“**Marketing issues in OA** ”

Fabio Maria Santucci

DSEEA – Sezione di Economia

Dimensions of the market (10^6 €)

no.	Country	2004	2005	2006	2007	2008
1	Germany	3.500	3.900	4.600	5.300	5.850
2	France		2.200	1.700	1.900	2.591
3	United Kingdom	1.661	2.333	2.831	2.560	2.494
4	Italy	1.500		1.900	1.870	1.970
	Italy		2.400	2.650	2.915	2.769
5	Switzerland	765	763	764	790	905
6	Austria		450	530	740	810
7	Denmark		307	434	580	724
8	Sweden	400	433	379	490	623
9	The Netherlands	419	419	460	500	537
10	Spain		270	350	600	350
11	Belgium		177	245	na	305

Source: The world of organic agriculture, 2006 - 2010

Individual annual expenditure (€)

Country	2004 *	2005 °	2006a	2007b	2008c
Switzerland	103,0	103,0	102,0	105,0	119,2
Denmark°	50,0	57,0	80,0	106,0	132,3
Austria		56,0	64,0	89,0	97,4
Sweden	47,0	48,0	42,0	53,0	67,8
Germany	42,0	47,0	56,0	64,0	71,2
Italy	26,0	42,0	32,0	32,0	33,0
United Kingdom	30,0	39,0	47,0	42,0	40,8
France		37,0	27,0	30,0	40,5
The Netherlands	26,0	29,0	28,0	30,0	32,8
Belgium		17,0	23,0	27,0	28,6
Ireland		17,0	na	17,0	23,6
Finland		15,0	11,0	12,0	14,0
Norway		9,0	14,0	17,0	27,7
Lichtenstein		8,0	86,0	86,0	84,9
Luxembourg				86,0	84,5
Spain		7,0	2,0	13,0	7,7
Greece		5,0	na	5,0	
Portugal		5,0	na	7,0	
Czech Republic		1,2	3,0	5,0	
Croatia			5,0	6,0	9,1
Poland		0,8	1,0	1,0	
Hungary		0,6	1,0	2,0	

Country	2001 National Market Share (%)	2005 National Market Share (%)
Germany	2,1	3,0
Switzerland	3,7	4,5
United Kingdom	0,9	1,3
Austria	2,4	3,0
Italy	0,7	1,6
France	0,7	
Sweden	1,7	
The Netherlands	1,2	1,8
Denmark**	3,5	
Spain*	0,2	0,2
Europe	1	1-3
USA°		2-2,5
Japan°		<5

Sources: For 2001 Hamm and Gronefeld 2004
For 2005 Richter 2007 and ° Garibay 2007
* 2003, Joensen 2004.

Market share

Typologies of consumers

- SELFISH: to protect / enhance their own health and that of their family
- Ecologically motivated : to defend and protect the environment
- Socially motivated : to defend a group at risk
- Religiously motivated : to respect some rules and beliefs

Food risks perception in EU, 2003

Area	Risks	EU25
Risks linked with the production process	Residues of pesticides	63
	Residues of hormones	62
	GMO	58
	Preserving products, artificial colors	57
	Dangerous products during processing	49
Risks linked with pathologies and contaminations	Viruses (AI)	62
	Bacterial contaminations	61
	Dioxine, mercury	59
	Mad cow disease	53
Risks linked with consumption and other risks	Hygiene products outdoor	62
	Animal welfare	55
	Allergies	43
	Hygiene products indoor	32

Source: Eurobarometer 238

CIBO OGM? NO GRAZIE

Motivations in Europe

Country	Primary motives	Secondary motives	Tertiary motives
Austria	Own health	Responability for children	Regional development
Switzerland	Health	Better or good taste	Environment, animal welfare, farmers' income
Germany	Own and children's health	Support of shops and farmers	Taste
Denmark	Lifestyle, environmental protection	Own health	Support to an ideal world
Finland	Environmental protection	Health (pure foods, no residues)	Animal welfare
France	Healthy nutrition	Better or good taste	Respect for the living world
Italy	Health (safety)	Better or good taste	
United Kingdom	Own health (no chemicals)	Local farming and fair trade	Environment

Source: Schmidt, Sanders and Midmore, 2004.

