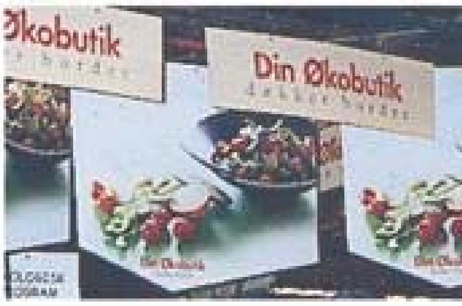
Study

FiBL

Supermarket Study 2002

Organic Products in European Supermarkets

T. Richter, G. Hempfling



May 2003 1. Edition

Research Institute of Organic Agriculture (FiBL), Ackerstrasse, CH-5070 Frick, Switzerland,
Tel. +41 (0)62 865 72 72, Fax +41 (0)62 865 72 73, E-Mail: Internet http://www.fibl.ch

In co-operation: ECOZEPT synergie

Toralf Richter, Gabriele Hempfling

FiBL – Supermarket Study 2002: Organic Products in European Supermarkets

ISBN: 3-906081-37-0

Research Institute for Organic Agriculture
Ackerstrasse, 5070 Frick
Switzerland

Tel.: +41 (0) 62 865 72 72; Fax: + 41 (0) 62 865 72 73
Email: admin@fibl.ch
Internet: www.fibl.ch

FiBL Berlin e.V.
Office Frankfurt
Galvanistr. 28, 60486 Frankfurt am Main
Germany

Tel.: +49 (0) 69 713 76 99 –0; Fax: +49 (0) 69 713 76 99 – 9
Email: Frankfurt@fibl.ch
Internet: www.fibl.de

Printed by buysite ag, Basel, Switzerland

Summary

The study describes the current situation of the organic markets in 11 European countries (Austria, Belgium, Denmark, Finland, France, Germany, Italy, The Netherlands, Sweden, Switzerland, UK) and the main development paths of retail chains referring organic products. In special it should light up the role of the retail chains within the national organic markets.

National case studies on the main retailing sellers of organic products point out the currently used marketing approaches and measures to sell organic products as well as the structure of marketing organisation for the organic product lines within the companies.

The following retail chains are the most active (successful) ones in selling organic products in Europe: *Tegut*, Germany (1.300 organic items / 8.0% organic products market share), *COOP Switzerland* (1100 organic items / 7.0%) and *COOP Sweden* with their chain *Konsum* (approximately 1000 organic items / 7.5%).

The results show, that the retail chains can be distinguished in *Leader* and *Adapter* referring their preferred strategy for the development of organic products lines. "Leader" are those enterprises which try to keep or to reach the national or at least regional market leadership in selling organic products and emphasise their organic product line in the company communication (mostly in a close relation to their strong environmental and social engagement). Often these retail chains also have been the pioneer role in marketing organic products in their countries. These companies are mostly very engaged, highly creative and strongly engaged in developing their organic assortments. For example *COOP* (Denmark), *COOP* (Switzerland), *Tegut* (Germany) or *COOP* (Sweden) follow a "Leader-Strategy".

Retail chains which orientate their offer of organic products according current trends in demand or just as a reaction to the strategy of main competitors can be named as "Adapter". In fact they sell organic products, but without strong active engagement or effort. The organic assortment is no important part of the communication and organic products often are not clearly pointed out at the PoS. They are quite passive in the organic market development and adopt their marketing strategy to the market environment. For example, *Metro (Germany)*, *Dansk Supermarked* (Denmark) or *SOK* (Finland) follow an "Adapter-Strategy".

As the current European recession constrains the growth of organic sales the retailers have found ways out of the crisis and react on the trend to discounts. Therefore the study also wants to show how successful marketing approaches for organic products are able to earn success also in periods of restricted economic preconditions which concerns whole Europe at the moment. In the following the factors for a successful marketing of organic products are listed.

- ➔ Visions, objectives or strategies referring organic products are defined and regularly controlled
- ➔ Active networking within the total national and international organic sector
- ➔ Independent team /persons for the development of the organic assortment exist
- ➔ Staff education referring organic products
- ➔ Conducting of market research referring organic products
- ➔ Offer of an attractive size of the organic assortment
- ➔ Good quality of organic products
- ➔ Outstanding role of the organic assortment within the communication
- ➔ Clear pointing out of organic products at the PoS
- ➔ Moderate price premiums

Compared to the former FiBL supermarket study of 2000, the marketing and the organisation of organic products improved in the European retail sector. Especially the size of organic assortments were enlarged and the visibility of organic products in the stores were improved. The majority of retail chains uses customer guide systems or other marking elements for marking organic products today. In addition the communication outside the PoS increased.

Nevertheless there are still some lacks in marketing organic products. Seldom the companies define visions, objectives for selling organic products or use a benchmarking system referring organic products. It leads to the conclusion that the organic assortment for many companies plays not a dominating strategic role. Another problem in marketing are the often too high price premiums or bad price images of organic products, which can be considered as the most important barrier for consumers not to buy organic items.

1 Introduction

In the beginning organic products have been sold at farm gates or at weekly markets. Soon they became part of the range at health food shops. In addition special organic shops have been established. The retail chains played no role in selling organic products first. In the end of the 70s the first retailers in Europe started to offer some organic products. But an often unattractive quality and high prices prevented an increasing demand. So only a few retail chains continued to offer organic items and others dropped them out of the assortment again. With an increasing health and environmental conscious and the upcoming of food scandals, the consumer demanded more environmental friendly products in the late 80s and the 90s. The retail chains reacted on it, especially after the appearing of BSE in almost whole Europe and today nearly every supermarket sells organic products, even the discounters.

At the most European countries the retail sector is the main sales channel for organic products. But nevertheless the importance differs. There are countries in which more than 70% of the organic volumes are sold at retail chains, like in Denmark or Switzerland. On the other hand there are many countries where the specialised organic trade (Germany) or the direct marketing is very important and retail chains sell less than 40% of all organic volumes.

HAMM et al. (2002) observed that the latter countries often have a small market share of organic products, whereas the countries with a dominant retail sector on the organic market reach market shares of organic articles up to 5%. It seems to be a success factor for the organic sector if the products are mostly sold at general food stores. Firstly because every consumer is addressed and organic and general shopping can be done in one area. Secondly the price premiums between organic and conventional products are often reduced because the scale advantages and the effective logistic system of the retail chains are used. Organic products become more usual for retailers and consumers.

In the last years, the retail sector gained in importance as sales channel for organic items, also in these countries, where the special organic shops dominated. But the size of the assortment and the engagement of the companies varies a lot. This is less based on national or local conditions, but depending on the individual specialities and differences of the enterprises and also the emphasised topics within the company's policy. It is a matter of the marketing and the organisation of the organic sales what will lead to success.

FiBL provides with its second issue of an European supermarket study a document which aims to inform organic and conventional market actors as well as consultants and scientific people, which are involved in the organic sector. The study just wants to give an broad overview about the current situation on the main European organic markets and the meaning of their main sellers of organic products. The study concentrates mainly on the selling and marketing strategies and activities of supermarket chains, not on purchase activities or strategies.

The FiBL supermarket study 2002 is accompanied and edited for the first time together by the German consultant groups *Synergie* and *ecozept*. The study is incorporated into a common series of studies of these three institutions, which alternate will present in a two year rotation sector reports about marketing activities concerning organic food of retail chains and specialised shops (natural food shops, health food shops).

The given information and personal evaluations of the organic market sector and the role of the national supermarket chains mainly bases on the helpful assignment of national and international organic market experts and retailer decision makers as well as on German and Dutch students, which studied the most of the focussed countries and supermarkets during their diploma or bachelor thesis. The authors would like to thank all these persons for their outstanding willingness to assist.

1.1 Objective and studied Countries

The study describes the current situation of the organic markets in Europe and the main development paths of retail chains referring organic products. In special it should light up the role of the retail chains within the national organic markets.

National case studies on the main retailing sellers of organic products point out the currently used marketing approaches and measures to sell organic products as well as the structure of marketing organisation for the organic product lines within the companies.

As the current European recession constrains the growth of organic sales the retailers have found ways out of the crisis and react on the trend to discounts. Therefore the study also wants to show how successful marketing approaches for organic products are able to earn success also in periods of restricted economic preconditions which concerns whole Europe at the moment.

The study investigates the situation of the organic market and the activity of the retail chains in selected European countries (see figure 1)

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

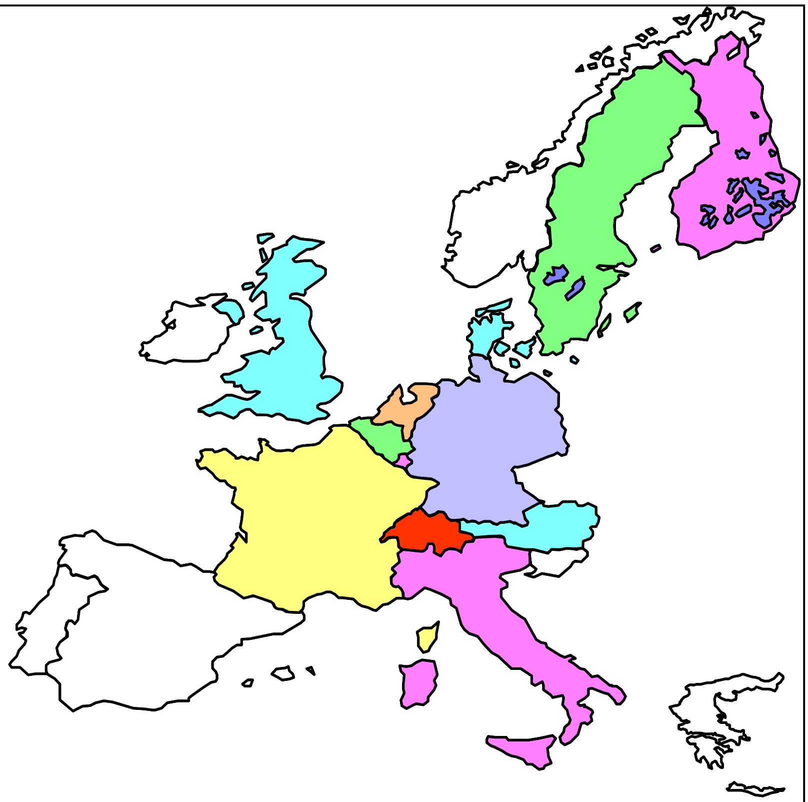


Figure 1: Countries which were studied within the FiBL supermarket study 2002

(Source: Own figure)

These countries were considered by the team of authors as currently most relevant European organic markets which are driven by retailer activities. By this the number of studied countries was enlarged from 6 to 11 countries since the last issue of the FiBL supermarket study. For the next issue in 2004 it is planned to expand the number of countries further.

1.2 Methodologies and selected Retail Chains

The given information of this study are based on results of different used methodologies (see figure 2):

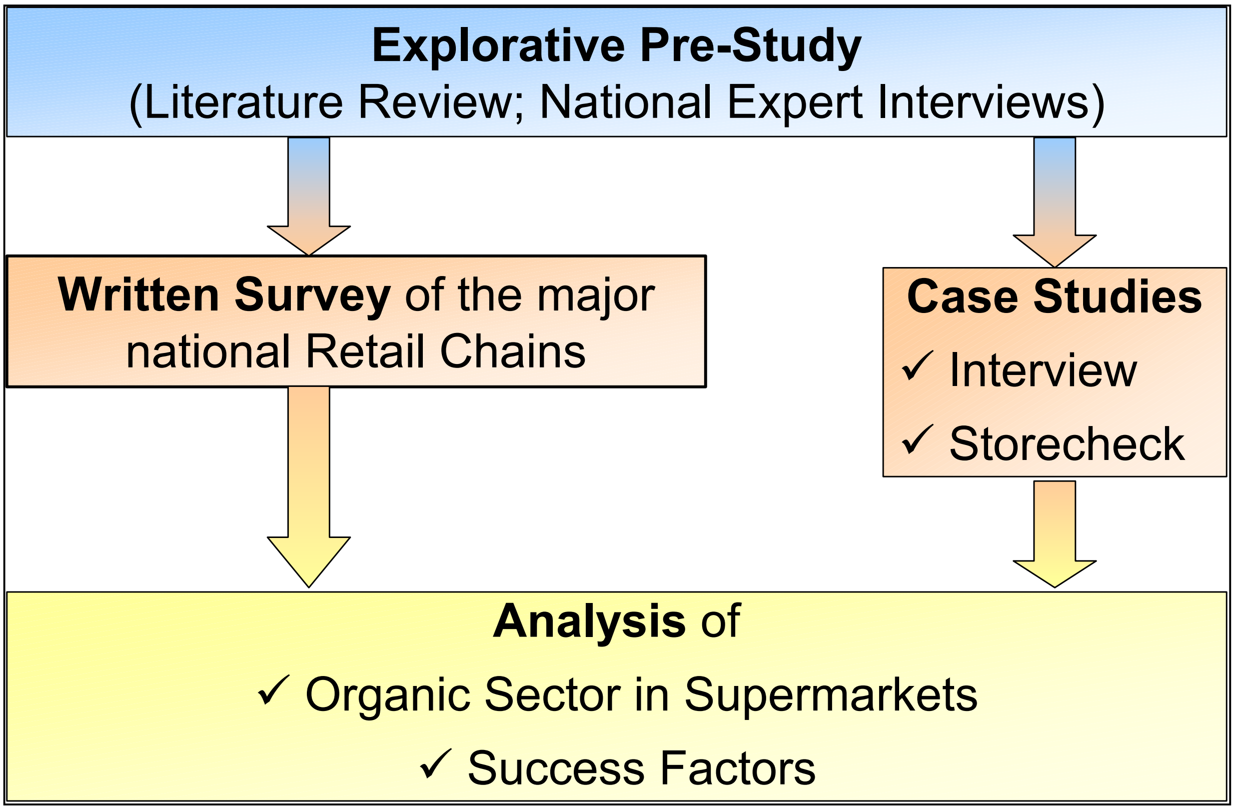


Figure 2: Used methodologies for the FiBL supermarket study 2002

(Source: Own figure)

Initially a literature study was undertaken which identified all relevant secondary documentation relating to the involvement of retail chains with organic foods. The literature review aimed on mainly two objectives:

1. to get relevant information about the national retailing sectors and to get hints about interesting case study retailers.
2. to give an overview about the development of the national organic markets and their specifics (structure, strengths and weaknesses points in the political and social environment, consumer behaviour, estimations about the future development).

The interviewed experts are professionally involved in the fields of scientific or business market research, of certification, of advice or producer organisations with regard to the organic sector. Their statements date up the information of the literature review and comment the case study results from a (quite) neutral point of view.

In each country the 5-10 biggest retail chains have been interviewed by a written survey. The target of this survey is to get a broad overview about the organic marketing activities of the biggest national retailer, which take an important influence on the development within the organic sector. Data form these companies were collected concerning the current and future size of the organic items within the assortment, the composition of the organic product turnover, the ranked reasons why the companies provide organic products as well as information about the internal organisation structure of the organic product marketing. The rate of return of questionnaires differed by country extremely. There was a quite good rate of return in countries like Germany, Denmark and Switzerland, but in many countries just few questionnaires were sent back. Especially those chains which offer only less organic products (e.g. discounter) or which regard the organic development as marginal did not respond to the survey.

The case studies of selected supermarket chains are the main parts of the study. Supermarket chains were considered as a case study if they were able to satisfy a criterion consisting of the following factors. The *size* (total food turnover and market share) of the company was a prime factor in selection. It was possible to determine these characteristics from external observation and industry publications. It was also important to include those chains amongst large retailers that have fulfilled a *pioneering role* with respect to organic marketing and illustrate a *commitment to organic food* or have an *original approach* to marketing organic food. It was considered that this criterion would provide the most important and interesting cases.

For each of the case studies, interviews with the people responsible for the organic product line were conducted where possible. Additionally, store checks were conducted in outlets of each of the case study retailers. These were designed to see how the retailers implemented their communicated “organic commitment” and to look mainly for the placement of organic products and their style and quality of presentation. The number of store checks per retail chain is not representative. Nevertheless they are able to illustrate, whether organic items are more or less strategically important for the company or not.

In comparison to the FiBL supermarket study 2000, the current study renounces on case studies of specialised organic supermarkets.

The following retail chains are specifically focussed at the study (table 1).

Table 1: Retail chains which were studied within the FiBL supermarket study 2002

Country	Company	Sources: Case Study Research	Sources: Literature / Expert Interviews / Written Interviews
Austria	Billa	-	X
	Spar	-	X
Belgium	Delhaize	X	X
Denmark	COOP Denmark	X	X
	Dansk Supermarked	X	X
Finland	KESKO	X	X
	SOK	X	X
France	Carrefour	-	X
	Auchan	-	X
	Monoprix	-	X
	Intermarché	-	X
Germany	Edeka	X	X
	Tegut	X	X
	Bremke & Hoerster	X	X
	Feneberg	X	X
Great Britain	Tesco	-	X
	Sainsbury`s	-	X
	Waitrose	-	X
Italy	Esselunga	X	X
Netherlands	Albert Heijn	X	X
Sweden	COOP Sweden	X	X
	Hemköp	X	X
	ICA	X	X
Switzerland	COOP Switzerland	X	X
	Migros	X	X

(Source: Own table) *X = used source*

The following report consists of 11 country reports. Each chapter describes the current situation and the future prospects for the national organic food markets. Afterwards the companies which have been described by case studies are compared and analysed according to success factors for marketing organic products.

2 Country Reports

2.1 Austria

The country report about Austria is based on secondary information out of literature, the internet and statements of three national experts (Herbert Allerstorfer, former board member of the Austrian producer organisation *Ernte für das Leben*, Engelbert Sperl, chief executive officer of the regional organisation *Ernte für das Leben* in Lower Austria and Vienna and Markus Schermer of the *Institute of High Mountain Research and Alpine Agriculture and Forestry*. The retail chains in Austria refused taking part at the inquiry and to give latest information. They did not send back the questionnaires about their activities on the organic market and rejected deeper interviews about the marketing organisation of organic products. Only the company *Zielpunkt*, part of the *Tengelmann-Group* took part on the survey.

2.1.1 Development of the Organic Sector

In Austria the first organic farms have been established in the late 20s. From then on the number grew slowly but continuously. In the beginning of the 90s the Austrian organic boom phase started. In 1989 three provinces introduced subsidies and in 1991 the Austrian *Federal Ministry of Agriculture and Forestry* followed by national conversion subsidies. In 1995 the agri-environmental programme (*Austrian National Aid Programme for the Promotion of Extensive Farming which protects the Natural Living Conditions*) has been set up, which lead to increasing support for environmental-friendly cultivation and therefore for organic agriculture (www.organic-europe.net, 2003).

Beside the state, the retail chains and the food processors influenced the development of organic agriculture by promoting organic products. Organic agriculture and the products became linked with the feeling of vitality and the preservation of the Austrian landscape and culture. Therefore consumers accepted and supported organic agriculture (www.organic-europe.net, 2003).

In 2000 some organic farms which have not been organised in one of the producer organisations, but cultivated according EU-regulations for organic agriculture changed back to conventional methods. Although the number of organic farms decreased, the organic area grew continuously (MERGILI et al., 2002). In the end of 2001 the organically cultivated area amounted to 285.500 ha which is 11.3% of the total agricultural area. 18.292 farms, 9.1% of all farms have been totally organic or under conversion (www.organic-europe.net, 2003). The development of the organic farms is shown in figure 3.

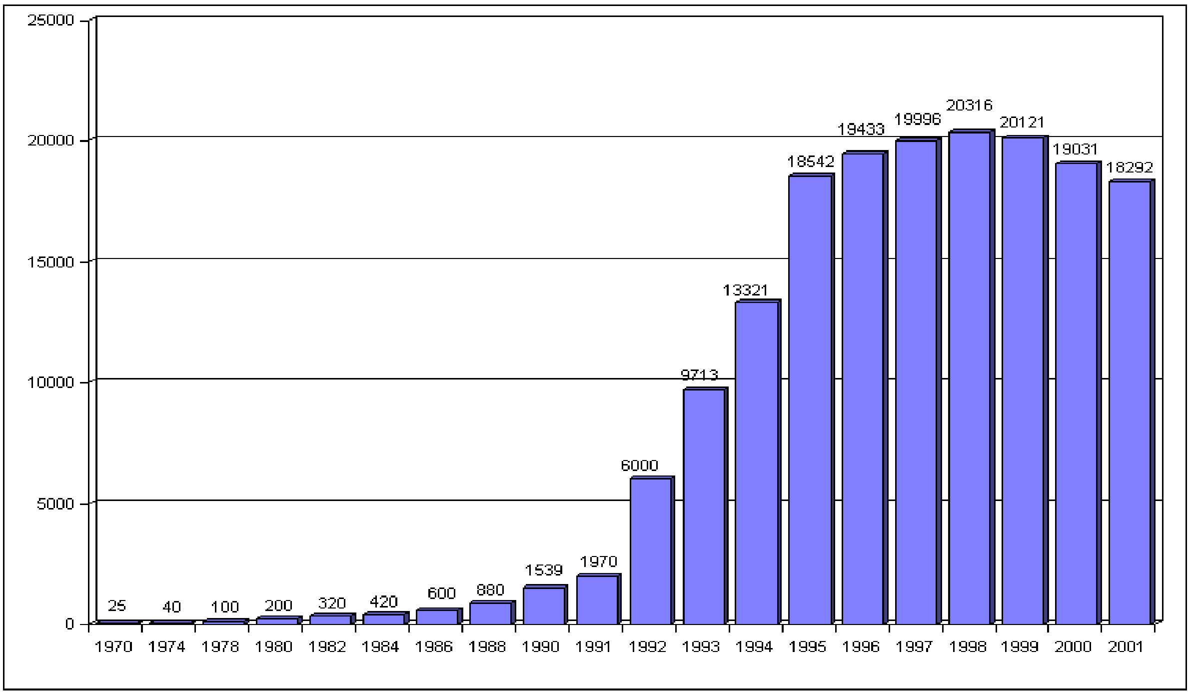


Figure 3: Development of the number of organic farms in Austria

(Source: Austrian Ministry of Agriculture and organic producer organisations, 2000, www.organic-europe.net, 2003)

In 2002 more than 500 farmers converted to organic agriculture which increased the agricultural area by 18.000 ha (www.bioinformation.at, 2003).

In 1994 the *Ministry of Agriculture and Forestry* introduced the *Austria Bio-Zeichen* (Austrian Organic Label). A version for 100% Austrian products and one for foreign ones has been established (figure 4).

Figure 4: Austrian state label

(Source: AMA Marketing GesmbH)

In 2001 the Austrian Ministry of Agriculture and the organic federation *ARGE-Biolandbau* (Consortium organic agriculture) proposed a promotion concept for organic agriculture in Austria concerning consumer information, marketing, training, advice and research (www.organic-europe.net). With the *Aktionsprogramm Biologische Landwirtschaft*, an action plan for organic agriculture for 2001 and 2002, some measures in education, research and support have been introduced. In addition the use of organic products in public institutions increased and a marketing concept for organic articles has been developed. The programme is continued in 2003/04 (MERGILI et al., 2002).

The organic farmers are organised in different producer organisations, of which *Ernte für das Leben* is the strongest one with more than 90% of all Austrian organic farmers. Two umbrella organisations for the different producer associations have been founded: *ARGE Bio-Landbau* (with the majority of the producers) and the *OeIG (Austrian Association for Biological Agriculture*) (www.organic-europe.net).

2.1.2 The Market for Organic Products

Market Shares of Organic Products

The market share of organic products is approximately 3% of Austria`s total food market. The sum is estimated up to 218 million EUR (www.organic-europe.net). The market growth in 2001 has been 25% (MERGILI et al., 2002).

The most important organic products are milk, cereals and vegetables like carrots, onions and potatoes (ALLERSTORFER, 2002). 12% of the produced milk has been organic in 2001 (MERGILI et al., 2002). Organic milk is over-supplied in Austria (ALLERSTORFER, 2002), therefore the price differences are quite small. The choice is broad and the quality good which leads to the success of organic milk products (SPERL, 2002). Baby food is another major product in the organic assortment and almost everywhere offered in organic quality (SCHERMER, 2002).

Sales Channels and their Significance

Retail chains are the main sales channel for organic products with a market share of more than 70%. Direct sales and weekly markets also play a major role with 15% of the total organic food sales (HAMM et al., 2002 and ALLERSTORFER, 2002) (table 2).

Table 2: Sales channels for organic products in Austria in 2000

Sales Channels	Share of Total Organic Food Sales
Retail sector	72%
Direct sales and weekly markets	15%
Organic food and health food shops	8%
Bakers and butchers	2%
Restaurants and canteens	3%

(Source: HAMM et al., 2002)

Before 1994, direct marketing was the main sales channel for organic food with about 80%. The introduction of organic products at *Billa* led to a broad penetration of organic products in supermarkets. This pioneer role can also be considered as a success factor for *Billa* because it is the most important retail chain in selling organic food today, followed by *Spar*. Though *Adeg* (the Austrian *Edeka*) offers organic products with the label *bio+,* a processor and producer brand, they have to organise the organic sector first and have only a small turnover of organic products. *Hofer* (the Austrian *Aldi*) introduced the organic assortment in 2001 with the own organic line *Natur Aktiv* and is a big competitor for all other chains because it plans to increase the assortment (ALLERSTORFER, 2002) by 25% (www.ernte.at, 2003).

Some small regional retail chains also reach importance, e.g. *Maximarkt*, *Uni-Markt* or *Einpreis*. They do not offer organic products with own retailer brands and therefore they are interesting co-operation partners for farmers (SCHERMER, 2002).

Price Differences

The average consumer price premium in Austria amounts to 59.3% (HAMM et al., 2002). The price differences depend strongly on the conventional comparable product. Some examples of single products and their price differences to conventional articles are given in the following table 3.

Table 3: Price premiums for organic products in Austria in 2001

Products	Milk	Cheese	Potatoes	Eggs	Carrots
Price Premiums	27%	15%	34%	23%	82%

(Source: HAMM et al., 2002, p. 104)

At milk products and eggs the price premiums are quite moderate. Partly organic products are as expensive as conventional premium products (SPERL, 2002).

The majority of consumers is not willed to pay more than 25% extra charges for organic items (ALLERSTORFER, 2002). Resulting from organic scandals like Nitrofen and the difficult economical situation in Europe, the will to pay more for organic articles decreased to 13% in the beginning of 2002 (MERGILI et al., 2002). *Hofer* has to be pointed out referring the price policy of retail chains because of the marketing strategy to sell organic products with the cheapest prices (ALLERSTORFER, 2002).

Organic Consumers

72% of the Austrian population buy organic products. Nearly one third belongs to the regular buyers. The majority of buyers are female with 81% of the organic consumers. The most persons are between 40-49 years old and have a higher education. The income and the living area do not influence the buying behaviour for organic products (www.vetline.de, 2002).

Consumers in Austria mostly trust in the organic origin of the products. Nevertheless distrust belongs to the barriers of buying organic items. Further reasons not to buy organic products are the price differences, the equal quality to conventional items, the lacking taste, the short shelf life, the bad display in the stores and the small choice. The motives to buy organic products are the reason of health and care for environment, the better taste, the support for the own region and the trust in the farmers. Referring the different motivations consisting of egoistic and altruistic ones, there are different profiles of consumers. The ones care about nutrition and health, the second emphasise the environment, the landscape and the agriculture and the thirds have a higher education and a higher income and prefer good and special products (ALLERSTORFER, 2002). The main motivation for 63% of the Austrians is the positive influence on health (www.vetline.de, 2003).

Prospect Organic Market 2005

At fruits, vegetables and convenience products there is a strong growth potential for the future. The organic food sales in the conventional retail trade could reach market shares up to 15-20% until 2005 at some regions (SPERL, 2002). The importance of public canteens as distribution channel will increase because of the governmental target to reach 30% organic volumes until 2006. The sales in retail chains could increase by communicating organic products with the topic of local origin (SCHERMER, 2002).

2.1.3 Organic Products in Retail Chains

The Austrian food market is quite concentrated. The two biggest retail chains *Billa* (Rewe Austria) and *SPAR Austria* take more than 50% of the total food turnover and the four most important retailers are responsible for more than 80% of the sales. The following table 4 gives an overview about the top six of the Austrian retail sector including the annual turnover in 2001 and the turnover percentages relating to food.

Table 4: Overview about the retail sector in Austria in 2001

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
Billa (Rewe Austria)	4232	33.4	33.4
SPAR Austria	2872	22.7	56.1
Hofer (Aldi Austria)	1635	12.9	69.0
Adeg (Edeka Austria)	1589	12.5	81.5
Tengelmann Austria	570	4.5	86.0
Metro Austria	496	3.9	89.9

(Source: M+M Eurodata, 2001)

<u>Billa</u>

Billa has been founded in the 1960s. The name *Billa* is a conglomeration out of "**bil**liger **La**den" (cheap shop). Since 1996 it belongs to the German *Rewe*-group (www.billa.at, 2003). In total there are about 950 outlets in Austria (www.ciao.at, 2003).

Billa is the most successful retail chain in selling organic products. In 1994 they started to sell organic products with the own brand *Ja!Natürlich* (Yes!Naturally) (figure 5). The main motivation to start selling organic food was to avoid eggs from laying batteries and therefore *Billa* started to offer organic free-range eggs. In addition they wanted to loose the negative discount-image by transferring the positive image of organic products referring fidelity, authenticity and health to the markets (ALLERSTORFER, 2002).

Figure 5: *Ja! Natürlich* - Own retailer brand of Billa
(Source: www.ksa.at, 2003)

One advantage of *Billa* is the communication with the local origin of organic products which attracts the Austrian population (SCHERMER, 2002). Further strengths of the company are a professional and innovative organisation, a strong quality orientation and the centralised organisation which allows the marketing of big volumes (ALLERSTORFER, 2002). But this centralised structure is also a disadvantage of the company because everything is depending on one person who is responsible for the organic assortment (SPERL, 2002).

The size of the organic assortment depends on the size of the stores and the shelf meters. Bigger outlets like *Merkur* offer about 350 organic items whereas other smaller stores sell about 150 items (ALLERSTORFER, 2002).

The placement and positioning of *Ja!Natürlich*-articles is the best possible, e.g. by placing the products within the eye-zone within the conventional assortment (ALLERSTORFER, 2002). In addition a part of the grocery and cereals is placed as block (SPERL, 2002).

Figure 6: Taste as marketing theme for organic products at Billa (Source: Reuter)

The communication for the organic trademark is not primarily based on the organic background of the products. This leads to purchases by customers who do not even realise the organic origin, but buy it because of the quality and the image of wellness and health (see figure 6). *Billa* prefers the emotional advertising.

At the point of sale organic products are pointed out by shelf stoppers with the own organic trademark (ALLERSTORFER, 2002) both in the counter and in the shelves (see figure 7)

In addition signs are hanging down from the ceiling (SCHERMER, 2002), posters, flyers and sales promotion with organic farmers promote organic products. Part of the communication is also the own homepage for the organic label www.janatuerlich.at. The communication effort is quite high (SPERL, 2002) as *Billa* distinguishes itself by the organic label (ALLERSTORFER, 2002).

Figure 7: Organic cheese in the counter at Billa
(Source: Reuter)

The name recognition of *Ja!Natürlich* is even higher than the one of the official Austrian organic logo. This is based on a clear positioning of the brand by clear messages. These are the origin of the products by a transparent production, the local focus, the personalisation as the products are signed by the producing farmer or offered at sales promotion in the stores, the freshness of the products and the renouncement of GMO (LAMPERT, 2002).

Staff members are not educated referring the organic assortment (SCHERMER, 2002).

Billa is strongly integrated within the national organic network. The co-operations with the producer organisations are close (SPERL, 2002).

Spar

Spar is the second biggest retail chain in selling organic products in Austria. It has been founded in the 1950s. The chains belonging to *Spar* are *Spar-Markt*, *Spar-Supermarkt*, *Spar-Gourmet*, *Eurospar* and *Interspar* with in total 1499 outlets in Austria (www.spar.at, 2003).

Spar has a better public image than *Billa*. The idea of organic production is more connected with the philosophy of *Spar* as the company has a public image which is connected with environment and local affairs. Unfortunately the motivation within the company is low because there is no responsible person or team to take care for the organic range. Another weak point of *Spar* results from the organisation of the total assortment. It is divided in a basic range which **have to** be offered at all stores, in a potential assortment which **can** be offered at all stores and a third part which **should** be offered. Most of the organic range belongs to the "can-assortment" and therefore the store-owners are free to decide about the range (ALLERSTORFER, 2002)

About 150 organic items with the own retailer label *Natur*pur* (see figure 8) are offered (www.donaukurier.at, 2002). The products are mainly produced and processed in Austria. In addition to the own trademark the state organic label marks the products.

Figure 8: *Natur*pur* – own organic retailer label of Spar

(Source: Spar)

The positioning of the own retailers trademark *Natur*pur* suffers. The products are sold quite cheap (ALLERSTORFER, 2002) and the image of the brand is too boring. *Ja!Natürlich* of *Billa* is a much stronger trademark. The organic products at *Spar* are placed among the conventional assortment, except grocery and cereals which are partly blocked (SPERL, 2002).

Figure 9: Health and vitality as marketing theme of organic products at Spar
(Source: Grimm)

Part of the communication for organic products are public persons, e.g. a well-known female tennis player who promotes organic products at *Spar* by TV-campaigns or posters. The organic production is not the main marketing message, more health and wellness aspects are emphasised (see figure 9). Shelf stoppers with the label *Natur*pur* point organic products out of the conventional assortment in the stores (ALLERSTORFER, 2002). Further the trolleys are used as part of the communication (see figure 10). Displays and ceiling signs are further elements (see figure 11) and the packaging is part of the communication strategy.

The staff members are not trained on organic issues (SCHERMER, 2002).

Figure 10: Trolleys are used for communicating organic products at Spar
(Source: Grimm)

Figure 11: Ceiling signs at organic bread at Spar

(Source: Grimm)

2.2 Belgium

The information is based on written interviews with the retail chains *Lambrechts*, *Match/Louis Delhaize*, *Carrefour* and *Colruyt*. In addition store checks at outlets of *Delhaize*, *Carrefour* and *Colruyt* gave an overview about the implementation of marketing strategies and the presentation of organic products in the markets. Mr. Xavier Ury have been interviewed for further information about *Delhaize*. A literature research as well as comments of the consultant Carol Haest add the information about the country and its companies.

2.2.1 The Development of the Organic Sector

In 1957 a family named Gevaert founded *LIMA*, one of the first organic farming companies in Belgium. Within 20 years *LIMA* grew to be the biggest and most important manufacturer of organic products in the world. In those years it has played an important role in the development of organic produce in Europe. In the next 25 years, the Belgian organic market continued to grow, and although *LIMA* decreased in significance, many other organic farms and sales channels made their entrance.

Now, there are just 630 organic farms in Belgium which are 1% of the total number of farms. In 2002, 0.63% of the agricultural area was cultivated organically (ZMP, 10/02). Between 2000 and 2001 their number has increased by 13.7%. This increase is very necessary, as the supply of organic produce can hardly keep up with the rising demand. The Belgian government strives for increasing this number to 10% by 2010. To succeed in this, together with the *Flemish Platform for the Organic Agriculture,* it has started the campaign “10 on 10 for Organic Agriculture”, which includes the *Week of Organic Agriculture.*

In spite of this intention, last year farms that produced organic food received prices for their organic vegetables that were on an average 15% lower than they were the year before. Such developments arise because the sales channels seem more and more to be choosing cheaper imported products. This allows them to offer the organic products for a lower price in order to reach more potential customers. However, this market strategy has direct consequences for the sale of organic products by farmers. If this trend continues, a negative result will be that conventional farmers will have less and less enthusiasm to convert to organic agriculture.

2.2.2 The Market for Organic Products

Organic Sales

In Europe organic products have an average sales share of about 1.5% of the total food market. The organic sales in Belgium still lie below this average. In 2001 the Belgian turnover of organic products amounted to approximately EUR 175 million. Related to the total food sales in this country of EUR 19.4 billion it means a market share of 0.9%.

The imports include cereals, meat, vegetables and fruit, which are in fact the main outputs of the Belgian organic farms. Processors of organic produce, import the largest part of their organic raw materials. Belgium does itself, however, export large quantities of organically grown greenhouse products such as tomatoes, cucumbers and peppers, and processed products such as rice cakes, soy drinks and desserts, chocolate and cereal-based sweeteners to the rest of Europe.

Among the organic commodities vegetables, fruit and grocery products are the most sold products. Dairy products have a part of some 15%. Figures 12 and 13 show the different product groups as parts of the total consumption of organic plant products and animal products in Belgium in 2000.

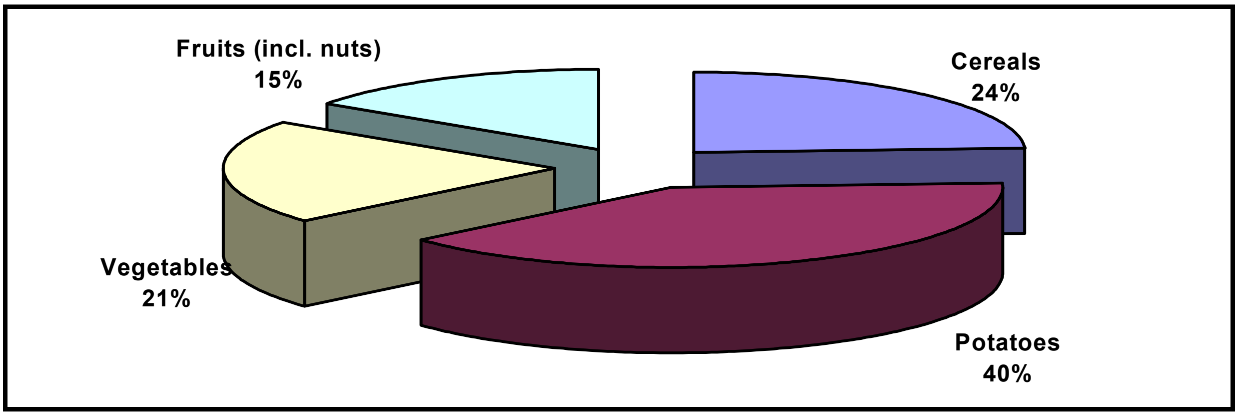


Figure 12: Composition of consumption of organic plant products in 2000
(Source: Hamm et al., 2002)

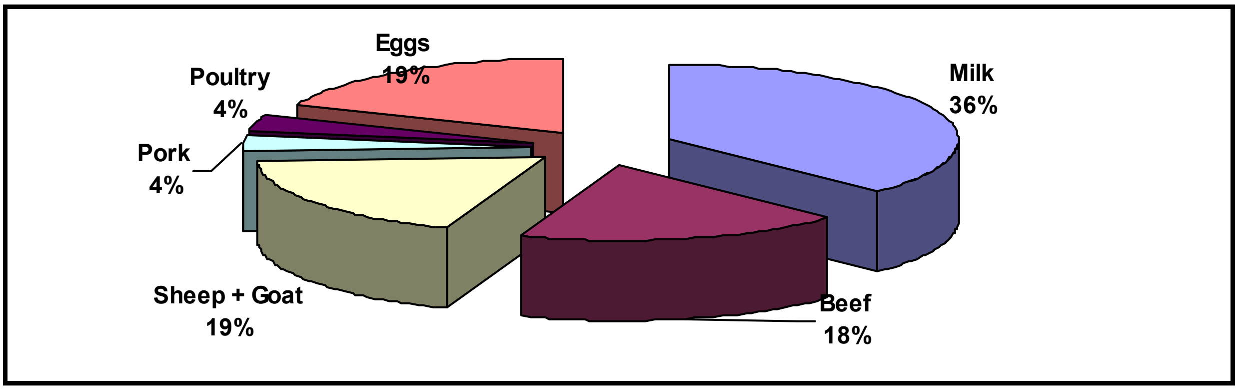


Figure 13: Composition of the consumption of organic animal products in 2000
(Source: Hamm et al., 2002)

Sales Channels

The conventional supermarkets have become essential players on the Belgian market for organic products. Table 5 shows that 41% of all organic products are sold via supermarkets.

Table 5: Sales channels in Belgium in 2000

Sales Channels	Percentage
Conventional retail chains	41%
Organic food and healt food shops	37%
Direct Sales and weekly markets	20%
Others	2%

(Source: HAMM et al., 2002)

The sales via the retail sector are growing fast. Mostly is realised by non-conventional specialised store concepts, that are part of conventional supermarket chains. Until now, there are two examples of organic supermarkets which belong to conventional retail chains: *Bio Square* from *Delhaize* and *Bio Planet* from *Colruyt*. In spite of their small number, these concepts deserve to be taken very seriously. This type of specialised store may come to play an important role on the organic market. Its advantage lies in its ability to use the strengths of the conventional retail, such as purchase power, logistics, management and communication, without having to suffer from the typical weaknesses: mixing of conventional and organic goods, low diversity in the organic assortment and insufficient product care.

Another sales channel of significance are organic shops. These exist in many different variations, and the number is considerable. Further there are direct-farm sales and weekly organic markets. It is expected that in the future also the internet, catering and restaurants will come to play a role in the marketing of organic products.

The Organic Consumer

A research performed by a university in Belgium shows that most consumers of organic food are inhabitants of cities and female. They are between 24 and 45 years of age and have children. Their levels of education and income are higher than average. The main motivation for these people to choose organic is health. Reasons such as preserving the environment and personal conviction come second. Organic idealism is not what moves Belgian consumers, only 2% buy organic products purely to support organic agriculture. The food is mostly bought in supermarkets and wholefood stores. Among the organic products the most popular are meat, eggs, vegetables and fruit.

Price Levels

‘Organic means expensive’, is what many people still have in mind. And often enough this statement is based on the truth. In Belgium the price strategy is not transparent. In order to have more influence on price levels, organic organisations try to gain a better insight into the composition of the prices. General price differences in comparison to conventional products differ from an additional 15% to no less than 200%. Fruits, vegetables and meat products are among the most expensive organic food. In supermarkets the average price level of organic goods is a bit lower, especially the products of the own organic retailer label. However, in the specialised organic stores that are owned by conventional supermarkets the prices are somewhat higher than in the regular chain stores.

Market Perspectives

The organic trade is likely to continue growing with an annual average of 30%, just like it did in the years 2000 and 2001, although a decline in the Belgian economy may have lower growth rates as a result. In any case the threshold of 1% market share of organic products in the foodstuff market will undoubtedly soon be crossed. Important reasons for this growth are that people become more and more concerned for the environment, the safety of food and their own health.

2.2.3 Organic Products in Retail Chains

Table 6 gives an overview about the retail sector in Belgium.

