

AHDB Strategic Insights Report

Organic Market

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Background

Following requests internally and externally for market information on the size and consumer perceptions of organic AHDB Insights team commissioned a project by Kantar Worldpanel to answer this brief

The Organic Market - the next 'Free from'?

An overview of the Organic Market, its shoppers
and their attitudes

Juliane Lo
Luiz Freire

June 2018

EXECUTIVE SUMMARY

- 01 The Growth of organic market has slowed down.
- 02 Organic meat buyers are more bought into the organic market than organic dairy shoppers.
- 03 Animal Welfare is a persuasive factor for organic shoppers.
- 04 Shoppers struggle to recognize how organic benefits them, and contributes to the environment and animal welfare.
- 05 Is the paid price premium too high?



The Organic Market is worth ...

£1bn

Spend | YOY +2%

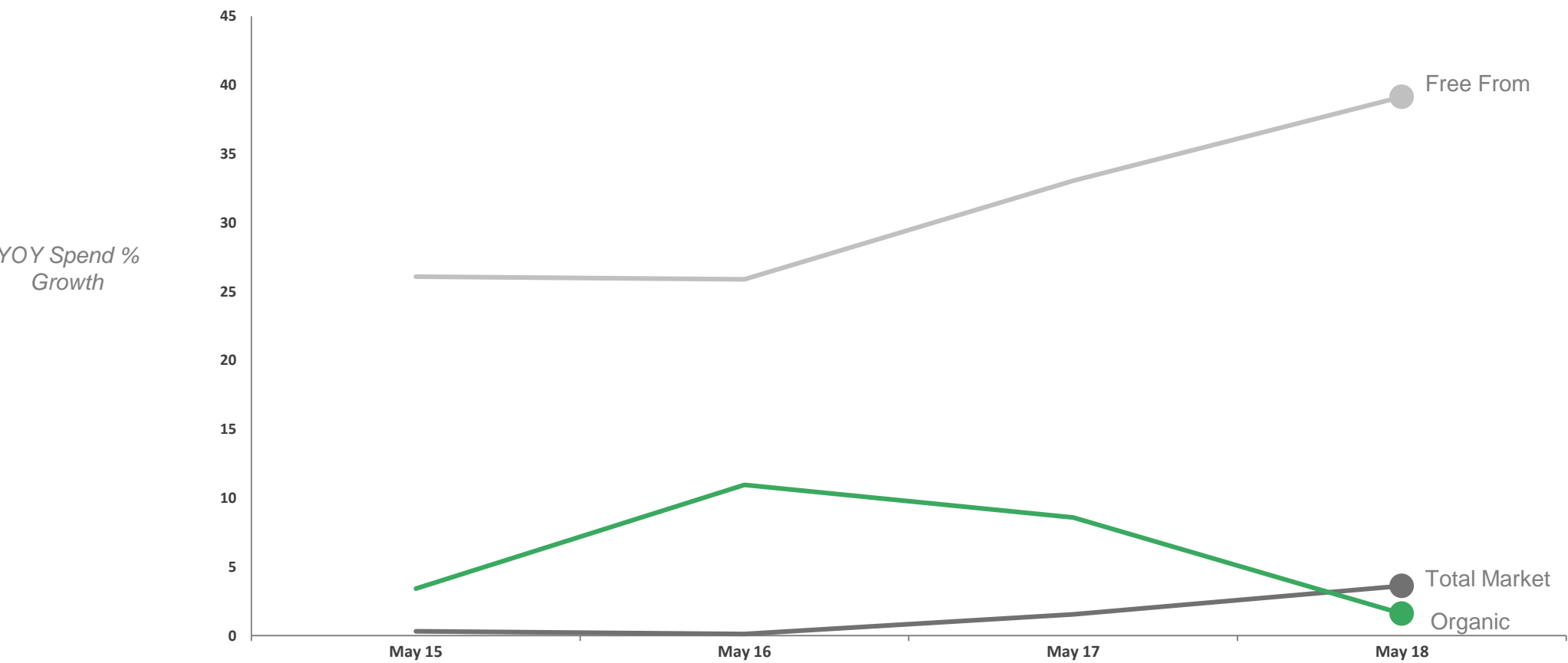
460k

Volume | tonnes | YOY -1%

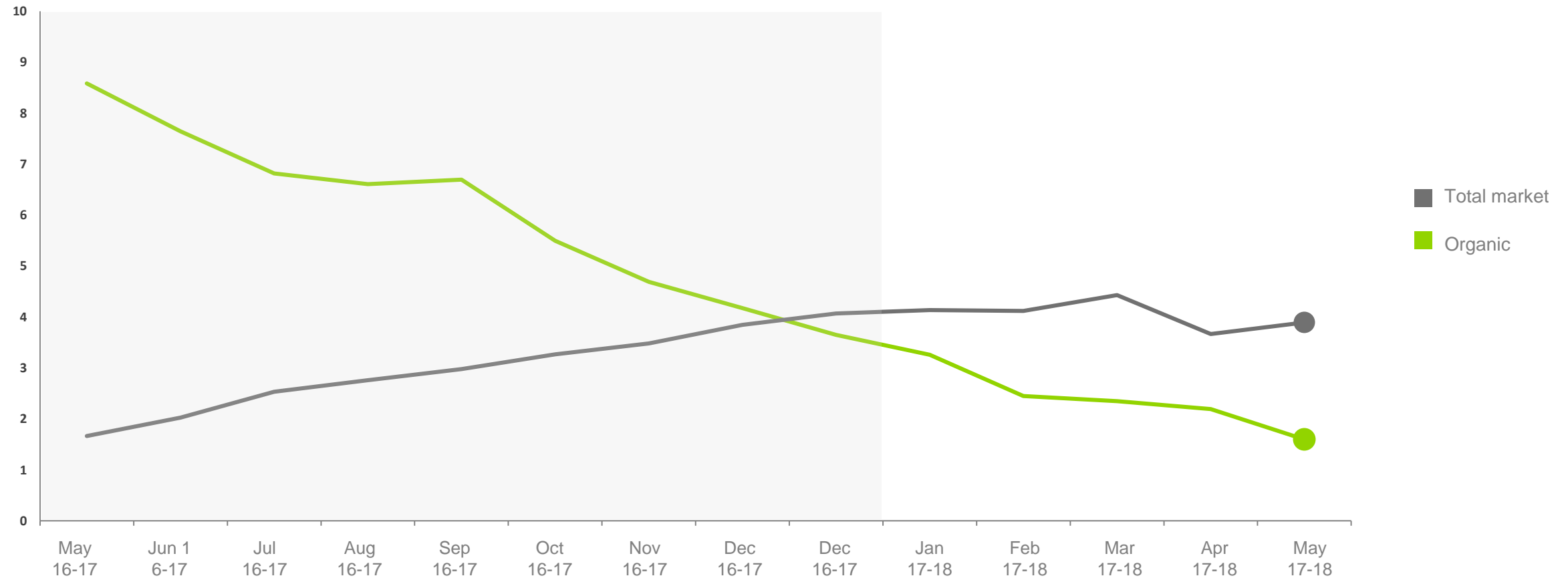
...but still a small part of the grocery market

