

A Study of British Organic Food Market

Jing Zhao^{1, *} and Xiaoning Dou²

Xi'an Eurasia University, Xi'an 710065, Shaanxi, China
1123389851@qq.com

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Abstract. With the improvement of living standards, people's requirements for food quality are getting higher and higher. Organic food has become the favorite of people and the market is getting larger and larger. Among them, the most representative in UK, this article is based on British organic food. The market is the research object, and the PESTLE model is applied as the analysis method. The development of the organic food market in UK and the market strategy formulated are studied. Finally, the conclusions of this paper are put forward, and suggestions for the use of the industry are put forward.

Introduction

Organic food market is one of the fast growing food market in UK (EUFIC, 2014). The definition of organic food is the product of a farming system which avoids the use of manmade fertilizers, pesticides, growth regulators and livestock feed additives. Instead, it relies on crop rotation, animal and plant manures, and some hand weeding and pest control. Organic farming is considered to offer some solutions to the problems that currently beset the control (EUFIC, 2014). The central task of this essay is to analyse organic food market in UK and find out implications for marketing strategy. Firstly, based on the definition of organic it utilizes available data to analyse its situation in the UK market. With regards to organic food, under UK regulation, it can be defined as officially food without chemical additives. At the second, it analyses the current organic food industry in UK, involving some facts to utilize for the following tactics with the application of model and PESTLE model. And then, it will utilize a summary for PESTLE analysis and it will segment UK organic food market varsity to help make a market strategy. At the third, it tries to use 4P to figure out the exact strategy that can be used for this industry. The analysis will then be used to support its strategy for its future development. In other words, this essay shows specific implications for organic food marketing tactics. Last, it makes some conclusions and suggestions in order to have well-rounded research of the industry.

Organic Food Situation in UK Market

Organic food is produced in high level of requirements of organic agriculture and certified by an independent certification institute. The processing standards organic food are even strict than Green food and pollution-free food. According to NO2092/91 "organic production of agricultural products act" promulgated by EU and U.S. "Federal Organic Food Production Act production process does not use any synthetic pesticides, fertilizers, feed, herbicides etc.; machining process does not use any synthetic food preservatives, artificial colourings and economic extraction with organic solvents; storage, transport process is not subject to hazardous chemicals (fungicides, insecticides, etc.) Contamination; it must meet the requirements of the food industry quality standards and national food hygiene law. There is ample evidence that compared with ordinary vegetables and fruits. Organic vegetables and fruits contain more compounds and are more conducive to human health. In the UK market, there is an increasing number of organic food consumption. The negative influence of financial crisis still exists in UK. So it makes people conscripted to reduce their living cost to eat low price food, while the organic food is more expensive than the other food. Even so, organic food still will be popular in the future. Because people, especially young people, are chasing a healthier life style. The concept of food will change in a popular scope.

