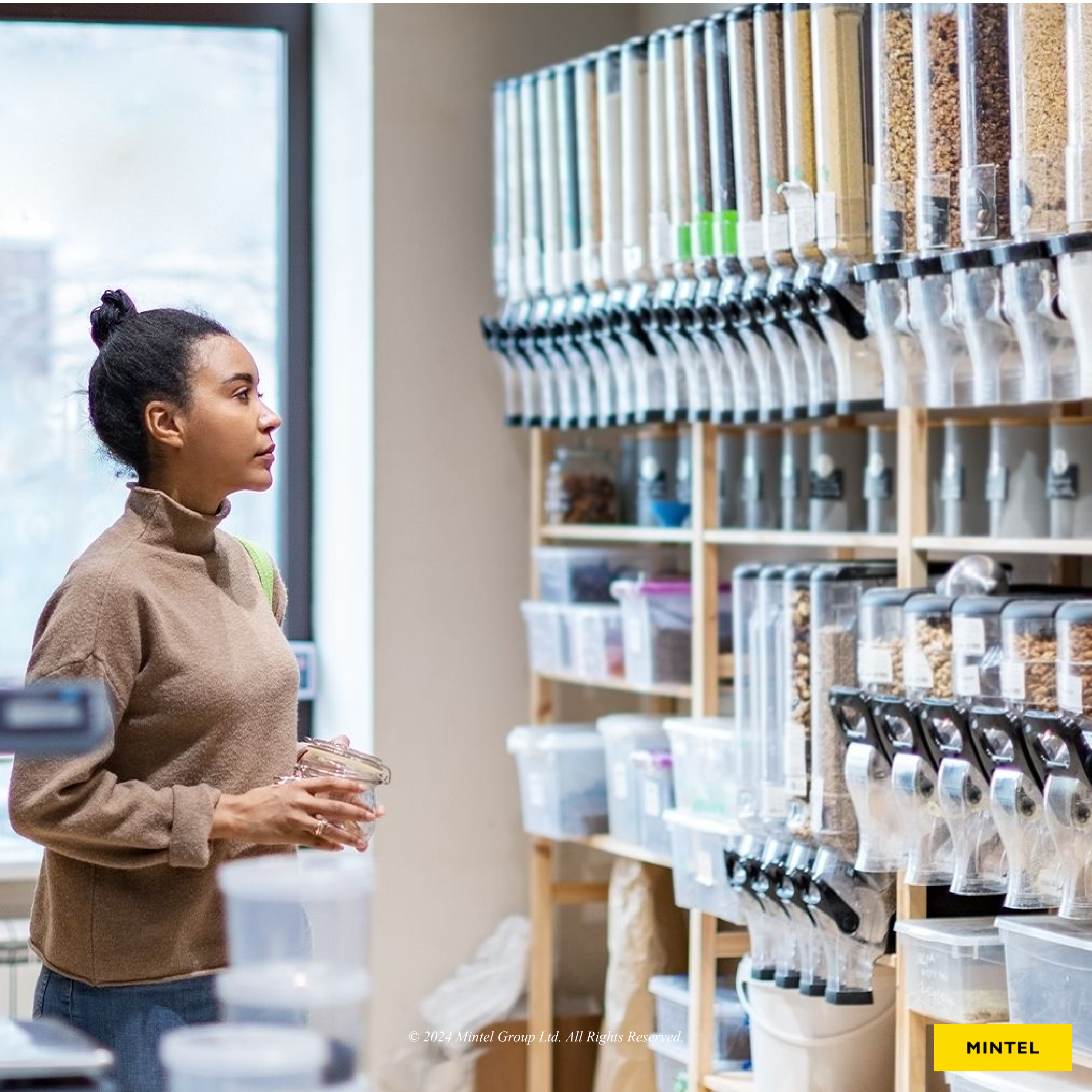
ORGANIC RETAILING – GERMANY – 2023

As consumers adopt a more cautious approach to spending, organic retailers and brands need to maximise ethical merits and regional provenance to prove value.

A Mintel Analyst, Global Analyst



Organic Retailing - Germany - 2023

This report looks at the following areas:

- The **impact of inflation and the Ukraine conflict** on the organic retailing sector
- The **regulation** of organically produced food
- The importance of **individual and planetary health** to organic shoppers
- Preferred **channels** to buy organic products
- **Preferred organic product types**
- **Change in amount of organic products** bought over the past 12 months
- **Reasons** for buying organic products, such as environmental benefits, and **barriers** to organic consumption
- Consumer attitudes towards organic products

> As consumers adopt a more cautious approach to spending, organic retailers and brands need to maximise ethical merits and regional provenance to prove value.

Overview

81% of organic food buyers shop in-store, highlighting the importance of the channel for organic products. Retailers can draw in hesitant consumers looking for guidance – 56% of Germans think retailers should make organic products easier to identify when shopping in-store while 61% think brands should make it easier to **identify organic products that are also ethically produced**.

Due to rising food prices, Germans are becoming increasingly **cautious about their spending** and organic brands have to justify higher prices. Organic products are typically more expensive than regular ones, but a substantial share of customers have healthy finances and will continue to buy organic as long as brands demonstrate the added value they can offer.

Highlighting ethical benefits in addition to eco advantages will increase the appeal of organic products. Only 38% of Germans who buy organic products do so because of their superior quality, reflecting the importance of broader societal and environmental benefits. Brands can also tie organic products to their regional provenance to grow by leveraging a revived interest in local products.

Consumers' health awareness comes with chances for brands to highlight the fit of organic products and a healthy lifestyle as 47% of organic shoppers choose organic products because they are healthier than regular ones.

Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- Overview
- The five year outlook for organic retailing

Market context

- Prolonged inflation calls for a focus on added value
- Lack of trustworthy certificates and transparency dampens eco-ambitious choices
- A focus on localism can enhance the percieved benefit of organic

Mintel predicts

- Market size & forecast

Opportunities

- Combine value with values to communicate superior quality
- Grow by increasing the share of organic products among wealthy shoppers
- Attract non-buyers with the advantages of regional provenance
- Use expertise and technology to guide consumers towards better choices

The competitive landscape

- Dennree and Alnatura dominate among the organic specialists

  - Graph 1: organic specialised retailers, estimated turnover, 2022
- Quick download resources

MARKET DRIVERS

Defining organic

- Definition of organic products in the EU

The German economy

- The cost-of-living crisis is holding back the post-COVID-19 recovery

  - Graph 2: key economic data, in real terms, 2019-24
- Inflation remains the key concern in 2023 for consumers, brands and the economy…
- …impacting financial wellbeing and consumer expenditure

Impact of the economy on organic retailing

- Food prices rose sharply in 2022

- Graph 3: development of overall consumer prices and food prices, 2020-22

- Continuously rising prices impact organic retailing
- Savvy shopping habits demand greater focus on value and quality
- Spending shifts open up chances to position organic products as little luxuries

Regulation

- Organic is the leading ethical certificate in Germany...

  - Graph 4: awareness and purchase of products with organic certification, 2022
- ...but the lack of non-food certification could cause confusion
- Selected labels certifying organically produced goods
- GOTS transparently and easily explains what it stands for

Individual health

- Organic products appeal to health-conscious consumers

Planetary health

- Focus on environmental benefits to broaden appeal of organic products
- Green claims initiative
- The Green Claim Directive is designed to protect consumers and the environment

Localism

- Tie organic products to the local community

MARKET ACTIVITY

Market size and forecast

- After booming during the pandemic, organic grocery retail sales dropped in light of spiking consumer prices

  - Graph 5: organic grocery retail sales, 2017-23
- The pandemic pushed the organic sector to historic growth...

  - Graph 6: average value sales increase of groceries and fresh organic groceries, 2020
- ...but the cost-of-living crisis is testing consumers' commitment to organic

  - Graph 7: price increase of carrots in different grocery outlets, 2021 vs 2022
- The German organic grocery market declined in 2022...
- ...but the future looks bright

Channels of distribution

- In-store is the most important channel for organic products

  - Graph 8: purchase channels used to buy organic products, 2023
- Regular food retailers contribute most to the turnover of organic groceries

  - Graph 9: organic grocery retail sales by retail channels, 2017-22

- Drugstores dominate the organic sector
  - Graph 10: retailers used for purchasing organic products, 2023

WHAT CONSUMERS WANT AND WHY

Purchase of organic products

- Hybrid shopping for organic and regular products prevails across categories
  - Graph 11: product types typically purchased, 2023
- Hybrid shoppers present an opportunity to grow sales…
  - Graph 12: product types typically purchased – NET, 2023
- …and capitalise on the healthy financial situation of organic shoppers
- Promote eco benefits of organic beauty to younger consumers
  - Graph 13: share of consumers* who have switched to natural/organic BPC products, 2023
- Leverage demand for organic baby and toddler products…
  - Graph 14: product types typically purchased, 2023
- …which drives new organic product developments
  - Graph 15: organic launches, by top 10 categories, 2018-2022
  - Graph 16: launches of baby food, by top 10 claims, 2018-22
- …which drives new organic product developments
- Increase the convenience of organic grocery shopping…
  - Graph 17: any organic product purchased – NET, by age group, 2023
- …and use delivery services to bolster the appeal of organic to busy parents
  - Graph 18: repertoire of organic products typically bought by lifestage and age, 2023

Change in number of organic products bought

- Interest in organic products remains constant
  - Graph 19: change in the number of organic products bought in the past 12 months, 2023
- Reassure loyal organic buyers
- Leverage increased interest in organic products among Germans aged 16-34
  - Graph 20: change in the number of organic products bought in the past 12 months, by age, 2023

Reasons for buying organic products

- Environmental concerns are the top reason to buy organic products
- Capitalise on the environmental advantages of organic products…
- …and extend the scope to the many ethical benefits
- Satisfy the hunger for healthy food with organic ready-meals
- Promote safety of GMO-free organic products

Barriers to buying organic products

- Enhance the value perception of organic products
  - Graph 21: factors that need to change, 2023
- Broaden organic's appeal by highlighting regional provenance…
- …and providing links to natural ingredients

Attitudes towards organic products

- Increase trust and help consumers identify organic products
  - Graph 22: attitudes towards organic products, 2023
- Provide expertise and guidance through the claims jungle…
- …and use technology to give Gen Z a helping hand
  - Graph 23: apps that show shoppers which stores they can buy the organic products they need in would be appealing, by generation, 2023
- Gain consumers' trust through expert knowledge and proof
- Alnatura promotes fair organic products with the new We Care label
- Grow with fashionable organic clothing
  - Graph 24: share of consumers agreeing that it's difficult to find fashionable organic clothes, by generation, 2023

RETAILER ACTIVITY

Leading specialists

- Dennree group and Alnatura dominate organic specialists
- Specialised organic retailing segment rather fragmented
- Denn's and BioMarkt association
- Alnatura is among the biggest pure organic retailers
- Bio Company third largest pure organic retailer

Leading non-specialists

- Schwarz Group expands partnership with Bioland
- Kaufland and Bioland partner to drive organic sales
- REWE reassures organic buyers through a partnership with Naturland

Leading associations

- Bioland
- Naturland aims at 100% organic worldwide
- Naturland celebrates 40th anniversary
- Demeter – Germany's first organic association

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