional approach is however needed for the success story of local products to continue. Many current initiatives are too small-scale and product focussed. Finding sufficient buyers is an ongoing struggle. Without a better marketing strategy, many projects will flop when the subsidies stop and the supporting agencies withdraw.

### **What is a local product?**

‘Local product’ is not a legally protected term in the Netherlands. In 1992 the European Commission set criteria for three European quality labels: PDO products (Protected Designation of Origin), PGI products (Protected Geographical Indication), and TSG products (Traditional Speciality Guaranteed). According to these criteria the Netherlands has six PDO products and one TSG product. *Streekgeigen Producten Nederland* [Dutch Federation for Local Products] has issued its own quality label since 1999. Its most important criteria is a clearly defined product area from which all characteristic and



essential raw materials are obtained and in which the product is processed. At the start of 2006 more than 150 products had received this certification. For the Dutch slow food movement distinctive local characteristics are also important, such as local cultivars, knowledge and preparation methods.

This lack of a clear definition makes it hard for consumers to decide which local products are genuine. It also undermines the unique selling proposition of local products, as larger manufacturers often market products under local names to give them more élan. And that many local product initiatives often have their own criteria, only adds to the confusion.

## **Innovation and added value**

As well as creating added economic value, local products are a breeding ground for innovation.

Innovation and experimentation are key factors in the development of new products. Agrarians are good at this, which is just as well because not all ideas will become market successes. Innovation is also evident in the new partnerships between producers, processors and buyers, where a lot of effort is put into developing quality criteria, and ways of distributing small volumes of a broad product range.

Local products are also fostering a different mindset under agrarians. A market-orientated approach is required to get the product to the right clientele and to ensure ongoing sales. This is bringing agriculture a step closer to the end users. And agrarians can only make this step if they learn new professional skills, whether through personal coaching, training programmes or courses.

Sustainable production is another form of innovation included in most local product initiatives. For example, saved transport kilometres contribute to the reduction in CO<sub>2</sub> emissions, and products often need to satisfy criteria with respect to nature conservation, the rural landscape and cultural history. Further, initiatives often contain an element of rural development associated with the product, such as rural tourism or sustainable nature conservation practices.



## **Local products and regional marketing**

Local products form an important aspect of regional marketing, but the two are not the same. The unique selling proposition of a local product focuses on its unique characteristics, although the regional aspect can contribute to this in terms of climate, soil type, cultivar, and recipe. Regional marketing is about selling the qualities of an area (agriculture nature and cultural history) as a regional brand. This provides the framework for developing an appropriate package of local products and services.

This distinction is important for local businesses, government and local authorities, and intermediate organisations.

### **For businesses**

For local products the focus is on building chains from primary producer though to end user.

Regional marketing is about getting together with businesses from different sectors to provide a regional package of products and services.

### **For government/local authorities**

Local products should be economically viable after an initial start-up subsidy. Government's role is to provide the right conditions, from planning permission through to subsidies for knowledge development and professionalisation. For regional development, provincial and municipal authorities need to take a leading role in developing the regional concept and in bringing the various relevant parties together.

### **For intermediary organisations**

For local products intermediate organisations acts as advisors. For regional marketing they have a facilitatory role, bringing parties together and supervising the process of developing the regional brand.

Local products and regional marketing are separate entities which can support each other. Distinctive local products can form the 'landmarks' for regional promotion and a well-marketed region can elevate the sales of local products.

## **Developing a successful local product**

Local products are not an automatic success story. Each local product is unique and will require a specific marketing approach. This list of 15 tips is a general guide to grabbing chances and avoiding pitfalls.

### *1 Accurately determine the market for your product*

Local products are not suitable for mass marketing. Who are the specific target group and how can they best be approached? Careful market research is a must.

### *2 Choose the chain*

A product does not sell itself. From raw materials through to end product in the retail outlet, an optimal chain with guaranteed quality needs to be in place.

### *3 Outsource to professional partners*

Don't try to be a jack of all trades. A good producer is not necessarily a good processor or seller. Outsource the different aspects to professional partners who share your vision. This will improve the cost efficiency, quality and potential to grow.

### *4 Don't put all of your eggs into one basket*

Focus on a range of products, as for every 10 products launched just 1 or 2 succeed.

### *5 Product innovation is an ongoing process*

Product life cycles are getting shorter. So existing products will need to be updated or new products developed and launched.

### *6 Choose the right scale*

A small-scale approach minimises the risks but limits turnover and growth. A larger scale approach requires higher investments.



This will only lead to increased profits if larger volumes can be sold. Get the balance right.

#### *7 Choose a commercial approach*

Local products often develop along the way as a sort of hobby. Spontaneity is a strength but a business plan and measurable targets are indispensable for long-term success.

#### *8 Know the facts*

Set clear business indicators. What short-term objectives are needed to realise longer term objectives? How can costs be reduced and turnovers increased?

#### *9 Be clear*

Don't let your enthusiasm get the better of you. Make clear business agreements on paper. This prevents misunderstandings and keeps business relationships healthy.

#### *10 Be honest*

Only sell a product with a true story and which you wholeheartedly support. This generates and keeps consumer confidence in your product.

#### *11 Guarantee and safeguard quality*

Set unequivocal quality criteria, with a consistently applied monitoring protocol, and clear sanctions if the criteria are not met. Your product is worth it.

#### *12 Motivation of businesses involved is key*

A small group of motivated businesses is better than a large half-interested group. Ensure everyone involved has a serious stake in the sales. Set clear expectations for new participants in terms of time, knowledge and monetary investments.

#### *13 No investment no gain*

Don't depend on subsidies. Make sure the business plan contains clear agreements about the investments required for all stages of the project.

#### *14 No need to reinvent the wheel*

Don't devise everything yourself. Draw on the experience of others and past studies. If needs be, hire in somebody from a successful initiative who can help get things going.

#### *15 Broaden your horizons and seek partners*

Don't be a one man show. Join other businesses under the regional banner. This can lead to more cost-effective promotional efforts and logistics. Work with local civic and voluntary organisations to promote a vibrant rural economy. Supporters of these organisations can be good potential customers.



## The role of government and local authorities

Subsidising local products is good for the wider rural economy. The following 10 tips for policy makers and government officials aimed at minimising the unintended effects of well-meant subsidies.

1. Don't confuse local products with regional marketing. The strategies are different.
2. Make a clear distinction between a local product quality label and a regional brand.
3. Only use the term local products for agrarian products which satisfy basic criteria such as those of SPN or the guidelines from the European Commission.
4. Demand a business-like and carefully planned approach from the start.
5. Judge initiatives not just on their social/societal value but also their business value.
6. Match subsidies against the investments businesses make in a project.
7. Continue to support the innovation function of initiatives.
8. Require participants in regional marketing initiatives to follow a general course that provides them with the relevant skills they need to be successful.
9. Set an example by purchasing local products for internal use or as promotional gifts.
10. Take the lead in developing a strategy for regional marketing.



## Credits

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