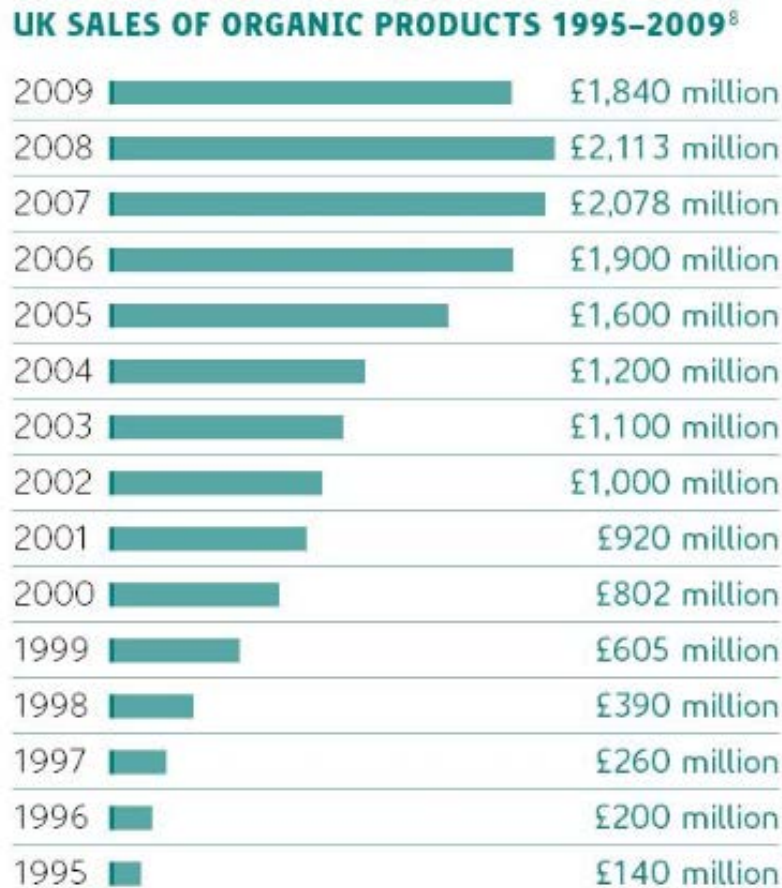


Figure 1 Soil association, 2010

Figure 1 illustrates UK sales of organic products from 1995 to 2009. Even it has a slight drop in 2009, in general, it still has an unlimited prospect. 2013 Organic Market Report indicates that the main areas for organic food consumption is online retail, independent outlets and a shift towards younger consumers (EUFIC, 2014). Overall, the market has dipped by 1.5% as the UK continues through its most challenging economic downturn for many decades (Datamonitor, 2011). However, the report predicts a positive future for the UK organic market.

From the report, what can also be seen is that the situation of economic factors has a close relationship with market development. The factors are, e.g., UK economic situation, the rate of unemployment, low level of minimum salary.

The PESTLE Theory for Current Organic Food Industry in UK

From the macro situation, this paper uses PESTLE to analyse UK current organic food industry. PESTLE stands for - Political, Economic, Sociological, Technological, Legal and Environmental. The term PESTLE has been used regularly in the last decade. Various other similar acronyms have been used including ETPS, STEP, PEST, and STEEPLE. The term PESTLE is particularly popular on HR and introductory marketing courses in the UK (CIPDgf & the HR Profession 2012).

Political Factor

The UK government has already recognized the important role of organic food market in economic developing. They therefore issued a train of measures to attempt boost UK organic food market. For instance, cancelling the last Government's publicly-funded, pro-GM propaganda consultation, and

the government has carried out the Food Standards Agency (SA, 2011). However, the statistics indicated the UK government failed to support organic food market .

