Forschungsinstitut für biologischen Landbau

Organic in the Supermarket

Results of a recent trend study on selected European Countries

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CONSULTANTS FOR THE ORGANIC MARKETS

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Preface

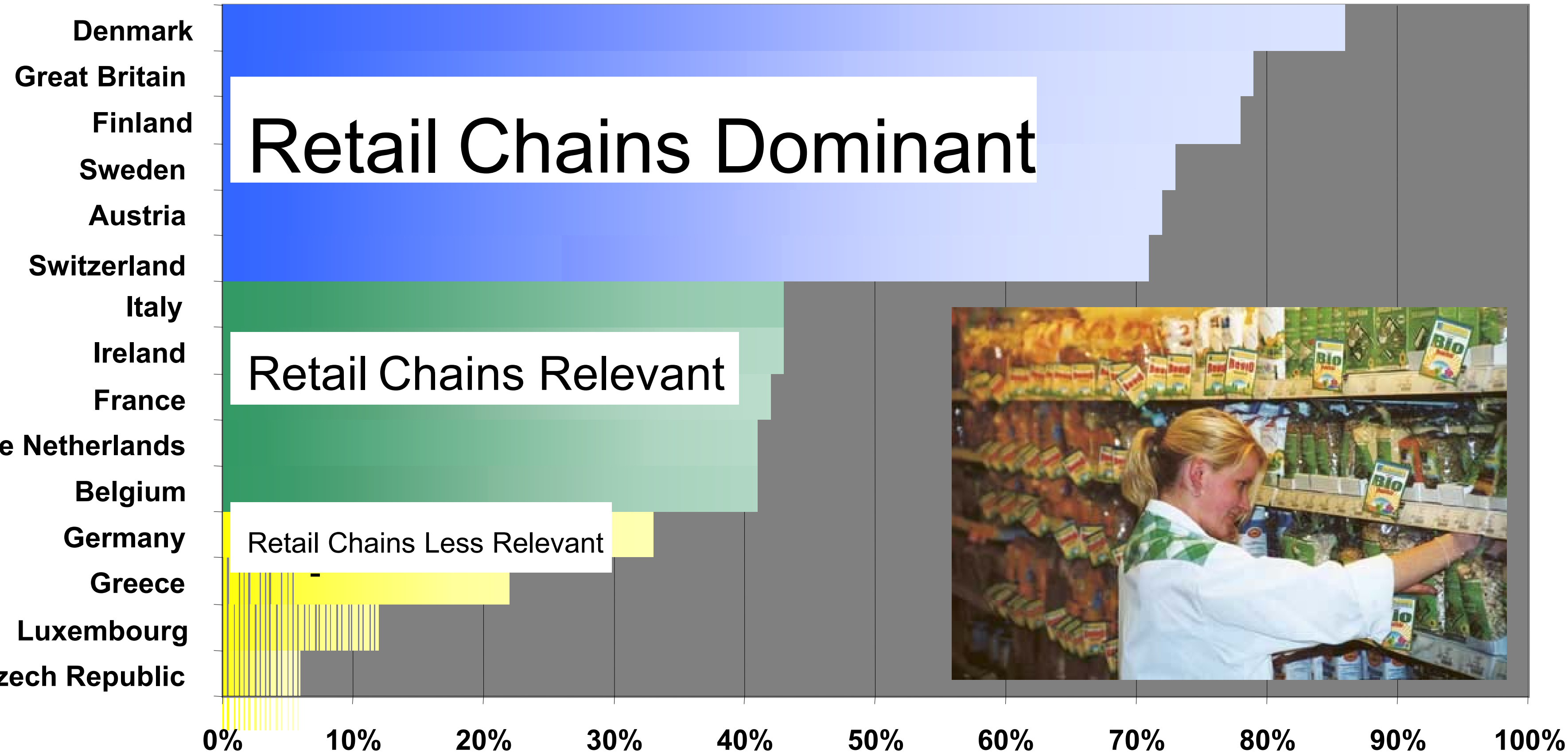
Difficulties to get valid Data / Information from Retail Chains

Why?

