

LOCALLYGROWN.NET

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LocallyGrown.net is an online farmers market. As a privately held digital firm, LocallyGrown.net seeks to leverage internet technology to serve farmers and their customers throughout the United States and abroad. The focus of this research paper is to present an overview of the technology strategy of LocallyGrown.net, consider how this firm creates value and enhances productivity, address five key management issues, and explore the strategic advantage of integrating this firm into the business strategy of Michiana Organic Growers Cooperative. Launched in 2002 by Eric Wagoner, LocallyGrown.net currently serves 40 online farmers markets in the United States and 12 additional markets are in development. Annual revenues in 2008 for all growers totaled \$700,000 and the prospect for continued business growth is excellent. LocallyGrown.net leverages the power of the internet and a world-class host to promote local, sustainable agriculture and encourages family farmers to use “the most convenient method to get from field to plate.” (LocallyGrown.net, 2009).

Technology Strategy Overview

Overview

LocallyGrown.net is a digital firm, which constitutes its key technology strategy. Laudon & Laudon (2007) define a digital firm as one in which “nearly all of the organization’s significant business relationships with customers, suppliers, and employees are digitally enabled and mediated.” (Laudon & Laudon, 2007, p. 7). LocallyGrown.net customers, suppliers, producers, and employees access and manage nearly all of their core business processes via digital networks. In short, farmers and customers can go online and complete nearly all of the typical business transactions that they would normally perform in a traditional farmer’s market.

Value Creation

LocallyGrown.net creates value primarily via transaction convenience, lower marketing cost, flexible pricing and memberships, and other enhanced customer service benefits for site visitors. There is no fee to set up an account or a local market, though the firm does charge three percent of sales to the farmers for its services. Compared to the typical marketing cost to farmers who use a traditional farmer's market model, which ranges from 10-30% of sales, this is a significant advantage. Additionally, farmers may harvest-to-order, which is a site feature that virtually guarantees sales and reduces crop waste. Furthermore, the ability to conduct virtual farm tours is a major marketing advantage for individual farmers. Customers may shop online for agricultural products, buy whatever they want from the farmers in their local market, and complete their orders within minutes. As with any online shopping experience, personal travel is not required. Overall, LocallyGrown.net can reduce the total consumer time required to obtain agricultural products as compared to traditional methods.

Productivity

The Farm Notebook feature is especially useful to farmers, who generally prefer to focus their energies on producing food rather than marketing and recordkeeping. Specifically, this feature allows farmers to display photos and detailed descriptions of agricultural products, record plantings and harvest dates from year to year, as well as coordinate and display seed supplier information. Obviously, the Farm Notebook is a significant improvement over manual recordkeeping and a very convenient data storage vehicle as well. Given that individual farmers vary considerably in their record keeping and management concerns, an estimate of productivity improvement with respect to this business function is difficult to calculate though likely to be very significant.

Strategic Advantages

The three main strategic advantages of LocallyGrown.net include lower marketing costs, improved customer service, and online order management. Currently, the only other contender in this specific virtual niche appears to be the Oklahoma Food Cooperative, which uses a cooperative model, employs a different fee model, and has released their code under open source. The LocallyGrown.net site, however, has a much more attractive and user-friendly interface, which may ultimately create a competitive advantage for the firm.

Management Issue Summary

Laudon & Laudon (2007) discuss the five key management issues of organizations, which include organizational environments, structure, business processes, culture, and politics. These five factors largely shape the organizational context and effectiveness of a given firm.

LocallyGrown.net has a highly decentralized, diverse, and virtually unlimited “corporate” culture. By its virtual nature, the business infrastructure is available to nearly any English speaker with basic internet technology skills and access to the internet. The firm is accessible 24/7 and founder Eric Wagner has opted not to create a non-profit organization nor enter into the political entanglements typical of some producer cooperatives.

Instead, Wagoner views LocallyGrown.net as a digital extension of his own heirloom vegetable farm and describes himself as a “benevolent dictator with a cooperative spirit.”

E. Wagoner (personal communication, January 11, 2009). His vision embraces diversity and encourages family farmers to produce and distribute locally grown food. Given the entrepreneurial structure and culture of LocallyGrown.net, this firm minimizes internal political strife, perhaps largely due to the self-organization of client markets. The basic business process, as described in the introductory video on the website homepage, features Sunday evening order

coordination, automatic email notification of product availability, and some other customizable features. Laudon & Laudon (2007) assert the following:

Information systems are key instruments for *environmental scanning*, helping managers identify external changes that might require an organizational response. Environments generally change much faster than organizations. The main reasons for organizational failure are an inability to adapt to a rapidly changing environment and a lack of resources--particularly among young firms--to sustain even short periods of troubled times. (Laudon & Laudon, 2007, p. 88).

In sum, given the organizational culture and technology strategy of LocallyGrown.net, this digital firm appears positioned to adapt to rapidly changing environmental conditions while delivering superior customer service and lowering marketing costs for local farmers. Lastly, Brandt & Henning (2002) assert that micro-entrepreneurship and the virtual enterprise will become the norm. The initial success of LocallyGrown.net lends some credibility to these predictions and suggests that this digital firm is not only viable but may even achieve a sustainable competitive advantage within this niche.

Conclusion

Should Michiana Organic Growers Cooperative adopt LocallyGrown.net as part of its technology strategy? The above discussion and the strategic advantages mentioned warrant careful consideration as well as further investigation into the Oklahoma Food Cooperative model, in order to determine the best course of action. One key point is noteworthy: the digital firm model offers major strategic advantages to a producer cooperative, provided that the technology infrastructure design meets the actual needs of producers, customers, and suppliers—and effectively enables the organization to adapt to rapidly changing environmental conditions.

References

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