Latest Trends in the European Organic Retail Market

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European Organic Retail Market

KEY POINTS:

• Strong growth (5-30+%) in most countries, including new EU members
• Conventional supermarkets emphasize “quality products” and “green issues”
• Discounters selling large amounts thanks to low prices and expanding consumer base
• Organic supermarkets growing fastest
• Small but smart: specialization is the trick
European Organic Retail Market

Different regional development:

• Italy, France, Belgium: specialized shops and direct marketing growing faster than conventional trade
• Germany: strong growth in discounters and conventional trade, organic supermarkets
• Switzerland: organic supermarkets struggling
• UK: conventional trade growing fast, but direct markets and specialized shops even faster
• CZ: fast growth of conventional trade – supermarkets and drugstores
• Austria: small organic shops struggling, supermarkets growing fast
European Organic Retail Market

Diversity of organic channels – ‘multi-streams’

• Supermarkets and hypermarkets
• Discounters
• Independent food shops
• Health and Natural food shops
• Organic shops and supermarkets
• Specialised shops: butchers, bakers, natural body care shops, natural textile boutiques
• Farm shops
• Farmers’ markets
• Box schemes
• On-line shopping
• Gastronomy: restaurants, cafés, delicatessen, sandwich bars
Germany

• Organic-supermarkets – about 250… and growing… but already a fight for best locations
• Organic food products available at retail outlets has increased
• 90 % of all German households bought at least one organic product in 2006
• Extreme growth in discounters, who are using organic food to give their business a significant boost – private brands
• Specialized retail outlets finding the niches
• Raw materials shortages on the horizon
Italy

- Steady growth of the market, will be boosted by the new government promotional campaign
- Specialized retail still holds 61% share of the market, has grown fastest, has modernized and enlarged shops
- Organic supermarkets expanding
- Other specialised chains growing by franchising, create trade synergies with wholesalers
- Conventional trade is struggling
- No organics in discounters
- 1 mill organic meals a day in public catering
Great Britain

- Fast market growth: 30%
- 65% consumers buy organics - affluent society, shoppers less concerned with cost than about quality, changing attitudes to food, affected by factors such as celebrity chefs and fears about obesity, and climate change concerns
- Conventional retail: 76% market share, expanding range of organics, Fair trade, ethical food and fibre
- Specialized retail shows strong growth, organic supermarket Planet Organic expanding nationally
- Direct marketing channels gaining popularity and market share
Switzerland

• Market experiencing some difficulties but Swiss consumers continue to be the biggest spenders in Europe at €103/p/p.a.
• Partner program [ECHT BIO.] giving new drive to the specialized retail
• Discounters Aldi and Mueller frighten traditional market players
• Market looks for alternatives to leading chains COOP and Migros
• Organic supermarkets still looking for best strategy
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International expansion

• Organic supermarkets moving to new markets: Basic and Denn’s to Austria, Bio Planet to the Netherlands, NaturaSi to Spain
• Whole Foods to Europe (UK)
• Aarstiderne to Sweden
• [ECHT BIO.] to Switzerland
• Austrian retail organic brands to Czech Republic
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Greening of multiple retailers

• Tesco, Sainsburys’, Marks&Spencer, Morrison, Asda: “green and sustainable” initiatives to win a more educated and environmentally aware consumer base
  – Renewable energy, composting, recycling, compostable packaging, reducing carbon emissions, recycled plastic, local sourcing, Fair trade, organics, no GMO, no trans-fats…
• Billa Austria: repositioning towards “high quality” instead of “best price”, organic food a key point
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Private store brands

• Worldwide, private labels' share of consumer packaged-goods sales is expected to climb from 14 percent in 2000 to 22 percent in 2010

• With private label, retailers reap higher profits and profit margins, gain greater leverage in negotiating with brand manufacturers, build loyalty and sell higher price and margin goods

• Whole Foods Markets and Wild Oats Markets in the USA

• All European multiple retailers, but also organic supermarkets and shops

• Private brands for natural cosmetics at drugstore and discount chains
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New retail concepts for natural body care

- Discounter and drugstore chains’ private brands
- Dr. Hauschka own “beauty counters” in German department stores
- Weleda own flag ship store in Paris
- Tautropfen own flag ship store in Rome
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New EU Members

• Very little domestic market for organic food
• Most purchases via direct marketing channels
• Organic farming area grows, as well as export
Future Development

• Continued growth of markets thanks to higher and wider acceptance of organic products, increased number of purchases and the amount spent.
• To keep the momentum, organic food has to keep its best quality image. Consumers will have to be able to rely on the fact that organic products really are organic.
• Whole Foods Market will enter UK this summer
• Discounters will seize further market share in some countries
• Shortages may occur as demand outstrips supply in some commodities
Thank you for your attention!

**Sources:**
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