- No official statistics / estimations available
- Retailer not interested to participate on study
- Retailer haven’t any knowledge about organic sale figures
- Estimation often less exact or inconsistent between years

Study Procedure

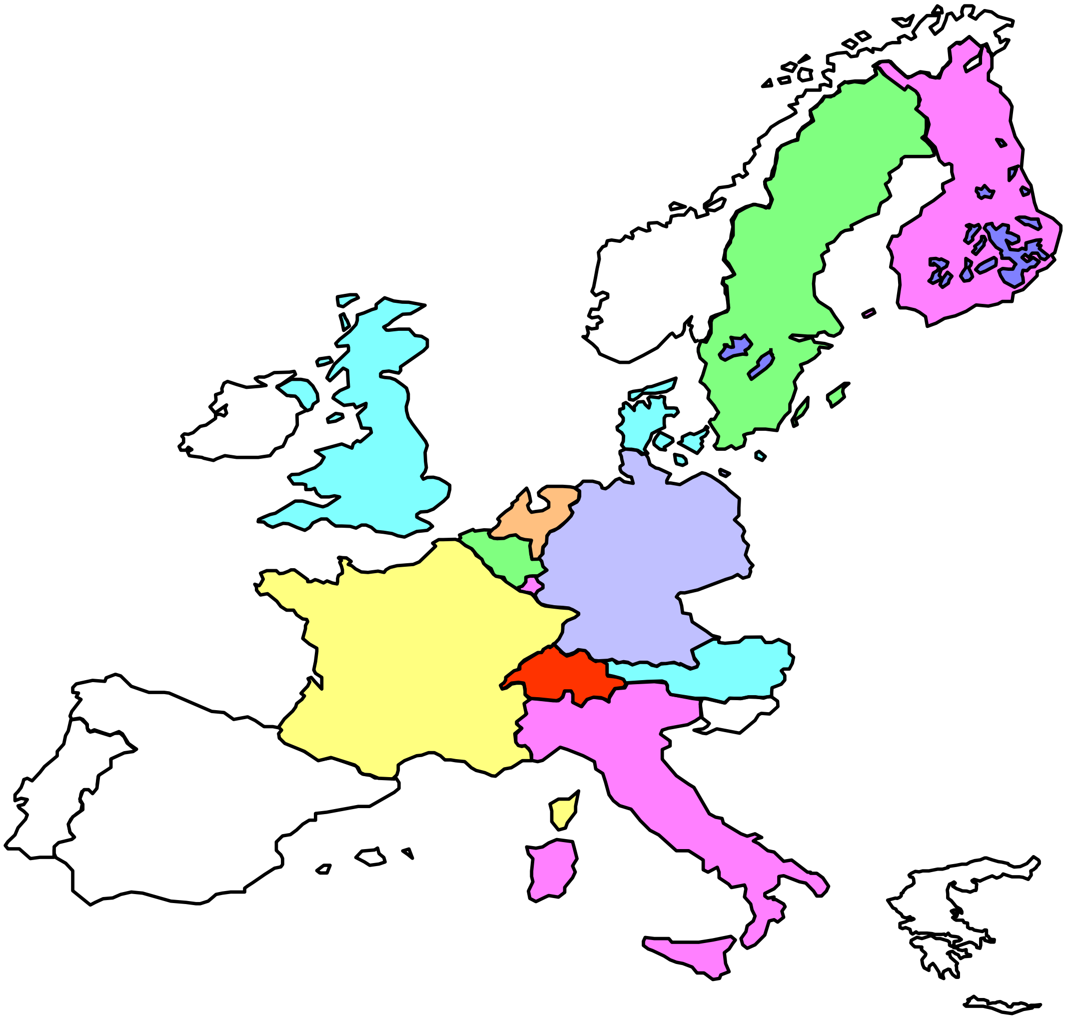
Supermarkets as Sales for Organic (2000)



Sources: HAMM et al., 2002

Which countries were studied?