0.9%

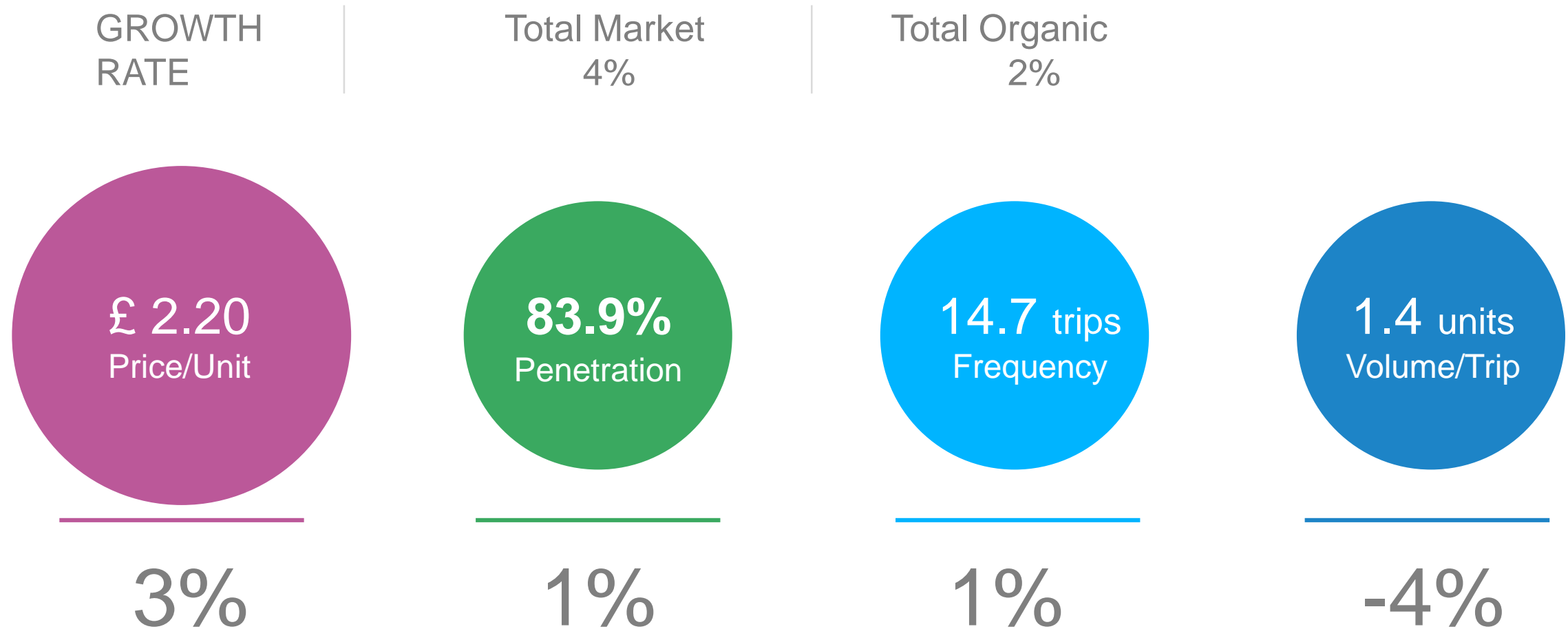
Organic has consistently lagged behind the 'Free From' market over the last 5 years ...

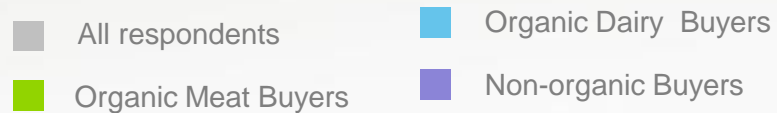


... and its growth has slowed down and is now behind the total grocery ...

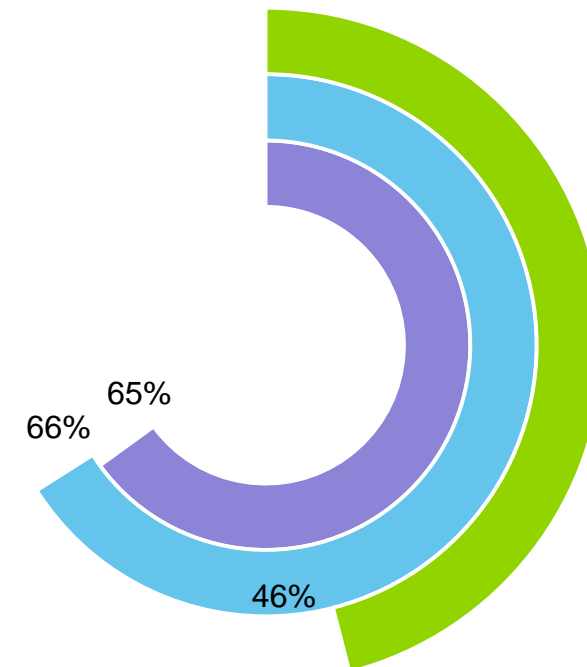
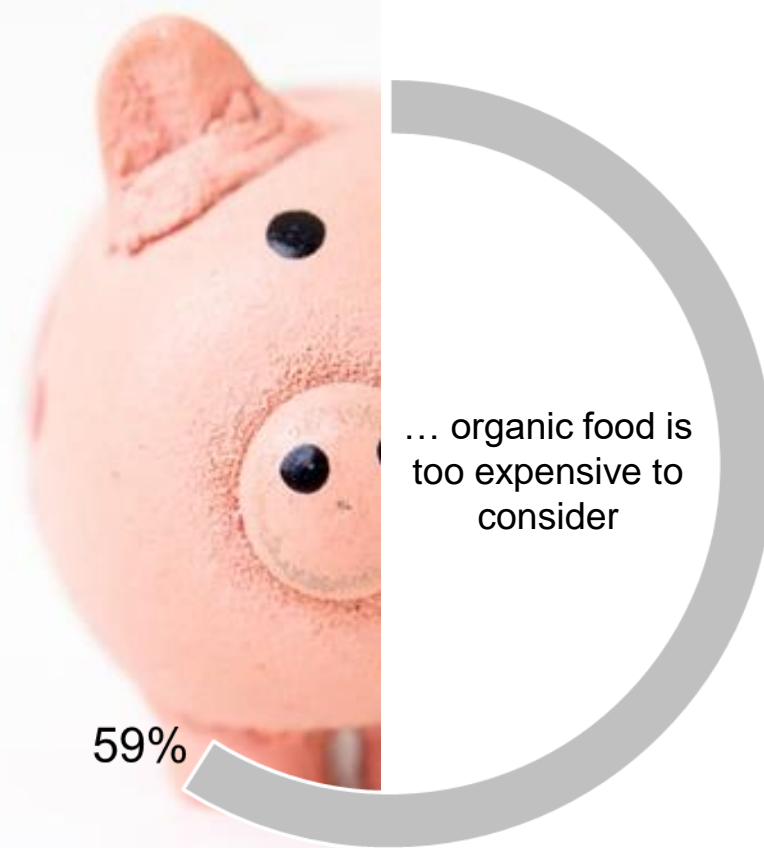


...and its growth rate is behind the total grocery growth rate where price is a key growth driver for the organic market





... yet, the **price** is the biggest barrier for shoppers to buy organic.



