

Are quality standards necessary for sea buckthorn - a business perspective

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ABSTRACT

Sea buckthorn is a plant producing fruit containing high levels of complex nutrients that competes within a developed market of internationally traded natural nutraceutical products. It has been grown as an agricultural crop in Europe since the 1970s. This is part of a global production that is largely Asian centered where investment in processing development and facilities has grown significantly since the year 2000. The health conscious consumer in Europe is spending 9 billion euro a year on nutritional supplements. Sea buckthorn as a crop is expanding in some EU member states, but cost structures and technical difficulties relating to harvesting need to be answered for production to grow.

Consumers in Europe demand quality. The European marketplace is highly regulated at all levels of the supply chain. These regulations are instigated both by the European Commission and by individual EU member states and impact on inter-state trade. The objective of regulation is to protect the consumer from poor quality, adulterated or dangerous products. These regulations apply to product manufactured within the EU member states and do not create a barrier to entry to product from non-EU countries.

Quality is measured by comparing things of a similar kind. This measurement formulates into standards which may be legally enforced or be a statement by a manufacturer to show the consumer that a product is both safe and suit the consumers' needs. Good regulation and standards can build trust and loyalty in consumers for products and services. Creating standards must build strong supply chains delivering value consistently to the consumer. Standards must return value in price premium so that costs and investment are recovered through the whole supply chain.

Supply chains are made up of businesses of varying size. Small and medium sized businesses are highly creative and innovative, but often have limited resources. It is the larger companies that will drive market growth but standards need to be set at realistic levels to be affordable by all members of the supply chain to achieve the objective of delivering consistent quality to the consumer.

There are very few unique products in the world. Standards set on product alone reduce differentiation between similar products made by different manufacturers. Consumers expect product quality but they chose between brands based on trust and association with the supplier or manufacturer. European sea buckthorn growers, processors and manufacturers have already invested in producing high quality. National identity, traceability, transparency, sustainability and environmental/ethical management are aspects that build trust, loyalty and competitive strength.

If global standards for sea buckthorn develop, Europe must respond in order to ensure that European sea buckthorn has a clear identity based on combined product and service standards. To grow and succeed it needs to communicate its strengths to the global market. European sea buckthorn must be defined as exceptional in product, range, service and value for money to become accepted as premium market leader.

INTRODUCTION

“Are quality standards necessary for sea buckthorn – a business perspective”? I come here as a grower, coming from a country where sea buckthorn is virtually unknown. The objective of my presentation is to introduce ideas for the workshops that we are about to have and inspire debate to reach positive conclusions for this part of the conference. It seems most appropriate that we are here in Finland where there are standards for sea buckthorn and so I hope local experience will drive some of this debate.

One of the issues of this subject is that everyone seems to have standards – maybe voluntary; product specification or regulatory but they are not being recognized. This subject is about standards being recognized and them being used as a marketing tool.

WHERE DO YOU SEE THE EUROPEAN SEA BUCKTHORN INDUSTRY IN TEN YEARS TIME?

This is a key because the world is changing and there is a thin line between survival and success in business.

Investment in sea buckthorn is growing in Asia and this is a competitive challenge to Europe. To compete in Europe, production costs must reduce; there needs to be a solution to affordable harvesting but of primary importance is market development. The European consumer must know what is exceptional about sea buckthorn and why European sea buckthorn is the best. As I see it, there are two potential aspects to this – nutrients and benefits. But I want to use a quote that I read last week from a German MEP – Peter Liese – (LEAZA): “I think it is a good thing that you cannot use claims if they are not approved by EFSA. But I don’t think it is good that you can make a claim on a product that is not good quality”.

When considering standards for botanicals we have to ensure that the indicators chosen must stand up to scrutiny as showing both individual quality and quality within the context of delivering benefit to real consumer need.

