

Study: “The specialized trade for organic products in Europe”

Introduction

The aim of the study is to examine the structures of the specialized trade for organic products in major European countries and to explain recognizable directions of development. The manual resulting from the study provides a compact survey of the countries examined. The study is aimed at the export-oriented industry, but also provides national market players with an up-to-date survey of their own market.

The following countries were examined: Belgium, Germany, France, Great Britain, Italy, Luxembourg, Holland, Austria, Switzerland and Spain.

The study was conducted on the basis of literature research and extensive interviews with experts in each country. Separate statistics were not collected for the study.

The study was promoted by NürnbergMesse, Nürnberg, Naturland Verband, Gräfelfing, Plange-Mühlen, Georg Plange KG, Neuss, Marktgesellschaft mbH der Naturland-Betriebe Süd-Ost, Hohenkammern, and the certification company BCS, Nürnberg. The study was conducted in co-operation with the Research Institute of Organic Agriculture (FiBL) in Frick (Switzerland).

The study is available in German and English (from the end of March 2002) from consultants synergie.



Olgastrasse 31
75323 Bad Wildbad
Germany

Tel +49 (0) 7081 92940
Fax +49 (0) 7081 929456
info@synergie-online.com

www.synergie-online.com

The organic market in the countries examined

The organic marketing situation in the countries examined differs widely. An average of 1.4 % of the respective food market is achieved with organic food. The spread ranges from Austria with an organic share of 2.5 % to Spain with 0.5 %. In most of the countries, organic products are a permanent feature on the shopping list of certain buyer groups. The publicity for this topic usually achieves a level that exceeds the present market importance.

The organic market in the 10 countries has a cumulated market volume of 7.75 billion EUR.

	Market volume of organic food in million EUR	Organic share of total food market
1. Germany	2,990	2.3%
2. Great Britain	1,300	1.0%
3. France	1,150	1.0%
4. Italy	970	1.5%
5. Switzerland	490	2.1%
6. Holland	270	1.2%
7. Austria	260	2.5%
8. Spain	170	0.5%
9. Belgium	140	0.8%
10. Luxembourg	10	1.4%
Total (in million EUR)	7,750	

The starting basis is the year 2000. Some of the data is based on estimates by market experts. Reliable data is only available in a few countries.

The specialized organic trade

History

The specialized organic trade takes on a pioneering role for organic marketing in virtually all the countries examined. The specialized organic trade, which was created mostly from the alternative environment without focusing on profitable business activity, has laid the foundation stone for organic marketing in the respective countries.

The further development of the specialized trade in the individual countries is not quite so consistent and mainly two typical market developments can be outlined here:

1. Market development through the specialized trade
The specialized trade dominates the organic market and maintains its leading market position, with the conventional trade largely restricted to bandwagon effects only.
2. Market development through the supermarket
One or more companies from the conventional trade implement a consistent organic strategy and act as pacesetters for organic marketing. The bandwagon effects of the other supermarket multiples usually create another push in the market. The specialized trade consequently loses substantial market shares, but still continues to grow.

Market position

The specialized trade in the countries examined sells about 40 % of the organic food (spread: 90 % in Spain to 11 % in Great Britain), which corresponds to a market volume of more than 3 billion EUR in 2000. An average of half the organic food is sold in conventional trading companies and the remaining 10 % is sold via direct marketing, bakeries and other food outlets.

The distribution of sales shares fluctuates appreciably in the comparison of countries:

	A	B	CH	D	E	F	GB	I	Lux	NL
Market share for specialized trade	22%	40%	19%	49%	90%	43%	11%	45%	33%	51%
Market share for retail food trade	66%	50%	69%	30%	10%	47%	80%	45%	57%	45%
Market share for others	12%	10%	12%	21%		10%	9%	10%	10%	4%

It can be clearly seen in which markets the conventional traders have taken the initiative in organic marketing and the market behaves in a correspondingly typical way. Holland is the only exception. A conventional trader also entered organic marketing here with great commitment, but the specialized trade still dominates the national organic market. The reasons are probably first the small time span since the introduction of the conventional trader's organic strategy and second the modern organization of the specialized trade in Holland.