89%

Free from any
chemicals,
such as pesticides

81%

Free from any growth
hormones or
antibiotics

53%

... produced to high
standard of animal
welfare

56%

...produced in a way that is
better for the environment

44%

... comes from animals
bred outdoors

19%

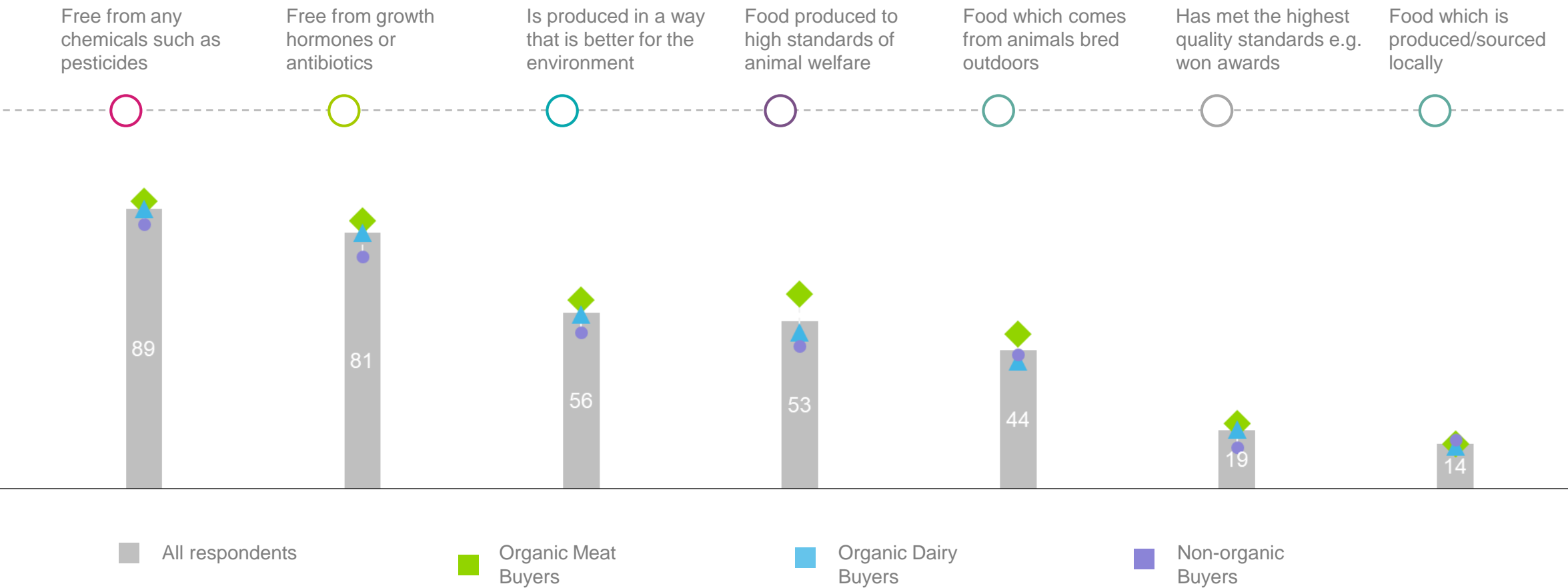
Locally
sourced/
produced

14%

...met highest quality standards
e.g. won awards

There is a general
understanding what
'organic' means -
but only half of
respondents
recognize the wider
impact ...

Organic meat buyers have a better understanding of the broader context than Organic Dairy buyers ...



82%

Free from any
chemicals,
such as pesticides

56%

Ethical standards of
production

41%

Taste

33%

Nutrition
levels

50%

Health
Benefits

24%

Worth the
price you pay

16%

From a brand/
supplier I trust

Range of
products

6%

4%

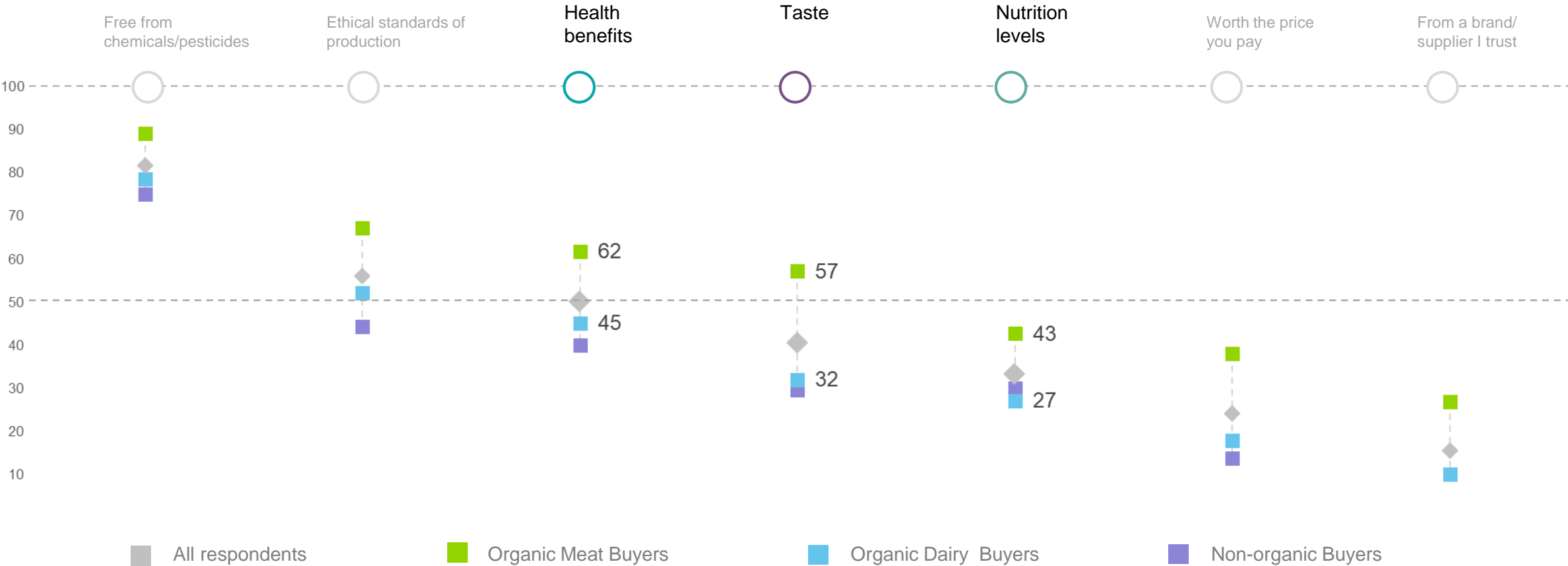
Ease of finding
products in stores

4%

Ease of cooking

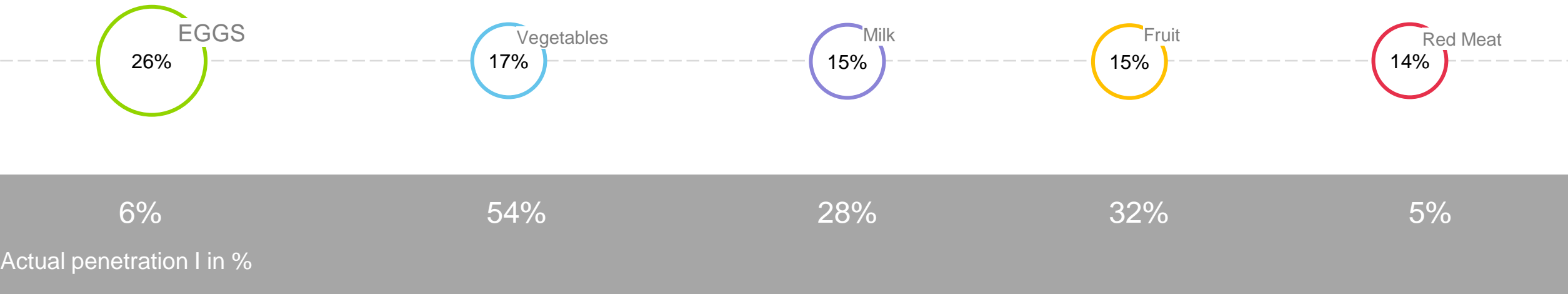
... how organic is better than non-organic products, less than half of respondents do actually see an actual benefits for themselves.

Organic Meat buyers see a clear personal benefits of organic products, whereas Organic Dairy buyers seem to be more oblivious to these benefits.



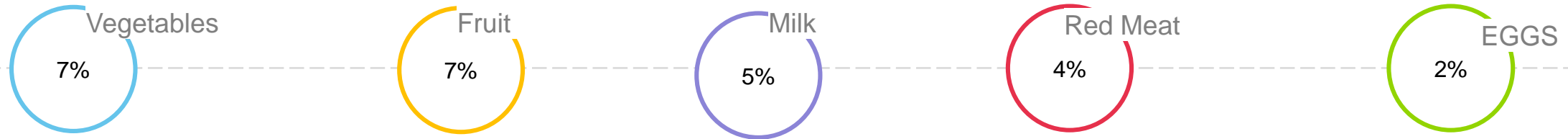
The most claimed sought after organic product is eggs, but organic vegetables and fruit have the highest penetration ...

