Marketing Strategies and Quality Requirements in Compost Applications

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94% of the commercial compost users want to have:

A uniform, **high quality product** that is **independently monitored** and accompanied by product use specifications

=> Quality assurance for compost production process
Creating confidence in customers:

- Standardised and quality assured products
- Competent staff and adviser (with green thumb)
- Brown nose marketing - customers must smell compost
- Trustworthy recommendations for end product use
<table>
<thead>
<tr>
<th>Country</th>
<th>Plants in QAS</th>
<th>Plants with certificate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Belgium/FI</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Holland</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>Germany</td>
<td>450 c.+ 50 digest.</td>
<td>428 c. + 40 digestion</td>
</tr>
<tr>
<td>Sweden</td>
<td>2 c. + 8 digestion</td>
<td>4 digestion</td>
</tr>
<tr>
<td>UK</td>
<td>45</td>
<td>20</td>
</tr>
<tr>
<td>Norway</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>QAS introduced</td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>QAS introduced</td>
<td></td>
</tr>
</tbody>
</table>

QAS Monitoring in total:
620 plants with capacity of 9 million tons composting and 2 million tons digestion
Quality Labels for Compost and Digestion Residues

Netherlands
Belgium
Germany Digestion
UK
Austria
Sweden
Germany Compost
Quality Assurance and Marketing

Quality assurance gives arguments for advertising and Public Relations works

Quality label brand "quality tested" compost and positive image

Analyses objective quality assessment and guaranteed high quality

Analysis results for the product declaration and use recommendations

= compost with defined product properties is marketable on a large scale
Markets and Marketing
## Market Size and Share of Compost Sales

Market is influenced by national regulations!

<table>
<thead>
<tr>
<th>[in %] 1998/99</th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Denmark</th>
<th>Netherlands</th>
<th>Italy</th>
<th>Market-size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landscaping</td>
<td>30</td>
<td>24</td>
<td>25</td>
<td>19</td>
<td>30</td>
<td>30</td>
<td>Large</td>
</tr>
<tr>
<td>Landfill + Restoration</td>
<td>5</td>
<td>5</td>
<td>25</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td>Small</td>
</tr>
<tr>
<td>Agriculture + Special culture</td>
<td>35(^1)</td>
<td>5</td>
<td>43</td>
<td>10</td>
<td>40</td>
<td>20</td>
<td>Very big</td>
</tr>
<tr>
<td>Horticulture</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>Medium</td>
</tr>
<tr>
<td>Earth works</td>
<td>5</td>
<td>33</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>50</td>
<td>Medium</td>
</tr>
<tr>
<td>Resid. gardens</td>
<td>20</td>
<td>18</td>
<td>14</td>
<td>48</td>
<td>20</td>
<td>-</td>
<td>Large</td>
</tr>
<tr>
<td>Export</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Very small</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>3</td>
<td>7</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Good EU Average
Main Markets: No. 1: Agriculture

Uses 30 - 40% of generated compost
-> 60% Southern Europe

• Standard qualities, often pasteurised compost (D) or digestion residuals (D/SWE)

• No compost = official recommendation

• Individual farmers can be convinced

• Little or no return
Main Markets:
No. 2: Landscaping

- Uses 30% of compost
- -> high quality product for e.g. potting soils, growing media
- Product development is necessary in accordance with end-user requirements
- Solutions are required, not only compost
- Strong competition with peat and bark based products
Main Markets:  
No. 3: Residential Gardens

• Market for 20 % of generated compost
• Large target group (= the Public)
• Important for compost image
• Expensive public relation
• Expensive packaging and distribution

• BUT! Compost is supplied to raw material suppliers
Main Markets:
No. 4: Land Reclamation

- **Past and present:**
  - Large volume market for compost, also for low quality products (e.g. landfill covers)

- **Future**
  - as a reaction to ‘landfilling of compost’
  - => compost use according to needs of reclaimed site, i.e. mainly for poor soils (limitation of K an P nutrients)
## Market segments for compost sales 1/2

