Forschungsinstitut für biologischen Landbau

Marketing organic products via European retail chains

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FiBL

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European Organic Market 2003

Difficulties to get valid global data / information from organic sector and retail chains

Why?

- No official statistics / estimations available
- Retailers do not like to communicate stagnation
- Retailers have not any knowledge about organic sale figures
- Estimation are often less exact or inconsistent between years

- *EISfOM* is a project to analyse the current situation in 32 European countries and to develop a framework for the collection and processing of reliable and comprehensive data on organic markets.

- *EISfOM seminar* in Berlin, 26th/27th April 2004 offers a platform for discussion on the development, harmonisation and quality assurance of data collection and processing systems.

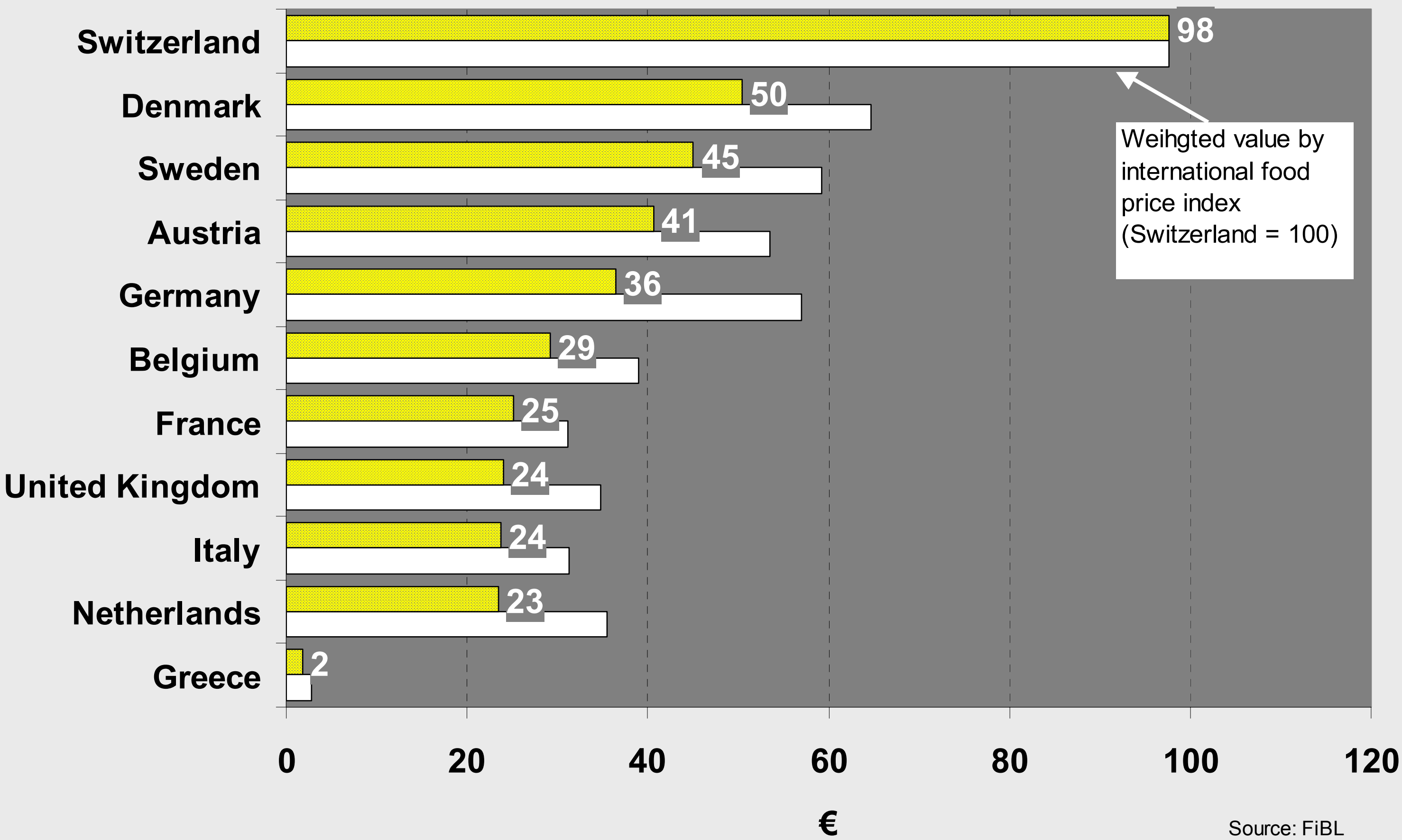
- For further information about *EISfOM* and the seminar, see: www.eisfom.org

European Organic Market 2002

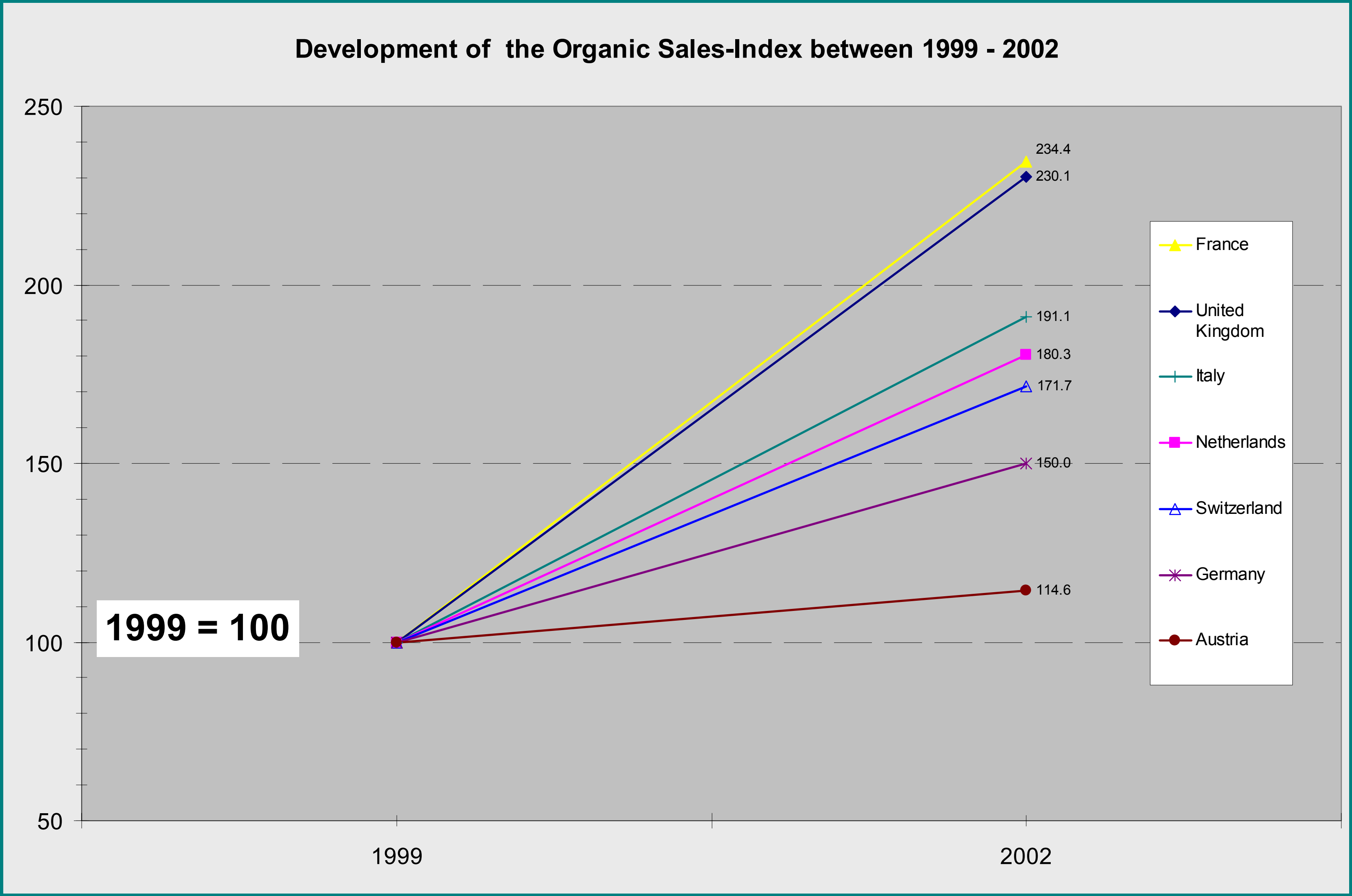
Market Share (2002)

