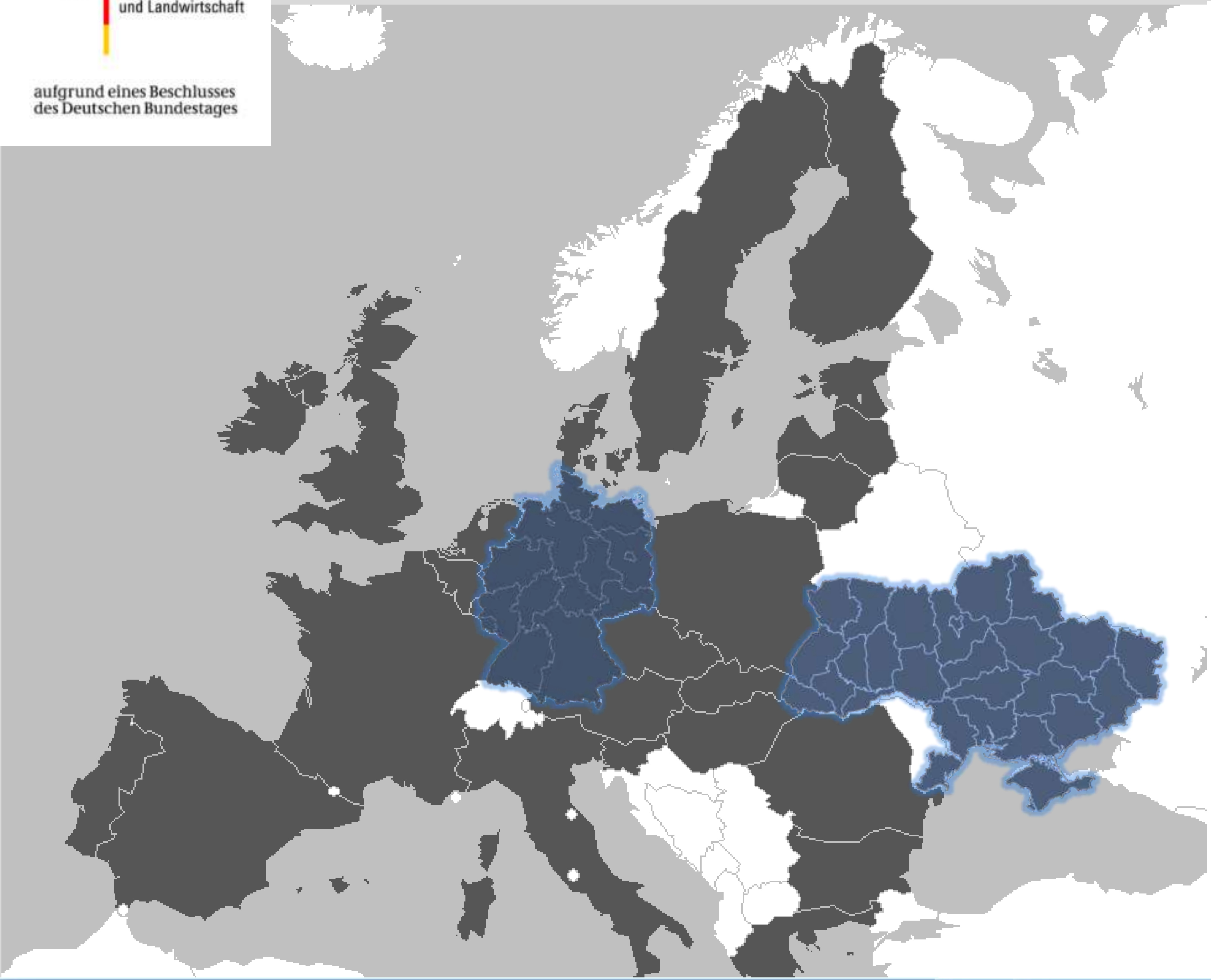
Gefördert durch:
Bundesministerium für Ernährung und Landwirtschaft
aufgrund eines Beschlusses des Deutschen Bundestages



ATU Agritrade Ukraine

Органічна Україна

Conference Organic Processing & Marketing

October 25th, 2018, Kyiv

German Organic Supermarkets

Agritrade Ukraine

Advising Ukraine on Agricultural trade Issues – within the Framework of the EU-Ukraine Deep and Comprehensive Free Trade Agreement (DCFTA)

(UKR 15-01)

André Pilling

GFA Consulting Group
AFC Agriculture & Finance Consultants
IAK Agrar Consulting

AGENDA

1 BASICS

1.1 German retail market
1.2 Distribution types
1.3 Development
1.4 Operational requirements
1.5 Legal requirements
1.6 Seals and logos
1.7 A practical example: The e-sign