Q: When buying food and drink how often do you look to buy organic products? I % of respondents I often/always



... as in 1 out of 15 times, organic fruit and vegetables are picked up by shoppers who were not looking to buy organic

Q: When buying food and drink how often do you look to buy organic products? | % of respondents | never | actual % of organic packs that are picked up by these respondents



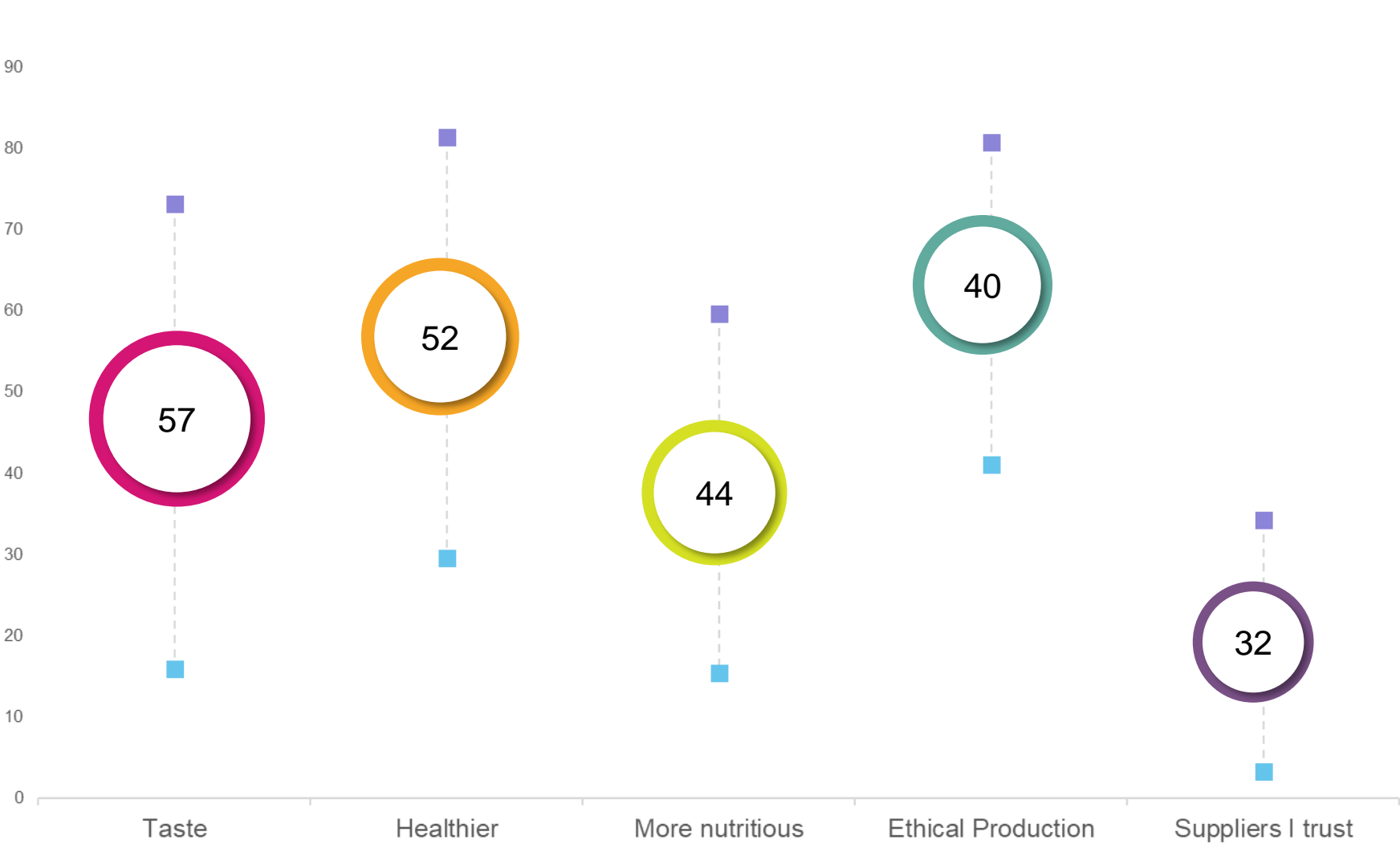
What makes people buy organic products?



Personal benefits
are strong
motivators for
organic shoppers
to pay extra.

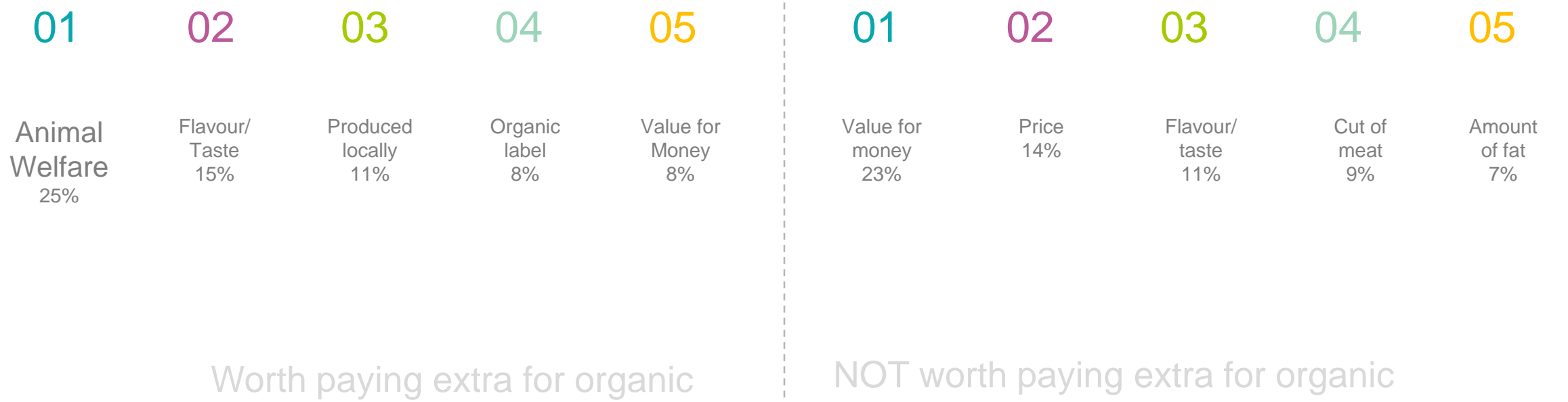
- Agree it is worth paying extra for organic
- Disagree it is worth paying extra for organic

Q: How do you think organic products *are better* than to non-organic products?



