

The retail of welfare-friendly products: A comparative assessment of the nature of the market for welfare friendly products in six European countries.

Emma Roe, Jonathan Murdoch and Terry Marsden, School of City and Regional Planning at Cardiff University

Introduction

This paper attempts to describe the market for welfare-friendly foodstuffs within larger retailing trends in six study countries in Europe (Norway, Sweden, Italy, France, the Netherlands and the UK). This is based on the findings to date from the work carried out by the work package 1.2 whose aims are to study the current and potential market for welfare-friendly foodstuffs. The aims of the current empirical stages of work package 1.2 are focussed on – what do retailers communicate to consumers about animal welfare? How is animal welfare framed? Are welfare-claims used on their own or within broader issues of quality? The following three phases of the current research project will briefly be discussed in this paper.

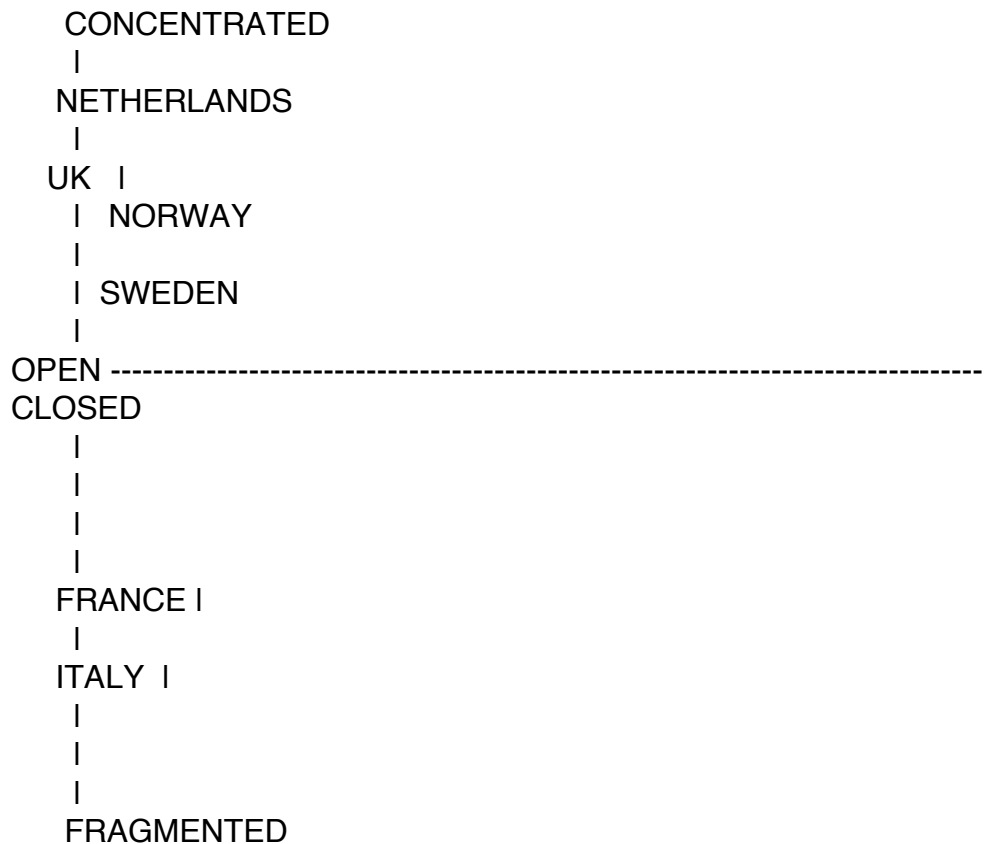
1. Review of secondary data sources to build up a picture of retailing trends and the market structure for the 5 product categories (dairy, beef, pork, poultry, eggs) across the six study countries.
2. A 'retail audit' of products provides an illustration of the diversity of products carrying 'animal welfare claims' existing in the market. Alternative marketing strategies of welfare-friendliness, such as corporate ethical promotion often not communicated on individual products labels, have therefore not been studied and are not included in this 'audit'. These will be studied in following research phases which focus on the retailers. It is important to note that there is no common definition of animal welfare and there are different conventions for communicating animal welfare. The findings from the 'retail audit' are suggestive of the explicit visibility of welfare- claims on products instore.
3. An interview-based study of 'non-retailer led labelling schemes'. Non-retailer led labelling schemes are those assurance schemes which both communicate directly to consumers in the form of a logo/label on packaging and which are the initiative of non-retailing bodies e.g. NGOs, Producers, Manufacturers.

