6. Building consumer trust

In the survey, consumers were asked on whereupon they place their trust when purchasing organic goods. The results show that trust is placed in a combination of the organic organizations, the manufacturers, the retailers and the organic label. Consumers in all four countries especially rely on the organic label and the retailer.

When it comes to consumption, the consumer may not necessarily differentiate between the producers' and retailers' role and responsibilities in the value chain. What counts at the point-of-sale is the price, value and benefits of the end product.

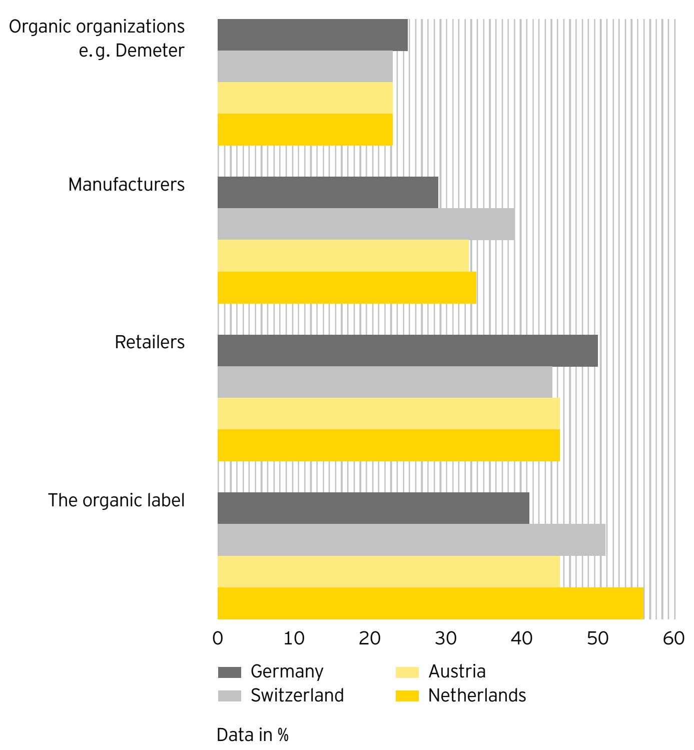
It is challenging to grasp where risks of non-compliance in the value chain may arise, and what can be done to identify and manage these issues at an early stage. The challenge for both retailers and manufacturers is to assure the safety of the products and to provide a guarantee that the value-added attributes comply with the specified principles and practices. This requires an adequate control system and risk management.

In the survey, consumers make it clear that ethical principles and sustainable practices are the producers' and retailers' responsibility. The responsibility not only lies with the producers and retailers, but also with public authorities and other private organizations. This includes providing a uniform appearance and co-ordinated standards that enable consumers to clearly recognize the attributes and practices.

Recent food scandals have shown the amount of damage that can be caused to a company's reputation. These include the spreading of negative publicity and consumer boycotts – in short, consumers lose trust.

Winning, building and maintaining consumer trust is crucial for all members and players in the value chain. Consumers require a form of guarantee where they can place their trust. All efforts invested into providing consumers with organic, fair trade and environmentally-friendly products bring few benefits if consumers in general lose trust and confidence in the undertakings of the LOHAS industry.

Whereupon do you place your trust when purchasing organic goods?



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LOHAS

Lifestyle Of Health And Sustainability

Introduction

The current trend and development towards the focus on a healthy and sustainable lifestyle has increasingly come to the fore. This new focus encompasses benefits such as health, wellness and indulgence for the individual, as well as broader concerns covering social responsibility, ethical practices, fair trade and sustainability.

As the LOHAS (Lifestyle Of Health And Sustainability) movement becomes more significant, consumers are becoming more active and demanding in their consumption habits. Consumers are not only more demanding about product choices for their own benefit, but also realize the direct and indirect impact their consumption has on the broader environment. Attributes such as organic farming, fair trade, sustainability and ethical business practices are becoming increasingly anchored in the consumer's mind.