- Sweden
- Finland
- Denmark
- Germany
- Switzerland
- Austria
- Great Britain
- France
- Italy
- The Netherlands
- Belgium



Organic Sales 2001 – Broad Spectrum

- **Tegut (DE)**

1‘200 Items; 7% of total food sales

- **COOP (SE)**

1‘000 Items; 7.5% of total food sales

- **COOP (CH)**

750 Items; 6.3% of total food sales

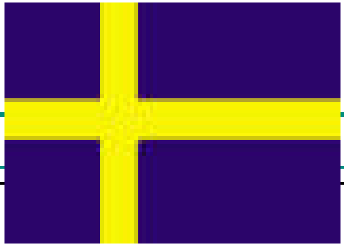
- **Metro (DE)**

200 Items; 0.2% of total food sales

National Organic Market Leaders

Country	National Market Share (2000)	Organic via Retailer (2000)	Market Leader 2001 (Organic Sales Share)
Sweden	2.4%	73%	COOP (7.5%)
Germany	2.3%	33%	Tegut (7.0%)
Switzerland	3.1%	71%	COOP (6.3%)
Denmark	7.0%	86%	COOP (5.0%)
Great Britain	1.3%	79%	Waitrose (4-5%)
Austria	4.6%	72%	Billa (4.2%)
Finland	2.6%	78%	Kesko (2.5%)
France	0.9%	42%	Carrefour (150 A.)
Italy	1.1%	43%	Esselunga (500 A.)
The Netherlands	1.9%	41%	Albert Heijn (2.2%)
Belgium	1.1%	41%	Delhaize (2.5%)
	Hamm et al., 2002	Hamm et al., 2002	FiBL, 2003

Country Snap Shots - Sweden



- Market share OP: 1.5% (2005: 2.5%)
- Strong governmental push: 20% Organic Area by 2005 as ambitious target
- Annual market growth by 2001: 20-30%
- More than 90% of OP sold via supermarkets
- Main player: COOP (7.5% Organic Share), ICA (5%)
- Milk and Vegetables most preferred products (3-7%)
- Moderate Consumer Price Premiums for OP (< 50%)
- Taxes for buying OP shall be reduced by 50%

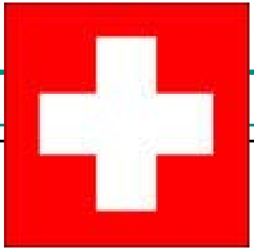
Case Study – COOP (KF) Sweden

- Co-operative with 2.7 Mio. members
- Organic sales: 7.5%; 1’000 Organic Items
- Eggs (14%) and dairy produces (9%) most successful
- Objective: organic market leader in Europe
- Trademark: “Änglamark” (IFOAM based)
- Own team for organic trademark
- 10-15% of marketing budget for OP
- Sales staff well informed about OP
- Price Premiums between 0 – 100%

Country Snap Shots - Switzerland

- Market share OP: 3.5%
- Strong governmental support of organic production
- Conservative Government slowed down OF Support
- Annual market growth by 2001: 15-20%
- More than 75% sold via supermarkets
- Main player: COOP (7 % Organic Share in 2002)
- High percentage of regular organic buyer (ca.15%)
- Strong brand development (“Knospe”, “naturaplan”)

Case Study – COOP Switzerland



- Organic sales: 6.3%; 750 Organic Items
- Fresh Milk (47%), carrots (39%) most successful
- Own team for organic trademark
- Intensive trademark development “naturaplan”
- High level of consumer trust in “naturaplan”
- High level of promotion activities on all channels
- Rare species and varieties are strongly supported
- Price Premiums between 10-60%
- Close networking with science and other market actors

Country Snap Shots - Germany

- Market share OP: 2.3%
- Governmental Initiative 2002/2003 promotes org. sector
- Annual market growth by 2001: 10-15%
- Only 1/3 of OP sold via supermarkets
- Main player: Tegut (7.0 %); Feneberg (6.0%)
- Retailer Trademarks gain, Brands lose market share
- Consumer orientation: cheapest OP and cheapest OP sales places

Case Study – Tegut Germany

- Organic sales: 7.0%; 1’200 organic items
- > 50% of organic sales with bread/pastries and fruits/vegetables
- Owner with strong organic and ethical self conviction
- Brand “alnatura” and trademark “tegut bio”
- High level of consumer trust to organic assortment
- High level of promotion activities at PoS
- Easy customer guide to find OP (A – **B** – C)
- Close networking with science and other market actors