Comparative retailing trends and market structure.

Generally, market concentration is increasing across Europe, with fewer and fewer retail companies dominating national markets. Yet, the nature of concentration varies from country to country (See figure 1).

Figure 1: Mapping retail structures according to four criteria.

Source: Murdoch, J. August 2004.



A 'concentrated' market has few market actors; in the countries discussed this can be for differing reasons. It may be 'concentrated' as a result of the process of mergers and acquisitions, or be 'concentrated' because strong producer cooperatives are controlling the supply of food to manufacturers and retailers, and in addition national regulation is reducing the flow of imported goods into the country. A 'fragmented' market has a large number of market actors, with weak integration in the vertical supply structure. National legislation may have protected small businesses from competition from large organisations and regional/local identities significantly shape consumer purchase habits. A 'closed' market typically has national regulation that is restricting the flow of imported goods, or alternatively a consumer purchasing culture that actively seeks out own-country products. An 'open' market has no regulation that restricts imported goods from being sold in the country.

- the Netherlands and the UK best illustrate the process of 'retail concentration' with 3 or 4 large retailers accounting for 70% of the total food sales. These retailers also use their buying power to source products from a number of diverse locations so these national retail contexts are not only concentrated but internationalised too.
- In Norway, we see a high level of retail concentration but here the major retailers are forced to source products from *within* the Norwegian agricultural

system. Thus powerful farmer cooperatives and wholesalers confront Norwegian retailers. Retail *concentration* does not translate into retail *power*.
- In Sweden, the nature of concentration is complicated by the federal structure of the main retail chains so that some considerable autonomy still lies at the individual store level.

While the trend to greater centralisation seems now to be set, this is likely to unfold in an uneven fashion across the sector. As in Norway, the Swedish market remains relatively closed despite the country's recent entrance to the EU. Sweden appears to be in the process of acquiring a more concentrated and open retail system.

- France and Italy have many of the same centralisation and concentration trends. Both countries retain a more traditional retail structure – which has been safeguarded to some extent by the state – and this structure still holds an important place in the overall retail structure. However, large retail chains are beginning to take over the bulk of the market (though this varies between sectors), with the consequence that further rounds of centralisation and concentration looks inevitable. Both France and Italy retain nationally specific retail structures that reflect, to some extent, the distinctive consumption demands of consumers in those countries. It is thus possible to discern some degree of market closure associated with a consumer culture that is rooted in regional and local culinary traditions.

2. Comparative analysis of animal welfare claims

In order to assess the presence of welfare-claims in the food market within the differing national contexts a 'retail audit' was undertaken. This audit sought to identify as broad range as possible of products and labels, as possible, in order to comparatively analyse the marketing of welfare claims on product packaging. To identify what was a welfare claim we took a very broad, inclusive and context dependent perspective, that reflects how consumers perceive the claims made on product packaging that suggest better animal welfare, rather than a precise, technical definition of better animal welfare. The reasons of this was that currently no clear objective technical definition of animal welfare exists and, rather than artificially creating one the research aimed at capturing as much variation in animal welfare claims as possible in each partner country. For example, in Italy a packaging claim that the product is GMO free is perceived as a welfare-claim because as Miele and Evans (2005)¹⁵ argue animal integrity is a concern for consumers expressed in worries about genetically modified animals and foodstuffs.

Products that appear in the audit can be broadly broken down into the three brand typologies based upon where they originate – producer, manufacturer or retailer (see table 1).

- **UK.** Retail market increasingly dominated by retailer brands. A few specialist

producer brands

and a growing number of manufacturers' brands.

- **France.** Retail market characterised by a growing number of retail brands but still dominant

presence of manufacturers brands. Producer brands also strong.

- **Italy.** Manufacturers brands dominate with a growing number of retailer brands.

- **The Netherlands.** Manufacturers brands still dominate but growing number of retailer and

producer brands visible in retail outlets

- **Sweden.** Producer brands dominate, growing presence of retailer and manufactured brands.

- **Norway.** Strong presence of producer and manufacturer brands. Very weak presence of retailer brands.