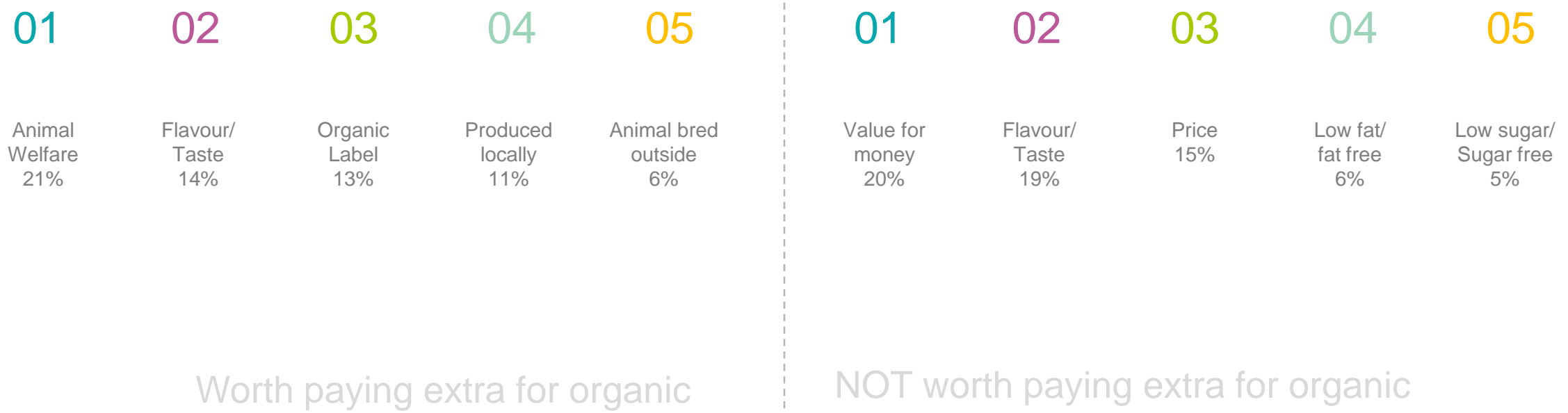
Then, animal welfare becomes a key purchase drivers to organic shoppers over value for money when buying red meat ...

MEAT



Similar picture, when organic shopper buy dairy products where animal welfare becomes a key purchasing decision...

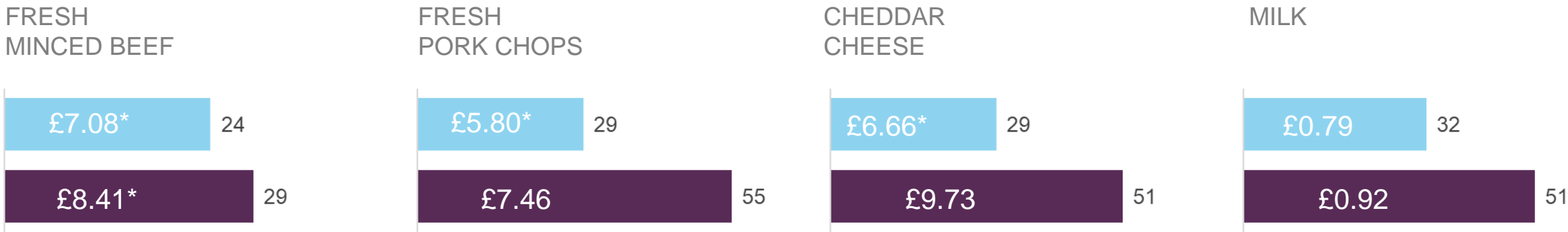
DAIRY



They are willing to pay a price premium up to 30% but will pay more if they have to ...

Price premium they're willing to pay | in %

Actual paid price premium | in %



* Price per kg

WHO ARE THE ORGANIC SHOPPERS?

Total Organic Market



Class AB (i139)
Aged 35-44 (i124)
Pre-Family (i123)
London (i202)

Class AB (i140)
Aged 35-44 (i129)
Young/Middle Family (i111)
London (i181)

Class AB (i155)
Aged 35-44 (i142)
Middle Family (i148)
London (i250)

Half of Dairy and Fresh Meat shoppers haven't bought any Organic Dairy or Meat, and only 4% of fresh meat shoppers have bought Organic Fresh Meat last year

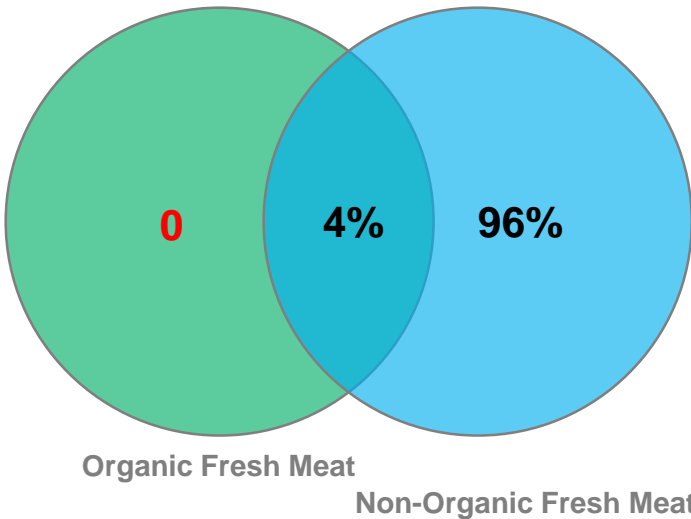
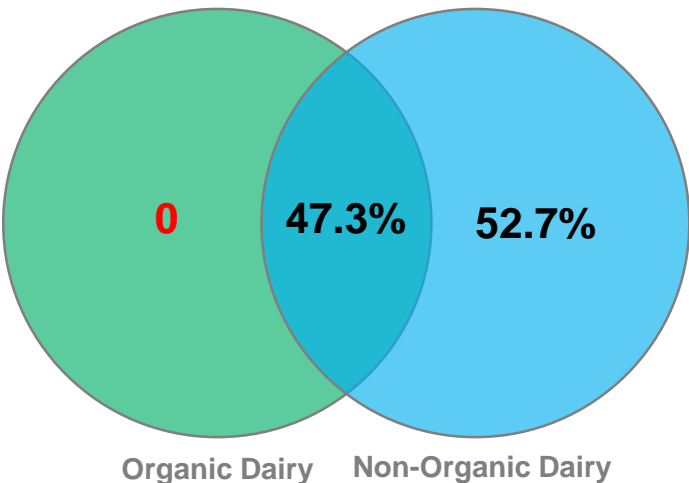
52% haven't bought Organic Dairy or Meat last year

