



International Economy

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**GREEK OLIVE OIL EXPORTS
AND THE ROLE OF MARKETING**

Abstract

Exports represent a momentous issue which is a benchmark of the Greek economy in the specified period and is perhaps the only area that provides recovery of the economy through trade in goods. Specifically, the olive oil is been chosen as a predominantly Greek product and its promotion in combination with the right marketing, can contribute to the achievement of individual goals set by our country. The search for new markets should be based on criteria geographical, demographical, cultural and ethnic. Extroversion often viewed as a recipe for success. But the aggressive entry into foreign markets and the demanding presence in these can be the first series of movements.

The position in the markets should, after all, be maintained. The olive oil is put forward as a Greek product with special features that can distinguish it, over other countries. It has been penetrated in many countries worldwide, but nevertheless suffers in the strategy of the promotion.

Key words:

Marketing, Exports, Distribution Channels, Competition, Brand Name.

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1. Marketing Theories

The guru in the sector of Management Peter Drucker predicted that for the businesses of the twenty-first century, the biggest change will not be in the new methods of production or consumption, but in the distribution channels. He emphasized that what we need to consider how the marketing channels should be managed: how members of the channel should be chosen, motivated, evaluated and controlled. After all, marketing is a set of tools that work together to bring to the consumer, through appropriate channels with the help of an appropriate level of assistance in the sale and advertisement a product which by its nature, its presence, its price, will meet better their needs. (Kotler, 1997)

The Porter is the one, in 1985, who first advocated the view that competition in the product market, based on existing economic potential of the industry. So for this reason, it is necessary to look at other factors that may affect the competitive environment and the firm's competitive position, apart from the competition in the strict sense of the word. If one looks at factors such as customers, suppliers, potential entrants and substitute products, can understand the magnitude of their effect on structure, activity and location of the business.

2. Promotion of Greek Olive Oil

The promotion of the Greek olive oil, as well as, its standardization, is very important factors, for increasing the exports of our country. Many attempts have been made in recent years by the state and several agencies, in order to achieve this goal, which is expected to help the tourist promotion of Greece.

Table 1

20 main countries exporting Greek virgin olive oil

Country	Export Value in million Euros	Quantity in tonnes	Average Price Euro / kg	% Difference in value by 2009
Italy	114,1	50.392	2,26	-18,4
Germany	17,3	6.154	2,81	+23,2
H Π A	11,8	3.224	3,65	+7,3
Canada	8,3	2.456	3,38	+7,9
Russia	4,6	1.055	4,41	+136,6
Australia	3,8	1.207	3,14	+3,9
Cyprus	3,4	1.041	3,26	-56,5
China	3,2	930	3,44	+32,8
Un. Kingdom	2,8	924	3,11	-20,7
Switzerland	2,8	589	4,76	+15,8
Austria	2,2	522	4,34	+18,3
France	2,2	576	3,89	-6,46
Japan	2,2	477	4,61	32,5
Czech	1,6	436	3,69	-31,8
Brazil	1,5	385	4,08	+10,3
Sweden	1,4	365	3,89	-12,5
Ukraine	1,2	302	4,03	+41,5
Bulgaria	1,2	387	3,11	+32,9
Belgium	1,08	281	3,96	+10,9
Israel	1,05	432	2,44	+100
Total top 20	187,73	72.135	2,60	-10,1
Rest exports	10,25	3.241	3,16	+11,6
Total exports in olive Oil	197,98	75.376	2,62 Euro/ Kg	-9,95

Source: Table based on data for World Trade Organization, 2011.

Clearly, the actions that can be done require the cooperation of local actors with the public authorities and should include the following:

A. Update-Information traders, consumers and opinion makers about the relative advantage of the olive oil.

This activity includes:

- Design and production of forms aimed at the above target groups, such as brochures, posters, recipes (in a book, cards, etc.), and CD ROM.
- Create Internet sites.
- Events publicity-like organizations participating in events highlighting the Mediterranean diet, healthy diet, gourmet food etc., sponsorship of TV cooking shows, at events sponsored by health organizations, interviews, radio shows, presentations etc. with a special speaker (eg dietitian, cookbook author, etc.) that serves as an «ambassador» for the Greek olive oil.