Table 6: Overview about the retail sector in Belgium in 2001

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
Carrefour	3956	26.0%	26.0%
Delhaize	3297	21.6%	47.6%
Colruyt	2102	13.8	61.4%
Louis Delhaize/Match	1332	8.7%	70.1%
Aldi	1265	8.3%	78.4%
Laurus	759	5.0	83.4%

(Source: M+M Eurodata, 2001)

In Belgium there are four conventional retailers that seriously occupy themselves with organic agriculture: *Delhaize 'le lion'*, *Carrefour, Colruyt* and *Match/Louis Delhaize*. Of these four, *Delhaize* can be considered as the national pioneer. Other companies that sell organic products are *Laurus* and in a minor way *Lambrechts*. *Makro* and *Huyghebaert* do have an organic product range, but these are practically negligible and will not see development in the near future.

<u>Carrefour</u>

The French chain *Carrefour* controls more than a quarter of the total food market in Belgium. Its turnover in 2001 amounted to nearly EUR 4 billion. The organic products that were sold by *Carrefour* were responsible for approximately EUR 30 million in 2001.

In 2002 *Carrefour*'s organic assortment has rather been decreased in size than that it has been further developed. Currently, the company has 236 different types of organic items, of which respectively fruit and vegetables, grocery, meat and soy products take up the greatest part. However, a store check in Brussels showed that essential vegetables such as potatoes, onions and carrots could not be counted among them. But the situation that is illustrated here may soon be changed, since the company plans to replace its assortment with a wholly renewed product range.

In four fifths of all supermarkets is at least 75% of the organic product range available. The organic goods have mostly been placed between the conventional ones. The customer can recognise them by way of differences in colour or in label. Besides organic brands such as *Bjorg* and *Pur Natur, Carrefour* applies an organic label of its own: *GB Bio*, existing since 1999 (figure 14). Means that help people notice these products are leaflets, advertisements and bargain prices. 10% of the marketing budget is spent on promoting the organic assortment.

Figure 14: *GB Bio* – Organic label of Carrefour Belgium (Source: www.carrefour.be, 2003)

As mentioned before, the future of organic products in *Carrefour*-supermarkets appears quite promising. *Carrefour* is dedicated to increase organic activity within its supermarket chain. The new product range will be wider and more uniform. This last aspect will lead to a lower number of different trademarks. Communication becomes more general. The enterprise estimates that the organic part of its turnover in three years will be no less than 5%. *Carrefour* thinks that this can be mainly attained by renewed interest of the consumer, lower prices and optimisation of the organic product range.

Colruyt

Colruyt is a family owned company with about 150 shops throughout Belgium. The supermarket chain applies a low price strategy in its policy.

The organic product range of *Colruyt* consists of 312 different product types. Figure 15 shows the composition of the assortment by product group. During a visit to one of the chain stores, however, fresh organic milk and meat could not be discovered among them.

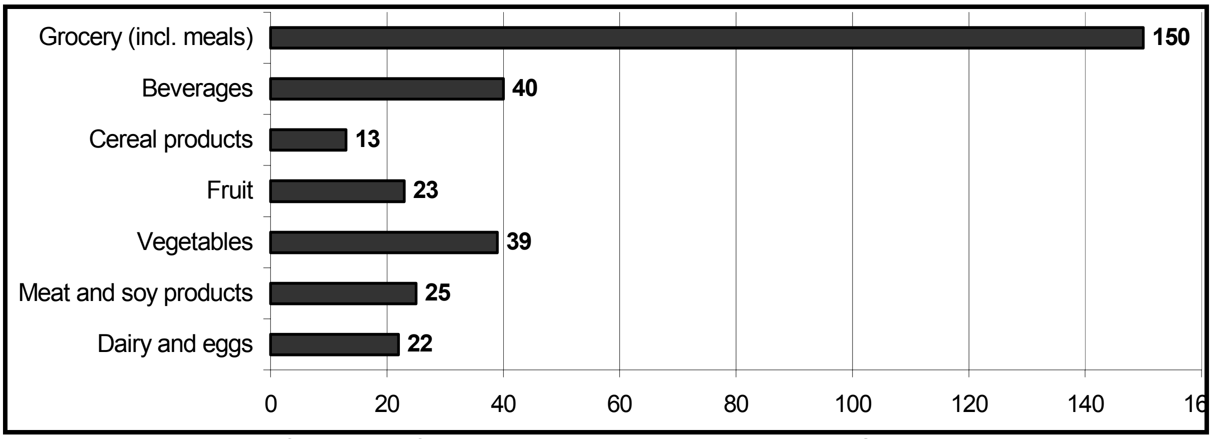


Figure 15: The number of organic references within each product group at Colruyt (Source: Abbink, de Vries, 2002)

Shelf cards with the title *Bio garantie* (“Organic guarantee”) and *Colruyt*’s own label *Bio-time* (existing since 1998) distinguish the organic goods from the conventional range. Also within product management there is made a distinction: there is partially independent management for organic products. Differences in price compared to the ‘common’ products vary much, from cheaper to an extra 50%.

85% of the chain stores house more than three quarters of the organic range. *Colruyt* is owner of the only genuine (approximately) all- organic supermarket in Belgium: *Bio Planet* (figure 16). The company`s own specialised store was established in August 2001. *Bio Planet* is 1000 m² in size and has more than 7000 organic items. There can be bought many different organic food types, as well as a whole range of ecological non-food products. In the long term *Colruyt* plans to open 30 of these organic supermarkets in Belgium.

Planet* of Colruyt Figure 16: Organic supermarket *Bio
(Source: Bioplanet)

Colruyt estimates that in 2005 about 5% of its total turnover of foodstuff will be realised by sale of organic commodities. In the field of organic supermarkets will have significantly more success than whole-food and health shops, which are still relatively cut up. Still, the company is less optimistic with respect to the organic market in the whole of Belgium, estimating it on two per cent of the total food market in three years.

Match/Louis Delhaize

Match is a supermarket chain that is part of the *Louis Delhaize Group*, to which also the enterprise *Cora* belongs. The *Louis Delhaize G*roup is number four in Belgium, with a market share of 8.7% in 2001. This is equivalent to a turnover of EUR 1.3 billion. Concerning *Match,* 0.5% of its sales in 2001 was represented by organic products. But in 2002 this percentage increased to 0.8%.

The growth is a consequence of *Match*`s commitment to pay more attention to organic products and develop its organic assortment. Its strategy with regard to organic products has changed. As opposed to the former subdivision of organic products within the existing category system, it changed to an independent organic product management in 2002.

The number of organic references within each product group was estimated for 2002 as good as be doubled, resulting in an increase from 200 to 375 product types. *Match* sells the products of about 50 brands, but it has no organic trademark of its own. The communication toward the customers changes as well, among other things by having some separate shelves for organic goods. The training of the personnel referring organic products is planned to be improved, too.

The development also entails that about 70% of the chain stores offer the major part of the organic product range. In 2001 this was only 20%. The prices will be lowered and thus more able to compete with the ‘conventional’ prices. *Match* expects that among other things better information supply toward the public will help organic sale in general to rise quickly. The enterprise strives to have in 2005 an organic turnover that is at least 2.5% of its total turnover of food products. Important to consider is that *Match’*s organic articles are for 70% fresh ones, and the company attaches special value to fresh products.

Lambrechts

Compared to the preceding retail chains *Lambrechts* is a small player on the market. In fact, it is no supermarket and can better be described as a mini-market. Most of its shops are located in smaller communities and rural areas. Less than 1% of the turnover can be assigned to its organic range. This range is made up of 18 fixed products. Meat, vegetables and fruits are not among them. These products are ordered directly from the suppliers by the store managers, in order to offer them as fresh as possible to the customers.

Occasionally *Lambrechts* uses the 'shop in shop' principle for its organic range by putting them at a separate department within the store. But apart from this there is hardly made any distinction between the organic and the conventional commodities. The major part of the organic items is only available in 10% of all chain stores. This results, according to *Lambrechts,* from a limited store area. There is not any promotion for the company's organic products, nor will this be in the near future, as *Lambrechts* will not be proactively developing its organic assortment.

Delhaize 'le lion'

The supermarket chain *Delhaize 'le lion'* is part of the *Delhaize Group*, which has its headquarters in Brussels. The *Delhaize Group* is active in 11 countries in the continents of Europe, Asia and North-America. At the end of 2001 more than 2500 selling points of the company could be counted. It is the biggest Belgian enterprise with regard to consolidated turnover.

In Belgium *Delhaize* is the second biggest retail chain, behind *Carrefour*. Its 2001 turnover in Belgium regarding food was EUR 3.3 billion. But worldwide the *Delhaize Group* sold for no less than EUR 21 billion. The company does not, however, consider *Carrefour* to be its biggest competitor in Belgium, but the smaller food shops are the real competitors.

To reach many different target groups the enterprise has developed several different formulas. In total the *Delhaize Group* has about 650 stores in Belgium, of which 119 are *Delhaize 'le lion'* supermarkets. The remaining part exists of the following store types:

- *AD Delhaize*: almost 200 independent supermarkets
- *Proxy Delhaize*: smaller stores in less densely populated areas
- *City Delhaize*: outlets that are located in the centre of Brussels
- *Shop'n Go*: convenience stores at *Q8* petrol stations
- *Di:* drug stores
- *Tom & Co*: shops with pets and animal food

Delhaize's objective is to be in the top three of every sector in every country in which it operates. But also ethical and social elements have an important meaning for the enterprise. It is aware of its place in the society, and attaches much value to the health of the consumer. This means that organic produce plays an important role in the company policy, and will do so even more in the future. In 2000 organic products had a share of 2% in *Delhaize* sales in Belgium. Organic sales increased by 12% in 2002 (Organic newsline, 01/03).

Organisation

The person within *Delhaize* that is mostly responsible for the development of the organic product range is Xavier Ury, director of purchases development. This fast development has been and is made possible in co-operation with Carol Haest, an expert in the field of organic products. Besides that, *Delhaize* also participates in several organic organisations, such as *IFOAM*.

The organic goods have been put within the common category system, which means that e.g. the dairy manager occupies himself with conventional as well as organic dairy products.

Delhaize used to apply independent product management for organic fruits and vegetables, but this has recently been changed.

Product Policy

The organic assortment has seen fast growth, from 150 items in 1999 to around 600 in 2002 (ZMP, 01/03). The company strives to have an as wide and clear offer as possible in each product group. *Delhaize* wants to be associated with quality in each and everything it does. Therefore the organic items always have the best available quality, not only in taste but also optically and in smell. *Delhaize* applies strict standards. To maintain general aspect of quality, the supermarket chain has a department of five people who conduct tests on the articles. This department operates independently of *Ecocert*, an international inspection organisation in the area of organic products which certify the organic quality of *Delhaize*`s organic products.

Communication Policy

The strength of *Delhaize*'s communication toward the customers lies in the ability to recognise the organic products within the conventional assortment. Four years ago the supermarket chain developed a new packaging for its own organic trademark, simply called 'bio' (figure 17). All organic articles of this trademark carry the same type of label: orange and green, with the word "bio", the control mark "bio garantie" and the logo of *Delhaize*. Further, to distinguish different types of the same product group, there are used different colours for the packaging paper. All around in the store you can find boards and shelf cards in the same style as the label. The result is that this label has become very well-known among the customers. The approach is very simple, but also clear, transparent and very effective.

Figure 17*: bio* - Own organic retailer brand of Delhaize (Source: Delhaize)

The presentation of the own organic trademark products is very good. Besides this own trademark, *Delhaize* also sells organic goods of several other brands (e.g. *il giardino fransiscano* or *Pur Natur*). A store check showed that these marks were significantly less recognisable than *bio Delhaize*.

It seems that *Delhaize* has found a good balance in the positioning and the promoting of the organic products within its outlets. The organic items have mostly been placed between the conventional products. *bio Delhaize* boards assist the customers in finding them (figure 18). Occasionally they can also be found on some separate shelves and in some 'double positions' (the same product type at two different places in the store). Fruits and vegetables have been clearly separated due to statutory regulations. In this way the organic items attract enough attention, also from conventional - and thus potential organic - buyers, without putting them in a separate 'ghetto' within the store. Such a separate position only emphasises the old ‘alternative’ image that some people still have. And that image is in general not really attractive for the ‘ordinary’ consumer.

Within the promotion activities of *Delhaize* the organic products are not more nor less important than the conventional commodities. Big posters, leaflets and *Delhaize*’s own magazine are among the instruments that are used, as well as occasional sample handouts at introductions of new products. Organic items are a group that is quite easy to promote, as being a typical ‘destination category’. *Delhaize*’s managers receive a training twice a year, always aimed at a particular product type or category. As these last ones are numerous, training in ‘organic knowledge’ in particular is limited. Two years ago there was given a training fully dedicated to the organic goods.

Figure 18: Shelve boards at Delhaize (Source: Abbink, de Vries)

Price Policy

In general the prices of the organic products are about 20 - 25% higher than the prices of the conventional ones. In some cases organic items can be cheaper than conventional products. Table 7 shows the price differences of a random selection of articles.

Table 7: Price differences of different organic and conventional products at Delhaize in 2001

Product Type	Price Difference
Cheese	+ 45%
Eggs	+ 14%
Milk	+ 56%
Carrots	+ 145%
Onion	+ 54%
Bread	+ 20%
Jam	+ 15%
Meat	+ 39%
Apples	+ 17%
Bananas	+ 35%

(Source: Abbink, T.; de Vries, E.; 2002)

Delhaize is convinced that it is asking reasonable prices for the organic commodities. Therefore it never does any bargain prices for them. The motto is: ‘everyday fair price’.

Distribution Policy

In all greater and *AD Delhaize* supermarkets the complete organic product range is available for purchase. The other smaller outlets house some 85 to 90% of this range.

There is one outlet within the *Delhaize Group* that trades purely in organic goods. This is *Bio Square,* a franchised specialised store that in 2001 has been established in Ukkel, Brussels. *Bio Square* has an area of about 200 m² and disposes of 2000 different organic items, food and non-food. Referring organic food nearly all thinkable product types are available. Excellent information about organic agriculture is given within the shop (e.g. by pictures of suppliers). In addition there is a corner in which the customer can have a look at relevant internet sites and documentation for free. *Bio Square* is ideally located, in a neighbourhood of high purchasing power and at a usually crowded market square. In its short existence the organic shop has already seen much success, and the concept proves to be a very good strategic move of its initiator *Delhaize.* The enterprise plans to change the name to *Bio Corner.* Still, there are no plans to offer an organic *Delhaize* trademark. Therefore increasing sales encouraged the company to enlarge the organic range in around 500 stores and so bring organic items into the mainstream (www.organicts.com, 2003).

Because of the large volume of the product range, *Delhaize* works together with many different suppliers of organic produce. These suppliers are mainly selected for their quality, not primarily for their prices. *Delhaize* is very satisfied with the co-operation. The company always tries to have as much direct contact with its suppliers as possible.

Organic Market Prospects

The future development depends on many different factors, such as supply, other sales channels and consumer's behaviour. This last aspect does not seem to be a problem, however, as Ury is convinced that people are more and more concerned with what they are eating. It is very well possible that the organic share of *Delhaize*'s turnover in Belgium will have passed the 5% in three years, an amount of about EUR 165 to 170 million. In Belgium as a whole this progress will probably be not equally spectacular, but *Delhaize* still calculates on a total yearly growth of 20 to 50%.

As a result of the ever increasing globalisation, other countries will have reasonable influence on the development of supply and demand of organic products in Belgium. But this can be positive as well as negative, and Ury is certain that there will be sufficient product availability in his country.

It is likely that conventional supermarkets will play a more and more important role in sale of organic produce. *Delhaize* does not believe that all-organic supermarkets like *Bio Planet* will gain much in significance in Belgium. This in contrast to the enterprise's own *Bio Square*. Already, *Bio Planet* is ten times its competitor in size, but only turns over twice as much as *Bio Square* does. The concept of *Bio Square* is very interesting to *Delhaize,* and the retail trader will probably open more examples of this type of shop in Belgium, and perhaps even abroad. Moreover, *Bio Square* also gives *Delhaize* an indication of which products are and are not successful, and thus provides important strategic information.

2.3 Denmark

The following description of the organic food-market in Denmark is based on a literature review, written interviews with six Danish retail chains and case studies of the two biggest retailers *COOP* (formerly *FDB*) and *Dansk Supermarked* (*DS*). The case studies contain personal interviews with the Public Relation managers of both companies (Jens Juul Nielsen (*COOP*) and Poul Guldborg (*DS*)) and store-checks in different markets. The results are commented by an interview of Dr. Niels Heine Kristensen of the *Technical University of Denmark*, professor and national expert for the Danish market of organic products.

2.3.1 Development of the Organic Sector

The development of the organic market in Denmark can be separated in three stages. In the late 70s an intensive development started, followed by a stagnation period since the end of the 90s. In the last years the organic market started to grow again slowly.

Stage 1: Intensive Growth

The following factors influenced the huge development of the organic sector since the end of the 70s:

1. **Governmental Support and Policy**

   By the *Act on Organic Farming* in 1987, the Danish state has been the first country in Europe which introduced national support for organic farming, standards for agriculture, processing, trade and import, a unified inspection and certification and a national organic brand, the ∅-label (figure 19). The government also launched the *Council on Organic Food and Agriculture*, where the state, the organic farmers` organisation, the conventional farmers` organisation, labour organisations, consumers` organisations and today also the biggest Danish retail chain *COOP* meet. 1995 the first *Action Plan for Advancement of Organic Food Production* in Denmark followed and in 1999 the second *Action Plan* for the period of 1999 till 2003 (N∅RFELT, 2001). The state strives for 10% organic farms by 2005, an increasing of 200.000 ha (GARDNER, 1999).

   Figure 19: Danish organic state label (Source: Okologiens hus)

2. **Involvement of the Biggest Danish Retail Chain *FDB* (today *COOP*)**

   FDB (today *COOP*) started to offer organic food in 1978. Other supermarkets (*Dansk Supermarked*) followed at the end of the 80s. 1993 has been the "year zero" for organic products. *FDB* changed the strategy from having high profits on organic products to a so called "discount ecology" and reduced the prices drastically (KRISTENSEN, 2002)

3. **Increasing Consumers` Demand**

   The consumers demanded organic products, because of increasing environmental conscious and health reasons. 75% of the consumers buy organic food occasionally, only 1-2% always buy organic food, whereas 25% never buy organic food.

4. **Co-operation**

   The *Council on Organic Food and Agriculture* is the basis of co-operation between the state, the organic and the conventional farmers` organisation, labour and consumers associations and *COOP*. Especially the relationship between organic and conventional farmers should be pointed out. MICHELSEN et al. (2001) talk about a "creative conflict". They are in continuous contact, co-operate on some issues and compete on some others.

Stage 2: Stagnation

In the end of the 1990s the development slowed down and stagnated. The market has reached a mature stage, the potential for growing has not been as big anymore. Although the competition became stronger, the retail chains neglected their efforts in advertising for organic products. In their view organic has become mainstream, and the needs for further intensive work have not been seen. An important influence on the production sector has been the change of the Danish government, which reduced the conversion aid and did not push organic agriculture as much as before (KRISTENSEN, 2002)

Stage 3: Slowly Growing

Since 2001 the organic market is growing again. The major retail chains refocused their activities: they extended their assortments and created supermarkets with a huge part of organic items, as reaction on upcoming competitors like box schemes. These have to be taken as serious, especially referring organic fruits and vegetables. With a market share of 4%, the retailers also recognised, that there is still a big potential for organic products. Also the state re-won the interest in organic products, and promotes organic production and the food more intensively again. According a FiBL survey from 2002 the actual figures about organic agriculture are:

- 3525 organic farms = 5.58% of all farms in Denmark
- 174.600 ha = 6.51% of the Danish agricultural area.

2.3.2 The Market for Organic Products

Market Shares of Organic Products

Denmark probably has the largest per capita consumption of organic products in whole Europe and the market share of organic products is probably the highest in the world. N∅RFELT (2001) estimates that 4% of the total turnover of food in Denmark accounts to organic products, whereas www.organic-denmark.com (2002) talks of approximately 3.5% of the total food sales in 2001 which is equivalent to about EUR 270 million.

The market shares for single products can be regarded in the following table 8:

Table 8: Market shares of single organic products

Product Group	Market Share
Milk	25.9%
Oats	23.9%
Eggs	16.8%
Carrots	13.9%
Pasta (fresh)	9.0%
Wheat flour	8.8%
Fermented Products	5.0%
Butter and spreads	4.5%
Potatoes	3.6%
Coffee	3.5%
Cheese	1.6%
Beef	1.3%
Frozen vegetables	0.7%

(Source : GfK Consumer Scan, GfK Danmark A/S, 2001)

Milk and oats are the organic products, with the highest market share.

Sales Channels and their Significance

The retail sector is the most important sales channel for organic products in Denmark. Nearly 90% of all organic products are sold via the retail sector (N∅RFELT, 2001), 4% in organic food and health food shops, 7% via direct sales and weekly markets and a disappearing small part at bakers and butchers (HAMM et al., 2002) (table 9). Especially at organic fruits and vegetables box schemes are very important sales channels (KRISTENSEN, 2002).

Table 9: Sales channels for organic products in Denmark in 2000

Sales Channels	Share of Total Organic Food Sales
Retail sector	Nearly 90%
Organic shops and health food shops	4%
Direct sales and weekly markets	7%

(Source: N∅RFELT, 2001 and HAMM et al., 2002)

Price Differences

The average price difference between organic and conventional products is 30% according a study of the Swedish certification body KRAV (FREDRIKSSON, 2002). Dairy products have the smallest price premiums (table 10) as Hamm et al. (2002) found out.

Table 10: Price premiums in Denmark for single products in 2001

Product	Milk	Cheese	Potatoes	Eggs	Carrots
Price Premiums	18%	23%	13%	47%	38%

(Source: HAMM et al., 2002)

Organic Consumer

It is nearly impossible to define the typical Danish organic consumer. In general he is well educated, environmentally conscious and focussed on health and can afford to spend a larger part of their income on food (N∅RFELT, 2001). The majority live in large towns and has small children. The motives for buying organic food are more egoistic (health and quality), than idealistic (environmental reasons and animal welfare) (www.okologiens-hus.dk, 2002). The barriers not to buy organic products are manifold: the high price difference, lacks of quality, small availability, lack of knowledge, small shelf-life, boring appearance, wrong packaging and the fear of being cheated (BECKMANN, 2002).

Prospects Organic Market 2005

The expected and striven market share of organic products in 2005 is 10% (van der GRIJP, den HOND, 1999). Some experts even forecast a national market share of organic products of 25% and others think organic products will become the standard one time and conventional well become the alternative (BECKMANN, 2002*). COOP Denmark* wants to increase the organic sales up to 10% until 2005. *Dansk Supermarked* does not have any specific targets about a future development.

2.3.3 Organic Products in Retail Chains

The six biggest Danish retail chains are pointed out in table 11. The Danish market is quite heterogeneous, with the big players *COOP* and *Dansk Supermarked* and the smaller national retailers *SuperBest, Edeka, Aldi* and *Reitan-Narvesen*. Further some small, regional retail chains exist: *Samköb, Kjaergaard, Jacodan, Dreisler* and *Lövbjerg*.

Table 11: Overview about the Danish retail sector 2001

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
COOP	4219	33.9%	33.9%
Dansk Supermarked	2925	23.5%	57.4%
SuperBest	857	6.9%	64.3%
Edeka Dk	723	5.8%	70.1%
Aldi Dk	550	4.4%	74.5%
Samköb	420	3.4%	77.9%

(Source: M+M Eurodata, 2001)

In the following, the two most important retail chains in selling organic products (*COOP* and *Dansk Supermarked*) are described more detailed.

COOP

General Structure of the Company

COOP is a co-operative society with 1.3 million Danes as members. About 1200 stores of nine different chains belong to *COOP*. *Kvickly* (73 stores), *SuperBrugsen* (300 stores), *DagliBrugsen* (270 stores), *LokalBrugsen* (200 stores), *Fakta* (more than 200 markets), *Irma* (almost 60 stores) and *Obs!* (12 hypermarkets) are the ones, which sell food articles. *COOP* is the biggest Danish retail chain with about 33.9% market share (CO-OP Denmark, 2001).

The main targets of the company are to increase the profit, to increase their customers satisfaction and the safety of food. The latter one is included in their environmental policy.

Organisation of Organic Product Marketing

At *COOP* the category managers of each product group purchase organic products. In addition there is a special manager for political organic affairs who has to represent *COOP* in the *Council of Organic Food and Agriculture*. Further every retail chain of *COOP* has one responsible person who develops the market. Therefore organic products are closely connected with the structure of the company. All these persons are well informed about the organic food market and organic agriculture. *COOP* also educates the personnel in the markets.

Turnover of Organic Products

The market share of organic products referring the total turnover has been 5% in 2001. Compared with 1998, the sales decreased from 5.4% to 5%. The forecasted market share of 12% has not been reached (see trend-study 2000). According *COOP*, the reasons can be found in the lack of new and better products and the decreasing consumers` demand, because of missing environmental scandals. *COOP* itself does not mention the lack in marketing for organic products since 2000. With the change from *FDB* to *COOP* and therefore many changes in the enterprise situation and the human sector, the company came in some economical bottlenecks. The level of earning is too small at the moment, so *COOP*`s first target is to increase the profit and the organic sector is not seen as way out of the crisis. Further influence factors on the turnover are the upcoming of competitors (*Dansk Supermarked*) and the more negative public opinion about *COOP*, because they try to concentrate more power to the central and try to undermine the co-operative structure.

The market shares of single products differ a lot. Dairy products have the highest market share referring all organic sales with 50%. Further vegetables and eggs are products, which are often sold in organic quality (figure 20).

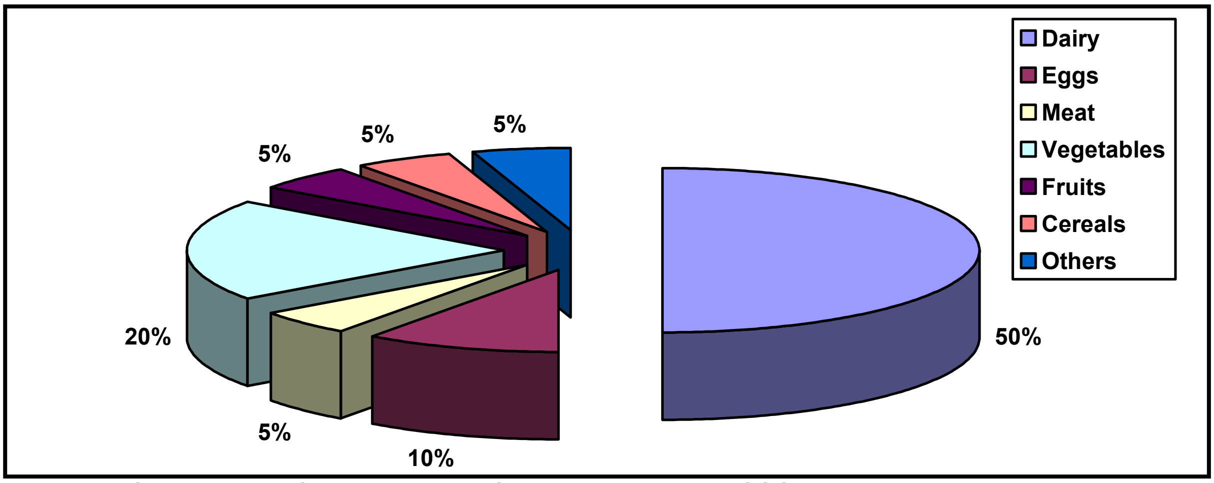


Figure 20: Composition of the total sales of organic products at COOP-Denmark in 2001 (Source: Hempfling, 2003)

Until 2005 *COOP* estimates to reach a market share of 10% for organic products.

Label Policy

1998 *COOP* established the own brand *natura* for organic products (figure 21). The chain *Irma* offers organic articles with the own label *Økologisk Balance*. Both are based on national guidelines for organic agriculture, which are stricter than the EU-regulations. In addition nearly all organic products are labelled with the national Ø-label. Only products from abroad do not bear the latter one. The own organic label is an advertisement measurement for *COOP*. These products can not be bought at another shop, so it is a possibility to bind the consumersto the market. It is also cheaper to advertise a whole label-line, than single products. These advantages are given to the consumers in form of lower prices.

Figure 21: *natura* - organic label of COOP-Denmark (Source: www.coop.dk, 2003)

Communication Policy for Organic Products

COOP`s communication mix consists of advertisement (both in the own newspapers *Samvirke*, in all public media and weekly mail circulars), public relation and sales promotion at the point of sale. The sales promotion is the most important part. It is used with different intensity in the chains. These *SuperBrugsen*-stores, which take part at the programme *Din Økobutik* ("Your environmental store") have a huge amount of sales promotion. Signs are hanging down from the ceiling, on which the concept of *Din Økobutik* or the national label are marketed (figure 22). In addition the price tags of organic products are pointed out by coloured frames and posters. Information material is used and the stuff is trained in organic issues to inform the customers. At *Kvickly* the amount of sales promotion is much smaller and organic articles are more difficult to find within the conventional assortment. Only the organic block *(Økolog Torvet*) is clearly pointed out. *Irma* again presents organic products quite good, by coloured frames around the price tags.

Figure 22: Communication at the PoS at *Din ∅kobutik*
(Source: Hempfling)

Beside the sales promotion and the advertisement, public relation measures are important. The special agreement of *Din ∅kobutik*-outlets with some kindergartens for delivering the whole food in organic quality should be pointed out here. Therefore little children of today, the consumers of tomorrow come in contact with organic food and recognise the advantages. In addition some parents might start buying organic items therefore. For *COOP* there is the big chance to communicate this in public and improve their image.

The total marketing budget for organic products is small at the moment with 5-7% of the whole effort. *COOP* wants to increase this in future.

Organic Range and Price Policy

COOP has the biggest assortment of organic products in Denmark with about 500-800 organic items. The range varies a lot between the single chains. The *Din ∅kobutik*-stores and *Irma* have a high number of organic products, probably both about 800. Some stores seem to offer more organic items, than conventional ones. The other chains, like *Kvickly* or the general *SuperBrugsen*- outlets offer less organic items.

Din ∅kobutik-outlets and *Irma* put great effort in the presentation. Organic products are integrated within the organic assortment, but clearly pointed out (figure 23). Often organic items are put at good selling positions in the shelves.

The price premiums of organic products at *COOP* sway from about 10% up to 40%. Beverages, fruits and vegetables and dairy products have the smallest price differences with about 11-20%. The highest extra charges can be noticed at organic meat with about 40%. The average should be around 10-15%.

Figure 23: Integrated placement with clear visibility of the organic assortment at COOP-Denmark (Source: Hempfling)

Strength and Weak Points in Organic Product Marketing

The weak points of *COOP-Denmark* in selling organic products can be found in the economical situation at the moment. They still try to find solutions for the increasing economical pressure on the Danish retail sector and therefore the organic issues are less important at the moment. This also mirrors the attitude of the headquarters about organic, which is not convinced about the advantages. In addition the own organic label could be used more intensively for communicating organic products.

But anyway, *COOP* is successful in selling organic food and has many strength there. The new programme *Din Økobutik* and the chain *Irma* are important points. They concentrate on organic and distinguish themselves about it. The effort of *COOP* for organic products is still big.

Dansk Supermarked

General Structure of the Company

The chains *f∅tex* (61 stores), *Bilka* (12 outlets) and *netto* (300 markets) belong to *Dansk Supermarked*. *netto* is a discount chain which offers good quality products at attractive prices. *Bilka* is a hypermarket-chain with a big food- and non-food-offer and *f∅tex*-outlets are more quality oriented food-stores. *Dansk Supermarked* is the second biggest Danish retail chain with about 23.5% market share.

Dansk Supermarked has one main target for the next years: to increase growth in every way, by having more stores and selling more goods. Therefore the demand is the decisive factor.

Organisation of Organic Product Marketing

Dansk Supermarked does not have any special division for the organic assortment. The category managers are responsible for purchasing organic items. Neither these, nor the stuff in the store are trained on organic issues. The public relation manager is responsible for promoting organic issues in the public.

Turnover with Organic Products

The organic products with the highest sales referring the total sales of this product are wheat flakes, eggs, milk, fruits and vegetables (table 12).

Table 12: Market shares of different products referring the total sales of this product, 2001

Products	Wheat flakes	Eggs	Milk
Market Shares	40-50%	25-35%	25-35%

(Source: Hempfling, 2003)

Label Policy

Dansk Supermarked does not have an own organic label. They sell organic products with the national ∅. At fruits and vegetables *Dansk Supermarked* uses the wholesaler label *Gardmandens ∅kolgiske* for vegetables (figure 24) and *Frugtavlerens ∅kolgiske* for fruits.

Figure 24: Wholesaler label at Dansk Supermarked (Source: Hempfling)

The wholesaler label makes it easier for consumers to find organic items and to recognise it. According *Dansk Supermarked* regular organic consumers know this brand very well and have high fidelity in it. But the reason for this trust can also be the double-labelling with the state label. In addition to these signs, *Dansk Supermarked* also sells products from abroad with foreign organic labels.

Communication Policy for Organic Products

Dansk Supermarked`s communication strategy is a mixture of sales promotion and advertisement. Sales promotion out of the point of sale mostly consists of weekly mail circulars. At the point of sale there is only a small amount of measurements: the state label on the packages (the only sign to recognise organic articles at *netto*), some signs on the shelves (figure 25) and some signs hanging down from the ceiling with the wholesaler label at *f∅tex* and *Bilka* (figure 24).

Figure 25: Signs at the shelves at f∅tex
(Source: Hempfling)

Part of the communication are also a few product samples at the point of sale. In total the presentation of organic products at *Dansk Supermarked* could be improved. Although *Dansk Supermarked* does not train the stuff in general, each *f∅tex*-outlet has one responsible for the organic assortment, who is well informed about organic issues. The advertisement emphasises adds in newspapers and a few press releases.

The position of the organic line within the communication budget is restricted to its turnover. Organic products amount only to approximately 5% of the total sales, so the marketing effort for organic products is about 5% of the total marketing budget. An increasing volume in future depends on the demand.

Organic Range and Price Policy

The organic assortment at *Dansk Supermarked* consists of 400 items. But as at COOP, the range vary a lot between the single chains. *netto* only offers a small organic assortment of the top selling products (e.g. milk, some cereals, fruits and vegetables). *Bilka,* as big hypermarket, has a large offer. *f∅tex* also offers quite many articles.

The price policy of *Dansk Supermarked* is a low-price strategy, especially at *netto* as discount chain. The limit for the extra charges of organic items is between 15-20%, because above that, the consumers are not willing to buy organic food. The target of *Dansk Supermarked* is to decrease the prices.

Strength and Weak Points in Organic Product Marketing

One strength factor of *Dansk Supermarked*`s organic product marketing is the chain *netto*. Big volumes of organic products are sold there with a high quality, but at low prices (KRISTENSEN, 2002). This combination made former *COOP*-clients start buying at *netto*.

The small effort *Dansk Supermarked* puts in the organic assortment can be regarded as weak point. They only sell organic products according to the demand, but they do not develop the market for a long-term demand actively.

2.4 Finland

The information for this country report results from a literature review about the organic market in Finland, from written interviews with four Finnish retailers and case studies of the two biggest retailers *KESKO* and *SOK*. Saila Grav, Environmental Specialist at *KESKO*, Juhani Ilmola, Environmental Manager of *SOK* and Jussi Mannila, Category Manager of *SOK* have been the interview partners at the companies. The results are commented by statements of the national experts Marika Auersalmi of the *Mikkeli Institute for Rural Research and Training* in Mikkeli and Maarit Virkkala, Marketing Assistant of *Finfood Luomu*.

2.4.1 Development of the Organic Sector

The organic sector in Finland grew tremendously till 2000. Since then a period of consolidation can be observed, with only a small growth (figure 26)

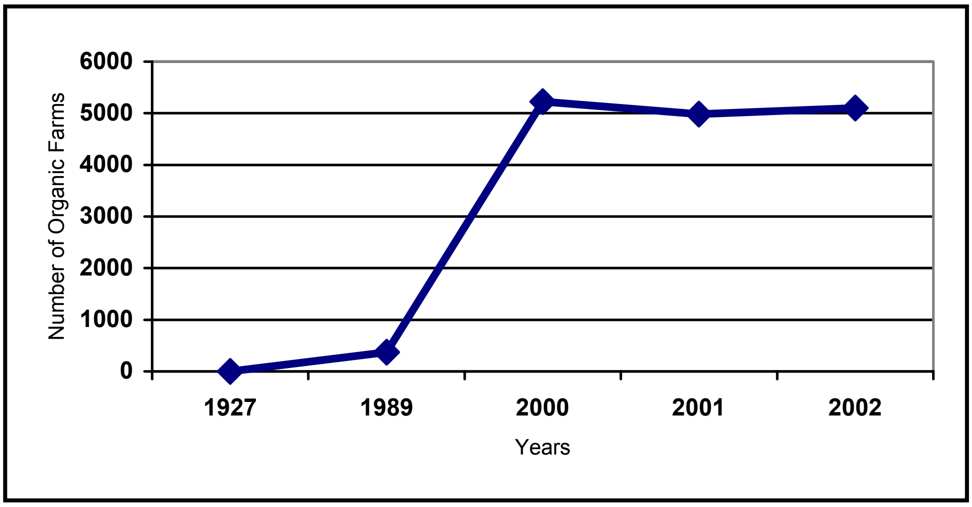


Figure 26: Stages of development of organic farms in Finland
(Source: www.organic- europe.net, 2002)

Stage 1: Pioneer Phase (until 1990)

Since the establishment of the first organic farm in 1927, the number of organic farms grew slowly. Only pioneers converted out of ideological reasons till the end of the 1980s. These pioneers founded *Luomuliitto ry*, the *Union for Organic Farming*, in 1985 which developed common production standards, controlled and certified the farms and processors and promoted organic farming (HEINONEN, 2001).

Stage 2: Intensive Growth (1990 – end of the 90s)

The state influenced the development of the organic sector in Finland strongly. The introduction of governmental conversion aid in 1990 has been the start of an intensive growth of organic farming which increased more by the membership at the European Union in 1995. Finland set up the Finnish *Agri-Environmental Programme (FAEP)* which formulated the goal to reach 120.000 ha organic area till 1999 and the *Supplementary Protection Scheme (SPS)* which increased the conversion aid.

The Ministry of Agriculture and Forestry took over the responsibility for inspection and certification for plant production (1994) and animal production (2000) of *Luomuliitto ry*. Also processors, importers etc. are controlled by governmental agencies. Nevertheless, the members of *Luomuliitto ry* and the Finnish *Bio-dynamic Association* certify their own members (HEINONEN, 2001).

In 1997 the marketing organisation *Finfood Luomu* has been founded by the government. They promote the national *Luomu*-label, with the sign of a rising sun (figure 27) which nearly marks every Finnish organic product and is well known by 85% of the consumers.

Figure 27: Finnish state label for organic products (Source : Finfood Luomu)

Stage 3: Stagnation (2000 – 2001)

Both the government and the retail and processing sector showed minor interest in organic production and products.

Stage 4: Growth (since 2001)

The public attention to environmental affairs has been increased since 2001. The Finnish consumer is very keen on keeping the natural landscape. Therefore the organic products sales increased which also influenced the number of organic farms. This started to grow again because the farmers realised the possibilities on the organic market.

In addition a committee of the *Ministry of Agriculture and Forestry* started an action plan for the years 2002 till 2006. First they aimed to reach 10% organic area or 220.000 ha till 2006, but soon they gave out a new objective of 15% organic area till 2010 (HEINONEN, 2001).

In 2002 147.943 ha (= 6.6% of the agricultural area) have been cultivated organically by 4983 (= 6.4%) organic farms (www.organic-europe.net, 2002).

2.4.2 The Market for Organic Products

Market Shares of Organic Products

The total market share of organic products moves between 1-2% (AUERSALMI, 2002). Especially staple products are quite successful in Finland, like flakes and vegetables.

The market shares of single product groups can be regarded in table 13:

Table 13: Market shares of single product groups in Finland in 2001

Products	Market Share
Flakes	7.2%
Vegetables	4.8%
Pasta	4.4%
Eggs	3.8%
Flour	3.8%
Fresh Bread	2.0%
Dairy	1.6%
Yoghurt	1.0%

(Sources: ACNielsen 8/2001 and Heinonen, 2001)

Sales Channels and their Significance

The retail sector is the most important sales channel for organic products in Finland. About 90% of all organic products are sold there. Special organic shops are not very successful and therefore decreasing. About 10% of the organic products are sold directly by farmers, either at market squares or at farm-gates (AUERSALMI, 2002) (figure 28).

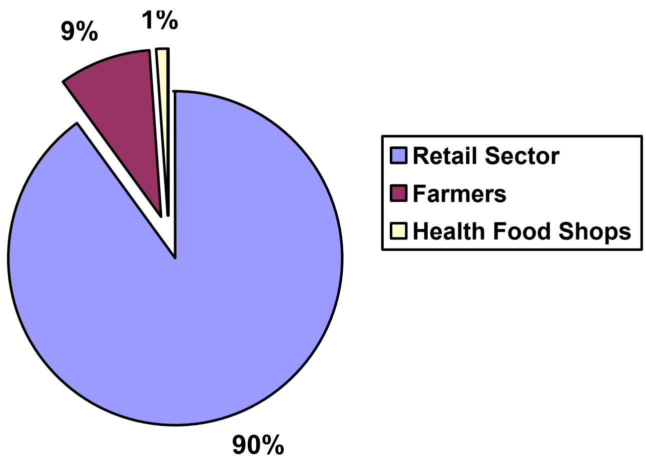


Figure 28: Sales channels for organic products in Finland
(Source: Auersalmi, 2002)

Price Differences

The average price premium in Finland is quite high compared to other European countries with about 64.5% (HAMM et al., 2002). The market is not yet far developed and the distribution and logistic system still works with high costs. In addition the marketing is not effective at the moment, because organic products have to pass different market channels, from the farmer, via wholesaler to retail chains and single supermarkets and everybody puts profit on it (AUERSALMI, 2002).