<table>
<thead>
<tr>
<th>Segment</th>
<th>Potential</th>
<th>Quality</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earth and substrate producing industry</td>
<td>++</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Horticulture, landscaping and sports fields</td>
<td>++</td>
<td>++/-</td>
<td>++</td>
</tr>
<tr>
<td>Tree nurseries</td>
<td>+/-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Soil culture in market gardens (vegetables and ornamental plants)</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Private gardens (non-enriched compost)</td>
<td>++</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Local authority gardens and parks</td>
<td>+</td>
<td>+/-</td>
<td>+/-</td>
</tr>
<tr>
<td>Municipal road-side vegetation</td>
<td>+/-</td>
<td>+/-</td>
<td>+/-</td>
</tr>
</tbody>
</table>

++ = very high/very good, + = high/good, +/- = medium or irregular, - = less high/less good
### Market segments for compost sales 2/2

<table>
<thead>
<tr>
<th>Segment</th>
<th>Potential</th>
<th>Quality</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recultivation projects</td>
<td>+</td>
<td>+/-</td>
<td>+/-</td>
</tr>
<tr>
<td>Vineyards</td>
<td>+</td>
<td>+/-</td>
<td>+/-</td>
</tr>
<tr>
<td>Tree nurseries</td>
<td>+/-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Orchards</td>
<td>+/-</td>
<td>+/-</td>
<td>+/-</td>
</tr>
<tr>
<td>Agricultural special cultures such as asparagus, strawberries</td>
<td>+</td>
<td>+/-</td>
<td>+/-</td>
</tr>
<tr>
<td>Agriculture (arable farming)</td>
<td>++</td>
<td>+/-</td>
<td>-</td>
</tr>
<tr>
<td>Forestry</td>
<td>+/-</td>
<td>+</td>
<td>-</td>
</tr>
</tbody>
</table>

++ = very high/very good, +=high/good, +/-=medium or irregular, -=less high/less good
Background of the European Compost Market Situation

- Raw material flow is determined by regulations
- Market is not really driven by demand
- Income has to be generated through gate fees
- Gate fee recover investment and operating costs
- Compost sales fund marketing and QAS costs
Compost Markets and Sales Prices

Quality composts
- Greenhouses: 30 – 70 A$
- Nurseries: 25 - 60 A$
- Landscaping: 25 - 40 A$
- Sports turf: 25 – 70 A$
- Top soil mix: 15 - 25 A$
- Resid. gardens: 7 - 30 A$
- Org. farms: 3 - 10 A$
- Landfill cover: 0 - 6 A$
- Wine + fruit: 3 - 6 A$
- Agriculture: 0 - 6 A$

High price market
- Sports turf
- Nurseries
- Landscaping

Low price market
- Greenhouses
- Org. farms
- Landfill cover

Standard qualities
- High market
- Low market
2 Marketing Trends for Compost

Little or no marketing for high volume markets that require only standard product quality, such as agriculture

► Organic waste treatment plant

--------------- or ---------------

Specialised marketing for high quality compost products supplied to high value markets e.g. growing media
- large range of value added products
- specialised, tailor-made mixtures

► Humus and soil production plant
► SMS points (Saturday Morning Service)
Potential Range of Compost Products

Provide a large range of different compost / bark products

Bagged for residents

Bulk for commercial clients
SMS at sites provides everything what gardeners need on a Saturday morning e.g. compost, bark, sand, stones, gravel

Bulk supply  Drop-off area for garden organics  Compost super market
Basic tool to develop compost markets if properly done. In co-operation with end-user organisations!
Marketing with posters

Blühende Kaffeefilter
Blooming Coffee Filters
creates benefit
Our soil
creates benefit

Tasty Green Cuttings
creates benefit

Space for logo & address
The more healthy the soil, the better the harvest

Combined advertisement by several producers/plants
Professional Marketing - Competitive to Peat/Bark Industry

FLORATOP compost products presentation in a supermarket chain. Return of up to 100 A$/cbm!!!!
Marketing Tools - Lessons Learnt

- Trustworthy information re compost characteristics and application is the main tool for all PR, marketing and sales activities
- Their development should be part of the initial financing of the industry by the Government
- Development of other marketing tools and campaigns must be co-ordinated by an overarching compost organisation
- Principle: Develop the tool once – use it manyfold (e.g. by exchanging supplier logo/address)
- Marketing level of the competing industries is the guideline
Why Regional Markets?