B. Invitations buyers in Greece so as to present infrastructure and their productive potential before the agreement.

Buyers generally come from the main market sectors of olive oil (chain super market, shops gourmet, Food service, e-commerce).

C. Business meetings abroad.

D. Events at sales points.

These actions combined with the publicity actions involving companies such as viewing, business meetings and events to create outlets, according to the World Trade Organization, and multiple benefits.

2.1. Greek olive oil exports to Russia

The period 2010–2011 has been recorded an impressive growth.

Exports of olive oil from Greece to Russia in 2010 recorded an impressive growth, both exports and the share of our country on the whole increased by 134.1% and 8.8% respectively. This results from the embassy briefing paper in which is emphasized that «setting aside any qualitative product differentiation among countries exporting to Russia and just dividing the total value of exports in quantity for each country is obvious that the olive oil from our country is the most expensive of all».

Note that in 2010 the major supplier of olive oil in Russia remained Spain, which also increased by 3% in share of the total. The larger companies are importers Aceites Agro Sevilla SA¹ and Aceites Borges Pont SA², which cover 17%

¹ Spanish olive oil export company.

² Export olive oil Company from Spain and Tunisia.

and 11% of the market respectively. The elements of EL.STAT³ for the first 9 months of 2011 also appeared promising for the year. Specifically during this period the exports of our country have already reached 4,047,654 euros (899.614 pounds), compared with 3,166,351 euros (704.481 pounds) for the corresponding period in 2010. But reduction displays the category of virgin olive oil with a 325,973 euro (160.922 kg) versus 486,991 euros (262.348 pounds). The price of olive oil fluctuates at significantly higher levels (1 liter = 250 rubles / EUR 7.14) compared to that of sunflower oil (1 liter = 35 rubles / 1 Euro).

Table 2

Price of olive oil on the market per liter

	2009	2010
Russia	10,35	12,23
Moscow	10,61	12,58
St. Petersburg	11,20	13,14

Source: Russian Statistical Service, 2010.

2.1.1. Promotion-Penetration in the Russian market

For the promotion of the olive oil in the Russian market an important role plays the advertisement of the product and this is reflected in the share of the market of oil products from Spain and Italy. The companies have invested significant funds for advertising on television, the press or in public places (e. g. posters in major metro stops). The success of a Greek businessman in the Russian market depends on three basic criteria: choosing a well-studied plan, find a Russian-speaking partner and finally be available to spend time and money. Trying to enter the Greek olive oil the Russian market will be very helpful if there is a coordinated attempt of promotion and not the fragmented efforts of small businesses, without a strategy. Meanwhile, Greek export companies will have to undertake the following obligations for the entry of their products in large chain stores:

- Placing a line of «entry» or so-called «entrance fee», which depends on the number of the product codes and the number of the stores in the market?

³ Hellenic Statistical Authority.

- The disposal of the product advertising budget, the pattern corresponding to this of the competitors from Spain and Italy.
- The possibility of storage products, organizing the distribution, the continuous monitoring of market, placing large quantities due to market size, because the grocery chains compile annual programming. In the Russian market it's been provided the participation in international fairs, organizing business meetings, making small-scale events at selected points of sale and production of brochures and cards with recipes on the Russian language.

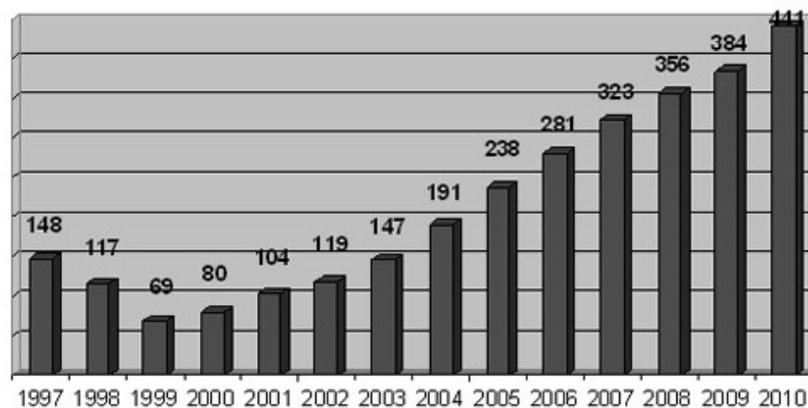
We note that in Russia there is the classic structure-importer wholesaler and retailer, but many times these channels are limited, as far as wholesalers and agents are beginning to intermediate restricted and depends on the market matures. At a later stage, the distribution channels have grown considerably. Up until now mass merchandisers show significant progress. Large chains like Ramstore, Metro, Spar, OBI, Marktkauf, Auchan, Ikea, and Leroy Merlin are present in Russia, along with local chains Piaterochka, Perekriostock, Magnit, Lenta, Starik Khatabitch, etc. The retail sector is very dynamic in Russia. The annual retail growth in recent years has exceeds the 10%. Modern western channels represent 21% of food retail in major cities and are expected to hold 34% share across Russia and 52% in Moscow by the end of 2010.

