Chapter 15
The Role of Private Labels in the Organic Food Market

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ABSTRACT

The organic food market has become one of the most rapidly growing sectors in developed economies around the world in the last decade, but it has not grown at the same pace in all the countries. The review of literature clearly indicates that the main motivations of the Spanish consumer to buy organic food are Health, Taste and Quality; also reveals that the main barriers are related to Price and Availability. The organic Store Brand appears as an opportunity for retailers to overcome those barriers, the price gap and the lack of availability. This study investigates the role of Store Brands in the development of the organic food product category. The authors provide a comprehensive picture of the current status in the Spanish distribution channels and review some PL strategies for the retailers to develop the category in different marketing areas such as branding, labelling, pricing, merchandising and promotion.

INTRODUCTION

In order to understand organic products and the current status of the food industry, we must look back over recent history. In 1900, the world’s population was blighted by poverty, and infectious and nutrient-deficiency diseases were common. The 20th century witnessed unprecedented political, social, and economic changes. At the same time, scientific and technological advances took place at a faster pace than ever before. A combination of the above factors impacted the way food is grown, processed and marketed today.

In a comprehensive review of 20th-century milestones in the food processing evolution, Welch and Mitchel (2000) distinguished two very distinctive periods:

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• The first half (1900–1950s) was characterized by profound political, social, and economic upheavals, when the major concerns were ensuring an ongoing supply of food to sustain the population, preventing or alleviating deficiency diseases, and reducing the incidence of food-borne diseases.

• The second half (1951–1999) was a time of political and economic stability, paired with increasing prosperity, which changed the focus. At the same time, improvements in medicine, in particular the mass production of antibiotics and the peacetime baby boom, led to an increase in population growth.

The changes took place across the different stages of the food production chain, from agriculture to processing and marketing. The modern agricultural period began after the Second World War, when industrialized countries concentrated on increasing productivity of their crops in order to be more self-sufficient and thus avoid the supply problems experienced during the war. From 1945, developing countries achieved stunning increases in agricultural production in what today is commonly referred to as the “green revolution”, principally by using new varieties of crops (crossed plant varieties) such as wheat, rice, and corn, and increased use of pesticides and oil-based fertilizers combined with mechanization.

In the last decade, concerns regarding health issues have intensified, with the articulation of civil movements around consumer associations and non-profit organizations to raise awareness of the health issues associated with the new farming and processing methods. The modern production techniques not only affect agriculture, but also livestock, and imply selection of the most productive seeds and animal species, leaving the rest to disappear gradually due to a lack of use and interest.

The mass production of food also brought with it the concentration of trade in the 1980s and the development of large retail chains with cross-national interests. These big market players in the current scenario place large orders of products that can only be delivered by large-scale production, creating a virtuous circle of big buyers and farmers concentration to meet large-scale orders.

Finally, the availability of mass-produced products has generated changes in consumer behavior and brought about a standardization of lifestyles. Food security campaigners are now more concerned than ever that farmers are becoming dependent on large multinational corporations (MNCs) that use genetically modified organisms (GMOs) to the same end of increasing productivity by making crops either withstand direct application of herbicide, and/or produce their own insecticide.

Ironically, while large retail groups are in part to blame in the development of modern agricultural methods and GMOs, which arose as part of the quest for more productive crops and longer-lasting groceries to meet demand and endure longer distribution lead times, organic Private Labels from large retailers could be also a good way of helping the development of the organic food market, although this may seem contradictory.

This chapter focuses on the role that can be played by Private Labels (PLs) in the development of the organic category in Spain. To that end, the authors review the structural barriers, as well as consumer attitudes towards organic products, in order to obtain a comprehensive picture of the current status in the distribution channels and review some PL strategies for the retailers to develop the category in different marketing areas such as branding, labelling, pricing, merchandising and promotion. Finally there are some recommendations which develop the findings of the study.