Key market drivers in the organic sector

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The total organic market is valued at more than €100 million. The fresh and chilled category accounts for the majority of this (€77.3m), followed by ambient (€22.6) with a very small amount accounted for by the frozen category (€0.7m). Whilst the sector has grown by 82% in the last 2 years (Bord Bia, 2008), there are signs of a slow down in growth. This paper looks at what is going well from a marketing perspective, identifies some areas requiring attention and suggests a change in positioning to maintain current levels of growth.

There are many things going well for organic food from a marketing perspective, in part due to the sustained efforts of many industry stakeholders including producers and processors. Recent research conducted by Bord Bia (2008) found that almost 100% of consumers are aware of the organic label. (This is the highest level of awareness of all ethical labels, with fairtrade for example reported at 78% awareness). This research also found that consumers' understanding of the word organic relates to no chemicals, natural, environmentally friendly, GM free, etc. In other words, consumers' understanding of the concept relates to how the organic bodies describe organic. A further positive aspect is that there is a strong core group of organic consumers and a significant number of consumers who purchase organic food on an occasional basis.

However the high level of awareness and understanding does not translate into correspondingly high levels of purchases. Across Europe, Ireland has one of the highest levels of awareness but is quite down low in the rankings in relation to purchases. Despite the high levels of awareness, Bord Bia (2008) reported that 17% of consumers purchased organic food in the last 4 weeks, 7% in the last 3 to 6 months and 48% are not organic purchasers.

Results of recent research by Nielsen (2008) suggest cause for concern:

- 38% are not sure about the benefits of organic
- 27% claim it is just a fad
- 25% don't trust the credentials of organic products.

Furthermore when one examines consumers' understanding of the organic concept further and look at what factors most influence consumer choices, some alarm bells may start to ring regarding future growth opportunities.

- In relation to understanding organic, more than 50% of consumers believe that it is expensive and price is the main reason deterring non-purchasers. With price ranking first or second in terms of factors influencing consumer choice with respect to food across European countries, this is cause for concern. This concern is also highlighted by a decline in the number of consumers agreeing with the statement that "Its worth paying extra for organic products" from 27% to 21% between February 2006 and February 2007 (Nielsen, 2008)

- About 20% of consumers associate taste with organic food, yet taste is the word that first comes into consumer's minds when they think about food and it is the 3rd most important factor influencing food choice across Europe.

- "Free from" is a key association for organic, particularly for the core group of consumers. However most Irish consumers associate few risks from food in spontaneous responses and in an EU study it was found that only 34% of consumers are very worried about food. This research also found that the longer people stayed in full-time education, the less they tended to worry about potential health risks. With increasing education levels, this suggests that the fear factor will decline in importance in the future.

- Health is a key driver of consumers purchasing organic food and 52% of consumers view organic food as healthy, however scientific claims in this area require further investigation and validation.

Another issue is the role of discounters in the organic market. German discounters (e.g. Aldi and Lidl) are offering organic food produce. This could have an impact on local organic outlets, e.g. farmers' markets and independent retailers. On the positive side, it will change consumer perceptions on "expensive" organic produce but possibly at the expense of a commodity image.

Thus the message is that the Irish organic market is small but rapidly growing. Awareness of organic is high and the benefits of organic appeal to a core group who can be categorised as "worriers" who focus on the "free from" elements of the organic proposition. It is now time to broaden the organic appeal to include the "less worried" and the "not worried". This needs to be done by broadening and the appeal of organic products to include consumer needs for quality, taste and pleasure. The organic awards (organised by Bord Bia in conjunction with the Department of Agriculture, Fisheries and Food) within SHOP[4] provide a very appropriate and worthwhile initiative in supporting this development. The price and health claim issues are things that can not be tackled in the short term but they are something the organic sector as a whole needs to take a strategic perspective on.

References:

Bord Bia, 2008, How modern Irish consumers view organic food, National Organic Food Conference, 4th September, Waterford.

Nielsen, 2008, Consumers, retailers – and the organic market, National Organic Food Conference, 4th September, Waterford.

[4] annual food and drink retail trade event taking place in the RDS