

## MARKETING STRATEGY FOR Y SUPERMARKET TO INCREASE SALES OF ORGANIC PRODUCTS

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*Abstract— Gap between people's attitudes and actions towards environmental sustainability was the problem faced by the Y Supermarket, where the organic products that sold are still less desirable by people in Bandung city. Based on internal and external analysis, there are some deficiencies owned by Y Supermarket in selling organic products. Y Supermarket in selling organic products do not know clearly who their target market. Based on a survey conducted, level of public awareness relatively low. Lack of awareness of some people can cause not all branches of the Y Supermarkets sell organic products, conditions display organic products that are less regularly, and Y Supermarket does not provide store sign about organic products in the supermarket area. Moreover, there are some things that can reduce the interest of consumers to buy organic products based on the situations at the supermarket, the price of organic products are expensive, not all organic products are sold have organic certification, and lack of information provided by service crew to consumer. Some alternative solutions that can be used as a marketing strategy for Y Supermarket to increase awareness and people's interest in organic products are has clear target market, offering organic products that have official certification, creating private label for organic products, provide organic product mix, providing organic products in every branch of Y Supermarket, provides short training for all staff fresh departments, made standard the organic product display in area supermarkets, and conducted promotion such as; social media, special event, in-store promotion, brochures, special discount, and create donation program for environment movement.*

*Keywords: Marketing Mix, Supermarket, Organic Product, Awareness*

### 1. Introduction

#### A. Background

Indonesia government appealed to companies in Indonesia to support the green movement for the preservation of the environment and ecosystem sustainability. The appeal of Indonesia government also responded positively by companies in Indonesia, one of them is Y Department Store. Y Department Store supports the green movement by using eco-friendly plastic bags and by selling organic products in supermarket.

#### B. Company Profile

Vision of Y department store is Still Being Main Choice, Main choice for consumers, business partners, labor market, shareholders and the public amid various alternative choices and business competition. The mission of Y Department Store is Loyal to Fulfill People Needs. The culture of company is going forward with work together. With moral philosophy of the company are Honest, Loyal and Humble. Y Department Stores always try to bring satisfaction to customers by providing quality products, superior service, friendly, and create a pleasant shopping ambience.

Y Department Store has a corporate focus that is:

- People, Service, control, information technology
- Philosophy of work (work ethic)
- Do more

Business values Y Department Store is a consumer PUAS, which stands for:

- P = *Produk berkualitas* (Quality Product)
- U = *Unggul layanan* (Superior Service)
- A = *Akrab bersahabat* (Friendly)
- S = *Suasana menyenangkan* (Pleasant Ambience)

**C. Unit of Analysis**

The unit of analysis in this research was fresh, where the department that sells organic products such as organic vegetables, organic meat, organic rice and organic eggs. Each branches of Y Department Store has each fresh department and products sold in each branch are not always the same type. Fresh department not only sell organic products, but also sell non-organic (conventional) products.

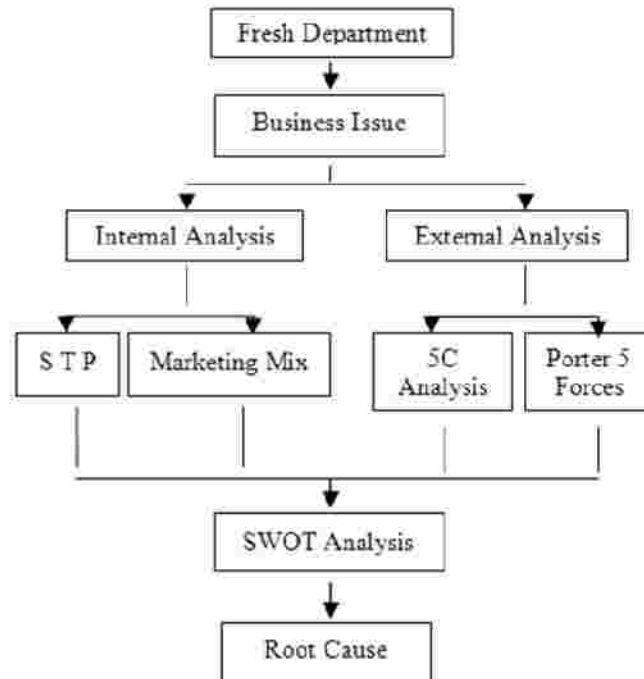
**D. Business Issue**

Although the support of governments, companies and people of Indonesia are very big on environmental sustainability, but it is not reflected in people actions in the purchase of organic products sold in the market or supermarket, especially in Bandung city. Thus, in this case looks gap between people's attitudes and actions towards environmental sustainability. This problem is faced by the Y Supermarket, exactly parts fresh departments. Where, the organic products are still less desirable by people.