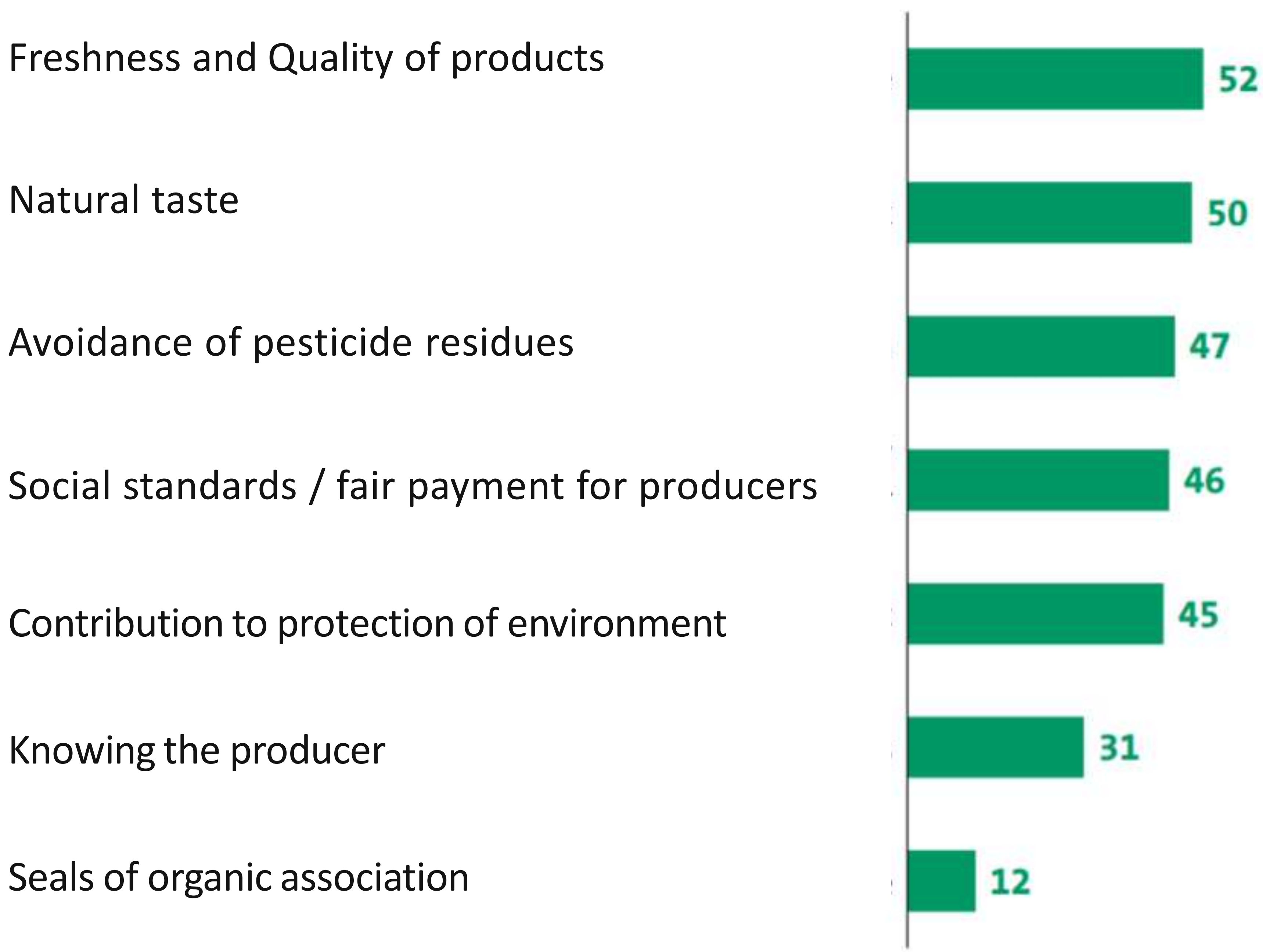
2 SALES

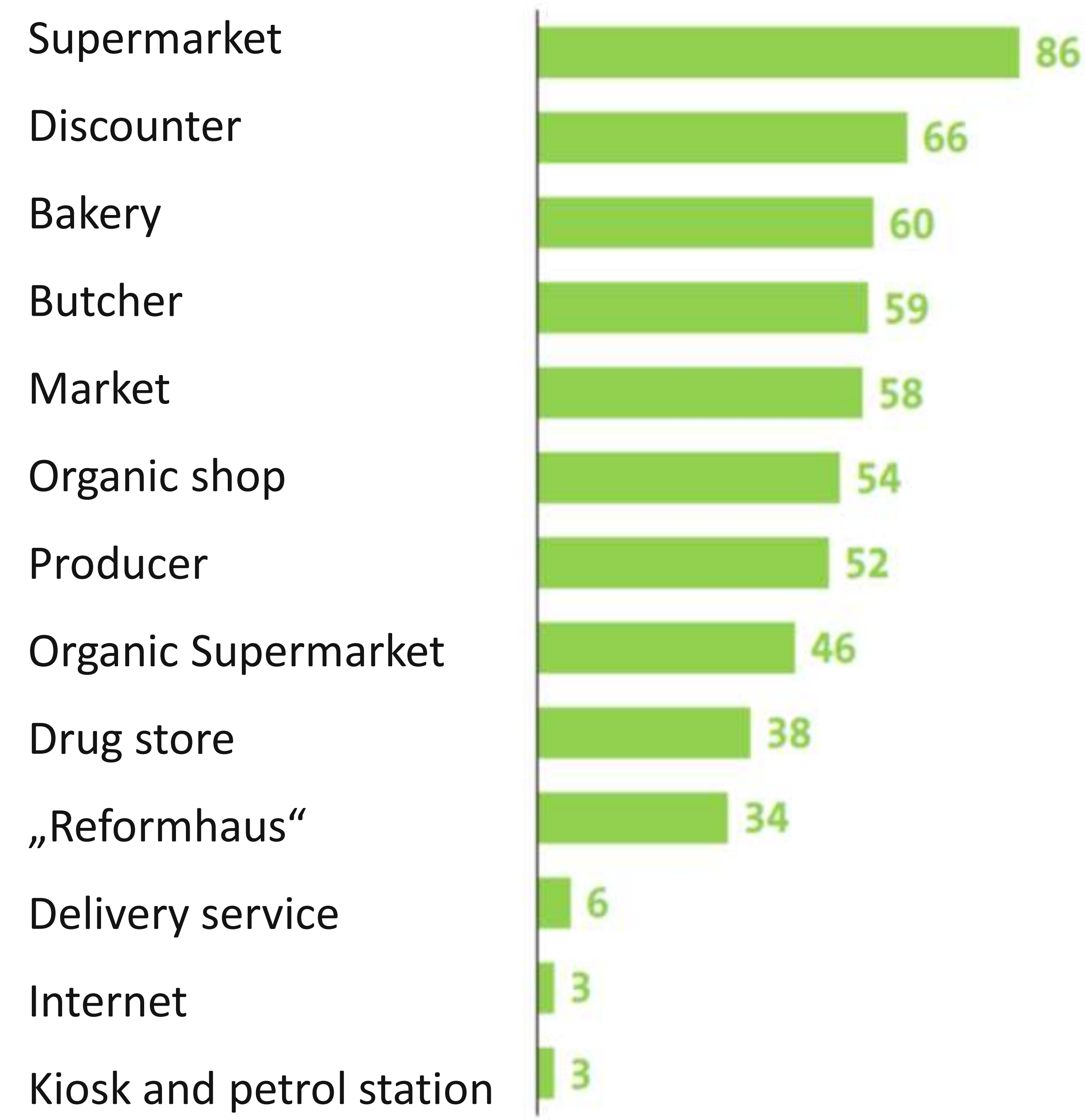
1. Distribution strategy
2. Checklist
3. Marketing

BASICS

GERMAN ORGANIC MARKET

WHY & WHERE DO GERMANS BUY ORGANIC?