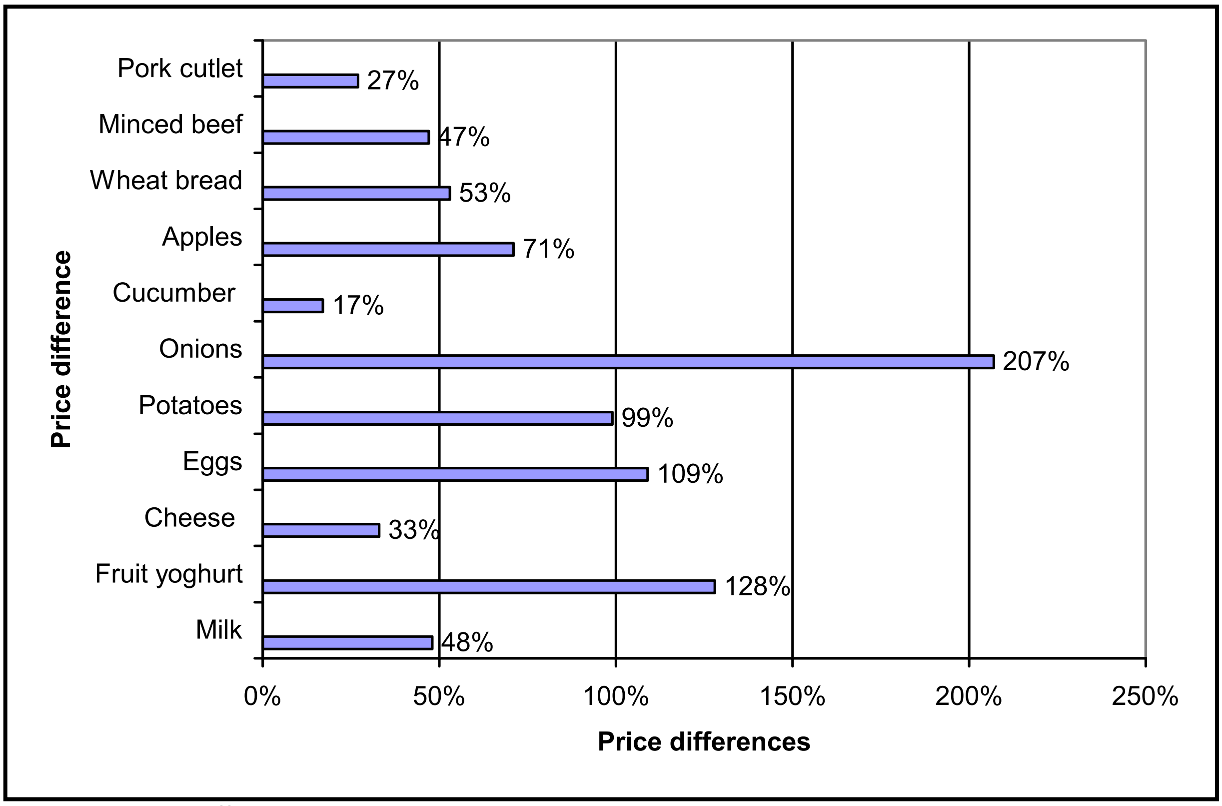


Figure 29: Price differences in Finland in 2001
(Source: Hamm et al., 2002)

Meat and meat products have astonishing small price differences compared to other European countries, where organic meat products are often quite expensive. The prices of organic vegetables vary a lot depending on the season (figure 29).

Organic Consumer

A uniform profile of the organic consumer can not be defined. In general high educated women with children and a higher household income belong to the regular buyers. But quite many consumers buy only one product regularly, e.g. organic milk. About 19% of the consumers buy organic food regularly and about 40% occasionally (VIRKKALA, 2002), 23% of the consumers mention to have no experience with organic food (FINFOOD LUOMU, 2002). The main reasons to buy organic products are a good taste, the absence of residues, the opinion that these products are healthier and that the production is better for animals and the environment (HEINONEN, 2002). The consumers regard the quality, the price premiums, the availability and the choice as barriers to buy them (VIRKKALA, 2002).

Prospects Organic Market 2005

The most demanded products in future will be bread, meat, meat products, dairy products, flakes and flours, fruits and berries. Frozen, cooked and baby food will grow slower (VIRKKALA, 2002). Retail chains will stay the main market channel for selling organic products, but the role of discounters will stay small. The future growth of the organic sector depends on the level of consumer-information and the chain-internal information. Also an improved logistic system and more co-operations could lead to decreasing prices and therefore to an increasing market share up to 2-3% until 2005 (AUERSALMI, 2002). The two big Finnish retailers want to expand their organic assortment. *KESKO* does not have any detailed targets for organic product sales, but *SOK* strives to reach 2.5% market shares of organic products until 2005.

2.4.3 Organic Products in Retail Chains

The Finnish retail sector is dominated by *KESKO* and *SOK*. Both together are responsible for nearly 70% of the total sales. *Tradeka*, *Wihuri*, *SPAR*, *Stockmann* and some smaller chains occupy the remnant 30% market share (table 14).

Table 14: Overview about the Finnish retail sector in 2001

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
KESKO	4810	42.1%	42.1%
SOK	2838	24.8%	66.9%
Tradeka	1144	10%	76.9%
Wihuri	1017	8.9%	85.8%
SPAR	833	7.3%	93.1%
Stockmann	57	0.5%	93.15%

(Source: M+M Eurodata, 2001)

In the following the two biggest retail chains (*KESKO* and *SOK*) are described referring their activities in marketing organic products.

<u>KESKO</u>

General Structure of the Company

About 1200 independent stores belong to *KESKO*, the biggest retail chain in Finland, separated in 8 different chains: *K-citymarket* (42 hypermarkets), *K-superstore* (115 outlets), *K-supermarket*, *K-neighbourhood store* (270), *K-extra* (350), *K-pikkolo*, *RIMI* (47) and *K-mobile store* (KESKO, 2001).

The strength of *KESKO* are a high name recognition, a broad distribution network and the well-known retailer brands. As biggest retail chain in Finland, *KESKO* sees itself in the responsibility to handle with ethic, social and environmental topics and to work on this strongly.

Organisation of Organic Product Marketing

At *KESKO* the single category managers are responsible for purchasing organic products. In addition, there is a single product management for the own organic retailer brand *Pirkku Luomu*. As organic products are part of *KESKO*`s environmental engagement, the environmental specialist promote organic products within the communication for environmental issues. All category managers and the product managers for the organic label are trained on organic issues. Also the department staff in the markets and the department managers for organic products in the stores are informed about organic products and the production to help the customers at problems and doubts referring organic items.

Turnover of Organic Products

The market share of organic products referring the total turnover is estimated to be 2.5%. Exact figures are not available at the moment, because *KESKO* does not have a controlling system to register the organic assortment yet. Therefore detailed figures about the turnover percentages of the single product groups do not exist. Only the market shares of organic fruits and vegetables referring the total food sales could be calculated. These doubled from 1% in 1999 to 2% in 2000.

Label Policy

KESKO is the only Finnish retail chain which sells organic products with an own organic retailer label. *Pirkka Luomu* has been established in 1998. The production and processing have to agree to EU-regulations for organic agriculture. The label is well known by consumers because *Pirkka* is the umbrella-brand of *KESKO*. Therefore, the consumers know at once, that *Pirkka Luomu* is the "organic sister" of *Pirkka*. In addition all *Pirkka Luomu*-products are labelled with the national *Luomu*-label. This increases the trust in the retailer-brand, too.

The advantage of the own organic retailer label is the possibility to increase the number of organic users. Customers who actually do not prefer organic quality might buy a *Pirkka Luomu*-product because they recognise the *Pirkka*-brand. In addition retailer-brands are always cheaper. An own organic label is further a sign for investment. It shows the company`s will to work with organic products, also in future. Therefore it gives a feeling of security to the farmers and processors.

Communication Policy for Organic Products

KESKO`s communication policy is a mix of advertisement in different media, public relation events and sales promotion. Adds are put in newspapers, commercials are broadcast on TVs in the outlets and reports and recipes are published in the own magazine *Pirkka*.

The advertisement is the major part of communicating organic products. Lectures are often used as public relation event, e.g. at kindergartens to inform about the advantages of organic products.

Posters and product samples are important parts of the sales promotion at the point of sale. In addition competitions are organised, one organic product is offered as discount monthly, signs are hanging down from the ceiling (figure 32) and a frame around the price tags with the inscription *luomutuote* (= "organic") points out organic products (figure 30). In addition some certification documents (figure 31) are used to increase the

Figure 30: Pointing out of organic products at Kesko
(Source: Hempfling)

trust of the consumers in organic products. In general organic products are easy to find in the stores, but nevertheless some products or product groups could be marked more clearly.

At the moment the marketing budget of organic products is only a small part of the environmental marketing effort. According the national expert Marika Auersalmi the marketing activities are not very intensive and could be improved. This is planned by *KESKO*, too because the figures of organic product sales and consumer interviews forecast a promising development of the organic market.

Figure 31: Certification documents at Kesko (Source: Hempfling)

Organic Range and Price Policy

KESKO offers between 200-500 organic items. The size of the organic assortment depends on the size of the store and the season. In summer and autumn the supply is much bigger because of a huge amount of organic fruits and vegetables. Regarding only fruits and vegetables *KESKO* offers about 40-50 items. All organic products are positioned among the conventional assortment. *KESKO* tried to put the products on separate shelves, too, but this trial failed. The sales have been smaller at blocked placement. Organic fruits and vegetables are exceptional here. These are put together in a separate section within the fruits and vegetables department (figure 32).

Figure 32: Organic fruits and vegetables at KESKO (Source: Hempfling)

KESKO is not able to define the price premiums of organic products. The amount of the extra charge depends on the product, the packaging (packed products are usually more expansive) and the season. Cereals have the smallest price premiums, whereas organic meat and fruits and vegetables out of the season are quite expensive. According to Marika Auersalmi, the extra charges are quite high because *KESKO* follows a high price strategy for organic products. Only for introduction or during campaigns or at discounts the prices premiums of organic products are moderate.

Strength and Weak Points in Organic Marketing

A big strength of *KESKO* is the K-environmental program which does exist since the 1980s. K-environmental shops have to fulfil a certain number of regulation in different sections (recycling, energy and water consumption, number of organic products, etc.) to get a diploma as K-environmental store. On the contrary to independent owned shops, the assortment and the policy of K-environmental stores can be influenced by the headquarters, e.g. referring the number of organic articles. These about 160 outlets can be quoted as good examples for other stores which orient this way. The K-environmental program increases the offer of organic products.

A further success factor is the close networking with *Finfood Luomu* on marketing organic products. Another strength is the size of *KESKO* because therefore they have a very effective logistic system which makes the transport of organic products cheap and fast. The position as huge, well-known, Finnish-owned company with a long history makes people trust in *KESKO* and the products. The strong personal factor is a very important condition for successful marketing. There are idealistic persons who want to push organic forward by new ideas (AUERSALMI, 2002).

But even the personal factor is regarded as weak point of *KESKO* itself. Not the quality of the staff is a problem, but the quantity. There is only a small department and few people working with organic products. And although they have good ideas, they are afraid of taking a risk and realising them. But even this could push organic forward. Another weak point is the concentration on big shops and on self-service. For organic products it could be good to offer them additionally in small, neighbourhood outlets and with information at a counter. Another failure factor is the missing possibility to influence the assortment of the shops, because all stores, except K-environmental outlets, are owned by independent persons. Therefore it depends on the attitude of the shop-owner to push organic products or to offer only a few of them.

SOK

General Structure of the Company

SOK is a co-operative society with nearly one million members. About 570 food shops belong to the co-operation, divided in the following chains: *S-market* (330 outlets), *Prisma* (42 hypermarkets), *Sale* (159 outlets) and *Alepa* (45 stores). It is the second biggest retail chain and it has been growing in the last years (SOK, 2001).

One target of *SOK* for the next five years is to continue the growth of sales, also the organic ones. As it is not realistic for them to become leader on the organic market because *KESKO* is too strong, they want to defend their second position against other retailers and especially against new competitors on the Finnish market, like the German discounter *LIDL*.

Organisation of Organic Product Marketing

At *SOK* only the category managers are responsible for purchasing organic products and developing the assortment. There is no single product management or a special team for organic products. But *SOK* puts high effort in the education of the staff. They have an own training centre, where the department staff which is dealing with organic products is informed about organic products and the production system.

Turnover of Organic Products

The market share of organic products referring the total turnover has been 1.5% in 2001. *SOK* did not set up any specific targets for organic product sales in 2001. Their philosophy is not to force the customers to buy organic items as well as to force them to buy other ones. They want to give the choice to the consumers. Therefore the organic sector is not pushed forward, but handled as usual part of the assortment.

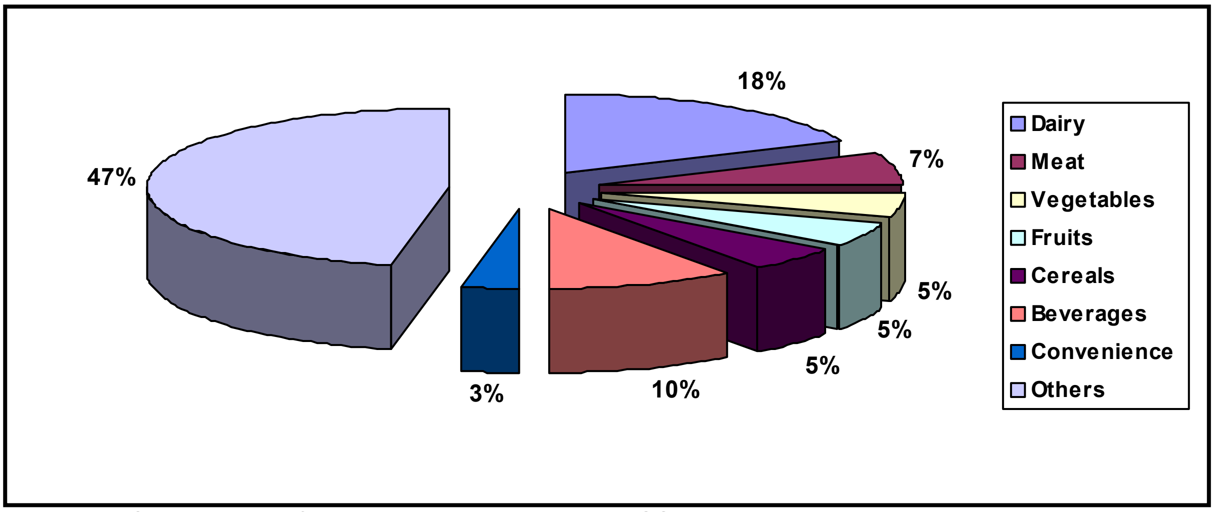


Figure 33: Composition of the organic product sales at SOK in 2001
(Source: Hempfling, 2002)

The main product group within the organic assortment is dairy (figure 33).

Label Policy

SOK does not have an own organic trademark. Organic products are sold both with the national *Luomu*-label or with the ladybird of *Luomuliittu ry* (figure 34). In addition some products from abroad with foreign organic labels, e.g. the *KRAV*-sign of Sweden are offered. It is part of the strategy not to push organic or another assortment too much and therefore *SOK* does not put effort in developing an own organic line.

Figure 34: *Ladybird*-label at SOK (Source: Hempfling)

Communication Policy for Organic Products

According to *SOK*`s philosophy to give the choice to the customers, the organic assortment is treated like the conventional one. Therefore the position of the organic line in the general communication effort is minimal and also will not be increased in future. But as it is part of the environmental marketing budget it profits of the increasing there. A more intensive marketing could influence the sales of organic products.

SOK`s communication strategy for organic products consists of some advertisement, a few public relation events and sales promotion at the point of sale.

The advertisement mostly concentrates on a few adds in the own magazine *Prisma* and further some public relation measures are organised together with *Finfood Luomu* (AUERSALMI, 2002). Although the sales promotion in the stores is named as very small, the products are clearly pointed out of the assortment. Each price tag of organic products is marked with a green frame and the national *Luomu*-label. Further some signs are hanging down from the ceiling, especially at the fruits and vegetables corner. As the *Prisma*-market in Mikkeli won the competition of the best organic hypermarket of the year big tapes at the ceiling proclaim this success to the consumers (figure 35).

Figure 35: Tapes at the ceiling at SOK
(Source: Hempfling)

Beside the *Luomu*-label, also the ladybird is used as eye-catcher at the shelves. Brochures and leaflets inform about organic products. Sometimes product samples and once a year organic weeks are organised. So there is a wide range of marketing activity for organic products at the point of sale.

Organic Range and Price Policy

SOK offers between 200-500 organic itmes. The amount depends on the size of the store, the location of the market and the demand in the area. For example in southern Finland, in the Helsinki area, much more organic articles are offered, than in the northern parts of the country. Organic products are generally put next to conventional products. But in addition some stores offer organic products in double placement: the same product is offered both within the organic items and blocked with other organic articles on a separate shelve (figure 36). Therefore regular organic buyers can get a fast overview about the organic assortment. But also occasional buyers might choose organic items, because they are placed next to the conventional ones.

Figure 36: Block placement of organic products at SOK
(Source: Hempfling)

At *SOK* most organic products have price premiums between 21-30%. Only fruits and vegetables higher extra charges (31-40%) can be found, whereas organic cereals are quite similar to conventional ones (11-20% price difference).

Strength and Weak Points in Organic Marketing

SOK itself sees one success factor in the philosophy to give the choice to the consumers. Further strength points are idealistic persons with new ideas to develop the organic market, an effective logistic system because of the size and a high trust of the society because of the co-operative history (AUERSALMI, 2002).

But like *KESKO*, also *SOK* closes the small stores, reduces the service line and is afraid of taking a risk to realise new, creative ideas referring the organic assortment which are the weak points of the enterprise.

2.5 France

Unfortunately all contacted French retail chains were not willed to take part at the study and refused personal and written interviews. Only the group *Les Mousquetaires* which is the co-operation of *Intermarché*-retailers returned the questionnaire about the marketing and organisation of the organic assortment. Therefore the information is mostly based on literature and internet review.

2.5.1 Development of the Organic Sector

Standards and regulations for organic agriculture have been established quite early in France. The producers` association *Nature & Progrès* set up the first standards in 1972 and in 1981 the government passed a legislation on organic agriculture. Based on this law a national state label (*AB* for *Agriculture Biologique*) has been launched in 1985 (figure 37).

Figure 37: French organic label (Source: www.naturkost.de, 2003)

All this resulted in a big growth of organic agriculture referring the number of farms and the cultivated area and a broad acceptance in the public. In 1985 France has been Europe`s leader in organic agriculture and Europe`s most important supplier for organic products.

Today, France is placed more at the end of Europe`s charts of the agricultural area. 509.000 ha are cultivated organically today which are 1.7% of the French total agricultural area, which belongs to 11.177 farms (Biofach-newsletter, 03/2003). The reasons can be found at a stagnation of growing in the 1990s because of a changing standards from French law to EU-regulations and the new organisation of the organic sector.

But by the *Action Plan* (*Plan Pluriannuel de Développement et la Promotion de l´Agriculture Biologique*) in 1997 the government set out the goal to reach 1 million organic agricultural area and 25.000 organic farms till 2005 and become Europe`s laeading supplier of organic foods and raw materials by 2010. This led to a growth again (www.organic-europe.net, 2002). The certified organic land area grew by 27% and the certified organic vegetable area increased by 16% (Organic Newsline, 01/2003).

In 2001 *L`Agence BIO* has been established as agreement about the development and the promotion of organic agriculture by the Ministry of Agriculture and Fishery, the Ministry of Environment, the organic farmers association (*Fédération nationale des agriculteurs biologiques des régions de France (FNAB)*), the processors and wholesalers of organic products (*Bioconvergence et SETRAB*) and the permanent assemblies of agricultural advisory boards (*Assemblée permanente des chambres d`agriculture (APCA)*). It is a promotion office for organic agriculture and marketing (www.agriculture.gouv.fr, 2003).

The governmental *AB*-logo marks organic products which contain more than 95% organic components, were produced or processed within the EU and certified by one of the inspection bodies accredit in France (*Ecocert, Qualité France, Ulase, Agrocert, Certipaq*, *Aclave*) (www.organic-europe.net, 2003). It is in compliance with the EU-regulation for organic plant and crop production, but not with the EU-standards for animal production because the French regulations are more severe here.

The future development of the market is depending on the supply which is still smaller than the demand, the price differences between conventional and organic articles which are the main barriers for new clients and the number of frauds which disturb the image of organic products and therefore the trust of consumers.

2.5.2 The Market for Organic Products

Market Shares of Organic Products

Since 1994 the market has been growing by 25% annually, between 2000 and 2001 it has been a little bit smaller at 19%. Today 1.5% of the food expenditures are spend on organic products (www.eurostaf.fr, 2002) which is a sold value of EUR 1.2 billion. Fresh products (dairy, meat, fruits and vegetables) are the impulse of the development as 73% of the turnover of organic products in the retail sector is done by fresh products (www.eurostaf.fr, 2002). The following table 15 gives an overview about the percentages of sold volumes and the growth of the different product groups.

Table 15: Overview about the sold organic volume shares and the market growth of some organic product groups in 2001

Product Group	Percentage of Sold Volumes	Market Growth per Value
Fresh dairy	8.4%	+ 18%
Fresh products (without dairy)	6.2%	+ 44%
Cheese	1.4%	+ 16%
Frozen food	1.2%	+ 220%
Beverages	0.9%	- 2%
Dry assortment (salty)	3.9%	+ 4%
Sweet grocery	1.1%	+22%

(Source: ACNielsen / Organex, 2002)

In the big retail chains, already 3.6% of the products sold in self-service result from organic products (AC Nielsen / Organex), but in general the market share is still small with 0.9% (HAMM et al., 2002).

Sales Channels and their Significance

During the last ten years, French supermarkets have invested increasingly in the sale and distribution of organic products. This expansion was boosted further as a result of the “second BSE crisis” in 2000/2001, when an ever-increasing number of cases were being detected in the French herd. Today retail chains are the main sales channel in France (table 16).

Table 16: Sales channels for organic products in France in 2000

Sales Channels	Share of Total Organic Food Sales
Retail chains	42%
Special organic shops	28%
Bakeries and butchers	5%
Weekly markets / Direct sales	23%
Restaurants / Canteens	2%

(Source: HAMM et al., 2002)

Referring the sales of the retail sector, the majority (52%) is sold at hypermarkets. Supermarkets are responsible for 29% of the sales and 18% are sold at specialised organic supermarkets (Marketing Magazine, 70/2002). The latter ones are increasing, e.g. *Biocoop*) up to 170 selling points in whole France (www.organic-europe.net). The French retail chains can be divided in independent outlets (*Intermarché, Leclerc*, *Systeme U*, *Cora* and *Casino*) where the size of the assortment depends on the store-owner and the ones which are determined by the chain (*Carrefour, Auchan* and *Monoprix*) where the companie`s strategy is decisive.

Carrefour is the most important retail chain in selling organic food (table 17).

Table 17: Market shares of the French retail chains referring the total sales of organic products in 2001

Company	Market Share per Value %
Carrefour	18%
Leclerc	13%
Auchan	11%
Intermarché	8%
Système U	6%
Géant	6%
Champion	5%

(Source : ACNielsen / Organex, 2002)

The marketing effort for organic products of retail chains is small. In the stores, it is hard to find the organic articles, because only a few ceiling hangers and shelf stoppers point them out (KREUZER in Ökotest, 2002).

Price Differences

The average price premium in France is approximately 50% (HAMM et al., 2002). At retail chains the price premiums are usually below. There the price premiums are on average 25-35% (www.organic-europe.net, 2002). Some examples of price differences are given in the following table 18.

Table 18: Price premiums of some products in France in 2001

Product	Milk	Cheese	Potatoes	Eggs	Carrots
Price Premiums	35%	82%	61%	45%	64%

(Source: HAMM et al., 2002)

Organic Consumer

As in other European countries, the organic market in France is largely dependent on a small percentage of consumers; a recent consumer study found out, that 17% of organic consumers accounted for 89% of all purchases (CSA, TMO, 2002).

In 2001, 47% of consumers bought organic products. 19% of them were regular consumers compared to 9% in 1998. A more recent (2002) consumer study indicates that the number of consumers buying organic produce has increased to 52% who on average spend EUR 65 per year (CSA, TMO, 2001).

There is no clear gender divide with men accounting for 48% of the regular consumers and women 45%. The upper age groups are the principle consumers (57%), while the younger age groups (10 – 24) purchase organic products rarely (CSA, TMO 2001). Regular and heavy buyers are chief executives with a high income. They mostly live in the area around Paris. Whereas occasional buyers are often pensioners and persons with a middle-high income (OMIaRD, 1st AC Meeting, presentation).

The reasons to buy organic products are (in order of importance) health, quality and taste, ethic and environmental reasons and food safety.

Prospect Organic Market 2005

The future of the organic agriculture in France depends on the development of "*l'Agriculture Raisonnée*" (Integrated Agriculture) and the competition and confusion that this might create with organic produce. Some have the opinion that *l,Agriculture Raisonnée* would seriously limit the expansion of organic produce. Therefore it is very important, that organic agriculture distinguishes itself from *l`Agriculture Raisonnée* (www.eurostaf.fr, 2002).

A lack of data makes any future prediction of market growth difficult and hazardous, but current indications point to continued strong growth in the fruits and vegetable sector. Organic fresh fruits sales are projected to rise by 25.8% in 2002 as the demand stays high (www.organicmonitor.com, 2002). In the animal product sector a far greater effort to promote products at a better price for consumers and improving distribution channels will improve sales and remove surplus production. The food sales might grow until 2003 to EUR 2.6 billion by a growing demand, the action plan and an improved distribution (www.organic-europe.net, 2003). France wants to become number one in organic production in Europe until 2010 (www.naturkost.de, 2003).

2.5.3 Organic Products in Retail Chains

The market in France is quite concentrated, as the six biggest retail chains are responsible for nearly 90% of all food sales. Table 19 gives an overview about the turnover and the market share of *Carrefour, Intermarché*, *Casino, Auchan, Leclerc* and *Système*.

Table 19: Overview about the French retail sector in 2001

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
Carrefour	29455	24.5	24.5
Intermarché	20855	17.3	41.8
Casino	16495	13.7	55.7
Auchan	16121	13.4	68.9
Leclerc	13005	10.8	79.7
Système	9974	8.3	87.9

(Source: M+M Eurodata, 2001)

In the following the most important retailers in selling organic products are described.

Carrefour

Carrefour is the biggest retail chain in France. More over it is also the biggest retailer in Europe and the second biggest retail chain in the world. It has been founded in France in 1959 and expanded intensively to more than 5200 outlets all over the world. In the end of 2002 178 *Carrefour*-outlets existed in France.

The three key priorities are to guarantee quality and safety of the products and so for the consumers, to respect the environment and the social responsibility (Vaxelaire, IAMA, 2002).

Despite its late entry into the organic market, *Carrefour* has become the leader in France for the sale of organic produce, largely due to the development of its own trademark *Carrefour Bio (*figure 38) with approximately 130 organic items (www.carrefour.fr, 2003). Especially fruits and vegetables are responsible for a high percentage of the own organic assortment (ZMP, 09/2002). The standards it is based on, are the EU-regulations for organic agriculture (www.carrefour.fr, 2003).

Figure 38: *Carrefour bio* – Own organic label of Carrefour
(Source: Carrefour, 2003)

What distinguishes *Carrefour* from its competitors is its strong involvement in all stages of the food chain. *Carrefour* has created strong links with farmers, e.g. by a project with local farmers in Mexico for producing organic coffee. This organic policy began in 1992 with the offer of an organic bread. In 1997 *Carrefour* created the own organic label, but its development was not straightforward. The principle difficulties were in finding producers and co-operatives able and susceptible to follow its demands in terms of volumes, quality, regular supply and capacity for conditioning / transforming the produce. The main hindrance for the development of sales at *Carrefour* is the lack of supply that according to Philippe Bernard of *Carrefour* can only be improved through an increase in the financial aid for conversion of both farms and supply chains. However *Carrefour* has managed to create strong links with vegetable and cereal producers, from who the wheat is used to make their famous bread, the "Boule Bio" (figure 39) that remains a success today.

Monoprix

Monoprix is amongst the smallest supermarkets in France with only about 300 stores, but it is one of the most enthusiastic players in the marketing of organic produce based on its three pillars environmental, economic and social responsibility. *Monoprix* created its own organic trademark in 1993: *Monoprix Bio* (figure 39) (www.monoprix.de, 2003).

Figure 39*: Monoprix Bio* – Own organic label of Monoprix (Source: www.monoprix.fr, 2003)

Because of its town centre locations, *Monoprix* has a qualitative approach, aimed at the urban population. Meat sells well, but the demand varies a lot, thus requiring a lot of flexibility on behalf of the suppliers. The demand for beef has stabilised while pork and lamb continue to show strong growth. The promotion of organic agriculture has also been inscribed into its'

"sustainable development policy". Part of this policy is the creation of the "*Citymarché idéal*"-project. The participating markets are constructed environmentally friendly, the water and energy consumption is reduced and many other standards have to be fulfilled.

Beside the organic assortment, *Monoprix* also offers fair trade and natural products like cleaning agents (KREUZER in Ökotest, 2002).

The size of the assortment differs very much, depending on the area and the market. The biggest range consists of 550 organic articles. The number of organic articles with the own retailer brand should increase from 160 today to 250 items.

Monoprix avoids communicating organic products with health. The used marketing themes are a better taste and the advantages for the environment.

The company co-operates within the national organic network as they set up many agricultural partnerships.

Auchan

118 hypermarkets in France belong to *Auchan* as well as 375 *Atac*-supermarkets. But as it is a world wide active chain, more than 1600 stores are run by *Auchan*. The objective of *Auchan* is to offer the lowest price to give people a huge choice and to serve the customers as good as possible (www.auchan.com, 2003).

Auchan is one of the top three retailers in selling organic products with 11% of the market for organic produce in France. In 1995, *Auchan* was the first retail chain which started to sell organic meat, when it signed-up to a partnership with several actors in the organic meat sector. This strategy paid off as *Auchan* had 75% of the organic meat market in the year 2000 based on co-operations with many beef farmers. Organic beef is sold at counters and the offer is supported by product samples.

1.8-2% of the total sold beef is organic at the moment. The target is to reach 4-5% (www.bretagne-online.com, 2003).

The total turnover of organic products increased by 25% in 2001 which lead to a market share of 1.2%. About 700 organic items are sold which are all labelled with the governmental *AB*-logo (ZMP, 14/2002).

Intermarché

The outlets are owned by independent franchisers which build the group of *Mousquetaires* (Musketeers). It is a union of the head of companies in different countries of Europe, e.g. France, Spain, Germany, the Netherlands with more than 2000 *Intermarchés*. The group tries to distinguish itself by cheap prices. But also environmental issue, like recycling are respected.

The group of *Mousquetaires* supports the producers of *Agriculture Raisonnée*. Organic products will more stay a niche at the *Intermarchés*. Nevertheless they have an own independent product management for organic products beside the category managers who are responsible for purchasing organic items. The staff members at the point of sale are trained referring organic agriculture.

The organic range consists of about 100 organic products which is the basic assortment of every supermarket of the group. In addition, many outlets offer a bigger organic assortment up to nearly 160 organic items. This depends on the head of the market (www.groupdesmousquetaires.com, 2003; www.intermarche.fr, 2003). Cereals and groceries build the majority of the organic assortment. The number of dairy products and fruits and vegetables is also quite high. At the moment the market share of organic articles is below 1%.

The assortment consists of 20 different organic brands, including the own organic trademark *NATEGE* which has been introduced in 1994 (figure 40).

Figure 40: *NATEGE* – Own organic brand of the Mousquetaire-Group (Source: www.plusnature.com, 2003)

The price differences for organic products vary from 10% to 100%. At beverages the price premiums are small with 11-20%. Extra charges above 30% can be found at dairy (31-60%), eggs (31-40%) and meat (31-40%). Fruits and vegetables, cereals and groceries have price premiums even above 80%.

The positioning of organic items in the stores is both integrated within the conventional assortment and blocked on separate shelves. Some products are double placed and are therefore easy to find for consumers. In addition different signs or colours at the shelves point organic items out of the assortment.

The group of *Mousquetaires* estimates that the chain will reach a market share of organic products of 2-3% till 2005. Probably it will not grow stronger according to *Intermarché* because organic products are too expensive and the customers do not see the real benefit for organic products and therefore the reason for this high price differences. In addition the success of *Agriculture Raisonnée* limits the expansion of organic agriculture.

2.6 Germany

The German market for organic food has been evaluated by a literature review, written interviews at 11 German retail chains and case studies of four retail chains which are quite engaged in selling organic products. The case studies consist of in depth interviews with persons who are responsible for or concerned with the organic assortments in the companies and of store checks. The interview partners have been: Ms. Wälter, Environmental Agent at *Bremke & Hoerster*, Mr. Wiedersich, Manager Retailer Brands at *Edeka,* Mr. Feneberg, Manager of *Feneberg* and Mr. Rösner, Chief of Purchasing Organic Food at *Tegut*. In addition expert interviews with Heike Kuhnert, *University of Hamburg* and Christoph Spahn, management consultancy *Synergie* gave further information.

2.6.1 Development of the Organic Sector

Organic agriculture in Germany is impressed by the existing of many different producer organisations. The biggest and most important ones, referring the number of members, are *Demeter*, the bio-dynamic organisation and *Bioland*, the organic-biological organisation. Besides main organisations are *Biokreis*, *Biopark* (mainly active in eastern Germany and the organisation with the most organic area), *Ecovin* (association of organic vine-growers), *Gäa*, *Naturland* and *Ökosiegel. ANOG*, the organisation of organic fruits and vegetable growers, merged with *Naturland* in 2002.

In 1988 the main organisations founded *AGÖL*, *Arbeitsgemeinschaft Ökologischer La*ndbau (Association for Organic Farming) as head-organisation (WILLER et al., 2002). The main objective has been to define common guidelines for organic farming and processing which are guilty for every organic organisation. In addition, the organisations are allowed to define own regulations based on the *AGÖL*-standards (KREUZER, 1996) which are conform to *IFOAM*-regulations for organic farming.

In 2002 the *BÖLW*, *Bund Ökologischer Lebensmittelwirtschaft* (Union of the Organic Food Industry) replaced and extended *AGÖL*. Now also processors and traders are members (WILLER et al., 2002).

Beside the organisation in different producer organisation, the German farmers have the possibility to produce unorganised according EU-regulations for organic agriculture. These are also certified by governmental accepted certification bodies and can sell their products as organic ones. The number of these farmers is increasing because they get the state support as well, must not pay marketing fees and by the introduction of a unique, national organic label, they have good chances to sell their products.

The introduction of the governmental based *Biosiegel* (figure 41) in 2001 clarified the mass of about 100 different organic German labels and gave an umbrella label (LENDERS, 2002). This makes it easier for consumers to recognise organic products. The producer organisations can keep their labels and are able to double label their products by the *Biosiegel*. It is based on EU-regulations for organic agriculture.

Figure 41: German organic label
(Source: www.biosiegel.de, 2003)

This label is part of a new agricultural policy in Germany since 2001. Organic farming is supported by increased direct payments, by marketing and information campaigns, by supports of research referring organic topics and much more. The number of organic farms has been increased heavily since 2001. In the end of 2001 632.165 ha have been under organic production (3.7% of the total agricultural area). These have been cultivated by 14.703 farms (3.2% of all farms in Germany) (www.organic-europe.net).

2.6.2 The Market for Organic Products

Market Shares of Organic Products

The turnover of organic food in Germany was 2.2% referring the total food sales in 2000 (ZMP, 09/2002). Germany is the biggest market for organic food in Europe, but the per-capita consumption is quite small with EUR 31 (RICHTER et al., 2001).

The table 20 below shows the market shares of some organic fresh products in 2002.

Table 20: Market shares of different organic products in 2002

Product	Market Share
Potatoes	4,9%
Milk (without Aldi)	3,1%
Eggs	2,8%
Vegetables	2,7%
Bread	2,4%
Fruit	1,9%
Meat	1,5%
Yoghurt (without Aldi)	1,3%
Meat Products	1,0%
Cheese	0,8%

(Source: ZMP, 01/2003)

Sales Channels and their Significance

The traditional market channels for organic products in Germany are organic shops, health food shops and direct marketing. Especially organic shops have been the main sales channels in the last years. But in 2001 the conventional retail chain had the biggest turnover of organic products with EUR 0.66 billion and could ferry over the organic shops. For some years special organic supermarkets are coming up (table 21).

Table 21: Sales channels for organic products in Germany in 2001

Sales Channel	Share of Organic Food Sales
Retail sector	33%
Organic shops	28%
Health food shops	10%
Direct marketing	17%
Butchers/Bakeries	7%
Others	5%

(Source: WILLER et al., 2002)

Price Difference

The price premiums for organic products sway a lot between 18-142% (SCHMIDT, 2002). According a study of the Swedish certification body KRAV, the average price premium in Germany is between 60-70% (FREDRIKSSON, 2002) and therefore above the European average. The high price differences result from a small supply of organic products, high logistic costs, because of the small volumes and very high depreciation of the retail chains (SPAHN, 2002).

The following figure 42 shows some examples for price premiums in Germany.

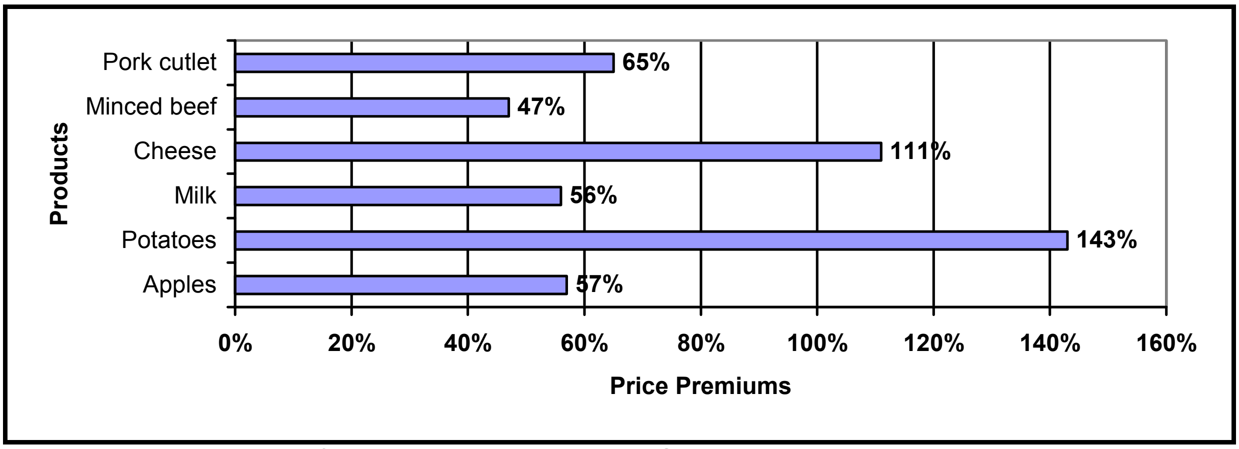


Figure 42: Price premiums for some organic products in Germany in 2001
(Source: HAMM et al., 2002)

The price premium is one of the main barriers to buy organic products because results of studies show, that most consumers only accept a price premium up to 20%.

Organic Consumers

The most consumers buy organic products out of egoistic reasons, especially because they think organic products are healthier and safer. Environmental reasons are less important (ALVENSLEBEN, 2002). Regular organic consumers are often between 31 and 50 years and have a higher household income (ALVENSLEBEN, BRUHN, 2001).

Just 19% of the households which buy organic products do this quite regularly, that means at least once a month. Based on all German households these are 8%. Another 38% consume organic items two to five times in half a year (ZMP, 03/2003).

Prospect Organic Market 2005

The current agricultural minister in Germany strives for 20% organic area until 2010. This seems to be “quite optimistic”, an organic agricultural area of 7-14% could be more realistic (HAMM, 2001).

The BSE-crisis led to more demand for organic products in 2001, but only for a limited time. The majority of consumers returned to their usual buying behaviour after a short period. In addition the Nitrofen-Scandal reduced the trust in organic products and the sales decreased again.

German consumers will not demand organic products more often without an impulse of retailers or processors by marketing organic products more actively. A strong brand policy is necessary. If retail chains push the development of the organic sector the retail sector would consolidate and expand the leader position (KUHNERT, 2002).

2.6.3 Organic Products in Retail Chains

Table 22 gives an overview about the turnover and the market shares at the German retail sector in 2001. Although there has been a concentration trend in the last years, there are still many companies left in comparison to other European countries. However the four biggest enterprises are responsible for more than 50% of the food turnover.

Table 22: Overview about the retail sector in Germany, 2001

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
Edeka	20874	16.1%	16.1%
Rewe	19227	14.8	30.9%
Aldi	16351	12.6%	43.5%
Metro	14112	10.9%	54.4%
Schwarz-Gruppe	10738	8.3%	62.7%
Tengelmann	7417	5.7%	68.4%
SPAR	6137	4.7%	73.1%
Schlecker	4493	3.5%	76.6%
Dohle-Gruppe	2456	1.9%	78.5%
Norma	1880	1.5%	80%

(Source: M+M Eurodata, 2002)

Among the top 10 companies of the German food market, *Edeka* has the highest turnover of organic products with about EUR 50 millions (HAMM, 2001), but the market share of organic food is still small.

Table 23 gives an overview about the size of the organic assortment in the German retail sector. In addition the actual market share of 2001 and the estimated market share of organic products in 2005 are presented. *Tegut* is the company with the biggest organic assortment (1200 organic items) and the biggest market share with 7%. Until 2005 they want to reach 15% organic market share.

Table 23: Overview about the size of the organic assortment, the market share of organic products in 2001 and the striven market shares in 2005

Company	Size of the Range	Market Share 2001	Striven Market Share until 2005
Tegut	1200	7%	15%
Feneberg	500-800	6%	10%
Edeka	200-500	> 2%	4%
Bremke & Hoerster	500-800	n.a.	n.a.
Karstadt	500-800	2.35%	5%
Metro	50-200	0.2%	2%
Spar	50-200	0.2%	1%
Globus	200-500	n.a.	n.a.
Norma	< 50	n.a.	n.a.
Tengelmann	200-500	n.a.	n.a.

(Source: Grimm, B., 2002)

Tegut, *Karstadt* and *Tengelmann* have been the first retail chains which sold organic products in Germany in accordance to the companies own statements. They started in the mid 80s (table 24).

