Brief case 22

COMPETITIVE ADVANTAGE OF NARANJAS DEL CARMEN

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Naranjas del Carmen was founded in 2010 by the siblings Gabriel, Gonzalo, Fernando and Patricia Úrculo, the third generation of a citrus fruit farming family. The firm sells citrus products online and owns around 25 hectares of orchards in Bétera (Valencia).

The firm's distribution is organised by orders, so fruit is harvested each day depending on existing orders, guaranteeing 24-hour delivery in Spain, 48 hours in France, and 72 hours in the other 16 European countries it delivers to. This means only 1-3 days pass between the oranges being picked from the tree and reaching consumers, their final destination.

Moreover, the oranges are of high quality and undergo no treatment during direct sale to clients. They do not involve herbicides or pesticides, with growing techniques based on the optimum use of natural resources. Thus, the firm does not seek to produce a high volume; it seeks only enough to ensure the quality of its product. The price is slightly higher than in the Spanish market, at 25 euros per bag of 10 kilos (including delivery costs). However, in several European countries where oranges are sold individually, they cost around one euro, which is a fairly competitive price.

One of the main operating problems is the seasonality of orange production, from February to May, and of mandarin production, from November to February. This citrus producer also sells other products, such as mandarin marmalade, pollen, honey, olive oil, and garden products.

Nevertheless, in 2015, they found they had 10,000 old and barren orange trees, while demand was increasing, so they decided to apply the crowd-farming formula (a combination of *crowdfunding* and *farming*). It is a novel way of responding to demand by involving the actual customer. In other words, each tree planted is sponsored by an individual, family or company, and then they receive all the fruit from the tree they own. The estimated average lifespan of an orange tree is about 25 years.

The system works as follows: the owners pay 80 euros in the first year and 60 euros in the second year, and receive a total of 80 kilos of oranges each year. There is also the option of adopting half a crop, with an initial cost of 40 euros and a payment of 35 euros in return for receiving 40 kilos of produce per year. During the first five years, the period when the orange tree does not produce, the firm provides the oranges from its own trees. Customers decide when they want to receive the oranges, so they place orders with no storage involved. Furthermore, customers have the option of picking their own oranges, thereby saving on delivery costs.

A few years ago, they extended this formula, with a similar operation, to the adoption of an olive tree and a beehive. There is also the option of visiting the orchards, open to both the actual owners of the trees and to sightseers in general. Through this initiative, Gonzalo Úrculo affirms that "we don't just sell oranges online; we sell an experience and let them become part of our story".

Question: Identify the type of competitive advantage pursued by this firm, as well as the sources on which it is based, and its advantages and pitfalls.

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