Positioning

The specialized organic trade is roughly divided into two categories in all the countries examined:

1. Natural food stores
2. Health food stores

The natural food stores stock mainly organic products, with the share fluctuating from 65 % to 98 %. The differentiation for the consumer is via the organic production method of the goods sold. The product range offered by the natural food stores is usually characterized by fresh lines. Exceptions are the whole-food stores in Great Britain and the Tiendas especificadas en alimentos ecológicos in Spain, which offer only a very small range of fresh products.

The health food stores are becoming increasingly involved with organic products via the health positioning, as healthy food is very closely associated with organic farming for many consumers. Important lines in these stores are supplements and naturopathic remedies. Cosmetics are also very often major sales mainstays for these stores. The food range is based on the theme of healthy food, with hardly any emphasis on the fresh segment.

Number of outlets	A	B	CH	D	E	F	GB	I	Lux	NL	Total
Natural food stores	230	35	450	1,500	100	2,000	150	1,000	5	250	5,720
Health food stores	145	650	200	2,500	1,400	1,500	1,750	2,000	6	140	10,291
Total	375	685	650	4,000	1,500	3,500	1,900	3,000	11	390	16,010

This differentiation frequently represents the ideal, as only in a few countries is the degree of organization of the specialized trade so great that a clear trading concept is implemented on a nationwide basis. There are many retailers whose trading concept is positioned between these two trading types.

Lines

The positioning of the two specialized trade categories becomes clear on consideration of the main lines, of which the average for all countries is shown below:

Share of total lines:	Natural food stores	Health food stores
Fresh	39%	10%
Dry products (food)	42%	50%
Non-food	19%	40%

There is a definite tendency to force organic supermarkets in the market in all countries. The accompanying larger spaces offer consumers a complete range of food and the most important non-food articles for their daily needs.

In the natural food stores, a general trend towards the extension of fresh lines can be observed. The convenience products will experience a substantial upsurge in future. Considerable growth is forecast for this range in almost all the countries examined.

Country	Lines with significant growth up to 2005
Germany	Convenience, frozen food, special lines (food for allergy sufferers, delicatessen)
Austria	Convenience, natural cosmetics and drugstore articles
France	Tinned foods, spreads, convenience
Great Britain	Special lines (baby food, food for allergy sufferers)
Switzerland	Frozen food, meat, convenience
Holland	Convenience (vegetarian and meat)
Luxembourg	Bread and baked products, fruit and vegetables
Belgium	Convenience
Spain	Soya products, convenience

Further development

Substantial growth is in the offing for the organic industry in the coming years. The market experts interviewed forecast an average market share of 3.3 % for organic products for 2005. This corresponds to annual growth of 20 %.

Forecast	A	B	CH	D	E	F	GB	I	Lux	NL
Market share for organic in 2005	7.0%	1.2%	4.0%	5.5%	1.0%	2.5%	2.5%	4.0%	2.1%	3.6%

The specialized trade's present market share of 40 % of organic marketing in the countries examined will continue to drop. One third of organic food sales in 2005 is expected to be handled by specialized traders. In spite of declining market shares, the specialized trade will continue to grow and double its present turnover by 2005. The specialized trade therefore remains an elementary pillar of organic marketing in Europe.

Paths of growth

The growth in the specialized trade will be achieved mainly by a considerable increase in productivity and an expansion of the sales space per outlet. It can be assumed that the number of natural food stores will rise slightly, but the number of health food store outlets will tend to stagnate or decline.

More efficiency, also in approaching customers, is expected through the creation of new franchise systems and store multiples and the expansion of existing ones. Some companies are now about to make their first attempt to penetrate foreign markets with their franchise systems.

Challenges facing the specialized trade

The greatest challenge facing the specialized organic trade is to find a strategy that convinces customers to buy from the specialized trade when the conventional trade offers an increasing range of organic lines.

In those countries with rather passive organic marketers in the conventional trade, the specialized trade must use the chance to continue its modernization and to consistently bind certain groups of customers in the long term.

This challenge exists to an even greater degree for the countries in which active organic marketers operate in the conventional trade. In these countries, the organic argument on its own is not sufficient to justify the existence of a separate specialized trade branch. The specialized trade must therefore find other approaches to offer the customer real added value. A key role will be played here by the new meaning of the term healthy food.

A currently unforeseeable challenge could arise for the specialized organic trade if the conventional trade competes with pure organic outlets. The first steps of this kind can be observed especially in Belgium (Bio Square and Bio Planet).