15

Miele, M. and Evans, A. 2005, European consumer's views about farm animal welfare. *Science and Society improving animal welfare*. WelfareQuality conference proceedings. 17/18 November 2005, Brussels

Table 1: A comparative overview of the make-up of the market for welfare-friendly products in each country relating to the type of brand 16

Originator of

Brand

Country

Producer brand Retailer brand Manufacturer

brand Total

No. of

products % of products No. of products % of products

No. of

products

% of

products

No. of

Products

FRANCE

43 22 62 31 93 47 198

UK

12 10 53 44 56 46 121

NORWAY

47 42 2 2 64 57 113

SWEDEN

42 58 9 12 17 24 68

ITALY

0 0 33 40 50 60 83

THE

NETHERLANDS 85 30 57 21 138 49 280

Data collected November 2004

- Within retail stores across all six countries there is wide variation in the degree to which animal welfare is marketed explicitly or implicitly.
- Brand segmentation of retailer own-brand products is arguably increasing the number of products that carry welfare-friendly claims. For example in UK, Italy, France and the Netherlands.
- In many cases animal welfare is part of an organic own-brand product range since animal welfare results from some of the components of organic production schemes.
- Currently, there is no explicit segment of a retailers branding strategy that is focused on animal welfare, but there are retailers, for example, the UK (Marks&Spencers) and Sweden (Coop) who make welfare-specific claims about what is in the store and what is not. For M&S it is that no battery eggs are used in the production of all products (they only sell own-branded products) and for Coop in Sweden they don't sell Goose-Liver, Light calf's veal or Belgium Blue meat.
- The type of products that get labelled welfare-friendly are often un-processed goods like fresh meat products. The manufactured products that often carry labels are milk, cheese and bacon, therefore, there is a significant presence in all countries of manufactured goods.
- Retailers privilege or adopt 'free-range' labelling more specifically for chickens and hens, than other animal species. The term 'free-range' is popularly used to talk about chickens and hens and in some countries (Norway, Sweden and UK) this term is being also applied to some pork products. Beef and milk products, with the exception of organic ranges, rarely carry any welfare-friendly product description.

16

It is important to note that this study provides only an illustration of the diversity of products that carry welfare-claims. It does not claim to be completely comprehensive. Therefore, unlabelled welfare-friendly initiatives are not included in the particular sampling strategy. For example, Coop Italia sell pork products which are produced at a non-intensive farming level, but this is not labelled on the product but instead is advertised through in-store advertising.

Broadly there are four categories of welfare marketing, specific to products instore that carry animal welfare claims on packaging, in which retailers can be placed. Where are the highest number of products labelled as organic? Where is the lowest number of welfare-friendly labelled products? (See table 2).

Table 2. Four categories of welfare marketing characteristics, specific to products instore that carry animal welfare claims on packaging, for different retailers in different countries.

Type of Claim

Country

Organic, less explicit welfare.

Welfare focused Quality and welfare Rare to find welfare or none.

UK Organic

Supermarket, Independents.

Marks & Spencers, Waitrose, Sainsbury, Fresh 'n' Wild, Tesco, Somerfield, Morrisons, Coop

17

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Asda,

Farmer's

market, Lidl

Italy Natura Si Esselunga, Coop,

Conad, Despar, Proda, Sigma, Standa, GS-Carrefour

Lidl

French Rayon Vert Carrefour, Auchan,

Casino, System U,

Monopix, Leclerc,

intermarche

Lidl, Ed

Sweden Hemkop, ICA

Malmsborgs, ICA,

Coop

Forum/Hypermarket,

Coop

Konsum/convenienc
e store
Citygross/Hypermar
ket, Maxi
ICA/Hypermarket,
AGS/Supermarket,
Axford,
The
Netherlands Natuurwinkel (The
NatureShop)
Albert Heijn,
Konmar, PLUS,
Super de Boer
C1000, Edah Aldi, Lidl
Norway Helios Ultra, Centra, Meny,
ICA Maxi, ICA
supermarket, Coop
Obs, Coop Prix
Rimi,
REMA1000

Data collected November 2004

There is a large amount of meat and dairy products that is produced to higher animal welfare levels than EU minimum standards but which are not labelled as such. This table indicates which retailers carry products that use animal welfare as an explicit marketing strategy on the product's packaging. We are not arguing here that some retailers have more welfare-friendly food products than others, because there are alternative marketing strategies which have not been covered in this research phase. Instead we are drawing attention to the scale and style of visible welfare-claims on product packaging within different retail outlets.