- 4.0 %
- 3.5 %
- 2.0 %
- 2.9 %
- 2.3 %
- 2.2 %
- 1.0 %
- 1.2%
- 1.1%
- 1.4%
- 0.3 %

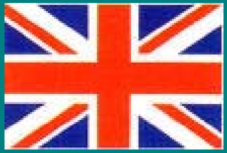
Average Consumer Expenditure on Organic Produce in European Countries (2002)



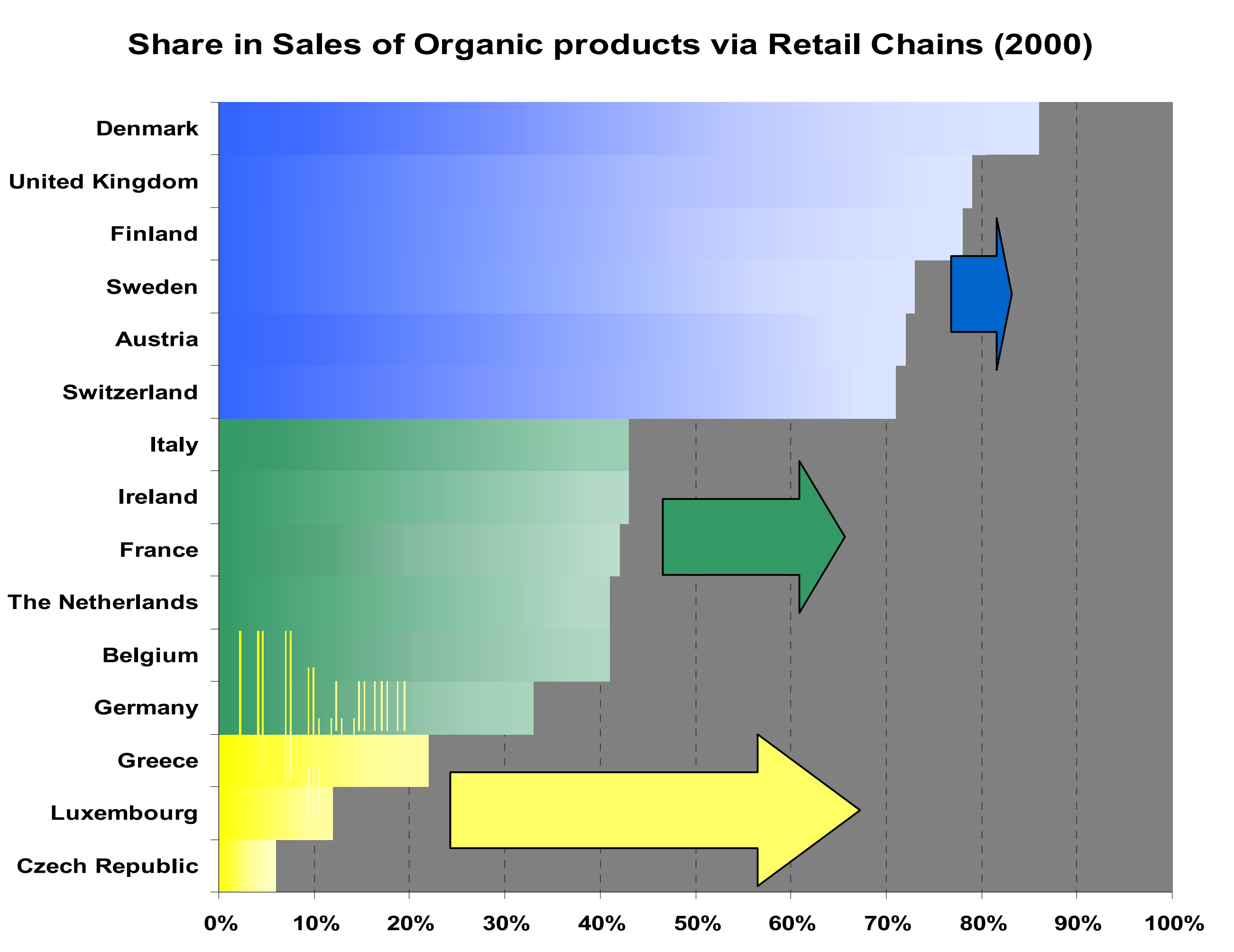
European Organic Market 2002



Organic Market Shares

			
Bread	1.4 %	2.3 %	8.3 %
Meat	0.6 %	1.2 %	4.0 %
Dairy	3.0 %	1.6 %	6.8 %
Fruit / Veg.	2.6 %	3.0 %	9.2 %
	Soil Association	ZMP	FiBL

Supermarkets as Sales Channel for Organic (2000)



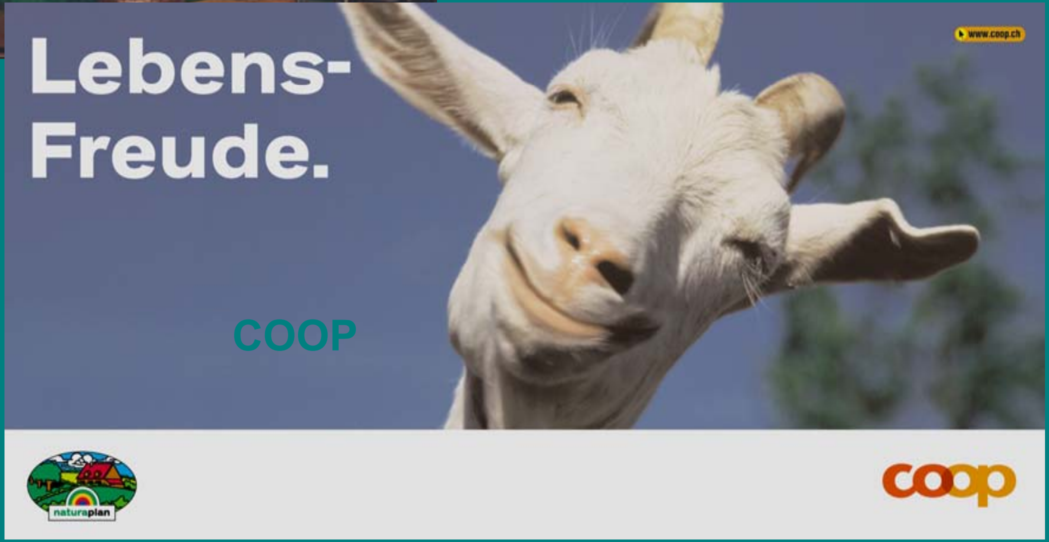
Source: HAMM et al., 2002

National Organic Market Leaders

Country	Market Leader 2002*/03** (Organic Sales Share)		National Market Share (2002)	Organic Sales (%) via Retailer (2000
Germany	Tegut	(9.0%)**	2.3%	33%
Sweden	COOP (SE)	(7.5%)**	2.0%	73%
Switzerland	COOP (CH)	(7.0%)**	4.0%	71%
UK	Waitrose	(6.0%)*	1.2%	79%
Denmark	COOP (DK)	(5.0%)*	3.5%	86%
Austria	Billa	(4.5%)**	2.9%	72%
Belgium	Delhaize	(3.0%)**	2.2%	41%
Finland	Kesko	(2.5%)*	2.6%	78%
France	Carrefour	(160 l.)*	1.0%	42%
Italy	Esselunga	(2.5%)**	1.1%	43%
The Netherlands	Albert Heijn	(2.2%)*	1.4%	41%