Motivations in Europe 2

Country	Nature Protection	Health / Food Safety	Animal Welfare	Taste	Regional Origin	Non GMO
Germany	3	7	5	4	2	2
Switzerland	4	7	6	5	2	3
United Kingdom	4	6	3	3	2	3
Austria	4	6	3	2	3	1
Italy	3	6	1	5	2	4
France	6	7	4	6	4	
Sweden	5	6	3	2	1	2
The Netherlands	5	7	2	5		
Denmark	6	6	4	4	1	3
Europe	4,9	6,2	3,4	4,3	2,5	2,8

(7=very relevant, 1=not relevant at all)

Source: Hamm and Gronefeld 2004.

Marketing channels

- At the farm: on the field, at the outlet, at own restaurant
- E marketing
- Box schemes (at farm or cooperative or platform)
- Farmers' markets
- Processing firms (profit oriented or cooperatives)
- Wholesalers

Each channel has advantages and disadvantages and requires careful analysis

Marketing channels

Channel	% output	% farms*
Direct sale at farm	26	66
Specialized shops	17	40
Middlemen	16	24
Organic open markets	9	18
Processors	4	7
Marketing coop	11	12
Other channels	19	24
Total	100	

* Total exceeds 100 because multiple channels are used

Source: Miele 1994

Marketing channels

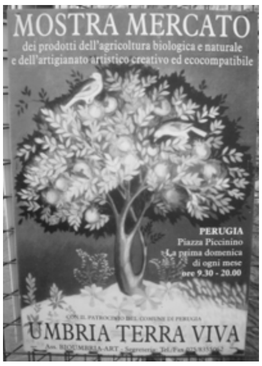
Channel	no.	%
- Middlemen	391	44,2
- Consumers	134	15,2
- Cooperative	121	13,7
- Other forms	81	9,2
- Organic shops	16	1,8
- Organic supermarkets	4	0,5
- Supermarkets	2	0,2
- Internet	1	0,1
Total	884	100,0

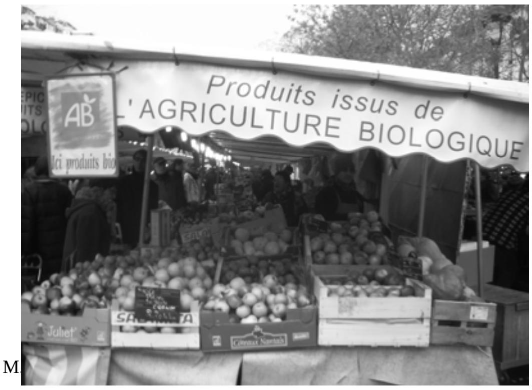
Source: INIPA 2001

Marketing channels

Produce	Direct sale	Middlemen	Coop	Private Processors	Supermakets / shops	Bio shops	Other
- Veggies	32,3	29,4	29,4	2,9	2,9	2,9	
- Fruits	11,9	28,4	38,8	4,5	7,5	7,5	1,5
- Cereals	8,6	17,7	38,8	22,4	2,0	5,3	5,2
- Olive oil	42,9	11,6	16,1	21,4	0,9	2,7	4,5

Source: ISMEA, 2007





Consumers’ points of purchase

- **Organic specialized shop (individual, associated or franchisee) → Natura Si with 3,200 items**
- **Traditional grocery with some organic items**
- **Traditional health shop with some organic items**
- **Supermarket chains with some organic items**
- **Organic supermarket chains (Whole Foods)**
- **Organic / zero miles restaurants**
- **Canteens (at office, schools, hospitals) → public procurement**
- **Any other place where organic food is proposed.**

Marketing channels in Europe

Country	Organic Market Share	Normal retail°	Backers and butchers	Specialized Bio Shops	Healthy* foods shops	Direct sales^	Restaurants and canteens	Other	Totals
Austria	2,4	63	3	13	1	13	7		100
Belgium	1	50		30	10	10			100
Germany	2,1	35	7	27	9	17	2	3	100
Denmark	3,5	80	1	5		8	6		100
Spain	0,2	10	1	19	61	5	2	2 °°	100
Finland	1	80			10	5	5		100
France	0,7	55	2	30		10	3		100
Greece	0,2	17	1	70		10	2		100
Ireland	0,5	60	16	14		8		2	100
Italy	0,7	55	2	31		9	3		100
Luxemburg	1	50	3	40	3	3	1		100
The Netherlands	1,2	42	10	41		7			100
Portugal	0,1	20		30	20	30			100
Sweden	1,7	90		1	1	5	3		100
United Kingdom	0,9	82		8	2	8			100
Tchek republic	0,1	55		25		20			100
Switzerland	3,7	75	2	9	8	6			100
Norway	0,2	50	5	30		15			100