Dairy and fresh meat shoppers

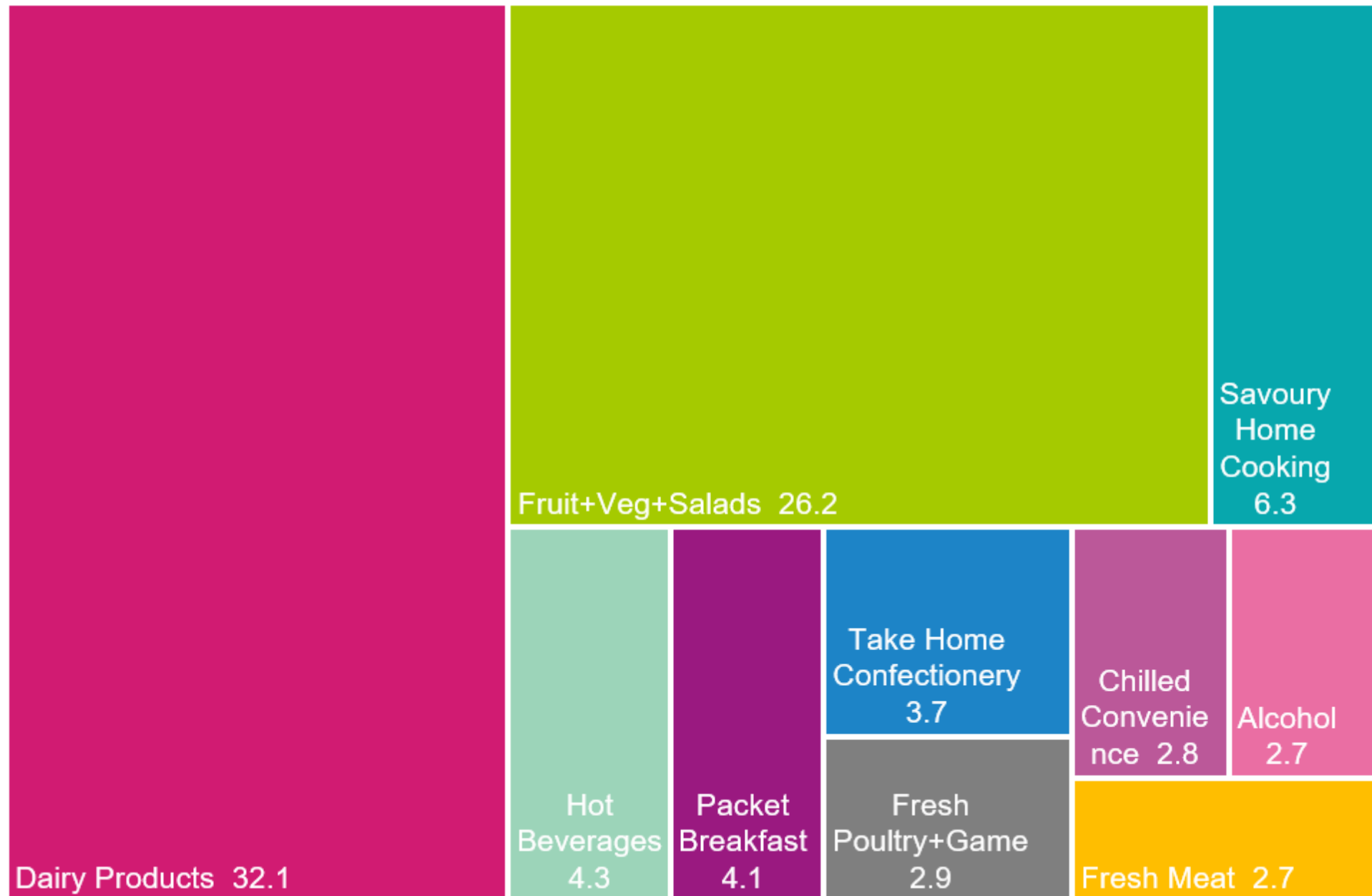
Dairy shoppers

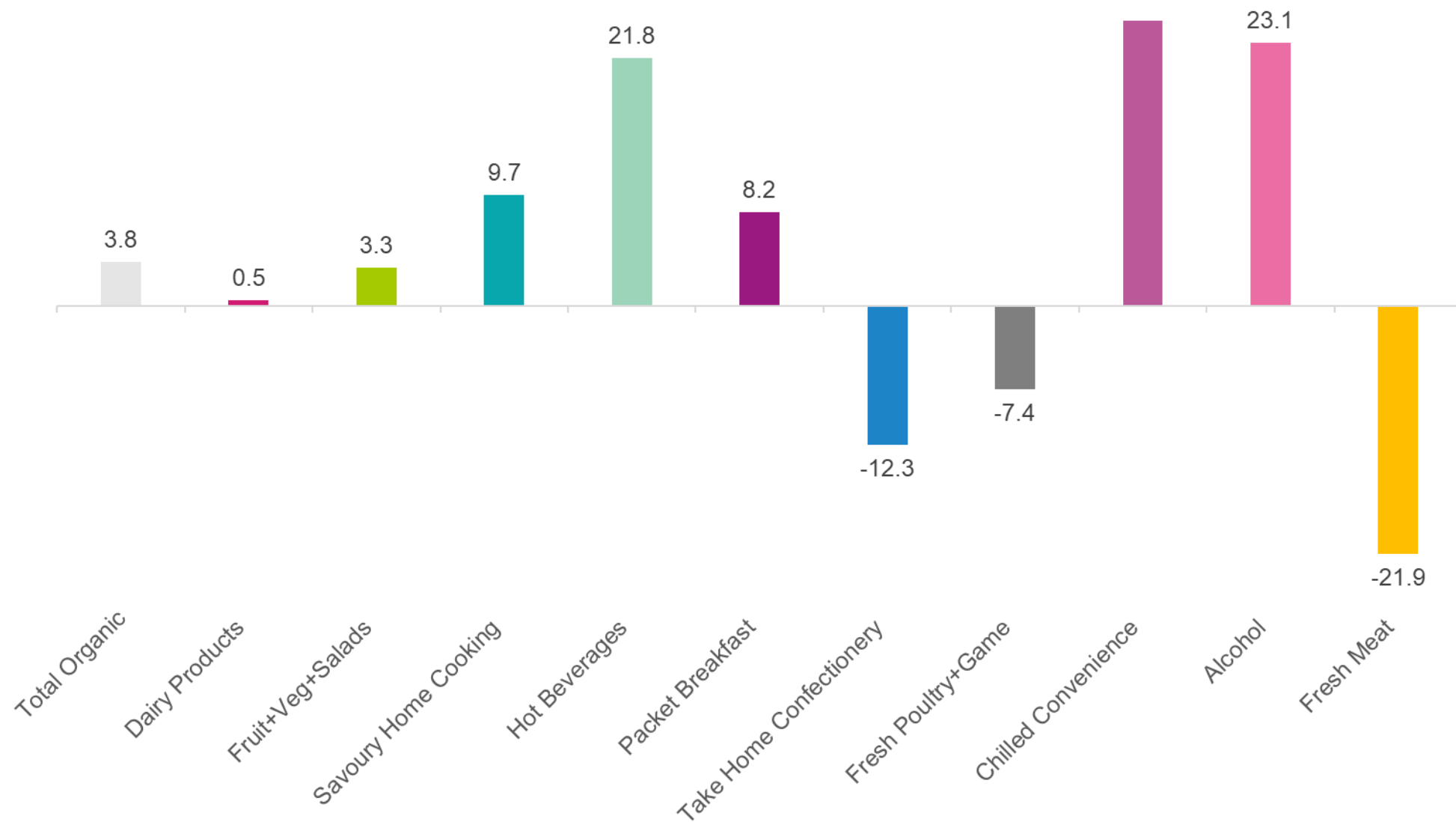
Fresh Meat shoppers

There's no such a thing as an Organic solus shopper*



Dairy products
hold the largest
share of the
organic market ...