17

Despite Coop UK taking a lead in selling Freedom Food assured food, a remarkably small number of these products were found in two stores visited in both Cardiff and Bristol.

Welfare-bundling on packaging.

The welfare-friendly food market across the six countries appears very diverse and confusing with lots of different approaches taken by the retailers/manufacturers/producers. There is a range of products across the six countries that make welfare-claims, but there is little consistent information

about what these mean comparatively in terms of the level of improvement in an animal's life.

Products are packaged and marketed very differently. Some have just a single statement for example 'If animal welfare is important' by the Norwegian producer cooperative Nordgarden. Others make statements related to how the animal has lived, for example 'From free-range indoor hens'. Whereas others bundle animal welfare or animal well-being in with a number of other attractive product attributes including animal health, ecological embeddedness, sociological embeddedness, human health and quality/taste. Below is an example that includes all these attributes.

"The Devonshire Red™ is a slow growing chicken that has been specially selected for our West Country Free Range Chicken. They are reared using traditional farming methods on small West Country, family run farms. They have access to tree-planted fields, which encourages them to roam and show natural foraging behavior such as scratching, preening and dust bathing. This allows the chicken to live a fuller, more active and enriched life. The combination of the traditional breed, West Country Free Range farming methods and their natural diet produces tasty, succulent meat rich in flavour". Sainsbury's Taste the Difference Fresh West Country free range boneless chicken breasts (UK). In comparison a Swedish Kronfågel chicken product just carries the words 'Swedish chicken'. This conveys a welfare-claim because Swedes know that Swedish animal welfare regulation is higher so implicitly this product has good animal welfare. This difference between the two labelling strategies illustrates one of the key differences in the market for welfare-friendly food products that is a result of different institutional and cultural settings. The high national standards for animal welfare in Sweden have led to animal welfare becoming not just a non-competitive issue but also a non-issue in Sweden. Therefore few products carry welfare-claims. In contrast in the UK animal welfare is a competitive issue both between retailers and between products on the shelf. Product-tiering and brand segmentation has led to welfare-claims being actively used to create a range of products marketed at different quality levels on own-brand products and independent brands.

3. Comparative analysis of non-retailer led schemes

An interview-based study of 'non-retailer led labelling schemes' was carried out in the six study

countries. Non-retailer led labelling schemes are those assurance schemes which both communicate directly to consumers in the form of a logo/label on packaging and which are the initiative of non-retailing bodies e.g. NGOs, Producers, Manufacturers. The aims of this study were firstly, to understand which institutions are powerful market actors in communicating animal welfare-claims to consumers across the study countries? Secondly, how have the schemes developed? Thirdly, how significant are these schemes to the existence of a market for welfare-friendly food products?

- The industrial sector in all countries is responsible for most of the non-retailer led schemes. This is most striking in France and Italy where the fragmented nature of the market leads to a plethora of schemes.
- Organic schemes have a major role to play in the market for welfare-friendly products because organic products must legally state on the product which certification scheme that they belong to. Thus organic schemes are very visible in the market for welfare-friendly products.

- The bundling of welfare into quality reveals a number of quality labelling schemes to be significant within the market, particularly in France and Italy.
- NGOs are very involved in the promotion of welfare-claims in the UK and Netherlands.
- State-led schemes are only found in Sweden, Italy and Norway along with a number of producer and manufacturing schemes.

4. Conclusion

The study of the market structure across the six study countries has provided detailed understanding of the contrasting market and institutional dynamics which affects the development of a market for welfare-friendly food products. The first two empirical phases to the workpackage have started to illustrate the complexity of the welfare-friendly food market. Manufacturers are particularly powerful in the current market for communicating welfare-friendly foodstuff, but the influence of retailer own-brand products is growing, particularly within countries that have a concentrated supply structure and an open market. Non-retailer led labelling schemes support the communication of welfare-

claims primarily through how welfare is bundled into claims about quality. The next empirical phase will build on these initial findings through an interview-based study of retailers and other supply-chain actors for welfare-friendly food products across the five product categories. The aims of this phase are to understand how products that communicate welfare-claims reach the shop-shelf through investigating the post-farm-gate production, manufacture and marketing.