Forschungsinstitut für biologischen Landbau

Organic in the Supermarket

Results of a recent trend study on selected European Countries

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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

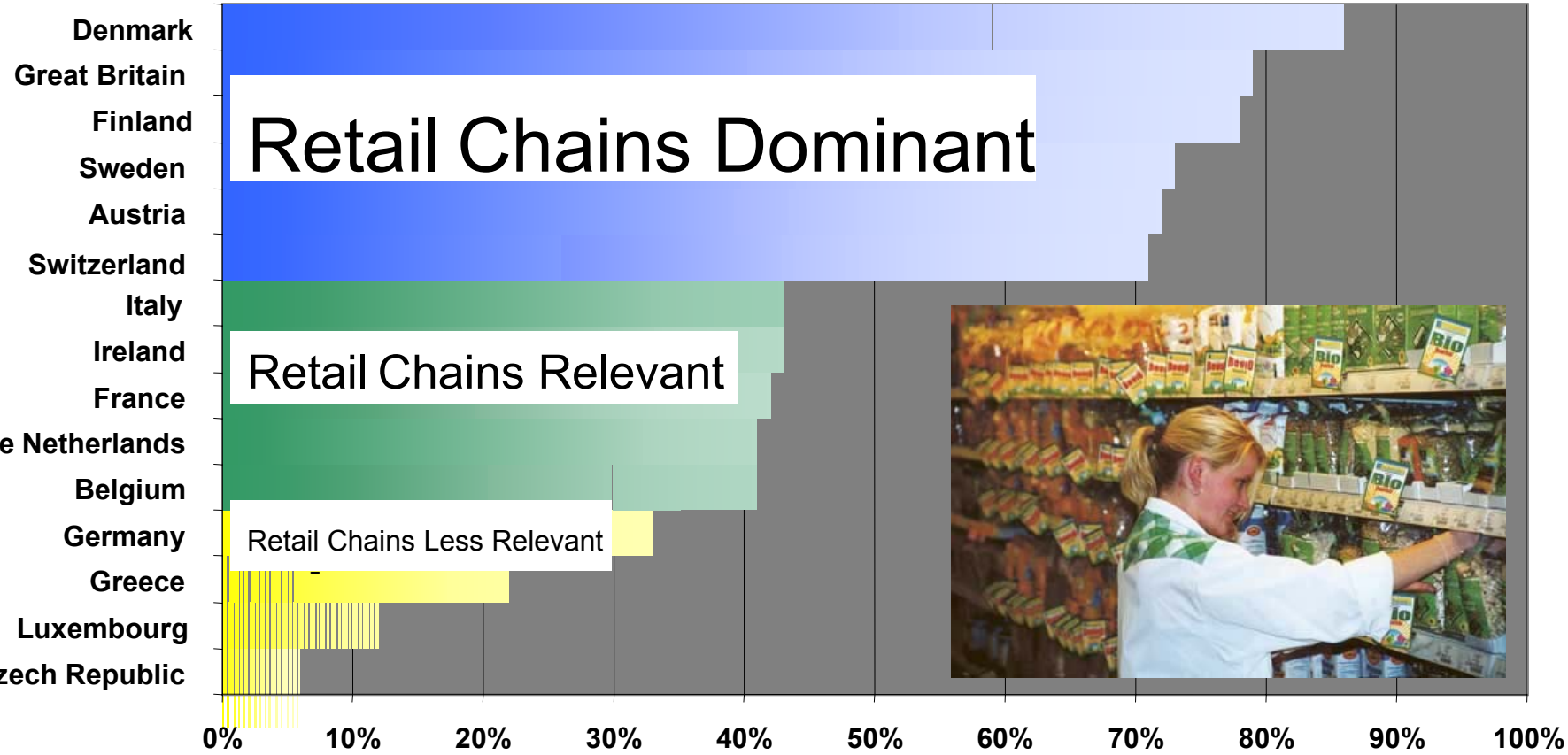
Explorative Pre-Study
(Literature Review; National Expert Interviews)