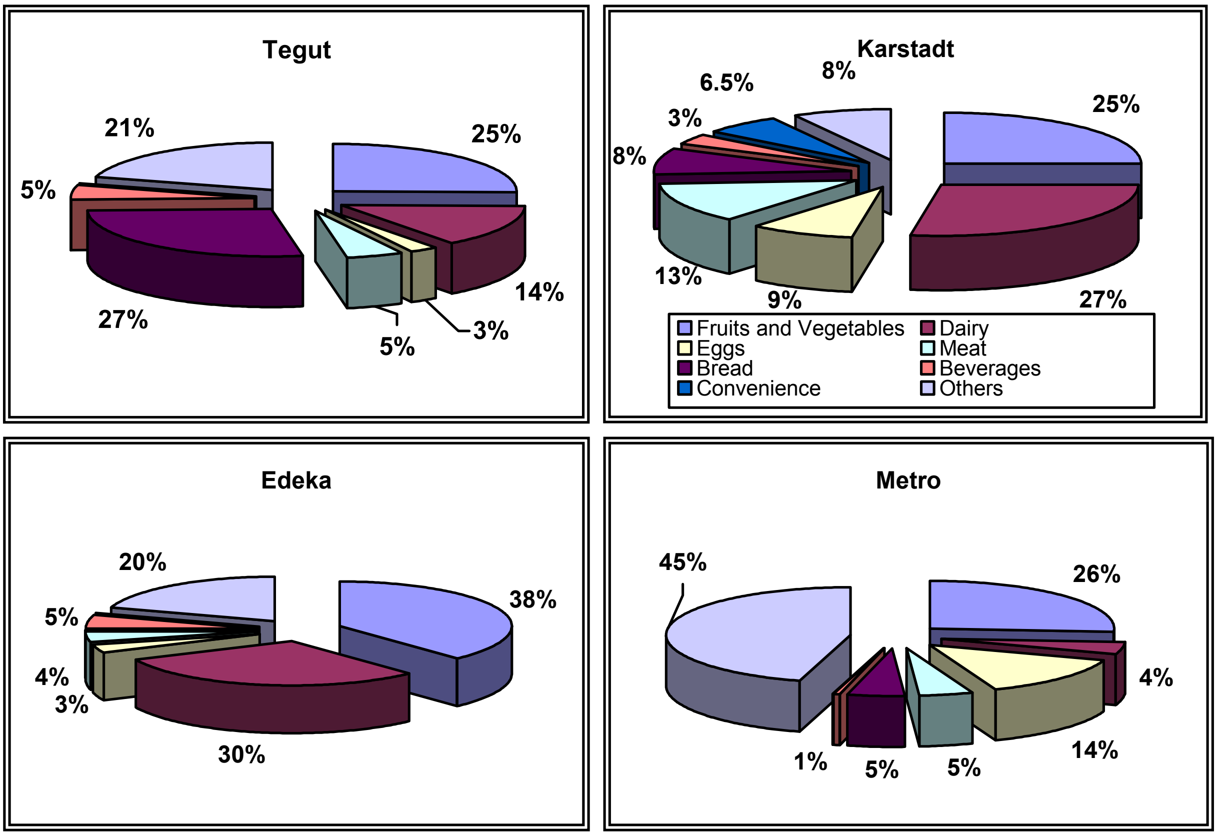
Table 24: Year of organic product launch of German retail chains

Company	Year of Organic Product Launch
Tegut	1985
Karstadt	1985
Tengelmann	1986
Edeka	1990
Feneberg	1997
Spar	1997
Bremke & Hoerster	1997
Globus	1998
Norma	2001

(Source: Grimm, B., 2002)

Figure 43 gives an overview about the composition of the total organic food turnover in percentages at *Tegut, Karstadt, Edeka* and *Metro*. Especially fruits and vegetables are the most sold product groups.

Figure 43: Market shares of single organic products referring the total organic sales in 2001



(Source: Grimm, B., 2002)

In comparison to *Tegut, Karstadt* and *Edeka, Metro* sells mostly cereals and groceries ("others"). It is remarkable, that *Metro* sells relative less dairy products.

Average price differences between organic product groups and comparable conventional products (in %) are shown in the table 25.

Table 25: Average price differences (in %) of organic products at German retail chains in 2001

Company	**Vegetables**	**Fruits**	**Dairy**	**Eggs**	**Meat**	**Bread**	**Beverages**	**Convenience**
Tegut	21 - 30	21- 30	31 - 40	21 - 30	21 - 30	< 10	10 - 30	21 - 30
Feneberg	< 10	11- 20	11 - 20	11 - 20	n.a.	< 10	21 - 30	n.a.
Karstadt	11 - 20	11- 20	11 - 20	21 - 30	31 - 40	21 - 30	< 10	31 - 40
Edeka	21 - 30	21- 30	10 - 40	31 - 40	51 - 60	n.a.	21 - 30	n.a.
SPAR	n.a.	n.a.	n.a.	n.a.	n.a.	< 10	< 10	< 10
Globus	21 - 30	21- 30	21 - 30	21 - 30	21 - 30	21 - 30	21 - 30	21 - 30

(Source: Grimm, B., 2002)

The declared organic product price premiums differ between 10-60%. It has to be pointed out, that the declared price premiums are average values. As shown in Hamm et al. (2002) the price premiums for single product groups in Germany can be clearly higher.

In the following some retail chains are described concerning their organic product offer.

Globus

Globus offers an organic assortment containing 200 to 500 commodities. On average, their declared price level is 20-30% higher than this of the conventional products. Beside the companies' organic home brand *Terra Pura* (figure 44), which was launched in 1998, national labels as well as labels from producer organisations and certifying bodies are offered. *Terra Pura*–products are produced according the EU-regulations for organic agriculture.

Figure 44: *Terra Pura* - Own organic label of Globus (Source: www.globus.net, 2003)

To cope with the increasing demand and to maintain competitive among other retail chains *Globus* decided to supply the ecological range. Pointed out by ceiling boards and coloured customer guide systems of the labels, customers can find it integrated in the conventional assortment but also separated blocked. Together with the category manager, a manager for the organic house brand is responsible for the organic product marketing. A few members of the store personnel are educated about the organic assortment and their production systems. Estimating that 5% of the whole food market will be organic until 2005, *Globus* plans to extend its supply.

Karstadt

The organic range of the enterprise covers 500 to 800 items from which dairy products, vegetables, meat and meat products are the most sold ones. In 2001, organic articles made up 2.4% of the total food turnover. Compared to the conventional product groups, organic vegetables and dairy products are 10-20%, meat and meat products 30-40% more expensive. An increasing consumer interest in organic products and the necessity to stay competitive among other supermarket chains had been the main reasons for the management to launch organic products in 1985. Integrated in the conventional products, the organic range is distinguished by the own trademark *Bio-Logisch* (figure 45), European signs, the national label as well as labels from producer organisations. Additionally shelve marks point to it. The category manager organises the organic product marketing. The store manager and some of the staff members are educated about the supply. Until 2005, the market share of organic products in the whole German food market should increase to 5% according the company`s expectations. So *Karstadt* wants to double the share of organic products in their total turnover till 2005.

Figure 45: *Bio-Logisch* – Own organic label of Karstadt (Source: www.karstadt.de, 2003)

Metro

On average *Metro* offers an assortment of 50 to 200 organic items, which made up 0.2% of the total food turnover in 2001. Cereals and groceries, convenience products and frozen food articles are the most sold organic products. Vegetables and eggs follow them. Beside labels from producer organisations and national labels, *Metro* has its own retailer brand *Grünes Land* since 1996 (figure 46). The main motivations for *Metro* to release organic products

Figure 46: *Grünes Land* – Own organic label of Metro (Source: www.metrogroup.de, 2003)

were to increase the customer satisfaction as well as environmental and social engagements. Together with the category manager, a special product group team is responsible for the organic product marketing. Staff members in the supermarkets care about questions concerning the organic range which is promoted by ceiling boards and shelf stoppers and placed integrated in the conventional products as well as separated on shelves. *Metro* wants to keep the supply of organic items and expects an increasing market share of 2% until 2005. But they suppose that the share of organic products in the whole German food market will amount under 5% until then.

Norma

To increase their customer's satisfaction, to complete their assortment and to stay competitive *Norma* launched organic products in 2001. The assortment contains less then 50 items which are integrated in the conventional range. Ceiling boards and shelf stoppers point out the organic items which are labelled with the European or the German logo. Further *Norma* offers products with labels of producer organisations and certifying bodies. The organisation of the organic product marketing is one of the tasks of the centralised purchase.

SPAR

In 2001, 0.2% of the total food turnover was made up by organic products at *Spar*. The assortment includes 50-200 items which are less than 10% more expensive compared to conventional products. Since 1997 *SPAR* offers organic products and in 2001 they have established their own organic trademark *Pro Natura* which underlies European production regulations. Competitiveness among other supermarket chains and the wish to increase the customers satisfaction were two of the several reasons to release organic products.

The organic range is placed separated. The customers are able to notice it by ceiling boards and shelf stoppers. The category managers and a special manager for organic products are responsible for planning and organising the organic product marketing.

Expecting a market share of 1% in the total food turnover in 2005, *SPAR* plans to maintain their strategy concerning the organic sector. Until then the management estimates organic products taking a share of 10-15% in the whole food market in Germany.

Tengelmann

The company offers an organic assortment of 200-500 products consisting of different organic brands. Environmental and social engagement and the purpose to please their customers motivated *Tengelmann* to release their own organic brand *Naturkind* (figure 47) in

1986, which today contains 50-200 items. Ceiling boards, shelf stoppers, national and own organic labels as well as information booklets point to the organic assortment. The organic products are placed among the conventional assortment. A special manager for organic products is responsible for the marketing. For the future the company plans to expand the organic assortment.

Figure 47: *Naturkind* – Own organic label of Tengelmann (Source: Tengelmann, 2002)

The discount chain *Plus* also belongs to the *Tengelmann-Group* and started with the *BioBio*-product range in 2001 with approximately 25 organic products (figure 48) very successfully.

Figure 48: *BioBio*-assortment of Plus (Source: www.plus.de, 2003)

The companies *Edeka, Tegut, Bremke & Hoerster* and *Feneberg* have high sales of organic food and put great effort in the marketing of organic products. These four enterprises are described more detailed in the following as case studies for Germany.

Edeka

General Structure of the Company

Edeka is one of the biggest German retail companies. It is a voluntary co-operation of independent retail salesmen and one of the biggest co-operatives of the retail sector in Europe. About 5000 independent retailers are organised at *Edeka.*

Organisation of Organic Product Marketing

At *Edeka* the category managers and the department for own retailer brands are responsible for the development and the marketing of organic products.

A few staff members in the markets are educated about organic products, to help and inform consumers.

Turnover of Organic Products

Organic products are responsible for about 2% of the total food turnover. Fruits and vegetables, dairy products and cereals of the dry assortment are the most sold organic items of the *Bio Wertkost*-range which is the own retailer trademark.

Edeka strives for doubling the market share to 4% until 2005. They plan to extent the range of organic frozen food and convenience products which are expected to be demanded strongly in future.

Label Policy

Since 1999 *Edeka* has an own organic retailer label *Bio Wertkost* which is based on EU-regulations for organic agriculture (figure 59). The own label gives *Edeka* the chance to offer organic products with a uniform appearance in all stores in whole Germany and therefore it can increase the consumers` trust in organic products. In addition a part of the *Bio Wertkost*-items are labelled with the sign of the producer organisation *Bioland* to communicate high standards for production to the consumers. Other products are labelled with the state label *Biosiegel*.

Figure 49: *Bio Wertkost* – Own organic trademark of Edeka
(Souce: www.bio-wertkost.de, 2003)

Communication Policy for Organic Products

The communication strategy for organic products of *Edeka* emphasises advertisement and sales promotion. The marketing effort for the own organic trademark *Bio Wertkost* is considerable as it belongs to the important retailers brands of *Edeka*.

Edeka is the only retail chain in Germany, which carried out a marketing campaign for organic products via TV. In addition adds are published in magazines and flyers are spread. The sales promotion in the stores consists of product samples, signs hanging down from the ceiling, displays and point-of-sale-radio. Also the packaging is part of the communication strategy because the green design is easy to recognise in the shelves (figure 50).

Figure 50: Packaging of *Bio-Wertkost* – cereals at Edeka
(Source: Hempfling)

Organic Range and Price Policy

Edeka offers between 220-330 organic items mainly depending on the supply of organic fruits and vegetables. The choice ranges from 30-60 articles here. The most markets place organic products both integrated in the conventional assortment and as a separated block. Usually cereals and groceries are positioned as block (figure 51).

The price premiums range from 20% to 60%. Vegetables, fruits and beverages have small price differences between 20-30%, organic eggs 30-40% and meat and meat products are quite expensive with 50-60% extra charges.

Strength and Weak Points in Organic Product Marketing

One success factor of *Edeka* is the size of the company. They have outlets in whole Germany. The communication of the own label *Bio Wertkost* by TV and magazines is a further strength factor. According studies of ZMP, it is the best known organic retailer trademark in Germany.

Figure 51: Blocked placement of organic products at Edeka
(Source: Grimm)

The less attractive design and the placement of the own organic trademark can be regarded as weak point. The products are often blocked, although an integrated placement could increase the sales up to 50%.

Tegut

General Structure of the Company

Tegut is a family-owned, regional company, which has been founded in 1947. 316 outlets (ZMP, 02/03) belong to *Tegut*, which are concentrated in mid-Germany (Hesse, northern Bavaria, western Thuringia). As regional company, *Tegut* has a turnover of nearly EUR 1 billion, which results in the 23rd place in the ranking of German retail chains.

The main targets of the company are to satisfy the consumers demands and wishes and to co-operate as good as possible within the company and with other organisations and to use resources sensible.

Organisation of Organic Product Marketing

The chief of purchasing is responsible for the organic assortment in co-operation with the single category managers. The company works with a benchmarking system to improve the marketing performance of the outlets continuously.

At *Tegut* single staff members in the markets are informed about organic products. In addition the head of the market is educated. Further organic production is a topic at the basic training for sales people.

Turnover of Organic Products

Tegut has the highest market share of organic sales in Germany with 8% in 2002 (ZMP 02/03). The total turnover of organic products was EUR 80 million in 2002 (ZMP 02/03). Bread, fruits and vegetables and dairy products are the most sold items. The sales of sweets, candies and fish are expected to increase in future.

Tegut wants to increase the market share of organic products up to 15% until 2005.

Label Policy

An own organic trademark of *Tegut* does not exist, but nearly the whole organic assortment of the company consists of *Alnatura*-items (figure 52). *Alnatura* is both processor and retailer with own organic supermarkets in Germany.

Figure 52: *Alnatura*-products at Tegut (Source: Tegut)

Communication Policy for Organic Products

Organic products are an important topic within the communication of *Tegut*. Public relation measures, advertisement and sales promotion is used for communicating the organic assortment.

Figure 53: Product sample at Tegut (Source: Grimm)

Nearly every issue of the own consumer magazine *Marktplatz* contains information about the organic assortment and reports about organic agriculture. Two times a week adds are published in different newspapers. The sales promotion is manifold: Leaflets and brochures inform about organic articles in the stores, the sales personnel is trained about organic issues and can inform the consumers, product samples (figure 53) are organised and the products are clearly pointed out of the conventional assortment by signs, posters and a colour- and letter-system. Every price tag of organic items is marked with a green spot and a “B” for “biologisch” (= organic) (figure 54).

Figure 54: Tegut-ABC as customer guide to find organic products (Source: Tegut)

Organic Range and Price Policy

Tegut offers 1200 organic items, evidently more than the rest of the German retail chains. Nearly half of the articles belongs to the *Alnatura*-assortment. Organic bakeries and meat or meat products are produced by own subsidiaries, therefore the range and the choice are quite big within these product groups. The own bakery *Herzberger* exclusively applies organic bread and pastries (ZMP 02/03) (figure 55). Some special outlets offer an exceptional high number of organic products. *Tegut* strives for offering at least one organic article in each product group.

Figure 55: Organic bread at Tegut (Source: Grimm)

The products are placed both within the conventional assortment and blocked on separate shelves. Usually cereals are blocked.

The maximum price premium at *Tegut* is 40% at dairy products. Organic eggs, meat and meat products, fruits and vegetables are sold with price differences between 20-30%. Bread and pastries have the smallest price premiums with less than 10%.

Strength and Weak Points in Organic Product Marketing

Tegut is the most successful company in selling organic products in Germany and belongs to the market leaders in Europe. One strength of the company is the great effort in communicating organic products by connecting the image of the enterprise to the organic assortment. This attitude combined with an early start of selling organic products already in the beginning of the 80s makes it possible for *Tegut* to get account to *demeter*-products as only retailer in Germany. Actually *demeter*-items are only available at organic shops, health food shops or at direct selling in Germany. Therefore *Tegut* attracts also consumers which would usually avoid retail chains for buying organic food.

Bremke & Hoerster

General Structure of the Company

Bremke & Hoerster has been founded in 1864. It is a family-owned company with 350 outlets, especially in the area around the Ruhr Basin, but also in Eastern Germany. *Bremke & Hoerster* has a turnover of more than EUR 1 billion which leads to place 22 in the ranking of the German retailers.

The focus of *Bremke & Hoerster*`s work are the persons, both the consumers and the staff. They aim to offer high quality products combined with excellent service. In addition they strive for preserve the natural resources as far as possible.

Organisation of Organic Product Marketing

At *Bremke & Hoerster* the buying agents are responsible for the organic assortment. They are supported by the environmental manager.

Special staff members in the supermarkets are educated referring organic products and the production system. An “organic godfather” works in every outlet. He/she is both contact person for the headquarters or the environmental manager and especially responsible for presenting organic products and informing the customers.

Turnover of Organic Products

Bremke & Hoerster does not want to publish the market share of organic products.

They do not have any figures about the market shares of single organic product groups referring the total organic sales. But olive oil, muesli and sauerkraut are the top sellers among the organic assortment.

Organic frozen food and convenience products are planned to increase in future.

Label Policy

Bremke & Hoerster does not have an own organic trademark.

Figure 56: *Naturland*-Logo
(Source: www.bremke-hoerster.de, 2003)

The company co-operates closely with a regional marketing co-operative of the producer organisation *Naturland (*figure 56). The majority of the organic products are sold with the label of this association. Therefore *Bremke & Hoerster* uses the recognition of the regional logo. In addition the state label *Biosiegel* is marked on the products.

Communication Policy for Organic Products

The communication strategy of *Bremke & Hoerster* emphasises the sales promotion at the point of sale. The German national organic label *Biosiegel* is part of the customer-guide-system for organic products. Every organic product is clearly pointed out of the organic assortment by frames around the price tags with the state sign (figure 58). To inform the consumers about organic products and the production, brochures and leaflets are offered (figure 57), sometimes in combination with product samples.

Figure 57: Information material about organic products at Bremke & Hoerster
(Source: Grimm)

Figure 58: Customer guide with the German *Biosiegel* at Bremke & Hoerster
(Source: Grimm)

Beside sales promotion, a few public relation measures are organised, e.g. some press conferences. But in general, the marketing effort for organic products is quite small.

Organic Range and Price Policy

Bremke & Hoerster offers about 600 organic items. In dependence on the size of the market and the distribution structure (supermarket, department store, discounter) the placement of organic products within the conventional assortment differs. They are either put next to conventional comparative products or both placed integrated and blocked on separate shelves.

The price differences between organic and conventional products could not be collected. As the company follows more to quality aspects and not to low prices, the company sets the prices in orientation to premium products.

Strength and Weak Points in Organic Product Marketing

One strength of *Bremke & Hoerster* is the intensive use of the state sign *Biosiegel* as main part of the communication system. Although the recognition of this logo has to increase in future, because it has been introduced even in 2001, the company uses the benefits of the big governmental marketing campaign for the *Biosiegel* in magazines, TV, brochures, internet and many media.

Feneberg

General Structure of the Company

Feneberg has been founded in 1947 and is a family-owned, regional company with 82 outlets in southern Bavaria. The turnover is EUR 319 million, therefore *Feneberg* is even among the top 30 of the retailers in Germany.

One main objective of the company is to support the own region (Allgaeu) by offering regional products, to reduce the use of natural resources and to provide jobs in this area. In 2002, 300 organic farmers and 15 processors co-operated with Feneberg (ZMP 11/02).

Organisation of Organic Product Marketing

Hannes Feneberg himself, the owner and chief executive officer of *Feneberg* together with his brother, is responsible for the development of the organic assortment.

The whole selling personnel is educated referring organic products. The organic topic is part of the basic and further training at *Feneberg*.

Turnover of Organic Products

Organic products are responsible for 6% of the total food turnover. Therefore *Feneberg* is one of the most successful retail chains in marketing organic food in Germany and even in Europe.

Vegetables, eggs and bread are the most sold organic product groups.

Feneberg plans to increase the market share of organic products by 4% to 10% until 2005. They try to increase the offer of poultry, pork and other meat products.

Label Policy

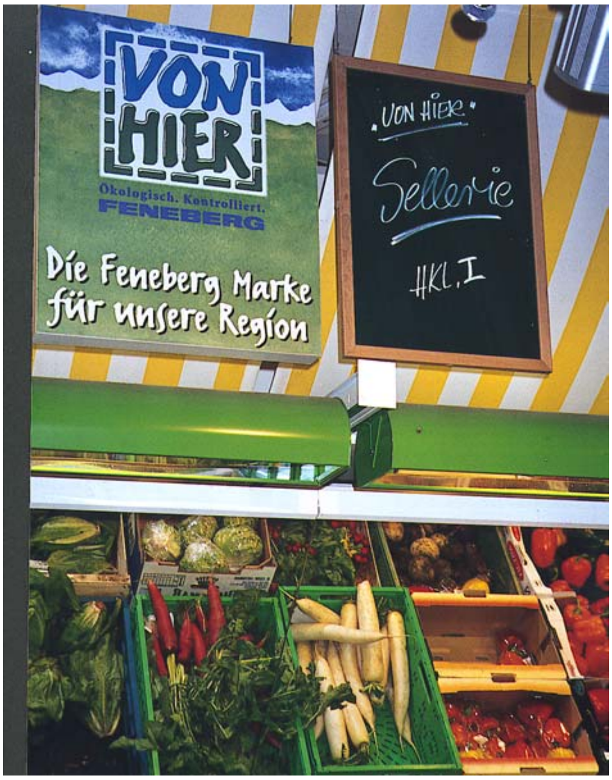
"*Von hier*" (From here), a slogan, which symbolises the regional and organic involvement of the company, is the name of the own organic trademark of *Feneberg*. The products have a uniform blue-green design with the striking motto "*von hier*" (figure 59).

Figure 59: *Von Hier* – Own organic label of Feneberg (Source: Hempfling)

Every producer has to be organised within a producer organisation, therefore the *AGÖL*- or the *IFOAM*-regulations are fulfilled. Trying to gain the customers' confidence referring the organic products *Feneberg* commits the farmers to spend 10 hours per year in the supermarkets to make sales promotion and to care about the consumers' questions and doubts (ZMP 11/02).

Communication Policy for Organic Products

Sales promotion is the main communication measure for organic products. In the stores organic products are pointed out of the organic assortment by signs hanging down from the ceiling (figure 61), coloured frames around the price tags and stickers on the floor, which point to organic products (figure 60). The design of the products also helps the consumers to find organic items. Regularly product samples are organised. In addition *Feneberg* advertises in newspapers, spreads flyers and brochures and organises a few public relation events, e.g. press conferences or "organic days".



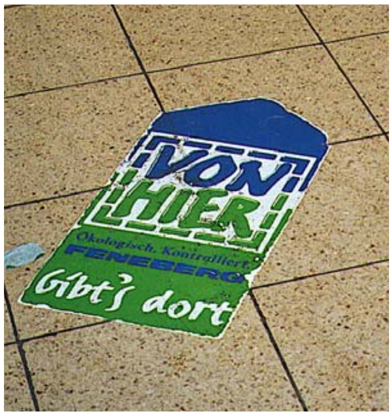


Figure 60: Sticker on the floor at Feneberg show where to find organic products (Source: Hempfling)

Figure 61: Communication at Feneberg (Source: Hempfling)

Feneberg distinguish itself by the organic assortment, especially by the own retailer label "*von hier*". The brand is positioned in the foreground at the PoS (figure 62). Therefore the visual marketing effort is big.

Figure 62: Communication for organic products at Feneberg (Source: Hempfling)

Organic Range and Price Policy

The organic range of *Feneberg* contains between 500-800 organic items. The supply depends strongly on the demand. The products are placed among the conventional products. Only a part of the cereals is sometimes placed as block.

The price difference between organic and conventional products differs by product group. Vegetables and bread are offered at price premiums below 10%, dairy products, eggs, fruits and beef between 10-20%, beverages between 20-30% and poultry and pork up to 50% (figure 63).

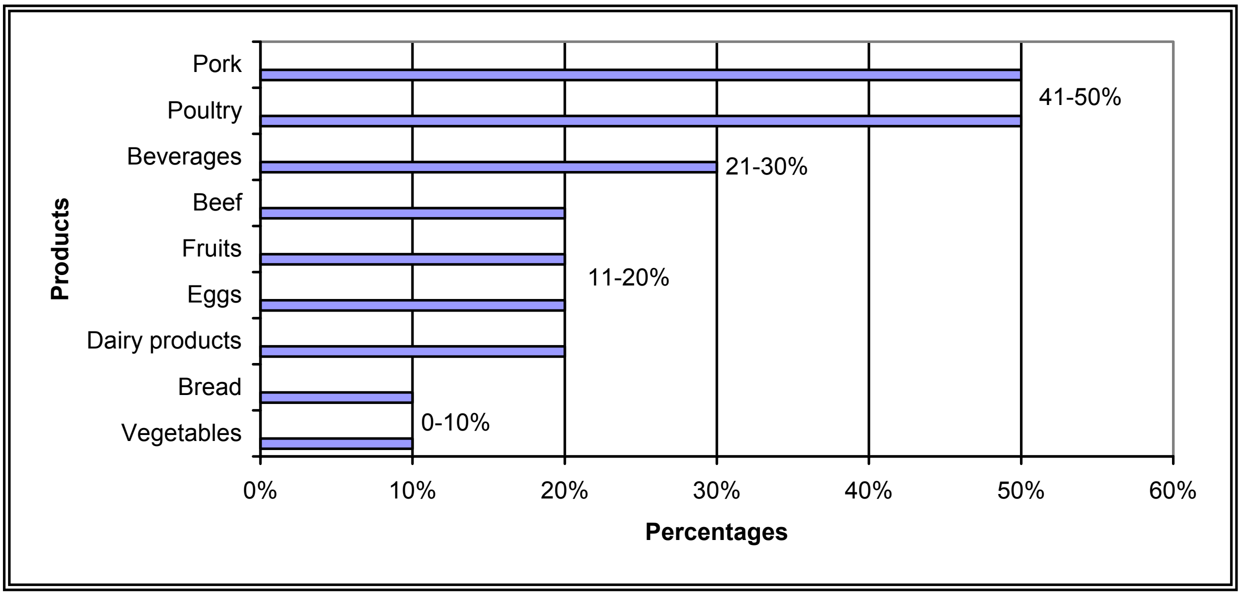


Figure 63: Organic product price premiums for single product groups at Feneberg, 2001 (Source: Grimm, B., 2002)

Strength and Weak Points in Organic Product Marketing

The organic trademark "*von hier*" is a big success factor of *Feneberg*. The regional origin of the organic products is a chance to bind clients strongly to the company. Also consumers who usually do not look in special for organic products buy "*von hier*"-items because of the regional origin. Another strength for the organic assortment of *Feneberg* is the own butcher and bakery. Therefore bread is already a successful article and the supply of meat will be improved in future.

2.7 Italy

The information is based on a literature study about the Italian organic market and the retail sector. Written interviews with *Lombardini, Coop* and *Carrefour* gave an overview about the activities of these companies in the organic sector. Store checks have been carried out at *Esselunga, Coop* and *Pam*. As market leader on the organic food market, *Esselunga* has been regarded more detailed in a case study, especially by an interview with Pierluigi Stopelli who is responsible for the organic assortment of *Esselunga*.

2.7.1 The Organic Market

Organic Farming

Italy has the largest area of land devoted to organic farming in the European Union with an estimated 1.2 million hectares which is equivalent to 7% of the total agricultural area. More than two thirds of all organic farmers in the European Union are located in Italy. The number of organic agricultural enterprises has been increased by 17.000 in 1996 to approximately 60.000 in 2001. The number of totally converted farms increased to 47.357 in 2001 (ZMP 03/02). Further, more and more farms that are already converted to organic, but never marketed their products as such, are often supported now by some regional development projects with the result that these farmers finally reach the organic market.

Italy is also the biggest supplier country of organic products within the European Union. Nowadays the average growth sways between 10 and 20%, while the growth was largely 20% between 1996 and 2000. 67% of all organic operators are based in the southern regions, 12% in the centre and 21% in the northern regions. The islands of Sicily and Sardinia have the highest proportion of organic cultivated area. The most important categories of organic products are forage (46%) and cereals (23%). The target is to reach 10% of all agricultural area in Italy converted to organic by 2005 (The Organic Standard, 11/02).

Organic Sales

In 2001 the sale of organic products amounted to EUR 1.17 billion (ZMP, 11/02). The growth trend is very strong. In the last four years it has never fallen below 20%. Food scare about the mad cow disease led to an acceleration of the growth. In the first three months of 2001, the greatest wholesalers reported an increase of organic sales of about 50% compared to the same period in 2000.

The availability of organic products in northern regions is considerably higher. The main reason for this is that the distribution channels between supplier and purchaser are shorter in the north: 48% of organic processing industries are located in the north against 33% in the south and 19% in the centre of Italy. Moreover, 78.7% of all Italian supermarkets with organic fruits and vegetables are located in the north.

Half of the total Italian organic production is exported, mainly to Northern Europe. The majority of the exports are grains, cereal products, olive oil, wine, fruits and vegetables. Domestic production is not effectively matched with domestic demand, so that some organic imports are necessary from mainly Argentina, Chile and some parts in Europe.

An investigation performed by *ACNielsen Retail* has calculated that in Italian supermarkets between July 2000 and July 2001 EUR 229 million were spent on organic products in 1.652

outlets. This means a market share of 2.2% in the total foodstuff turnover in these supermarkets. Compared to the year 2000 the sale of organic products in supermarkets has increased by 53.3% in volumes and 84.1% in value. In the year 2000 EUR 1.125 were spent on foodstuff per capita, of which EUR 16.80 have been spent on organic products. That means that organic products had a market share of 1.5% of the total food purchases in 2000. The composition of turnover for the most important organic product groups in super- and hypermarkets in 2001 is shown in figure 64.

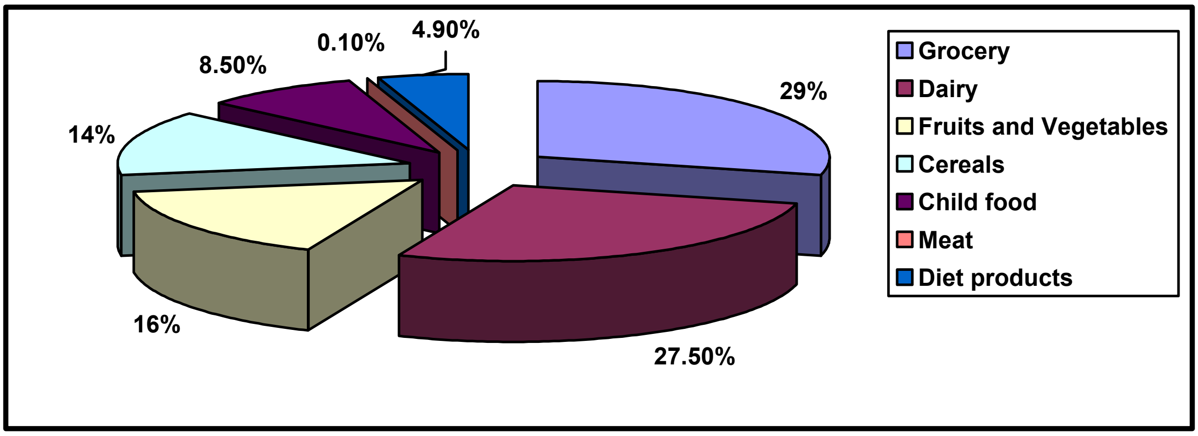


Figure 64: Turnover composition of organic product groups in 1.652 Italian supermarkets (Source: ISMEA ACNielsen Retail)

Dairy:

The total turnover in dairy amounted to about EUR 63 million. Yoghurt (EUR 21 million), eggs (EUR 18 million) and milk (EUR 14 million) were the most popular products. The prices of two organic products have decreased, namely butter by 11.8% and yoghurt by 2.8%. Milk and eggs have increased in prices by respectively 4.4% and 2.8% to the year before.

Grocery:

This product group had a retail turnover of EUR 66 million. The division of the market share within the grocery had been composed in the following order (table 26):

Table 26: Division of the market share within the product group of organic grocery in 2000/2001

Product Group	Market Share of Grocery
Beverages	40.3%
Pizza	6.5%
Candy	18.7%
Condiments	27.7%
Sweeteners (sugar, honey and syrup)	6.8%
Total grocery	**100%**

(Source: ISMEA ACNielsen Retail)

The prices of the beverages have been lowered by 13.1% on average. Although the price of organic wines decreased by 27.1%, these articles have still not been too popular because of the dominance of many quality brands in the conventional wine sector. Condiments and sugar have been raised the most, by 13 to 14%, whilst the prices of pizzas and candy remained rather stable.

Fruits and Vegetables:

Italian consumers spent EUR 37.5 million on organic fruits and vegetables, of which 52% on vegetables and 48% on fruits. The volume growth in organic vegetables and fruits has increased by respectively 23% and 19%. The price development of this product group was favourable for the customer, because the average price reduction came to 5.5%. Between December 2001 and January 2002 the average selling prices for fruits and vegetables increased by 20%, while the conventional prices went up by 70%. In some cases the conventional fruits and vegetables were even offered at a higher price than the organic ones.

Cereal Products:

Approximately an amount of EUR 35.5 million was spent on cereals varying from pasta and rice (55%), bread and biscuits (25%) to breakfast meals (20%). The average rise in price amounted to some 4% for this product group.

Child Products:

Biscuits, vermicelli and baby food were the most popular organic child products. The average price level decreased by 22.4%. The prices of biscuits and baby food were lowered the most. The registered growth was 108% in quantity and 61% in value.

Meat:

Despite a 40% increase in consumption, the purchase of meat was essentially limited due to a very small availability in supply and a lack of quality. The average price has risen by 2.8%.

Diet products:

The total turnover in organic diet products came to EUR 6.8 million. Diet commodities were not subject to significant price increases. The market of diet produce grew by 56% in volume.

Sales Channels

In 1999 the number of supermarkets with an organic corner exceeded the number of specialised organic stores and in 2000 they have won market share. Experts believe that in 2005 supermarkets will have a market share of 60% of the total Italian organic food sales and specialised stores only 33%. In 2000 45% of all organic fruits and vegetable sales have been turned over in supermarkets and 40% in specialised stores (table 27).

Table 27: Development of the market shares of the different sales channels for organic products

Sales Channel	1999	2001	2005
Supermarket	23%	27%	60%
Wholefood stores & direct sales	70%	67%	33%
Other sales points	7%	6%	7%

(Source: Inipa and Ager della Coldiretti in collaboration with the Ministry of Labour, 2002)

Consumer Prices

The prices paid for the organic food vary from 20 -200% extra charges. According to a price comparison investigation performed by Zanoli and Pinton in July 2001, price differences between conventional and organic items came to 25% in supermarkets and 30% in specialised organic shops. A little less than half of the Italians are willed to pay more for organic products compared to conventional ones, but the limit is often 20%. About 18% of the consumers do not want to pay extra for organic items.

The Organic Consumer

The average consumer of organic products is between 30 and 45 years old, lives in a city or large town in the north of the country, has an average or above-average education and is in the upper middle or upper income bracket. 39% of all Italian families buy organic products (ZMP, 09/02).

Italian consumers attach great value to the origin of the products and the relation between health and nutrition. As a matter of fact, private labels and certifications on organic products are regarded as an essential element for safety guarantee. *Demeter*, *A.I.A.B.* and *Bioagricert* are the most well-known organic certification agencies among the Italian population.

A market research performed by Roberto Pinton behalf of *A.I.A.B.* showed that health (57%), no chemicals (18%) and the support of the ecological development (11%) were the first mentioned reasons of Italian users for the consumption of organic foodstuff. Pasta and bread, grains and beans, fruits and vegetables are bought more regularly by heavy users, whilst irregular consumers are less interested in organic fruits and vegetables and buy more often organic grains and beans, cakes and sweets, drinks and dairy.

Concerning the knowledge of the word “organic”, 73% of the Italians were able to give a right definition of organic products according to a survey performed in 2001 by the leading market research institute *Demoskopea*.

Prospects Organic Market 2005

Since August 2000 the *Ministry of Agriculture* has increased its attention to the environmental and agricultural development. The two objectives are to reach 10% organic agricultural area of all cultivated land in 2005 and to decrease the use of pesticides and fertilisers by 25%. The latter has to be realised by a promotion campaign in favour of organic produce, financed by a 2%-tax on synthetic fertilisers and pesticides. The budget for this amounts to EUR 7.25 million. The campaign especially consists of consumer information, public campaigns and grants for experimentation activities, promotion for and research in organic farming.

In May 2001 the Italian *Ministry of Agriculture* started a promotional campaign for organic products – by means of TV commercials, advertisements in magazines and newspapers. Health is used most as a sales argument in television commercials, followed by environment protection. Animal care, taste and gene techniques may also come up for consideration.

According to the results of the study *Information needs of the EKO-consumer* performed by the institutes *Inipa* and *Ager della Coldiretti* in collaboration with the *Ministry of Labour*, the consuming of organic products in Italy can reach a turnover of EUR 5.2 billion in 2005. The market share of organic products can rise up to 3.3% in 2005 of the total foodstuff market. Since 2000 it has been compulsory for municipalities and hospitals to use organic products in refectories. Beside, a remarkable regional development is the high organic content in school food of some schools in the city of Florence. From a share of 15% in previous years, organic meals have now reached a share of 50-70% of the total food sold. The extra charges are partly borne by the parents and financed by local taxes. In order to motivate householdings to use organic food, the local government of Florence has issued leaflets about organic foodstuff. Further, the *Bocconi University* in Milan organised intensive courses about organic marketing in 2000 and 2001.

2.7.2 Organic Products in Retail Chains

Italy has 30 supermarket chains, all with a similar market share. The Italian retail sector is quite heterogeneous as the top 10 companies are only responsible for nearly 40% of the total sales (table 28). The national food turnover amounted to EUR 67.7 billion in 2001.

Table 28: Overview about the Italian retail sector in 2001

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
COOP Italia	6963	10.3%	10.3%
Carrefour	4297	6.4%	16.7%
Rinascente (Auchan)	3594	5.3%	22.0%
Esselunga	2810	4.2%	26.2%
Pam	1848	2.7%	28.9%
Metro	1611	2.4%	31.3%
Rewe	1381	2.0%	33.3%
Finiper	1193	1.8%	35.1%
Lombardini	1076	1.6%	36.7%
Aspiag (Spar)	1023	1.5%	38.2%

(Source: M+M Eurodata, 2002)

Already many of these chains are selling organic products. A uniform governmental certification label for organic foodstuff does not exist in Italy. There exist nine competent Italian certification firms that are entitled to inspect organic goods.

In the field of organic offer, the company *Esselunga* is clearly the pioneer in Italy. Its biggest competitor in this area is *Coop*, closely followed by *Carrefour*.

Coop Italia

Coop Italia is a conglomerate of ten smaller supermarket chains and small stores that are banded together. It is the largest conventional retail chain in Italy and was responsible for a turnover of almost EUR 7 billion in 2001, equivalent to a market share of 10.3% in all foodstuff sales. Of this, 0.8% had been turned over by sales of organic own-labelled products. The complete assortment of the own organic retailer label *Coop da Agricoltura Biologica* (figure 65) which exists since November 2000, consists of 211 products from which 69 are processed, 89 belong to the fruits and vegetables assortment and 53 to cereals (ZMP, 05/02).

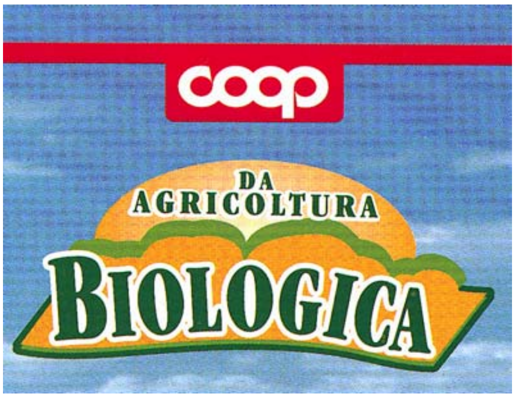


Figure 65: Organic trademark of Coop Italia (Source: Coop Italia-Leaflet, 2002)

Surprisingly, the organic assortment does not comprise meat. Beside its own organic label, *Coop*'s organic range also contains two other organic labels. About 80% of all selling points dispose of more than three quarters of the total organic range.

Concerning the positioning, *Coop* puts organic products between or next to the conventional range, but it applies special labels in order to distinguish them from the other items. A store check showed that organic fruits and vegetables have been noticeable because of huge ceiling boards. Other organic product groups were less recognizable. Organic fruits and vegetables suffer from the highest price differences compared to conventional products with 20 - 30%. The marketing budget for organic products is mainly spent on publicity in various media (40%). 30% is used for special offers, 25% for brochures and leaflets and 5% for posters and boards.

Coop estimates that in 2005 3% of its total foodstuff turnover will be realised by selling organic products. According to the responsible person for the fresh and organic product line of *Coop*, the organic references of the own organic trademark will become more and more popular because the clients are showing more confidence to them. The company wants to increase the consumer's acquaintance with its organic label, among other things by starting extra promotion activities.

In general, publicity campaigns and a better image will make organic food more popular. Furthermore, *Coop* believes that scandals in the field of conventional produce and a bigger organic product availability will contribute to a positive organic development in Italy.

Carrefour

Beside in Belgium and France, the enterprise *Carrefour* is also a big player on the food market in Italy. In this country it owns 37 hypermarkets, 303 supermarkets and 570 convenience stores.

Carrefour Italia ranks second on the list of companies with the highest sales in 2001 (total turnover of EUR 4.3 billion). The market share of the super- and hypermarket chain is 6.4%. Roughly 2% of this amount is represented by the sales of organic items.

The number of organic references in each product group at *Carrefour* is given in figure 66. The total assortment of 192 products is available in about 80% of all chain stores.

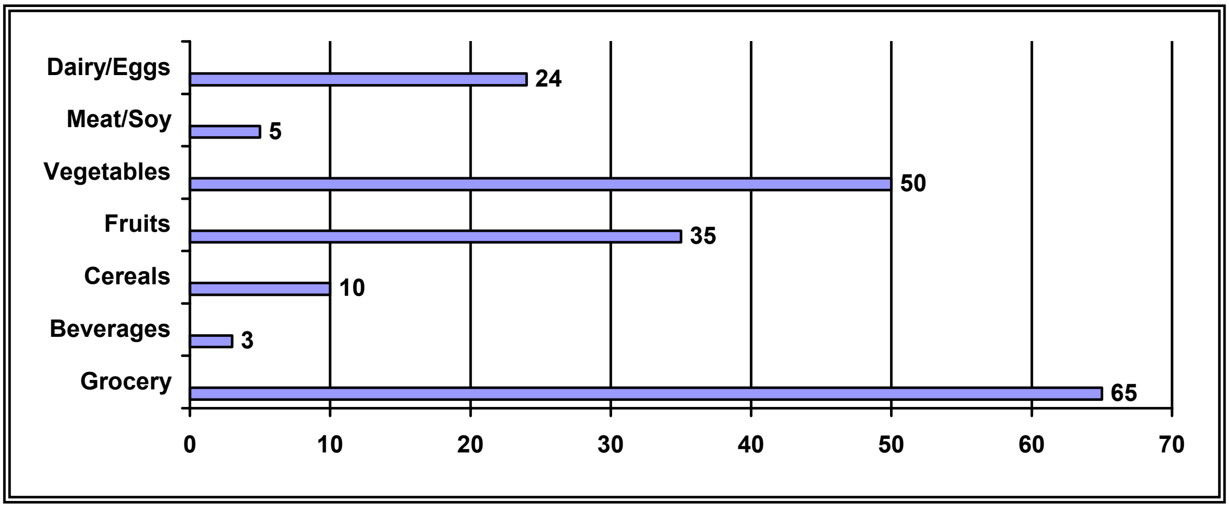


Figure 66: Number of organic items in the different product groups at Carrefour Italy (Source: Abbink, de Vries; 2002)

Organic beverages have the smallest price difference of all organic products with less than 10%. Organic fruits and vegetables, meat and eggs are in general the most expensive ones, with an average price premium of 20 to 30%.