So far Y Supermarket also does not have any information about the barriers of people in buying organic products currently. Therefore the company needs to know the consumers profile of organic products themselves, so company knows what steps should be done to market organic products to the target consumers. The main reasons that prevent consumers from buying organic food are too expensive, limited availability, unsatisfactory quality, satisfaction with current purchases, lack of trust, limited choice, lack of perceived value and lack of misunderstanding of organic ways of production (Fotopoulos and Krystallis, 2002a).

**2. Business Issue Exploration**

**A. Conceptual Framework**



## *B. Internal Analysis*

### *a) Segmenting Targeting Positioning*

Y Supermarket does not have any specific data that documented about who is the target market of their. They only predict as generally about the target market for this organic products. This is due to the absence of specific research conducted Y Supermarket for organic products. As a whole, they still make their target market based on demographics. Until now the Y Supermarket also does not have data on psychographic factors of the organic consumers. Psychographic factors are the factors which motivation the customers to buy organic products. Moreover, Y Supermarket can not have positioning for organic products that are sold because the organic product is not use their brand. Y Supermarket was still positioned their company as economical supermarket for whole products.

### *b) Marketing Mix*

All of organic products in Y Supermarket were supplied by several suppliers. Y Supermarket is currently collaboration with approximately 13 suppliers of organic vegetables, three suppliers of organic rice, two suppliers of organic chicken, and one supplier of organic egg. There are several things that to be lack of Y Supermarket. For products, there are several organic products that are sold do not have organic certification or certification has not been included in the product packaging. It also inhibits the Y Supermarket to claim that all organic products they sell are in certification. Moreover, with the absence of the number of organic product certification may raise doubts on the consumer so in the end the consumer does not buy the organic products.

Price of organic products was still very high from non-organic products, it is one of the barriers for consumers. When the prices of organic food are perceived as being too high compared to the prices of conventional substitutes, a lot of consumer will, of course, prefer the conventional alternative (Aertsens, 2011). It is not only in Y Supermarket, but in other supermarkets too. The difference price of organic and non-organic products in y supermarket can be seen in appendix 1. The organic products have not been sold at all branches of the Y Supermarket. There are still some branches that have not been selling organic products. This is caused Y Supermarket only see organic consumers based on demographics, if in that area are predominantly middle-low so the branch of Y Supermarket does not sell organic products. In fact there is still a psychographic factor that also must be considered Y Supermarket, because when consumers are aware of the benefits of organic products is probably the price will not be a problem for them.

The promotion was conducted for organic products already done but promotion conducted now still less powerful to increase people awareness of organic products. Actually by doing promotion for organic products more can make consumers aware that organic products sold in Supermarket Y. Lack of promotion was done for organic products could be one cause of lack of interest people for organic products. Beside that, lack of information about organic products is owned by the service crew can inhibit consumers in receiving information about organic products in the supermarket. The sign which inform there are organic products in the supermarket is not available in the super market. The display of organic products in Y Supermarkets also less arranged, it can cause the consumer confused when buy the organic products and lack of awareness of organic product in Y Supermarket.

## *C. External Analysis*

### *a) Research Methodology*

This research uses quantitative and qualitative methods. Quantitative methods, that is by conducting a survey of users of organic products to generate individual factors that significantly influence the purchase of organic products with distributing questionnaire. Qualitative methods, that is case studies conducted in Y Supermarket to find out the extent to which the strategy undertaken Y Supermarket in increasing sales of organic products. The samples taken in this research are person who had bought organic products. The objective is to determine the demographic and psychographic factors of potential consumers in buying organic products. According Krejcie and Morgan (1970), the number of samples taken if a population of over 1,000,000 is 384 samples. Total population of Bandung city is 2,437,874 people. In this research the number of samples taken was 595 respondents, in order to get more valid data.