FiBL, 2003 / 04 | FiBL, 2004 | Hamm et al., 2002

Country Snap Shots – Organic Benchmark Switzerland



Country Snap Shots - Switzerland

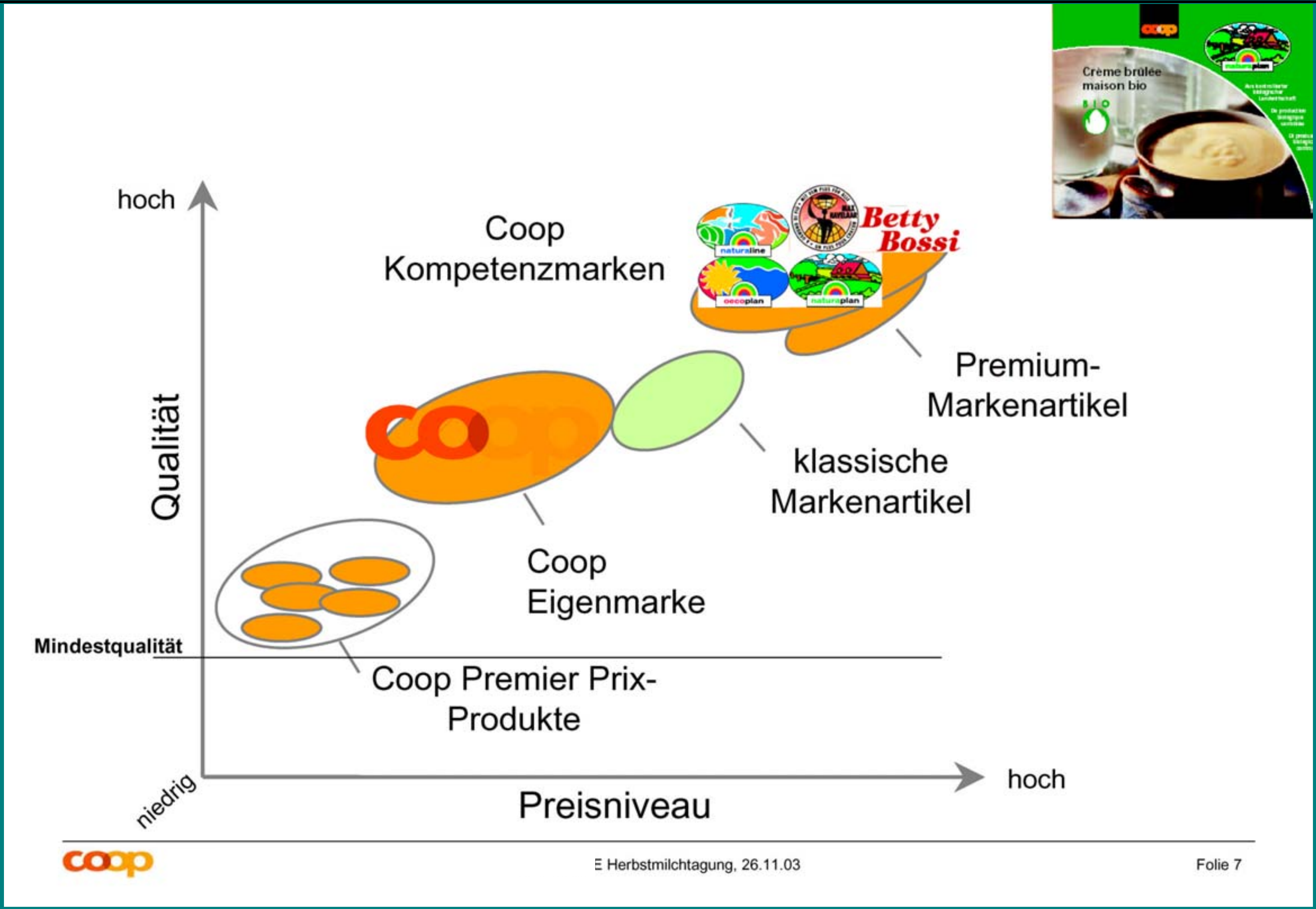
- Market share Organic Products (OP) by value: 4% (2002)
- Market growth 2003 app. 5-10%
- More than 75% of OP sold via two retailers
- Main players: COOP, Migros
- High percentage of regular org. buyers (app.15%)
- High percentage of occasional org. buyers (app. 70%)
- Strong private organic label (“Knospe” / “Bud”)
- Strong retailer brand (“naturaplan” - COOP)

Case Study – Retailer: COOP Switzerland

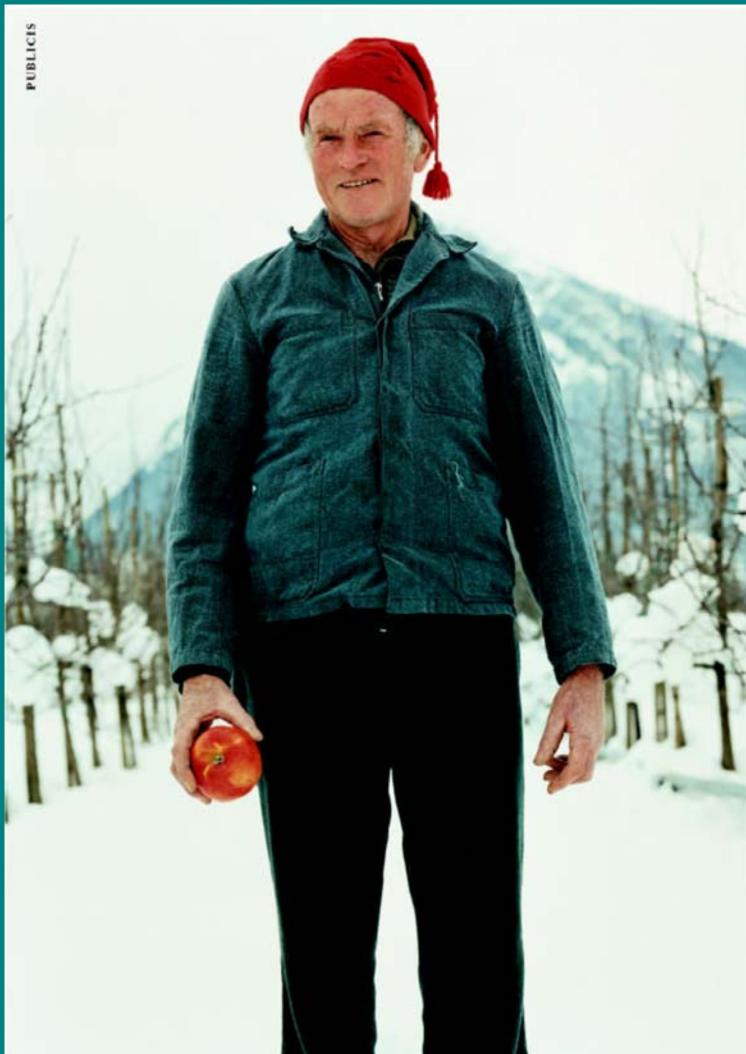
Case Study – Retailer: COOP Switzerland

- Organic sales share 2003: 7 %; 1'200 organic items
- Organic line with high strategic relevance
- Fresh milk (47% sales share), carrots (39%) most successful
- Own team for so-called VIVA trademarks
- Intensive trademark development "naturaplan"
- Close co-operation to BIO SUISSE
- High level of consumer trust in "naturaplan" by using "Knospe" / "Bud" as Co-Label
- High level of promotion activities on all media channels
- Close relationships and funding activities for organic research

Case Study – Retailer: COOP Switzerland



Case Study – Retailer: Migros Switzerland



Bernhard Danuser darf man ruhig einen Umweltaktivisten nennen, auch wenn er sich nicht an Demos und Sit-Ins beteiligt.