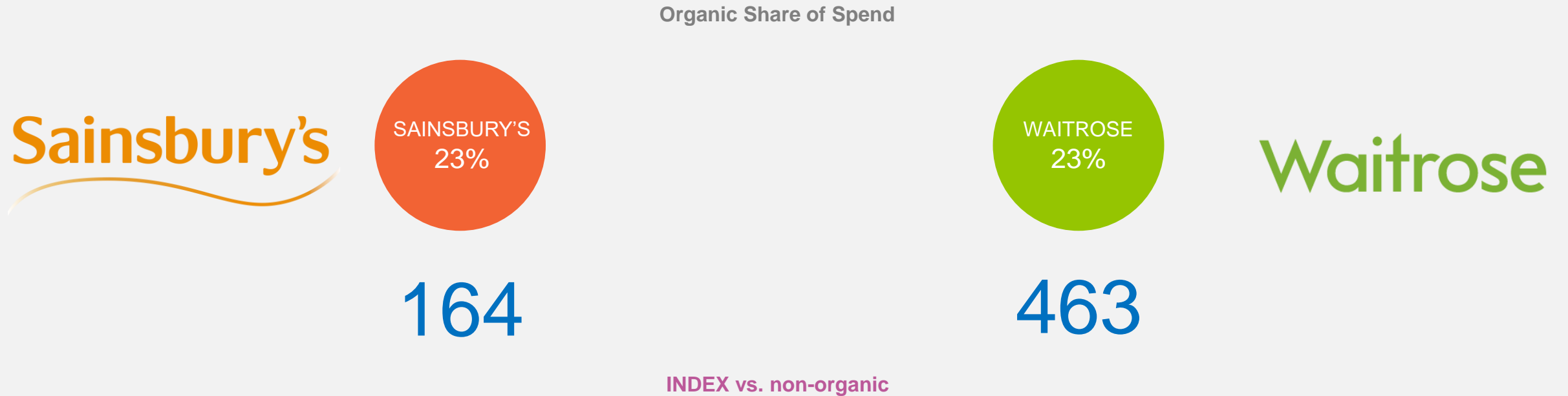




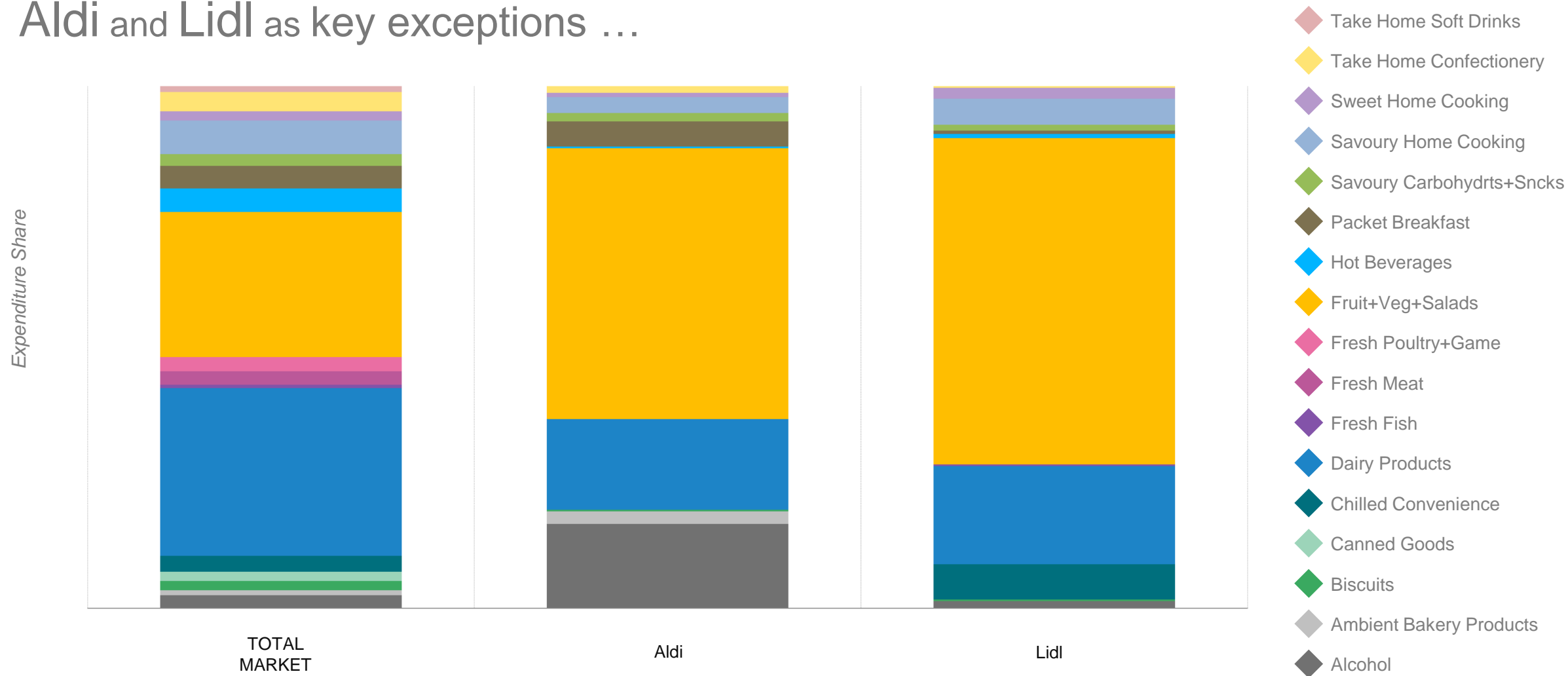
...Fresh Poultry products and **fresh meat** are seeing highest YoY spend decline.

Sainsbury's and Waitrose

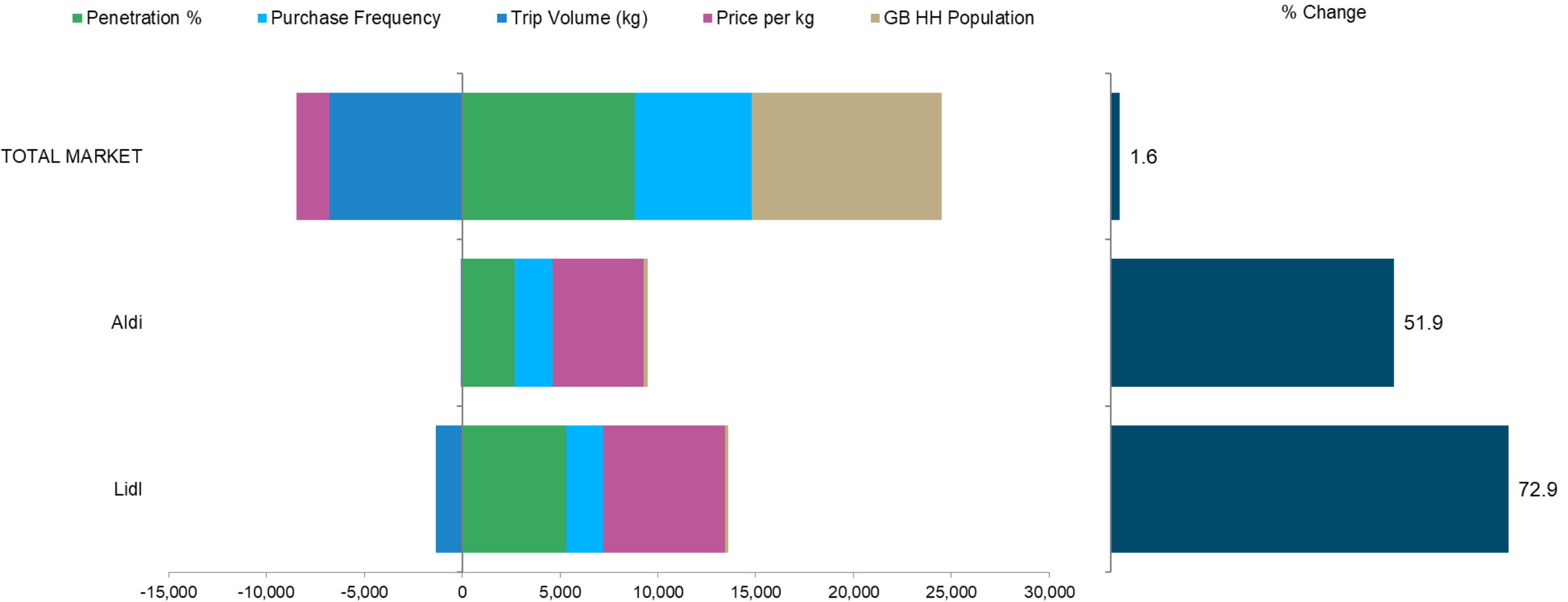
overtrade largely in the organic market ...