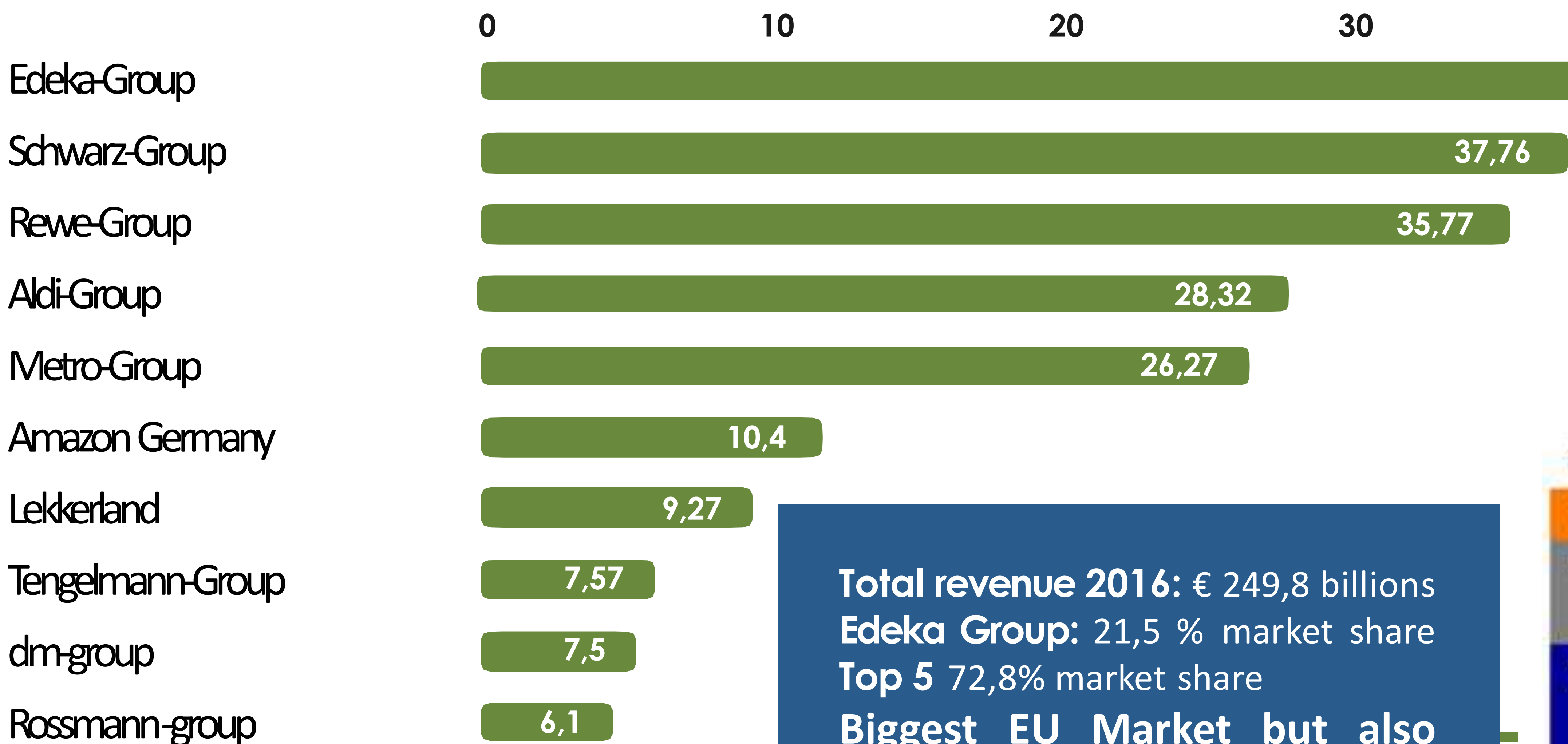


GENERAL OVERVIEW – Organic in Germany

Organic acreage in Germany:	**1,1 Mio ha**
Percentage of organic acreage (of total)	**21,9%**
Ecological Farms:	**29.174**
Companies that use organic seal	**5.124**
Products in Germany wih Organic seal:	**77.911 (from 2004 to 2018)**