Written Survey of the major national Retail Chains

Case Studies
- ✓ Interview
- ✓ Storecheck

Analysis of
- ✓ Organic Sector in Supermarkets
- ✓ Success Factors

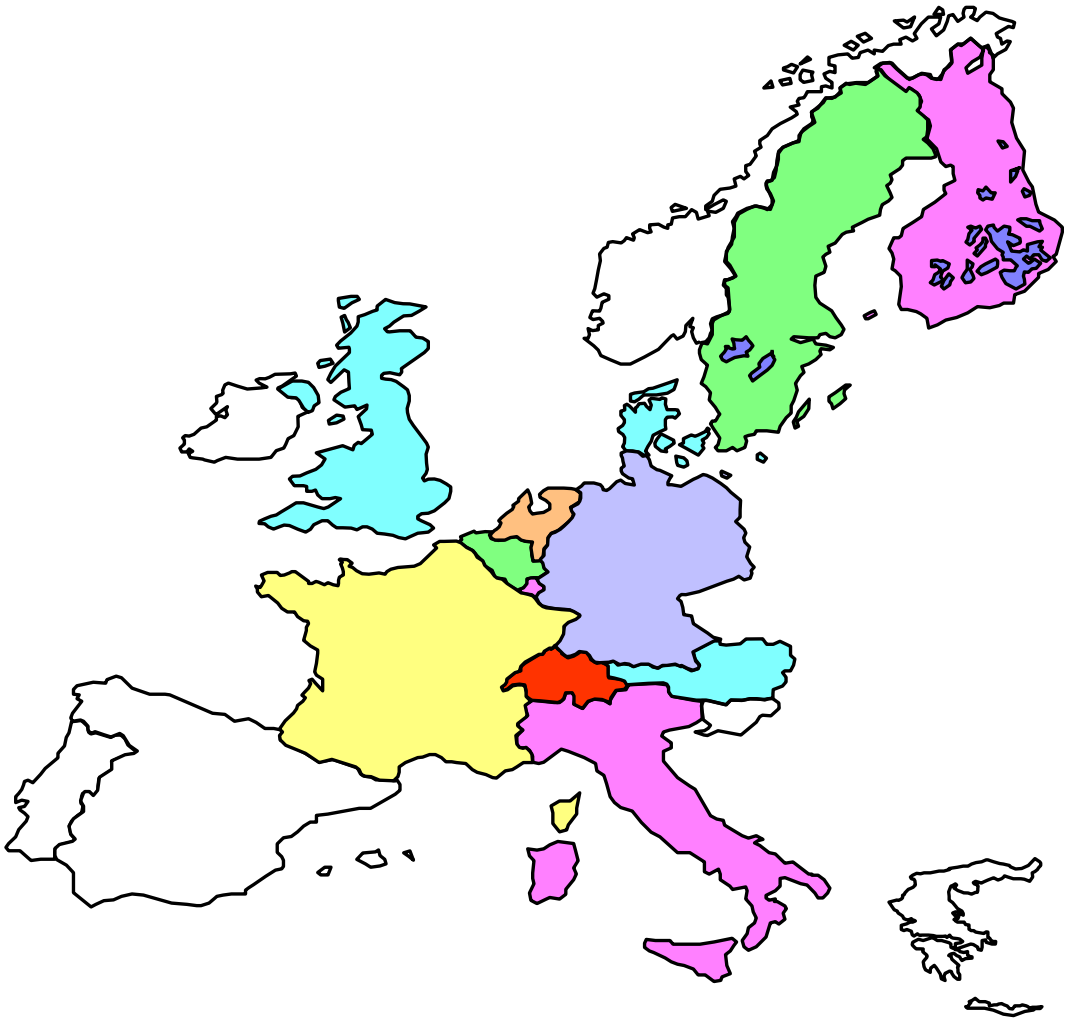
Supermarkets as Sales for Organic (2000)



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

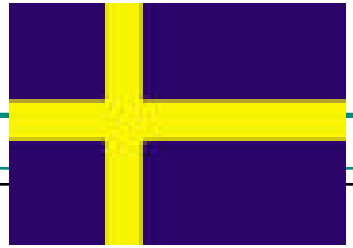
- **Metro (DE)**

200 Items; 0.2% of total food sales

National Organic Market Leaders

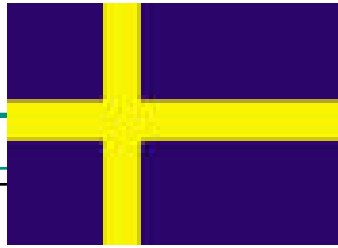
Country	National Market Share (2000)	Organic via Retailer (2000)	Market Leader 2001 (Organic Sales Share)
Sweden	2.4%	73%	COOP (7.5%)
Germany	2.3%	33%	Tegut (7.0%)
Switzerland	3.1%	71%	COOP (6.3%)
Denmark	7.0%	86%	COOP (5.0%)
Great Britain	1.3%	79%	Waitrose (4-5%)
Austria	4.6%	72%	Billa (4.2%)
Finland	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



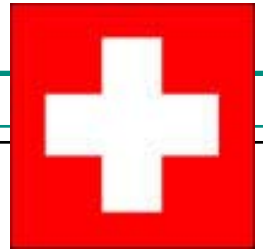
- Market share OP: 1.5% (2005: 2.5%)
- Strong governmental push: 20% Organic Area by 2005 as ambitious target
- Annual market growth by 2001: 20-30%
- More than 90% of OP sold via supermarkets
- Main player: COOP (7.5% Organic Share), ICA (5%)
- Milk and Vegetables most preferred products (3-7%)
- Moderate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

Case Study – COOP (KF) Sweden



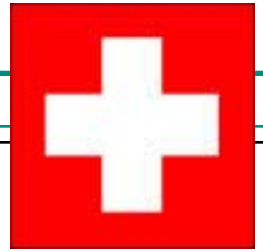
- Co-operative with 2.7 Mio. members
- Organic sales: 7.5%; 1’000 Organic Items
- Eggs (14%) and dairy produces (9%) most successful
- Objective: organic market leader in Europe
- Trademark: “Änglamark” (IFOAM based)
- Own team for organic trademark
- 10-15% of marketing budget for OP
- Sales staff well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

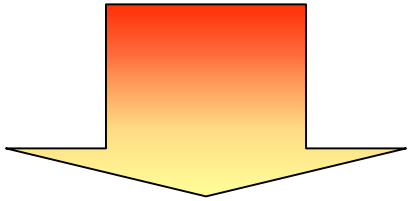
Organic product marketing has to find adequate answers !!!

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

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 -