Distribution networks developed suddenly. Some sectors are more developed and other areas are still in the primary form. Thus, foreign exporters and foreign products may contact the following networks:

Importers are divided into several categories:

- The large public enterprises or state industrial groups are now engaged in international business and work for a fee (commission).
- The large private commercial companies, a category which currently has the most important commercial activities in Russia.
- The wholesalers' customers are mainly importers and cooperate with them for the distribution of imported products in the province. Meanwhile, importers can simultaneously be both wholesalers and sometimes retailers, particularly in Moscow.
- The salesmen, in contrast to the wholesalers are intermediaries who make the signing of contracts between foreign suppliers and Russian importers. The salesmen are very few in Russia.
- The subsidiary is the form of the Russian company, which can progress to pricing imported products and customs clearance. Moreover, it is the legal form that is been chosen by foreign companies in order to establish themselves in Russia.

Figure 1



Source: Embassy of Greece in Moscow-Russia, Office of Economic & Commercial Affairs, 2010.

Next target in Russia is to expand distribution networks in the province. However, the expansion in the province requests very large investments in «logistics», which promotes regional businesses. So far the Russian chains certainly ahead on points sales by foreign competitors, particularly in the region (e.g. two Russian companies «Sibirskii Gigant», «Sibirskaja Gubernia» dominate in Siberia, the chain stores «Lenta» dominates the North-Western Russia and the «Victoria» with names «Kvartal» «Deshevo» in the Kaliningrand.

2.2. Oil market in China

China's economy has been developed in recent years with annual growth of around 10%. The rapid growth has resulted in the increase of the disposable income of its citizens and also the creation of an income of numerous upper classes, which have adopted consumer behavior models of the developed economies and has a large proportion of the income of the imported products, which have better quality of the domestic.

Imports of olive oil appear to be increasing in recent years. Imports of virgin olive oil have increased tenfold in size within five years. The market is currently weak and located in major cities. The channels are cut into small importers and geographic range. It is common practice to use the same company from dif-

ferent distributors in each city. Also, given the small size of the olive oil market, import and distribution is characterized by changeable conditions of entry and exit of actors on the market feature an increased risk for exporters, who should choose partners after careful inspection. However, the presence of Greek olive oil is relatively sufficient in terms of market share, due to early entry, but also enjoys the estimate for the quality. Also, favorable element for the Greek olive oil is the inextricable connection to the positive image of Greece in China.

Besides this the restaurant serving Mediterranean cuisine (mostly Italian and Spanish) that use olive oil, the main selling point is the supermarket. The existence of international chains (Carrefour, Metro, Makro, Auchan, Wal-Mart) facilitates the access to a retail market that is characterized by fragmentation. Chinese supermarkets also have a limited number of imported products and often no olive oil on their shelves. The price of olive oil is high, both in absolute terms and relative to other edible vegetable oils. For example, one liter pack of oil sold for 90–100 RMB (100 RMB = 11 €).

The olive oil market will continue to grow rapidly to meet the needs of a future consumer group with high income who has turned his interest in ensuring a more healthy diet. Olive oil, as a component of the Mediterranean diet, may emerge as a healthy everyday «luxury» for one piece of numerous Chinese consumers, but cannot be a daily dietary habit for the majority, because of its high price. On the Greek side, the increase or even maintaining in the market share will be achieved through the improvement of the export product mix and promotion of the Mediterranean diet, in general, through promotions of great (e.g. television advertising) and low intensity. As for oil producers or traders, is been highlighted the importance of finding a reliable partner with market knowledge and ability to promote the product to retailers and foodservice.