In 1997 *Carrefour* has created its own organic label *Scelgo Bio* (figure 67). Together with this label there can be found 80 registered marks and 112 labels of suppliers in the supermarkets. With the exception of the dairy products all organic items have been placed between the conventional ones.

Figure 67: *Sclego Bio* - Organic trademark of Carrefour Italy (Source: www.carrefour.it, 2003)

About 2-3% of the marketing budget is dedicated to communication for the organic assortment. 80% of these marketing expenses consist of bargain prices to the customers. The rest of the budget is spent on promotion material within the store.

Concerning organisation, the retail chain applies a separated product management for the organic goods as well as integrated product management. To further develop the organic range of the company, *Carrefour* works closely together with its suppliers. The supermarket chain considers organic to be a strategic instrument and pays quite some attention to its innovation.

Carrefour looks at the future in optimism. It estimates that in three years the organic share of the total foodstuff turnover will be 5%. This is to be realised by a more important role of organic products in the company's marketing, e.g. by a share of 5-10% of the total marketing budget.

In view of the fact that the Italian company estimates the current growth of the organic market at 20 to 30% per year, *Carrefour* thinks that in 2005 organic products will have a share in the total food market in Italy of 3%.

Pam

Pam, the number five supermarket with a market share of 2.7%, has also launched an own organic label called *Biopiù* (figure 68). *Pam* uses among other things bargain prices for promotion of its organic assortment. Attention is drawn with the use of a huge ceiling sign above the fruit range. Organic cereal products could be noticed clearly among the total cereal assortment, because big green coloured shelf cards with the words "*prodotti biologici*" (organically produced) were put in front of them. Other organic product groups, however, could not easily be noticed.

Figure 68: *Biopiù* - Organic trademark of Pam (Source: www.gruppopam.it, 2003)

Metro

In May 2002 *Metro*, the number six ranking supermarket with a market share of 2.4%, has started a project to enlarge its organic assortment. Unfortunately, the organic manager of *Metro* could not give further details yet about this organic project.

Lombardini

Last year *Lombardini* reached a turnover of EUR 24.8 million, resulting in a market share of 1.6%. 1% of its turnover of food in 2001 was realised by organic products. The complete organic assortment consists of 83 products, of which grocery and dairy products take more than 60%.

About 30% of all outlets contain more than 60 organic items which are positioned among the conventional assortment. The organic and conventional wares are distinguished from one another by the use of separate labels. In the opinion of Roberto Colombo, the responsible person for the purchase of grocery and cereals, the average price level of all organic food is 25% higher compared to conventional foodstuff. *Lombardini* only uses bargain prices for promoting organic products. The organic range of the company has matured as a result of close co-operation with producers and experiences of other retail chains.

Lombardini does not consider organic products as an important strategic means. On account of the higher price level, the sympathy of Italian people toward traditional products and the lower trust of customers in organic certification labels, *Lombardini* regards organic as a niche market. Notwithstanding its rather negative attitude toward organic items, this supermarket chain thinks that the share of organic sales as part of the total food turnover will have grown to 2% in 2005, especially because *Lombardini* does not want to stay behind.

Conad

Conad is an advanced retail chain with more than 1650 outlets throughout Italy. In 2001 the enterprise had a total revenue of EUR 5.311 million which makes up a market share of 10.2% (www.conad.it, 2002). Referring the range of organic products *Conad* steadily enlarges the offer. The organic trademark *da agricoltura biologica* ("of organic agriculture") was launched in the end of 2000 and contains 45 items today. In total the consumers can choose among 140 organic products of the own organic trademark and of other ones. The own trademark covers milk and milk products, frozen food, pasta, cereals and farina, juice, canned fruit and tinned vegetables, honey and candies, oil and dressings as well as beverages. Compared to conventional product groups, the prices for the organic complements can be 10% lower to 15% higher. The organic products are placed integrated within the conventional assortment.

Crai

In the end of 2001, *Crai* has introduced its own organic trademark *Crai Bio*, containing 32 references today. In more than 2.200 points of sale consumers can find organic eggs, bread, pasta, cereals and farina, juice, canned fruit and tinned vegetables, honey and candies, oil and dressings and finally dry legumes. The range is integrated in the conventional assortment. On average organic products are 30% more expensive than comparable conventional items.

Despar

More than 60 items belong to *Despar*`s organic brand *Bio Logico* (figure 69) which was launched in the beginning of 2001, covering fruits and vegetables, milk and milk products, eggs, juice, canned fruits and tinned vegetables and dry legumes. The surcharge for fruits and vegetables reaches 30%. Milk and milk products are 10% more expensive compared to the relevant conventional items. Apart from *Bio Logico* products, *Despar* offers fruits certified for an ethical production system. To increase organic sales the enterprise arranges advertising campaigns and points out the products by shelf marks.

Figure 69: *Bio Logico* - Organic Trademark of Despar Italy
(Source: www.entrynet.it/despar, 2003)

Rewe Italia

The enterprise offers organic products already since 1998. *Rewe*`s own organic trademark *Si! Naturalmente* (Yes!Naturally) (figure 70) contains around 100 references. The assortment covers fruits and vegetables, milk and milk products, eggs, bread, convenience products, frozen food articles, honey and candies, juice, canned fruit and tinned vegetables, oil and dressings, wine and beverages. Only organic fruits can be found separated in the fruit department. The remaining assortment is arranged among the conventional products. On average fruits and vegetables are 20–30% more expensive than their conventional complements. At milk and milk products, convenience products, bakeries, frozen food

articles and wine the price is 10–15% higher. By advertising the organic product range in daily newspapers the company wants to increase organic sales. Additionally customers have the possibility to taste some of the products while shopping. They get information about the production systems directly at the point of sales.

Figure 70*: Si!Naturalmente* - Organic brand of Rewe Italia (Source: www.billa.it, 2003)

Selex

The company`s organic assortment of the own organic trademark *Bio Selex* varies from eggs over juice, canned fruits and tinned vegetables to oil and dressings and counts 17 different references. Prices are conform to the leading items of the relevant product groups. Customers can find the organic items among the conventional products. The brand *Bio Selex* was launched in 2001 (figure 71).

Figure 71: *Bio Selex* - Organic trademark of Selex (Source: www.selexgc.it, 2003)

Esselunga

The company *Esselunga* already has a long history in Italy. In 1957 it opened its first supermarket in this country. The chain of *Esselunga* was the first supermarket chain ever to be established in Italy. Nowadays, *Esselunga* owns more than 110 outlets, situated in the provinces of Lombardy, Tuscany, Emilia Romagna, Piemonte and Veneto. Of these, 40 stores are relatively smaller supermarkets, and the remaining 70 are *Esselunga* superstores. A superstore is bigger than a common supermarket, but has not reached the level of the hypermarket.

Last year the enterprise turned over EUR 2.8 billion which was equivalent to a market share of 4.2%. In the field of organic products *Esselunga* is the absolute leader in Italy. The company is very strong in fresh products, in conventional as well as in organic, especially in the category fruits and vegetables. 10% of the products sold from this category are organic ones. This is an important aspect, as organic fruits and vegetables are responsible for half of the total organic turnover of *Esselunga*. And soon this will be more, because this organic product group is growing with 20 to 30% a year.

The main strategic objective of *Esselunga* is to offer customers a very broad choice. Therefore it tries to create an as wide product range as possible, with much segmentation. This applies also for the organic products; the company offers and sells more organic commodities than any other Italian conventional supermarket and it has been the first retailer in Italy to introduce a comprehensive organic range (www.emd-ag.com, 2003).

Organisation of Organic Product Marketing

Since organic fruits and vegetables have important significance for *Esselunga*, in contrast to the other organic groups, they receive a separate product management. At least two people concentrate entirely on these organic fresh products.

Esselunga participates in a number of organic organisations, but due to time limitations this participation is not as intense as the supermarket chain would like. The most important of these networks is the *Consorzio Biologico per la Sviluppo Sostenibile* ('Organic Consortium for the Sustainable Development'). The Consortium is a non-commercial organisation that stimulates organic awareness and development. *Esselunga* is not a member of this organisation as a retailer, but as a producer. The enterprise produces itself a large part of its fresh and frozen products and sells them under its own trademark.

Product Policy

The organic product range consists of 700 to 800 items, of which 300 to 400 are fruits and vegetables. The most sold product is the banana, both organic and conventional. Especially in the beginning *Esselunga* did its best to create an as wide organic assortment as possible in order to penetrate the market. Now, the company still invests a lot of money in it, but since the market penetration is accomplished the assortment is treated in the same manner as the conventional range.

Quality is an essential element for *Esselunga*. *Famosi per la Qualità* ('Famous for Quality') is the slogan of the retail chain. Maintaining this reputation of quality is not an easy job, certainly not because the retailer mainly profiles itself with fresh products. Especially organic fruits and vegetables are hard to keep in a good qualitative shape. Naturally, these fresh organic commodities are subject to strict inspection. Apart from inspection and certification bodies, *Esselunga*'s own quality safety department takes care of this. This department as well as the purchasers visit the suppliers every week in order to check production methods and results.

Communication Policy

Esselunga spends a lot of money on communication. Especially the promotion of the own brands is really important for the company, including *Esselunga*'s own trademark for organic products *Esselunga Bio* (figure 72). Apparently the promotion was very successful because *Esselunga Bio* is one of the best known organic labels in Italy. The organic label was developed in November 1999. From that moment on *Esselunga* has seen much growth in its organic product sales, above all in the category of fruits and vegetables.

Figure 72: *Esselunga Bio* - Organic trademark of Esselunga
(Source: www.esselunga.it, 2003)

During a store check of one of the *Esselunga* supermarkets it could be seen that the retailer applies the logo of the organic trademark in a very effective way. The organic items which are not produced by *Esselunga* can not carry this logo, of course. But instead the supermarket chain places shelf cards at these products with other organic labels. The shelf card shows the same sky and sun as the *Esselunga Bio* logo does, but in a slightly different way. So there is made a link to the own organic trademark without mentioning the name, and thus there is created conformity.

Apart from the organic label, *Esselunga* has also developed its own trademark for integrated products: *Esselunga Naturama*.

Besides the labels and the shelf cards there is not made much distinction between organic and conventional, just some carton boards. Since too much distinction is not helpful either, the positioning of the organic items in the *Esselunga* outlets seems quite efficient. Further (general) means of promotion are *Esselunga*'s own magazine, and a biweekly bargain price that offers two to four products at a discount. Figure 73 shows an example of the promotion campaign for *Esselunga Bio.*

There is not given any training for chain store managers in knowledge of organic agriculture, but each manager is visited twice every year to share in company information, including data about the organic product range.

Figure 73: Example for the promotion of *Esselunga Bio* (Source: www.esselunga .it, 2003)

Price Policy

The price differences of organic goods with regard to conventional ones vary much at fresh products. They reach from more or less the same price to twice as much for e.g. lettuce. For industrial products the price difference is on average 30%. Table 29 shows the price differences of a random selection of product types.

Table 29: Price differences of organic items at Esselunga in 2001 (random sample)

Product Type	Price Difference
Cheese	+ 16%
Eggs	+ 12%
Milk	+ 4%
Carrots	+ 85%
Onion	+ 47%
Bread	+ 33%
Jam	+ 60%
Meat	+ 85%
Apples	+ 46%
Bananas	+ 83%

(Source: Abbink, de Vries; 2002)

At the moment *Esselunga* is working on reducing the production and marketing costs of its products. By developing better production programs the company hopes to be able to reduce the prices of its organic items.

Organic Market Prospects

It is hard to predict future sales of organic products, but the company hopes that in the category fruits and vegetables the organic share will increase to 15% in about three years.

There are many factors that influence the organic development, especially the supply and the demand. In view of the large amount of investments by Italian suppliers in organic farming, *Esselunga* estimates that there will be enough organic agriculture in Italy to satisfy all demands, even a reasonable part on the international market. *Esselunga* itself tries to influence the demand by information campaigns about organic products (figure 74).

According to *Esselunga*, the future of conventional supermarkets with respect to organic products looks bright in Italy. Currently, retail chains have a market share of 35% in organic fruits and vegetables, whereas the traditional stores have a share of 35 to 40% in this product group. But this proportion will definitely be changing in favour of the retail trade. Also in general, supermarket chains will gain more and more in significance in Italy.

Figure 74: Information campaign of Esselunga
(Source: www.esselunga.it, 2003)

2.8 The Netherlands

2.8.1 The Organic Market

Organic Farming

Various crises as the foot-and-mouth disease, BSE and the swine fever have caused a sharp decrease in the number of agricultural and horticultural enterprises. In contrast, the number of organic companies increased by 12% (from 1.391 to 1.568 organic enterprises) and the organic area grew by 18% (from 33.000 to 39.200 hectares) between 2000 and July 2002. This is a share of organic farms of 1.74% and an organic cultivated area of 1.96% (ZMP 11/02).

Agriculture in The Netherlands has the highest use of fertilizers and pesticides per hectare of all European countries. A conversion from common to organic farming is thus more risky and comprehensive than in other countries. Moreover, Dutch consumers are rather price oriented by purchasing foodstuff. This explains the still reserved attitude of farmers and supermarkets to offer organic products. Nowadays, a national organic farmer gets more motivation because of the positive development of organic assortments in supermarkets. However the *Ministry of Agriculture, Nature and Fishery* has decided to abolish subsidies for conversion to organic farming from 1 January 2003.

Organic Sales

In 2001 the total retail sales of organic food in The Netherlands amounted to EUR 355 million equivalent to a market share of 1.5% in the total sales of foodstuff. The number of consumers who buy organic products rose by 23% in 2001.

The growth of the total organic market is especially stimulated by two factors: the special interest for organic products caused by the foot-and-mouth disease and the promotion activities of *Albert Heijn,* a Dutch retail chain. In 2001 *Albert Heijn* organized action weeks three times a year during these all organic products were offered at a reduction of 25%. These price reduction have recruited many new clients with the help of the attention paid to this by the media.

The turnover division of the most important organic product groups for the Dutch organic market in 2001 is as follows (figure 75):

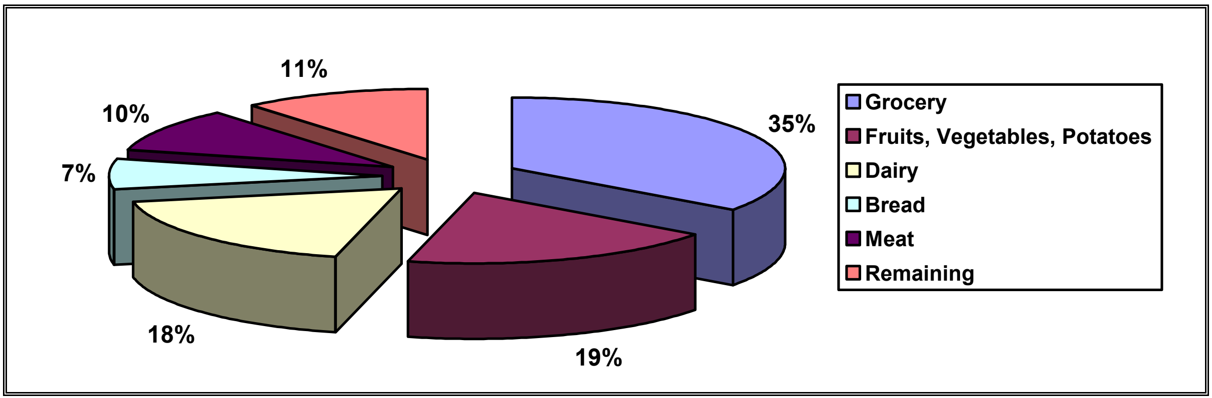


Figure 75: Turnover division of important product groups in The Netherlands in 2000 (Source: Eko Monitor, 2001)

Grocery:

The product group grocery consists of soft drinks and juices, cookies and bread substitutions, vegetable preserves, sandwich filling, rice and dough products. Approximately EUR 125 million has been turned over. In The Netherlands these organic product types are dominated by *AH Biologisch* (organic retailer trademark of *Albert Heijn* with 265 products) and *Biorganic* (organic brand of the wholesaler *Natudis* with 70 products).

Potatoes, Vegetables and Fruits :

The retail turnover in organic potatoes, fruits and vegetables amounted to EUR 57 million in 2001. This means a turnover share of 3% of the total turnover of this product group. For the year 2002 a growth of 20% is forecasted.

Meat:

Organic meat can be divided in pork meat, beef and poultry meat:

- Pork: The household consumption of organic pork was EUR 9 million which is a market share of 1.3% of the total sales of pork. Largely 60% of the sales of organic pork have been effectuated in supermarkets.
- Beef: Almost EUR 14 million have been spent on organic beef in The Netherlands which is a share of 3.9%. The supermarkets sold at least 40% of all organic beef.
- Poultry: The total sales in organic poultry are estimated at largely EUR 4 million. This is a 0.9% share in the total sales of poultry. Almost 80% of this turnover was realised in supermarkets.

The growth in the turnover of organic pork, beef and poultry is estimated to be between 50% and 60% for the next year and will especially take place in supermarkets.

Dairy:

The sales in organic dairy grew by 25% from EUR 45 million (2000) to EUR 57 million (2001). The market share of organic milk products reached 3.2% of the total turnover of dairy. Comprising all organic dairy products, these products have a 2.5% market share in the total dairy sales. The growth expectations for the year 2002 are 10-12%.

Bread:

The market size of organic bread accounted for EUR 21.5 million and had a 2% market share of the total bread turnover. Almost 40% of the organic bread turnover was realised in supermarkets.

Sales Channels

In 2001 the supermarkets became the major sales channel for organic products for the first time. From 1998 to 2002 the turnover in organic products has multiplied by factor five. In 2001 42.3% of the total sales of organic products have been done in supermarkets against 40.8% in wholefood stores.

Table 30: Development of the turnover of organic products in the different sales channels (in million EUR)

Sales Channel	1999	2000	2001	2002
Supermarkets	70	110	150	180
Special organic shops	115	125	145	155
Health food shops, organic butcheries	30	33	37	42
Farm sales, weekly markets, catering and restaurant	15	20	23	28
Total turnover	230	288	355	405

(Source: EKO Monitor, 2001)

The turnover of organic products at supermarkets increased superproportional compared to the other sales channels (table 30). It is estimated that the sales of organic products by supermarket chains will increase by 15% in the year 2003. The increase of the wholefood stores as sales channel is estimated lower with 10%.

The Organic Consumer

In May 2001 *Platform Biologica* has performed a consumers' investigation in order to find out the purchasing behaviour of people in The Netherlands with regard to organic products.

The most important reasons to buy organic products are environmental care (51%), health care (49%), taste (41%), the exclusion of pesticides and fertilisers (28%) and the support of organic agriculture (14%). Indeed, organic products have a good image, but the high price, the poor appearance and the small availability are the most mentioned barriers. The common assumption that people do not want to pay more than 25% extra for organic items is not always true. One of the most successful products is semi-skimmed milk of *AH Biologisch*, a product that is 40% surcharged.

2.5% of the Dutch population are regular organic consumers and 13.5% are medium buyers who are characterised by instantaneous consuming behaviour. 42% of the consumers are familiar with organic products and 55% of these buy an organic product incidentally.

Regular buyers are more found in the group with the lowest and mid low income (17%) than in the highest and mid high income (10%). The percentage of light users in the highest income group is 32% against 27% in the lowest income group. Consequently, *Platform Biologica* concluded that the purchase of organic products is merely an issue of lifestyle and choice. Light and medium buyers particularly buy organic potatoes, fruits, vegetables and dairy. Organic bread and grocery products are more frequently bought by heavy users.

Organic Market Prospects

For the following years, a further growth of organic food sales is expected. *The Ministry of Agriculture, Nature and Fishery* has started an organic promotion campaign in 2001 that will last for three years. All groups from farmers to supermarket staff carry out this campaign. The campaign has two purposes: (1) organic products are to be more frequently promoted by television, radio and daily papers and (2) every three months supermarkets and wholefood stores have to pay extra attention to a category of organic products via promotion activities. This publicity is especially aimed at the organic features quality, taste and health. Keeping this initiative in mind, the organic market can reach a turnover of largely EUR 400 million in 2002 and EUR 450 million in 2003. On the basis of this steady growth, experts have made the prediction that 3.5% of all Dutch farmers will run an organic farm in 2010.

2.8.2 The Conventional Retail Trade

The Dutch supermarket branch is dominated by three supermarket chains: *Ahold/Schuitema*, *Laurus* and *Superunie* (table 31). The latter is a central purchase organisation with which smaller family supermarket chains are collaborating. *Dekamarkt* and *Vomar* are the most active retailers in the organic branch within the *Superunie Group*. Referring the market share and the turnover the members are regarded separately. Therefore the group *Superunie* is not mentioned in table 31. Totally *Superunie* has 16 close contacts, also with *Sperwer*, *Codis* and *Sligro*.

Table 31: Overview about the Dutch retail sector

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
Ahold-Group	9802	44.4%	44.4%
Laurus	4084	18.5%	62.9%
Aldi	1174	5.3%	68.2%
Dirk van den Broek	1078	4.9%	73.1%
Sligro	1044	4.7%	77.8%
Makro (Metro NL)	923	4.2%	82.0%

(Source: M+M Eurodata, 2001)

On 22 May 2001 the branch organisation *Central Office for Foodstuff (CBL)* signed on behalf of all supermarkets the covenant "*Market development for organic agriculture*". This treaty assigned the target to reach an organic market share of 5% of the total foodstuff sales in The Netherlands in 2004.

Since 1998 *Greenpeace* and the environmental organisation *Milieudefensie* have performed annual investigations in the field of the development of organic supply in supermarkets which are called the *EKO-counting*. The purpose of these yearly investigations is to obtain insight and to stimulate the availability of organic food in Dutch supermarkets. In 2001 Dutch supermarkets offered 56 organic products on average. This means a rise of eight products compared to 2000 with in average 48 organic items per store. For the year 2004 an average assortment of 87 organic products has been estimated (table 32).

Table 32: Overview about the organic range in Dutch retail chains in 2000 and 2001

Company / Chains	Average Size Organic Range '00	Average Size Organic Range '01	Growth (%)
Ahold Group			
Albert Heijn (Ahold)	96	113	+ 18%
C1000 (Schuitema)	37	47	+ 27%
Laurus			
Konmar	81	88	+ 9%
Super de Boer	35	40	+ 14%
Edah	12	11	- 5%
Aldi	0	0	0%
Dirk van den Broek	37	41	+ 11%
Makro (Metro NL)	---	17	---
Sperwer (Plus supermarkt)	49	65	+ 33%
Codis (Coop)	---	---	-
Prisma Food Group			
Golff	---	34	---
Meermarkt	---	6	---
Lidl	0	0	0%

(Source: Milieudefensie, EKO-Countin, 2001)

Two outlets of *Albert Heijn* had the biggest organic assortment with 178 organic products. Therefore *Albert Heijn* became the winner of the EKO-award 2001. From 1998 to 2000 *Konmar* was chosen as the best organic supplying supermarket, but it reached the third place in 2001. In that year eight chain stores of *Albert Heijn* appeared in the list of the ten best organic supplying outlets. The remaining two supermarkets were *Kooistra*, a small family supermarket on the seventh position with 163 organic products and *Spar* on the tenth position with 159 organic items.

Albert Heijn has a pioneering role in the field of organic grocery and dairy products, meals and bread in The Netherlands, whilst *Konmar* and *Vomar* have the biggest meat assortment. *Vomar*, a small supermarket chain with 31 outlets, stands out with the biggest fruits and vegetables range (table 33).

Table 33: Average organic assortment of supermarkets per product group in 2001

Supermarket	Grocery	Dairy/ Eggs	Vegetables & Fruits	Meat / Soy	Bread	Meals
Albert Heijn	**51**	**17**	25	7	**9**	**4**
C1000	25	6	8	7	1	0
Konmar	33	15	23	**14**	3	0
Super de Boer	20	5	9	5	0	0
Edah	4	4	2	1	0	0
Dirk van den Broek	19	9	8	3	2	0
Makro	9	2	4	2	0	0
Plus supermarkt	34	9	11	12	0	0
Spar	15	5	5	1	1	0
Coop	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Golff	9	6	4	5	0	0
Meermarkt	4	1	0	2	0	0
Dekamarkt	14	6	17	5	1	0
Jan Linders	31	4	10	6	1	0
Vomar	42	10	**28**	**14**	5	0
Hoogvliet	6	10	20	10	0	0

n.a. = not available

(Source: Milieudefensie, EKO-counting 2001)

The supply of organic food products to the supermarket channel is partly carried out in a direct way from the producers and partly from the wholesaler *Natudis*, that offers the brand *Biorganic*. In 2001 *Natudis* had a turnover of EUR 55 million.

Nautilus is the biggest Dutch wholesaler of organic vegetables. The company sold the majority of its products abroad because foreign enterprises pay higher prices and contracts are faster and more easily concluded.

The Dutch retail chains and their activities in selling organic products are described in the following.

Laurus

The food chains *Konmar*, *Super de Boer* and *Edah* belong to *Laurus*.

Super de Boer is the biggest supermarket chain of *Laurus* with 431 selling points. *Super de Boer* disposes an organic assortment of approximately 100 items. On average 40 organic wares are offered in an outlet. At a store check a wide range of organic meat could be observed. Unfortunately no communication instruments for organic products were noticed in this store.

Between 1998 and 2000 *Konmar* was the best developed retail chain of all retailers in the field of organic products and was consequently three times the winner of the *EKO-award* during this period. In 2000, one of its 138 outlets won the *EKO-award* with an assortment of 161 organic products. The total organic range consists of 200 to 300 items.

However, at the end of 2001 *Laurus* announced, that it had suffered many losses and the company has been partly taken over by the French retailer *Casino.* This explains the lower involvement of *Konmar* with respect to organic products today.

The range of organic fresh vegetables and fruits is plced as block, but its visual appearance lacks. Organic meat has the biggest price difference compared to conventional items. Packed organic vegetables have only small price premiums. *Konmar* does not put much effort in communication of organic products inside the supermarkets and not even on the internet.

C1000

C1000, a growing supermarket chain that is part of *Ahold*, consists of 410 outlets. They offer an organic assortment of approximately 100 products with four different organic labels. These labels are not clearly marked upon the packaging and thus less recognizable for the customers. Some examples: organic cereals were hidden behind a pillar and the organic labels of the bananas were not visible. Positive is the link on the internet site of *C1000* to the web-site of the organic brand *Bio-Logisch*. According to *Platform Biologica,* management and personnel of *C1000* seem to have little knowledge of organic products.

Makro

Makro forms part of *Makro Cash & Carry Nederland B.V.* that belongs to the German trade and service group *Metro AG*. *Makro* is the biggest self-service wholesale dealer for food- and non-food products in The Netherlands. 0.26% of its foodstuff turnover was realized by sales of organic products and 0.05% of its marketing budget was spent on brochures and leaflets for promotion of organic products in 2001. The prices of its organic products hardly differ from the prices of the conventional ones (differences of 0-10%). Although no sales personnel is educated about organic products, *Makro* is positively oriented toward these products.

Nowadays, its total organic assortment has only 17 products, but close collaboration with agricultural organizations and experiences of other supermarket chains will stimulate *Makro* to expand its organic range. *Makro* estimates that in 2005 1% of the total food turnover will be realized by the sales of organic products and that the company will be spending 0.5% of its marketing budget on organic products.

Sperwer

In 2001 all 139 *Plus*-supermarkets reduced the prices for organic products and were content with a lower profit margin. In that year the organic assortment grew the fastest of all Dutch supermarkets by 33%. *Plus* has the objective to obtain a turnover share of 10% in organic pork at the end of 2004. For this, the chain has set up an agreement with the organic meat supplier *Dumeco* that provides the organic brand *De Groene Weg* (figure 76).

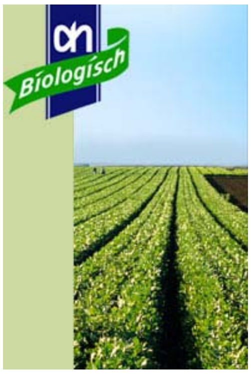
Also *Spar* belongs to the *Sperwer*-group.

Figure 76: *De Groene Weg* - Organic brand which is used by Sperwer (Source: www.sperwer.nl, 2003)

Superunie Group

Many other supermarkets in The Netherlands are joint to the purchase organization *Superunie*. These regionally operating family supermarkets have an independent policy with regard to organic products. *Vomar* is the most active supermarket chain in the organic branch within the *Superunie*-group and had the second ranking in the *EKO-counting* with 99 organic products. The *Vomar* supermarkets, all located in the province of Northern Holland, promote organic commodities by advertising three organic products in their weekly brochures and by organising organic action weeks. Further, *Vomar* has chosen a relative sharp price policy for the organic assortment. The range of organic grocery products is presented as block.

Albert Heijn



Albert Heijn is market leader with a market share of circa 65% in all sales of organic products by supermarkets in The Netherlands. The company owns 700 outlets. Since March 1998 *Albert Heijn* has started selling organic products by launching its own organic label *AH Biologisch* (figure 77). At the end of 2001 the complete range of *AH Biologisch* comprised 265 items. Between 1998 and 2001 the turnover of organic products had increased by 500%. For the year 2001 an increase of 40% was calculated.

Figure 77: *AH Biologisch* - Organic trademark of Albert Heijn (Source: www.albert-heijn.nl, 2002)

Albert Heijn is a supermarket chain which is well-known for its wide range and the high quality. Its management attaches great importance to combining food with comfort for the customer. The launching of its own organic label is regarded as an important strategic means, but the environmental aspect is not taken first into consideration when it comes to long-term objectives.

Organisation of Organic Product Marketing

The philosophy behind *AH Biologisch* is that all products must be accessible for everyone. Therefore, organic products are completely integrated in the conventional assortment. Organic food must be “normal” in the eyes of the consumer. National interest and the commitment of the consumer toward organic products were the most important factors that have led to the extension of the organic assortment.

The organic aspect is broadly oriented within the policy; every department pays attention to organic products. The managers of the individual *AH*-stores do not receive defined objectives regarding the sales of food products. *Albert Heijn* does not want to enter in many networks. It prefers to act independently and to have the production and distribution process in its own hands. The enterprise frequently maintains contact with the *Central Office for Foodstuff (CBL),* the Dutch umbrella organization for supermarkets.

Marketing

Two important strengths concerning the marketing of organic products are the high level of integrality and confrontation of organic products within *Albert Heijn* and the success of *AH Biologisch.* The own organic trademark of *Albert Heijn* has always had a good and reliable reputation (figure 78). Therefore the barrier for buying an organic product is much lower. Moreover, the launching of an own label also shows that *Albert Heijn* is seriously engaged in organic products. Of essential importance have been the positive attitude and the long-term commitment of the policy toward organic products in this field.

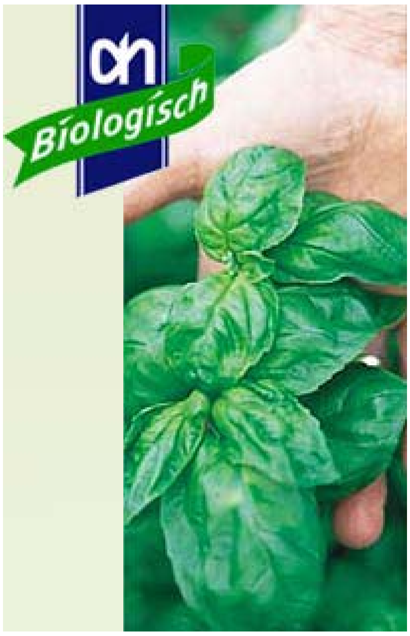


Figure 78: Communication of *AH Biologisch* (Source: www.albert-heijn.nl, 2003)

Product Policy

Until the end of 2002 *Albert Heijn* wanted to enlarge its organic assortment to 340 products, especially the assortment of organic meat and fresh products. Fresh products are perfect means to enlarge the group of occasional organic customers because the latter products provide a good taste. In addition *Albert Heijn* plans to offer organic products as block. Organic meat as sandwich filling cannot be sold, because the arising "yellow" color creates a negative psychological attitude to the customer. Furthermore, the small range of organic meals is due to the small availability of organic ingredients.

With regard to the structure and size of the organic assortment, *Albert Heijn* does not stick to fixed numbers and percentages. If an organic product is not a commercial success, even after having received special attention, it will be moved from the shelves. *Albert Heijn* does not collaborate with several certification organizations because all organic products in The Netherlands are inspected by *SKAL*. *SKAL* is the organization that is charged with the supervision of the organic production in The Netherlands and operates by the order of the *Ministry of Agriculture, Nature and Fishery*.

There is no distinction made in quality systems for conventional and organic own-labelled goods. If an organic product does not taste as good as a conventional quality brand, the product will not be put into the assortment.

Communication Policy

For all foodstuff the same types of communication activities are used. Just like for conventional products, *Albert Heijn* uses all communication channels for the promotion of organic products. Three times a year an action week for an organic product group or the total organic assortment is organized and the products are offered at bargain prices. In 2001 half of all the customers have bought an organic product during an action week. Furthermore, reports about organic food frequently appear in the brochure "*Allerhande*" and informative leaflets are offered in shelves near the entrance. Television and posters also play an important role. Internet pays special attention to the available assortment of organic products. Many questions are being asked via internet and therefore it is not an emergency to train all the staff in specific knowledge about organic articles. Only the purchase department is obliged to take a special course.

Approximately once every two years *Albert Heijn* carries out a market research with focus to organic products, but the organic aspect is usually part of a general market research (e.g. customer satisfaction). There has been made a calculation that 48.6% of all customers have at least bought one organic product over a period of 13 weeks. Usually 20 - 25% of all *AH*-customers buy organic products once a week. During the action weeks this number increases twice as much.

The marketing mix emphasizes the origin of the products. For both conventional and organic products shelf cards with information about the origin are placed. Further, ceiling boards and signs hanging down from the ceiling and show for example the cultivation by farmers (figure 79). Organic products are offered as a choice and have the same status as the overall own label *tasty and fresh*.

Figure 79: Communication at Albert Heijn
Source: Abbink, de Vries)

According to the organic product manager Leontine Gast the visibility of organic products among the conventional products is moderate to bad. The integrated presentation is commercially good, but for the customer it is difficult to find organic products. Therefore it is necessary to use more communication instruments for the organic product range or to block the organic items (figure 80).

Figure 80: Blocked placement of organic products at Albert Heijn
(Source: Abbink, de Vries)

Price Policy

The average price level of organic products is 20-50% higher than the price of conventional products. The development of the price will depend on the level of quality requirements and the efficiency in the manufacturing of organic foodstuff in the future. The product group meat is subject to the biggest price difference, because e.g. an organic chicken requires more space, food and attention and has a longer life compared to a conventional chicken. The least price difference can be found in the coffee and tea range.

Table 34 shows some price differences between randomly selected conventional and organic products.

Table 34: Price premiums for organic products at Albert Heijn in 2001 (random sample)

Product Type	Price Difference
Cheese	+ 75%
Eggs	+ 50%
Milk	+ 18%
Carrots	+ 50%
Bread	+ 22%
Jam	+ 75%
Meat	+ 36%
Apples	+ 26%
Bananas	+ 10%

(Source: Abbink, de Vries; 2002)

Distribution Policy

Albert Heijn strives for providing the total organic assortment at 50 supermarkets. Its strategy is mostly focused on establishing small convenience stores with a high volume of sales and large *AH-XL* stores with a surface of 4000 m². The latter will contain the total organic assortment, the former a small range.

One important criterion for entering into an agreement with the farmers is the ability to deliver truly organic products. Many farmers who have also provided conventional own-labelled products for many years have converted a part of its cultivation in organic farming. Dairy products form an exception, as *Albert Heijn* has an own factory for the manufacture of its dairy products. Usually there is one supplier for each product group. The supplier composes the complete product group by co-operating with various farmers.

Organic Market Prospects

The target for 2004 is to obtain a 5% turnover in organic products. Nowadays this is approximately 2.2% of the total turnover in foodstuff at *Albert Heijn*.

Albert Heijn wants to operate as nationally as possible with the purchase of products. In case of shortfalls in supply, the purchase department performs activities abroad, e.g. green organic beans were bought in Israel in order to prolong the availability of these products. Together with *Sperwer*, *Albert Heijn* has concluded a contract with the meat supplier *Dumeco* in November 2001. With this impact *Albert Heijn* strives for a turnover share of 15% in organic pork at the end of 2004. Because of the heavy rush of farmers, *Albert Heijn* can already dispose the required quantities of organic pork at the end of 2002 instead of in the beginning of 2003. In this way the supermarket chain guarantees the participating farmers constant sales and prices. In the near future *Albert Heijn* plans to close contracts with organic vegetables and fruit chains. It has announced that from 2005 on only non-chemical agricultural and horticultural produce will be permitted in the assortment.

Fraud, a bad control, the decline of food safety and a bad quality can be prospective problems that hinder a further growth of the organic market. A scandal in one specific organic product group will cause a lot of damage for the complete organic assortment.

Albert Heijn has also undertaken commercial risks. About five organic products have not been successful and were removed from the range, e.g. organic beer. It was difficult to penetrate the beer market on account of the dominance of many conventional quality brands. Further potentially upcoming problems with an *AH Biologisch* product might not only reflect badly on the other *AH* organic products, but also on the *AH* conventional ones. Therefore the good reputation of *AH* products could suffer.

2.9 Sweden

The Swedish country report about the organic market and the marketing of organic products at conventional retail chains is based on a literature review, written interviews with three Swedish retail chains, *ICA*, *COOP* and *Hemköp,* and case studies of these companies. The case studies consist of personal interviews with responsible persons for organic products at the enterprises. Kerstin Lindvall, working on environmental affairs at *ICA*, Mikael Robertsson, Environmental Manager and Commercial Director for Organic Products at *COOP Sweden AB/COOP Konsum* and Ove Berglund, Sales Leader "Environment" at *Hemköp* have been prepared to give detailed information about their companies. Store checks completed the study. In addition statements out of expert interviews with Pelle Fredriksson of *KRAV* and Fredrik Blad of *agroidé* are added both to the literature research and to the case studies.

2.9.1 Development of the Organic Sector

The organic development in Sweden started with the first organic farms in the middle of the 1940s. The number of farms grew slowly. They have been organises in many different organisations, like the *Bio-dynamic Association* or the *Organic Biological Association*. Even in 1985 the *National Association of Alternative Farmers (ARF*) ("*Ekologiska Lantbrukarna*" since 1994) has been founded as real organic head-organisation. They cared for developing the market for organic products and together with the conventional farmers association they founded *KRAV* as common certification body for organic agriculture and organic products with common standards in whole Sweden. The establishment of *KRAV* is one big success factor of the development of the Swedish organic market. *KRAV* unifies both producers organisations, processors, retailers, environmental groups, consumer associations and animal welfare groups which are all members. They meet regularly and can exchange their demands there. In addition common standards, according the *IFOAM*-guidelines have been set up quite early and all organic products have been labelled with one sign, the *KRAV*-logo (figure 81). The consumers know this label very well and trust it (KÄLLANDER, 2001).

Figure 81: *KRAV*-logo
(Source: www.krav.se, 2003)

The Swedish state started to support organic production with conversion aid, advisory service and organic research at the universities in 1989. 1995 Sweden became member of the European Union, therefore the financial aid increased and the Swedish parliament set up the *Aktionsplan 2000*, where they defined the target to reach 10% organic area till 2000. This goal has been over-fulfilled according EU-regulations, but not according *KRAV/IFOAM*-guidelines. The organic agricultural area according *KRAV*-guidelines amounts to 193.611 ha (6.3% of the total agricultural area) and is cultivated by 3589 organic farms 4.01% of all farms) (FiBL, 2002). According EU-regulations 14% of Sweden`s agricultural area is organic, but only the half of it is certified organic (Ökomarkt Forum, 14/2002). EU-organic farms are not controlled in any way and have to sell their products to the conventional market. For marketing an organic product in Sweden the product has to bear the *KRAV*-sign.

The Swedish government thought about reducing the value-tax for organic products by 50%, which could have increased the demand. But unfortunately this plan has been rejected by the Swedish parliament in the end of 2002.

2.9.2 The Market for Organic Products

Market Shares of Organic Products

The market share of organic products in Sweden moves between 1% (ITC, 2001) and 1.5% (BLAD, 2002). The annual growth rate of organic product sales in Sweden is one of the biggest in Europe with 20-25% (ITC, 2001).

The most sold organic products are dairy ones, fresh fruits and vegetables (table 35).

Table 35: Market shares of different organic products in Sweden in 2001

Product	Market Share
Milk	5-7%
Potatoes	3-4%
Onions	3-4%
Carrots	3-4%
Fruits and Vegetables	1.7%

(Source: FREDRIKSSON, 2002 and ITC, 2001)

Sales Channels and their Significance

91% of all organic products are sold via the retail sector, 7% by direct marketing and farm shops and 2% through other channels (FREDRIKSSON, 2002), e.g. a small number of health food shops (figure 82).

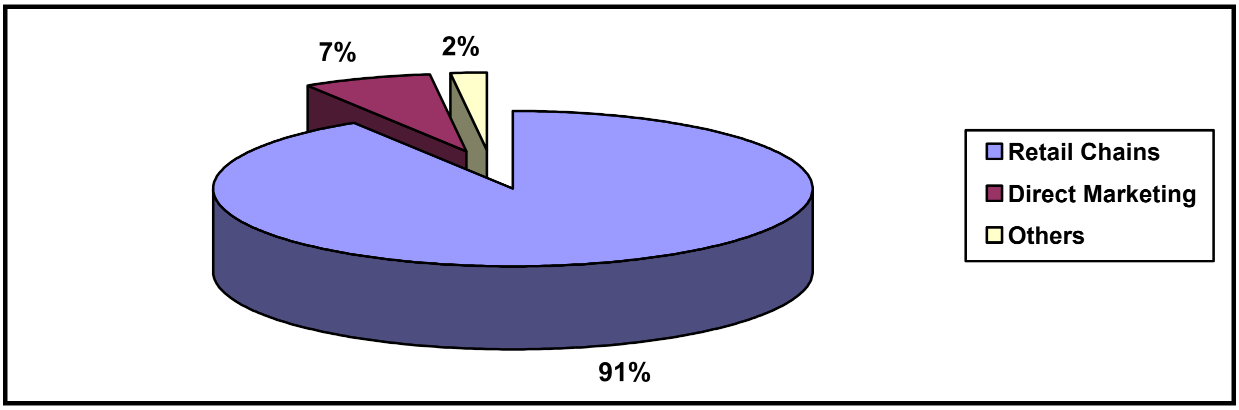


Figure 82: Sales channels for organic products in Sweden in 2001
(Source: FREDRIKSSON, 2002)

The high shares of the retail sector can be led back to *COOP*`s chain *Konsum*, which co-operated with the organic farmers` marketing co-operative *Samodlarna* and started to sell domestic organic food (potatoes, vegetables, flours,..) already in 1983.