Nahe Bad Ragaz herrscht Bernhard Danuser über einen Teil der 50'000 Apfelbäume hier im Rheintal. Für ihn sind Schädlingsbekämpfung und Düngung mit Chemie tabu, folgt er doch den Bio-Richtlinien. Diese schreiben zum Beispiel die natürliche Düngung der Bäume vor. Ausserdem halten nützliche Insekten wie Raubmilben und Marienkäfer viele Schädlinge ganz natürlich fern. Auch sonst bedient sich Danuser aus der Trickkiste der Natur: So machen resistente Apfelsorten, die dem Schorf nicht zum Opfer fallen, eine chemische Pilz Behandlung unnötig. Bio heisst aber auch viel Arbeit: Unkrautjäten gehört dazu. «Ich glaube an Konsumenten, die die Esskultur hochhalten und bin stolz auf meine Qualitätsprodukte.», meint Danuser, der mit dem biologischen Anbau still aber wirkungsvoll viel für die Umwelt tut. Bad Ragaz ist ein Beispiel unseres umfassenden Engagements für Mensch, Tier und Natur. Alle Informationen dazu erhalten Sie bei der M-Infoline 0848 84 0848 oder auf www.migros.ch.

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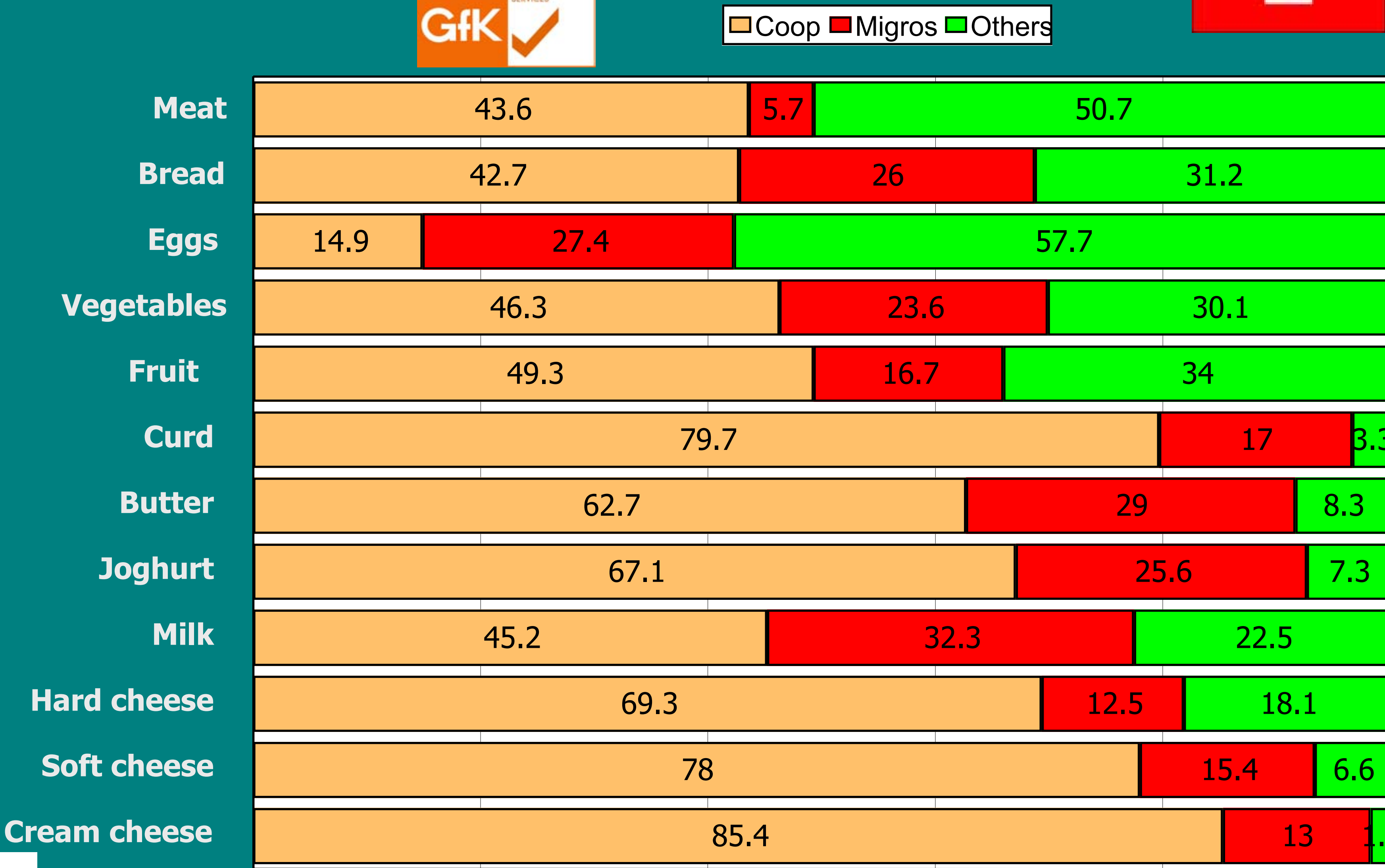
Case Study – Retailer: Migros Switzerland

- Organic sales share 2002: 3 %; 840 organic items
- Organic line is not the TOP theme of Migros
- Eggs, bananas, fresh milk, carrots most successful
- Own team for organic trademark
- Close co-operation to FiBL as a research partner
- High level of promotion activities
- Mainly occasional organic buyers get attracted