2.3. The olive oil market in Ukraine

The Ukrainian retail food differs significantly from the structures that are known in Western Europe, having as key feature the outdoor markets, the large number of neighboring shops and even a small, but aggressive expansion of supermarkets and hypermarkets. The strong growth of domestic industry retail sales of food contributed significantly to the simultaneous increase in sales of processed food products. The number of Supermarkets and Department Stores continues to grow rapidly.

In 2002, the network of supermarkets and department stores was approximately 600 across the country, but between 2004 and today the number has multiplied. Ukrainian Supermarkets are the ones that have the largest variety of products and in particular the bulk of imported products. Taking into account the

specificities of the dynamically developing Ukrainian market and the fact that olive oil is a new product and even expensive for the Ukrainian consumers, I find that to exploit the good prospects is been needed targeted plan for advertising and promotion. The olive oils are available in packs of 250, 500, 750 ml and 1 liter (glass, tin and plastic bottles) with dominant in consumption the packaging of 500 ml. Retail prices of olive oil depending on the origin does not differ significantly.

Table 3

Indicative prices per liter bottle (in euro at the current rate)

Spain	10,3 Euro
Italy	11,6 Euro
Greece	10,1 Euro

Source: Economic & Commercial Affairs Consulate General of Greece in Kiev, 2010.

The Ukrainians have always consumed locally produced vegetable oil for salads and cooking. Just about 5 years before gradually have launched imports olive oil and olives, initially from Italy and later Spain. Today in the market there is extra virgin olive oil (with the labels) from Spain, Italy and Greece, and has recently appeared and olive oils from Crete, also extra virgin (as labels). The latest statistics agency of Ukraine shows that the total quantities of imported oil, in the largest proportion (90% approximately) is presented as «olive oil», with the remainder shown as «other oils, refined.» This raises the suspicion that the indication as «extra virgin» olive won't have the expected quality.

The dominance of Spain is explained by supplying cheap products in tins (mainly small stoned black olives) and the fact that Spanish exporters are particularly active with a wide range of food in the Ukrainian market. Moreover, a significant part of the Spanish product is imported in bulk and packed at low cost in Ukraine. Typically, olives and olive oils are imported from the same group of importers who distribute to retail and catering operations, without using wholesalers. In the other forms of food outlets in Ukraine (bazaars, flea markets and grocery stores nearby, which together cover more than half of the Ukrainian retail food) in this case the products are found rather rarely. The operating conditions of the Ukrainian market possibly prevent wholesalers. As noted that each delivery of goods is been accompanied- except from the delivery note and the invoice-by a plant health certificate. Main target group is therefore foreign restaurants and businesses catering. In Ukraine are organized annually exhibitions of

food (World Food Ukraine, Food Expo Ukraine, etc.), but limited in scope and rather subdued. They serve more to indicate the presence of a company in the Ukrainian market and possibly to inform consumers who visit them. We note, however, that Ukrainian importers are looking for large international food and beverages ANUGA Cologne, SIAL Paris and WORLD FOOD MOSCOW.

Currently, operating (officially) in Ukraine, 4-6 importers of Greek olive oil and olives, which make great efforts and expenses, in order to penetrate in this market. I believe that if the products based on advertising and promotion (participation-view-tasting fairs, advertorials-recipes-entries in print media, radio broadcasting, outdoor posters and in store promotion), will manage to impose. The consumer here is however quite impressionable and have a positive predisposition for Greek food. Constraint on all exports of Greek products in general in Ukraine is transport, because there are no scheduled partial transports (groupage) from Greece to Ukraine. Finally it should be noted that the weakness of the national currency Gkrivna (UAH), continuous devaluations which involve tremendous price increases on imported products and therefore reduce the condition of buying products and especially those with elastic demand⁴.

3. Organized Distribution Channels-Brand Name

While the Greek state on the same wavelength, spends money more for activities on the product (exhibitions, screenings, etc.) than for networks. Efforts by organizations like the World Trade Organization, etc. more focus on synergies marketing (e.g. participation in trade fairs, promotion in the media, etc.) rather than synergies on sales (such as joint development of distribution networks).