Case Study Research – Investigated Attributes

Interviews ← 1 – 3 Multiple Retailer per Country → Storechecks

Marketing Measures

- Size of organic product range
- Quality of products
- Availability of OP
- Role of OP in company communication
- Role of organic trademark
- Applied standards for organic trademark
- Easy to find OP at PoS
- Intensity of communication at PoS
- Competence of sales staff
- Price premiums

Organisation of Marketing

- Strategic role of organic line for company
- Exclusive team for organic assortment
- Degree of acceptance, integration and freedom for "organic team"
- Visions, objectives, strategies for organic assortment
- Controlling and internal benchmark systems for organic sales
- Exclusive market research for OP
- Network with national and international stakeholders of organic sector?

Case Study Research - General Marketing Trends

- Recession lead nearly to market stagnation
- Nearly all supermarkets offer organic products
- Organic assortments > 1‘000 products often to find
- Quality of OP mostly convincing
- Integrated placement for organic products
- Shelve marks for OP improved in last two years
- Trademarks dominate the organic assortment
- Price premiums remain above consumer expectations
- Most organic trademarks are without any profile

Leader and Adapter - Characteristics

Leader

- Organic involvement is linked to owner's or board member's conviction
- Organic produce line has the highest strategic priority
- Organic line as flagship of communication
- Maximal organic assortment
- Active market development
- Intensive networking with national and international stakeholders
- Controlling of OP growth
- Intensive market research on OP

Adapter

- Organic competence and development is not linked to one specific person
- Organic produce line has middle or low strategic priority
- Organic line is just one of several communication aspects
- Optimal Organic assortment
- No active market development
- Less networking with national and international stakeholders
- Seldom controlling about OP growth
- Less market research on OP

National Organic Market Leader

Leader are …

- … able to push total national market
- … able to influence development of total organic sector
- … able to inform and increase consumer’s trust
- … able to gain market shares by their organic involvement

Challenges for the Next Years

- Study was conducted in an "Organic Boom" phase after BSE
- Manager expectations for market development were very positive to this time
- Currently slowdown of organic market growth by long-term recession and "Organic Scandals"
- New concepts are demanded to revive organic market growth and to survive recession

How to answer the Recession?

Recession: What do consumers want ?

- 1. Safe money, 2. safe money, 3. safe money (Discounts and Sales Offers ↗)
- "Reward" consumption against frustration by high quality products with reasonable prices (Enjoyment, Emotional Values ↗)
- "Me" becomes more relevant than "We" (Altruistic Values ↘)

Organic product marketing has to find adequate answers !!!

Attract Organic Brands & Trademarks !

- Also conventional quality products (brands) have to adapt strategies against discount behaviour of consumers
- What can we learn from “conventional brands”?
- Recent development of conventional brands is different
    - Successful Cases: Unilever, Red Bull, Procter & Gamble, Müller Milch
    - Failure Cases: Mc Donald, Coca Cola

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Attract Organic Brands & Trademarks !

Recession only one reason for market stagnation

Organic Brands/Trademarks must become more attractive

- Today most organic products are sold via retailer trademarks
- Most organic retailer trademarks without any communication profile
- There are nearly no strong organic brands in supermarket shelves
- The most well known conventional food brands have no TOP organic product, which is promoted strongly

Consumers therefore only aware, that OP generally means "Mostly Natural" but are not able to recognise emotional values behind organic trademarks

Requirements for attractive Organic Brands & Trademarks !

Brand and Competitive Edge and Emotional Value have to be well known for consumer
(No intensive image advertisement – No real Brand)

Emotional Value (Level of Sympathy and Trust / What intends the brand to say?) - Life Enjoyment, Faithfulness, Quality of Life -

Permanent Re-Launch of Competitive Edge (standards, brands)

Competitive Edge (Unique Rational Product Advantage)
- Safety, No Chemicals, More Vitamins, Less Nitrate, More Taste -