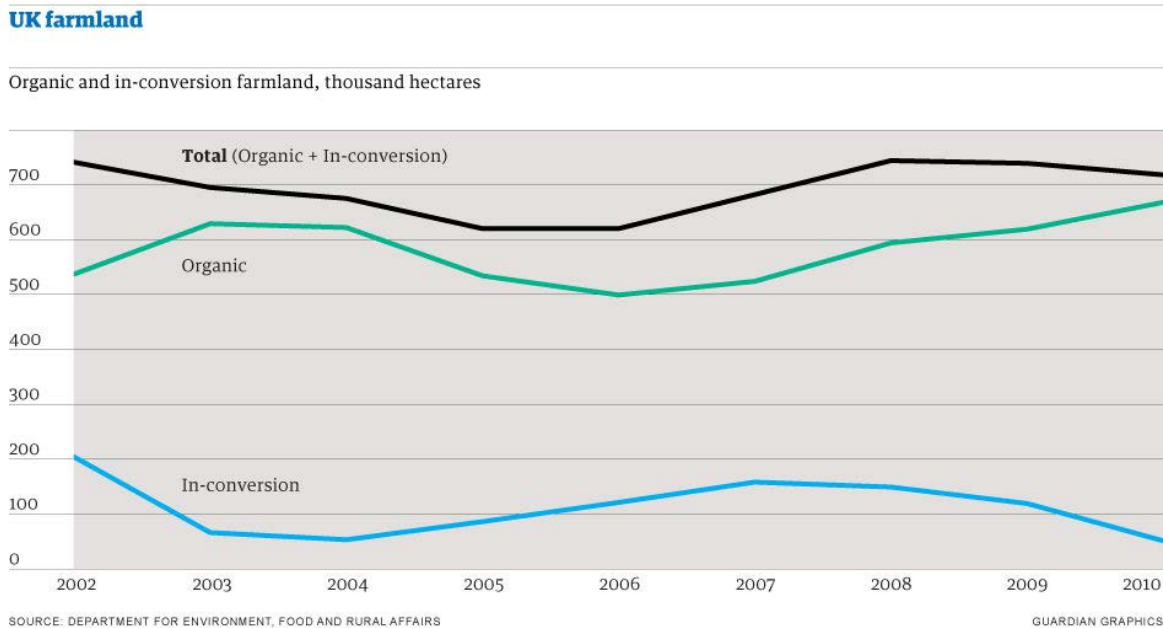


Figure 2 Source department for environment. food and rural affairs

Figure 2 illustrates the dynamics of UK farmland formation from 2002 to 2010. From the statistics, it demonstrated the total change of organic food which includes organic farmland and in-conversion farmland from 2002 to 2010. All this three lines are fluctuant rather than stably increasing. Especially, total organic farmland started with a slight beyond of 700 and ended with a slight beyond of 700 in 8 years. It presented the result that what the UK government has done in order to promote organic food market. Seen from this result. UK government did not reveal an obvious positive expectation

Economic Factor

Whether have inflation and financial crisis influence on consumption of organic food? Figure 3 is statistic for UK inflation indicate and the power of purchase organic food in UK market.



Figure 3 The inflation of UK (national statistics)

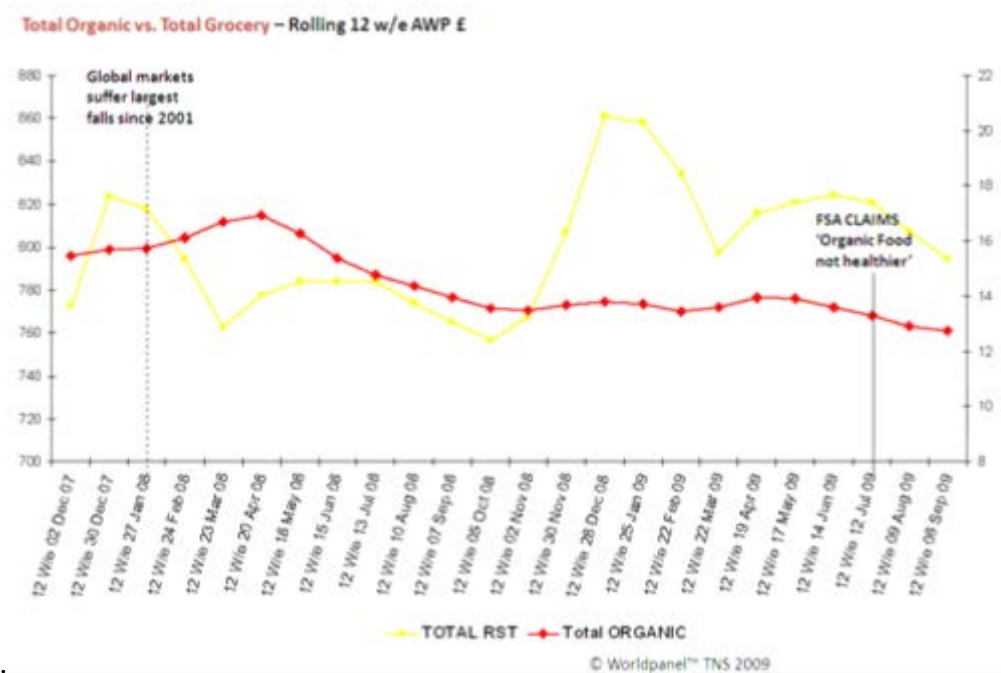


Figure 4 Source from worldpanel TN5 2009

From Figure 4, total organic rolling decreased around 20 April 08 when inflation status was high in 2008 in the first statistics and a slight increasing in April 09 when inflation decreased. Because economic factors are various and complex this result is led to variety factors such as economic circle, economic crisis etc. Inflation is one of factor contributing the result of British organic food market change. However, we still could see the relevant change between the two pertinent factors.