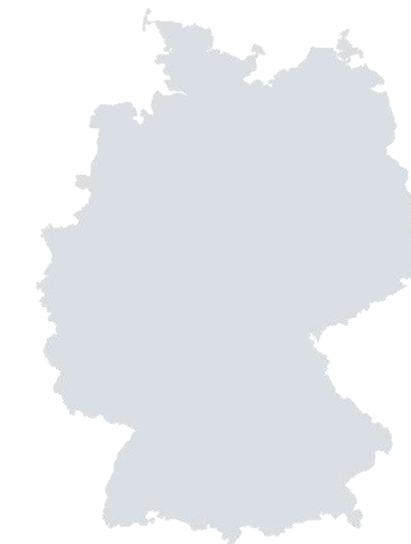
GERMAN RETAIL MARKET

GERMAN FOOD RETAILERS/ REVENUE IN BILLIONS €, 2016



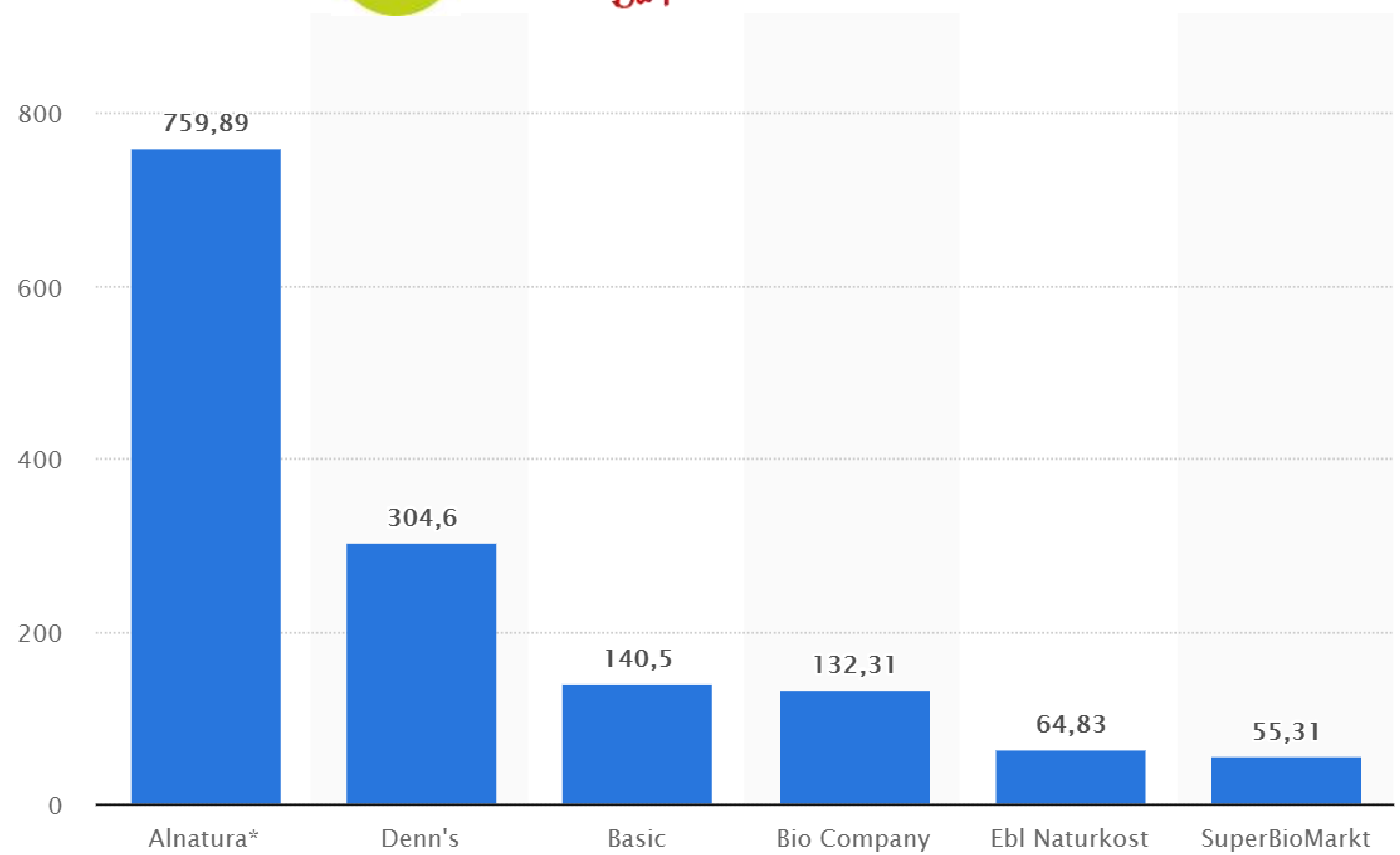
Total revenue 2016: € 249,8 billions
Edeka Group: 21,5 % market share
Top 5 72,8% market share
Biggest EU Market but also highly competitive