Case Study – Retailer: Migros Switzerland

Country Snap Shots - Switzerland



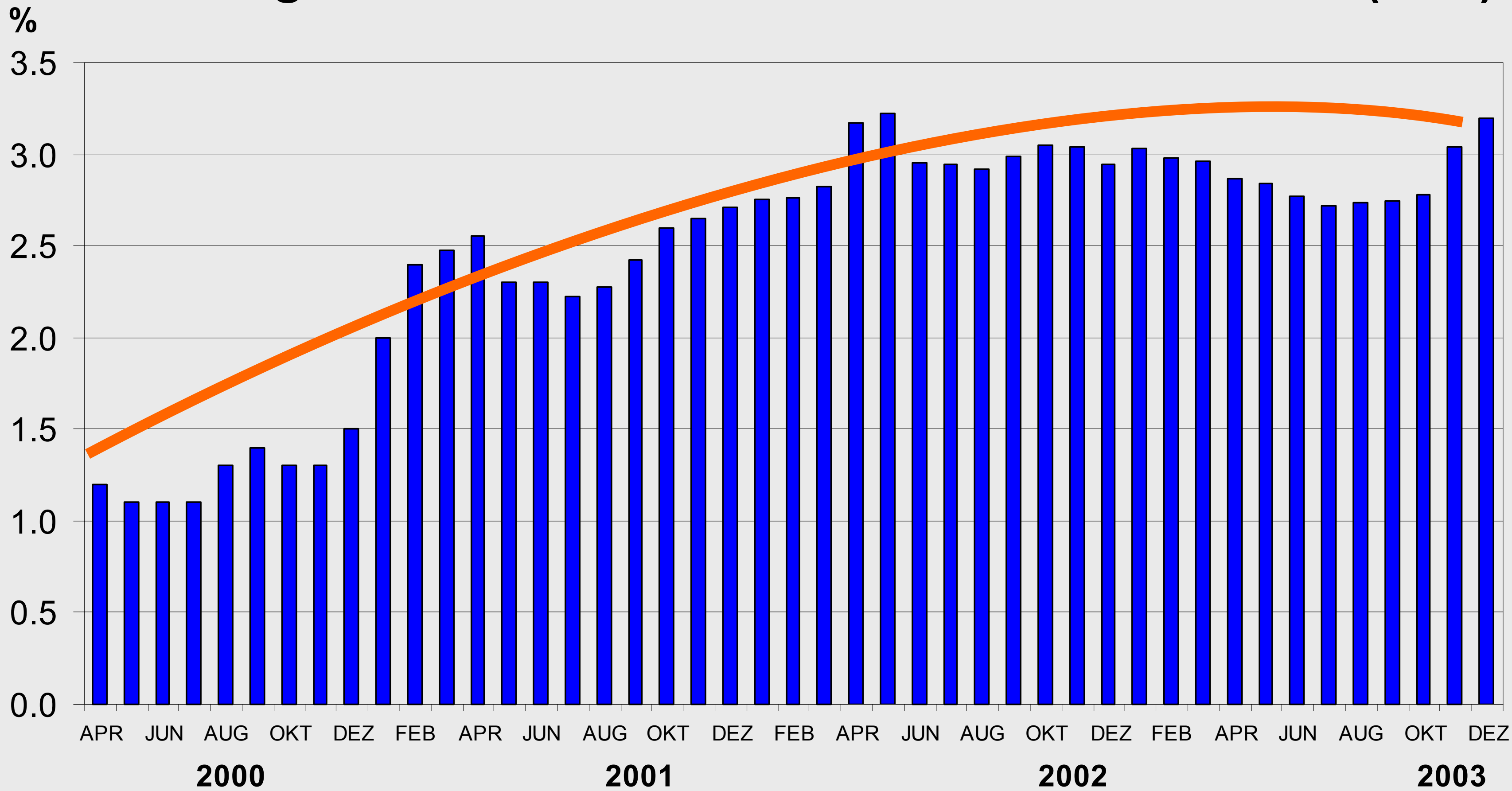
European Organic Market 2003

Europe starts to consolidate organic sales. Why?

- Many countries with established (matured) organic markets
- Only less countries with matured markets like Switzerland with continuous growth
- Stable organic consumer segments over years
- Structure problems and reduced disposable consumer income
- Retailer competition increases
- Pressure by the stock markets force retailers to short term strategies
- Media becomes less interested in organic farming

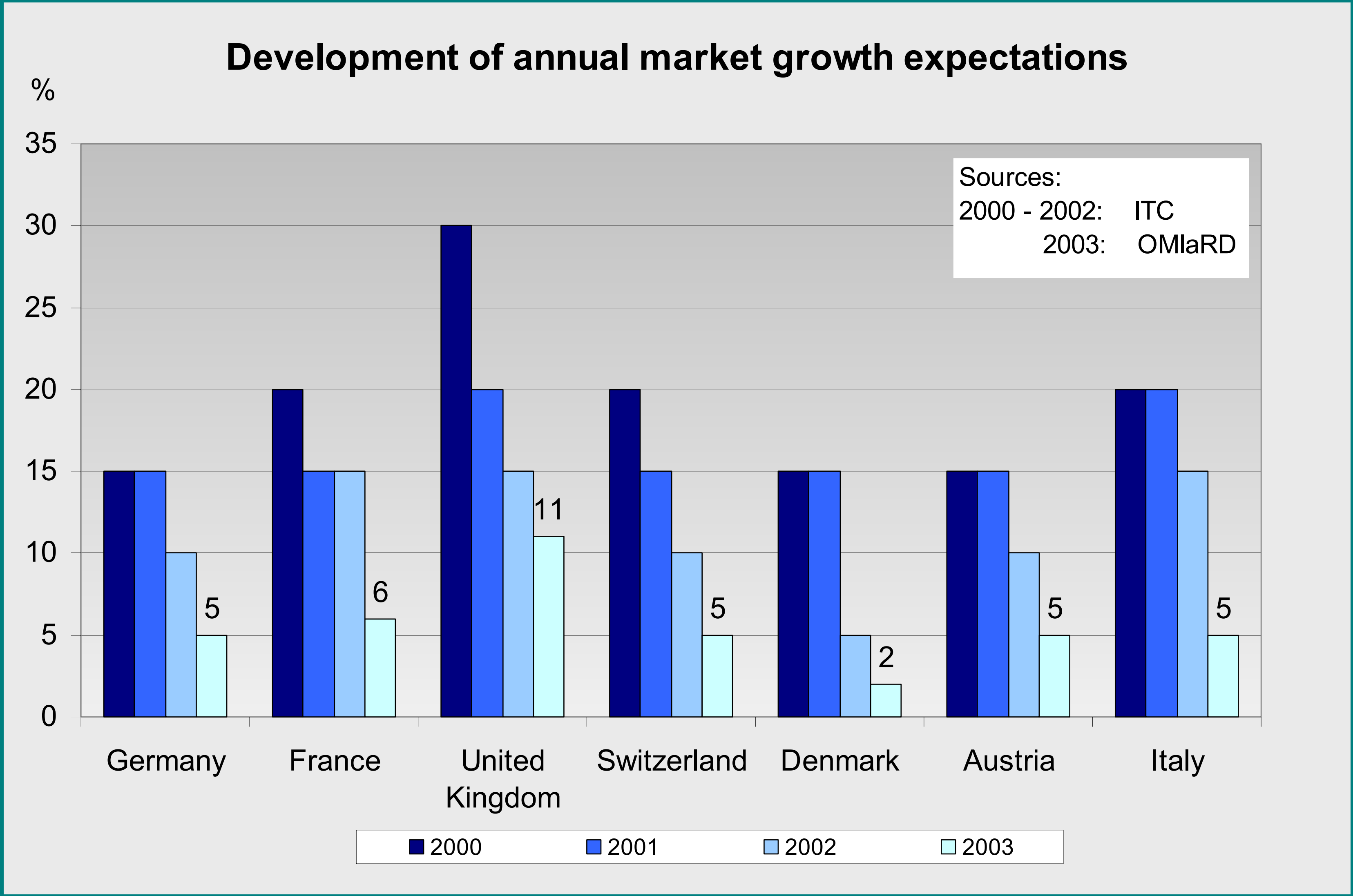
Example: Consolidation of German Organic Milk Sales

Organic Share Milk in German Retailer without (Aldi)



Source: ZMP 2003 on basis of ACNielsen Retailer Panel

European Organic Market – Quo Vadis ?