Social Factor

When it is applied to organic food industry in UK, the organization needs to focus on consumption psychology, lifestyle and values. There is a very popular saying: "Earned in the United States, living in the UK," which means that U.S is a good place to earn money; beautiful Britain is a good place to enjoy life. Apart from its beautiful environment and fresh air, it is largely thanked to British ecological protection habits and health awareness from generation to generation. Emphasis of health and environmental living is deep rooted in every English mind. That's why organic food sales in UK can be high rank in EU with a long time increase in generally speaking. More importantly, the younger generation appears new tendency in organic food purchasing. According to the data monitor, consumers under 35 significantly increased their average spending on organic products in 2012, pointing to a healthy future for the organic market (Makatouni 2013, p.148). Therefore, social factor in UK can be extremely helpful to promote organic food and related products.

Figure 2 Reasons for buying organic food

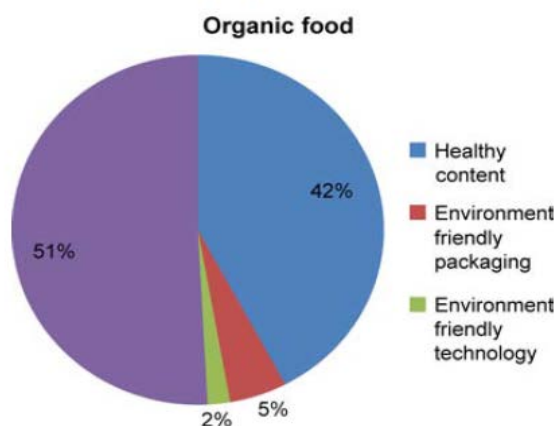


Figure 5 Source from (pual, 2012)

Figure 5 reveals different reasons that residents prefer organic food (pual, 2012). There are 51% regards available nature of organic food, 42% on the reason of being healthy, 5% consider about environment friendly packaging and 2% think about environment friendly technology. Besides available nature, people still consider health as the main reason to purchase organic food.

Second, it is the aging issue in UK: the elders may have less expenditure compared to young generation. Based on an accelerated aging issue in the UK, the proportion of the old have an increasing tendency. Nevertheless, most old people have a traditional and stable diet habit that is normal food with additive. On the other hand, although most of old residents has pensions, they still concern about the cost while most of organic food is more expensive than normal market food.

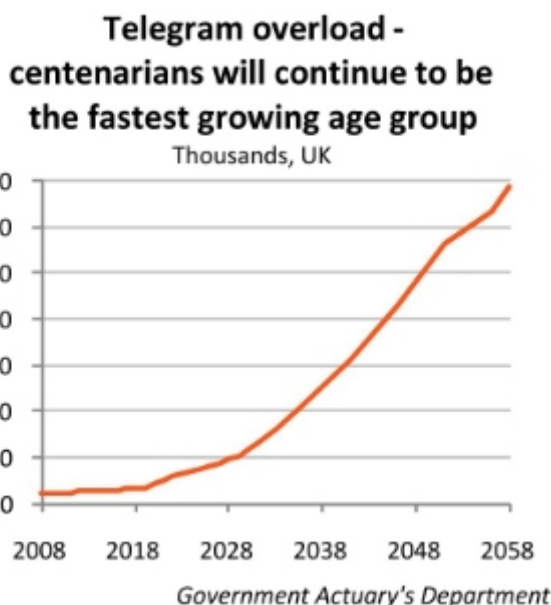


Figure 6 Growing aging group

The third one is obesity problem. People who have obesity problem need low fat food, this may lead the government and media to promote a heather lifestyle in Britain, and accordingly, organic fruits and vegetable will be more popular than before (NHS 2009).

Technology Factor

Technology revolution makes customer have more opportunities to buy organic food from different specific channels, such as supermarket, on line purchase and buying from organic farmland directly. Firstly, technological changes boost on line purchasing. Technological breakthroughs exert profound impact on enterprises Technology is not the only driving force of globalization, but also the company's competitive advantage in the market. Compared with other continent, UK has a well-rounded agricultural industry chain, involving import, processing, distribution, logistics, and retailing etc. Moreover, with advanced disciplinary research foundation and planting techniques, technology environment in UK is one of the best around the world. What also should be noted is the recent development of E-commerce. Online sales of organic food and related products reached £4.1 million a week in UK.



Figure 7 Organic market report 2013 SA.