ORGANIC MARKET IN BILLION €



GERMAN ORGANIC RETAIL MARKET

GERMAN ORGANIC RETAILERS/ REVENUE IN MILLION €, 2015



DISTRIBUTION TYPES

TYPICAL TYPES OF POS IN GERMAN RETAIL

SELF-SERVICE „TANTE EMMA“
< 200 м²

SMALL SUPERMARKETS
200-400 м²

SUPERMARKET
400-1.499 м²

HYPERMARKET
1.500-5.000 м²

DISCOUNTER
<1.000 м²

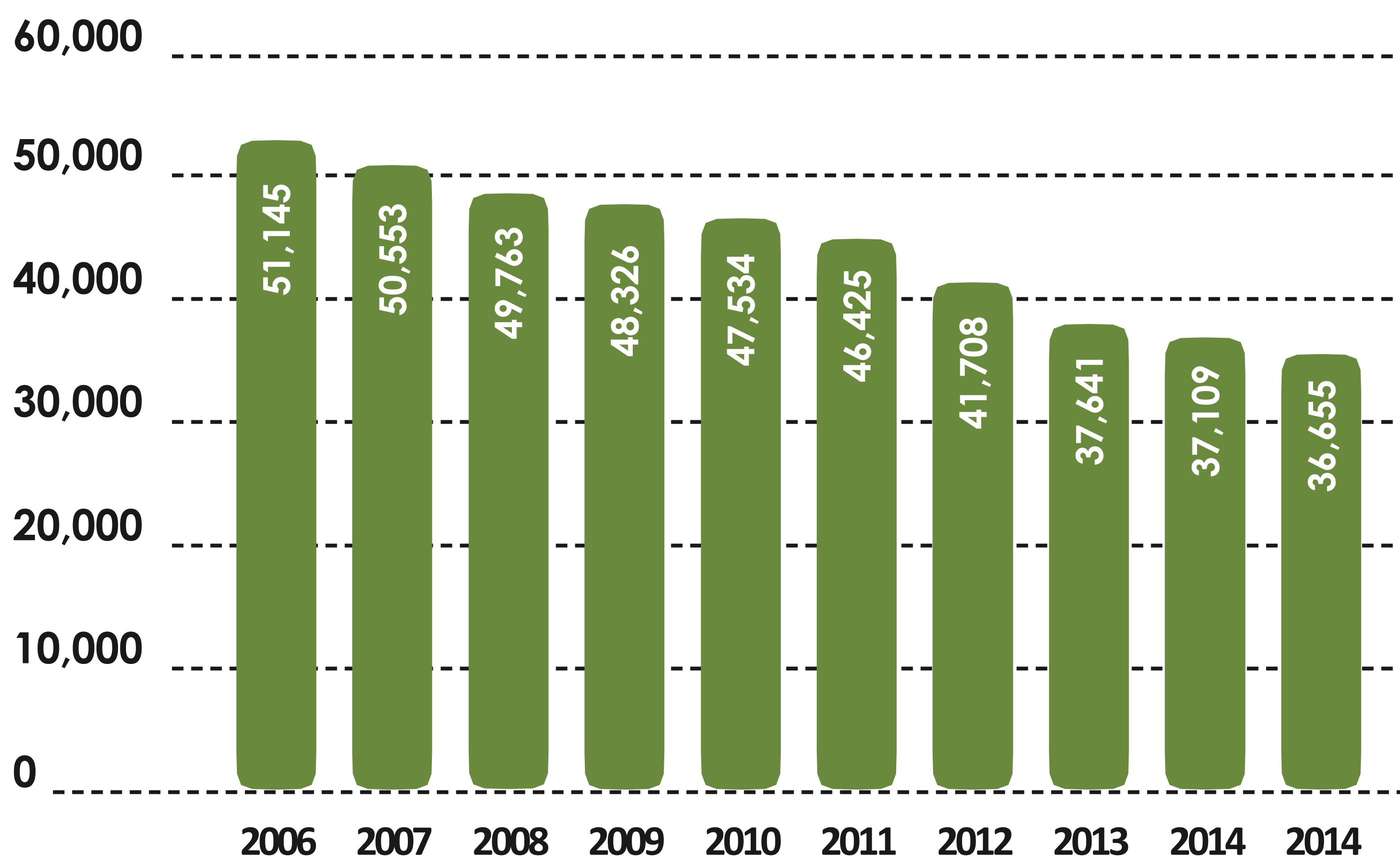
CASH & CARRY MARKET
10.000-18.000 м²

DEPARTMENT STORE
>5.000 м²

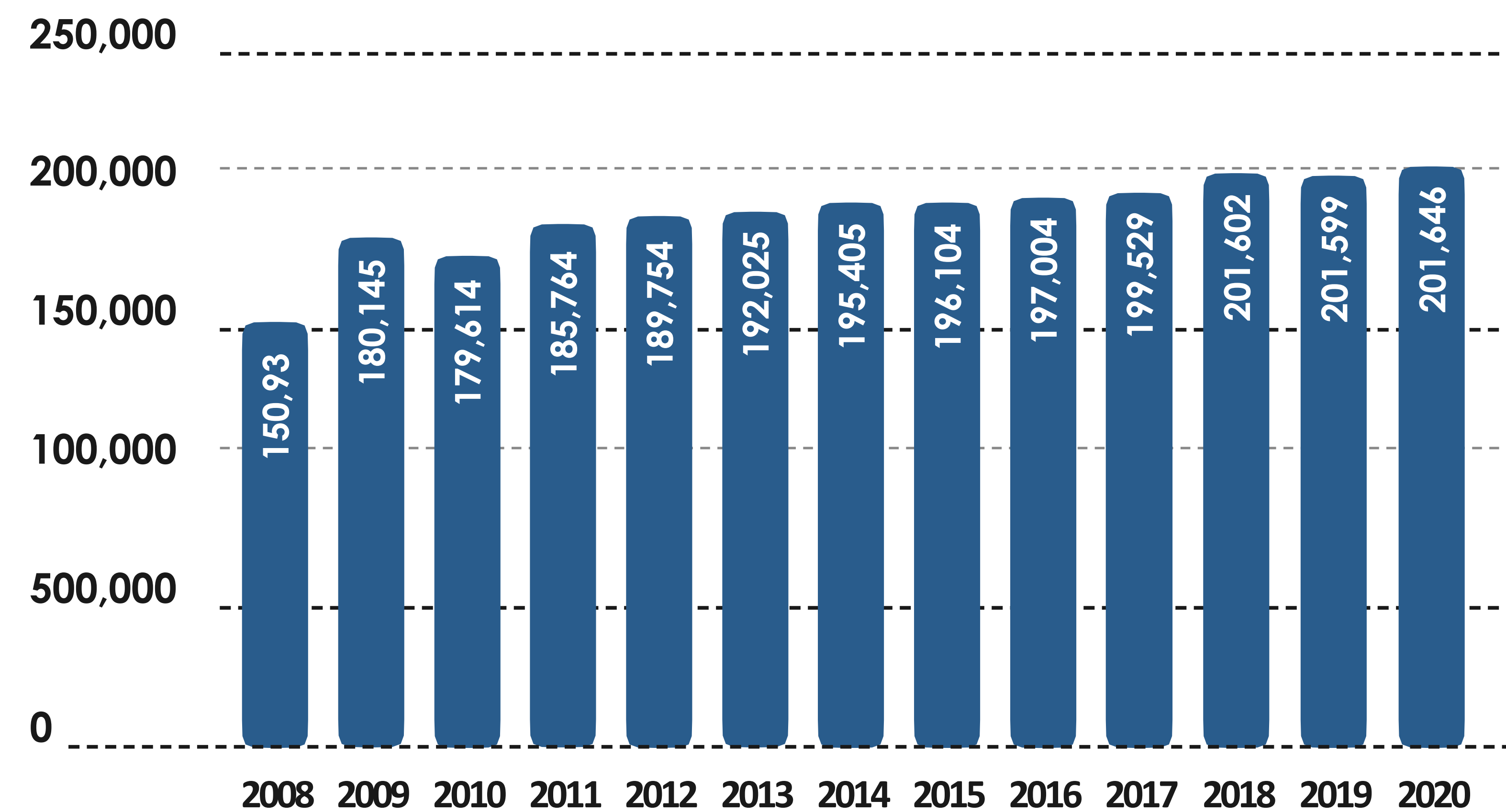
CONVENIENCE SHOPS
35-100 м²

DEVELOPMENT