Prospects: Expected Annual Market Growth after 2003

	UK	FR	DE	AT	CH	DK	ALL GRO	ALL EMG
otal market	11.0	6.1	4.8	4.6	4.5	1.5	8.0	6.3
onvenience products	8.8	10.0	7.3	8.4	7.0	3.3	9.2	5.1
eat products	12.3	10.0	3.1	3.2	8.0	1.7	7.5	7.5
airy products	8.8	6.5	6.7	3.4	1.5	1.0	7.8	5.5
ruit & vegetables	8.3	5.0	7.1	5.7	5.0	4.0	9.2	7.3
ereals products	6.0	5.3	4.6	5.3	2.0	2.5	7.0	4.5
rban regions	9.9	7.6	8.1	5.9	5.3	2.9	10.8	8.0
ural regions	6.9	3.5	4.7	2.8	3.5	1.8	6.5	2.0

Source: OMIaRD Delphi Survey: Padel et al. (2003)

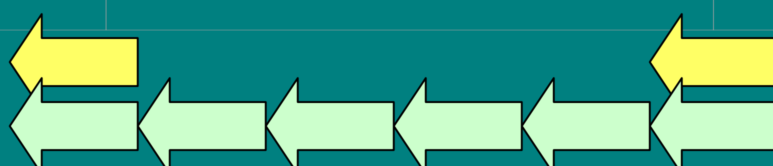
Country classification regarding the development of the organic market

Mature market countries	Growth market countries	Emerging market countries
• Austria • Denmark • France • Germany • Switzerland • United Kingdom	• Finland • Italy • Netherlands • Norway • Portugal • Sweden	• Belgium • Czech Republic • Greece • Ireland • Slovenia • Spain

⇨ Classified by 129 European organic market experts in 18 European countries

3 Phase Model of Organic Market

Mature market countries	Growth market countries	Emerging market countries
Market growth by: • Convincing non buyers • Satisfy occasional buyers • Substitute conv. by organic products • Impulse purchases	**Market growth by:** • Convincing occasional buyers • Extension of organic assortments • Improving access to organic	**Market growth by:** • Skim existing market demand



Trends in matured markets

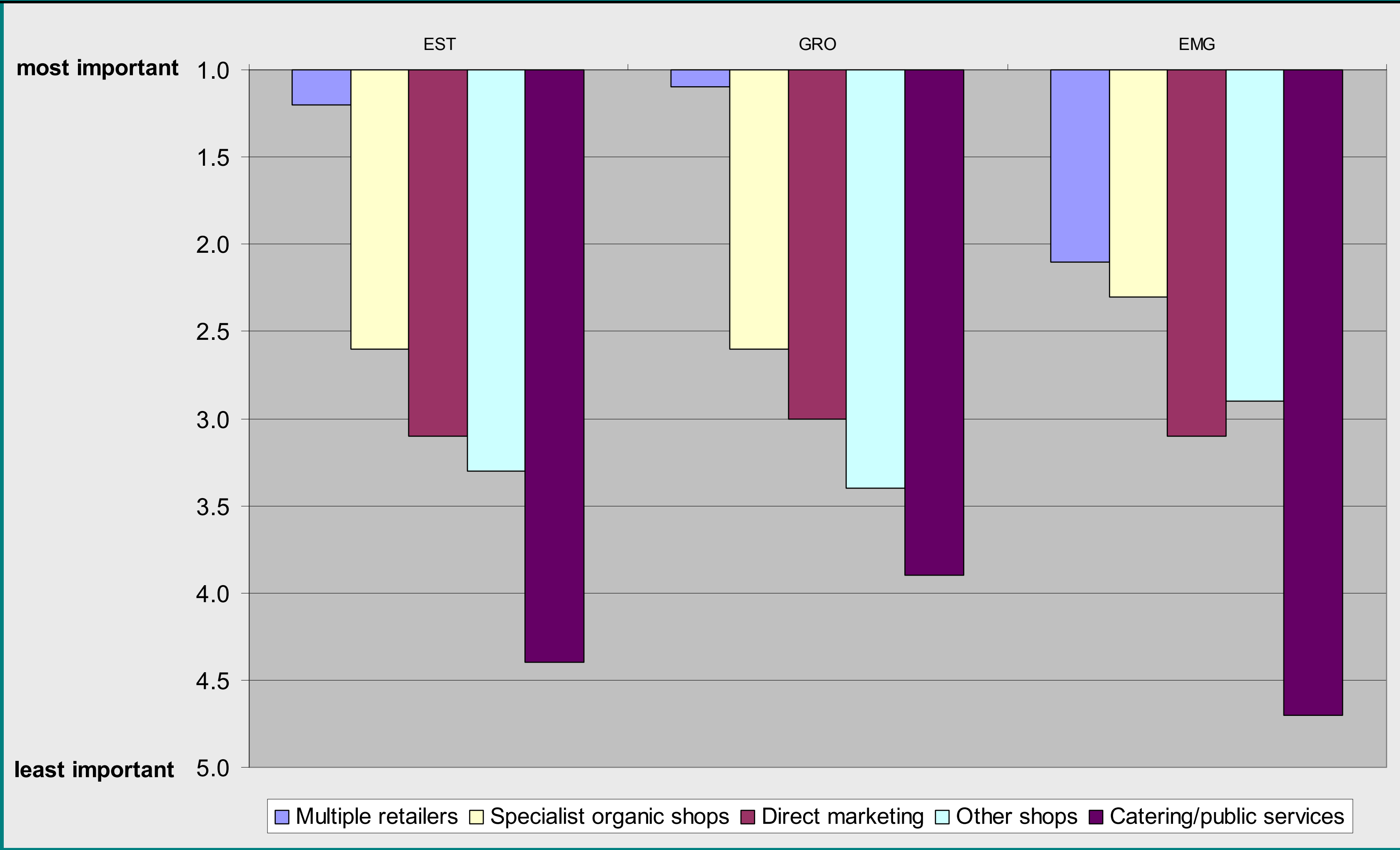
1. **Some retailer substituted conventional by organic products [e.g. Aldi (DE), Laurus (NL), COOP (CH)]**

- Partly consumers did not recognise the change (Aldi)
- Partly consumers / conv. farmers protested (CCOP)

2. **Some retailers increased their organic sales by optimising presentation and placement of organic products**