It is reported that a mounting number of retailers choose more convenient online channel to promote organic food. Figure 7 shows that the channels share of the UK organic market are multiple retailers, box schemes /home delivery/mail order, other independent retail respectively from 2004 to 2012. Among them, multiple retailers soars from 75.3% to 70.7% in 8 years, while other independent retail increased unstably. However, box schemes, home delivery and mail order have a dramatically increasing from 2.6% to 10.6% from 2004 to 2012. There is an obvious increase of purchasing on line compared to traditional field buying. The following data indicates 5 supermarket's organic sales online 2012. To summarize, seizing the opportunity and cutting-edge technology will be the key factors in the years to come.



Figure 8 Organic market report 2013 SA.

Environmental

Due to the basic requirements of organic food, production is prohibited to use planting pesticides, fertilizers and other synthetic substances in the production process. This special feature may make full use of biological and physical pest control methods to avoid the result of the use of chemical pesticides to kill a lot of beneficial insects, beneficial birds, beneficial animals, maintaining the original ecosystem balance; its rational use of organic fertilizers and agricultural waste, fertilizers and other chemical compounds to prevent the destruction of agricultural soils which indirectly avoid the loss of large amounts of fertilizer draining into rivers and lakes. Development of organic foods can protect biodiversity, control source pollution of agricultural nonpoint and maintain regional ecological balance. From the perspective of the protection of the rural environment perspective, organic food is an emerging environmental industry. It is a clean production system in the country. As a result, with regard to environmental factor, organic food has inherent advantages that will be extremely instrumental for its long-standing advancement.

Legal and Policy

In 2007, EU introduced the "Organic Agriculture Ordinance" that puts forward strict standards on the plant cultivation, animal husbandry, aquaculture, wine brewing organic food production and import of organic products from third countries. In other words, it is essential to obey the relevant laws and regulations if a firm has an inclination to be prosperous in this market (Lairon 2010, p33) As both EU and UK has enacted strict laws and regulations on organic food and its production (Datamonitor 2010, p.5), so whether a firm can obey the rules can be a basic requirement in the market. What's more, legal norms play a major role in the development, guarantee and supervision of this industry. Along with social and economic advancement, enterprise business becomes increasingly complicated and subsequently facing potential legal problems (Harper 2009, p.287). If the legal issues cannot be detected in time, they may therefore suffer losses.

Summary for PESTLE Analysis

From PESTLE analysis, it can be seen that the current UK organic food market needs more support from UK government. It needs a more flexible market plan to match the inflation and a prediction to inflation. From the social factor analysis, it needs an integrated market segments to cater customers' demands. With technology revolution, UK organic food supplier should have a specific selling plan to capture maximum profit and introduce experience form London organic food development. Apart from the government support, UK organic food companies should regulate their behaviours based on laws with regard to UK organic food.

Market Segments

In order to have a more practical strategy, this part will divide UK organic food market by age, geography and customer type.

By Age

As aforementioned above, organic food is relatively expensive than the normal food. Considering its unique feature and function, the targeted consumers are most in the high end market. Thus, a number of businesses focus on the promotional plan towards middle-aged and elders due to their comparatively good economic condition. However, there is a bewildering trend that a mounting number of young people are purchasing organic food, which accounts for a big proportion in the consumption. Therefore, it is advisable to deem the young generation as a major force in the organic food industry apart from middle-aged and elders.

By Geography

To analyse British organic food market's internal situation, it is demonstrated to be the biggest consumption of organic food market appeared in London. They are midlands, Wales, East England etc. From the statistic in Figure 9 we can see that on one hand, London has a relatively and gradually mature market than other zones. While London is the capital of the UK it has loyal and massive customers who have ability to consume organic food. Compared to London, other zones whereas have more spaces to develop their organic food market because of the popularity of organic food in UK.



Figure 9 Organic market report 2013 SA.