Research locations are determined by purposive, that in some branches of Y supermarket in Bandung. A purposive sample, also commonly called a judgmental sample, is one that is selected based on the knowledge of a population and the purpose of the study. The subjects are selected because of some characteristic (Patton, 1990). There are 13 branches of Y Supermarket that used research location. The variable that use in this research are knowledge, involvement in green community, trust, awareness, perceived usefulness, attitude, personal value, and behavior intention variable. In this research, analysis tool used is multiple linear regressions. Regression analysis is the study of the relationship of one variable is called a variable that is explained by one or two variables that explain. The first variable is also called as the dependent variable and the second variable is called the independent variable. If independent variable more than one then the regression analysis is called multiple linear regression. Multiple linear regression model used is as follows:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e$$

Where:

- $Y_i$  = Behavior Intention
- $\beta_0$  = Intercept / constant
- $\beta_{1,2,3,...,7}$  = Coefficient of regression toward each independent variable
- $X_1$  = Knowledge
- $X_2$  = Involvement in green community
- $X_3$  = Trust
- $X_4$  = Awareness
- $X_5$  = Perceived Usefulness
- $X_6$  = Attitude
- $X_7$  = Personal Value
- $e$  = Error

The result of analysis can be seen in Appendix 2. Based on the analysis conducted, it can be seen that involvement in green community variable and trust variable in partially does not have influenced on behavioral intention. Whereas knowledge variable, awareness variable, perceived usefulness variable, attitude variable, and personal value variable in partially are influencing the behavior intention. Based on analysis result, the variable that most strongly influences the behavior intention is personal value and the second is awareness.

*b) Competitor*

Competitor is a business that provides similar products or services. Y Supermarket has a lot of competitors in selling organic products. Some of those competitors are Setiabudi Supermarket, Giant Supermarket, Superindo Supermarket, Hero Supermarket, Total Supermarket and Hypermarket. From the overall competitors of Y Supermarket, that is to be a potential competitor for Y Supermarket was Superindo Supermarket. Where among several competitors above that has several branches and sell organic was Superindo Supermarket. In addition, the Superindo also provides a comfortable atmosphere for shopping to consumers, same as that applied by Y Super market. For this moment, competitor that sells a variety of organic products was Setiabudi supermarket. However, Setiabudi Supermarket has only one supermarket and has no branches in other places. This makes the Setiabudi Supermarket not being potential competitor.

*c) Collaboration*

In selling organic products, Y Supermarket was collaboration with several suppliers. Y Supermarket has collaboration with ± 19 suppliers of organic products began from vegetables, rice, meat, and eggs. Based on interviews conducted, said that Y Supermarket does not accept organic products supplier just like that, the Y Supermarket should see how the quality of the product is the main and legality of the supplier company. Cooperation system applied between Y Supermarkets and suppliers are buy off and consignment. There is only one supplier implemented consignment on cooperation system. In cooperation systems of buy off, supermarkets usually take ± 30% margin and in cooperation system of consignment, super markets usually take margin of ± 15%.

The suppliers are not easy to conduct promotional programs for their products in Y Supermarket because of its cooperation system that was bought off. Moreover, Y Supermarket already has an annual program, so that the suppliers can not easily to enter their program. So far, when Y Supermarket did discount for organic products, suppliers are willing to lower their selling prices to the supermarket, as long as it does not detrimental to supplier. Suppliers are willing to lower the selling price approximately 10% of the selling price depends on the type of promotion that will be done.

*d) Climate*

The government has also set rules for organic products, where organic products are sold to consumers should use the official certification of government. Increasing GDP in West Java and the number of women in Bandung city at the most in range 25-29 years old are being opportunity for Y Supermarket to sell organic products more easily. Moreover, trend of people view the information through the internet and active in social media can be opportunities for Y Supermarket to increase people awareness through internet or social media.

*e) Intensity of Rivalry among Competitor*

Supermarkets in Bandung city were very numerous. However, that sell organic products in supermarkets is little. Moreover the price of organic products in supermarkets that sell organic products tend to be the same, this is because some organic product derived from the same suppliers. Y Supermarket in selling organic product still superior in market share than the others because Y Supermarket has many branches. The competitors also have unequal size in amount of organic products. Recently, the organic industry growth in Bandung city is slow. So, it can be said that the intensity of rivalry among the competitors for organic products is middle.