FEWER POS LEAD TO INCREASING REVENUES



NUMBER OFSTORES



REVENUE IN MILLIONS€

- GREATER SALES SPACE PER MARKET
- HIGHER SALES DENSITY

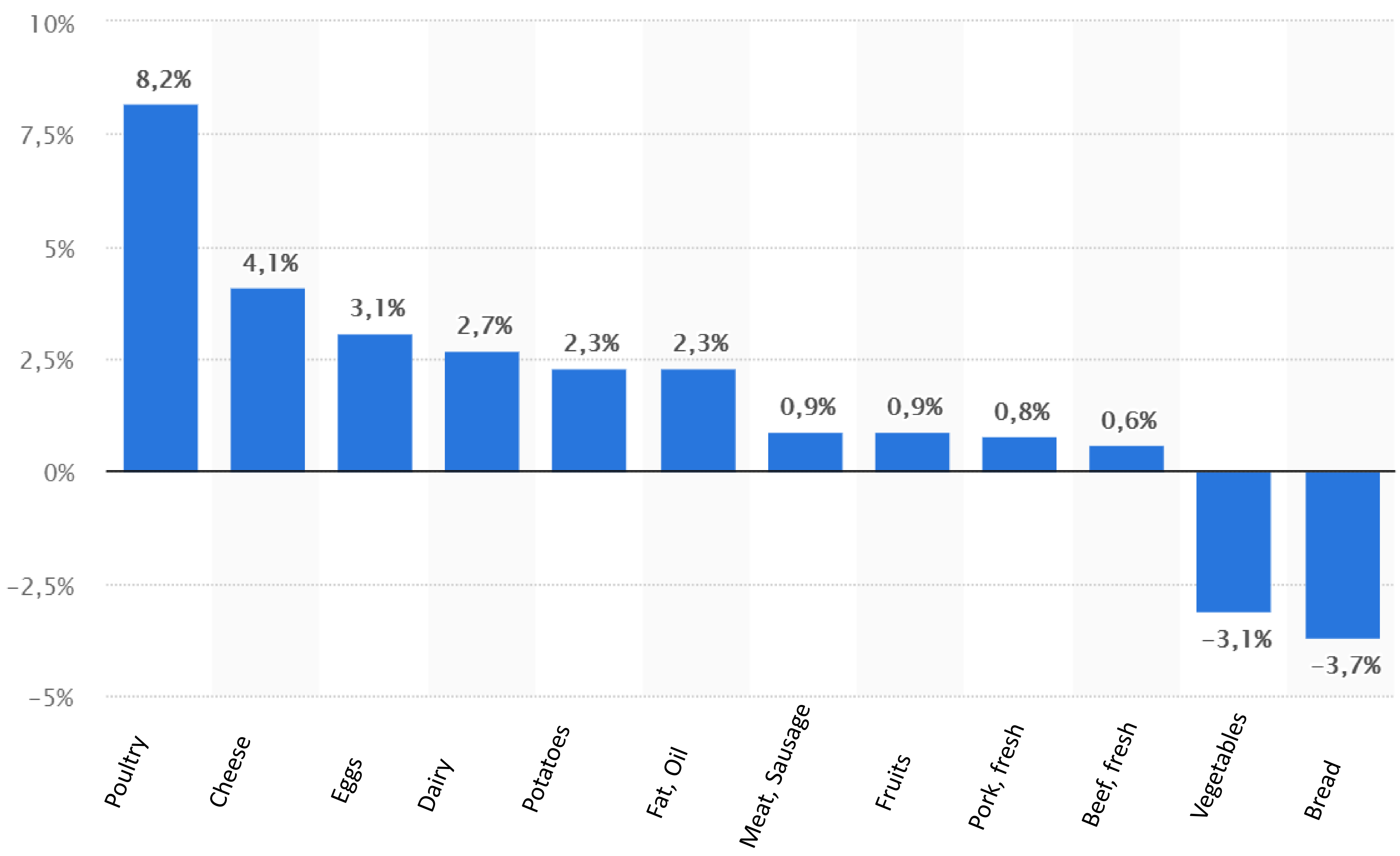
DEVELOPMENT

CONSUMER BEHAVIOR AND MEGATRENDS

- Increasing proportion of elderly population
- More single households
- „Sustainability“ becomes ever more important (market volume of organic products: € 7 billion)
- German consumers are very price sensitive (64 % of consumers want to save money on purchases)
- E-commerce is gaining popularity