In this survey, over 3,000 consumers across Germany, Switzerland, Austria and the Netherlands were questioned about the relevance of a number of health and sustainability issues in their buying decisions. The following provides a summary of the overall responses given by the consumers in the four countries mentioned above.

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1. LOHAS – A lifestyle that transcends demographic categorization
The LOHAS development is a movement which applies for all demographic segments. The characteristics and values associated with LOHAS sweep across the social strata. In the survey, consumers attracted to organic and fair trade products appear in all demographic groups, independent of income, age and family status.

A comparison of the surveyed countries shows that consumers in Austria are the most affiliated with organic produce. Over 50% of the participants in Austria often or always pay attention to the organic label when doing the groceries. In Switzerland and Germany, the range lies between 35% and 40%.

In comparison to organic produce, demand for fair trade goods is lower as the market is not as well-known and advanced as the organic food market. Between 35% (in Switzerland) and 59% (in Germany) of the respondents are either not interested in or have not heard of the fair trade label.

2. Consumers' perception of LOHAS
Consumers' associations with LOHAS are similar across all four countries. In the survey, the majority of the participants relate organic farming to healthy nutrition, followed by adequate animal housing and environmental protection respectively.

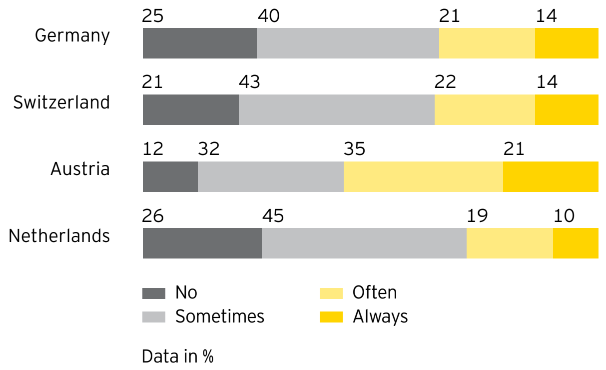
The variety of labels introduced on the market with overlapping attributes in organic farming, fair trade, sustainability and other features of ethical practices have resulted in broad interpretations by consumers of what the labels stand for. Furthermore, the awareness of organic label names is less ingrained in the consumer mind.
In the survey, consumers were asked to name any labels associated with organic products.

Between 57% (in Austria) and 70% (in the Netherlands) of the respondents were not able to name a single label. Consumer confusion can also be seen with the label names mentioned, which include the fair trade label and brands not related to organic farming.

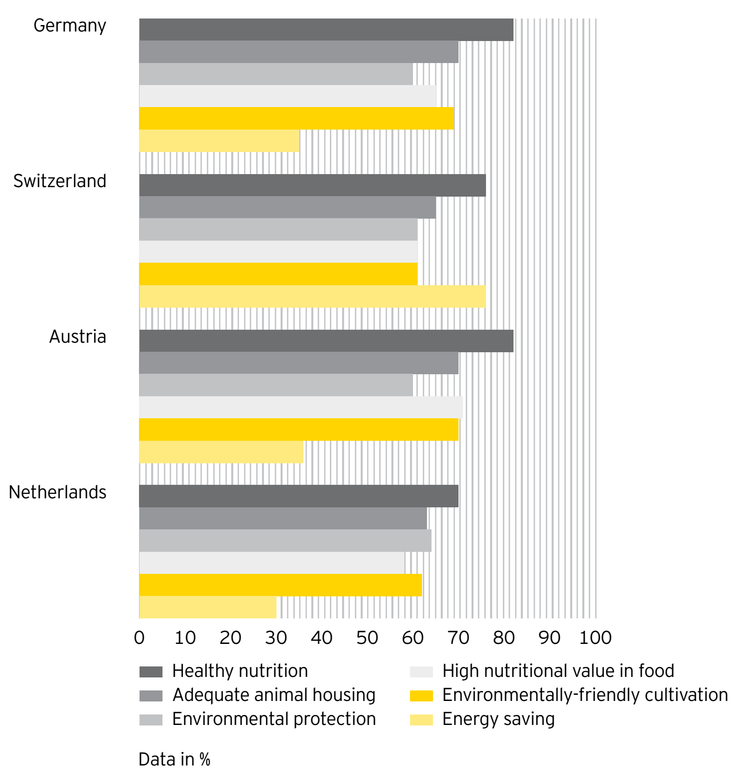
Even though many consumers may not be able to provide any label names, the rate at which participants recognize specified brands and labels from a given list i.e guided answers is much higher. This implies that consumers are unconsciously aware of the labels.