1. Channels of distribution.
2. Siting network.
3. Sales areas.
4. Network storage.

All dimensions in the surrounding area should be recognized so as to extract the product: culture, economic, democratic, political – legal, technological – physical, in order to have the best possible design. I think it is important to create organized distribution channels of Greek olive oil, instead of being confined exclusively to shopping areas with a strong element of homogeneous as we did in previous decades. Now has been managed to be placed, even in small quantities

⁴ Demand is sensitive to price changes.

in retail chains of U.S. Canada, Australia and in Germany, Austria, Sweden, UK etc. The last two years the increase of Greek exports olive oil in Germany and Austria was 25%, while in Britain was 15%. Rates are very encouraging, but still far from the one that have the Spanish or the Italian products.

3.1. Network planning organization approach

Physical distribution should be investigated differently in the primary transfer than the secondary transfer. In Greece we have developed a strong approach to primary transport⁵ and final approach developed secondary transfer⁶. In countries that we export must be thoroughly investigated the cost, quality, service level and degree of reliability organization approach. Usually there are solutions at primary operation but little choice at secondary transfer. Particular attention should be given to the ratio of profit / loss per truck, given the higher cost-lorries (trucks required) to the turnover. Today in Greece, the system of logistics can just reduce the competitiveness of all Greek trade and export business in international markets. Countries with good quality systems Logistics, attract investment to export orientations, enhancing the competitiveness of the economy. In 2007, Greece was in the 29th position worldwide, first in the Balkans and eastern Mediterranean, and in 2010 slumped to 54th place, behind the Czech Republic, Israel, Lebanon, Slovakia, Turkey, Cyprus and Hungary.

3.2. Brand name

The Marketing plays a major role for the Greeks exporters because the Greek brand name «Made in Greece» has strong brand recognition in the European and international market, but in a very negative image. There is a need for an international campaign which will highlight the strengths of Greece by entries in the international press, e-banners, etc. that will convince that Greece over high deficits and strikes, dispose creativity, quality, innovation and extraversion. It's amazing that on the shelves of the European supermarkets you can find many famous brands of olive oil, such as the famous Italian Carapelli, Monini and Carli, who use the Greek olive oil. This is the reality for our country, the third largest power in world olive oil production. During the period 2010–2011 Spain has produced 1.4 million tons of oil, 450,000 tons of Italy and Greece 300.00 tons.

⁵ The transfer from the vendor to the storage.

⁶ The transfer from the storage to the final consumer.

But the problem began much earlier when a few decades ago the Greek companies have not given emphasis on investments, marketing and advertising so as to exploit the demand in the new markets (USA, Canada, Australia, Japan), and also to the absence of a national strategy for creating institution which will be able to coordinate national action for our product. Of course, there are exceptions: a few Greek companies that make best efforts to enter foreign markets. Such is the Elais(group of Unilever), Minerva and Gaia, as well as the Agrovim the Noutria, and Sitia Olive. All these cover 20,000 of the total 25,000 tonnes packaged olive oil that is been exported in bottles.

It is also necessary to highlight the quality of the Greek olive oil and this can be achieved by the features PDO⁷ and PGI⁸ already recognized by the European Union. The aim is to emphasize what distinguishes the Greek olive oil from the rest and contributes to their visibility in the commercial world and the general public especially abroad. It is common known the inability of adaptation of our products to the needs of the markets of the exporting countries. There are Super Market chains in EU countries sourcing the herbal products certified only by their own quality assurance standards. This excludes from the process the Greek products which are not able to certify their products based on these standards.

4. Conclusions

In Greece there are mainly structural weaknesses at all stages of production (oil production, processing, packaging, distribution, promotion). It is difficult to focus on a specific problem and try to find the solution.

Due to the low volume standard product, the Greek formulators have difficulties to compete with the Italian and the Spanish multinationals in the industry for the effective promotion of the recognizable brands. It is important to use the power of Marketing in order to succeed the necessary competitive advantage.

The favorable international climate and the superior quality of Greek olive oil can lead to development of the sector over the medium term. To be realized, however, this option requires structural changes: (i) reduce costs of production (mainly through concentration at all stages of production) and (ii) increase the share of standardized production. (iii) organize the distribution channels.

⁷ Protected Designation of Origin.

⁸ Protected Geographical Indication.

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