

Study on Sales of Environmentally-Friendly Agricultural Products by Mass Retailers

- Current Status and Challenges of Private Brands (PBs) Designed for Consumers' Safety -

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1. Background and Objectives of the Study

Although it has been nearly 40 years since organic movement emerged in the 1970s, environmentally-friendly agricultural products currently account for less than 1 % in the market. BSE, bird flu and several food frauds increased consumers' awareness toward food safety, while price competition became severer due to recession in recent years. Faced with consumer's ambivalent needs, some mass retailers started to sell private brand products designed for consumers' safety. Expanded sales of environmentally-friendly agricultural products in mass retailers could potentially contribute to the growth of the organic market.

Focused on such private brands, the objectives of the thesis are A: to reveal the trend of PBs and the incentives toward the development, and B: to demonstrate the strong points, differences and challenges of the PBs of Aeon (largest in the retail industry) and Heiwado (9th largest), which are selling relatively large amount of PBs.

2. Methods

Based on a literature review on consumer's attitudes toward environmentally-friendly agricultural products, interview surveys were conducted to person in charge of PB in Aeon and Heiwado. Additional information of other 5 companies selling PBs among 27 mass retailers that have over 200 billion yen sales were collected through companies websites, environmental reports and interviews conducted by phone.

3. Results and Discussions

A: The majority of standards of pesticides and chemical fertilisers usage levels are 30-50% cut compared to average usage. Sales prices are maximum 30 % higher while Aeon sells at around the same price as ordinary products. It is found that specially cultivated products are not accepted by supermarkets because of strict regulations at stores and the risk of violation of them. Additionally, Aeon is found to be the only one that discloses information about the usage of pesticides and chemical fertilisers.

B: Strong points – Aeon: overwhelming capital strength and a strong will as the leading company. Heiwado: clear target setting, flexible adjustment of standards, and effective cooperation with wholesalers. Common strength: 1. Both companies have clear PB policy, and 2. design them not as special products but as daily products.