*f) Threat of New Entrant*

Capital required to build a supermarket is large, moreover to build a supermarket requires a strategic and broad place. While strategic location in Bandung city was filled, except the investor is willing to buy strategic areas in Bandung city with a high price. Permission to build a supermarket is not easy and in addition government regulation that states should have to set up supermarkets within 0.5 km from the nearest traditional market. To create the brand new supermarket in Bandung city takes a long time to give confidence to consumers' and compete with Y Supermarket, because Y Supermarket is a pioneer of the retail business in Bandung city. Based on this, the threat of new entrants is low.

*g) Threat of Substitute Product or Service*

Substitute products are products that look different but can satisfy the same needs as other products (Porter, 1998). If seen from the side of the supermarket that became a substitute product of organic products is conventional products. Based on observations in Y Supermarket, the average comparisons the number of organic products and conventional products are 70:30. So that if the organic product quality is not good or is too expensive then consumers will switch to the conventional products. It can be concluded that the threat of substitute products for organic products in supermarkets is high.

*h) Bargaining Power of Buyer*

Bargaining power of buyer for organic products in Bandung city is middle. Although organic customers classified as customers with the economic conditions middle to upper, but organic customers remained price-sensitive to organic products. If the price of organic products is too high then consumers will switch back to conventional products as a substitute product. But that weakens the power of organic consumers here are the average organic consumer buy organic products in low volume. This is because the character of the organic products is perishable, such as organic vegetables. Moreover, organic buyer switching costs are high because there is rarely a supermarket that sells organic. Even if there are supermarkets that sell organic competitor, the possibility is less product variety and less affordable location.

i) **Bargaining Power of Supplier**

Supplier of organic products in Bandung city is not as much as the number of suppliers of non-organic products. However, bargaining power of suppliers of organic products is still low. This is because the supermarket is rarely rely on just one supplier for organic products, so that if one supplier raising its product price or lowering quality then supermarket will move on to another supplier or ordering organic products from suppliers that provide lower cost and high quality.

j) **Root Cause of the Problem**

There are some deficiencies owned by Y Supermarket in selling organic products. Y Supermarket in selling organic products do not know clearly who their target market. The company has never conducted research on organic consumers, so that they do not know how the organic consumer profile. By not knowing the clear targets for organic products, it can lead to promotional activities of the company is currently less on target. The level of awareness is still low because researcher conducted surveys at locations that sell organic products. Looking at situation the supermarket and promotional activity, this may cause some people still doubt and disagree stated that organic products available in supermarket where they shop. Promotion is done for organic products only from DAISABU program and this discount program is only valid until 10 am. The Company does not use additional advertising media to promote organic products. This can causes a lack of consumer awareness of organic products in the supermarket.

Moreover, lack of awareness of some people can cause not all branches of the Y Supermarkets sell organic products, so that consumers are less aware of the existence of the organic products and assume that organic products are sold in large branches only. Conditions display organic products that are less regularly also causes consumers do not realize that the product is organic products because almost all supermarket conducted survey, display organic products are always mixed with conventional products. Moreover, Y Supermarket does not provide store signage about organic products in the supermarket area. Lack of physical evidence to support organic products may cause a lack of consumer awareness of the existence of organic products in supermarkets. There are some things that can reduce the interest of consumers to buy organic products based on the situations at the supermarket, the price of organic products are more expensive 30% - 100% than conventional products, not all organic products are sold have organic certification, and lack of information provided by service crew to consumer. From some situation it can be said that consumers who make purchases of organic products will be less, this thing that causes the lack of an increase in sales of organic products in Y Supermarket.

### **3. Business Solution**

Based on AIDA marketing model, the first thing a company should do is grab the attention of consumers. Furthermore the company offers that make consumers interested to the product. After the consumers knows the benefits of the product then finally the consumer to take action against those products. Based on AIDA marketing model, although many consumers are aware of a product but only a small part that take action. Therefore, the purpose of the solutions proposed by this research is:

- Spread the information to potential consumers
- Increase awareness and interest of consumers towards organic products
- Increasing sales of organic products
- To get new customers
- Provide education to the consumer

One of the ways that can do to increase people awareness is by doing the effective and efficient promotion. Effective promotion is promotion activities that appropriate, appropriate on the target market of organic products. Efficient promotion is a promotion activity with minimum resources to achieve maximum results. Therefore, the first thing to do is to determine the target market of

organic products and makes positioning of Y Supermarket in order to compete with competitors and creating an image in the consumers mind. In addition, Y Supermarkets also have to provide solutions to their deficiencies, such as the improvement of product, price, place, people and physical evidence.

#### *D. Proposed Target Market*

Region	: Bandung City
Age	: 35-54 years old
Gender	: Female
Marital status	: Married and had children
Income	: Less than Rp5,000,000
Occupation	: Housewife
Education	: Undergraduate
Benefit	: Health
Usage rate	: Often
Personality	: Care about others
Lifestyle	: Healthy

#### *E. Alternative Solution*

##### ● Product

- Offering organic products that have official certification from the LSO.
- Creating private label for organic products.
- Provide organic product mix

##### ● Place

The proposed solution for place is providing organic products in every branch of Y Supermarket. The goal is to increase consumer awareness of organic products contained in Y Supermarket and facilitate the consumers to get organic products.

##### ● Promotion

- Social media
- Special event
- In-store promotion
  - o Provide store sign or shelf sign about organic around a display.
  - o Promote organic products through the information desk.
  - o Provide audio advertising specifically for organic products in supermarkets.
- Brochures
- Special discount
- Create program in organic product "buying one organic product in Y Supermarket, it means you donate Rp50,- for the green movement"

##### ● People

Proposed solutions for people in Y Supermarket that is provides short training and provide books about organic in work room behind for fresh departments so that all staff departments fresh have information about organic products. The aim is increase knowledge all of fresh department staff about the organic products.

##### ● Physical Evidence

The solutions that can be proposed for the improvement of the physical evidence were made standard the organic product display in area supermarkets. The objective is increase consumer awareness of organic products in supermarkets and facilitates the consumers in search of organic products in supermarkets.

#### **4. Implementation Plan**

Marketing program that has been designed will be conducted over one year ahead. This activity is planned to commence from July 2013 to July 2014. The proposed solutions will be executed by

distribution centre, project development department, fresh department, promotion and advertising department, customer relation/ operator , and building promo department.

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Appendix 1  
The Difference Price of Organic and Non-Organic Products in Y Supermarket

Kinds of Product	Weight	Price Organic	Price Non-Organic	Difference	Percentage
Vegetable					
- Green spinach	250 gram	Rp 5,600	Rp 3,930	Rp 1,670	42.5%
- Kale	250 gram	Rp 5,600	Rp 3,160	Rp 2,440	77.2%
- Pakcoy	250 gram	Rp 5,600	Rp 2,810	Rp 2,790	99.2%
- Curly lettuce	250 gram	Rp 7,950	Rp 4,375	Rp 3,575	81.7%
Meat					
- Chicken	1 kg	Rp 43,850	Rp 29,400	Rp 14,450	48.9%
- Kampong Chicken	1 kg	Rp 56,500	Rp 41,000	Rp 15,500	37.8%
Rice					
- White rice	5 kg	Rp 71,500	Rp 57,300	Rp 14,200	24.7%
- Red rice	2,5 kg	Rp 45,150	Rp 30,975	Rp 14,175	45.7%
Eggs					
- Egg	8 pieces	Rp 23,500	Rp 14,250	Rp 9,250	64.9%
- Quail egg	25 pieces	Rp 13,250	Rp 8,850	Rp 4,400	49.7%

Appendix 2  
Result of Multiple Linear Regressions

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df 2	Sid. F Change
1	.610(a)	.372	.364	1.30536	.372	49.624	7	587	.000

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	-.285	.649			-.439	.661
X <sub>1</sub>	.084	.025	.116		3.353	.001
X <sub>2</sub>	.017	.015	.043		1.174	.241
X <sub>3</sub>	.038	.027	.054		1.406	.150
X <sub>4</sub>	.130	.030	.205		4.264	.000
X <sub>5</sub>	.112	.035	.160		3.238	.001
X <sub>7</sub>	.061	.020	.124		3.059	.002
X <sub>8</sub>	.070	.016	.191		4.411	.000