°=includes small shops and supermarkets, *= also called whole food, ^=includes open markets and dierct delivery
°°= Consumers associations and cooperatives.

Source: Hamm and Gronefeld 2004

Share of conventional retail

Country	2005	
	Organic Sales (%) via Conventional Retail	Organic Market Leader
Germany	55	Tegut
Switzerland	80	COOP
United Kingdom	76	Waitrose
Austria	65	Billa
Italy	39	Esselunga
Spain*	10	
The Netherlands	43	Albert Heijn
Denmark	85	FDB

Sources: Richter 2007 and Garibay 2007, * 2003, Joensen 2004

The arrival of private labels: the “conventionalization of organic food?

Share of different channels in Italy, 2007

Where	2007	
	000 euro	%
Hypermarkets	145.816	42,7
Supermerkets	162.876	47,7
Superette	8.025	2,4
Hard discount	4.053	1,2
Traditional shops	9.167	2,7
Other	11.545	3,4
Total	341.481	100,0

Note: Specialised organic shops not considered

Source: ISMEA (2007) on Nielsen scanner data - 9.000 families

NOTE: This study only includes products with bar code and covers only a fraction of total consumption

Other Purchasing opportunities in Italy, 2009

- **Box schemes,**
- **Supermarkets,**
- **E sales not included**

Purchasing opportunities	no.
Farms with selling point	2.176
Farms with agrotourism	1.222
Organic open air markets	225
Consumers' purchasing groups	598
Bio grocery shops	1.132
Bio restaurants	228
School canteens	837

Purchasing Density	no.
Italy	9.536
Marche	3.243
Campania	29.964

Natura Si in Italy

- **10 more shops in 2011**

Regions	NaturaSi 2000	NaturaSi 2010
Piemonte	1	5
Valle d'Aosta	0	0
Liguria	1	3
Lombardia	7	16
Trentino Alto Adige	0	1
Veneto	5	15
Friuli Venezia Giulia	1	3
Emilia Romagna	5	16
North	*20*	*59*
Toscana	2	7
Marche	0	2
Umbria	0	2
Lazio	4	12
Centre	*6*	*23*
Abruzzo	0	0
Molise	0	0
Campania	0	1
Puglia	0	2
Basilicata	0	0
Calabria	0	0
South	*0*	*3*
Sicilia	0	2
Sardegna	0	0
Islands	*0*	*2*
Italia	26	87

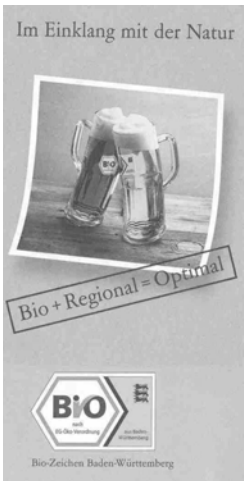
Some conclusions

- The market (=consumers' final demand) is growing
- Very few consumers are 100% organic
- Most urban consumers buy at conventional supermarkets
- Consumers also search for processed organic foods
- Supermarkets and processors need large quantities, regular and sure supply, standardized qualities, "low" prices.
- Risk of conventionalization? → price fights??
- BUT… there is (there can be a plenty) of marketing channels
- There is not ONE strategy

Strategies depend on..

- Farm – output size and composition (fresh? Processed?)
- Labor and skills available (marketing attitudes included)
- Proximity to consumers
- Organizational capacity, in cooperation with other organic producers
- Availability of processing units (at farm, cooperative)
- Attitudes of local Authorities
- Attitudes of local consumers groups
- Etc..

Good old and new marketing concepts……



- Product
- Price
- Placement
- Promotion

- Consumer
- Cost
- Convenience
- Communication

Thanks for your attention