• For compost business to be successful, products need to be utilised locally

• Possibility for end-users to recognise recycling loop
  -> "This compost is made from my garden residues"

• Compost products have to be regionally/locally modified

• Transport is expensive

• Confidence marketing = personal relationship to customer

=> Regional marketing: From the region - for the region
Professional Compost Marketing

► Marketing must be competitive with peat/bark

It should comprise:
• Market research and analysis of the regional market
• Establishment of a market profile, regionally modified
• Product development and diversification
• Production of suitable product types and qualities
• Sales activities and sales promotion
• Information and advice regarding product use
• Public relations work to raise awareness and image

► This can't be supplied by each individual plant
Support and co-operation is required!
Medium size plant with 5000 tons/y treatment capacity

- **Receipts:**
  5000 tons greenwaste ➔ 2500 cbm of compost
  Average sales price of 10 Euro/cbm ➔ 25.000 Euro

- **Expenditures:**
  - Quality monitoring 1,5 Euro/t ➔ 3.000 Euro
  - Personell (30%) for sales/marketing ➔ 10.000 Euro
  - Marketing, bagging, advertisement, product development, presentations … ➔ 12.000 Euro

- **What can you do for 1000 Euro a month?? !!!!!!!!**
What makes co-operation so difficult?

- Intensive competition of producers with very differing backgrounds
- No ideas of a marketing, minimum mercantile expertise
- No price discipline among the producers
- No readiness to accept momentary shortcoming to get more benefits in the long run
- No readiness to give up parts of the entrepreneurial sovereignty
- Difficult to define borderline between the „home“ market and the area of cooperation to avoid competition within the system

This make it hard to establish a co-operation and install the necessary superior marketing and sales strategies.
Producers Co-operative VKN

3 Bio- + 6 Green waste plants - 100 x 150 km area
40,000 t of compost - 70 % to agriculture,
20 % for landscaping, 10 % for residential gardens

Advantages of Central VKN Office
1. Cost savings by bundling of activities for
   - Application advice
   - Acquisition of customers
   - Purchase and sales
   - Production control
   - Authority contracts
2. Uniformity of products and prices
3. Common PR and advertisement
HEKO Franchise System for regional compost products "Reconsumas"

Cooperation with 40 composting plants and more than 100 additional points of sale
HEKO Franchise Service for Compost Plant Can Deliver

For products & production
- individual concept for each plant
- logistical support for all raw materials
- formula/spec for all products – per plant
- instructions for production
- quality assurance (products, production)
- technical advisory service

For marketing
- marketing tools
- registered national/regional trade mark
- basic marketing service
- support for marketing activities
 Nationwide Brand Floratop in 4 Regional Modifications

Up to 10 different products per plant!
Dutch Sales Co-operation

- Organisation is active nationally
- Selling compost and organic soil improvers from 6 plants
- Annual sales: 150,000 tons of compost and soil conditioner
- Broad product range incl. product development
- Many fields of application for 12 different products
- Various distribution channels (retailers, contractors, endusers)
- **Success**: Demand exceeds supply
National cover
Market Lessons Learnt

- Compost sales is expensive
- Competition of the peat and bark industrie
- Product diversification and development (substrate com-post, golf green compost)

=> A co-operation of the composters is highly recommended

- **Models:**
  - Advertising union
  - Active compost exchange
  - Co-operative of producers
  - Sales co-operation

=> **Trend:**
- You have to sell solutions, not only compost.
Conclusions of European Experiences

• Compost can be marketed on a large scale, if
• end-user needs are met,
• adequate quality assurance is provided
• local or regional marketing aspects are utilised,
• similar product development and marketing efforts are undertaken as is the case in the peat and bark industry
• vertical or horizontal co-operations are realised
• an industry organisation for standards, quality & image is established
• Initial governmental support is needed for awareness raising, research and regional product development