The moderate level of brand awareness by the participants shows high potential for the establishment of brands, both for private labels and producers' brands as well as the need to further raise awareness of the attributes and practices behind the labels.

Do you look out for the organic label when doing the groceries?



What do you associate organic farming with?



3. Value-consciousness versus price-consciousness
Consumers may be aware that for the right value, organic products generally connote higher production costs and higher prices. The question is, to which extent are consumers willing to pay more for organic and fair trade products?

Between 77% and 86% of the respondents in the surveyed countries are willing to pay for organic products costing up to 10% more than conventional products. The percentage of respondents willing to pay a premium price for organic products costing up to 20% more reduces to an average of 44%.

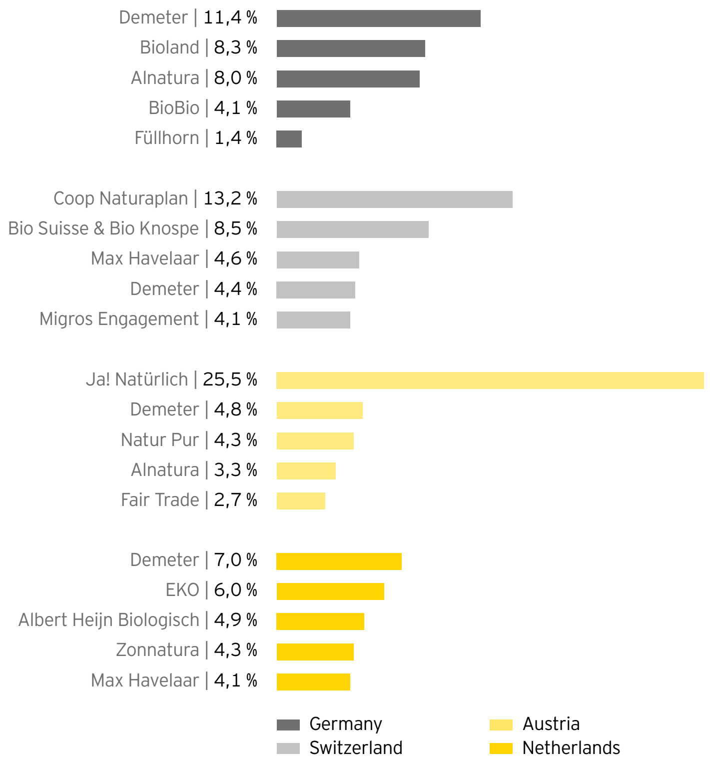
Similar to organic products, 74% to 84% of the consumers in the surveyed countries are willing to pay up to 10% more for fair trade products. This reduces to an average of 40% of the respondents who would pay up to 20% extra. Less than 10% of the consumers would pay a premium price of over 20% for fair trade products.

Consumers' willingness to trade up shows the market potential for leveraging LOHAS products. However, the price range limit needs to be taken into account, which goes hand in hand with the scope of demand.