Price Differences

The average price premium for organic products in Sweden is about 30%, compared with other European countries quite low. For example Germany has price differences between organic and conventional products of 60-70% and the United Kingdom of 55% (FREDRIKSSON, 2002).

At fruits and vegetables the price differences are depending strongly on the season. Potatoes have a small price difference of about 10-15%, also milk and milk products have comparatively small price premiums, e.g. 15% at milk (FREDRIKSSON, 2002). The price premiums of the single product groups are evidently below the European average. Also the organic meat products have acceptable price differences with 22% at minced beef and 32% at pork cutlet (HAMM et al., 2002).

Organic Consumers

The regular organic consumer is often female, married, without children, elder than 50 years and cares about the origin of the products and health (KÄLLANDER, 2001). There are also many customers who buy cheap organic products once in a while, sometimes without realising the organic origin (BLAD, 2002). 40% of the Swedish consumers use organic products from time to time, 10-15% more regular (ITC, 2001) and 6% buy organic items frequently and in big volumes. About 43% never buy organic food (FREDRIKSSON, 2002).

The motivation for Swedish consumers to buy organic food is the respect of animal welfare during the organic production, the environmental friendly agriculture and the safety of the products (www.ekolantbruk.se, 2003). The products are regarded as healthier, have a high quality and a good taste. Barriers for an extension of organic consumers can be found in high price premiums, a small supply and less trust in the organic production (FREDRIKSSON, 2002).

Prospect Organic Market 2005

The Swedish government plans to reach 20% organic area until 2005, whereas the *Ecological Farmers Association* even strives for 30% of the agricultural area to be organic in 2010. Increasing domestic supply probably will lead to bigger volumes at lower costs, what could decrease the prices and therefore the will to buy organic products. (KÄLLANDER, 2001). But it is important to extent the *KRAV*-certified area as the label is the condition to sell organic products in Swedish supermarkets. Fredrik Blad regards a market share of 2-2.5% as realistic. As the retail chains are the main marketing channel for organic products, they take big influence on the future development. *COOP* strives for 12% organic product sales for their chain *Konsum* and *ICA* tries to reach 5-10%. *Hemköp* does not have exact figures about their planned market shares of organic products. All companies expect a market share of organic products in Sweden above 5% till 2005.

2.9.3 Organic Products in Retail Chains

Table 36 gives an overview about the turnover and the market shares of the Swedish retail sector. The Swedish market is dominated by *ICA*. *COOP* and *Axfood* (*Hemköp* belongs to *Axfood*) have similar market shares. These three companies are responsible for nearly 90% of the total sales. Therefore the other companies (e.g. *Bergendahls* and *Reitan-Narvesen*) are quite unimportant.

Table 36: Overview about the conventional retail sector in Sweden in 2001

Company	Turnover Food (bio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
ICA	7393	43.9%	43.9%
Axfood (incl. Axel Johnson)	4236	22.6%	66.5%
COOP	3724	22.1%	88.6%
Bergendahls & Son AB	420	2.5%	91.1%
Reitan-Narvesen	273	1.6%	92.7%

(Source: M+M Eurodata, 2001)

In the following, the three most important retail chains in selling organic products (*ICA, COOP* and *Hemköp*) are described more detailed.

ICA

General Structure of the Company

ICA is the biggest retail group in the Nordic region and the dominant retail chain in Sweden with a market share of approximately 44%. The shops are run by independent store owners. About 1850 outlets in Sweden belong to the *ICA*-group, consisting of different chains: *ICA-Supermarket* (443 outlets), *ICA nära* (1118 neighbourhood stores), *ICA-Kvantum* (121 outlets), *MAXI* (30 hyermarkets) and *RIMI* (134 discounters) (ICA AHOLD, 2002).

ICA`s target is to become the leading food provider in northern Europe. Therefore they started a joint venture with *Dansk Supermarked* in Denmark and there they also own *ISO Denmark*. Further *ICA* is working in Norway and the Baltic countries and maintains a purchasing co-operation with *KESKO*, Finland. In Sweden many new openings, a well working bonus card system and well known retailer brands led to increasing sales in the last years, even more, than the growth of the Swedish grocery market in general.

Although the labels are well known, they want to put more effort in their private label work in the next years. In addition they want to work hard on their corporate social responsibility, including environmental issues, health and children labour.

Organisation of Organic Product Marketing

Each category manager at *ICA* has to observe the demand for organic products within the category and has to react on it. In addition a group of product managers is responsible for the private label *ICA ekologiskt*. These category and product managers, handling with organic products are educated about the organic products and the production. The staff in the stores is not informed about organic products. Therefore they could hardly give any information about the certification or the recognition of organic products.

Turnover of Organic Products

ICA does not measure the total turnover of the organic assortment, but only the sales of the single organic products or product groups. According to the estimation of national experts organic products have a market share of approximately 1%. *ICA* is far away from the political goal of 10% organic sales in 2000. *ICA* regards the gap between supply and demand as main reason for the low market share of organic products.

The market shares of the single products or product groups referring the total sales of this product group are given in table 37.

Table 37: Market shares of single organic product groups at ICA in 2001

Product / Product Group	Market Share
Milk	9.5%
Hard cheese	< 1%
Cheese for dessert	4%
Eggs	< 1%
Meat	< 1%
Vegetables	4%
Fruits	1%
Cereals	3%

(Source: Hempfling, 2003)

Milk is the most sold product at ICA. Also dessert-cheese, vegetables and cereals are sold quite often.

Label Policy

From 1993 till 2002 *ICA* has offered organic products with their own organic trademark *SUNDA*. Since 2002 they have changed the name, the design and also the marketing effort. The new own organic trademark is called *ICA ekologiskt* which makes it easy for consumers to connect this trademark with the company. Therefore the trust in the company can easy be transferred on the product. A big marketing campaign since autumn 2002 should increase the recognition, too. *ICA ekologiskt*-products belong to the ground assortment of *ICA* which has to be available in every store. So *ICA* can push the organic development by forcing the independent store owners offering organic products. The trademark is based on *IFOAM*-guidelines because the products have to be *KRAV*-labelled, too.

Communication Policy for Organic Products

ICA`s communication strategy for organic products is a mix of advertisement and sales promotion at the point of sale. At the moment, the marketing budget for organic products is still small. The campaign for *ICA ekologiskt* will increase it.

All media are used for advertisement, especially for marketing the new organic trademark *ICA ekologiskt*. The own, monthly magazine publishes reports and adds about organic products.

The size of sales promotion at the stores is small at the moment (FREDRIKSSON, 2002). Organic products are pointed out of the conventional assortment by labels, signs, posters and by green frames around the price tags with the inscription *Handla miljömärkt* (= environmental friendly produced) (figure 83). But not every organic product is market like this. In addition, *ICA* offers coupons and bargain prices and organises some product samples. Leaflets and brochures in the stores inform about the organic production, especially at eggs and meat.

Figure 83: Pointing out of the organic assortment at ICA (Source: Hempfling)

More than 350 ICA-stores take part at the program *Din Miljöbutik* (= Your environmental store). These stores have to fulfil a special number of different regulations concerning the assortment, the energy consumption, the education of the staff and many more. This program is communicated in public, e.g. by big posters with the *KRAV*-logo in the shop window (figure 84).

Figure 84: Communication of the organic assortment in the shop window
(Source: Hempfling)

Organic Range and Price Policy

About 200-500 organic items are offered at *ICA*. The organic products are placed next to the conventional assortment. Fruits and vegetables are exceptional, because they are blocked in the fruits and vegetable department.

ICA is not able to define the price premiums for the single product groups, because the swaying is too big within a product group and also between the stores.

Strength and Weak Point in Organic Marketing

The two most important strengths of *ICA* are the *Din Miljöbutik*-program and the new own organic trademark *ICA ekologiskt*. Further *ICA* has good experience in marketing fruits and vegetables which could influence the organic marketing, too because fruits and vegetables are a main part of the organic assortment (FREDRIKSSON, 2002). In addition the size, the penetration in the country and the knowledge among the population, as market leader on the food market, are advantages.

An important weak point is the structure consisting of independent stores which makes a strategic planning difficult and the organic engagement dependent from the shop owners. In addition the headquarters does not support the organic engagement and are hardly interested in this topic. Further *ICA*`s customers are not the typical organic consumers, but prefer cheap prices.

COOP

General Structure of the Company

Since 2002 *KF* has changed to *COOP Sweden*. It is a co-operative society with 2.7 million members. The retail sector of *COOP* consists of five chains: *Konsum* (390 outlets), *B&W* (11 hypermarket), *Forum*, *OBS!* (23 hypermarkets) and *Robin Hood* (15 hypermarkets). Together with the co-operatives in Denmark and Norway, *COOP* founded *COOP Norden* (KF, 2001).

One target is to have and keep Europe`s largest sales of organic products with their chain *Konsum*. Therefore the *Konsum*-markets will be created in a "green" and environmental friendly way. In addition the service should be improved to become as good as possible. And *COOP* wants to realise environmental objectives (reduction of energy consumption, improvement of packaging, including of organic waste in the recycling system).

Organisation of Organic Product Marketing

At *COOP* every category manager purchases and searches for organic products. Linked to them, a couple of product managers works on the organic assortment of the own organic retailer label *änglamark*. In addition, Mikael Robertsson as Environmental Manager and Commercial Director Organic Products connects the work of the single category managers, by developing the strategy to improve the organic assortment in future. An own marketing department supports the work for the own organic retailer label.

The whole staff in the markets is educated with basic information about organic products. The persons who are closely concerned with organic products are informed in detail. Every *Konsum* has one "*Environmental Master*" who can inform the consumers and pass the knowledge to the other staff members.

Turnover of Organic Products

COOP has a high market share of organic products with 7.5% at *Konsum* which is probably one of the highest sales of organic products in the world. The sales are continuously growing and for 2003 they want to reach 12% organic product sales of the total food turnover

(Ökomarkt Forum 28/2001). The pre-conditions are acceptable price differences and a sufficient supply.

The most successful organic products at *COOP* are organic eggs and dairy products. But also meat and vegetables have high sales. Table 38 shows the market shares of organic products referring the total sales of this product group.

Table 38: Market shares of organic products at COOP Sweden in 2001

Product /Product Group	Market Share
Dairy products (incl. Cheese)	9%
Eggs	14%
Meat	7%
Vegetables	7%
Fruits	2%
Cereal products	4%
Beverages	1%
Convenience products	1%

(Source: Hempfling, 2003)

Label Policy

Since 1992 *COOP* has an own organic trademark *änglamark* (figure 85) which is based on *IFOAM*-regulations. Some meat-products are exceptional, because they contain nitrite salt which is forbidden according *IFOAM*-guidelines. The products are double labelled with the *KRAV*-sign. In addition some products with labels from abroad are offered.

Figure 85: *änglamark* – Organic trademark of COOP Sweden
(Source: Hempfling)

Today about 34% of the organic volumes are sold as *änglamark*-products. One advantage of this brand is the high recognition and fidelity in whole Sweden. The big "*ä*" is clearly on the packages and so the products are easy to find and the perceptibility is high. In addition, it is the easiest and most effective way to communicate organic products. Further the products are often cheaper than the one of independent organic processors (FREDRIKSSON, 2002 and BLAD, 2002).

Communication Policy for Organic Products

COOP puts great effort in the communication of organic products. About 10-15% of the whole marketing budget is spent on organic products, even without the money for the own brand *änglamark*. Till 2005, this will increase up to at least 20%.

The sales promotion is the most important part of the communication mix. In addition they advertise via TV, magazines (the own and other ones) and leaflets by reports and adds.

Sales promotion consists of discounts and weekly product samples. As customer-guide-system for the consumer to point organic products out of the range, clover-leafs on frames around the price tags of organic items are used. Sometimes little signs or posters stick out of the shelves. In addition the *KRAV*-label is put on every price tag and on posters and signs hanging down from the ceiling and on banderoles (figure 86). Information campaigns in the stores and via media, e.g. about organic egg production, point out the unique selling proposition of organic products.

At press conferences *COOP* presents the environmental and the organic work, e.g. the extent of reduction of pesticides led back to *COOP* by selling organic products since many years.

Figure 86: Communication with the KRAV-sign at COOP Sweden (Source: Hempfling)

Organic Range and Price Policy

The organic assortment is quite big with 820 organic items at *Konsum*. The organic products are placed within the organic assortment and sometimes in double positioning, both on separate shelves and between conventional items. Some *Konsum*-stores try to concentrate organic products in a separate department.

The average price premium for organic items ranges from 0-25% at *COOP*. At fruits and vegetables the prices differ much, depending on the season and the products. Some articles have similar or even cheaper prices than conventional products, some are more than 100% more expensive. Dairy products have the smallest price premiums (11-20%), whereas organic eggs have price differences above 100%.

Strength and Weak Point in Organic Marketing

One big success factor of *COOP* is the continuous work on the organic topic over years with high intensity. The member organisation and the resulting pioneer role in selling organic products are the basis for *COOP*`s success. In addition the personal factor is very important. The head of the department supports the environmental work and the organic engagement and wants *COOP* being best in both topics. But not only the headquarters, but also the well informed staff members in the shops are a strength of *COOP* (FREDRIKSSON, 2002). The organisation structure with an own team for the organic assortment should also be mentioned (BLAD, 2002).

Hemköp

General Structure of the Company

Hemköp is a food chain of *Axfood*. The 106 *Hemköp*-stores in Sweden concentrate on offering high quality products with good service. They emphasise health and environment issues.

The main strategic objectives for the next five years are a continued offer of high quality products, an improvement of the environmental profile, e.g. by paying half of the value-tax for organic products and offering at least one organic product in each product category and last but not least a reduction of the prices in general.

Organisation of Organic Product Marketing

The category managers search and purchase organic food. A group of the “Environment”-department around Nils Müntzing and Ove Berglund finally decides whether there is a market for these products at *Hemköp*. These persons are well informed about the organic issue. In the stores the whole staff is trained with basic information and at least one person in each market is educated referring organic products and the production in detail.

Turnover of Organic Products

The market share of organic products referring the total organic sales is 0.8%. *Hemköp* offers a few organic products which reach high market shares, like milk or organic fruits and vegetables. But there are also many product groups with no organic alternative or very little organic sales.

One third of the sold milk is organically produced. At some outlets *Hemköp* has replaced conventional milk totally by organic one. *Hemköp* is traditionally very successful in selling organic fruits and vegetables which could be transferred on the organic sector. Organic fruits and vegetables have a market share of 11.7% in relation to the whole fruits and vegetables sales.

Nevertheless, especially the organic fruits and vegetable sales should be increased in future. In 2002 13-13.5% market share were the target. Organic meat is expected to increase in future.

Label Policy

Hemköp does not have an own organic label for marketing organic products. *Axfood*, the mother company, sells organic products with the own retailer label *Fauna*, but *Hemköp* does not use this logo (FREDRIKSSON, 2002). All organic items are labelled with the *KRAV*-sign or logos from abroad.

Communication Policy for Organic Products

Hemköp emphasises advertisement and public relation measures for communicating organic products. They organise competitions and inform people at public arrangements, like environmental or organic evenings. The advertisement is spread in magazines or flyers.

At the point of sale a number of sales promotion measures should bring the consumers in contact with organic products. Product samples are organised and organic products are clearly pointed out of the assortment by green frames round the price tags with the inscription "*miljömärkt*" (= environmental friendly) and the *Hemköp*-logo. Unfortunately not only organic products are marked like this, but also environmental friendly produced drugstore articles. The *KRAV*-sign is printed on some price tags, too, as well as on stickers on open sold products. In addition signs hanging down from the ceiling (figure 87), posters, information leaflets and certification documents point out organic items.

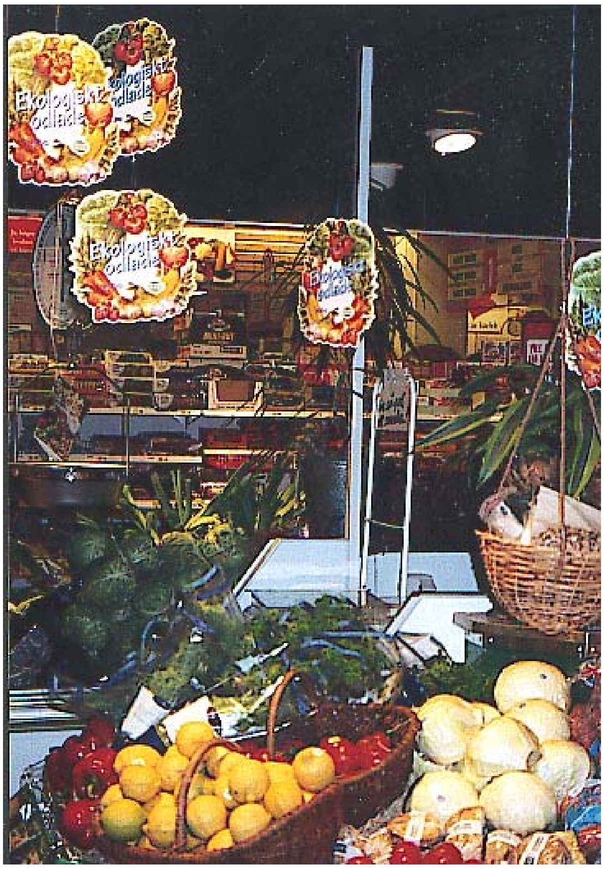
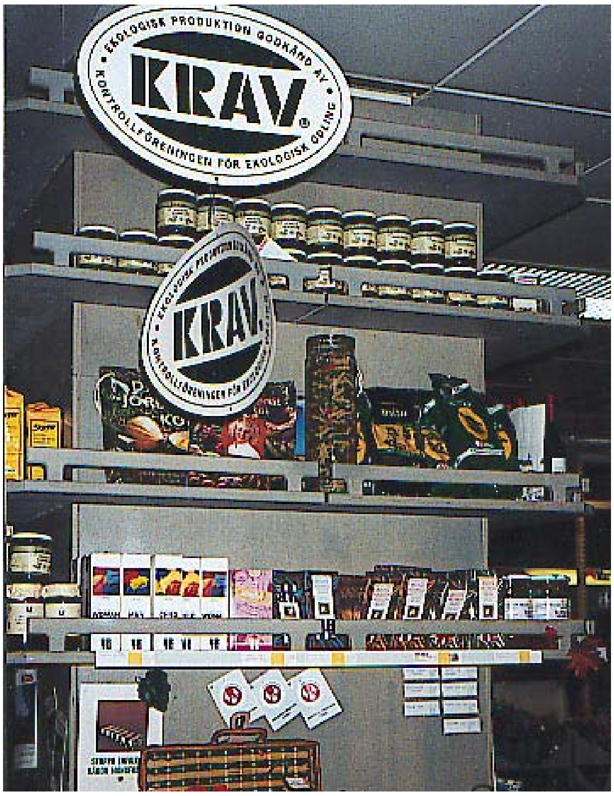


Figure 87: Ceiling signs above the organic fruits and vegetables assortment at Hemköp (Source: Hempfling)

Organic Range and Price Policy

Hemköp offers between 200-500 organic items. They are placed among the conventional assortment. Fruits and vegetables are blocked on separate shelves within the fruits and vegetables department. Another example for this "blocked integration" is cheese. All organic cheese types are put together within the cheese shelve, not differed in hard or molly cheese. Some stores use a special placement for candies, honey, coffee and fair trade products. They are arranged on a separate shelve and nicely presented with signs hanging down from the ceiling and *KRAV-logos* (figure 88).



Hemköp could not mention the average price premiums of the single product groups. But as *Hemköp* names itself as a high priced company, the price differences between organic and conventional products could be big, too. Nevertheless *Hemköp* offers some organic products at the same prices than the conventional ones, e.g. milk.

Figure 88: Blocked placement of organic products at Hemköp (Source: Hempfling)

Strength and Weak Points in Organic Marketing

The big effort and the compny`s engagement concerning organic issues is one success factor of *Hemköp*. Since long they have experiences in selling high quality products which is a good condition for the successful marketing of organic items. The knowledge can be used here. The image in the consumers` eyes of a high quality chain which offers good and fresh products can be used for marketing organic ones.

Hemköp is owned by the company *Axfood*. The headquarter of *Axfood* is less interested in organic issues. Therefore the very engaged team of *Hemköp* gets only small support referring marketing the organic assortment. Another weak point is the small size of *Hemköp* compared to *ICA* or *COOP*.

2.10 Switzerland

The following description of the organic food market in Switzerland is based on a literature review, written interviews with six Swiss retail chains and case studies of the two biggest retailers *Migros* and *COOP*. The case study contains personal interviews with Mister Kausch, manager of *COOP-Naturaplan*, the own retailer label of *COOP* and Katrin Gruber, Organic Specialist at *Migros*. Comments by Dr. Toralf Richter of the *Research Institute for Organic Agriculture (FiBL)* and Ms. Galli of *BioSuisse* are added, too.

2.10.1 Development of the Organic Sector

Before 1981 organic agriculture and processing has not been unified by common standards in Switzerland. In 1981 regulations have been set up by the *Association of Swiss Organic Agriculture Organisations* which led to the foundation of *BioSuisse* in 1997. 30 agricultural organisations are members of *BioSuisse* today (NIGGLI, 1998). The *BioSuisse*-label in form of a bud (figure 89) is one of the best known labels in Switzerland generally (GALLI, 2002). Approximately 60% of the Swiss population know this label. Even in 1998 the Swiss state released national regulations for organic agriculture which were oriented on the EU-regulation for organic agriculture and have been supplemented by a law for husbandry in 2001 (SIPPO AND FIBL, 2001).

Figure 89: BioSuisse label in Switzerland
(Source: www.biosuisse.ch, 2003)

Switzerland belongs to the European top countries referring the organic agricultural area. 6169 farms cultivate 102.999 ha according organic regulations. This means 10.2% of all farms worked on 9.7% of the total agricultural area organically in 2002.

The distribution of organic agriculture within Switzerland is quite heterogeneous within the single cantons and differs clearly by flat and mountain areas.

2.10.2 The Market for Organic Products

Market Shares of Organic Products

In 2001 organic products have been responsible for a turnover of EUR 648 billion which leads to a market share of 3.5% in 2001. Therefore Switzerland is the country with the highest market share of organic products in Europe beside Denmark. In 2002 a turnover of SFr 1 billion was reached. In the last years the Swiss food market grew by 15-20% annually.

Eggs and vegetables are the most important organic products in Switzerland. Organic meat has only a small market share, but the sales are growing strongly (table 39).

Table 39: Market shares of different organic product groups in Switzerland in 2002

Product/Product Group	Market Share
Eggs	12%
Vegetables	11%
Milk	11%
Bread	8%
Fruits	7%
Meat	4%

(Source: IHA/GfK, 2003)

As the geographical and climatical conditions are quite difficult for the agricultural production, the size of organic product imports is high. About one third is imported and the volumes are growing (SIPPO AND FIBL, 2001).

Sales Channels and their Significance

The retail sector is the main sales channel for organic products in Switzerland (table 40). The sales of organic products increased continuously in the last years, whereas the turnover of organic articles stagnated at organic shops, health food shops and farm sales (SIPPO AND FIBL, 2001).

Table 40: Sales channels for organic products in Switzerland in 2002

Sales Channels	Share of Total Organic Food Sales
Retail sector	75%
Organic shops/Health food shops	16%
Farm sales	5%
Others (Bakeries, Butchers)	4%

(Source: BioSuisse, 2003)

Migros and *COOP* are the dominating retail chains in marketing organic food. Alone via *COOP* half of the Swiss organic products were sold in 2002.

Price Differences

The average price premium is about 40-50%, depending on the product group, the sales channels and the production- and distribution costs (RICHTER, 2002).

Organic fruits and vegetables have the highest price premiums, whereas at milk and dairy products only small price differences can be stated (table 41).

Table 41: Price premiums of different product groups in Switzerland in 2001

Product / Product Group	Price Premiums
Milk and dairy products	+ 10%
Vegetables	+ 40-80%
Potatoes	+ 50%
Cereal products	+ 40-50%
Fruits and nuts	+ 50-60%

(Source: SIPPO AND FIBL, 2001)

Organic Consumer

About 17% of the Swiss consumers buy organic products regularly, 38% buy it occasionally and 17% mention never to buy organic products (GALLI, 2002).

The reasons for buying organic products are both egoistic and idealistic ones. The consumers regard organic products as healthier and of higher quality and better taste. In addition the environmental impact and animal welfare are important. In contrary, the barriers which hinder the organic development are the high price differences, partly the availability and partly the distrust in the organic production and processing (RICHTER, 2002).

Prospect Organic Market 2005

The conditions for further growth of organic agriculture are good (SIPPO AND FIBL, 2001). The number of organic farms will increase because of the governmental support and because there is no alternative for Swiss conventional agriculture in the international competition (NIGGLI, 2002).

Also the market will grow, based on a further engagement of the retail chains (RICHTER, 2002) up to a market share of 5% (SIPPO AND FIBL, 2001) by an annual market growth of 10-15% in the next years (ITC, 2002).

2.10.3 Organic Products in Retail Chains

The Swiss retail sector is dominated by *Migros* and *COOP*, the two biggest retail companies. Together they have a market share of more than 70% (table 42).

Table 42: Overview about the Swiss retail sector in 2001

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
Migros	8232	38.8%	38.8%
COOP	6773	31.9%	70.7%
Bon appétit	2102	9.9%	80.6%
Denner	1427	6.7%	87.3%
Volg	470	2.2%	89.5%
SPAR	458	2.1%	91.6%

(Source : M+M Eurodata, 2001)

The chart below (table 43) shows some key data of Swiss retail chains concerning their organic product range.

Table 43: Overview about the organic assortment and the market share of the Swiss retail chains in 2001

Company	Size of the Range	Market Share 2001	Striven Market Share until 2005
COOP	750	6.3%	10%
Migros	750	2.6%	5-6%
Volg	< 50	1%	n.a.
SPAR	< 50	1%	8%
Manor	200-500	3.1%	5%
Jumbo-Markt	50-200	< 1%	3-5%

(Source: Grimm, 2002)

COOP has been the first Swiss retail chain which took organic products in the assortment in 1993. *Migros*, *Spar* and *Manor* followed in 1995 and *Volg* in 1996. *Jumbo-Markt* even sells organic products since 2000 (Grimm, 2002).

The composition of the total organic sales of *COOP* and *Migros* is specified in the following figure 90.

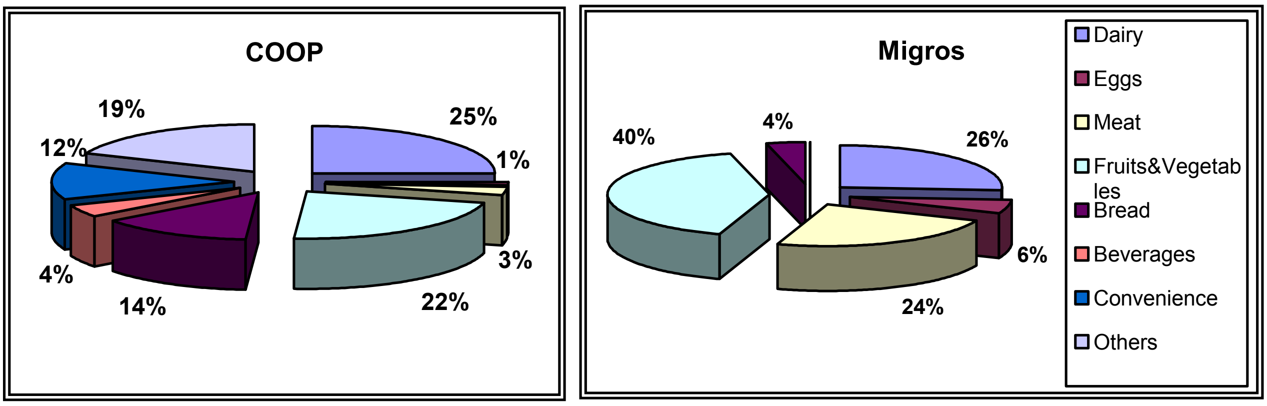


Figure 90: Composition of the total organic sales of COOP Switzerland and Migros in 2001 (Source: Grimm, 2002)

COOP sells many organic dairy products and also a lot of fruits and vegetables. These products groups are also a main part of *Migros*` organic assortment, but in addition *Migros* sells much organic meat (figure 92). At *Volg* the organic assortment mainly consist of dairy products (85% of all organic sales) whereas *Manor* concentrates on organic bread (60% of all organic sales). Half of the sold organic items at *Spar* are dairy ones (49%), the rest are eggs (22.5%) and vegetables (28.5%) (Grimm, 2002).

Average price differences in percentages between these organic product groups compared to their conventional complements are shown in table 44.

Table 44: Price premiums of organic products at Swiss retail chains in 2001 (in %)

Company	Dairy	Eggs	Meat	Vege-tables	Fruits	Bread	Bever-ages	Conve-nience
Coop	11 - 20	21 - 30	51 - 60	31 - 40	21 - 30	11 - 20	11 - 20	11 - 20
Migros	11 - 30	11 - 30	21 - 40	41 - 100	41 - 100	21 - 30	21 - 30	21 - 30
Volg	11 - 20	21 - 30	----	11 - 20	11 - 20	----	----	----
SPAR	11 - 20	21 - 30	----	21 - 30	----	----	----	
MANOR	11 - 20	11 - 20	----	----	----	11 - 20	11 - 20	11 -20
Jumbo-Markt	11 - 20	21 - 30	11 - 20	21 - 30	21 - 30	< 10	----	----

(Source: Grimm, 2002)

Manor is the chain with the smallest price differences. All organic product groups are offered at a maximum price premium of 20%. At *Migros* the extra charges for organic product groups are partly 100% higher than the one for conventional products. Therefore the highest price differences can be noticed at *Migros*.

At all retail chains dairy products are the products with the smallest price premiums of organic products (11-20%). Further organic bread is only little more expansive than conventional one. Meat, vegetables and fruits have often high price premiums, but the extent is depending on the retail chain.

In the following the retail chains are described more detailed.

Migros

General Structure of the Company

Migros is market leader of the conventional retail sector. It is a co-operative society out of 10 regional *Migros* co-operatives in the whole Switzerland. Therefore the offer of organic products differs by region. This is planed to be improved in future to offer a more uniform range in the stores.

Migros is engaged in cultural, social and environmental issues according the mission statements of the founder Duttweiler. He emphasised an open and public spirited company policy (www.migros.ch, 2003).

Organisation of Organic Product Marketing

Both category responsible persons and an organic product manager are responsible for the organic product marketing. The organic product manager permanently develops the own organic trademark *Migros Bio*.

Internal seminars about organic agriculture and organic products are not area-wide at the moment, but single staff members in the stores and in some Swiss regions are trained about organic issues. Therefore the knowledge of the sales personnel about organic products differs.

Migros is in contact to the science and the producers. The company works together with the *Research Institute for Organic Agriculture (FiBL)* and with *BioSuisse*. At the moment there is no contact to international organisations, but *Migros* is interested to co-operate with foreign associations.

Turnover of Organic Products

In 2002, Migros sold 25% of the total organic sales in Switzerland (BioSuisse, 2003). In 2001 the market share of organic products referring the total food sales was 2.6%. Until 2005 the company strives for reaching 5-6% organic sales.

Above all, the turnover of meat and meat products should be increased in future. Some co-operatives already have high organic meat sales in some outlets and regions (e.g. 16% of the total beef sales is organic beef in one region). By a higher penetration rate and a more attractive presentation there are possibilities for improvements.

Label Policy

Since 1995 *Migros* sells organic products with the own organic trademark *Migros Bio* (figure 91). The label is based on the regulations of the Swiss producer organisation for products with Swiss origin.

Figure 91*: M-Bio* – Organic trademark of Migros (Source: www.migros.ch, 2003)

Before the introduction of *Migros Bio*, *Migros* sold diet and integrated products with the own label *M-Sano*. But as the consumers did not trust it anymore, because of the different production standards among one brand, *Migros* established a label only for organic items.

The supported name recognition of Migros Bio is 51% according a survey of the market research institution IHA in 2001.

Nowadays, *Migros* relaunched its label strategy. Under the umbrella of the label *Engagment*, *Migros* sells organic and other social and environmental or social friendly produced items.

Communication Policy for Organic Products

The main marketing instruments for organic products are the own consumer magazine of *Migros,* the *Brückenbauer,* and the internet. Regularly the organic assortment is pointed out by double placements, product samples and incentives at the credit point system of the customer card during a weekly campaign. Further a few brochures and leaflets generally inform consumers about the organic production system and the organic items.

In the stores organic products are well recognisable by ceiling signs (figure 92), flags and shelve signs (figure 93).

Figure 92: Ceiling signs at Migros (Source: Richter)

However organic products are not the leading topic of the communication of *Migros* within and out of the PoS.

Figure 93: Shelve marks at Migros (Source: Richter)

Organic Range and Price Policy

The co-operatives introduced a “Have-To-Assortment” for the organic range. Some organic items have to be offered, others are free to choose by the independent co-operatives and therefore a basic organic range is available in all stores. In total the organic assortment consisted of approximately 750 organic products in 2001.

Organic products are usually placed among the conventional assortment. Exceptional are fruits and vegetables which are blocked within the department.

The price policy depends on the co-operative. Usually organic dairy and eggs are 10-30% more expensive than conventional ones. The price premium of organic bread and pastry, beverages and convenience products is approximately 20-30%. Organic meat is 20-40% more expensive and fruits and vegetables have the highest price differences with 40-100%.

COOP Switzerland

General Structure of the Company

COOP is a co-operative society with more than two billion member households. About 1600 outlets belong to the second biggest retail chain in Switzerland. *COOP* is market leader in organic and fair trade products.

The mission statement consists of five main objectives: the proximity to customers, the variety referring the assortment and the service, innovative ideas and developments, to distinguish by freshness, quality and organic products and a leadership in partnership with members and the staff (www.coop.ch, 2003).

Organisation of Organic Product Marketing

The category managers are responsible for introducing organic products. In addition an own team for the retailer label *COOP Naturaplan* works on the organic assortment. The *Naturaplan*-team defines the budget for organic products and co-ordinates the work of the single category managers and the marketing.

The staff in the markets is trained about the basics of organic products and the production. A few staff members are educated in detail. These are responsible for "*VIVA*" (umbrella trademark for organic, animal welfare and fair trade labels of *COOP*) and are informed by seminars or trips to organic farms. These "*VIVA*"-persons in the different regions of Switzerland pass the knowledge to the staff members in the markets.

Turnover of Organic Products

COOP sold 50% of all organic products in Switzerland in 2001. *COOP* belongs to the market leader in selling organic food in Europe. The market share of organic products in 2001 has been 6.3%.

Dairy products, especially organic milk with a sales share of 43% is the best selling product group at *COOP*. In addition vegetables and pasta lead to high sales.

Until 2005 *COOP* wants to increase the market share of organic products to 10-12%. Vine, sweets and meat are regarded as interesting products, which probably will increase in future. Especially for organic meat a market share of 7% is striven for.

Label Policy

Since 1993 *COOP* offers all organic products by the own organic retailer label *COOP-Naturaplan* (figure 94). The production and processing is based on the standards of BioSuisse and the organic items are double labelled with the "bud" of *BioSuisse*. Meat and eggs with the *Naturaplan*-logo are partly organically produced and parallel of animal welfare production because of lacks in organic supply.

Figure 94: *Naturaplan* – Organic label of COOP Switzerland
(Source: www.coop.ch, 2003)

Naturaplan is well known by Swiss consumers. 87% know the label at a supported survey.

Communication Policy for Organic Products

The organic product line is a very important part of the communication effort at *COOP*. The strategy is a mix of advertisement, public relation measures and sales promotion.

COOP advertises *Naturaplan* by commercials in TV, supplements in newspapers and magazines and reports and adds in the own customer magazine "*COOP-Zeitung*". Press conferences about the development of the organic assortment and the balances inform the public.

Figure 95: Ceiling signs at COOP Switzerland
(Source: Grimm)

In the stores signs are hanging down from the ceiling (figure 95) and frames with the *Naturaplan*-logo around the price tags point many organic products out of the assortment (figure 98). As organic products are designed with typical colours and layout, the products can be recognised by packaging, too (figure 96).

Product samples and special events (Organic Days) complete the annual sales promotion measures. Also the staff is used as part of the communication strategy.

Figure 96: Special packaging of COOP-Naturaplan and shelve marks (Source: Grimm)

Organic Range and Price Policy

The organic assortment of *COOP* contained about 750 organic articles in 2001. All stores offer organic items, but the size of the assortment depends on the size of the stores. The organic products are put among the conventional assortment. Fruits and vegetables are often placed blocked.

The average price premium should be below 25%, but the price differences sway between the single product groups. At meat and meat products, the highest extra charges for organic quality can be recognised with 50-60%. Vegetables have price premiums of 30-40%, eggs and fruits about 20-30%. Dairy products, bread and pastries, beverages and convenience articles have small price premiums between 10-20%.

Strength and Weak Points in Organic Product Marketing

The well known own retailer brand *COOP-Naturaplan* can be regarded as strength of *COOP*. They promote the organic line very intensively and therefore they succeed. It is an outstanding performance, that e.g. about 40% of the sold milk or 40% of all sold carrots are organic ones.

The parallel offer of animal welfare products and organic products at meat and eggs with the common *Naturaplan*-logo is a weakness of *COOP*. It might confuse the consumers and create distrust.

Volg

In 2001, the share of organic products of the total food turnover of the *Volg* company was 1%. Especially dairy products were sold which were 11-20% more expensive compared to their conventional complements. In three test stores *Volg* has a range of 200 to 500 organic items, but on average the organic assortment consists of 50 items.

The enterprise wanted to complete the assortment and enhance the customer satisfaction, so it launched organic products in 1995. It offers organic products under the own organic trademark *Bio Domaine*. Some staff members in the several markets are educated about the organic assortment. The product managers organise the marketing for organic products. Customers find the range among the conventional products as well as separated as block, striking them by shelf stoppers and the label *Bio Domaine*. For the future the company expects that 5-10% of the whole food market will be made up by organic products, however they want to keep the volume of the organic range.

SPAR

The organic assortment of *SPAR* contains up to 50 items out of dairy, fruits and vegetables and eggs. In 2001, 1% of the total food turnover was made up by organic products.

Compared to the relevant conventional items dairy products are 11-20% more expensive. They are responsible for half of the market share of the organic sales. At organic vegetables and eggs the price is 21-30% higher. Mainly to cope with the demand and to enhance the customer satisfaction *SPAR* launched its private organic label *Natur pur* in 1995 (figure 97). Beside this brand organic products are labelled with the *BioSuisse*-“bud”.

Figure 97: *Natur*pur* of Spar Switzerland (Source: www.spar.ch, 2003)

The organic range is placed integrated among the conventional products. The category managers are responsible for the organic product marketing.

Suspecting an increasing share of organic products to 10-15% in the whole food market until 2005, *SPAR* plans to expand concerning the organic sector. They hope to achieve a market share of 8% in their own company until then.

Manor

Customers find an assortment of 200 to 500 organic products in the *Manor*-markets. In 2001, organic products were responsible for 3.1% of the total food turnover of *Manor*. The most purchased articles were bread and bakery products with a share of 60% in the total turnover of organic items. In comparison, conventional products are 10-20% cheaper. The purchaser is responsible for the organic production planning and control. A few staff members and the staff manager are educated about the supply, which is pointed out by ceiling boards, shelf stoppers and the brand labels and arranged among the conventional products. Every second year there are special promotion activities to enhance the selling of the organic products.

Since 1999 *Manor* sells organic items with its own organic trademark *Bio Natur Plus* (figure 98). An increasing demand and environmental and social commitments were the motivations to release organic products with labels from certifying bodies already in 1995. Within the next years *Manor* strives a market share of 5% of organic products in their own company. The management expects a share of 5-10% in the whole Swiss food market until 2005.

Figure 98: *Bio Natur Plus* - Organic trademark of Manor (Source: www.manor.ch, 2003)

Jumbo-Markt

In 2001, the market share of organic products in the total food turnover was below 1% in the *Jumbo* company. Concerning the price differences, bread and bakery products are less than 10%, dairy products and meat 10-20% and eggs, vegetables and fruits 20-30% more expensive than the conventional product groups. The organic assortment counts 50-200 items, which are integrated in the conventional range. *Jumbo-Markt* offers brands with the *BioSuisse* label.

Since 2000 the company has been offering organic products, mainly to supply the increasing demand and to stay competitive among other supermarket chains. The category managers are responsible for product planning and controlling of the organic assortment

Keeping the supply, *Jumbo* wants to increase its market share of organic products to 3-5% until 2005. The share in the whole Swiss food market is estimated to be 5-10% then.

2.11 UK

The description of the organic food-market in Great Britain is based on a literature research and written surveys of British retailers (*Tesco* and *Sainsbury`s*) about their activities on the organic sector. In addition personal information by Robert Duxbury (Technical Product Manager for Organic Food at *Sainsbury`s*) and Gill Smith (*Waitrose*) complete the country report.

2.11.1 Development of the Organic Sector

Until 1985 only a small number of farms cultivated organically. Until the mid 90s the number of farms grew slowly but since 1997 the growth increased (PADEL, 2001 in Richter, A.). The *Soil Association*, found in 1946, patronised this development by developing standards, by acting as political lobbyist and by introducing a certification system. The *Soil Association* is the biggest certification body in Great Britain (www.organic-europe.net, 2002). Today 458.600 ha are totally organically managed, but the area of organic agricultural area (included the area under conversion) is much higher with 729.550 ha, which is 4.3% of the total agricultural area (Organic Food and Farming Report, 2002).

The majority of the organic area is grassland (80-85%). Therefore the organic milk and meat supply increased heavily in the last years and led to an over-supply and difficulties in marketing.

The governmental support of organic production is quite small in Great Britain. Even in 1994 the state introduced a support programme for conversion, the *Organic Aid Scheme*. The subsidies have been risen by the *Organic Farming Scheme* in 1999 (House of Commons, Agricultural Committee, 2001 in Richter, A.). Only the conversion is supported, not the retention of organic agriculture. In 2002, the *Department for Environment, Food & Rural Affairs* introduced the *"Action plan to develop organic food and farming in England*", which should develop the organic sector in line with consumers` demand and maintain consumers` confidence in the integrity of organic produce by giving information on the standards to which it is produced.

As the growth of the agricultural area has been more continuos, except one phase in the early 90s, the growth in demand for organic products was a three-stage process: First there has been a locally-based, initiative driven demand, mainly by adherents of organic systems who preferred organic items out of a largely environmental perspective. That was then taken up by consumers concerned by the integrity of the food chain and spurred by major food scares, and latterly accepted and promoted by the UK's major retail chains. For the retailers organic products have been a welcome boost for the industry as a counter to food scares including GMO-issues and BSE and has allowed them to add value to a category of food products against a background of price-cutting and value competition in conventional foods. (www.organicts.com, 2002)

Great Britain has no common governmental state label for organic products. About 10 different symbols exist which is quite confusing for the consumers (World Organic News, 08/2002). The logo of the *Soil Association* is the most used and best known one (figure 99). Nearly every retail chain offers organic items with an own organic trademark.

Figure 99: Logo of the Soil Association (Source: www.soilassociation.org, 2003)

2.11.2 The Market for Organic Products

Market Shares of Organic Products

The market growth of organic products in 2000/2001 has been one of the fastest ones in Europe with 33% and lead to 1% organic sales of the total value of sales of food and drink in the UK (Organic Food and Farming Report, 2001). The sales reached 1.2 billion £, which is equivalent to EUR 1.752 billion (Agra Europe, 2002). Especially the sales of organic meat grew heavily in the last year.

The most demanded organic products are fruits and vegetables. Figure 100 gives an overview about the composition of the single product groups referring the total organic sales in 2001.

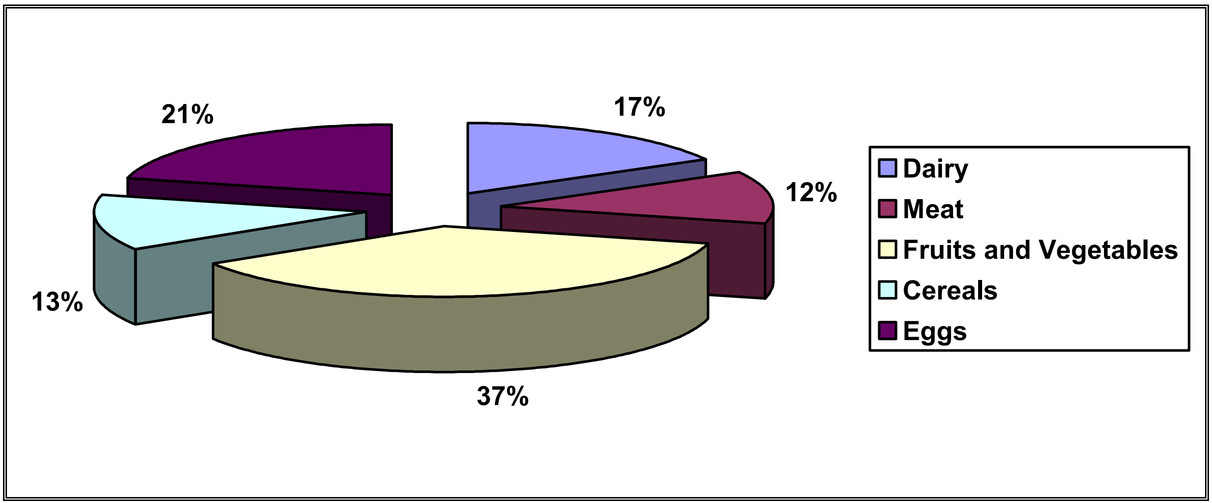


Figure 100: Wholesale value of main UK-produced organic commodities in 2001 (Source: www.organicts.org, 2002)

In general the market shares of organic products within the single product groups are quite low (table 45).

Table 45: Market shares of different organic product groups in UK in 2000

Product Group	Market Share (by Value)
Dairy	1.1%
Beef	0.4%
Vegetables	4.4%
Fruits	1.9%
Potatoes	0.7%
Cereals	1.6%
Eggs	2.5%

(Source: HAMM et al., 2002)

Sales Channels and their Significance

The conventional supermarkets sell more than 80% of all organic produce (Duxbury, 2003). Alternative outlets historically played a greater role, however they have continued to benefit from the market expansion. This can be seen by the success of specialised organic supermarkets, box schemes and the expansion of organic sales at farmers markets (table 46). Some supermarkets offer their own box-scheme in association with home delivery services.

Table 46: Sales channels for organic products in UK in 2001

Sales Channels	Share of Total Organic Food Sales
Multiples Retailer	80%
Local and direct sales	9%
Independents/Health food shops	11%

(Source: www.organicts.com, 2002)

A big involvement of the retail chains has made Great Britain to the country where the widest choice of organic produce is available to consumers. Table 47 shows, that the size of the range in British supermarkets is really big. In addition the growth and the amount of organic sales per customer are compared.

Table 47: Number of organic items in different UK retail chains and annual growth and sales value per customer in 2001/2002

Company	Organic Items 2001/2002	Growth	Sales/Customer
Tesco	1100	+ 18%	47 EUR
Waitrose	1300	- 1%	137 EUR
Sainsbury`s	1350	+ 30%	58 EUR
Safeway	600	+ 7%	23 EUR
Asda	400	+ 34%	19 EUR

(Source: www.organicts.com from Taylor Neslon Sofres, 2002)

Through discussions surrounding the UK government's *Organic Action Plan*, issued in mid 2002, *Waitrose*, *Sainsbury's* and *Marks & Spencer* were identified as the "good guys" for the UK organic industry as they were focussed and committed to improving sourcing from UK producers (www. organicts.com, 2003).

Price Differences

The average price premium for organic products is about 50-55%. According a study of the Swedish certification body *KRAV* organic products are 55% more expansive (Fredriksson, 2002), whereas Hamm et al., 2002 found an average price premium of 51%.

Hamm et al. (2002) found the smallest extra charges at potatoes.

Table 48: Price premiums of organic products in UK in 2001

Product	Milk	Cheese	Potatoes	Eggs	Rump steak	Carrots
Price Premium	59%	43%	1%	36%	75%	38%

(Source: HAMM et al., 2002)

Organic Consumer

The organic consumer has an above average per-capita-income and an above average educational level. (Soil Association, 2001 in Richter, A.). There are two groups: A younger one with the age between 25 and 34 who shop at certain named supermarkets and are mostly female (www.organicts.com. 2002) and an elder group, between 45 and 60 years. The occasional buyers mostly live in bigger households (Skeldon 2001 and Soil Association, 2001 in Richter, A.).

56% of the population are occasional organic product buyers (Soil Association, 2001 in Richter, A.) and 8% are regular consumers. These are responsible for 60% of the money spend on organic products (Duxbury, 2003). 75% of the UK households made at least one organic purchase in the previous year (Taylor Nelson Sofres, 2001 at www.organicts.com, 2002)

The motivation to buy organic products is driven by the negative incidents of the conventional agriculture and the conventional food industry and the positive image of the organic movement (www.organicts.com, 2002). The main reason to buy organic products is the belief, that organic items are more healthier. The motives of food safety and environmental issues are decreasing in importance. To convince people who do not buy or who seldom buy organic products, information campaigns are necessary (www.organic-europe.net, 2002). The barriers for the consumers who avoid organic items are the higher costs, the"small" product range, the difficult availability and the lack of knowledge (www.organicts.com, 2002). This group is very price conscious and not interested in healthy food (Organic Food and Farming Report, 2001)

Prospect Organic Market 2005

It is sure to presume that future growth in the organic sector will depend on a multitude of factors. To date the main driving factor behind the growth has been strong consumer interest in organic produce, one can doubt if this alone will be enough to continue such growth patterns. This factor is limited to the consumers "willingness to pay" for organic produce and the question can be asked whether market forces alone should lead the development of the sector and which price will more consumers from lower income classes be prepared to pay?

A campaign by environmental groups, consumer organisation, MPs and the most supermarket chains (*ASDA, Booths, Co-op, Iceland, Marks and Spencer, Sainsbury`s* and *Waitrose*) strives for 30% organic area by 2010 to reduce the imports of organic food of now 70% (www.foe.co.uk, 2003). The government`s *Organic Action Plan* supports this, too (www.waitrose.com, 2003). In addition 20% of the food consumption should be organically produced by 2010 (www.organic-europe.net, 2002).

2.11.3 Organic Products in Retail Chains

Tesco is the largest supermarket chain in the UK (BBC News, 2003) with a market share of 23.4%. Beside, *Sainsbury`s* plays a major role on the British food market. Nevertheless, there are different smaller chains with a market share at about 10% (table 49).

Table 49: Overview about the UK retail sector in 2001

Company	Turnover Food (mio. EUR)	Market Share Total (%)	Market Share Total acc. (%)
Tesco (GB)	29601	23.4	23.4
Sainsbury`s	22345	17.7	41.1
Safeway	14152	11.2	52.2
Asda (Wal-Mart GB)	12686	10.0	62.3
Iceland Group	10692	8.5	70.7
Somerfield	7064	5.6	76.3

(Source: M+M Eurodata, 2001)

In the following, the three most important retail chains in selling organic products (*Tesco, Sainsbury`s* and *Waitrose)* are presented more detailled.

<u>Tesco</u>

General Structure of the Company

Tesco is the leading food retailer in Great Britain. The customer is the centre of *Tesco*`s work according their motto "*Creating value for customers to earn their lifetime loyalty*". Therefore they try to improve by getting cheaper, offering better values and providing more choice and convenience to the customers. *Tesco* owns 729 outlets in the UK of four different chains: *Extra* (41 stores), *Superstore* (445), *Metro/high street* (168) and *Express* (75). In addition *Tesco* is active in Eastern Europe, e.g. Poland or Hungary and in Asia, e.g. Thailand or South Korea.

Beside the care of the customer, *Tesco* concentrates on local work, environmental and social issues and is committed to UK farmers` issues (www.tesco.com, 2003).

Organisation of Organic Product Marketing

The responsibilities for the organic assortment are part of the category managers` work as well as of a single product manager. The latter one is a brand manager for developing *Tesco*`s own organic retailer brand *Tesco Organic*.

In the stores, there is no contact person for the organic assortment. The sales personnel is not educated in special about organic production and the organic products.

Tesco supports the research for organic agriculture. In association with the *NFU (National Farming Union)* and the *Harper Adams College*, *Tesco* supports an *Organic Master Class* and is planning to maintain this in the next years. At *Newcastle University Tesco* assists a research and technology transfer for organic food production, to help organic producers to become more efficient (www.tescofarming.com). In addition there is a research project with the *Centre for Organic Agriculture* of the *Aberdeen University* over five years (CIR, 1999). Further *Tesco* communicates directly with farmers and the *NFU* to increase the agricultural area to produce more organic items. *Tesco* prefers to develop the organic product sales through market forces while also financially supporting research in organic agriculture. They refuse to develop the organic sector by political requirements and therefore they refused the participation at a campaign for massive increase of organic farming.

Sales of Organic Products

In 2001, *Tesco* had a market share of organic products of 1.6% (Tesco, 2002) which is equivalent to annual organic sales of 240 million £ (= EUR 393.6 million) per year. In 2001 they reached 28% of all expenditure for organic products (MDC, 2002). The sales increased by more than 30% in the last year (www.tescofarming.com, 2003) and therefore *Tesco* strives for a turnover with organic products of 1 billion £ (BBC News, 2003) (EUR 1.46 billion). According a survey 63% of *Tesco* customers want to buy more organic products in the next time (www.tescofarming.com, 2003).

Until 2005, they estimate to reach a market share of 3%, because there is a high awareness for organic products within the public, the availability will become improved and the prices will decrease (Tesco, 2002). Another estimation talks about 10% organic sales till 2005 (ZMP 2000). But to satisfy the increasing demand, imports will still be necessary (BBC News, 2003). Especially organic meat and vegetables will probably not be completely covered by British supply (www.e-campo.com, 2003).

Label Policy

In September 2000 *Tesco* introduced its own organic trademark *Tesco Organic* (figure101). Today 38% of the organic range is offered with this own trademark.

Figure 101: *Tesco Organic* – Organic trademark of Tesco (Source: www.tescofarming.com, 2003)

The rest of the organic products is sold with other British labels, e.g. the one of the Soil Association or with labels from abroad.

Communication Policy for Organic Products

About 1% of the total marketing budget is spent on organic products. The majority of this is spent on sales promotion at the point of sale (posters and boards, bargain prices). In addition *Tesco* advertises for organic products by direct mailing and brochures or leaflets.

The specific design of the organic trademark with the blue-green logo point organic products out of the assortment in the stores (figure 102). In addition, posters and signs are put up.

Figure 102: Typical design of *Tesco Organic* and Communication (Source: www.tescofarming.com, 2003)

Organic Range and Price Policy

Tesco offers about 1100 organic items. The biggest number of organic products can be recognised at dairy and eggs, vegetables, cereals, beverages and groceries. At all categories organic products are placed in special blocks, which help consumers find them easier according *Tesco*`s opinion.

The price premiums vary between 20% and 40%, whereby fruits and vegetables have the smallest extra charges. The average price difference between organic and conventional items is about 31%.

Sainsbury`s

General Structure of the Company

Sainsbury`s* is the second biggest and oldest retail chain in Great Britain. It belongs to the *J. Sainsbury plc*, which owns 463 *Sainsbury`s stores in the UK and 185 *Shaws/Star*-outlets in the US. *Sainsbury`s* follows three main objectives. They want to satisfy their customers demands and by meeting their consumers needs, they are able to provide good returns to their shareholders. Further they work closely together with their suppliers and finally *Sainsbury`s* wants to respect social and environmental issues (www.j-sainsbury.co.uk, 2003).

Referring organic products it is the mission of *Sainsbury`s* "*To be customers` first choice for organic food in the UK*". Their key organic policies are offering real prices to guarantee total integrity and the sourcing of products (Duxbury, 2003). One objective is to develop the organic market for long-time (Sainsbury`s, 2003).

Organisation of Organic Product Marketing

Both category managers and an independent product management for organic products is responsible for the organic assortment. In addition the product development of the company works hard on developing new organic products. 200 new items have been created last year, e.g. bakery and baby food (Duxbury, 2003).

In contrast to *Tesco, Sainsbury`s* educates the staff of the department for organic products in the markets and some individual persons of the head office and single staff members. This is the condition for informing and advising the customers in the stores.

Sainsbury`s co-operates directly with its suppliers. To increase the supply they founded the *Organic Partnership Scheme*. Further they are included in the national and international organic network, e.g. with the *Soil Association* by sponsoring the *Annual Organic Conference* in 2002.

Sales of Organic Products

At *Sainsbury`s* the market share of organic products has progressed from 1.5% in 2000 to 2.5% in 2001 by an increasing demand of 55% in the last year (Sainsbury`s, 2003). *Sainsbury`s* now holds 26% of the organic food market (MDC, 2002). Weekly £5 million (= EUR 7.3 million) are turned-over with organic products (Duxbury, 2003). Until 2005, *Sainsbury`s* estimates to reach a market share of organic products of 5%.

Label Policy

All organic products at *Sainsbury`s* are produced according *IFOAM*-regulations. According their objective of integrity, they choose the highest possible standards for their organic assortment. In addition imports become easier, because the certification is guaranteed and there is a big choice available because the majority of organic farmers world wide works according *IFOAM*-regulations. Further it is easier for the customers, because the *IFOAM*-sign is on every packaging (Duxbury, 2003).

Sainsbury`s Organic is the own organic retailer trademark (figure 103) which is also based on *IFOAM*-standards. Half of the organic assortment is certified and sold with it (Richter, A.; 2001).

Figure 103: *Sainsbury`s Organic* – Organic trademark of Sainsbury`s (Source: Sainsbury`s, 2003)

Communication Policy for Organic Products

In the stores, organic products are communicated by posters and signs on the shelves or hanging down from the ceiling. A colour system point out organic products: blue shelve marks with the sign of the own retailer brand help consumers finding organic products (Richter, A.; 2001).

In addition, the organic assortment is promoted by brochures and leaflets, bargain prices and advertisement via TV, radio and journals.

In addition, the internet is used for communicating organic products and informing about the organic assortment and organic agriculture (figure 104).

Figure 104: Communication at Sainsbury`s - Organic in the internet (Source: www.j-sainsbury.co.uk, 2003)

Organic Range and Price Policy

Sainsbury`s offers about 1350 organic items which is the biggest organic assortment in Great Britain. At the moment, the majority of the organic range is imported, only 40% is from British origin. This should be increased by 15% to 55% until 2004. Especially the key organic areas meat and dairy, should be of British origin by the beginning of 2004 (Duxbury, 2003). The most sold organic products are dairy, fruits and vegetables. Grocery, frozen food, bakery, fresh meat and fancy food are growing most intensively (www.j-sainsbury.co.uk).

Organic products are both positioned among conventional products and on separate shelves in the markets. This double placement makes it easier for the clients to distinguish organic items.

Sainsbury`s* does not follow a low-price strategy for organic products. They want to make the customers aware of the true costs of organic food and the production. Therefore the prices reflect this. *Sainsbury`s does neither subsidise the retail price of organic food nor put on additional profit. Anyway the prices should also be fair for the customers. Therefore they try to reduce the cost within the organic supply chain by working together with suppliers and producers (Duxbury, 2003).

Strength an Weak Points in Organic Product Marketing

Sainsbury`s is the winner of the *Organic Supermarket of the Year-Award* in 2002. They have already won it in 2000 (Duxbury, 2003). This is an evident sign that both the assortment, the presentation of organic products, the communication and the image of the company are very attractive and convincing.

Waitrose

General Structure of the Company

Waitrose is a smaller, regional retail chain with 137 outlets (www.waitrose.com, 2003) concentrated in the South East of England, East Anglia, in the Midlands and in Wales. It belongs to the *John Lewis Partnership* (www.organicts.com, 2003). It is a member organisation as all employees have shareholdings of the company. The aim is to offer quality, value and the best possible customer service.

Waitrose was one of the first retail chains in UK in selling organic products in 1983 (www.waitrose.com, 2003).

Organisation of Organic Product Marketing

The company works within the national network of organic agriculture and research. In 1998 the *Waitrose Organic Assistance Scheme* has been established for supporting and encouraging UK producers to convert to organic agriculture. A partnership with many producers is existing. These act as organic demonstration farms. To support the research for organic agriculture, *Waitrose* offers bursaries for students (www.waitrose.com, 2003).

Sales of Organic Products

Waitrose increased the organic sales by 2% from 4% in 2000 to 6% of the total turnover in 2002 (Smith, 2003) which is based on weekly sales of 2.5 million £ (www.waitrose.com, 2003) (= EUR 3.65 million). 14% of all organic sales in Great Britain are sold at *Waitrose* (MDC, 2002).

The most sold organic products are fruits and vegetables (12% of the total fruits and vegetables sales), milk (13%), baby food (almost 60%) and bread and cakes (7%). The companie`s top seller is the organic semi-skimmed milk. Groceries are increasing heavily. The sales have doubled in the recent years.

Label Policy

Since 1996, *Waitrose* offers organic products under the own organic trademark *Waitrose Organic* (figure 105).

Figure 105: *Waitrose Organic* - Organic trademark of Waitrose (Source: www.waitrose.com, 2003)

Communication Policy for Organic Products

To help customers finding organic products a big "O" is put on the shelves as organic symbol (www.waitrose.com, 2003) and "*Organically grown*" (figure 105) is written on the shelves as clear pointing out (Richter, A.; 2001).

The internet plays a big role in communicating organic products.

Organic Range and Price Policy

1300 organic product lines are offered at *Waitrose* presently (Smith, 2003). Therefore *Waitrose* offers the second biggest assortment in the UK. They strive to offer one organic alternative for the most conventional products and displace fruits and vegetables totally by an organic version (CIR, 1999). 85% of the range is of British origin (www.guardian.co.uk, 2002), they try to buy British whenever it is possible.

Organic products are placed within the conventional assortment. Fruits and vegetables are exceptional here: they are positioned as block within the department. Some fresh products, like cheese and sausages are sold at the sales counter (Richter, A.; 2001).

3 Analysis of the Results

The final chapter tries to consolidate the most relevant results of the singles country reports. It presents:

1. an approach to group supermarket chains regarding their activities in selling organic products and the strategic role of organic products within the company`s policy,
2. factors of success concerning the organisation and the implementation of organic product marketing in retail chains,
3. recommendations how to optimize selling organic products via supermarkets.

Assessment of available Data and Information

The study bases mainly on literature reviews and on countless interviews with key informants within the retailing sector and national organic market experts in 11 countries. That means in comparison to the FiBL supermarket study 2000 the new release was enhanced by five countries. The study also showed that information which are available about the supermarket sector and their organic product activities differ country by country tremendously.

Above all, to search for primary information and data was quite difficult in some countries, whereas in other countries (e.g. in Scandinavian ones) excellent information were available. It mainly depends on the willingness of market actors to provide information about their own company.

Altogether the readiness of the supermarket chains to participate in the study was relatively satisfying in Germany, Switzerland, Sweden, Denmark and Finland. The most difficulties to get company based information has to be stated for France, Italy and Austria.

The preparedness and ability of supermarket chains to provide data and information about their own activities to sell organic products depended mainly on::

1. the individual, mostly personal based willingness of the responsible persons for the organic assortment of the chains,
2. the availability of specific market data of supermarket chains about their organic assortments (in some companies there is no specific controlling about the sales development of the organic segment),
3. strategic considerations whether an information is confidential or what kind of information shall be provided to the public,
4. the frequency of similar surveys of students, consultants, public authorities where companies are involved (based on many national action plans to promote the organic sectors) which partly leads to an overloading of the companies with similar studies.

Partly it was surprising to see that companies have no ideas about theirs sales value of organic products and that the development of own organic trademarks is not systematically documented and analysed. At many companies, this is caused by missing market research and the available controlling data are just able to do very rough estimations about the organic product turnover or the market shares by product groups. The estimations often do orient on publications of data from competitors.

Partly for 2001 even lower organic product sales values were stated than for the years 2000 or 1999 when the last FiBL survey was conducted even when there was a clear positive market development.

Therefore it has to be emphasised that many of the presented data already are estimation figures and the data controlling and systematically collating for the organic assortment just try to start in some companies.

Slightly changed Market Situation within 2002

The interviews and the store checks of the FiBL supermarket study 2002 mainly were conducted in the first term of 2002. The expert views and market estimations to this time mainly were positively influenced by the „sales rally“ of 2001 after certain food scandals in the conventional industry.

When the same questions would be raised half a year later, the answers would have differed clearly in a more pessimistic view. The market sentiment on many companies which mainly offer high quality products with high quality presentation styles to reasonable product prices is less optimistic caused by the general economic crisis within many European countries. Consumers all over Europe started to be more price conscious and tend to prefer more basic quality at cheap prices rather than premium quality at higher prices (also within the organic assortments).

The changing of the market expectations of national organic market experts from a quite enthusiastic to a more realistic (pessimistic) point of view from 2000 till end of 2002 shall document this (see table 50).

Table 50: Development of the market estimations of national market experts for organic products by the indicator “Expected annual growth of the organic sales”

	Expectations for annual growth of the organic sales (%)			
	Feb 2000	**May 2001**	**Jan 2002**	**Dec 2002**
Germany	10 – 15	10 – 15	10 – 15	5 - 10
France	20 – 25	15 – 20	10 – 15	5 – 10
UK	25 – 35	25 – 30	15 – 20	10 – 15
Switzerland	15 – 20	15 – 20	10 – 15	5 – 15
The Netherlands	15 – 20	10 – 20	10 - 20	5 – 10
Denmark	30 – 40	10 – 15	10 – 15	0 – 5
Sweden	30 – 40	20 – 25	15 – 20	10 - 15
Italy	20	15 - 20	10 – 20	5 – 15
Austria	10 - 15	10 – 15	10 – 15	5 – 10

(Source: ITC, several releases (www.intracen.org/mds/sectors/organic/))

Role of the ‘Organic Involvement’ of Retail Chains for the National Organic Market Development

HAMM et al. (2002) and MICHELSEN et al. (2001) gave evidences in their publications for the close relation between the national market volume of organic products and the market shares of organic products which are sold via conventional supermarkets in these countries. In tendency the national market volume of organic products increases by a higher share of organic products which are sold via supermarkets. Supermarket chains therefore seems to have a key position for a successful broad market penetration of organic products.

Generally these tendencies also could be confirmed by the results of the recent FiBL study. Furthermore in comparison to the results of the FiBL supermarket study 2000 (see RICHTER et al., 2001) the recent study revealed, that::

1. the share of organic products which are sold via conventional supermarkets did increase furthermore (above all in Italy and Switzerland),
2. within the countries the differences between single supermarket chains grew concerning their volume of the organic assortment and the market share of organic products within their total food assortment.

In the most investigated countries there is at least one company in which organic products have a strategic outstanding meaning for the positioning of the company and the communication to the consumers. It is regardless whether a country has a quite high market share of organic products, like Denmark, Austria or Switzerland or a quite low market share like Sweden or the UK.

Those companies which achieved the highest organic market share in relation to their total food turnover in their countries are documented in figure 106 (last column). These companies can be considered as national organic market leaders of supermarket chains from a qualitative point of view. This does not mean that these companies achieved the highest national turnover rates with organic products in volumes in all cases which mainly is caused by the general size of a company.

Country	National Market Share (2000)	Organic via Retailer (2000)	Market Leader 2001 (Organic Sales Share)	
Sweden	2.4%	73%	COOP (SE)	(7.5%)
Germany	2.3%	33%	Tegut	(7.0%)
Switzerland	3.1%	71%	COOP (CH)	(6.3%)
Denmark	7.0%	86%	COOP (DK)	(5.0%)
Austria	4.6%	72%	Billa	(4.2%)
Finland	2.6%	78%	Kesko	(2.5%)
UK	1.3%	79%	Waitrose	(6.0%)
France	0.9%	42%	Carrefour	(150 l.)
Italy	1.1%	43%	Esselunga	(500 l.)
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	

Figure 106: European countries with their most relevant organic market figures and their qualitative market leaders in selling organic products
(Sources: HAMM et al., 2002; own study results)

Leader and Adapter

Regarding the broad spectrum of supermarket chains within Europe, there are companies in which the marketing of organic products takes a central position for the defining of the unique selling proposition. These companies mostly are strongly involved and engaged concerning environmental and social matters. They try to use the positive image with regard to social and environmental aspects mainly of high educated consumers with a higher purchasing power in order to win new consumers and lead them to a high customer loyalty.

Those companies try to overtake the leadership in selling organic products within their countries or regions (***Leader-Strategy***). Mostly these companies also are the national pioneers in the professional and large scale marketing of organic products. Companies with „Leader-Strategy" also can be described by their active and strategic approach in developing their organic assortment (see table 51). Therefore also the communication efforts and expenditures for the organic assortment are relative high and disproportionate to their organic product market share. For instance, in 2001 *COOP Sweden* spent app. 15% of the total marketing budget of their chain *Konsum* specifically for the organic assortment, whereas the market share with organic products achieved "just" 7.5% at *Konsum*.

On contrary there are companies which also offer organic products but make no active and specific efforts to develop the organic assortment. They just respond to demand trends or activities of competitors. A strategic approach to get an improved profile by an organic assortment is missing at those companies. Concerning the communication there is no specific emphasise for the organic assortment neither by an active public relation nor by a clear pointing out of organic items at the point of sales. This passive strategy can be named as ***Adapter-Strategy.*** The marketing budget for organic products in these companies therefore mostly is limited by the share of turnover of organic products at maximum (1-3%) or even below. The following table 51 summarise the most relevant attributes which describes both strategic approaches.

Table 51: Relevant attributes which describes strategic approaches of companies with „Leader Strategy" from companies with „Adapter Strategy" with regard to their organic product development

Leader	Adapter
Organic involvement is linked to owner's or board member's conviction	Organic competence and development is not linked to one specific person
Organic produce line has the highest strategic priority	Organic produce line has middle or low strategic priority
Organic line as flagship of communication	Organic line is just one of several communication aspects
Maximal organic assortment	Optimal organic assortment
Active market development	No active market development
Intensive networking with national and international stakeholders	Less networking with national and international stakeholders
Controlling of OP growth	Seldom controlling about OP growth
Intensive market research on OP	Less market research on OP

(Source: Own study results)

Key Figures of Organic Product Sales within the European Supermarkets

The tables 52 and 53 (see next two pages) summarise key figures concerning the sales activities of European supermarket chains regarding organic products (number of organic items, turnover share in organic food relating to the total food turnover or alternating the turnover with organic food). The data are related to the year 2001. The figures base on data which were presented by the companies on a written survey. Those supermarket chains were interviewed which either are leading in selling organic products in their countries (according to references of national market experts) or which can be counted among the biggest national retail chains. Retail chains which were conducted but did not returned the questionnaire are not listed in the table.

The companies are distinguished according to their strategy type (Leader Strategy, Adapter Strategy)

Table 52: Overview about key figures in selling organic products via retail chains (Part I)

Number of organic items / Turnover of organic products or market share by value		
Country	**Companies (Leader-Strategy)**	**Companies (Adapter-Strategy)**
Austria	➢ **Rewe Austria (Billa/Merkur)** (350 l. / 4.2%)	➢ **Spar Austria** (150 l. / 1.3%)
Belgium	➢ **Delhaize le lion** (600 l. / app. 3%)*	➢ **Cora Louis Delhaize** (375 l ./ 0.8%)* ➢ **Carrefour Belgium** (236 l. / 30 Mio. €) ➢ **Colruyt** (312 l.) ➢ **Lambrechts** (18 l. / < 1%)
Denmark	➢ **COOP (FDB)** (500-800 l. / 4%*)	➢ **Dansk Supermarket** (400 l.) ➢ **Lövbjerg** (200-500 l / 2%) ➢ **Kjaergaard** (50-200 l.) ➢ **Edeka Denmark** (50-200 l.) ➢ **Jacodan** (< 50 l.)
France	➢ **Auchan** (700 l. / 1.2%)	➢ **Monoprix** (250 l.) ➢ **Intermarché** (160 l. / < 1%)
Finland	---	➢ **Tradeka** (800-1'000 l. / 2%) ➢ **Kesko** (340 / 3%)* ➢ **SOK** (200-500 / 1.5%)
Sweden	➢ **Konsum (COOP Sweden)** (800-1.000 l. / 7.5%)	➢ **ICA** (440 l. / 2%)* ➢ **Hemköp** (200-500 l. / 0.8%)
Switzerland	➢ **COOP Switzerland** (1.200 l. / 7.0%)*	➢ **Migros (MGB)** (840 l. / 2.9%)* ➢ **Manor** (200-500 l. / 3.1%) ➢ **Volg** (200-500 l. / 1%) ➢ **Jumbo Markt** (50-200 l. / < 1%) ➢ **Spar Switzerland** (< 50 l. / 1%)

(Sources: Results of a FiBL survey 2001/2002)

* Data are related to 2002

Table 53: Overview about key figures in selling organic products via retail chains (Part II)

Number of organic items / Turnover of organic products or market share by value		
Country	**Companies (Leader-Strategy)**	**Companies (Adapter-Strategy)**
Germany	➢ **Tegut** (1.200 I. / 7%) ➢ **Feneberg** (500-800 I. / 6%) ➢ **Bremke & Hörster** (500-800 I.)	➢ **Karstadt** (500-800 I. / 2.4%) ➢ **Edeka Germany** (300-400 I. / 2%) ➢ **Globus** (200-500 I.) ➢ **Tengelmann** (200-500 I.) ➢ **Real (Metro Germany)** (200 I. / 0.2%) ➢ **Spar Germany** (50-200 I. / 0.2%) ➢ **Plus** (< 50 I.) ➢ **Norma** (< 50 I.)
Italy	➢ **Esselunga** (700-800 I.)	➢ **COOP Italy** (211 I. / 0.8%) ➢ **Carrefour Italy** (192 I.) ➢ **Lombardini** (60I. / 1%) ➢ **Conad** (140 I.) ➢ **Rewe Italy** (100 I.) ➢ **Despar** (60 I.) ➢ **Crai** (45 I.) ➢ **Selex** (17 I.)
The Netherlands	➢ **Albert Heijn** (265 I. / 2.2%)	➢ **Laurus** (100 I.) ➢ **C1000** (100 I.) ➢ **Super Unie Group** (100 I.) ➢ **Makro** (17 I. / 0.3%)
United Kingdom	➢ **Waitrose** (1.300 I. / 6.0%)* ➢ **Sainsbury's** (1.350* I. / 2.5%) ➢ **Tesco** (1.100 I. / 1.6%)	

(Sources: Results of a FiBL survey 2001/2002)

* Data are related to 2002

Apart from Finland in all countries there is at least one company with a „Leader Strategy“ in regard to the marketing of organic products. Apart from Germany in all countries there are “Leader” – companies which do distribute national wide. In Germany „Leader Strategies“ can be identified only at smaller companies with a more or less specific regional focus.

The number of organic items and the shares in turnover of the organic assortment vary by company clearly. It is regardless of the total volume of a company’s or market type’s food assortment or the size of their sales areas (smaller markets versus hypermarkets). In Germany as an example in 2001 the hypermarket *Real* just offered 200 organic items and supermarkets of the „German organic market leader“ offered up to 1.200 products in supermarkets.

The size of the organic assortment, but also the marketing budget which is spent for the organic assortment, therefore depends clearly stronger on the willingness of decision makers (personal relating factors) within the companies rather than on technical boundaries or the market environment.

Factors of Success Regarding Organic Product Marketing and Organisation

Within the following paragraphs it will be undertaken an approach to analyse certain factors of marketing organisation and marketing implementation for organic products, which are sold via supermarkets. The approach was developed by RICHTER (2002) and applied within three diploma thesis where parallel case studies have been conducted with these approach in the countries Belgium, Denmark, Finland, Germany, Italy, The Netherlands, Sweden and Switzerland (GRIMM, 2002; HEMPFLING, 2003; ABBINK/DE VRIES, 2002). It is based on case study research which included in depth interviews with responsible persons for the organic assortment as well as store checks in selected outlets of the studied supermarket chains.

As case studies the following companies were selected:

- ⇒ **Germany**: Edeka, Tegut, Bremke & Hoerster, Feneberg
- ⇒ **Switzerland**: COOP, Migros
- ⇒ **Italy**: Esselunga
- ⇒ **Belgium**: Delhaize le lion
- ⇒ **The Netherlands**: Albert Heijn
- ⇒ **Denmark**: COOP, Dansk Supermarked
- ⇒ **Finland**: Kesko, SOK
- ⇒ **Sweden**: COOP, Hemköp, ICA

The main objective of the case study research was to analyse successful retailers in depth in order to get insights about approaches to sell organic products successfully and the meaning of relevant marketing and organisation matters. Therefore a priori only those companies were selected by country which were recommended by consulted market experts or by literature references as positive cases.

Mainly specific factors of marketing and organisation matters for the organic products marketing via supermarkets, which directly or indirectly take influence on the sales were analysed. Figure 107 shows the factors in detail.

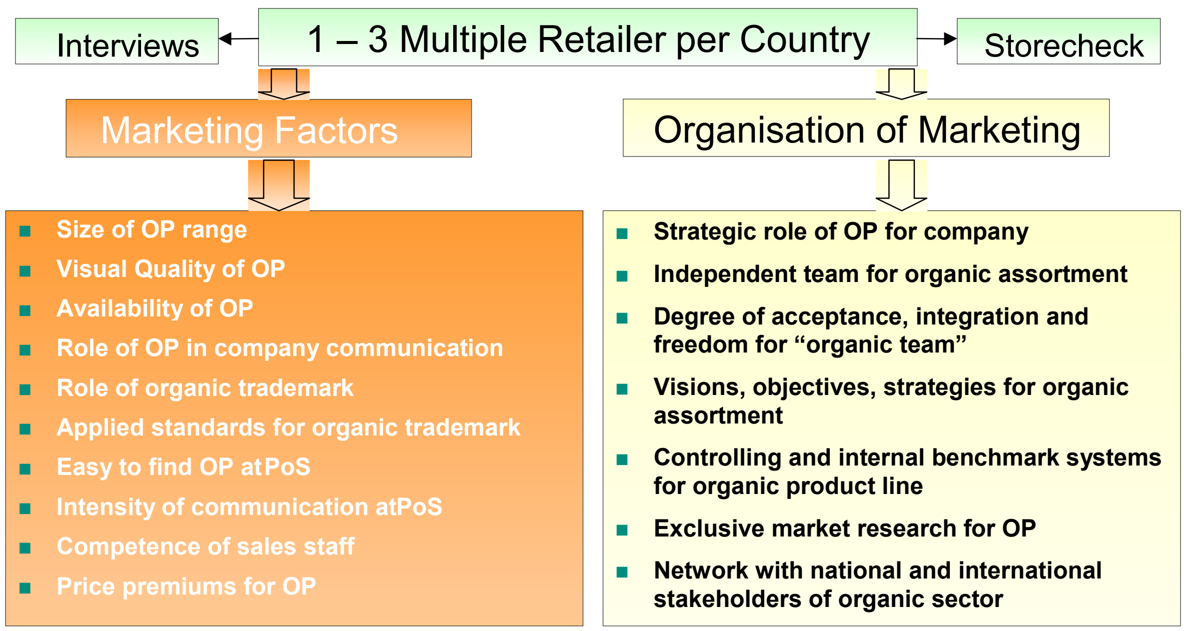


Figure 107: Relevant factors of marketing and marketing organisation for a successful selling of organic products (OP) via retail chains

The studied retail chains are judged with help of a rating scale, which covers the score between "1" for the worst case and "5" for the best case per factor.

Due to the complexity of results in this report there is just limited space to explain the observed differences by company for all considered factors. Therefore the authors will give just a shortly commented numerical overview of selected factors in this report. For more detailed results concerning the judgement of success, please inform by the following references (see literature references on appendix):

- GRIMM, 2002 (Germany, Switzerland);
- HEMPFLING, 2003 (Sweden, Denmark, Finland);
- ABBINK/DE VRIES, 2002 (The Netherlands, Belgium, Italy).

A) Visions, Objectives, Strategies Referring Organic Products are Defined

The philosophy and vision of a company contains the most important norms of entrepreneurial thinking and acting. A company which wants to work in an environmental and social friendly way, will probably include environmental or social issues in its vision and business plan. Objectives, strategies and instruments, e.g. to develop and promote organic products are clearly defined. An intensive communication of these overall targets shows that the company takes it for serious because if a target is defined, it can be controlled by the public.

The management planning for the organic assortment which includes visions, objectives, strategies and adequate measures for the product line development should be combined with a strict controlling or even better with an internal benchmark system. “Best practice” outlets or regions in selling organic products within the company are defined as benchmarks which should be reached or even beaten by other outlets and regions. To implement such a system leads to a goal-directed improvement of the broad average of outlets.

Rating Scale: Visions, objectives, strategies referring organic products are defined

Best Case (5)	The company follows clearly defined visions, objectives and strategies for its environmental policy and has concrete targets for the development of the organic assortment. These targets (e.g. turnover of organic products) are defined for the whole company as well as for single outlets or product groups.
Good Case (4)	The company follows clearly defined visions, objectives and strategies for its environmental policy and has concrete targets for the development of the organic assortment. These targets (e.g. turnover of organic products) are on a general level and not defined for single outlets or product groups.
Medium Case (3)	The company does not have clearly defined visions, objectives and strategies for its environmental policy of the enterprise generally, but there are concrete targets for the development of the organic assortment.
Bad Case (2)	The company does have only vague objectives for the environmental policy of the enterprise. Or there are just vague targets for some organic products, but not for the whole organic assortment.
Worst Case (1)	The company does not have clearly defined visions, objectives and strategies for its environmental policy. They only have vague ideas about the future development of the organic assortment.

B) Networking within the Total National and International Organic Sector

Co-operations are important for a company to develop the own organic product line. They are helpful especially on the national organic market. But also international co-operation could lead to new contacts and experiences.

Important networks for the organic market development can be co-operations:

- with suppliers, private organisations, scientists, the government and media. Implementing “round tables” between possible partners in a marketing chain can help to overcome reservations between market actors and increase the market transparency.
- with other retail chains, both national ones and international ones which have similar strategic objectives. The experiences of other retail chains can help to avoid mistakes. Synergies can be used by solving problems commonly.
- with national opinion-leaders who have a relevant influence on the public and therefore the consumers` opinion. It is also helpful to stay in contact with environmental organisations, consumer groups or other organisations because it could improve the social acceptance of the organic product strategy.

Rating Scale: Networking within the Total National and International Organic Sector

Best Case (5)	The company is closely connected with other enterprises and organisations on the national sector (e.g. certification bodies, farmers associations) and international organic sector (e.g. IFOAM, World Organic Supermarket Club).
Good Case (4)	The company is closely connected with other enterprises and organisations on the national organic sector (e.g. certification bodies), but not on the international sector.
Medium Case (3)	The company is not directly connected with other enterprises within the national organic sector, but get informed about them (e.g. by a direct supplier).
Bad Case (2)	The company does not co-operate with enterprises within the national or international sector, but is slightly accepted there.
Worst Case (1)	The company does not co-operate with enterprises within the national or international organic sector and is less accepted there.

C) Independent Team for the Organic Product Assortment Existing

The existence of an independent team or at least a person within the company structure which/who is exclusively responsible for the development of the organic assortment and their marketing is important to be able to develop the organic product line actively. It can be seen as an indicator for the strategic relevance of organic products for a company. When there is no independent product management, the organic assortment can be considered as a product line of low or just medium interest.

The duties of a responsible person or team for organic products should be focussed on the development of long-duration strategies for the competition, the annual marketing plan and an annual sales prediction, the co-operation with marketing agencies to develop communication campaigns, the motivation of the sales personnel, the collection of sales and empirical data, e.g. the consumer’s attitudes about and the further development of the products.

Rating Scale: Independent team for the organic product assortment existing

Best Case (5)	An own, independent team / person for the development and the marketing of the organic assortment does exist. The team / person appears motivated and competent.
Good Case (4)	An own, independent team /person for the development and the marketing of the organic assortment doesn’t exist, but the head/owner is personally responsible for the development of the organic assortment.
Medium Case (3)	An own, independent team /person for the development and the marketing of the organic assortment doesn’t exist, but it is an important topic of the environmental or the public relation group of the company. *or* There is one person within the company responsible for different retailer trademarks including the organic trademark.
Bad Case (2)	There is neither an own team nor a special person responsible for the organic assortment. Organic products are just a less relevant topic of the environmental policy of the company.
Worst Case (1)	There are not any persons responsible for the development and the marketing of the organic assortment. Organic products are just part of the category managers` / product manager duties to purchase and/or sell organic products in accordance to their meaning of turnover.

D) Educated Staff referring Organic Products

A motivated and competent sales staff can be a crucial influence factor for the customer acceptance of a company or outlet and therefore also a success factor for selling organic products.

Especially occasional organic product buyers who have just limited information about organic production and the product specifics require information to be able to trust in.

Rating Scale: Educated staff referring organic products

Best Case (5)	The majority of the staff is intensively trained about organic products.
Good Case (4)	Only special persons (e.g. the responsible persons for organic products in the company or the outlets) are regularly trained about organic products.
Medium Case (3)	A few staff members are seldom trained with basic information.
Bad Case (2)	Training about organic products are occasional and less systematic. A clear concept for continuing education is not existing.
Worst Case (1)	There is not any training about organic products.