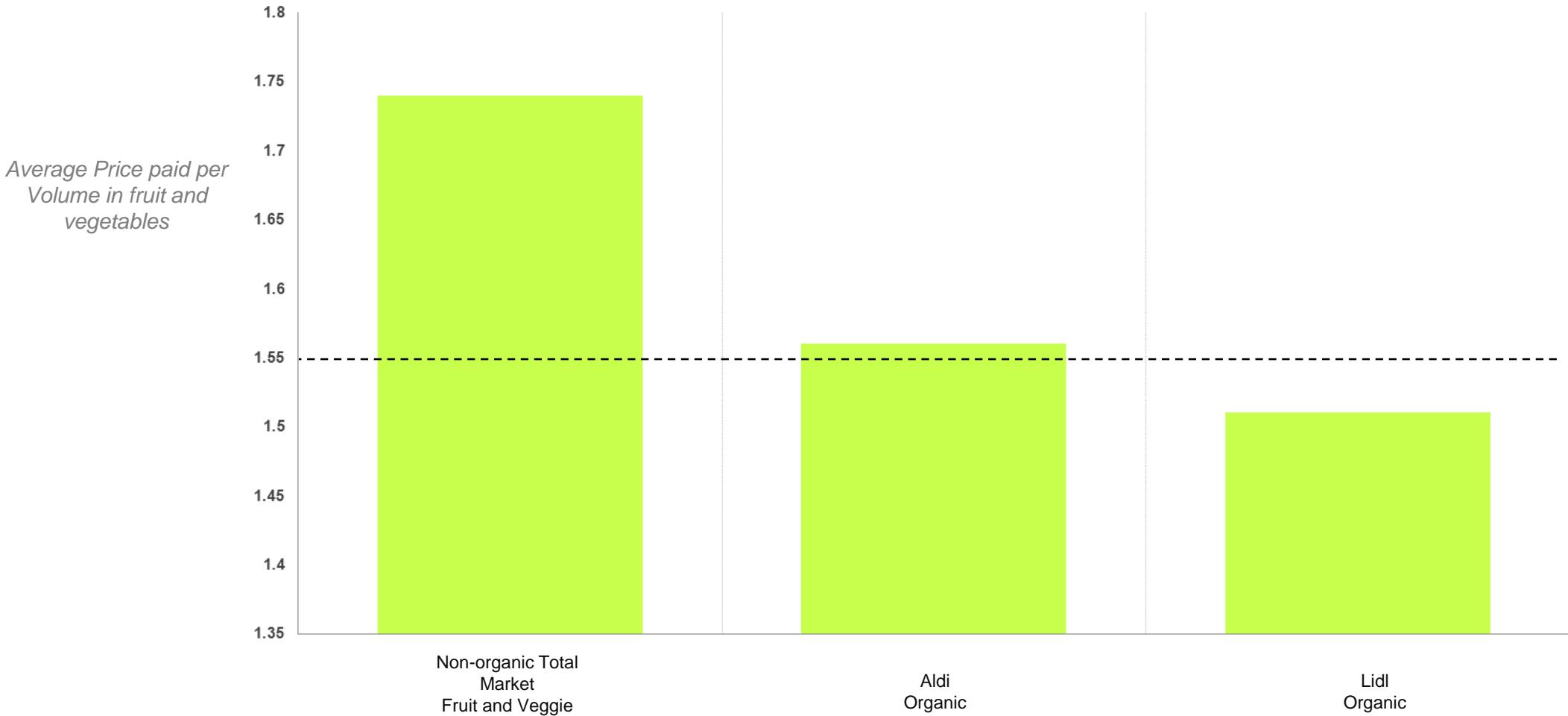
Dairy holds the largest share of organic in the majority of retailers, with Aldi and Lidl as key exceptions ...



Aldi and Lidl are growing ahead of other retailers, driven by higher prices as well as new shoppers



Aldi and Lidl organic fruit and veg is generally cheaper than the majority of other non – organic retailers



There's a £26m fair share opportunity of organic for fresh meat

Over- Index*

Dairy Products



330

Fruit, Veg +Salads



240

Chilled Convenience



315

Under- Index*

Fresh Meat



50

£26m

Fair share opportunity

*Index vs share of Total Grocery

To ease the shopper experience it needs to make it easier for shoppers to spot and find organic products in store ...

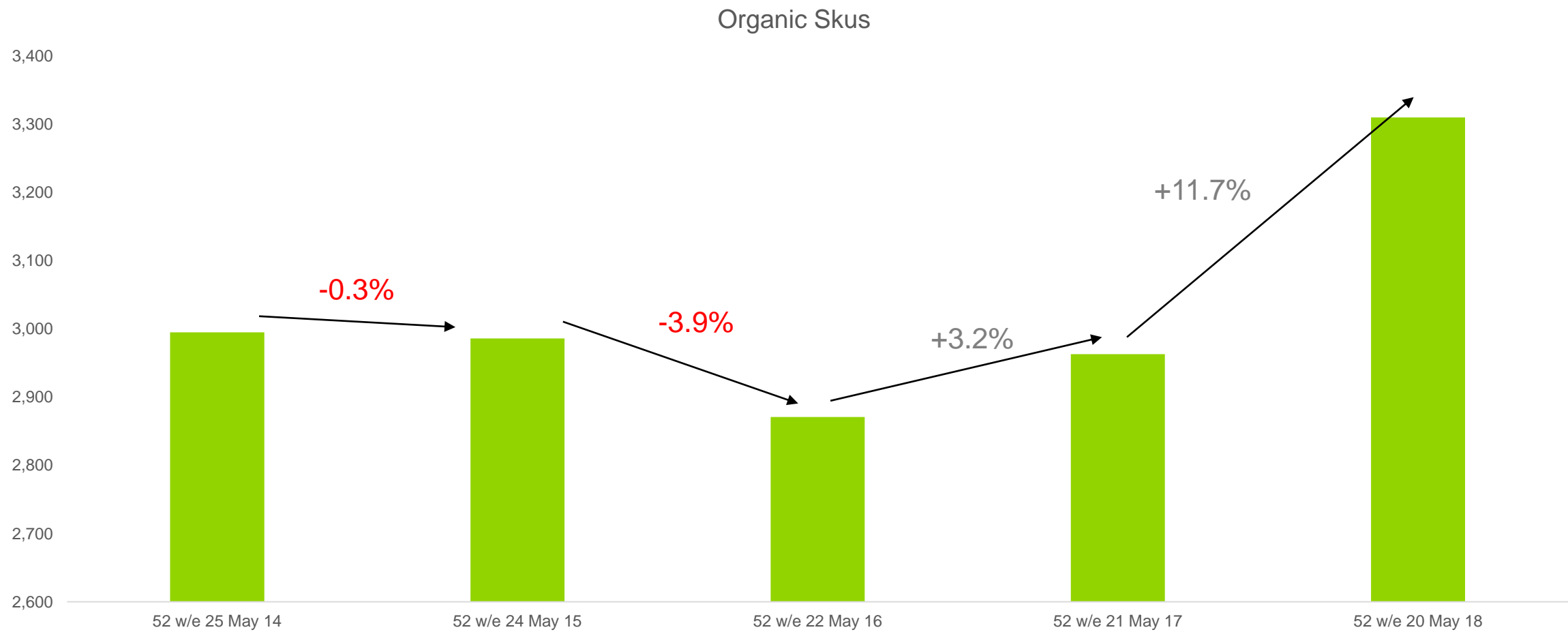
EASE OF FINDING PRODUCTS IN STORE

32% of all respondents agree that Organic is worse

I DON'T NOTICE ORGANIC PRODUCTS ON SHELVES....

24% of all respondents agree that they don't notice organic products

... despite more organic products being more available, shoppers still find it difficult to spot them





The Growth of organic market has slowed down.

The market is not growing as quickly as it has a few years ago. It is now lagging behind the total grocery market growth.

Organic meat vs organic dairy buyers

Organic meat buyers are more engaged and knowledgeable about the organic market than organic dairy buyers.

Why should I buy Organic?

More than half of respondents feel 'organic' is too expensive to consider. This is because shoppers don't instantly recognize how organic products benefit them nor the environment and animal welfare.

Animal Welfare is a persuasive factor.

Animal Welfare is a compelling reason for organic shoppers, when they shop for meat and dairy. It becomes a key purchase consideration for them, even before value for money.

Is the paid price premium too high?

Organic shoppers pay more for organic products than they are willing to pay. Is the organic market stretching its shoppers with their asked price premium?

Thank you.

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