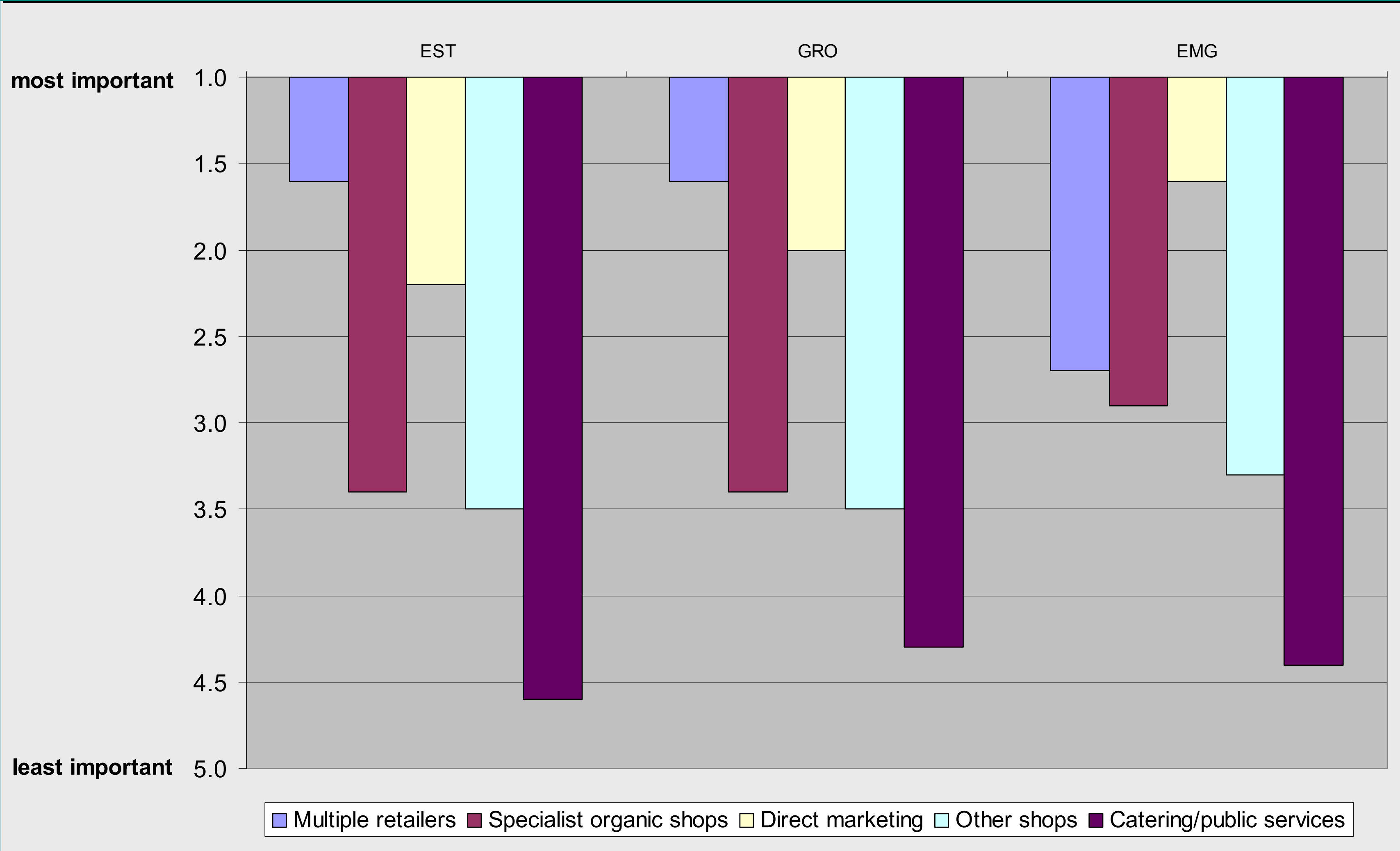
- Change of placement, packages, packages sizes, lighting concepts lead to clear sales increase

Importance of Retail Chains in Urban Areas (2002)



Source: OMIaRD Delphi Survey: Padel et al. (2003)

Importance of Retail Chains in Rural Areas (2002)

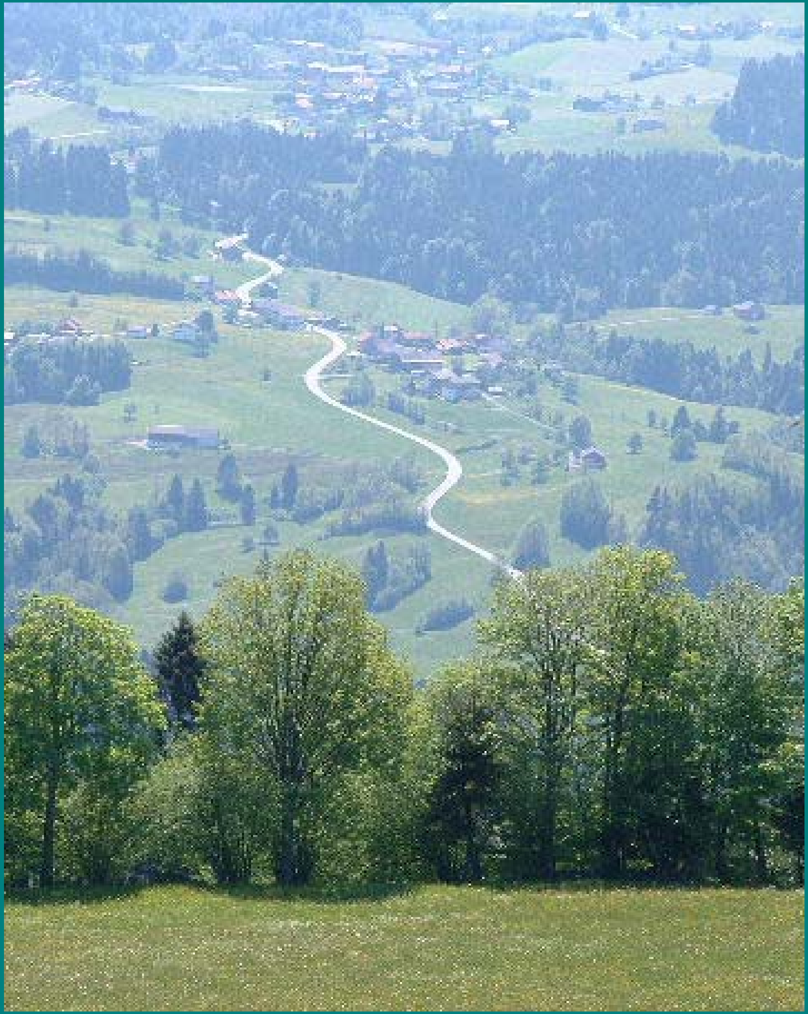


Source: OMIaRD Delphi Survey: Padel et al. (2003)

Difficulties to sell Organic Products in Rural Areas

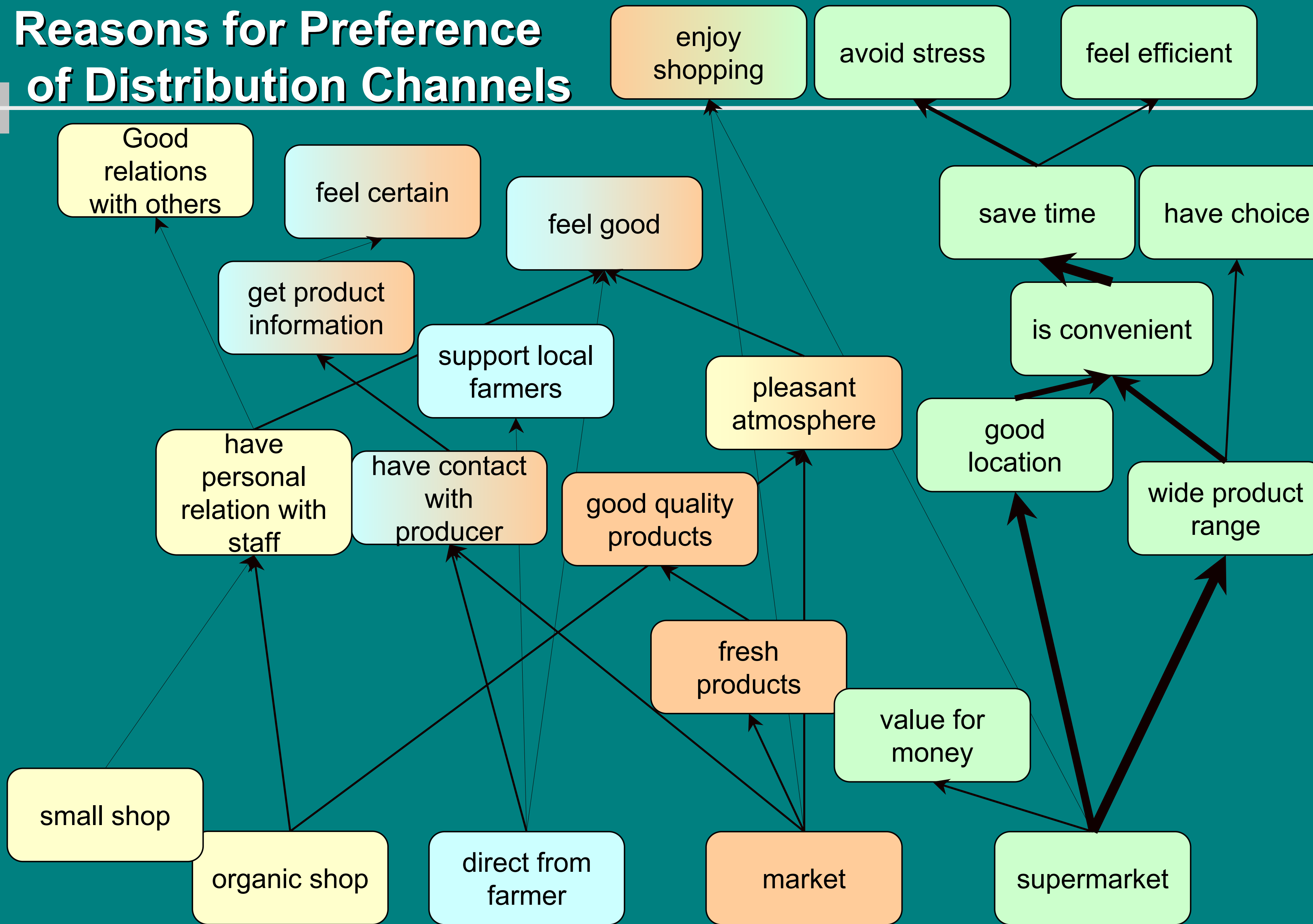
Why ?