By Different Items

Researching the specific items of organic food reveals different consumption preference. The three biggest categories of organic food – dairy, fruit and vegetables, and fresh meat – saw supermarket sales fall by 6.5%, 14.8% and 22.7% respectively. In contrast, organic milk bucked the trend in dairy sales growing by 1%, with 2009 being the best year for organic milk sales on record, and organic baby food sales, resilient throughout 2009, grew by 20.8% passing the £100m mark. (soil association, 2010)

Marketing Strategy

As the market develops in the internationalised business environment, more organisations have tended to enter “alliances, partnerships, joint ventures, licensing agreements and networks” to increase their competitiveness and certainty (Shaw, 2003). It is also argued by Hamill and Stevenson (2003) that “being customer-oriented” has become more critical in the global business environment”. Therefore, it is astute to develop strategies based on a joint-working model and to use customer-led approach.

Following analysis in previous sections, there is a high priority to developing British organic food markets further as its growth is now plateaued as a result of the 4p.

The so-called 4P analysis is a kind of strategic marketing planning tool that links a firm or industry’s marketing strategy with its general strategic direction and presents four sides growth strategies. These strategies are Four major controllable factors of any marketing mix: product, price, place (distribution), and promotion (Business Dictionary 2013).

Before analysis, this essay assumes that British organic food firms need to have a marketing strategy according 4P market tool analysis. The following 4P strategy should be performed if a company would like to succeed in organic food market.

Product Strategy

In a market economy, organic food producers should be consumer-centric and should produce to meet consumer needs and preferences of the product, which is conducive to the development and expansion of the organic food market, thereby enhancing corporate earnings. (Design a customer-driven organic food market)The main strategy of organic food products shall include the following two aspects: product packaging strategy and product brand strategy. Packaging is the first image of the product presented to the consumer. With the continuous improvement of the people's requirements for product quality, green packaging should also be implemented (Datamonitor 2011, p.5). It should take safe, pollution-free and green into account for promotional purpose. Great packaging can reduce the loss of quality and quantity of organic food in the storage, processing, transport and marketing and other aspects of circulation, stabilize and strengthen the performance of their products (Baker 2012, p.995). Then, when designing a trademark of organic food, on the one hand, it is important to strengthen the ecological characteristics of organic food and to emphasize clean, pollution-free production process. On the other hand, the company should emphasize environmental standards for organic food production and achievements in order to get the consumer's trust and favor; this will enhance the image of labeling products and will promote sales (Datamonitor 2003, p.5).

Pricing Strategy

In the organic food marketing, the cost will be based on consumer’s consumption awareness, consumer psychology, purchase line as well as purchasing power and competitive factors. As the cost of organic food is higher than ordinary food, it gets a higher price. However, the firm cannot implement the high rate of increase. If the price is too high for consumers to afford, product's sales and market share will be affected seriously. Thus, trying to reduce the costs through comprehensive development and utilization of resources is a better approach. (cost saving to address to profits)

Distribution strategy (Place strategy)

Strengthening and expanding the sales distribution channels are the major elements to improve market share of organic food. Apart from supermarkets, establishing organic food chain stores would be an effective method to promote organic food and product (Makatouni 2013, p.148). Enterprises should be based on different situations to strict unify management system and to "provide consumers with quality service" as part of its corporate culture. Then companies need to build and drive the development of the food industry to adapt to a range of corporate culture with the establishment of brand image.

Promotional Strategy

Promotion strategy of organic food has to be related to a number of areas, including marketing and brand integrated marketing strategy, visual identity design, product packaging level creative design, product promotion planning and so on. To sum up, this paper focuses on organic food sales promotional strategies and advertising strategies. Implementation of organic food advertising is an important way to promote green consumption, and its function is to use green advertising that caters to the modern consumer psychology, and vigorously promote organic food. It can strengthen and enhance people's awareness of environmental protection and health, so as to achieve promotion purpose. In addition, enterprises should strengthen the capacity of public relations, like cooperation with the government, the media and other relevant departments (Makatouni 2013, p.148). With the help of broadcast, radio, the internet, TV, newspapers, magazines and other media tools, it can be instrumental to strengthen people's awareness and understanding of organic food, which will create a favorable external environment for organic food promotion.

Implementations

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Conclusions

Firstly, this paper defines the conception of organic food and illustrates the characteristic of organic food and the developing history of UK organic food. And then, based on accurate data, it analyses UK organic food market situation with PESTLE tool. Finally, it figures out possible market implications for the relevant companies to increase sales and expand market share with 4 P market strategy analysis.

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