It is as important for the sea buckthorn industry to understand the consumer, as the consumer to understand sea buckthorn. Consumers are a dynamic mix of gender, age, lifestyle, perception and need. One needs to understand what people want and match product to their mindset – not just produce in the hope that there is someone out there that might buy it. Market development needs to be clever not expensive. This is particularly fundamental as supply chains are shortening and direct selling to the consumer is on the rise. In an era of economic downturn; growing consumer price sensitivity and the rise of value brands market development needs careful strategy to develop demand based on consumer need.

But the market will only develop if sea buckthorn can deliver what it needs. Identifying what sea buckthorn can deliver will define what sea buckthorn is to the consumer. Once linked to consumer need, then it will become attractive to investors for new product development.

Of course sea buckthorn is not a simple product as it falls into food, drink, cosmetic, and nutraceutical categories. Creating standards needs to consider the growth markets within this diversity and how standards can enhance market development.

Standards alone will not drive development but they can focus capability that investors can feel confident in. Standards could be seen as a catalyst to develop market awareness and the supply capacity of the sea buckthorn industry.

I see standards as a powerful tool to develop the market, grow the industry and create competitive advantage. In Europe we live and work in a world full of regulation – National and EU regulations cost time and expense to business. If sea buckthorn standards are to be created they must not add to these regulations. They should build a trusted image of business that delivers sea buckthorn to consumers; adds value to product and gives competitive advantage within the marketplace. Introducing standards will only work if business commits to them and believes in them. At the same time buyers and consumers must recognize standards as securing and providing added value for their needs.

ESTABLISHING STANDARDS

In establishing standards I suggest there are some practical issues that need considering – so standards must be:

- Understandable to provide clear information to markets and consumers to build trust.
- Credible through transparent reporting to build market and consumer confidence.
- Achievable by every link in the supply chain conforming to secure reliability in supply quality.
- Affordable, essential and most important – cost must never be a barrier to entry to a standard system for small companies.
- Flexible, to allow all business to be inclusive to accreditation so consumers see consistent quality management through the supply chain.

Establishing standards sounds easy but when one considers that the EU still has no consensus of opinion on nutritional profiles which should have been completed in 2009 then achieving consensus between sea buckthorn interests from around the world may be a real challenge.

The European Union has a population of over 500 million. The population is growing older and more health conscious. Euromonitor values the 2013 spend on nutritional supplements alone in this market at 7 billion euro. 2 billion euro was spent on botanical food supplements. Organic Monitor suggests the natural cosmetics market has a growth capacity for 5% globally. Retailers’ shelves display both populist juices

(orange/apple/mango) and high nutrient promoted fruits – cranberry, blueberry and pomegranate, even goji – but not sea buckthorn.

Nordic Natural Product Fair in Malmö in October 2014 promoted three sea buckthorn products. Is this driven by demand or entrepreneurial spirit? Either way, there needs to be more market awareness of the best characteristics of sea buckthorn to highlight the competitive advantage over other similar super fruits. I mention the term super fruit because although it has been used to over exaggerate information on the benefits that some fruit can give, it still describes sea buckthorn well. Interestingly the Nordic Fair catalogue shows one company seizing the title of the European Super fruit and giving it to Aronia.

A MESSAGE THAT IS CLEAR, BELIEVABLE AND DEFINES DIFFERENCE

To be useful, markets and consumers need three things from information. One of the most essential considerations when setting standards is to ensure that consumer is not confused and believes in your system.

In Europe we have EFSA that is the European commission's attempt to provide consumers with guidance on health claims. But as we know botanicals have been systematically rejected through the EFSA system. Conversely it seems that the French and Italian governments are providing credibility to the BELFRIT list of botanicals that may deliver an alternative view on safety and efficacy. This challenge is good to provide an alternative view and opportunity to develop the botanical market as long as it provides that clear and believable message to consumers.