- Consumers with “own production”
- “Local” more important as “organic”
- “My farmer produces conventional, but …”
- Lower awareness of differences between organic / conv.
- Lower availability as buying barrier
- Lower disposable income



Source: OMIaRD Delphi Survey: Padel et al. (2003)

Reasons for Preference of Distribution Channels



Mega Trends in Food Purchase / Consumption

Consumers:

- Do not waste time for cooking (Convenience Products)
- Do not waste time for food purchase (Convenient Shopping)
- Use the saved time to relax alone or to meet friends
- Look for cheapest price offers

Important issues:

- Food and Health / Food and Trust / Food and Emotions

Mega Trends in Food Purchase / Consumption

Mega Trends

Safe Time	Safe Money	Health / Wellness	Trust	Emotions

- **Requirements for organic products**
- **Requirements for retailers**

Consumer Prices – Top issue across Europe

Reasons:

- Discounter Factor
- China Factor (“all for 1 €)
- “Ebay” Factor
- Sales prices all over the year
- Economic Crisis in many European countries

⇨ There is only one theme for promotion: prices

⇨ Retailer are assessed by their price competence

But do consumers really safe money?

- Teens are more enriched as before
- Mountains of toys in children rooms
- Tonnes of electronic “garbage” (Computer, Screens, TV, Audio Systems)
- Growing number of prestige cars on European motorways

Many private investments payed by credits

- Less disposable income remains for food consumption
- Many occasional buyers reject organic consumption
- Safe money for daily expenditures
- German journal “Brigitte”: ‘We show you the products which are not worth to buy organic’

Price image of retailers with broad organic assortment

Does a broad organic assortment give certain outlets / retailers the image to be a premium price traders?

- Yes, consumers often believe, that the general price level in retailer outlets correspond to the awareness of ‘organic products’
- At the same time consumers are often not aware of real cheap prices of discount product lines in the same outlet

→ **Dilemma for engaged conventional retailers to lose customer groups**

How to deal with the price issue ?

- Price image has a much stronger impact on the buying behaviour stronger than real prices
- The shopping environment has to correspond to the price positioning (discounter versus delicatessen shop)
- Do not reduce added values by reduce of sales prices by marginal rates
- However higher prices have to correspond to increased perceived values (brand development)
- In periods of recession it has to be accepted not to keep all occasional buyers in the organic market
- Mass markets should not communicate premium product lines too much in periods of recession (price image)

Mega Trend Health

- The more consumers get responsible for paying medical aid by themselves the more health care drives food consumption
- Confusing risks behind the food production lead to search for highest safety standards

→ Consumers can choose between natural and technical produced health when buying food

Mega Trend Trust

- Caused by the complexity of daily life and information overflow trust becomes more and more important
- Trust to buy the cheapest offer
- Trust to buy a high quality
- Trust not to get cheated by label promises
- Trust to buy safe products

➔ Authentic sales and sales promotion as trust builders

➔ Make consumer's able to check promises

Mega Trend Emotions

- Matured markets, plenty of exchangeable assortments and the spirit of competition lead to a demand of emotional addresses

➔ Products should have a soul

➔ Products should have a history

➔ Surprise customers by unusually offers

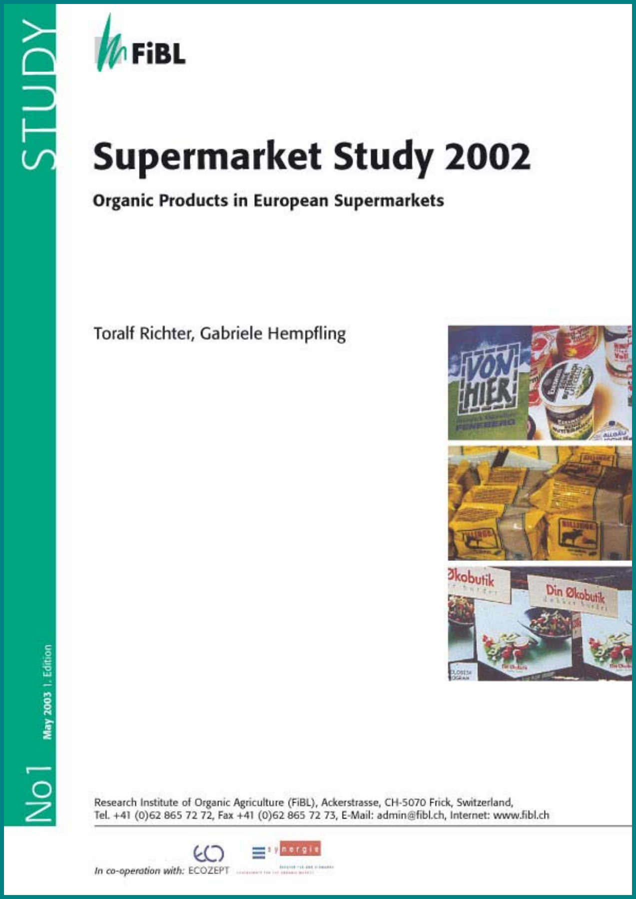
➔ Offer slow food opportunities and food communities

Solutions for future challenges are required

- How to stop overflow of new products and consumer information ?
- How to survive economic pressure by retailer competition and stock markets ?
- How to find solutions to reach the “mobile and hurry consumer” ?
- Which market channel does commit the most “organic” customer groups ?
- How to combine organic products with regional authenticity ?
- How to ensure the organic product value ?
- Opportunities and threats of global sourcing ?
- What strategies can be applied in order to compete against discounters ?
- Which strategies take into account the socio-demographic changes ?

Where to find more market / retailer information?

Release: Biofach 2004



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