The organic customer in focus

Marketing expert Ulrich Hamm on organic product range and regionality as a customer magnet

The economist and marketing specialist Professor Dr. Ulrich Hamm is an expert for trends and figures of the organic market. For more than 40 years, he has collected statistics on organic farming and the organic market – he was one of the first ever to do so – and is in constant discussion with key players of the organic sector. In view of our current structural changes, he identifies where he sees the future and opportunities for organic in the retail sector.

Every year at BIOFACH, the organic sector is eagerly awaiting the latest figures on the organic market. These are collected by the working group "Biomarkt", of which Professor Dr. Ulrich Hamm from the University of Kassel has been part of ever since it was founded. He is Head of Agricultural and Food Marketing at the Faculty of Organic Agricultural Sciences.

According to him, 2019 was a remarkable year: for the first time, there was a noticeable difference between the organic food retailers' figures for organic consumption and the data from the consumer panels of the market research institutes GfK and Nielsen. Ulrich Hamm has an explanation for this: The discrepancy arises, among other reasons, from the fact that organic wholesalers meanwhile also increasingly supply normal supermarkets [editor's remark: whereas in the past, they used to restrict their supplies to organic, natural food and health-oriented shops only]. Any existing reservations about supplying organic food by the traditional organic wholesalers directly to mainstream supermarkets will continue to weaken in the foreseeable future; according to his estimation within the next three years.

Mainstream supermarkets are playing an increasingly important role in the organic market

The market has changed a lot over the last few years. Normal supermarkets play an increasingly important role in the organic business. One example is the increased presence of organic at the discounters. According to Ulrich Hamm, the stringent structures and the efficiency of the discounters, which cannot be disregarded, benefit both suppliers and consumers while in case of a demand surplus for organics, the supplier benefits first and foremost, otherwise the consumer.

Given the current strong demand, the big challenge for retailers is securing supply of raw materials. The current problem of sourcing is further compounded by the preference of consumers for regional products. "Over the next few years, competition will primarily take place when sourcing raw materials and not at the consumer level," says Hamm.

In Germany, too few farms were converted from conventional to organic. The deal between Lidl and Bioland [editor's remark: Bioland is, by number, the biggest organic farmers and processors association in Germany], which has caused a great stir in the industry, is perfectly consistent in this situation, judges Hamm.

The weaker the bond of traditional and personal connections, the greater the problems for the "organic-only" retail shops. Because discounters lure with attractive supply contracts. In the currently undersupplied markets for raw materials, Hamm fears no price battles in the organic market.

The discounters, however, continue to focus on a very small product assortment, which includes, meanwhile, fresh produce and meat.

Wide and deep range as an opportunity

When it comes to a wide and deep assortment, the quality-oriented, traditional retailers are in demand. Here, the customer has the great advantage that he can do his complete shopping in one place. In such case, the decisive factor is the range of products, not the price. For a relevant choice, the customer pays without hesitation.

One customer magnet are the brands of the well-known organic manufacturers, who more and more find their way onto the shelves of mainstream supermarkets. If, on top of that, a supermarket also has a good bakery and fresh meat supplier, success is almost guaranteed.

Those who combine organic with regional are particularly well positioned. There is a great deal of confidence in local produce regarding their freshness; customers feel that they are better monitored, and they want to support the farmers and the region where they are at home.

However, Hamm points out that there is a clear discrepancy between consumer expectations regarding regionality of produce and its realities. Regional is not legally defined. This can be counteracted though, for example, by the increased use of the "Regionalfenster" in retail [editor's remark: the "regional window" is a voluntary labelling of regional food products in Germany initiated by the Federal Ministry of Food and Agriculture]. "Here, consumers can decide for themselves what they consider regional," Hamm points out. In the "Regionalfenster" the place of origin, the place of production and processing and, in the case of meat, the slaughterhouse are indicated. However, this labeling option is yet hardly accepted by "organic-only"-retailers.

Customer request: transparency

Organic-minded consumers often have very high expectations. They want to be able to assess the eco-friendliness of every product: "Transparency is in high demand". According to Hamm, it is a huge problem that many retailers do not understand these consumer expectations: "Consumers want to know where a product comes from and where it was processed." Long transport routes are generally considered harmful to the environment, and imported organic products are often distrusted because of suspected weak foreign organic control systems.

If the desire for transparency is not met by food retailers, customers will look for other sources, such as direct sales or their trusted butcher’s opinion. However, these consumers are the most interesting customers, as they do not care much about the price. There is a solvent clientele who would be prepared to dig deep in their pockets for organic and regional specialties. The chance to combine organic with other features such as regional, beneficial for animal welfare when held in small groups, alternative packaging concepts, social projects, etc., is not being exploited enough, says Hamm.

Regional ‘and more’ is on the rise

A new trend that the quality-oriented traditional retail could well use for themselves is currently the preservation of the so-called agro-biodiversity, the preservation of traditional regional animal species and plant varieties. This would be real premium: organic, regional, a distinctive taste experience and in addition a contribution to the preservation of endangered species and varieties.

The surveys on organic consumption showed a clear attitude-behavioral gap. This is especially distinct with organic, because people want to live up to their own expectations. But this can also be interpreted positively: "The surveys show what people have already understood, but they do not yet put it in daily action". Hamm therefore sees the survey results, often described as unrealistic, as a preview of the purchasing realities in possibly ten years.

Ulrich Hamm is convinced: "The demand for organic will undoubtedly continue to increase unabatedly, but the same is true for regional products". In such links, in transparency and in a further expansion of the assortment labelled with premium brands of the manufacturers, he sees the path into the future.

The interview was conducted by Erich Margrander and Elke Reinecke, and translated by Organic Services. The original article in German can be found at www.biopress.de.