Confusion is not good. The internet has done sea buckthorn an injustice by describing it as a wonder plant. The natural highest vitamin C content of wild Himalayan sea buckthorn is not characteristic of all sea buckthorn. Multiple benefit claims are incredible, but not so credible to the consumer? 190 different nutrients in sea buckthorn is a mere number to consumers. Information must be relevant to them – and more importantly - it must be memorable. The internet has power to transmit information virally. Personal testimonials are more powerful than any marketing tool. That is why it is important that we should create simple messages that people remember and will pass onto their friends and colleagues.

DEFINING STANDARDS

Technically standards can be defined in two ways. Quantitative – define specific aspects within products or systems. They are numerical, objective and verifiable. This system is good because it is simple, conforms to international standards and is credible. But there is a downside: As manufacturers across the world conform to a standard – quality differential between products narrows. If this differential reduces then so does its value to the market. Similar quality of product will then have to compete on price not on quality. This one can already see with a company like Amazon. Low price may be good for consumers, but low income is bad for business as it reduces profit and the ability to invest in quality and innovation.

The alternative to the quantitative system is a qualitative one. It takes into account service as well as product. It could be deemed to be more subjective and less verifiable – but it has the advantage of telling your customer about you and your commitment to them. This is what makes the European sea buckthorn industry special to the European consumer.

Europe is a sophisticated marketplace. Premium markets value exceptional qualities. It is an unfortunate truth that almost all products are not unique. But what can be unique is the service that delivers them. To be an exceptional product every link in the supply chain must be committed to delivering exceptional service. These commitments can be quantified when producers are part of recognized codes of practice; quality assurance schemes; traceability schemes; trademarks and so on. This means of attracting market admiration is used by big players. A new example is the Sustainable Agriculture Initiative. Its code of conduct demands transparency and integrity, commitment to sustainable practices and promoting them to their supply chain stakeholders. Membership includes many household name brands across the world including Arla, Danone, Nestle, Pepsico, Kellogg, Coca Cola and so on. It would be easy to say these companies need to improve their image, but they are creating these standards so that the market can judge them on the standards they set.

It is possible that across the European sea buckthorn industry many companies are already signed up to quality assurance schemes. These are all valid and show commitment but for sea buckthorn to make a name in the marketplace it must present a united industry with common standards. United should not compromise competition between business, nor the strength or identity of brands or national associations.

There should be consideration however towards building a European co-operative network to promote best practice to deliver quality.

CONCLUSION

The essence of good standards:

- They must be simple to create a memorable message to consumers.
- They must be flexible to allow for diversity in product and business so standards are represented within the whole sea buckthorn industry.
- They must be targeted to ensure they add value to products and services.
- They must be credible administered by regular monitoring and reporting to secure confidence in products and services from consumers and the market. This does not need an outside organization and many systems are self-regulated.
- They must be relevant to market and consumer needs not focused on industry capability.
- They must be affordable so as not to be a barrier to entry but allow innovative small businesses to grow and add value to the supply chain.
- They must be understandable highlighting the characteristics of sea buckthorn to generate belief and trust in sea buckthorn product, services and the brands that supply them.

Lastly, they must be achievable so the whole supply chain is committed to providing defined quality products and services to their customers and consumers with total reliability.

A good system of standards will present a clear, authoritative message to the marketplace that the European sea buckthorn industry is committed to delivering quality to its consumers. Such a system would provide competitive advantage within a fast moving global economy.

Standardising taste is complex-technical descriptions regarding acid/sweetness are good for business to business, but they might be misleading to consumers. Unfortunately consumers have become used to fraud, poor quality product and bad marketing. These are the reasons why we have regulations and regulators – and possibly to some extent EFSA. The horse meat scandal in 2013 was a desperately sad example of poor control over long supply chains and lack of commitment to consumers. The result is a sceptical consumer and media that love to make a bad story worse.

Standards are a means to prove to consumers that an industry is serious about what it does – and in the end it is the consumers that pay our bills. So I return to where I started – “Where do you see the European Sea buckthorn industry in ten years time?” and if the answer is that it has developed and grown – can it do it without the guidance of quality standards?