E) Market Research referring the Organic Assortment

Market research is defined as a methodical process to get and analyse data for marketing decisions. It becomes more and more important for companies to be informed detailed and comprehensively about their own customers about the main competitors and current and future trends of the demand behaviour of consumers.

A company which conducts regular (once a year) market research referring organic products is well informed about the demands of consumers. They are able to react on consumer trends and changed buying behaviour by development of suitable marketing strategies and instruments and are so able to satisfy their customers or win new ones.

When a specific market research concerning the organic product assortment is available it also shows that a retail chain does have a specific interest for a development on their organic product line.

Evaluation: Market research referring the organic assortment

Good Case (yes)	Specific market research (consumer interviews, store checks, evaluation of consumer loyalty card information) for organic products regularly is conducted.
Bad Case (no)	Specific market research (consumer interviews, store checks, evaluations of consumer loyalty cards) for organic products regularly is not conducted.

F) Attractive Size of the Organic Assortment

A small size of the organic assortment signalises the customers that the retail chain is not very competent and strategically positioned concerning organic products. An offer of 200-300 organic items mostly is not sufficient to satisfy interested customers in a way to bind them for a long time to an outlet or company. At least 700-800 items would be necessary at least (ÖKOTEST; 2001; p. 10). A broad assortment offers an attractive possibility for shopping up to “one stop shopping” and not to return back to conventional items based by a lack of availability. A deep assortment offers an attractive choice and the realisation of individual preferences

Rating Scale: Attractive Size of the organic assortment

Best Case (5)	More than 1000 organic items
Good Case (4)	500 – 1000 organic items
Medium Case (3)	200 – 500 organic items
Bad Case (2)	100-200 organic items
Worst Case (1)	Less than 100 organic items

G) Quality of the Organic Products (Appearance, Freshness)

High quality of organic products is an important issue for high sales of fresh products generally. The process quality benefits (e.g. less environmental pollution, animal welfare, less / no residues of pesticides, antibiotics, GMO, etc.) can be communicated to the consumers by information campaign.

However the visual quality and appearance has to convince the consumers at the PoS day by day. For many consumers only an excellent quality appearance leads to an acceptance of a premium price regardless the intrinsic factors of quality.

In addition lacks of quality at single products often are transferred to a general negative attitude concerning organic products (“Halo effect”). Therefore it is crucial for supermarkets to carry out an intensive service of the organic range, especially because often the rate of turnover for organic fresh products is longer than for conventional ones.

Rating Scale: Quality of the Organic Products (Appearance, Freshness)

Best Case (5)	Very good, excellent
Good Case (4)	Mainly very good (single exceptions)
Medium Case (3)	Fair to middling
Bad Case (2)	More bad
Worst Case (1)	Bad (organic products have many lacks)

H) Role of the Organic Product Line within the Total Company Communication

Often the marketing for organic products is more or less passive. However a company which include the organic assortment within the definition of strategic objectives will carry out an offensive communication policy to use the awareness of the consumers for succeeding (HOPFENBECK; 1994; p. 314). They mostly spot the organic product line as top segment of the assortment in the centre of their communication activities.

This strategy is suitable to distinguish the own company positioning from the competitors ones and by this to influence the image of the company in the public in a sustainable way (SCHWEIGER, SCHRATTENECKER; 2001; p. 99). It also is a sign for producers and processors that the company is willed to put own efforts in the organic assortment development.

Companies where the organic assortment plays a dominating role for the total company policy mostly spend an above-average marketing budget share for organic products in relation to their sales value.

Rating Scale: Role of the organic product line within the total company communication

Best Case (5)	Organic products or the own organic trademark are the flagship for the total communication of the company. By marketing and communicating, the company mostly uses the organic assortment.
Good Case (4)	Organic products or the own organic trademark play an important role within the total communication efforts of the company. By marketing and communicating, the company uses organic products often.
Medium Case (3)	The company uses the organic assortment or the own organic trademark partly for communication or public relation events. They prefer a multi-direction communication (e.g. for low prices, integrated products, regional products). A clear preference for the organic assortment isn't existing.
Bad Case (2)	Organic products or the own organic trademark are very seldom a specific part of the communication or public relation measures.
Worst Case (1)	Organic products or the own organic trademark are not a specific part of the communication or public relation measures.

I) Clear Pointing Out of the Organic Assortment at PoS

The worst case of presentation are organic products which are not easy visible within the conventional assortment for the customer. Results of consumer surveys partly revealed that consumers often are not able to recognise clearly an organic product within supermarket shelves. Probably just regular buyers of organic products know where to find the organic assortment.

The limited or missing application of PoS communication instruments (e.g. customer guide systems) demonstrate also a limited or missing interest and care of the retail chain for their organic assortment.

Therefore a pre-condition for growing sales of organic products is a clear and consequent marking of organic products, e.g. by coloured price tags, signs at the shelves, labels on the packaging and a good position of organic products (at eye level and in the centre of the product group or the shelve (ROSENSTIEL, KRISCH; 1996; p. 209).

But also too much signs at the shelves and marking material can confuse the consumer. He/She is getting stressed and irritated (GROEPPEL-KLEIN, BRAUN; 2002; p. 11). Therefore an easy and clear understandable and consequent implemented system should be preferred.

Rating Scale: Clear pointing out of the organic assortment at PoS

Best Case (5)	Organic products are easy to recognise at all product groups. They are clearly pointed out, either by a clear placement or by an effective use of a customer guide (e.g. coloured price tags).
Good Case (4)	Organic products are easy to recognise at the majority product groups. They are mostly clearly pointed out, either by a clear placement or by an effective use of a customer guide (e.g. coloured price tags).
Medium Case (3)	Organic products are easy to recognise at some product groups. There they are clearly pointed out, either by a clear placement or by an effective use of a customer guide (e.g. coloured price tags).
Bad Case (2)	Organic products are easy to recognise at the fewest product groups. There they are clearly pointed out, either by a clear placement or by an effective use of a customer guide (e.g. coloured price tags).
Worst Case (1)	Organic products can be recognised only accidentally or by expert views.

J) Moderate Price Premiums Between Organic and Conventional Products

The development of consumer prices is mainly influenced by the costs, the consumers' benefit and the price policy of the main competitors. Therefore the price differences for organic products are not only based on higher production costs. It also depends on the general price policy of the enterprise (VILLIGER, WÜSTENHAGEN, MEYER; 2000; p. 43). Some retailers could keep a high price level, although this additional willingness to pay for organic products is limited up to 30%. Therefore it is useful to keep a certain price premium to cover the higher production and marketing costs for organic products . But it should be lower than 30% for the most products, for products with excellent consumer price knowledge even below 20%.

Rating Scale: Moderate Price Premiums between Organic and Conventional Products

Best Case (5)	The price premiums are below 20% at all product groups.
Good Case (4)	The price premiums are at least at two product groups higher than 20%.
Medium Case (3)	The price premiums are mostly above 20%, but the average is lower than 50%.
Bad Case (2)	The price premiums are mostly above 20%, but the average is above 50%.
Worst Case (1)	The price premiums are always above 50%.

Results of the Retailer Evaluation

Related on the described criteria for success and the introduced system of assessment the investigated companies are compared in table 54.

The most positive cases for each factor shall be introduced as benchmark systems for European retail chains. Instead of theoretical recommendation like given in similar studies, this study will recommend by successful and already practical implemented approaches for a successful marketing of organic products.

Regarding the studied factors over all case studies the following positive tendency can be stated:

⇒ The strongly improved style of presentation of organic products in supermarkets. In many outlets customer guides make it easy for consumers to find the organic products in supermarket shelves.

⇒ The role of the organic product line within the whole company communication effort. Many of the studied companies dedicate marketing budget shares for the organic product line which are higher than the sales shares. Moreover for many companies the organic assortment became the central flagship in communication matters.

⇒ The attractive size of the organic assortments. In the meanwhile organic assortments of 1.000 items or more becomes more and more usual in European supermarkets. Therefore interested consumers are able to fill a complete food basket with organic products when they shop in supermarkets.

However there are furthermore areas with problems concerning the marketing of organic products:

⇒ The most companies don't work with defined visions, objectives as well as controlling systems concerning the organic product line. Therefore often the organic trademarks are not able to be developed and steered systematically.

⇒ In many companies there is no horizontal organisation structure for a product management for organic products. In these companies the organic products only are managed by category managers, purchase or sales managers.

⇒ The price premiums for the organic assortments in many cases remain (too) high. Knowing that the high price of organic products is the central buying barrier for many consumers, the definition of the price and the price communication have to be improved.

Table 54: Assessment of studied European retail chains referring success factors of marketing and organisation matters of organic products

Country	GE				BE	NL	IT	SE			DK		FL		CH	
Retail Chains	*Edeka*	*Bremke & Hoerster*	*Feneberg*	*Tegut*	*Delhaize le lion*	*Albert Heijn*	*Esselunga*	*COOP Sweden*	*ICA*	*Hemköp*	*COOP Denmark*	*D. Supermarked*	*KESKO*	*SOK*	*COOP Switzerland*	*Migros*
A) Visions, objectives, strategies referring organic products are defined	1	1	4	4	4	3	3	5	5	4	4	2	3	3	5	4
B) Networking within the total national and ilnternational organic sector	2	3	2	5	4	2	3	5	4	4	4	4	4	4	5	4
C) Independent team for the organic product assortment existing	3	3	4	4	2	2	3	5	3	5	5	1	3	3	5	5
D) Educated staff referring organic products	3	4	5	5	3	2	1	4	2	4	4	1	4	4	4	3
E) Market research referring the organic assortment existing	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No
F) Attractive size of the organic assortment	3	4	4	5	4	3	4	4	3	3	4	3	3	3	5	4
G) Quality of the organic products (appearance, freshness)	4	4	4	4	4	4	4	4	4	3	4	4	3	4	4	4
H) Role of the organic product line within the total company communication	3	3	4	4	4	4	4	5	2	4	4	4	3	3	5	4
I) Clear pointing out of the organic assortment at PoS	3	5	5	5	5	2	4	5	3	5	4	4	5	5	4	3
J) Moderate price premiums between organic and conventional products	3	3	4	3	3	3	3	3	4	3	3	5	3	3	3	3

Analysis of Studied Retailers by Cluster Analysis

By the method of cluster analysis (Hierarchical Ward cluster analysis; Squared Euclidian Distance), companies with a similar evaluation of the organic product marketing, organisation and performance are segmented into homogenous groups. As seen in the dendogram below (see figure 108) a two-cluster solution is the most suitable approach to group the studied companies.

It has to be remarked that the Cluster analysis just refers the evaluation of attributes which are listed in table 54. For more attributes comparable data and information were not available over all studied companies.

To a first group belong the Swedish companies *COOP* and *Hemköp*, the Swiss companies *COOP* and *Migros*, the German retail chain *Tegut*, and *COOP* in Denmark.

To a second group the Dutch company *Albert Heijn*, the Italian company *Esselunga*, the Belgian *Delhaize le lion* and the Danish *Dansk Supermarked*, the Swedish company *ICA*, the German retailers *Feneberg*, *Edeka* and *Bremke & Hoerster* as well as the Finnish companies *SOK* and *Kesko* belong.

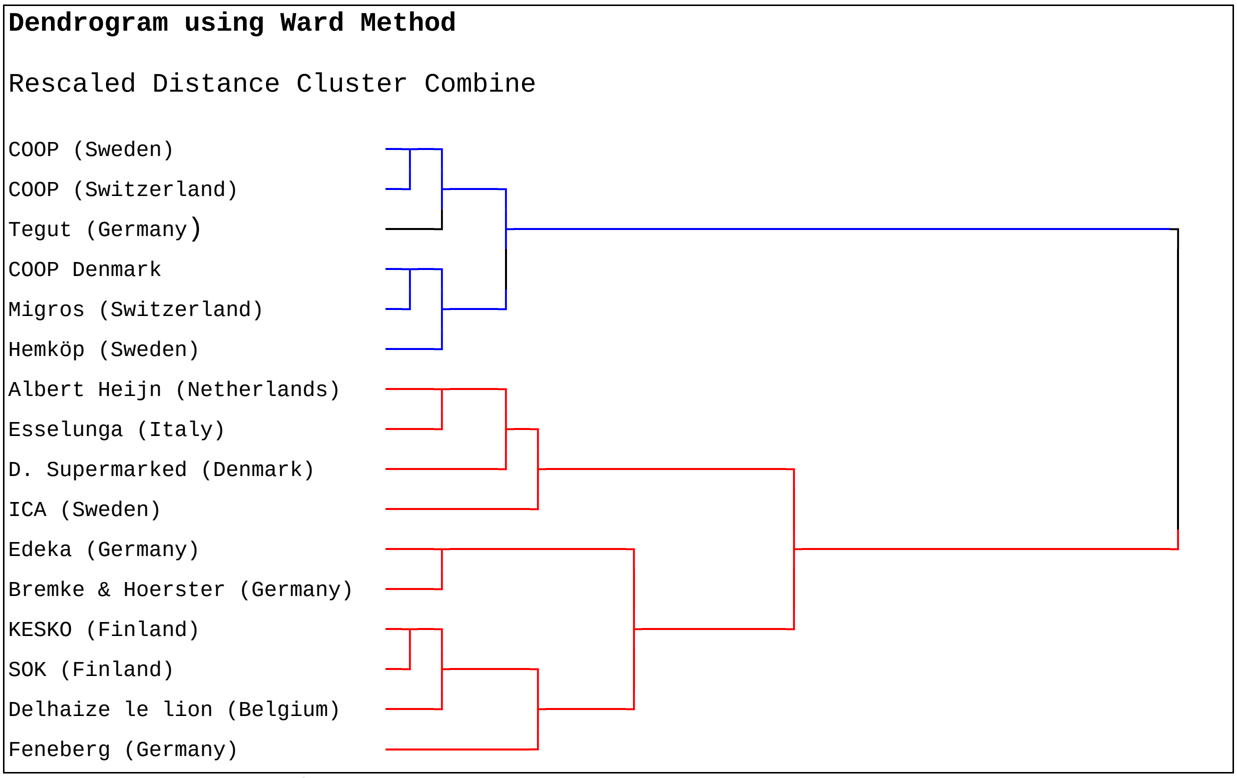


Figure 108: Dendogram of the cluster analysis to group the case study companies (Source: Own calculations)

The following table 55 shows the total means and the means by group 1 and 2 regarding the scores of tested attributes of table 54. The higher the mean value the more positive the considered attributes were evaluated for a company. Furthermore the difference between mean values of group 1 and 2 concerning the studied attributes is shown in the last column of the table.

It can be shown that companies in group 1 got better evaluations over all attributes with exception of the reported quality of the products by store checks and the price premiums for organic products. Regarding these attributes, the companies in group 2 had slightly advantages.

The highest discrimination (difference of means between group 1 and 2) does exist concerning the internal organisation structure of organic product marketing in companies, concerning the strategic approach of organic product marketing (visions, objectives, …) and the networking activities. With regard to these aspects companies in group 1 showed clear strengths in comparison to group 2.

Table 55: Means of evaluated attributes the two groups which were determined by cluster analysis

Ward Method	Average	Group 1	Group 2	Difference between groups
A) Visions, objectives, strategies referring organic products are defined	3.4	4.3	2.9	1.4
B) Networking within the total national and international organic sector	3.7	4.5	3.2	1.3
C) Independent team for the organic product assortment exists	3.5	4.8	2.7	2.1
D) Educated staff referring organic products	3.3	4.0	2.9	1.1
E) Market research referring the organic assortment exist	1.8	1.8	1.7	0.1
F) Attractive size of the organic assortment	3.7	4.2	3.4	0.8
G) Quality of the organic products (appearance, freshness)	3.9	3.8	3.9	-0.1
H) Role of the organic product line within the total company communication	3.8	4.3	3.4	0.9
I) Clear pointing out of the organic assortment at PoS	4.2	4.3	4.1	0.2
J) Moderate price premiums between organic and conventional products	3.3	3.0	3.4	-0.4

(Source: Own calculation)

A) Benchmarks Concerning the Role of Organic Products Within Company's Strategy

COOP (Sweden), ICA (Sweden), COOP (Switzerland)

COOP-Sweden set up objectives for organic products. They follow the strategy being best in organic and environmental issues. Therefore they define concrete targets for the market share of organic products (e.g. 10% in 2001). These targets are further specified for single product groups and the outlets which also have to reach the 10%-goal. In addition to the objectives for the organic assortment, *COOP-Sweden* strives for reducing the energy consumption per sold unit, for improving the packaging, for including the organic waste in the recycling system and for improving and expanding the organisation and the knowledge referring organic and environmental affairs.

ICA sets up both environmental objectives and targets for the turnover of organic products. As it is difficult to realise set objectives for the whole organic assortment, they define targets for single product groups.

COOP-Switzerland also implements the organic product line within their strategic planning. There are defined visions, objectives and strategies for the product development and the retailer positioning. The organic product line is integrated within these strategic plans. There are not only general definitions about the development of the total organic lines. Also for the most important product groups objectives referring value and volume development are constituted. The defined objectives are also concretised for single regions and outlets. The fulfilling of the defined objectives is systematically controlled.

B) Benchmarks Concerning the Commitment to (Inter)National Networks

Tegut (Germany), COOP (Sweden), COOP (Switzerland), Sainsbury`s (UK)

All three companies run a close national and international network for the further development of their organic product line. These includes the contact to e.g. organic farm associations, retailer companies, political actors, consultants, scientists, but also international organisations like *IFOAM*. The main motivation for the networking is the horizontal and vertical exchange of information, the approach to develop the own organic assortment actively (marketing push) and the direct market environment of customers and suppliers as well as to be able to implement the most recent know-how in marketing and product development within their companies.

COOP-Sweden has both international and national relationships within the organic sector. Their Environmental Manager/Commercial Director for Organic Products is member of *IFOAM*. On the national stage, *COOP-Sweden* is member of *KRAV*, the Swedish certification body, and works together with cultivation and consumer organisations and as lobbyist with the state.

COOP-Switzerland and *Tegut* are among other things internationally active in the *World Organic Supermarket Club* and work actively with scientists in order to develop quality and safety of organic products further.

In addition *Sainsbury's* (UK) which were not analysed as a case study, has to be added as an European benchmark concerning their national networking (*Soil Association*) and their international networking activities (*World Organic Supermarket Club*). Furthermore the responsible person for the organic product line, Mr. Robert Duxbury, takes actively part on the development of an European action plan for the organic sector.

C) Benchmarks Concerning Independent Organic Product Management

COOP (Sweden), Hemköp (Sweden), COOP (Denmark), COOP (Switzerland), Migros (Switzerland)

The listed companies all have independent working teams which are responsible for the development of the organic assortment. *COOP Sweden* and *COOP Switzerland* can be pointed out as best examples referring the organisation of the organic product management. Each single category manager plans together with a team of organic product managers the development of organic products within their product category. It guarantees a close exchange of information between sales oriented staff (category manager) and product line developing staff which is needed for a successful market development of the own organic retailer trademark. The people working with organic products are highly motivated and know a lot about the organic issues, e.g. on *COOP Sweden* the responsible person for the organic assortment himself is member of *IFOAM*.

Migros, *COOP Denmark* and *Hemköp* have a similar organisation structure for the organic department, but they work with a lower personal capacity. The organic product responsible persons / teams mainly have competencies to decide about organic sales activities (e.g. promotion campaigns) or analyse the organic market development within and out of the company. Partly they are able to develop concept proposals for the marketing board of the company.

The role of own and independent teams often is neglected by retailers. However these teams can be able to give the own organic trademark a face out of anonymity and to shape their attractiveness. The teams also can be understand as house internal lobby department for organic products. This gives a certain guarantee that the organic assortment will permanently stay in discussion and the possibility to steer the organic assortment strategically.

D) Benchmarks Concerning Staff Education Referring Organic Products

Tegut (Germany), Feneberg (Germany)

The companies *Tegut* and *Feneberg* both train the majority of the sales staff about organic products frequently and in detail. During the store checks in the outlets of the company, sales staff which was involved accidentally in a discussion about partly critical questions about organic products, labelling and the control system was able to answer in a very convincing way.

Generally it is recommended to train at least one person and make them responsible for all customer question and feedbacks round about the organic assortment. This approach e.g. COOP-Switzerland follows. Mainly on counters the sales people should be well informed because these persons are in direct contact with the customers and should be able to help and advice the clients. The rest of the sales staff within an outlet is seldom contacted by customers with questions about the content and background of label programs.

E) Market Research Activities for the Organic Assortment

The most of the studied companies regularly conduct market research activities with a special focus of the own organic assortment (e.g. specific analysing of customer loyalty cards), of the customer needs regard the own organic assortment and the organic buyer segmentation. Often they buy specific data for its organic assortment by *ACNielsen* or *GfK*. However a few companies base their marketing decisions mainly on the results of public available studies and have less information about their own customer buying behaviour and attitudes.

F) Benchmarks Concerning the Size of the Organic Product Range

Tegut (Germany), COOP (Switzerland)

Among the studied retail chains *Tegut* in Germany and *COOP-Switzerland* offer the biggest assortments of organic products (> 1.000 items). The organic assortments cover beside staple products also products like beer, biscuits, pizza and chocolates. Altogether consumers who are interested on organic products find nearly for every conventional product an organic alternative item. Moreover for many products more than one organic item is offered. So consumer who are interested in organic products have the choice also among the organic assortment.

Besides *Sainsbury's*, *Tesco* and *Waitrose* in UK which were not studied in depth have to be counted to European benchmarks concerning their size of the organic assortment. All three companies offer more than 1.000 organic items.

G) Quality of Organic Products

Concerning the stated visual quality of organic products (appearance, freshness) there couldn't be identified an European benchmark in Europe. In the most visited supermarket outlets the visual quality were mainly very good. However single exceptions were observed in nearly every market.

Mostly fresh products are a problem for European supermarkets. Partly some fruits had mould marks or vegetables looked dry and superposed. Partly packed meat or milk products were identified with nearly elapsed expiration date.

Mostly visual quality of organic fresh products strongly depends on the personal capacities of the outlet. Caused on the general tendency to save costs by personal reduction, in future the conditions and threats to sell organic fresh products via supermarkets have to be observed carefully.

H) Benchmarks Concerning the Role of Organic Products for the Company Communication

COOP (Sweden), COOP (Switzerland)

COOP-Sweden is the leader on the organic market in Sweden and wants to keep this position. A main part of the communication and public work is based on the organic assortment. At *COOP-Sweden* the position of the organic line within the communication effort is high. At the moment 10-15% of the marketing budget of the chain *Konsum* is spent for the organic product line, although the market share is nearly the half there. Moreover, this amount is still without the budget for the own organic brand *änglamark* where a further big marketing budget is dedicated.

COOP-Switzerland advertises their trademark *COOP naturaplan* mainly via TV spots, posters and newspapers and journals. Furthermore the weekly released own customer magazine *COOP-Zeitung* nearly every week spots themes around the organic production, marketing, research or the control system. From the Swiss consumer point of view *COOP naturaplan* clearly appears as the flagship in communication of *COOP* food brands. Twice a year *COOP-Switzerland* conducts events around this trademark.

The communication efforts for organic products also include internal communication measures to train the staff to win their commitment (e.g. people who works for the *COOP-naturaplan* team have to work on an organic farm for one week in order to understand the production and families behind the organic products). Therefore it wasn't surprising that the store-checks in both companies revealed not only a well informed staff. It also revealed a highly motivated staff concerning the organic product line. In these companies the staff does understand the strategic meaning of the organic product line and try to implement it in their daily work.

I) Benchmarks Concerning the Easy Recognising of Organic Products at the PoS

Bremke & Hoerster (Germany), Feneberg (Germany), Tegut (Germany), COOP (Sweden), Hemköp (Sweden), Kesko (Finland), SOK (Finland), Delhaize le lion (Belgium)

Above all, the studied Scandinavian companies in Sweden and Finland impressed by an excellent pointing out of the organic assortment within the total product range. Organic items are easy to recognise in all product groups. *KESKO* and *SOK* use coloured frames around the price tags. At *COOP-Sweden* the consumer guide consists of a green clover-leaf next to the price tags of the organic products. *Hemköp* also has green frames round the price tags and stickers on the shelve bars. In addition at all companies signs are hanging down from the ceiling, e.g. above the organic corner in the fruits and vegetables department. The clear visibility of the organic labels and of the own organic trademarks on the product cover are a further measure to help people finding the organic items. The *änglamark*-products of *COOP-Sweden* for example catch the eye because of the big "*ä*" on the packages.

The strength of *Delhaize*'s communication toward the customers lies in the ability to recognise the organic products. Four years ago the supermarket chain developed a new packaging for its own organic house brand, simply called *bio* (see picture). All organic articles of this brand carry the exact same type of label: orange and green, with the word "*bio*", the control mark *bio garantie* and the logo of *Delhaize*. Further, to distinguish different types of the same product group, there are used different colours for the packaging paper. All around in the stores you can find boards and shelf cards in the same style as the label. The result is that this label has become very well-known among the customers. The approach is very simple, but also clear, transparent and very effective.

Also the three German retailers *Tegut*, *Feneberg* and *Bremke & Hoerster* use excellent systems to guide customers to find organic products within the total assortments. All three mainly put organic products integrated within conventional ones and point out singles organic products by different guide signals which are systematically applied on shelves. For instance *Tegut* marks all price tags for organic products with a green "*B*" for "*biologisch*" ("organic").

J) Benchmarks Concerning Moderate Price Premiums for Organic Products

Dansk Supermarket (Denmark)

Dansk Supermarked clearly is the company with the lowest price premiums for organic products of all studied retail chains. Most organic products are sold at a maximum price premium of 20%. Partly *Dansk Supermarked* sells organic products at the same price or even cheaper than conventional products.

Appendix

Literature

ABBINK, T., DE VRIES, E., 2002, THE FATA ORGANA IN THE SUPERMARKET – THE DEVELOPMENT OF ORGANICS IN RETAIL CHAINS IN THE NETHERLANDS, BELGIUM AND ITALY, LEEUWARDEN

AC NIELSEN, 2001, FIGURES OF INVESTIGATION GIVEN BY FINFOOD LUOMU

AC NIELSEN / ORGANEX, 2002, OMIARD-PRÄSENTATION

AGRA EUROPE, 2002

ALLERSTORFER, H., 2002, PERSONAL INFORMATION

ALVENSLEBEN, R. V., 2002, KENNT FRAU KÜNAST DIE KONSUMENTEN WIRKLICH? LEBENSMITTELZEITUNG (20)

ALVENSLEBEN, R. V., BRUHN, M., 2001, VERBRAUCHEREINSTELLUNGEN ZU BIOPRODUKTEN – ERGEBNISSE EINER LANGZEITSTUDIE, SCHRIFTENREIHE DER AGRAR- UND ERNÄHRUNGSWISSENSCHAFTLICHEN FAKULTÄT DER UNIVERSITÄT KIEL (92)

AUERSALMI, M., 2002, PERSONAL INFORMATION, MIKKELI INSTITUTE FOR RURAL RESEARCH AND TRAINING

BBC NEWS, 02/2003

BECKMANN, S., 2001, CONSUMER PERCEPTIONS OF ORGANIC FOODS, COPENHAGEN

BIOFACH-NEWSLETTER, 03/2003

BLAD, F., 2002, PERSONAL INFORMATION, AGROIDÉ

CIR, 1999

COOP DENMARK, 2001, FDB IN GENERAL

CSA, TMO, 2001

CSA, TMO, 2002

DANSK SUPERMARKED, 2001, DANSK SUPERMARKED

D`AURA, DR. ROBERTO, DR. SSA. LOREDANA PITTIGLIO, 2002, INSTITUTO DI SERVIZI PER IL MARCATO AGRICOLO E ALIMENTARE (ISMEA), LA SPESA ALIMENTARE DI PRODOTTI BIOLOGICI

DUXBURY, 2003, PRESENTATION BIOFACH 2003

FIBL-SURVEY, 2002, AT WWW.ORGANIC -EUROPE.NET

FREDRIKSSON, PELLE, 2002, PERSONAL INFORMATION, KRAV-UPPSALA

GALLI, C., 2002, PERSONAL INFORMATION, BIO SUISSE, BASEL

GARDNER, BRIAN, 1999, ORGANIC FOOD IN THE EUROPEAN UNION – PRODUCTION, CONSUMPTION AND THE DEVELOPMENT OF THE MARKETS, IN AGRA-EUROPE SPECIAL STUDY, BRUSSELS

GFK DANMARK A/S, 2001, GFK CONSUMER SCAN

GRIJP VAN DER, HOND DEN, 1999, GREEN SUPPLY CHAIN INITIATIVES IN THE EUROPEAN FOOD AND RETAILING INDUSTRY, AMSTERDAM

GRIMM, B., 2002, UNTERSUCHUNG DER VERMARKTUNG VON BIOPRODUKTEN ÜBER DEN KONVENTIONELLEN LEBENSMITTELEINZELHANDEL IN DEUTSCHLAND UND DER SCHWEIZ, GEISENHEIM

GROEPPEL-KLEIN, A., BRAUN, D., 2002, THE MORE THE BETTER? AROUSING MERCHANDISING CONCEPTS AND THE IN-STORE BUYING BEHAVIOUR, FRANKFURT (ODER)

HAEST, C., 2002, INTERNATIONAL POST-GRADUATE COURSE MEDITERRANEAN ORGANIC AGRICULTURE, MODULE V, MARKETING AND FOOD SUPPLY CHAINS

HAMM, U., 2001, BIO-ANTEIL NUR BEI 1.6% - LEH ÜBERHOLT NATURKOST-FACHHANDEL, IN BIOHANDEL (12)

HAMM, U., GRONEFELD, F., HALPIN, D., 2002, ANALYSIS OF THE EUROPEAN MARKET FOR ORGANIC FOOD, ABERYSTWYTH

HEINONEN, SAMPSA, 2001, ORGANIC FARMING IN FINLAND, LOIMAA KK

HEMPFLING, G., 2003, STRATEGIES OF MARKETING ORGANIC PRODUCTS AT RETAIL CHAINS IN FINLAND, SWEDEN AND DENMARK, STUTTGART-HOHENHEIM

HOPFENBECK, W., 1994, UMWELTORIENTIERTES MANAGEMENT UND MARKETING – KONZEPTE, INSTRUMENTE, PRAXISBEISPIELE, LANDSBERG (LECH)

ICA AHOLD, 2002, ANNUAL REPORT 2001

INIPA AND AGER DELLA COLDIRETTI IN COLLABORATION WITH THE MINISTRY OF LABOUR, 2002, UK

ITC, 2001, WORLD MARKET FOR ORGANIC FRUITS AND VEGETABLES, ROME

ITC, 2002: OVERVIEW WORLD MARKETS FOR ORGANIC FOOD & BEVERAGES, IN ÖKOMARKTFORUM 11(10)

ISMEA, AC NIELSEN RETAIL, 2002

KÄLLANDER, INGER, 2001, ORGANIC AGRICULTURE IN SWEDEN, UPPSALA

KESKO, 2001, INFORMATION ABOUT KESKO AND K-STORES

KF, 2001, THE BUSINESS IN 2000

KREUZER, K., 1996, BIO-VERMARKTUNG. VERMARKTUNGSWEGE FÜR LEBENSMITTEL AUS ÖKOLOGISCHER ERZEUGUNG, DARMSTADT, PALA

KREUZER, K., IN ÖKOTEST: SONDERHEFT ZUR BIOFACH, 12/2002

KRISTENSEN, DR. N., 2002, PERSONAL INFORMATION, TECHNICAL UNIVERSITY OF DENMARK, LUNGBY

KUHNERT, H., 2002, PERSONAL INFORMATION, UNIVERSITY OF HAMBURG

LAMPERT, W., 200, JA!NATÜRLICH – DER ERFOLG EINER BIO-MARKE (WWW.FIBL.CH/ARCHIV)

LENDERS, D., 2002, ÖKO-PRODUKTE – DER NEUE KUNDENMAGNET, IN LEBENSMITTELPRAXIS (2)

MARKETING MAGANZINE, 70/2002

MERGILI S., VOGL, DR. C., DARNHOFER, DR. I., LINDENTHAL, DR., T., 2002, ÖSTERREICH: MEHR ÖKO-FLÄCHE, MEHR BIO-NACHFRAGE, MEHR ZUSAMMENARBEIT

MDC, 2002

MICHELSEN ET AL., 2001, ORGANIC FARMING DEVELOPMENT AND AGRICULTURAL INSTITUTIONS IN EUROPE: A STUDY OF SIX COUNTRIES, STUTTGART-HOHENHEIM

MILIEUDEFENSIE, EKO-COUNTIN, 2001

M+M EURODATA, 2001

OMIARD, 2001, ORGANIC MARKETING INITIATIVES AND RURAL DEVELOPMENT, NEUBRANDENBURG UNIVERSITY OF APPLIED SCIENCES

NIGGLI, U., 1998, ÖKOLOGISCHER LANDBAU IN DER SCHWEIZ, IN WILLER, H. (EDITOR), ÖKOLOGISCHER LANDBAU IN EUROPA, HOLM

NIGGLI, U., 2002, DER BIOLOGISCHE LANDBAU IN DER SCHWEIZ, ÖKOLOGIE & LANDBAU, AT WWW.ORGANIC-EUROPE.NET

NØRFELT, T., ORGANIC AGRICULTURE IN DENMARK, AT WWW.ORGANIC-EUROPE.NET, ARHUS

ÖKOMARKT FORUM 28/2001

ÖKOMARKT FORUM 03/2002

ÖKOMARKT FORUM 05/2002

ÖKOMARKT FORUM 09/2002

ÖKOMARKT FORUM 10/2002

ÖKOMARKT FORUM 11/2002

ÖKOMARKT FORUM 14/2002

ÖKOMARKT FORUM 40/2002

ÖKOMARKT FORUM 01/2003

ÖKOMARKT FORUM 02/2003

ÖKOMARKT FORUM 03/2003

ÖKOTEST, SONDERHEFT BIOFACH, 11/2001

OMIARD, FIRST MEETING, 2002, PRESENTATION

ORGANIC FOOD AND FARMING REPORT, 2002, AT WWW.SOILASSOCIATION.ORG

ORGANIC NEWSLINE, 01/2003

PADEL, S., 1999, ENGLAND: ERFOLG IM SUPERMARKT IN RICHTER, A., 2001

PLATFORM BIOLOGICA, 2002, EKO MONITOR ANNUAL REPORT 2001

RICHTER, A., 2001, ÖKO-MARKETINGSTRATEGIEN DES KONVENTIONELLEN HANDELS – EINE FALLSTUDIENBETRACHTUNG ANHAND AUSGEWÄHLTER SUPERMARKTKETTEN IN GROßBRITANNIEN, DRESDEN

RICHTER, T., REUTER, K., ALLERSTORFTER, H., 2001, BIOMÄRKTE – VON NACHBARN LERNEN, IN ÖKOLOGIE & LANDBAU 30 (121)

RICHTER, T., SCHMID, O., MEIER, U., HALPIN, D., VAN DER BERGE, P., DAMARY, P., 2001, INTERNATIONALE UNTERSUCHUNG VON EINZELHANDELSUNTERNEHMEN HINSICHTILICH IHRER AKTIVITÄTEN ZUR VERMARKTUNG VON BIOPRODUKTEN, FRICK

RICHTER, T., 2002, PERSONAL INFORMATION, FIBL-FRICK

RICHTER, T., 2002, APPROACH TO DEFINE FACTORS FOR SUCCESSFUL MARKETING OF ORGANIC PRODUCTS, FIBL-FRICK (NO PUBLICATION)

ROSENSTIEL, V. L., KRISCH, A., 1996, PSYCHOLOGIE DER WERBUNG, ROSENHEIM

SAINSBURY`S, 2003

SALONE DELL`ALIMENTAZIONE NATURALE, SALUTE, AMBIENTE (SANA), 2001, LA “CORSA AL BRAND” DI INDUSTRIA DI MARCA E DISTRIBUZIONE MODERNA IN UN SETTORE SEMPRE MENO DI NICCHIA

SCHERMER, M., 2002, PERSONAL INFORMATION

SCHMIDT, G., 2002, SIND BIOPRODUKTE ZU TEUER?, ÖKOLOGIE & LANDBAU 30 (121)

SCHWEIGER, G., SCHRATTENECKER, G., 2001, WERBUNG, STUTTGART

SIPPO (SWISS IMPORT PROMOTION PROGRAMME) UND FIBL 2001: DER BIOMARKT SCHWEIZ UND EU, ZÜRICH UND FRICK

SKELDON, S., 2001, ÖKOLOGISCHER LANDBAU IN GROßBRITANNIEN, IN RICHTER, A., 2001

SOIL ASSOCIATION, 2001, IN RICHTER, A., 2001

SOK, 2001, THE S-GROUP TODAY

SPAHN, C., 2002, PERSONAL INFORMATION, CONSULTANT AGENCY SYNERGIE, BAD WILDBAD

SPERL, E., 2002, PERSONAL INFORMATION, AUSTRIAN PRODUCER ORGANISATION "ERNTE FÜR DA LEBEN"

SYNERGIE, 2002, DER FACHHANDEL FÜR BIOPRODUKTE IN EUROPA

TESCO, 2002

THE ORGANIC STANDARD, 11/02

VAXELAIRE, IAMA, 2002, PRESENTATION

VILLIGERA., WÜSTENHAGEN, R., MEYER, A., 2000, JENSEITS DER ÖKO-NISCHE, BASEL, BOSTON, BERLIN

VIRKKALA, M., 2002, FINFOOD LUOMU, HELSINKI

VOEDING NU, INDEPENDETN MAGAZINE COVERING FOOD, NUTRITION AND HEALTH, 01/2000

VOEDING NU, INDEPENDETN MAGAZINE COVERING FOOD, NUTRITION AND HEALTH, 04/2002

WILLER, H., LÜNZER, I, HACCIUS, M., 2002, ÖKOLANDBAU IN DEUTSCHLAND, SÖL-SONDERAUSGABE NR. 80, STIFTUNG ÖKOLOGIE & LANDBAU, BAD DÜRKHEIM

WORLD ORGANICS NEWS, 22/08/2002

Internet

www.agriculture.gouv.fr

www.agriholland.nl

www.ah.nl/biologisch

www.albert-heijn.nl

www.auchan.com

www.bremke-hoerster.de

www.bretagne-online.com

www.billa.at

www.billa.it

www.bioausdaenemark.com

www.bioforum.be

www.bioinformation.at

www.bioplanet.be

www.biosiegel.de

www.biosuisse.ch

www.bio-wertkost.de

www.bondbeterleefmilieu.be

www.carrefour.be

www.carrefour.fr

www.carrefour.it

www.ciao.at

www.coop.ch

www.coop.dk

www.delhaize.be

www.donaukurier.at

www.e-campo.com

www.ecomarket.net

www.ekolantbruk.se

www.emd-ag.com

www.entrynet.it/despar

www.ernte.at

www.esselunga.it

www.eurostaf.fr

www.finfood.fi/luomu

www.foe.co.uk

www.globus.net
www.groupdesmousquetaires.com
www.gruppopam.it
www.guardian.co.uk
www.intermarche.fr
www.intracen.org/mds/sector/organic
www.janatuerlich.at
www.j-sainsbury.co.uk
www.karstadt.de
www.krav.se
www.ksa.at
www.manor.ch
www.metrogroup.de
www.migros.ch
www.milieudefensie.nl
www.minlnv.nl
www.monoprix.de
www.naturapur.at
www.naturkost.de
www.okologiens-hus.dk
www.organic-denmark.com
www.organic-europe.net
www.organicmonitor.com
www.organic-research.com
www.organicts.com
www.planetecologie.org
www.platformbiologica.nl
www.plus.de
www.plusnature.com
www.pz.nl
www.rlg.nl
www.selexqc.it
www.soilassociation.org
www.spar.at
www.spar.ch
www.sperwer.nl

www.tesco.com

www.tescofarming.com

www.velt.be

www.vetline.de

www.waitrose.com

Addresses and Contact Persons of the Case Study Companies

Country	Company	Name and Position	Address	e-mail
BE	Delhaize	Mr. Xavier Ury	Rue Osseghem, 53 1080 Bruxelles. Tel: +32 241 22 516	xury@delhaize.be
DK	COOP	Jens Juul Nielsen Public Relation Manager	Roskildevej 65 2620 Albertslund Tel: + 45/ 4 386 4468	Jens_juul_nielsen@fdb.dk
	Dansk Super-marked	Poul Guldborg Public Relation Manager	Bjodstrupveyj 18 8270 Höjbjerg Tel: +45/ 8 930 30 30	PG@dsg.dk
FL	KESKO	Saila Grav Environmen-tal Specialist	Satamakatu 3 Helsinki 00016 Kesko Tel : +358 /1053/ 22439	Saila.grav@kesko.fi
	SOK	Juhani Ilmola Environmen-tal Manager	Fleminginkatu 34 00511 Helsinki Tel: +358 /9 188 2338	Juhani.ilmola@sok.fi
GE	Bremke & Hoerster	Marianne Wälter	Wiebelsheidestr. 51 59757 Arnsberg Tel: +49/ 2932/ 954-0	m.waelter@bremke-hoerster.de
	Feneberg	Hannes Feneberg	Ursulariederstr. 2 87437 Kempten Tel: +49/ 831/ 5717-0	Hannes.feneberg@feneberg.de
	Edeka	Herrmann G. Sievers Marketing	New-York-Ring 6 22297 Hamburg Tel: +49/ 40/ 6377-0	Herrmann.sievers@edeka.de
	Tegut	Thomas Gutberlet Management Assortment and Marketing	Gerloser Weg 72 36039 Fulda Tel: +49/ 661/ 104-509	Gutberlet_t@tegut.com
IT	Esselunga	Mr. Pierluigi Stopelli Organic Manager	20090 Limito MI Tel: +39/ 02 923671 Tel: +39 02 92 36 77 67	Pierluigi.stopelli@esselunga.it
NL	Albert Heijn	Ms. Leontine Gast	Tel: +31 75 659 24 86	leontine.gast@ah.nl

Country	Company	Name and Position	Address	e-mail
CH	COOP	Kathrin Rapp	Thiersteinerallee 12 4002 Basel Tel: +41/ 61/ 336 6666	Kathrin.rapp@cs.coop.ch
	Migros	Katrin Gruber	Limmatstr. 152 8005 Zürich Tel: +41/ 1 277 21 11	
SE	COOP	Mikael Robertsson Environmen-tal Manager /Commercial Director OP	Katarinavägen 15 10465 Stockholm Postfach 15200 Tel: +46/ 8 743 1859	Mikael.robertsson@coop.se
	Hemköp	Ove Berglund Sales Leader „Environ-ment“	Box 828 79129 Falun Tel: +46/ 23 589 75	Ove.berglund@hemkop.se
	ICA	Kerstin Lindvall Environmen-tal Affairs	Vallgatan 7 17193 Solna/Stockholm Tel : +46/ 858 55 0290	Kerstin.lindvall@ica.se