- Traceability and origin of products are getting more important
- Authenticity is valuable (manufacturies, small specialists)
- Regionality is getting more relevant
- Consumers do not favor genetically modified food (despite of authorisation by EU standard 1830/2003)
- More information here: AC Nielsen, GfK, Panel-Data

Price Development in German Organic Market (2017 -2016)



CASE STUDIES FROM EU-MARKET

AUTHENTICITY, REGIONALITY, (PRIVATE LABEL)

HOLISTIC APPROACH, CONCEPTS

compostable
EN13432

ORGANIC+ (ORGANIC 2.0), ADDED VALUE

Rohkostqualität die schmeckt

Alle Produkte von lifefood haben Rohkostqualität und sind biologisch hergestellt. lifefood Produkte sind außerdem vegan, glutenfrei, laktosefrei und ohne Zuckerzusatz.

CO_2

CASE STUDIES FROM EU-MARKET

TRACEABILITY, TRANSPARENCY, SUSTAINABILITY

“GERMAN EXTREMES“

1.5 Expansion Organic Supermarkets & Discount

2/3 of total turnover already in supermarkets & discounter

OPERATIONAL REQUIREMENTS

DOES MY COMPANY FULFILL THE REQUIREMENTS OF THE GERMAN MARKET?

- Know-how about German market existent?
- Experiences with Germany / Distribution partners?
- Logistical links / GLN-number existent?
- Foreign language competencies? (German / English)
- German / English website
- Export licences
- Contact person / clear responsibilities
- Electronic invoices? / Merchandise management integrated?

- Quality standards
- Certificates
- Traceability

SUPERMARKETS HAVE TO SECURE THE SUPPLY CHAIN!

- Some listings not possible without certification (Quality management)
- Certificates and quality management are positive competitive factors

OPERATIONAL REQUIREMENTS

FROM FARMER TO COUNTER

SEALS AND LOGOS

DECLARATIONS

Disposal / Recycling? **DUTIES OF PRODUCT DISTRIBUTOR!**

Added value for human and environment? **SHOW IT!**

THE BASIS FOR USING SEALS HAS TO BE CONSIDERED CAREFULLY.

To use a seal previous and yearly audits by three independent institutions can be necessary.

Typical German: Behind almost every logo there is a distinct institution or seal-initiative

TRADE RELATIONS

DISTRIBUTION STRATEGIES AND PRACTICAL PROPOSALS

DISTRIBUTION STRATEGIES

IMPORTERS

INTERMEDIARY AGENT

DIRECT DELIVERY TRADE

LICENSING

STORE /SALES OFFICE

WHOLESALER

INTERNET-TRADE (B2C)

PACKER (RAW GOODS)

DISTRIBUTION STRATEGIES

IMPORTERS

- Experience w/ legislative requirements
- Existing trade networks
- Storage and product risk lie w/ importer
- Storage facilities and services
- Experience w/ imports

STORES /SALES OFFICE

- Direct contact and control options
- Allows fast exchange of information
- Higher investments
- Running costs due to operative business

DISTRIBUTION STRATEGIES

WHOLESAILER

- Existing trade structures
- Takes over product risk and liability
- Lowest involvement in product development
- No direct contact to end customer

INTERMEDIARY AGENTS

- Partaking in product development
- Existing distribution contacts
- Contacts to providers
- Price control / provisions
- No direct sourcing
- Control depending on contract

DISTRIBUTION STRATEGIES

DIRECT DELIVERY TRADE

- Low investment
- Direct communication
- Direct information
- Higher management effort
- High costs for logistics
- Higher costs for marketing & sales

INTERNET-TRADE (B2C)

- Direct contact to end customer
- Highest margin
- Logistics efforts very high
- Products need to be ready for sale
- Product risk lies completely on supplier

DISTRIBUTION STRATEGIES

LICENSING

- Low investment
- Lower management effort
- Lower profits
- No direct management
- Legal efforts (brand etc.)

PACKER (RAW GOODS)

- Existing business
- Higher volume
- Established distribution channels
- No influence on marketing
- No chance for the brand

CHECKLIST

- Do multi-level cost estimations exist? (Ex works, wholesaler, retail trade)
- Are there logistics providers for my assortment?
- Sales folders, catalogues in German?
- Are repackaging and transport packing available?
- Do I sell own brands or brand products?
- Are the packing patterns (boxes) based on euro pallet measures? (1,20 x 80 cm)
- Are my products suitable for sales displays? -1/4 Chep
- Resealability / Yes / No ?
- Beverages: Glass, plastic – disposable or reusable
- Does the coding correspond with the barcode for every product?
- Does my product have USP?
- Do I communicate the USP clearly?
- Are my slogans / advertising messages appropriate for Germany?
- Is the record-keeping system conclusive? / Does the traceability system work?
- Is the minimum duration date correct?

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БУДЕМО РАДІ НАШІЙ СПІВПРАЦІ!