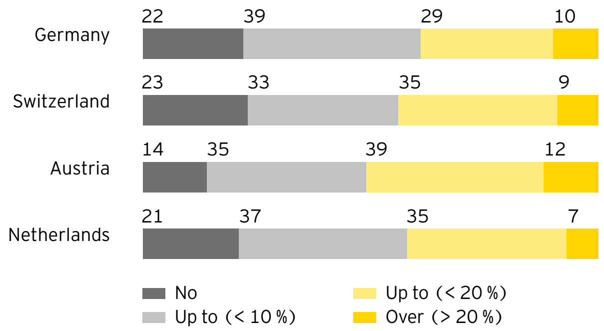
4. Consumers' level of willingness to change
As globalization spreads, consumers have become more demanding, critical and less loyal to brands with the plethora of product selection on the market. Negative publicity of recent food scandals has made consumers more wary, resulting in greater calls for transparency. Consumers increasingly place their trust in product values interlinked with sourcing, manufacturing and processing practices.

In the survey, an average of 76% of the respondents would be willing to change brands in preference for an organic product. This is especially visible in Austria, where 83% of the participants would change brands.

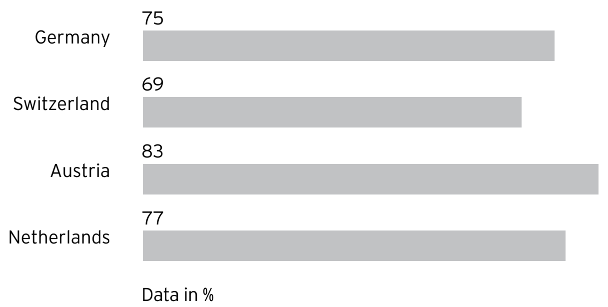
Can you think of any labels that stand for organic products? (Open question)



Would you pay more for organic products?



Percentage of consumers who would change brands in favor of an organic product:



Current market developments not only show decreasing brand loyalty, but also lower retailer loyalty. Over 40% of the respondents would change retailers for a better range of fair trade products offered elsewhere and over 50% would do so for organic products. The likelihood of changing retailers is highest for a guaranteed and more enhanced range of environmentally-friendly products offered elsewhere, with around three-quarter of the respondents opting for it.

5. LOHAS potential and opportunities for retailers
Consumers' readiness to change retailers raises further questions: who has the highest potential to benefit from the LOHAS market development? Consumers were questioned about where they do their groceries, where they have bought organic products and whether they would purchase organic produce from certain types of retailers if the range of products were enhanced.

The diagram of change potential shows consumers' likelihood of changing to another type of retailer if the organic product assortment were enhanced. Organic produce coming directly from farmers or from the weekly farmers' market as well as the organic supermarkets and shops show the highest level of potential to benefit from the LOHAS trend.

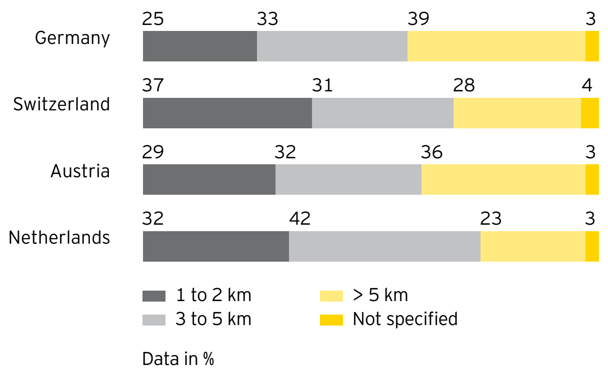
The potential of conventional supermarkets is limited and the enhancement of the organic/fair trade assortment helps prevent them from losing market share.

Considerations and restrictions in driving the LOHAS development are not only the product assortment and price range of LOHAS products, but also the distance to travel from the consumers' home.

Whatever the type of retail outlet, one of the key criteria lies in accessibility. In Germany, only 39% of the consumers would consider travelling a distance of 5 km and above. Consumers' readiness reduces to 36% in Austria and 28% in Switzerland. Accessibility is key in the Netherlands, where only 23% of consumers would consider going to a retailer that is located further than 5 km from their residence. Across-the-board, retailers should be situated within a maximum of 5 km.

Percentage of consumers who would change retailers if an enhanced range of organic products were offered elsewhere:

How far away can the retailer offering organic products be from your residence?



The top five types of retailers with the highest change potential for each country: