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Organic Foods in The Norwegian Market:
Are Organic Food Products Bound to be a Niche?

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Master Thesis within the main profile of International Business

ABSTRACT

After the first and second Industrial Revolution that took place from mid-18th to mid-19th century, farming practices all around the World have changed from a natural baseline to an industrialized one. To get bigger yields and feed the ever increasing population, this meant the use of synthetic pesticides and fertilizers fallowed by genetic modification of crops. However, last decades have seen criticism focused on industrialized farming practices as the rising issues of global warming and environmental preservation became important. Today, all around the World there is an increasing trend of going back to old organic farming practices to preserve environment and to mitigate health risks associated with conventional farming.

Therefore, the purpose of this master thesis is to analyze the Norwegian organic food market and its practices to determine if organic foods can occupy a significant market segment that goes beyond a small niche, and if Norway has the dynamics to house a profitable organic segment in the upcoming years without significant government support.

To accomplish this tall task, this thesis first establishes background analysis of organic food development in the context of health and environment, followed by the literature review with a focus on consumer attributes and green marketing. After establishing the baseline for further analyses, the author focuses on Norwegian organic food industry and the Norwegian consumer profile analyses. On the final part, these findings are put as guidelines for organic food marketing and the thesis is finalized by presenting the ICA case, I love Eco assortment, as it exhibits the best practices for organic food marketing in Norway. The finalized focal findings of this study suggest how organic brands and producers of today should alter and enhance their marketing strategies to communicate the organic message and its benefits better.

PREFACE

This thesis was written as a part of the Master of Science in Economics and Business Administration program, Major in International Business. The author put effort to contribute to the research community in marketing and bring attention to the uprising organic food trend in the European markets. The author have investigated and analyzed organic food production, consumption and consumer attitudes in the Norwegian market to assess organic foods' market position in relative to conventional food products. To achieve a broad view of the market, a cross disciplinary theoretical approach has been conducted by using brand management, marketing and consumer behavior theories in connection to each other.

The thesis is aimed to have a unique holistic view over the entire Norwegian organic market and thereby, all necessary moderating factors that play an important role determining organic foods' true market power are analyzed. By doing so, the author aims to lay foundations for a future study that will solely focus on how to position organic food items in the Norwegian market to achieve a significant market share. The proposed topic for future study area was initially aimed as a part of this study; however, to conduct a significant empirical research that can determine such positioning strategies for the Norwegian market, a considerable number of primary data needs to be collected. Due to the time limit of this thesis and financial requirements of such a study, the author considered collection of such data to be beyond the focus of this thesis; therefore, the study, to a certain extent, deviated from the originally intended framework.

The finished work occupies a strong position as a start point, perhaps a benchmark, of any future research that will be conducted in the organic food field. However, limitations in secondary data availability such as; detailed local data on the production cost of organic farming and especially the lack of diverse local market data on organic brands and their products, still sets a limitation over the work. Unfortunately, to date, most of the mentioned data still is unavailable or considered confidential.

Finally, the author takes a moment to address his gratitude to his supervisor, Herbjørn Nysveen, for his support, valuable comments and guidance in this work, and his thanks to Norwegian School of Economics for having excellent research facilities and capabilities.

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1 INTRODUCTION

After the industrialization of agriculture in mid-twentieth century, an increasing number of farmers started to use synthetic pesticides and fertilizers fallowed by genetic modification of crops and seeds to get higher and bigger yields. Although, this trend managed to feed the ever increasing human population, during twenty first century, with the rising trend of global warming and environmental conservatism, the industrialized farming practices started to get more criticism. Today, all around the world, there is an increasing trend of going back to old organic farming practices to improve environment and to possibly mitigate health risks associated with conventional farming. Many governments in Europe already started to support organic farming as a stage in their environment preservation and pollution prevention strategies. In Europe, organic and local food is an important part of the 450 scenario: A climate change mitigation scenario that limits CO_2 emissions to 450 parts per million with the aim to limit impacts of global warming. Furthermore, feeding the increasing population in a sustainable manner has considered being a top priority in the upcoming years. Nobel prize winner, Dr. Richard Smalley, emphasis this urgency on his well known list "Top Ten Problems of Humanity for Next 50 Years". On the list, Smalley stated food as the third biggest problem humanity is facing after energy and water issues.

Therefore, in light of these problems there is an ongoing research on environmentally sustainable ways to feed the increasing World population in which according to some forecasts will reach 7.5 billion in 2020, focusing mainly in the urban areas. Many countries think that organic food production practices with the use of new and advanced energy efficient technologies might be the answer to this century old problem. The purpose of this thesis then is to analyze the Norwegian organic food market and its practices to decide whether the promised solution can actually go beyond the current existing organic niche and if it can occupy a profitable segment in the upcoming generations.

1.1 Problem Statement and Research Questions

The problem statement of this master thesis can be summarized as the fallowing:
To what extend can organic food products occupy a significant market share in the Norwegian food retailing industry and are organic foods bound to be a niche market without the extensive governmental support on organic food production?

However, after broadly defining the problem statement for this thesis, it would be convenient to raise some additional research questions which can in turn, be used as guidelines on the road towards a matured organic food market in Norway. Moreover, these research questions make it possible to segregate the main problem of this thesis into smaller and easier to digest parts, and therefore, to underline the different moderating factors effecting the size and state of organic food market. According to this description, the relevant research questions are as it fallows:

1. How strong and important are the organic and local food trends with respect to the increasing health and environmental issues?
2. How prepared the Norwegian organic food industry is to satisfy the ever increasing organic, local and healthy food trends?
3. How educated and well informed Norwegian consumers are regarding organic food products and their benefits, and what are the perceptions and attitudes of Norwegian consumers' on organic food?
4. Can certain guidelines be established to better market and position organic food products, and if so, what are these major guidelines that can be fallowed to increase the impact and market share of organic products?
5. And finally, after taking all of these questions into consideration, is there a company case that can be taken as the best practice in organic food marketing and what are the benchmarks that can be learned for future organic food producers and marketers?

1.2 Methodology

This thesis draws together theoretical and empirical literature on environmental issues, organic concept, organic food industry, organic agriculture, economic aspects of organic agriculture, green marketing as well as the role of consumer profiles on organic products as consumers determine the market by their perception and attitudes on such products. Therefore, the thesis develops a comprehensive framework of relevant concepts that are further applied in order to find the appropriate answers for the research questions listed on the above part. Moreover, the developed framework can be seen as a practical decision making tool, a benchmark, that organic foods producers and marketers in the Norwegian market can use in order to gain higher market share in the Norwegian food retailing market. However, it should be noted that this tool is intended to be suitable for the Norwegian market only as

such; it needs to be appropriately adapted and molded to local market needs and consumer profiles to be valid in different markets.

The research at hand is based on a deductive approach where the explanation of the causal relationships between the relevant moderating variables were explored by going from general theories to a second layer of focused theories towards particular solutions. Therefore, a normative approach has further pursued as the presented theories have the aim of appraising or establishing the values and norms that best fit the overall needs and as it presents a holistic approach over the problem statement. Furthermore, this type of holistic approach is recommended as an appropriate methodology that can be utilized by marketers in their daily operations. The second nature of this study can be summarized as being descriptive-exploratory since it incorporates elements from both descriptive research and exploratory analysis. The thesis has descriptive elements since it describes data and characteristics about the Norwegian population and their organic buying behavior. However, it does not answer questions in detail about how, when and why the characteristics occurred since it is done under analytic research which is beyond the focus of this research. Moreover, the thesis has exploratory elements since it conducts exploratory data analysis which aims to analyze existing data sets to summarize their main characteristics in an easy to understand form without using a statistical model or having formulated a hypothesis.

The initial ideas and the motivation for this research came from the Consumer Behavior, International Marketing and Brand Strategy courses that are offered within Norwegian School of Economics' major profile in International Business. Some of the theories used in this research are taken from the course work and recommended readings list of the mentioned courses and are found by the help of the supervisor. However, most of the theories and all of the data on the analysis and the case part have been found by using the strategy of through exploration of Norwegian School of Economics' research database. The main databases used in this research are: Business Source Complete, Datamonitor, Financial Times Historical Archive, The New York Times, NORA, Nordic Historical National Accounts Database, OECD Library, Science Direct and Statistics Norway. The use of web based sources are tried to be avoided as possible to increase the validity of the collected data for this research. The only web based sources used in this research are collected for the case part of the work as no other data was available regarding products and promotions of ICA's private assortments.

However, most of this data is backed up by using group's annual report and other published material regarding the company.

Finally, the reader should not forget to stress the limitations and possible weaknesses related to the methodology employed in this research. Namely, the implemented research could be perceived as too broad as the author was strongly guided by his own ideas and visions. The reason behind this constraint can be find in a way how the scope of this thesis is defined since it aims to answer research questions that cannot be dealt with a narrow focus on limited theories. Moreover, to answer these broad research questions, the thesis combines and exerts diverse frameworks and concepts. Therefore, consequently, it lays down only one possible solution to the research problem at hand and it should be noted that there is not only one universally accepted solution applicable to the research problem at hand. Thus, the recommendations that are valid and suitable for one company or market might not be suitable or even applicable for other companies or other markets.

1.3 The Structure of the Thesis

The structure of this paper is divided into seven major parts to tackle the problem statement from different angles as it has been described in five research questions. An individual part is assigned to each research question as it is important to address each question separately to see its contribution and importance to the holistic organic problem. Besides the five research questions and the dedicated parts, a theoretical section is presented to serve as literature review of the theories contributing to the problem statement of this thesis. Finally, a conclusion part is included to serve as a summary of the main thoughts and ideas of this thesis.

After the first part, introduction, the second part examines the background of organic food development in the context of health and environment as it focuses on research question one. Therefore, to clarify and closely define the problem per se, the chapter firstly focuses on current consumer trends where organic food, local food and domestically produced food trends are analyzed. The chapter continues with the detailed definition of organic food as it describes what is organic food and what is organic agriculture fallowed by shifting the focus towards the World organic agriculture as the World density-equalizing map of organic

agriculture is presented. Finally, part two is finalized by establishing the facts regarding why organic food is better, healthier and safer compared to conventional food.

After establishing a baseline for organic food in part two, part three and part four gives a through theoretical overview on the organic food marketing to assess organic foods' market position in relative to conventional food products. To achieve a holistic view of the organic market, a cross disciplinary theoretical approach has been conducted by using brand management, marketing and consumer behavior theories in connection to each other. Part three describes industry analysis, brand concept management, positioning, product differentiation and brand experience theories to establish the first layer of theories that can moderate the strength and size of organic food products in the Norwegian market. After establishing general theories that act upon organic marketing, part four goes a step further by presenting the second layer of theories that moderate the strength and size of organic food products. These theories are presented firstly by determining the psychological core of consumers where motivation, attention, perception and attitude theories are presented, followed by green marketing theories where green ambivalence, green advertising, assortment, and packaging and labeling theories are analyzed to finalize the theory section.

Part five aims to address research question two as Norwegian food industry is analyzed on this section. The part starts with the presentation of organic farming and production numbers in the Norwegian market, followed by the description of buying power of Norwegian consumers to establish a baseline on the amount of price premium the market can handle. Therefore, the part continues with a focus of economic aspects effecting organic food production and sales. This is followed by the role of governments, with a focus on Norwegian Government, in promotion of organic farming. Part five further looks at the food labeling schemes in Norway with a focus of national organic certification brand Debio. Finally, the part is finalized with the analyses of the food retailing industry in Norway as Porter's Five Forces framework is used to determine the industrial forces acting upon organic products and to create a link with the theory and the practice.

In light of the Norwegian organic food industry analyses, part six focuses on the consumer dynamics in the market as it tackles research question three. The part starts by universally segmenting consumers in terms of green buying behaviors to help latter analyses. Fallowing this, part six goes into detail as it focuses on Norwegian consumer's competence

levels on organic shopping and the factors determining such consumption. Finally, this part is completed as the author analyses perceptions, attitudes and information of Norwegian consumers' on organic products, as three major consumer studies conducted on the field of organic food consumption in Norway have been examined in detail.

Before, finalizing the thesis by presenting the case studies, part seven lays down general guidelines on organic food marketing in light of what has been concluded in part five and part six where the Norwegian organic food industry and Norwegian consumers' competence profiles are analyzed. The section divides guidelines into four main parts to answer research question four. These guidelines are presented as how to market, position, package and label organic food products. This part is designed to lay down basic rules for future organic food development in the market and to see whether the case study presents some of our findings within its best practices.

Before reaching a conclusion, the main body of thesis is finalized by presenting the case study where retailing giant ICA and its organic private label I love Eco are taken into examination as they exhibit the best practices in organic food marketing in Norway. The part is ended with a checklist of benchmarks for future marketers as the presentation answers the last research question for this thesis. Finally, the conclusion of this thesis reveals the main thoughts and ideas of the findings and sets the areas for future research.

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2 BACKGROUND OF ORGANIC FOOD DEVELOPEMENT IN THE CONTEXT OF HEALTH AND ENVIRONMENT

For the vast majority of human history, before the 1900's, agriculture can be described as organic. It wasn't called "organic food" but it was just food. Nobody neither thought of putting chemicals into soil and sprays to enhance crop growth and yield, not they had the technology for it. And there was no synthetic genetic engineering as it naturally took place over generations as farmers selectively bred to improve their stock or their seeds.

However, during the 20th century the trend of large supply of new synthetic chemicals introduced to the food supply started the phase of in-organic farming. This started with the rise of the petro chemical industry in the early 1900s as agricultural research became focused on the chemicals that are needed to stimulate plant and animal growth beyond normal limits. However, the trend faced a quick resistance in the 1930s, as consumers started to react against the use of chemical additives in their food. The resistance, known to be the organic farming movement or the Green Revolution, arose in the 1940s in response to the industrialization of agriculture. The resistance or the movement was partly led by Rudolf Steiner who has designed an educational system based on his holistic and sustainable view of agricultural system. The early movement by Steiner can be considered as laying the foundations for today's interest in sustainable agriculture.

Fallowing the sustainable agriculture movement, during the 1960's and 1970's the concept of organic food became a separate entity to the "normal-conventional" food. Consumers started to believe that food should be as nature intended it to be and by adding chemicals to the natural food, producers were actually making the food abnormal and potentially harmful. Today, organic food is finally reaching a high level of acceptance from consumers as its demand is increasing. As more organically acceptable agricultural procedures are gaining momentum it seems that organic food might extend beyond its current niche even though it is still more expensive than chemically treated food products. The reason of this slight ambivalence is actually simple as organic food is perceived to be healthier and it is the health factor which is winning the battle against chemically treated consumables (Copeland, 2007).

2.1 Consumer Trends

To cope with the problems listed on the previous paragraph, consumers all around the world have started to change their consumption habits with the fear of risks associated with conventional farming practices such as the usage of chemicals, and with the aim of preserving the environment. Today, many consumer segments try to choose organic food, local food or domestic food to have health benefits or to minimize effects of transportation on the environment. Choosing organic food generally gives all of the listed benefits as organic food is usually produced domestically if not locally and it has many proven health benefits compared to conventional.

2.1.1 Organic Food Trend

Many consumers associate organic food products with production attributes such as prohibiting the use of synthetic pesticides and fertilizers, as well as genetic modification technology. As stated, organic is also often perceived to be local in comparison to many globalized, conventional food supply chains. Therefore, this is one possible explanation for certain consumers' changing attitudes in many developed countries in favor of organic food systems. However, as the title of the section describes, personal health concerns and overall environmental concerns are the two most important motives for purchasing organic food items. Furthermore, many studies suggest that personal health is the more important of the two. However, even though, many consumers, especially in western societies, consider organic products to be a healthier and a more environmentally sustainable alternative, higher prices are often a problem when it comes to buying organic on a regular basis. Interestingly, in recent studies, it is also suggested that consumers of conventional food items do not tend to buy organic foods because they are more expensive. Therefore, the price factor seems to affect all consumer groups (McNamara, 2007).

2.1.2 Local Food Trend

The local food concept began in Europe where consumers associated local food with attributes that went beyond the actual definition of local. In European markets, local food is often considered to be organic, healthier and safer with a traceable origin, having enhanced animal welfare standards in production process and being produced in a more traditional method. To follow up on this perception, governments in Europe started to introduce standards and certifications to make some rules on which food belongs to which category and to make it easier for the consumers. Despite consumers' perceived benefits and definition of

local food, it is actually defined based on the distance the food travelled, whether it was produced within a region or country or if it was produced within a particular environmental region. In many developed countries, the re-localization of the food supply through a renewed focus on local agriculture has been a major trend due to the fact that local or regional food systems have been increasingly perceived as more sustainable, as they limit food transportation mileage and as they reduce the amount of food imported. Unfortunately, the localization of agriculture systems requires huge changes along the entire food chain, including the altering of land use and production methods and it is clear that localization of agriculture cannot be a sufficiently measure alone to promote environmental sustainability and such localized food systems may face tough competition with regard to prices and availability (Pretty et al., 2005).

2.1.3 Domestically Produced Food Trend

While consumers do not base their food choices entirely on the country of origin, it is an increasingly important criterion, especially in Norway. In Europe, country of origin labels such as Nyt Norge, can serve as a cue for product quality, as products produced in certain countries may be perceived as having a better taste, as being safer, or as being produced under more reliable environmental practices. However, in some situations, country of origin labels may not be linked in consumers' minds to have such positive attributes if they are from an unknown market, in such situations consumers may have strong preferences towards products of their home country. As stated in the previous section, many studies focusing on European consumers suggest that at least a portion of consumers' have a desire to get information on food products or process attributes related to potential food safety and health risks such as; pesticide residues, used chemicals and genetically modified ingredients. In such cases, country of origin information and labels may further serve as a default indicator of trust or distrust in the production methods and product quality. E.g. Norwegian consumers may perceive products coming from developing countries as posing a greater threat to food safety and health than foods imported from a developed country (Lusk et al., 2006).

2.2 What is Organic Food

Although, a brief history of organic food and current consumer trends are described on the prior sections, having a strong definition of organic food is still elementary to be able to analyze Norwegian organic food market in the upcoming parts. Therefore, on this part the author will describe what is organic, what is not organic and establish a must have list in organic food production.

Organic food products are food items that are produced using methods that do not involve modern synthetic inputs such as synthetic pesticides and chemical fertilizers. Moreover, organic food products are not processed using irradiation, industrial solvents, or chemical food additives (Albala, 2007). The weight of the available scientific evidence has not shown a consistent and significant difference between organic and more conventionally grown food in terms of safety, nutritional value, taste, environmental impact and health (Francis, 2009; Crinnion, 2010; PhytoMilk, 2011).

Today, the organic food agriculture is a heavily regulated industry distinct from private gardening. As 2011, the European Union, the United States, Canada, Australia, Japan and many other developed countries require producers to obtain special certification in order to market food as organic within their borders. Like all Scandinavian countries, Norway is among the listed countries that require such certification and the government has given Debio the authority to certificate such organic production. In the context of these regulations, organic food then is food produced in a way that fully complies with national organic standards set by governments and/or international organizations. Processed or non-processed organic food usually contains only organic ingredients. However, if non-organic ingredients are present, at least a certain percentage of the food's total plant and animal ingredients must be organic in order for the product to be labeled as organic or natural. The percentage of the minimum organic content varies from 80 to 95% in the United States, Canada, Norway, Denmark and Australia. Furthermore, any non-organic ingredients are subject to various additional agricultural requirements. E.g. if an organic product contains chemicals, even if the percentage is less than 1%, the food will not be labeled as organic. Therefore, content of the non-organic part of the food is as important as its percentage. Foods claiming to be organic must be free of artificial food additives, must be processed with fewer artificial methods, with fewer materials and conditions such as; chemical ripening, food irradiation, and genetically

modified ingredients. Furthermore, any type of synthetic pesticides is not allowed in production.

Early consumers interested in organic food forced them to look for non-chemically treated, non-use of unapproved pesticides, fresh or minimally processed food in the market. However, due to the lack of such food in grocery chains, such consumers had to invest an increasing interest to growers known to be farmers. Personal definitions of what constituted "organic" were developed through firsthand experience such as; by talking to farmers, seeing farm conditions, and farming activities. However, as demand for organic food items continued to increase during the 20th century, high volume sales through mass outlets such as supermarkets rapidly replaced the direct farmer connection.

When going through the explanation of organic products, the checklist for any company that will promote or produce organic food products must have the fallowing items:

1. In organic farming pesticides are severely restricted. Instead of pesticides, organic farmers develop natural nutrient rich soil to grow strong and healthy crops, and encourage wildlife to help control pests and disease.

2. In organic farming artificial chemical fertilizers are prohibited. Instead of fertilizers, organic farmers develop healthy and fertile soil by growing and rotating a mixture of crops, using clover to fix nitrogen from the atmosphere.

3. In organic farming animal cruelty is prohibited. Instead of such mistreatment like caging animals in small, dark barns or treating them cruelly, organic farmers have a truly free range life for farm animals as guaranteed.

4. In organic farming the routine use of drugs, antibiotics and wormers is disallowed. Instead of drugs and antibiotics, organic farmers use preventative methods like moving animals to fresh pasture and keeping herd sizes smaller, thus prevention or minimizing the spread of any diseases.

5. In organic farming genetically modified (GM) crops and ingredients are banned under organic standards. Instead of genetically modified crops, organic farmers use natural selection and cross breeding as it has done for thousands of years.

6. In organic farming most countries require producers of organic products to obtain special certification to market such products as organic. Organic certification requirements vary from country to country and indicate adherence to a set of production standards for growing, storage, processing, packaging, and shipping (Qadir, 2011a).

2.3 Organic Agriculture

As described in the last part, organic agriculture is any farming practice that fully satisfies the national norms and regulations on organic food production. This terminology and concept of organic farming rapidly proliferated internationally. The most important initial steps can be considered as Jerome Rodale's establishment as what can be considered as the first "organic" periodical organic farming and gardening in USA in 1942. This was followed by the first "organic" society, the Australian organic farming and gardening society, founded in 1944, in Sydney, Australia. Finally, the most important step was done by Roland Chevriot, the president of the French national farmer organization, Nature et Progrès. He called a meeting in Versailles in 1972 which led to the founding of the global organics advocacy group, the International Federation of Organic Agriculture Movements (IFOAM). Today, the organics industry is still growing and maturing with a value of US$60 billion per annum and organic agriculture statistics are reported from 160 countries (Henning, 2011).

On top of the checklist for companies that will promote or produce organic food, according to the rules of IFOAM, Organic agriculture should be based on four principles:

1. The principle of health: Organic Agriculture should sustain and enhance the health of soil, plant, animal, human and planet as one and indivisible.

2. The principle of ecology: Organic Agriculture should be based on living ecological systems and cycles, work with them, emulate them and help sustain them.

3. The principle of fairness: Organic Agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities.

4. The principle of care: Organic Agriculture should be managed in a precautionary and responsible manner to protect the health and well-being of current and future generations and the environment (IFOAM, 2011).

2.4 The World Density-Equalizing Map of Organic Agriculture

The fallowing map, figure 1, the density-equalizing map for worldwide organic agriculture hectares, shows equal map areas (land masses) represented in proportion to their organic agriculture areas and production. It should be noted that the density of organic hectares is constant across all territories. Therefore, the only moderating factor determining the changed size of countries is their size and the output of organic farming.

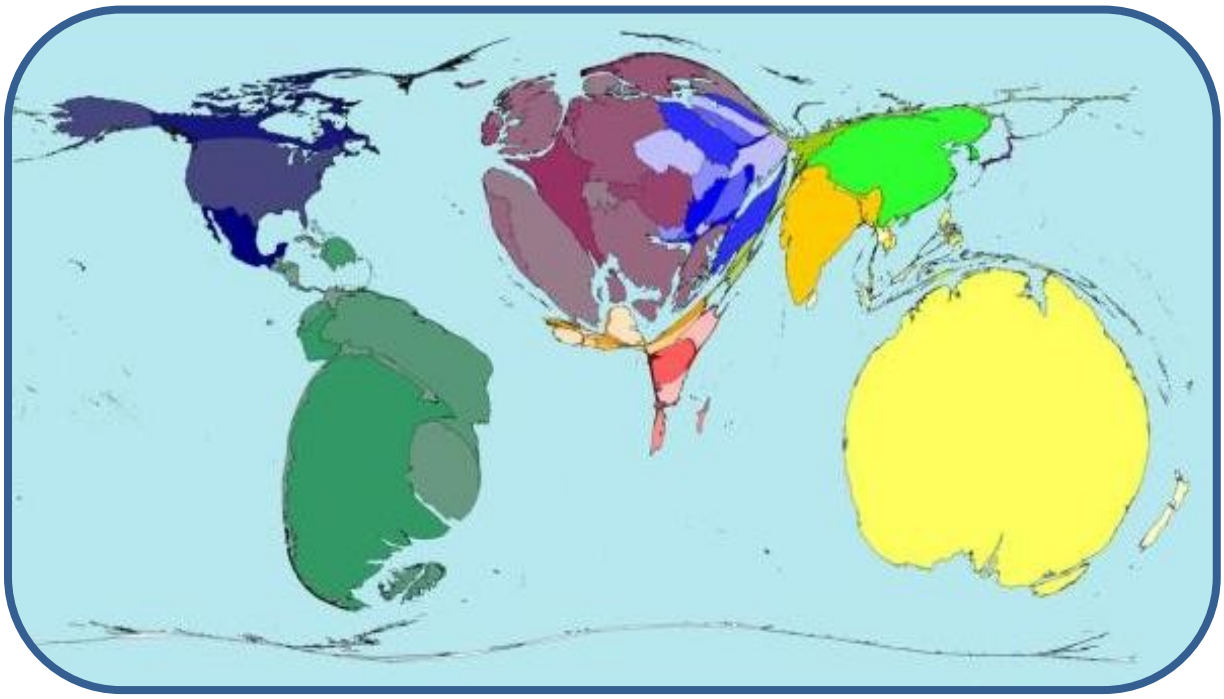

Figure 1: The World density-equalizing map of organic agriculture (Source: Henning, 2011)

The World map of organic agriculture, presented yearly by the efforts of IFOAM, is a great tool that illustrates the great unevenness of the global uptake of organic agriculture. During the last decade, the map is mainly dominated by the presence of Australia which appears especially bloated which reflects its world leadership position in terms of its number of organic agriculture hectares and production numbers. Furthermore, South America has a strong presence accounted for in large by three countries, Argentina, Brazil and Uruguay. This results in expansion of the continent just like Australia. Europe on the other hand, collectively has a strong presence with substantial contributions from many states. The organic agriculture in the continental Europe is led by Spain, Italy, Germany, UK, France, and Austria. Unfortunately, the presence of Scandinavian countries on this map is at the very least disturbing. Even the high numbers of Denmark is not enough to save the region hence, the shrink image compared to the actual size. On the other side of the map, China and India

dominate the Asian representation, Africa has a skinny presence, Russia appears anorexic and the Middle East is barren. Each case reflects the poor diffusion of organic agriculture into these regions and perhaps the great opportunities for future organic penetration into these territories. Finally, the unexpected map presence of the Falkland Islands reflects their recent commitment to the adoption of organics as the current world leader with 36% of its agricultural land classified as organic (Henning, 2011).

2.5 Why is Organic Better, Healthier and Safer

It is a fact that many consumer groups believe that organic food and organic farming is better, healthier and safer for humans and for the environment. To make these perceptions tangible, this part focuses on studies and researches on organic food compared to conventional food. In light of these studies, author developed a ten item list to clear why organic is superior to conventional:

1. Organic farming is better for wildlife: A study conducted by Britain's Soil Association shows that wildlife is substantially richer and more varied on organic farms compared to conventional ones. A typical organic field has up to five times many wild plants, 57% more animal and bug species and 44% more birds in cultivated areas compared to a regular farm.

2. Organic farming is better for the soil: Recent studies show that organic fields have deeper vegetation, more weed cover, and contain 88% more soil creatures. A brand new Swiss study demonstrates that organic soils have more soil microbes, more mycorrhizae (the fungi that attach themselves to the tips of plant roots and help plants absorb nutrients) and more earthworms.

3. Organic farming is better for the Livestock: Out of 14 animal studies, ten showed that animals fare better when fed with organic food. Female rabbits fed on organic food have twice the level of ovum production and chickens fed on organic food have a 28% higher rate of egg production. Moreover, buying certified organic products ensures that the animals were raised humanely and were not fed any chemicals, drugs, or hormones.

4. Organic food is better for your hearth: In a recent Scottish study, scientists have found that organic vegetable soups contain six times more salicylic acid than nonorganic vegetable soups. Salicylic acid good for the health and it is the main ingredient in

aspirin. It helps to fight hardening of the arteries and lower the risks of bowel cancer. Another study in the U.K, a £12 million four-year project, found that organic fruit and vegetables contained as much as 40% more antioxidants. They also had higher levels of beneficial minerals such as iron and (Haberfeld, 2008).

5. Organic food is better for your health: According to recent studies, the nutrient quality of fruit and vegetables, compared to 50 years ago, contain dramatically less vitamins and minerals. Potato has lost almost 100% of its vitamin A, 57% of its vitamin C, 34% of its iron, 28% of its calcium, 50% of its riboflavin and 18% of its thiamin. Similar results applied to 24 other fruits and vegetables. However, the same does not hold for organic food products as they have far greater nutrient levels than conventionally farmed food due to the crop rotation and other practices in organic farming that replenish the soil and keep it full of nutrients for the crops to absorb (Worthington, 2001).

6. Organic food is not genetically modified: Today, many scientists are still opposed to genetically modified foods because there simply isn't enough scientific evidence that such food is safe. On the contrary, some researchers think that improper practices in genetically engineered foods can be dangerous if consumed on a daily basis (Smith, 2004).

7. Organic farming can feed the world: There is plenty of evidence that show organic farming can produce better yields and increase crop diversity. In Tigray, Ethiopia, organic crops raised 3-5 times more food than chemically treated plots, in Brazil maize yields increased by a twofold and in Peru uplands crop yields increased by 150%.

8. Organic farming is better for the climate: Chemicals used in conventional farming kill many of the microorganisms in the soil that keep it healthy. On the other hand, organic soil is full of living creatures, which carry carbon with them. The Rodale experiment showed that organically managed plots stored much more carbon than the conventional plot (Pimentel et al., 2005).

9. Organic food is safer: Aside of buying directly from a farmer that consumers trust, buying certified organic food is the best chance consumers have of knowing that the food comes from a high quality source. Furthermore, organic farming doesn't pollute

ground water with nitrogen run offs and it avoids all the risks associated with conventional agriculture. E.g. a recent study in Sweden showed that exposure to phenoxy herbicides, a typical conventional farming practice, increases the risk of contracting lymphomas (a type of cancer) by six-fold.

10. Organic food has no chemical toxins: High exposure to chemical toxins cause cells to malfunction and sometimes damage or kill them. They further overload human detoxification system, primarily consisting of liver, kidneys, lungs, colon, and skin. Many studies link chemical toxins as a leading cause of increasing cancer rates. Since conventionally grown crops are sprayed with significant amounts of pesticides, herbicides, fungicides, rodenticides, and chemical fertilizers they are directly linked with higher chemical exposure to living things (Dauncey, 2002).

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3 LITERATURE REVIEW AND THEORETICAL APPROACH

The fallowing section is dedicated to the theoretical background in the context of industry analysis, brand concept management, positioning, consumer behavior and marketing. The author theorized that the brand concept of organic products in the Norwegian market has a weak positioning in consumers mind. However, to understand why a particular market behaves in a certain way and why do consumers choose or not choose organic food products in a market, the theoretical approach has to include a broad content of different literature. No single framework or course of literature can account for the entire market behavior or individual consumer attitude. Therefore to achieve this holistic view of the Norwegian organic market, the author will not focus on a single framework but rather have a theoretical background explaining a broad range of theories that links the market behavior to the existing literature.

Theoretical approach starts with Porter's Industry Analysis fallowed by Brand Concept Management (BCM) framework. The framework can be considered as the backbone of this thesis. Author theorizes that the current brand concept of organic products in the Norwegian market needs to be changed from an experiential view to a functional one. Therefore, each theory after the framework can be considered as a moderating factor to change the concept of organic food in consumers mind. However, it should also be noted that in the analysis part, there will be no section dedicated exclusively to brand concept management. The entire analysis parts of this thesis are designed to present steps to change the organic food concept in consumers' mind. After making the curious reader more familiar with the topic by presenting the BCM framework, positioning, product differentiation and brand experience theories will be presented to create the holistic view.

The second section of theoretical background will then change its aim and focus on consumer behavior and green marketing. The section will start with the psychological core of consumer behavior where motivation, attention, perception and attitude theories are presented. Fallowing this, the author focuses on green marketing where green marketing, green advertising, assortment, and packaging and labeling theories are presented to finalize the theory section. The reader should note that theories in this literature review will, in one way or another, be used on the analysis part of this thesis and both of these sections is presented with the aim of making the reader ready for the latter analysis part.

3.1 Industry Analysis

In 1980, Michael E. Porter argued that a company's valuable resources by themselves do not guarantee an above average performance. It is necessary to put them in perspective to the competitiveness of the industry in which the company operates. Therefore, companies should position themselves where competitive forces are the lowest and profitability consequently is the highest. Porter's well known model to measure industry competitiveness is called the five forces framework. The framework is based on the idea that the degree of rivalry in an industry is dependent on five factors as illustrated in figure 2.

Figure 2: Porter's Five Forces model (Source: Porter, 2008)

1. **Rivalry among competitors** is largely characterized by the number of competitors and their relative positions to each other. One or two dominant players and a larger number of smaller competitors will usually lessen rivalry as the large companies will determine price levels. A number of similar competitors however, might lead to a fierce competition in the form of price wars, extensive advertising campaigns or launch of new products in short intervals. This will be especially true if firms are not able to differentiate their products much from their competitors'. Further influencing factors are the growth rate of the industry, the exit barriers and the switching cost for customers (Henderson, 2003).

2. **Bargaining power of suppliers** is supplier's ability to capture more value for themselves by charging higher prices, limiting quality of services or shifting costs to industry participants. However, if there are a number of suppliers producing a highly standardized good, the buyer will be in a much stronger position to negotiate prices.

The same holds true in the importance of the focal firm as a customer of the supplier. A company representing 60% of the supplier's revenue will have stronger influence in price and quality than a company representing 6% of the revenue. Additionally, a supplier's willingness and ability to integrate vertically into the focal firm's industry will influence their bargaining power.

3. **Bargaining power of buyers** is the flip side of bargaining power of suppliers. A strong buyer can capture more value by forcing down prices, demanding better quality or more service. In this type of situation buyers generally can play industry participants off against one another. However, this can only happen at the expense of industry profitability. The number of buyers, the degree of specificity of the product and the relative importance of the parties determines the bargaining power of buyers. Again, the buyer's willingness and ability for backward integration is an important influencing factor.

4. **Threat of entrants** is when new entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. The higher the profitability in an industry the higher the incentives are for new companies to enter and challenge the incumbents (Kessides, 1990). Therefore, firms in an industry have an interest in keeping entry barriers high by gaining economies of scale and non-scale advantages, product proliferation, product differentiation, network externalities and maintained excess capacity.

5. **Threat of substitutes** is the potential availability of product/s from other industries that are also able to satisfy the same category of consumer's needs. Examples are plentiful, for instance consumers can grow their own vegetables in their gardens as opposed to buying vegetables from grocery stores. Although the products clearly stem from two different places, they serve the same purpose. Fortunately, in retailing industry this does not accumulate a real treat. The price, availability, and switching costs determine the degree of the threat of substitution. If the substitute is readily available, switching costs are low and either price or customer value are more attractive then there is a higher threat of substitution (Porter, 2008).

3.2 Brand Concept Management

According to Park et al. (1986) brand concept management means to plan, implement and control a brand image over the life of that brand. By life of the brand it is been referred to the product life cycle and its stages. Moran (1973) furthermore states that communicating a brand image and/or the concept to a target segment is an important marketing activity; hence it helps to establish the brand's position, insulate it from the competition and strengthens the brand's marketing performance. Therefore, before positioning or marketing the brand and/or the product, first it is crucial to conceptualize the brand.

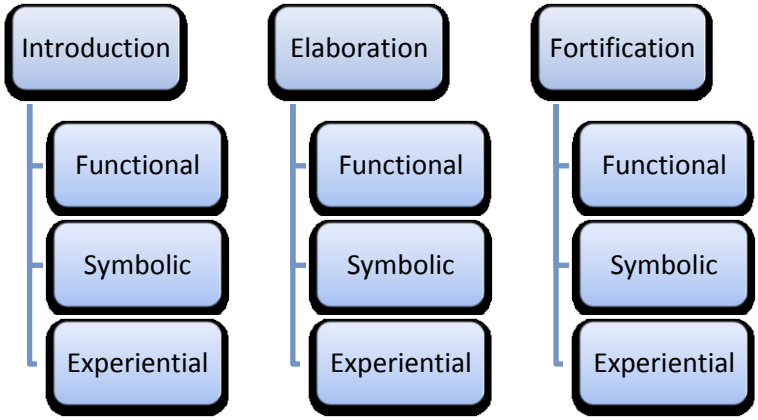

Figure 3: Brand Concept Management framework (Source: C. Park, 1986)

Park and his colleagues provide a long term framework for managing the brand image for a long time. According to the framework, there are three major brand concepts a brand can position itself as:

- **Functional** products focus on functional needs that are designed to solve externally generated consumption needs. These could be solving a problem, preventing a potential problem and resolving a conflict. E.g. organic food products will have a functional concept as in they solve the hunger problem.

- **Symbolic** products offer satisfaction for internal or self-enhanced symbolic needs. These could be fulfilling self-enhancement, role, group membership or ego-identification needs. E.g. organic food consumption can satisfy the group membership need in a strong environmental concerned society.

- **Experiential** products satisfy sensorial pleasure, cognitive stimulation or variety needs. These could be satisfying the variety seeking, consumer aesthetics or need for stimulation. The major difference on this category is that the need is generated

internally rather than externally. E.g. organic food purchases can satisfy ones world view of being green and generating internal motivation and satisfaction.

However, in a real market situation, many products do not only serve one of these needs but a mixture of symbolic, functional and experiential needs. Therefore, it can be beneficial for the company to develop a brand that appeals to two or more concepts. E.g. organic food consumption can satisfy the functional need of getting hungry and at the same time it can appeal to experiential need of being ecological friendly. However, managing the generic image over the life time of the brand can be difficult.

Firstly, different concepts require the use of different strategies on the long term. Therefore, a product with multiple concepts can create confusion on consumers mind. Second, a brand with multiple concepts can be hard to manage because it will compete with more products competing in different concepts. Last, a multiple concept brand can be less effective by making it harder for consumers to identify the core brand image. Therefore changing the brand concept as the brand matures in a market can be a better strategy for some brands.

As stated previously, concepts are also related to product life cycle of the brand and they need to be constantly adjusted to compete in the market. There are three major stages of the product life cycle:

- **Introductory stage:** in which the aim is to establish the brand image and the brand position in the market during the period of entry.
- **Elaboration stage:** where the aim is to focus on enhancing the value of brand image so it can be perceived superior and the position can be sustained. However, it can also be a good time to adjust the positioning of the brand by adjusting the marketing mix. E.g. organic food brands can reposition their products to appeal more to functional needs rather than experiential.
- **Fortification stage:** the final stage of the life cycle, the aim is to link an elaborated brand image to other products in different product classes or product extensions. Therefore this stage is the place to use the strengthened brand image to cash in the investment.

A brand concept needs to be viewed as a long term investment to achieve a long term competitive advantage. Therefore, it is not merely the positioning of the product at the introduction stage but more of a long term approach that the firm must decide upon its capabilities, image and the current market dynamics. However, to develop a product concept, first it is important to understand consumer needs and market trends.

3.3 Positioning Framework

According to Kotler (1997), the core objective of positioning is to design the offering of a brand in order that it occupies a meaningful and distinct position in the mind of consumers. This idea is in line with the general viewpoint in literature (e.g. Ries and Trout 1986, Gwin 2003) that positioning is a conscious choice to stress certain attributes and facets of a brand in order to achieve perceived differentiation versus competition. Although positioning definitions vary greatly, the author identified the following six main positioning criteria to guide segmentation and target market decisions:

1. **Identifiability** (easiness of identifying the segment)
2. **Target market** (category and target consumers)
3. **Size** (sales potential of the target market)
4. **Differentiation** (differentiated benefits, believability and feasibility)
5. **Accessibility** (reaching to target segment)
6. **Responsiveness** (how well the market respond to marketing mix)

However, before segmenting the market it is important to decide in which category the company wants to compete. The so-called frame of reference should be broad and also include products with which consumers can achieve similar goals (Keller et al., 2002). For example, the frame of reference for Tine does not only comprise dairy products such as milk but various types of beverages e.g. water, energy drinks, coffee since they all attack the same problem; thirst. Therefore, frame of reference for organic food products is not only green products but possibly the entire food retailing products that can satisfy the functional needs of consumers. Moreover, it is clear that positioning is only valuable when it offers relevant benefits for the target consumers (Rao and Steckel, 1998) and when the added value is perceived (Aaker, 1998). Hence, consumer analysis should first generate insights based on trends and motivations and then segment the market into homogenous groups to facilitate communication.

According to the traditional marketing literature, markets can be segmented by using demographic, psychographic (values, lifestyles), behavioral (benefits sought) or geographic criteria. However, during the last decades several researchers argue that due to the increasing heterogeneity of consumers within demographic and geographic clusters, behavioral and lifestyle-based segmentation are often most valuable to understand and target consumers (Keller, 2008). Organic product consumption rarely can be segmented by using traditional approaches due to the lack of predictability of who buys organic food. Demographic values rarely show any correlation but consumers mostly choose organic food due to their values, beliefs and lifestyle. Therefore, for organic food producers it makes more sense to segment the market by behavioral and lifestyle choices.

According to Aaker & Joachimsthaler (2000) positioning is about communicating selected parts of the overall brand identity in a given market. It is out of the scope of this thesis to discuss the concept of brand identity in detail. However, it can be simplified as: What does the brand stand for, what are its core values, strengths and strategies? Therefore, the tagline of a brand is a good indication for the chosen positioning and differentiation, and can be used as a starting point for analysis. This is exactly the case in organic food retailing. Only the label Eco or Organic gives a strong indication of what the product is all about in consumer mind; therefore, communicating a slightly different positioning strategy becomes harder when there is such a strong tagline for the product.

Given the literature above, the main objective of positioning can be stated as to achieve a perceived differentiation versus competitors. To establish a strong perceived differentiation, brands should create reasonable points of difference (POD), establish the required points of parity (POP) and try to solve their points of inferiority (POI). Keller (2008) proposes two main criteria for the evaluation of points of difference: Desirability and Deliverability. In addition, a brand should also look at its points of parity, i.e. features which should be perceived as equally good compared to competition and be aware of potential points of inferiority. For the organic product category, being organic itself becomes a point of difference whereas the taste and convenience should be the points of parity. Finally, the additional price premium for organic products will certainly make the point of inferiority.

In conclusion, it is important to note that points of differences can be based on performance and functionality but also on imagery associations such as being green (Keller et al., 2002). Woods (2004) argues that it can be more attractive to focus on an imagery point of difference and emotions because there is more variety and it is easier to achieve and defend a sustainable position on this category. Imagery differences can also complement to functional ones which is illustrated by the concept of means-end-chains. The idea is to consecutively ask "why" a benefit is important to a consumer. For example, organic pasta does not only reduce your hunger (attribute) but also makes the person feel better about themselves and the environment (consequence) and finally increases self-esteem (value). Hence, an emotional point of difference (be green) can complement a functional one (reducing hunger).

3.4 Product Differentiation

The inclining demand for more differentiated products is a huge challenge for many businesses, especially for the fast consumer goods industry due to the high pace of the industry. In the light of these developments, agricultural food companies try to adapt to changing consumer demands by closely engaging in product development stage with the aim of producing and selling more differentiated products in order to gain a better position in the market.

Traditionally, for agricultural commodities, product differentiation and value added activities have taken place downstream, in the final stages of the value chain (Royer, 1995). However, increasingly, there are new opportunities for product differentiation on upstream, beginning stages of the value chain as in the farm level. Royer believes that growing consumer demands in regard to health, nutrition and environment are strong drivers of this development. During the last decade or two, technological advances enabled producers to coordinate crop and livestock production with the product attributes preferred by consumers, thus enabled producers to reflect upon the changing demand of consumers. Examples of such reflections include; organic (ecologic) production, high oil or protein content meat or corn and hard white wheat for bakery products. In the organic food market, this kind of product differentiation can also be related to superior animal welfare standards or the geographical origin of raw material.

According to Borgen and Sørensen (2008), there are three important stages in a product chain where differentiation can be established:

1. **Differentiation at the raw material stage** includes processing of the raw material on farm under the control of the farmer; i.e. wheat, corn or bean. If the differentiation of an end product, in this case organic food products, is created and developed at the raw material stage (beginning of the production chain), the owners themselves are responsible for providing the final product with the required quality attributes. Thereby, success in the market becomes highly dependent on the company's capacity and understanding to achieve the task properly. It is no surprise that many organic food brands integrate backwards in the production chain as they take more control of the production processes. Since the differentiation point, point of difference, for organic products directly come from the raw material stage, control over the raw material stage becomes more critical.

2. **Differentiation at the processing stage** includes all types of unique refinement of the raw material related to the eatable part of the product. E.g. meat conditioning, traditional recipes and handicraft traditions. However, the idea of organic production itself requires a production process where there is no or little processing. In many countries there are extensive regulations with regard to processing organic food. In order to get the necessary certification to market the product as organic, companies have to fallow these tight regulations. Therefore, it is highly unlikely to have a differentiation based on the processing stage for organic brands, or perhaps the lack of this stage can be a differentiation point by itself.

3. **Differentiation at the marketing and sales stage** covers the non-eatable components of the end product. E.g. package design, labeling and story-telling. However, just like the brand concepts, various sources of differentiation are combined in multiple ways in real life (Borgen, 2011).

3.5 Brand Experience

How do consumers experience a brand? Does brand experience affect consumer behavior? In recent literature, brand experience has attracted a huge attention. Marketers have finally realized that understanding how consumers experience the brands and their products is critical for developing marketing strategies.

However, most of the research on brand experience focuses on pragmatic product attributes but not on experiences provided by brands themselves. When consumers shop and

use the products, it is true that they are exposed to tangible product attributes. However, they are also exposed to various specific brand related stimuli such as; colors, shapes, design elements, slogans, mascots, and brand characters (Keller, 1987). This brand related stimuli appear as part of a brand's name, logo, identity, packaging, advertisements, brochures and the environments where the brand is sold. This stimulus is referred as the "brand experience." The author states three important experience categories:

1. **Product experience** occurs when consumers interact with products in any given way. E.g. when consumers search for products and examine it in the store. The product experience can be direct when there is physical contact with the product or indirect when a product is shown virtually or viewed on advertisement (Hoch, 2002). It is important for organic food marketers to create a positive product experience both outdoors and in store by designing clever advertising campaigns and by creating ways of physical contact with the product.

2. **Shopping experience** occurs when consumers interact with a store's physical environment, its personnel, and its practices (Kerin et al., 2002). Therefore, it is highly important for organic brands to establish good relations with retail chains choose specialist stores where there is a more user friendly atmosphere with a focus on green products and possibly conduct in store promotion where consumers can have direct interactions with brands employees. Unfortunately, in many cases, shopping experience cannot be directly changed by the brand itself.

3. **Consumption experience** is considered to be multidimensional and include hedonic dimensions, such as feelings, fantasies, and fun. Organic food producers can focus on enhancing the hedonic goals that occur during and after the consumption of the product. Sensory input, experiential satisfaction, shape, texture and taste of the product are some of many enhancing factors that govern the food industry (Sherry, 2003).

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4 CONSUMER ATTRIBUTES AND GREEN MARKETING

Consumer behavior is affected by the amount of effort consumers put into their consumption decisions. This section focuses on what happens after consumers are exposed to stimuli. The section starts with the explanation of motivation, and then focuses on how consumers they form attention, how they perceive the information and how they form attitudes. After making the reader ready with the psychological core of consumers, the section focuses on green ambivalence, green advertising and assortment theories. The section is finalized by presenting packaging and labeling theories.

4.1 Motivation

Motivation is the core for understanding consumers' behavior. Motivation is defined as the inner state of arousal where the energy is directed to achieve a goal. An average consumer can be motivated to engage in buying behavior, making complex decisions or processing complex information, thus motivation can moderate acquiring, using and disposing processes of a product.

A key factor affecting motivation is the extent of personal relevancy. If a product or an offering is personally relevant, the consumer will have a direct felt involvement. One unexpected outcome of felt involvement is that it takes considerable effort. E.g. if consumers are motivated to buy organic products they have to research about organic terminology, organic food products, visit organic shops and retailing stores, buy and test products etc. Therefore, motivation not only creates behavior towards a desired goal but it also creates willingness to spend time and energy on this behavior. An implication for this can the stated as someone who is motivated to buy organic food will already be willing to spend more money for it.

Additionally, motivation affects how consumers process information. In times when consumers are highly motivated, they are more likely to pay more attention and try harder to understand the relevant information. Unfortunately, this also takes a lot of effort and is a demanding process. On the other hand, consumers with low motivation devote little effort on processing information and on buying decisions. E.g. a consumer with little or no motivation to buy organic food products will only buy them when they are more visible in store environment or are cheaper compared to conventional food (Dholakia, 1999).

Researchers have identified a felt involvement state that occurs on motivated consumers. Simply put, felt involvement is the psychological experience of the motivated consumer. The author focuses on four main types of involvement:

1. **Enduring involvement** is when consumers show interest to an offering or a product for a long period of time. E.g. consumers who have accepted being green as a life choice.

2. **Situational involvement** is when consumers show interest to an offering for a limited period of time. E.g. consumers who get involved in organic food when they have a baby.

3. **Cognitive involvement** is when consumers are interested in thinking and processing information regarding the product or the offer. In this case the goal is learning as much possible as the consumer can regard the offer.

4. **Affective involvement** is when consumers are willing to expend emotional energy or show feeling about an offering or a product. E.g. consumers who think environmental protection is a life style will emotionally engage with buying organic food (MacInnis, 2008).

4.2 Attention

Attention is the process which a consumer allocated part of his/her mental activity to a stimulus or the exposure. In a shopping setting, no matter the degree of motivation, a certain attention is necessary to perceive the message and information. Author divides attention into its three major characteristics:

1. **Attention is selective:** Selectivity of attention means that consumers can decide what they want to focus and how much they want to focus on it. Since consumers are exposed to numerous products, brands, ads displays and prices all the time, it is important to use attention in a selective way. Simply put, consumers can not pay attention to everything.

2. **Attention is dividable:** It means that attention is capable of being divided. Therefore, consumers can pay attention to several items at once. E.g. an average consumer can talk on the phone and shop at the same time during in which he/she checks the price levels, categorizes items and decides on what to buy.

3. **Attention is limited:** Limitedness of attention means that the last and the critical aspect of attention is its capacity. As stated earlier attention can be divided into multiple things at once. However, consumers can divide their attention as far as they can process the information in an automatic and effortless way (MacInnis, 2008). In a case where one of the stimuli becomes important, human brain can only pay attention to one thing at a time. E.g. if a person is talking to a friend while watching TV at the same time and if she after a while brakes the news and tells that she is pregnant, the person cannot divide his/her attention anymore.

4.3 Perception

After the person is exposed to stimuli and have devoted at least some attention on it, they will go to the stage where they consciously perceive it. Perception is the process in which the incoming stimuli activate consumer's sensory receptors such as; seeing, hearing, tasting, feeling and smelling.

Our sensors are constantly exposed to many stimuli at any given time. Therefore, perceiving all of them will be overwhelming and impossible. Fortunately, the sensory processing is usually simplified by the fact that most of the stimuli do not enter to conscious awareness. To be able to perceive an input, it must be sufficiently intense or sufficiently different. Author divides this into two groups:

1. **Absolute threshold** is the minimum level of stimulus needed for it to be perceived. Simply put it is the amount of intensity needed for a person to detect the difference between something and nothing. E.g. the first time when we hear the sound of an ambulance approaching to our sight.

2. **Differential threshold** is the intensity difference needed between two stimuli before it can be perceived as different. Therefore, this is usually called the noticeable difference and is subjective. Weber states, in Weber's law (1834), that the stronger the initial stimulus, the greater the additional intensity needed for second stimulus to be perceived as different (Richard, 1962).

4.3.1 Risk Perception

According to MacInnis (2008), perceived risk is the extent to which the consumers are uncertain about the consequences of an action such as buying, using or disposing of an offering. MacInnic divides risk perception into six categories:

1. **Performance risk** is the uncertainty degree in which the user is unsure if the product will perform as expected or not.
2. **Financial risk** is the extent to which buying and using of an offering is considered to have potential financial negativities.
3. **Safety risk** is the degree in which buying or using of an offering is thought to have a potential of harming someone or endangering their safety.
4. **Social risk** is the extent in which buying or using a product is perceived to have potential harm to one's social standing.
5. **Psychological risk** is the degree in which an offering is considered to have potential to create negative emotions or harm one's sense of self.
6. **Time risk** is the length of time consumers must invest to buy and use a product.

According to the sociologists Ulrich Beck (1992), modern society is characterized by a greater level of risk consciousness among people compared to the old times. Beck further argues that people have moved from an industrial society to a risk society. The risk society exhibits an increased awareness of the potentially negative effects of scientific, technological and environmental developments. The awareness of risks confronting people is neither limited in time nor space. What we are doing today might affect future generations and the effects may reach beyond the local community. In this risk based context, food might often be seen as to have a special place to link scientific, technological and environmental developments and their possible negative effects on the future generations. Consumers' interest in learning about the origin of the food and it's place along the food chain such as; additives, degree of processing, logistic distance, genetic modifications etc. can be interpreted as their way of finding alternatives to the modern, high risk carrying industrialized food system.

In 1999, a Danish study found that choosing food items can be associated with feelings of insecurity, confusion and mistrust in such products when there is a perceived risk on the product, e.g. when perceived health-safety risk is high (Holm 1999). Similar conclusions can be seen in the latest Norwegian studies of consumer trust on organic food (Torjusen et al. 2001). When put together, these studies suggest that buying organic food can be one of the

several possible strategies for dealing with anxieties about the safety and quality of food. When the data from such studies are analyzed, it can further be seen that consumer concerns regarding the safety and quality of food is becoming widespread, at least in the European market, thus driving organic sales upwards.

How consumers perceive different types of risks has already been established at the beginning of this section with the work of MacInnis. However, in recent years, with the studies focusing on risk perception of food products and perception on environmental concerns has broaden the view on how consumers perceive risk of organic food items. According to Henson (2000), much of the literature on consumer perceptions of risks associated with food has focused on three directions: The attitudes and beliefs underlying consumer concerns, the factors that make some risk factors more acceptable compared to others and trust levels in different sources of information. Slovic (2000), further characterizes risk perception by a series of polar concepts such as; voluntary vs. involuntary, controllable vs. non-controllable and natural chemicals vs. manmade chemicals. Most of the research regarding consumers' perception of food risk however has been based on the knowledge deficit model of Hansel and his colleagues. Hansen et al. (2003), summaries the basic assumptions of this model in four parts:

1. The levels of acceptable risk and the optimization of productivity is a commonly shared value in modern societies.
2. Acceptable levels of risk associated with optimal productivity are universally, or at least widely, agreed upon.
3. Scientific knowledge is the most effective and desirable way to improve both the production of goods and the control of risk. Therefore, scientific evidence should be the primary guide in risk management.
4. If the public does not comply with the advice of scientific experts, this is mainly because they have a poor understanding of the scientific reasoning behind the advice (Hansen et al., 2003).

4.4 Attitudes

An attitude is an overall evaluation that expresses how much we like or dislike and object, issue, person or action (MacInnis, 2008). Attitudes are learned and thus it is possible to influence them by moderating the learning behavior of potential consumers and they persist over time. On the analysis part of Norwegian market, we will see how the marketers can use communication strategies to change attitudes of consumers against organic food.

Attitudes also reflect the overall evaluation of a brand, product or a concept based on the set of association linked to it in consumers mind. This is the main reason why consumers have attitudes toward brands, products, ads, stores, activities etc. Author divides the importance of attention into three groups: Cognitive, Affective and Connative. Cognitive function is how attitudes influence people's thoughts, affective function is how attitudes influence people's feelings and connative function is how attitudes influence people's behavior.

Marketers can improve their ability to create or influence consumers' attitudes toward new offerings, products and novel behaviors when they understand how attitudes are formed. This understanding can also help companies to plan and implement better strategies for changing consumer perceptions and attitudes about existing offerings and established beliefs (Wanke, 2002).

4.5 Green Ambivalence

Consumers' concerns regarding the environment and climate chance are increasing and going global as the recent polls in the United States, Europe and Asia all demonstrate a significant increase in environmental awareness throughout the 2000s. In light of these findings, it is no surprise that 2006 was designated as the year of environmentalism. Although, these concerns lead to greener and environmental friendly products, consumers currently are not necessarily displaying sufficient green buying behavior (Hanas, 2007). To put it simpler, although consumers share common concerns regarding environmental issues, a lag persists between such concerns and green buying behavior. One of the biggest problems is thought to be the existing ambivalent attitudes toward green products. In other words even if consumers are consistently concerned about the environment they somehow have conflicting thoughts or concerns regarding green products.

The vast majority of populations like to buy green products simply because they do not harm the environment or have a smaller impact compared to conventional products. Moreover, some consumers enjoy the gained emotional benefit of buying green as they feel proud of their contribution to the environment. On the other hand, consumers may also have doubts about buying green products because they think that these products might have inferior quality or cost more compared to conventional ones. The key point here is not that green products actually do have inferiorities compared to normal products, but it is how consumers might perceive them to have these inferiorities, thus having conflicting thoughts about them. Some of these thoughts may also be caused by individual thought differences like having skepticism towards green marketing in general. In such a case, those consumers' believe that individual efforts will not have an effect on changing the world but it should be corporations or governments who should fix the environment problem, will automatically put them outside of green buying behavior.

As stated previously, for consumers to feel ambivalent toward an object, they should have both positive and negative perceptions of a product. E.g. a recent study regarding consumers attitudes towards recycling have shown that consumers have ambivalent attitudes toward recycling including both positive and negative perceptions. The results show that consumers can perceive recycling as being meaningful but at the same time suggest that it is a waste of time (Ojala, 2008). Therefore, when marketers are planning to launch new green products, they should consider ambivalence toward buying green as in consumers will have both positive and negative perceptions on these new products.

However, some research has gone a step forward and implied that when people have positive and negative attitudes at the same time, their negative attitudes are more likely to account for the final buying decision, therefore negative evaluations are more associated with ambivalence than positive ones. Cacioppo and colleagues refer to this phenomenon as the "asymmetries of ambivalence." They divide asymmetry into two stages:

- **In stage one** negative evaluations are more associated with ambivalence than positive evaluations because when negative evaluations of an object get activated, they are followed by the activation of positive evaluations due to the tendency to feel positive toward an object if there is no information about it. However, in contrast, activations of positive evaluations are not accompanied by automatic activations of negative

evaluations because consumers don't feel negative when there is no information to judge.

- **In stage two** negative evaluations are weighted more than positive evaluations thus; ambivalence increases more when the level of negative evaluations is more than the level of positive evaluations. Therefore, consumers have ambivalence because they possess both positive and negative perceptions of green products or their negative perceptions alone are enough to cause ambivalent attitudes (Cacioppo et al., 1997).

4.5.1 Perceived Ambivalence

In light of the mentioned green ambivalence theories on the prior part and by studying recent literature in detail, author furthermore divides the ambivalence towards green products into five major categories. These categories are also linked with the theories presented on part 4.3 and 4.4, perception and attitude formation respectively. The main perceived ambivalence types in consumers'' minds are:

1. **Perceived higher price** is when consumers perceive that green products are more expensive compared to conventional ones. This is a well known fact and researchers often ask consumers how much more they are willing to pay for a green product, "price premium". Consumer surveys show that in the U.S.A 82% of respondents are willing to pay at least 5% more for such items (Levin, 1990). Unfortunately, the fact that researchers are asking the question alone states that price perceptions should account for some variance in consumers' ambivalence toward buying green products.

2. **Perceived lower quality** is when consumers believe that green products suffer from a lower quality compared to normal products. In some surveys, to measure green buying intentions, researchers put options like; I would switch from my usual brands and buy environmentally safe cleaning products, even if I have to give up some cleaning effectiveness. The statement alone implies that some green product categories are associated with poorer performance or quality. Therefore, the more consumers believe that green products suffer from poor quality, the more they should feel ambivalent toward buying them.

3. **Perceived consumer effectiveness (PCE)** is first introduced by Kinnear and his colleagues in 1974 and it refers to the degree to which consumers believe that their personal actions can actually benefit the environment. Latter studies show that it is a significant predictor of a variety of ecologically conscious attitudes and a significant predictor of green buying behavior including organic food (Verhoef, 2005). Therefore, consumers who have low PCE have more ambivalent attitudes toward buying green products because they do not believe that they are able to make a difference anyways.

4. **Skepticism toward green marketing** is when consumers find green claims not believable, distrust these claims or distrust in advertising. It is often difficult for many consumers to assess whether a product is as green or environmental friendly as it is claimed to be. This is no surprise when green claims are often exaggerated or misleading and skepticism toward green marketing is a global phenomenon (Chan, 2001). Therefore, consumers who feel skeptical toward green claims will have more ambivalent attitude toward buying such products.

5. **Perceived emotional benefits** occur when consumers are emotionally involved with green products. In such situations consumers associate negative evaluations not with buying green products but by not buying it. They feel that buy green purchases, they can protect the environment which in turn enhances attitudes toward green purchase and intentions to pay more for environmentally safe products (Chan, 2001). Recent studies also identified that emotional benefits of green purchasing behaviors are vast as people feel good about themselves when they pay more for green products.

4.6 Green Advertising

In broad terms green advertising is any kind of advertising where the advertised product/s are claimed to be organic, environmentally friendly, using less energy, easily recyclable, biodegradable, does not include synthetic ingredients or that their production process conserves resources or energy. Therefore, green advertising claims can differ broadly in their focus from product to product. Attributes like recyclable packaging, biodegradable raw materials, or energy conservation usually are advertised in connection to separate products, however in some cases a combination of different green attributes can be advertised for a single product.

Manrai et al. (1997) suggest that green claims of advertisements vary in their strength and can be grouped into three distinguished categories. As benchmark, they categorize 5%, 15%, and 70% pollution reduction claims as being weak, moderate and high strength claims, respectively. In addition, the real effects of green claims will also have similar variations as the effects of such claims vary according to the extent of consumers' changing perceptions on the effort that a company exerts to accomplish different green claims. E.g. green claims like recyclable packaging, biodegradable raw materials and energy conservation involve different levels of effort and resources, thus will be perceived as being weak, moderate and high strength green efforts.

Early research on green advertising suggested that advertisements with green claims were more effective in generating favorable brand attitudes compared to advertisement without such claims (Mobley et al. 1995). However, lately many researchers have challenged this view by suggesting that green advertisement effectiveness varies as a function of such claim types. E.g. specific green claims result in more favorable attitudes towards the advertisement and the brand compared to vague claims. Moreover, it has been shown that moderate or moderately strong claims generate more favorable brand attitudes than low or high strength claims (Manrai et al., 1997). Finally, Kronrod demonstrates that highly involved participants have more favorable attitudes toward green advertisements as they have high motivation and felt involvement. These consumers rate green claims as being more believable than do less involved participants.

Even though research in consumer behavior has repeatedly shown that gentler and mild phrasing in green advertising is more effective when seeking consumer conformity, green advertising or environmental claims still contain assertive commands and messages. However, Kronrod's latest research on message assertiveness shows that the persuasiveness of assertive language depends on the perceived importance of the issue at hand. Therefore, if green claims are considered to have high importance on consumer mind, gentler and mild phrasing won't necessarily bring higher effectiveness. In fact, the study shows that recipients respond better to assertive messages in domains where they view as important, but they still respond better to less assertive messages when they lack initial belief (Kronrod et al., 2012).

4.7 The Assortment Effect

The type of formats used by retailers to organize assortments into subcategories can increase or decrease consumers' learning and satisfaction. For high prior knowledge consumers, unexpected and new subcategories provide stimulation, therefore they increase learning, and satisfaction of the consumer if the new subcategory help the consumer to overcome contentment and benefit more from their shopping experience. Unfortunately, the same subcategories may lead to a decrease in learning and satisfaction among lower prior knowledge consumers. These findings suggest that new assortment subcategory formats should be tailored to consumers' prior knowledge levels in ways that it can yield actual benefits to them.

Although high prior knowledge consumers are easily able to absorb new product information, this is often not the case. For these consumers, familiar contexts can highlight the feeling of already knowing thus, promote complacency errors. Simply put, higher prior knowledge consumers could fail to grasp new information because their efforts in information search increase their confidence without increasing their accuracy. Therefore, they can easily disregard new information that conflicts with their prior information (Hogarth et al., 1978).

Unfortunately, the existing literature suggests that the benefits from new subcategories cannot be predicted for low prior knowledge consumers. These consumers do not feel that they already know the new information thus; low prior knowledge consumers are less likely to exhibit complacency. However, the higher effort they will spend on learning may not improve the process if low prior knowledge consumers are already trying their best. Additionally, these consumers are likely to engage in a minimum processing of the product displays since their attention is already consumed greatly by the choice task itself. Therefore, unexpected new formats may actually hurt learning of such consumer groups (Morales et al., 2005).

4.7.1 The Mere Categorization Effect

In recent assortment literature, a combination of field and laboratory experiments reveals that the mere presence of categories, regardless of their actual content, positively influences learning and the satisfaction of consumers who are familiar with the assortment category. This effect, called the mere categorization effect, is mainly driven by the sense of determination from choosing caused by the higher number of categories signaling greater variety among the

available options. However, as stated, this effect is only valid for consumers who are familiar with the assortment domain. Simply put, the mere categorization effect occurs by increasing choosers' perceptions of variety, which in turn increases their feelings of self determination. Therefore, the mere categorization effect has implications for retailers, as it changes the perceived variety and assortment size in the eyes of consumers (Lepper, 2000).

Although the experiments suggest that a greater number of categories lead to higher customer satisfaction, the reasons for this effect still remain in question. Previous research has shown the content of assortments can inform consumers regarding the attributes of the products grouped under each category. Therefore, the assortment or categorization of options may help consumers to refine their set of options into easy to understand groups. If this is the case and categories benefit choosers by directing them to their preferred option within an assortment, then the positive effect of categories would require informative and specific labeling within a supermarket. Therefore, in order for organic brands to benefit from the mere categorization effect, they first should create informative and specific labeling that signals a broad variety of options. (Diehl et al., 2003).

Furthermore, prior research suggests that consumers are more willing to choose among distinct options as they are less likely to choose a new product when the differences between the available assortments are limited. This is due to consumers approach to avoid indistinguishable products where the trade-offs are unclear. Therefore it can also be stated that relatively homogenous choice sets can create conflict or cognitive dissonance in consumers mind. This approach may help explaining consumers' attraction to extensively varied assortments thus providing an explanation on why the mere categorization effect occurs.

These findings are also in parallel with a variety of field studies where scholars stated that bigger assortments that offer greater variety have been found to draw much greater in-store traffic and in turn to increase the quantity of products purchased. However, it should also be noted that consumers' perceptions of variety are not necessarily in parallel to the actual number of options presented. By simply manipulating the display features such as; shelf space, messiness, shelf placement and by featuring popular options, marketers can appeal to consumers' mind and desire for greater variety without actually increasing the assortment size. The finding suggests that a display cue such as categories itself might also increase consumers' perceptions of variety and their resulting satisfaction (Mogilner et al., 2008). The

finding brings important implications to organic food placement in retail stores where there is currently little or no distinction. Therefore, organic food products lack the mere categorization effect which can easily be established by placing the organic products together under a categorized display cue.

4.8 Packaging and Labeling

The importance of packaging and labeling is often underestimated. However, in reality, these two are the first visible layers of a brand where consumers get in contact with the final product. Therefore, they alone are responsible for the initial brand image and consumer buying behavior. Products are always protected by packaging which is the material around the product to protect it from any damages that can be caused by transportation or storage. However, package should also contain vital information about the brand and instructions on how to use that product.

According to recent studies, attraction towards packaging is more important in younger generations. Consumers in all age groups are surely involved in the consumption behavior, thus up to certain content are attracted to products due to its familiar packaging. However, it has been seen that young generations, particularly the age group of 17-30, has a closer relationship to it. Perhaps the difference in the behavior of different age groups is related to the different symbolic needs of these groups. However, regardless of the difference, packaging has a great impact on the selection of a brand and consumers can have a positive perception towards a brand only due to its package design (Rundh, 2005). Therefore, it is not an over statement if packaging is considered to be one of the most important marketing tools for any product.

Labeling, on the other hand, is anything written on the package of a product ranging from a simple tag or a designed graphics. Olson and Jacoby (1973) identified the label as an extrinsic cue that is an attribute not included in the physical product. Therefore a label could create an initial authenticity by providing information such as; quality, specifications and ingredients. In many developed markets, there are certain regulations on what a label should state about the product. On food items, many countries require ingredient list, nutrition values, brand name and necessary certification. E.g. according to the FDA (1998), a label of the product must contain at least the brand name, ingredients, its manufacturer's name and

address, net weight and other nutrition facts about the product. However, in some cases it is still possible that a label will only contain the brand name of the product (Kotler, 2001).

When put together, besides irregular promotions or on store advertising, packaging and labeling are the only aspects of a product that can communicate a message to the buyer in a store setting. The color, style, design and a distinctive label not only can distinguish the brand form its competitors but they also can increase the likelihood of the purchase decision. Therefore, it is crucial for the brands not to deliver any products that may carry any problems or has a visible defect on the package, as the consumers are used to check and evaluate products by the appearance of their packages and ensure the quality of the product before making a purchase decision.

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5 NORWAY AND NORWEGIAN ORGANIC FOOD INDUSTRY

Kingdom of Norway is a constitutional monarchy with an estimated 4.7 million population. Thanks to its developed oil industry, the Norwegian economy had a strong current account surplus during the years 2000-10, having maintained it at a rate of more than 15% of GDP since 2005. Due to the account surplus of over a decade, today the country is ranked among the wealthiest countries in the world with a GDP per capita (PPP) of $59.100. Moreover, Norway is one of the top performers in terms of conserving the environment as was ranked fifth on the Environment Protection Index (2010). Due to this high environmental standards and regulated focus on healthy food, for 2010, life expectancy has estimated to be 77.5 years for men and 83 years for woman, one of the highest life expectancy rates in the World. Therefore, due to the high life expectancy, the country is currently facing a dramatic demographic transition to a more elderly population.

Norway's parliament has a dual system to attain environmental issue. The ministry of agriculture and the ministry of the environment work together with the aim of conserving the biological diversity of Norway and to encourage the sustainable use of natural resources. For this reason, the parliament has given the right to the Research Council of Norway to promote research and development activities in the country and it had already allocated around NOK 6.5billion to regional scientific research in 2009, some of which is attained specially for organic food farming and development (DataMonitor, 2011).

After the very brief country introduction to Norway by presenting the above numbers, the main section of part five starts with the analyses of Norwegian organic farming, followed by Norwegian average consumer budget and the economic aspects of organic food. After establishing the economic dimension of organic products, part five continues analyses by focusing on the role of governments and regulations in organic farming with a focus on the role of Norwegian Government in promoting organic farming in Norway. This is followed by the existing labeling Schemes in Norway with a focus on Debio's Ø Mark as it is the certification authority in Norway. Finally, the part will be finalized by the analyses of food retailing industry in Norway by using Porter's Five Forces analysis.

5.1 Norwegian Organic Farming and Production Numbers

As in 2011, Norway had a total of 2.725 organic producers and an addition of 748 companies exporting organic food items to the Norwegian Market with a total of 5.191 Ø marked (Norwegian organic certification) Debio products. Unfortunately, the proportion of organic product sales supplied by these producers was much lower compared to other Scandinavian countries such as Sweden and Denmark. In 2012, the proportion of organic food products sold in grocery stores to the total amount of food sales was below 2% for Norway, whereas it was close to 11% in Denmark and around 8% in Sweden. This low share of organic products in the Norwegian market can be caused by many different problems such as consumer perception and attitudes towards organic, high price premiums for organic products or lack of Governmental support. All of these items will be analyzed in the coming sections to realize the problem undermining organic sales in the Norwegian market. However, it should be noted that the low market share does not by itself a bad thing and it can very well signal that the market is not saturated yet and there is a great potential for expansion.

As it has been stated, as in 2011, Norway has a total of 2.725 domestic organic food producers and 748 export companies for organic food. The total number of producers and exporters divided in regions, as first number representing producers and second number representing exporters, consist of: Østfold 186-31, Akershus 134-70, Oslo 6-104, Hedmark 237-48, Oppland 212-28, Buskerud 234-48, Vestfold 110-37, Telemark 113-17, Aust-Agder 38-13, Vest-Agder 57-14, Rogaland 57-59, Hordaland 114-57, Sogn og Fjordane 177-19, Møre og Romsdal 162-38, Sør-Trøndelag 324-61, Nord-Trøndelag 351-35, Nordland 156-18, Troms 49-15 and Finnmark 8-1 (Debio, 2011). The same year, in addition to organic food producers, there was 25 organically labeled aquaculture businesses, 2 forestry, 6 wine producers, one cosmetic producer, 6 fertilizers and soil improvers and a total of 3 organic Christmas tree and greenery producers. All of these producers put together consisted 5% of the entire agricultural production in Norway as stated in the previous section. Detailed numbers of organic production as a percentage of total agricultural production for each region can be found on table 1.

Area	Organic Acreage to Total Production (%)
Østfold	5,9
Akershus/Oslo	4,7
Hedmark	4,8
Oppland	3,2
Buskerud	8,5
Vestfold	6,1
Telemark	7,4
Aust-Agder	4,8
Vest-Agder	5,5
Rogaland	0,7
Hordaland	2,7
Sogn og Fjordane	4,1
Møre og Romsdal	4,2
Sør-Trøndelag	8,9
Nord-Trøndelag	8,3
Nordland	5,6
Troms	3,3
Finnmark	1,0
Total Average	5.0

Table 1: Norwegian organic acreage to total production (Source: Debio, 2011)

To generate only 5% of the entire agricultural industry, the total of 2.725 organic producers commanded close to half million decares of agricultural land. The following table presents the detailed information of land usage by organic farmers divided in food categories and cultivation techniques. Table further shows the agricultural area under conversion that is planned to be converted into farming area approved for organic production in the coming years. The most important indicator in the data is the ratio of agricultural area under conversion to organically approved agricultural area which is a staggering 20%. Table 2 further emphasis Governments attempts to catch its target of 15% organic production by 2020 as stated in the Role of Norwegian Government in Promoting Organic Farming part.

	2010 (Decares)
Total area approved as organically operated	471.964
Cultivated meadows	278.459
Surface cultivated meadows	11.715
Fertilized pastures	79.027
Area treated by green manure	7.637
Crops for green fodder and silage	12.991
Grain	68.696
Potato	1.620
Vegetables	3.521
Herbs	120
Fruit	1.245
Berries	566
Other crops	6.368
Agricultural area under conversion	101.955

Table 2: Approved organic farming area and area under conversion to organic (Source: Scheel, 2011)

To access the real impact of these producers in the sales of organic products in Norwegian retail stores, the following table gives important insights on the actual organic product sales in six different food categories for the financial year 2011. Table 3 shows that dairy products compose the biggest share of organic sales fallowed by organic vegetables and baked products. The presence of Godt Brød, a bakery chain solely focused on organic products, is the main explanation on the unexpected third place of baked products in the market. The last three spots on the market share of organic products are occupied by eggs, fruits and meat respectively. However, taking the proportion of category sales to total turnover of each category, organic eggs takes the leading role fallowed by vegetables, dairy products, fruits and still the last meat products. Taking the average of all food categories, it can be seen that organic food sales occupy only 1.68% of total food grocery sales. The result show a minor increase from 2009 as it the proportion of organic sales was 1.1% for that year according to Statens landbruksforvaltning (SLF), the Norwegian Agricultural Authority's yearly organic production report.

Product Category	Total Organic Turnover (NOK million)	Share of Organic in Total Turnover (NOK million)
Dairy Products	253.5	1.7
Vegetables	181.6	1.9
Baked Goods	112	1.0
Eggs	87.3	4.7
Fruits and Nuts	44.4	0.6
Meat (all types)	23.6	0.2
Total / Average	702.4	1.68

Table 3: Turnover of organic products in Norwegian stores (Source: Authority, 2012)

5.2 Standard Consumer Budget

The national institute of consumer research of Norway, SIFO, presents the standard budget for an average Norwegian family in their study on ordinary consumer expenditures for different types of households. The study is based on households of varying sizes with differences in age and gender where the aim is to calculate the cost of maintaining a reasonable level of consumption. The findings of this study is an important starting indicator for the future capacity of the Norwegian organic industry as it shows the amount consumers are able to spend on their monthly grocery shopping.

The shopping budget is designed to fulfill all the requirements of normal health and nutritional standards, therefore making the results valid for our purposes. According to the findings of the study, an average Norwegian household spends around NOK 7.500 for their monthly grocery shopping as well as for eating outside. Considering the fact that the amount Norwegians spend on clothing, health and hygiene, recreation and leisure activities in total accounts for NOK 7.400, it can be considered that the proportion of money spend on food products occupy the biggest pie in the monthly budget. The budget further shows that other expenses such as travel, household, furniture, phone, media, car costs and school occupy another NOK 8-9.000 per month. When all of these expenses put together, the average household has a minimum spending of NOK 247.000 per year (SIFO, 2011).

Taking account the data on the beginning of this section regarding the GDP per capita (PPP) of Norwegians it is clear that the majority of Norwegians have the means to extend their consumption on desired ways since the GDP per capita is analyzed to be around NOK 343.000 per year. The fact states that Norwegians, on average, have NOK 100.000 to spend

on luxury items. Organic producers and marketers should use the flexibility of consumer spending when they design their products and marketing strategies as it seems that Norwegians are able to pay price premiums associated with organic products if they perceive the products to have superior taste or to be healthier.

5.3 Economic Aspects of Organic Food

One of the biggest problems associated with organic food industry is the extra costs related with its production, delivery and marketing. Overall, an organic food initiative is expected to carry more costs compared to a conventional one. Therefore, organic food initiatives have a distinct cost disadvantage against conventional businesses right from the start which makes it harder to gain higher market shares and bigger margins. On this section the author will analyze what exactly creates the additional burden on organic food production and how much of a price premium are consumers willing to pay for organic food. Finally, costs and revenues on the supply side will be analyzed to have a holistic view of both the supply and the demand sides of the industry. However, it should be noted that, in theory, the fallowing analyses should not occupy a huge problem for Norwegian consumers' organic food buying behavior, as the previous section indicated that an average Norwegian consumer should be flexible in their monthly spending as the average income per month for Norway is much higher than the average spending per month.

5.3.1 Extra Costs Associated with Organic Farming

The true cost of a food product is not always simply the price that it is sold for. Unlike many other industries, agricultural products, organic or non-organic, often influenced by subsidies and other national or regional support schemes. According to the House Appropriations Committee (HAC), in the United States during the financial year 2008, mandatory spending on conventional farming was $7.5 billion whereas it was a whopping $15 million for organic food farming (MARTIN, 2009). On this example, it is clear that subsidies are mostly geared towards large scaled and chemically intensive agriculture, resulting in an artificially lower price levels for conventional products. Therefore, it could be stated that the price of organic food is not too high but rather, the price of conventional food is too low due to government regulations and support schemes.

Having established the fact, it is still certain that certified organic farming products are generally more expensive than their conventional counterparts mostly due to industry's own problems. The majority of these problems can be listed as:

1. **Lack of economies of scale:** Economics of scale rises when the cost of a single unit falls as the overall output increases. Currently, in the organics market, production levels are not high enough to create economies of scale.

2. **Higher production costs:** Production costs for organic products are higher due to higher demand for labor per unit of production combined with the higher demand for working hours.
3. **Higher transportation costs:** Due to the mandatory segregation of organic and conventional food products during transportation, post harvest handling of relatively small quantities of organic products results in higher costs.

4. **Higher marketing costs:** Marketing costs of organic products is relatively higher due to the inefficiency generated by the relatively small volumes of the products and targeted segments.

5. **Higher environmental costs:** There are extra costs associated with organic farming due to the necessary environmental enhancements, environmental protection, pollution mitigation and higher standards for animal welfare (FAO, 2012).

Fortunately, according to many predictions, as the organic food sector develops, the price premium should decline slowly thanks to better pricing schemes, increased demand creating economies of scale and improved production due to technological innovations. However, it's highly probable that there will still be a small price premium due to the fixed costs built in to the organic industry such as; expensive certification costs and high shipping prices.

5.3.2 Price Premium of Organic Products

Organic food is typically 10 - 100% more expensive than a conventional counterpart. Thus a household on average would need 60% more income to fallow an all organic diet (Severson, 2008). Nonetheless, some consumer segments are known to have willingness to pay a price premium for organic products because organic agriculture is considered to be a more environmental friendly form of agricultural production. However, to have a clear understanding of the existing price premiums and the price elasticity of consumers, it is

required to analyze a quantifiable data. The study conducted by M. Sperow gives such data on the weekly consumption of an average American household. According to the low cost plan, the total cost for groceries for a month of organic shopping is $766, compared to $514 for the same quantities of non-organic products. Thus the average weekly cost for a family to purchase organic food is $191 versus $128 for non-organic, generating an average of 67% price premium (Sperow, 2005). Fallowing table presents the detailed price premiums in United States during the course of the study.

Price Premium for Organic Products (%) in U.S.A	
Grain products:	23
Sugars and Sweets:	108
Fruits:	61
Milk and Cheese:	73
Vegetables:	15
Meet:	57
Other:	22

Table 4: Price premium for organic products in American market (Source: Sperow, 2005)

The study conducted by Norwegian Agricultural Authority on production and sale of organic agricultural products in the Norwegian market for the year 2011 are also in parallel of the results of M. Sperow's studies. According to the Norwegian Agricultural Authority, in the Norwegian market, price premiums for organic food products range from 5 – 60%. The lower average price premiums in the Norwegian market signals a more favorable market for the organic production caused by the positive government support and regulations in the Norwegian market. Fallowing table presents the detailed average price premiums for milk products, wheat, oats, pees, oil seeds, rye and flour in Norway during 2011.

Price Premium for Organic Products (%) in Norway	
Milk products:	25
Wheat:	47
Oats:	28
Pees:	22
Oil seeds:	4.8
Rye:	30
Flour:	31

Table 5: Price premium for organic products in Norwegian market (Source: Authority, 2012)

Furthermore, a recent study by the University of California-Davis has reported that U.S. shoppers who occasionally choose healthy and/or organic food products are willing to spend

only about 15 – 20% more on their monthly groceries which corresponds to the widely believed fact that consumers could accept up to 20 - 30% price differentiation in mature organic markets, such as in West Europe and United States. However the acceptance ratio drops down to 10 – 15% of a price difference in developing countries and in low-income class (Wai, 2000). Therefore, it is common sense that the high price difference, 15% or more compared to non-organic products, of an organic food product will have a direct negative impact for the consumers on developing countries and/or on lower income class. Moreover, high price levels of organic food products can consume up to 35 – 40% of a low income family's monthly grocery budget, whereas it only consumes 10 – 15% of an upper income family's monthly budget.

Similarly to the States, it is not surprising that currently in Europe organic products are purchased mostly by upper and middle class consumers whose primarily purchasing decision is not so much influenced by the price level. However, to have broader market penetration and to reach economics of scale, many producers and marketing organizations have the aim to expand to other/lower class consumer groups where there is higher sensitivity to price levels. Therefore, it is clear that the high price sensitivity on these new segments and the typical higher prices of organic products may be the biggest obstacle ahead of organic marketing in the coming decades.

5.3.3 Price Sensitivity of Consumers

According to FMI research, in United States, 74% of consumers suggested that low price is the most important factor in their selection of the primary supermarkets and brands (FMI, 2011). Therefore, it is essential to build solid price reduction strategies to be able to compete with conventional products. Fortunately, in Western Europe, most countries already have government schemes that subsidize organic food development to bring production and consumption to a significantly higher level.

In countries including Denmark, Sweden, Norway, Germany, Austria, and Switzerland, and also at the European Union level, governments contribute to organic markets by using different strategies such as; supply of low cost credits, additional subsidize for organic production and supply of land dedicated for organic farming. In fact, it can be stated that many European countries treat organic farming as an instrument to help mitigate environmental problems, manage marginal lands and contribute to farmer incomes (S.

Dabbert et al., 2006). Due to the importance of government support on organic market, the role of government regulations on organic farming and the support of Norwegian government on organic farming will further be analyzed in detail in the upcoming chapters 5.4 and 5.5.

5.3.4 Cost of Organic Farming

Assessing the actual costs and revenues associated with the supply side of organic food market is a complex task to accomplish. The main reason is the scarcity of such data which makes it almost improbable to have a broad assessment that will govern an entire market. The data required to set industrial standards either doesn't exist or considered to be confidential. Moreover, each country, region or city has its own political, regulatory, climatic, logistic and other factors that change the cost structure.

Fallowing the statement, it is still possible to analyze the market data from United States where we see the most established organic farming market with organic sales accounting for over 3% of total U.S. food sales, and have an overall assumption on the Norwegian market. The author will analyze the cost structure for the organic production by looking at the costs of production data published by the United States Department of Agriculture. The data consists of detailed production costs and returns for wheat, soybean and milk products in different states and farm areas. However, a simplified version of these reports will be provided given the fact that the actual data is immensely complex and detailed. Fallowing table presents the production costs and returns for wheat, soybean and milk products in United States.

($ millions)	Conventional Wheat	Organic Wheat	Conventional Soybean	Organic Soybean	Conventional Milk	Organic Milk
Gross Profit	227	338	254	434	17	24
Operating Costs	(113)	(83)	(93)	(86)	(11)	(16)
Overhead Costs	(150)	(167)	(184)	(239)	(7)	(14)
Total Costs	(263)	(250)	(277)	(325)	(18)	(30)
Profit / Loss	(36)	88	(23)	109	(1)	(6)

Table 6: Production costs of organic farming in the U.S.A (Source: Service, 2012)

The table summarizes profit or loss ($ millions) generated in the production of each food category in the entire States. Data includes all profit and cost items beside the government subsidize. Unfortunately, without having that data, it is still unclear to determine which type

of production is more favorable for the producers. Additionally, the data only gives a narrow insight since it doesn't cover the majority of the food items being sold in the stores. However, it is still certain that without the government support, almost all farming categories suffer a country wide loss which makes it immediately significant that government support is essential in the farming industry. Moreover, the data supports the author's initial assumption that the price of organic food is not too high but rather, the price of conventional food is too low due to government regulations and support schemes.

5.4 Role of Governments and Regulations in Organic Farming

Since the mid 1980s, in Europe and increasingly in Norway, organic farming has become the focus of significant attention from policy makers, consumers, environmentalists and farmers. Due to the increasing focus on organic farming, state institutions have become more and more involved in regulating and supporting the organic farming sector. Due to the advanced nature of the goals for organic farming such as the health benefit, animal welfare or environmental protection associated with it, a varied and complex range of agricultural policy measures have been developed and implemented to support the organic industry.

The vast majority of this varied and complex range of agricultural policy measures available for political support for organic farming can be distinguished between three main types of instruments:

1. **Legal instruments and regulations:** are based on the authority and power of the state. The major legal instruments in the European countries are Council Regulation (EEC) No. 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring on agricultural products and foodstuffs, and Council Regulation (EEC) No. 1804/1999 of 19 July 1999 supplementing the prior regulation.

2. **Financial instruments:** are economic incentives or disincentives that are based on the price mechanism of the market. Such instruments operate through positive or negative economic incentives in the form of support or in the form of taxes and duties. The major financial instruments in the European countries are producer support by area payments, conversion and maintenance support, inspection cost support, financial reporting support, investment grants and animal welfare improvement programs.

3. **Communicative instruments:** are based on the mutuality and social norms of the civil society and involve some kind of interaction between the regulator and the regulated citizens. The major communicative instruments in the European countries are advice and technical assistance, training and education programs, research assistance, investment grants for demonstration projects, and support for capacity building and institutional structures (Lampkin, 2009).

5.5 Role of Norwegian Government in Promoting Organic Farming

In 2000, a government report on Norwegian agriculture and food production established the target that 10% of the total agricultural area is to be farmed organically within 10 years, provided that there is a market for the products. Unfortunately, as 2011, organic farming was only able to encompass 5% of the total agricultural area in Norway. Therefore, the Government altered its goal for organic food agriculture to account for 15% of the total food produced and consumed in Norway by 2015 which then altered again to extend the time frame till 2020 (Øystein, 2009). The procrastination of the aimed target signals either inefficiency on the supply side or a problem in the marketing of organic products. Nevertheless, Norway still makes it to the leading countries around the world in terms of organic agricultural planning.

In accordance to its organic targets, Norwegian government today has the second largest subsidies for organic food production after Iceland known as the Producer Support Estimate (PSE). The Norwegian Government distributes producer support as Single Commodity Transfers (SCT), Group Commodity Transfers (GCT), All Commodity Transfers (ACT) and Other Transfers to Producers (OTP). The SCT made up the biggest pie of PSE accounting 53% of the total support fallowed by the GCT where producers have the option to produce any one of a specified group of commodities as part of program eligibility which accounted 30% of the PSE in 2006. Transfers provided under the headings ACT and OTP, on the other hand, place no restriction on commodities that farmers choose to produce or do not require any commodity production at all. These two flexible supporting schemes together comprised 17% of the PSE in the same year (Øystein, 2009).

Taking all the numbers together and comparing them with the historical data, it's a fact that overall government support to producers, PSE, decreased from71% in 1988 to 66% in 2005. The downfall of support continued slightly in 2006 as PSE is dropped another 1% to an overall 65%. However, even the dropped number still sets up the maximum limit among

OECD countries with Iceland as the average for OECD countries is 29%. During 2006, producer single commodity transfers (SCT), the biggest part of Producer Support Estimate (PSE), by commodity was 5% for sheep, 34% for eggs, between 40-60% for common wheat, barley, oats, milk, and pig meat, and around 60-70% for poultry and wool (OECD, 2007).

However, government support for organic agriculture is not alone a sufficient strategy to make sure that market meets the targeted number of organic products with aimed superior quality, as support without control usually ends up in wrong places. Therefore, starting from 2004 and continuing in 2005 and 2006, Norwegian Government introduced extensive regulations governing organic production and marketing. These regulations are:

- **Biodynamic standards, 2004:** The Norwegian Biodynamic Standards are administered by the Biologisk-Dynamisk Forening i Norge. The standards are additional standards to the EU regulation 2092/91. Certification is carried out by Debio.

- **Additional Biodynamic Standards, 2004:** The standards include additional standards for biodynamic production to supplement the EU Regulation No 2092/91 and the governmental regulation and guidelines.

- **Debio Standards for Aquaculture, 2005:** Debio Standards on organic aquaculture contain standards for salmonids, perches and gadoids. Areas that are covered in the standards are ideas and aims, general standards, environment/water quality, conversion, breeds and breeding, feed and feeding, health and animal welfare, specific standards.

- **Debio Standards for Organic Forestry and Plant Products, 2005:** The Standards for organic forestry and plant products set conditions for non-food forestry products to be marketed with Debio label.

- **Governmental guidelines on organic agricultural production, 2005:** The general guidelines of organic production include general guidelines on organic agricultural production, processing, storing, trading and importing from third countries.

- **Government guidelines on organic processed products, trade and third country imports, 2005:** The Governmental Norwegian national regulation for organic processed products covers also trade and third country imports.

- **Governmental general guidelines of organic production, 2005:** The general guidelines of organic production include general guidelines on organic agricultural production, processing, storing, trading and importing from third countries.

- **Governmental Regulation on Organic Production and Labeling, 2005:** The Norwegian Governmental Regulation implements the EU Regulation 2092/91 in Norway and includes some additional requirements concerning animal production. They are complimented by several guidelines.

- **Governmental regulation on organic production and labeling of agricultural products and foodstuffs, 2005:** This regulation implements the EU regulation 2092/91 in Norwegian law. In addition to general provisions and administrative provisions the regulation defines specific national provisions on seedling soil and production of potted plants, prohibition of cobber-perpetrates, greenhouse production, rabbits, detailed rules, indoor finishing limited only to fattening pigs, sheep, floors in sheep houses, poultry, dormancy period outdoor areas, feeding discarded milk, feeding milk calves, national parks as forage areas, bees, foraging areas and food additives permitted in animal products.

- **Debio Standards for forestry, 2006:** Debio Standards on organic forestry. Areas that are covered in the standards are ideas and aims, environment, conversion, types of wood, forestry in natural areas and forestry in plantations (Jespersen, 2011).

5.6 Labeling Schemes in Norway

When the food selection is virtually unlimited and goods come from all over the world, it is difficult to consciously choose products that are organic or that are produced ethically and environmentally. Fortunately, in Norway, there are a number of labeling systems that can make such choices a little easier for consumers. On this part, a list of food labels leading by Norwegian Debio standards will be presented that consumers can find in the Norwegian grocery shops, and a brief description about what requirements they fulfill:

- **Debios Ø Mark:** The term "organic" is legally protected and products must be approved by government regulations to be marketed as organic. In Norway Debio organization has received authority from the government to carry out continuous checks and approval of organic food. Debio's Ø-label is thus consumer's guarantee that a food product is organic.

- **Krav Mark:** Swedish certificate for organic food is also found in Norwegian grocery shelves. Award from Krav requires food to be produced in a way that has minimal impact on the environment and climate, to have good animal care and to be good for health, and social responsibility. This means that chemical fertilizers, chemical pesticides and GMOs are not used during the production of foods, and that the finished product does not contain unnecessary additives.

- **Stats-Kontrolleret Økologisk:** Is the official certification in Denmark and can be found in products in Norwegian grocery stores. The certification has similar requirements with Debio and Krav.

- **Soil Association Organic:** Is the leading UK organic certification on companies and products. The brand can be found on several imported products in the Norwegian market and guarantees an ecological production that respects the environment with minimal use of pesticides and chemical fertilizers, no use of GMOs and set requirements for animal welfare.

- **EU Label:** EU has held an optional labeling system for organic products symbolized by the EU Flower. However, in recent years a new system is replacing the old flower in the EU and EEA countries, where all pre-packaged organic food required to be labeled with the new pan-European logo.

- **ICA I love Eco:** The Swedish supermarket chain ICA works with a range of organic products specifically manufactured for ICA as their private label. I love Eco is also marked with Debio's Ø-mark, the Swedish KRAV and EU labeling system for organic food.

- **Änglamark COOP:** The Scandinavian department store giant COOP has also made a series of organically grown foods. These are marked as Änglamark. COOP chains offer both their own organic Änglamark products and other organic branded products

to provide a wide range of eco-conscious customers. The chain works with Oikos which is the association for organic food in Norway.

- **Marine Stewardship Council (MSC):** MSC is the only environmental labeling on seafood, and is internationally recognized. The organization works with fisheries scientists, environmental groups, seafood companies and the public to help consumers identify seafood that is harvested in an environmentally sustainable manner. However, in 2012 Debio also started to grant marine certifications.

- **Fairtrade Mark:** Fairtrade is a strategy for poverty remission and sustainable development. Its purpose is to create opportunities for producers and workers who have been economically disadvantaged or marginalized by the conventional trading system. Many products in the Norwegian market have Fairtrade logo.

- **UTZ Certified:** UTZ Certified is a certification scheme that works with brands to ensure their products consist of foods that are both sustainably grown and traceable to the producer. Traceability is important because it stimulates economies and promotes fair trade.

- **Spesialitet Norge:** Specialty label aims to promote the unique taste sensations. This is a hallmark of Norwegian produced foods that stand out in their raw materials, manufacturing process, maturity, freshness or taste. The labeling system is not an organic certifier thus, does not require regulations concerned with organic food production.

- **Nyt Norge:** Norway Enjoy labeling scheme aims to make Norwegian produced goods more visible to the consumer. According to the label, products marked with Nyt Norge are manufactured in a good way for people, animals and the environment. The label assures that 100% of meat, milk and egg products are made in Norway, minimum 75% of complex products are made in Norway and farms to have an established quality system in agriculture.

- **Grønt Punkt:** The label can be found on many Norwegian food products. The certification stands for the existence of advanced return and recycling of packaging materials such as; glass, metal, plastic, cardboard and corrugated cardboard. The certification does not require regulations concerned with organic food production.

- **Keyhole:** Keyhole label is a Scandinavian labeling scheme that refers to the foods within specific product groups that contain low fat, salt and sugar. These products should also contain high fiber levels. The label is not directly related to organic foods but rather healthier options. Keyhole symbol requires no environmental concerns such as the non usage of pesticides, fertilizers, animal welfare or working conditions of the producers.

- **Beskyttede Betegnelser:** is a public food labeling to protect and promote products with special qualities within three areas; country of origin, geographical indications and traditional characteristics. The goal of the labeling scheme it to take care and promote the Norwegian food and food culture.

5.6.1 Debio's Ø Mark in Focus

Norwegian market has seen an increased demand in organic certification in mid 1980s. In response to rising demands, the private organic certification authority Debio began to take up certification activities. From the starting year until today, Debio certifies all organic products on the Norwegian market. After the introduction of Debio's standards, the number of organic farms and organic products has been on the rise ever since. Debio certifies organic products according to the Norwegian governmental order and regulations on organic farming, processing, import and marketing of organic agricultural products which corresponds to the EU regulation 2092/91.

The Organic Forestry Standards of Debio are regulated by the Norwegian private law and are in accordance with the general principles and criteria laid down by the International Federation of Organic Agriculture Movements (IFOAM) for organic production methods. These regulations are additional standards to the basic requirements laid down in the government regulations of 4 October 2005 on organic production and labeling of organic agricultural products, other mandatory public laws and the Levende Skog standards for sustainable forestry. Organic Forestry Standards of Debio cover areas otherwise not dealt with and place different demands or consequences over the above mentioned regulations. Debio's Organic Forestry Standards and Labeling rules define organic production, harvesting, processing, marketing, labeling and traceability of organic products throughout the entire value chain. To qualify for organic certification, a producer must also comply with all mandatory public laws. At this point of thesis, after mentioning regulations governing organic

production on many places, the author will provide real certification requirements taken from Debio's own contract. The main requirements and standards or Debio's organic label are as it fallows:

1. **Biological survey:** The operation report shall include an overview (maps, reports, etc.) of biologically important areas, vulnerable vegetation types, water resources, game populations, "Red List" species, cultural monuments, unique or vulnerable habitats, harvested species, as well as areas and conditions of special importance for the area's human inhabitants.

2. **Planting, seeding and indigenous tree species:** When planting and seeding new trees, seedlings and seeds of indigenous tree species (propagating material of local origin) shall be used. However, if local provenances cannot be obtained, material from nearby provenances can be used. Provenances shall not be moved more than 100 km in latitude and 200 km in altitude.

3. **Fertilization:** The area being harvested shall be managed in such a way as to minimize nutrient loss and leaching. Areas including special environmental features shall not be fertilized. Non-fertilized buffer zones must be established along lakes and watercourses to avoid nutrient runoff. Application of fertilizers is only permitted after snowmelt. The use of synthetic nitrogen fertilizers such as; urea, Chilean nitrate, nitrate of lime, etc., is not permitted.

4. **Plant protection:** As a general rule, chemical or synthetic pesticides against weeds, diseases and pests shall not be used.

5. **Genetic manipulation and clone forestry:** Inputs such as seeds and plants, pesticides, fertilizers, etc. that are genetically modified or produced with the help of genetic manipulation shall not be used.

6. **Fragmentation of forest roads, cabins and small power plants:** Areas that are significantly fragmented shall not be included in the certified organic production unit.

7. **Landscape ecology:** The landscape of which the operation's certified organic area is a part shall be regarded as a whole in connection with planning operations.

8. **Staff knowledge:** The operating manager shall ensure that everyone working in the organic production unit receives relevant information and has necessary knowledge

about a production area's known environmental features (E.g. key biotopes, "Red List" species, cultural monuments and recreational areas), as well as its flora, fauna and ecological carrying capacity.

9. **Marketing and labels:** The labeling rules regulate the use of Debio's labels. The use of other labels in addition to Debio's labels shall be clarified with Debio (Debio, 2008).

5.7 Food Retailing Industry in Norway

On the final chapter in this part of the thesis, the author will analyze the Norwegian food retailing industry as it accounts for almost 90% of the entire food market with the contribution of convenience stores which are also owned by retailing giants. On contrary to the theory section, the author saved the industry analysis as the last chapter of part five as the curious reader, after reading the analyses on Norwegian organic market, will have a better understanding of the forces acting on the food retailing industry.

The Norwegian food retail market has experienced a steady growth in recent years. The industry had total revenue of NOK 102.5 billion in 2009 with an annual growth rate of 2.8%. Even though the number is a considerable account, Norway still only accounts for 1.1% of the European food retail industry value. However, the small percentile is due to Norway's market size rather than its power. Like retailing industry in many other countries, Norway sees a concentration of power due to a continuous restructuring of the global food system. Hypermarkets, supermarkets and discounters sales consisted 77.2% of the industry's overall value fallowed by convenience stores and gas station that accounted for 11.4% of the remaining industry value. This dominancy trend has been described as a result of horizontal integration, vertical integration and globalization.

The production, processing and especially the retailing stages of the food chain are increasingly dominated by fewer and more powerful corporations. The change of structural power has important consequences for the communication between actors along the food chain and how various kinds of decisions are made in the food system. In today's retail industry, the communication link between farmers and consumers is broken and the dominant middle level of the food system controls almost everything including the flow of information both backwards towards farmers and forwards towards consumers. Due to the bargaining

power of retailers, terms are dictated by them and they usually have the power to force changes back through the system to the farm level (Torjusen el al., 2004).

5.7.1 Leading Companies

As stated in the introduction, the Norwegian market is dominated by few large players. In fact, there are only four dominant players in the Norwegian market: ICA AB, Coop Norden, Reitangruppen and Norges Gruppen.

- **ICA AB:** Is a Sweden based retail group that operates company owned stores in Sweden, Norway and three Baltic countries. The company is a joint venture owned by Hakon Invest and Royal Ahold of the Netherlands. The company provides food products in variety of stores including ICA Naer, ICA Supermarket, ICA Maxi (sold in 2012) and Rimi.

- **Coop Norden:** Oversees operations of thousands of hypermarkets, supermarkets and discount stores across the Nordic region. It is a limited company owned by three co-operative societies; Sweden's Kooperativa Forbundet, FBD Denmark and Coop NKL Norway, 42%, 38% and 20% respectively. Coop Norge has a total of 208 cooperatives that run 1.300 stores through Norway. The company provides food products in variety of stores including Coop Marked, Coop Mega, Coop Obs, Bygg and Coop Prix.

- **Reitangruppen:** Is a Norwegian wholesaler and retail franchiser operating and operates around 1979 stores in the country. The company provides food products in variety of stores including 7 -Eleven, HydroTexaco, Easy24, Narvesen, Spaceworld and Pressbyrån as well as REMA 1000, a chain of discount supermarkets in Norway, Denmark and Sweden.

- **Norges Gruppen:** Is Norway's largest grocery retailer in terms of numbers with 1.975 stores across the country. The company provides food products in variety of stores including Meny (large supermarkets), KIWI (discount stores), and SPAR formats. NorgesGruppen also operates in other retail markets through the regional supermarket chain Ultra, as well as convenience stores (Fresh, MIX).

5.7.2 Five Forces Analysis

Porter's five industrial forces framework is an important tool to analyze the main forces acting on an industry and weather the industry presents high barriers or tough competition.

Companies should always use the framework to determine the profitability of a new market they are planning to enter. Some markets and industries exhibit extreme competition with high entry barriers where some others are still maturing hence provides more suitable environment for new entrants. In this part of the analyses, retailers such as supermarkets and hypermarkets will be taken as industry players and consumers will be stated as buyers. Porter divides forces acting on an industry on five parts: Buyer power, supplier power, degree of rivalry, threat of new entrants, and threat of substitutes. Figure 4 presents the acting powers on Norwegian food retailing industry.

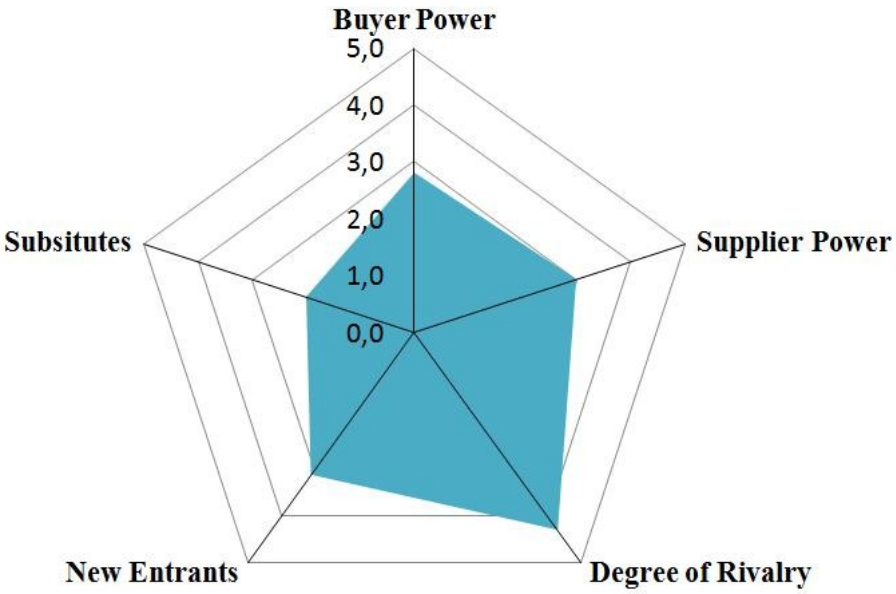

Figure 4: Five Forces of Norwegian food retailing industry (Source: DataMonitor, 2010)

1. **Buyer Power:** The vast volume of potential customers of the food retail industry diminishes the power of individual consumers. The revenue generated by any particular consumer is virtually insignificant for the retailer. However, collectively, consumers have power as buyers and their interest will decide the future of the industry. Therefore, retailers cannot afford to disregard consumer trends and demands. Due to this bi-polarity, the buyer power in the food retail industry is considered to be moderate.

2. **Supplier Power:** Suppliers of the food retail industry are food manufacturer, farmers and agricultural co-operatives. Large retail chains often maintain tight relationships with a large variety of suppliers in order to establish stability in food supply and price stability. Therefore, suppliers have a power over the retail chains as they control the

input to their businesses. However, the huge size of the retail chains often diminishes such bargaining power since losing a single customer can mean losing half of suppliers business. Therefore, the bargaining power of suppliers is considered moderate.

3. **Degree of Rivalry:** The degree of competition in the food retail industry is often one of the fiercest ones among all industries. The lack of substantial switching costs for the consumers places a huge pressure on retailers to secure their loyalty. Such pressure often exhibits itself in price wars enhanced furthermore, by the limited availability of differentiation in the product range. Therefore, the degree of rivalry in the industry is considered high.

4. **Threat of New Entrants:** Large scale, established retailers hold an uphold advantage in operating their businesses in ways that benefits significantly from established connections, economies of scale and by being able to employ aggressive pricing schemes that cannot possibly be matched by small players in the long term. However, even the large retailers are not invulnerable to the threat of new entrants due to the exit and entry costs' being relatively low in the industry. Therefore, although a possible fact that may bother industry players from time to time, the threat of new entrants is considered to be moderate.

5. **Threat of Substitutes:** The only possible substitutes for the food retailing industry are food service such as restaurant and fast food chains and subsistence agriculture where individuals grow their own food. However, restaurants and even fast food alternative is really expensive in the Norwegian market, thus they are not able to hold a reasonable position as a substitute. Moreover, individual farming practices are usually unrealistic in developed societies where the majority of population resides in urban areas. Therefore, the threat of substitutes in the industry is considered to be low.

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6 NORWEGIAN CONSUMER PROFILES

Although the market share of organic food products is still low, the Norwegian market for organic food is described as promising and has been predicted to grow strongly in the coming years along with many European countries. Consequently, investigating consumer motives, drivers, perceptions and attitudes for organic food consumption has become an important market research area in recent years. Latest results of consumer dynamics have shown that personal values, health issues, consumer competence on organic are of the main important factors found to influence organic food choice besides the classical taste and price issues.

Norwegians are typically known to be interested in eating well and they are willing to pay more for convenient, fair trade, local, organic and healthy products if they are informed well regarding the offerings and believe in their benefits. Of course the strong economical conditions in the country help consumers to be flexible in their choices as stated. The environmentally friendly and organic trends, communicated in recent years, have also been helpful to shift consumers from conventional buying habits to greener alternatives. Average Norwegian consumers typically prefer to spread out their grocery shopping over several visits per week and they choose stores close to their home. Therefore, the availability of organic food products in local stores also affect consumer competency on such products.

The study of Honkanen and his colleagues (2006) on ethical food choice motives additionally show that Norwegian consumers have over average ecological (organic) food choice motives. The study measured ethical motives on a 7 point semantic differential scale developed by Lindeman (2000) where 1 represents totally unimportant and 7 represents extremely important. After getting feedback from 2.500 questionnaires, Honkanen and his colleagues found that Norwegians have a high mean of 5.3 for ecological food choice motives fallowed by 4.5 for political motives and a low mean of 2.5 for religious motives (Honkanen, 2006). These findings further prove that Norwegians put much emphasis on organic and local food and they are ethical in their consumption habits.

This part of the thesis firstly divides Norwegian market into different consumer segments in terms of organic or environmental purchasing motives, followed by the analyses of Norwegian consumer competence profiles. Later on, the most important factors determining organic food consumption in the market are presented fallowed by the final part where the

most established consumer studies regarding organic food consumption in the Norwegian market are analyzed to complete the consumer profile part.

6.1 Organic Consumer Segments

Every country can be divided in different consumer segments to make it easier for marketers and producers to target their consumers. Although, the segmentation is a crucial initial step for product positioning, the name given to segments or how a market is divided into segments can vary greatly. On this thesis the author will use one such segmentation that is most suitable to divide Norwegian consumers in terms of their organic product buying motives. The segmentation used is originally developed by the British Market Research Bureau for the UK Government's Department of the Environment and Rural Affairs (DEFRA) bureau.

By using DEFRA standards, the Norwegian market can be divided into fallowing seven distinct segments:

1. **Positive greens:** are driven by the belief that sustainability issues are critical in today's society and humans are largely responsible for current environmental problems. Therefore, they adapt their behaviors to address this issue. They are mostly well educated about these issues, feel involved to the problems and do not view people who negatively respond to them in their lifestyles or consumption as strange or eccentric. This group tends to buy organic not only because it is thought to be healthier but it's also more environmental friendly on the production stage.

2. **Waste watchers:** are doing a lot for the environment and feel the need to do something about the sustainability issues. However, their actions are mainly driven by a need to avoid waste rather than minimize their environmental impact. They are knowledgeable about wastage and local pollution and use the current recycling schemes to its fullest. But they lack awareness of other issues and are skeptical about the scale and urgency of environmental problems. Therefore, their organic consumption is limited by personal interest in taste or health.

3. **Concerned consumers:** are motivated by environmental and social concerns but their consumption choices are egotistical and focused to make them feel less guilty about environmental damage. They are also concerned to be perceived as green as they seek

social acceptance (see symbolic needs on page 20). Additionally, they are sympathetic to the concept of climate change and acknowledge their personal impact on it as they feel taking individual action is important. This group has the potential to buy organic as they feel the need to be perceived as green with their shopping behaviors.

4. **Sideline supporters:** are generally consumers who have an environmentalist worldview but they are not convinced about the urgency of the problem just yet. Consumers on this segment generally genuinely believe that mankind will find a solution to the current problems by using its ever developing technology. Therefore, they lack action as they believe that governments will solve the problem anyhow. This displays the largest attitude-action gap as the group fails to translate their green beliefs into behavior. This group will buy organic if they have personal preference on it like taste and health.

5. **Cautious participants:** are consumers who have an average environmental worldview. They tend to agree that there is an upcoming crisis or some kind of problem but they are at the same time pessimistic about their ability to tackle the problem individually. Their current behaviors are limited to their home and focus largely on saving energy and water. Therefore, this group is not bothered about the environmental benefits of organic farming too much.

6. **Stalled starters:** are composed of consumers whose environmental views are quite confused. While they agree that there are limits to how much we can ask from the environment and that humans are damaging the ecosystem by how they live, they still feel that climate change or ecological sustainability are not imminent problems as they think that the environmental crisis has been exaggerated. They have the lowest level of knowledge about environmental issues and are generally disinterested about the subject. Therefore, the group will only buy organic if they like the taste better or if it's actually cheaper than the conventional food.

7. **Honestly disengaged:** is the consumer segment in which consumers have a total disinterest on ecological worldview. Like stalled starters they deny responsibility for environmental damage and are skeptical about the scale of the threat. They believe that even such problems exist, they can be solved without any change in lifestyles. Unfortunately, the word organic might not mean anything to this group as they will

most probably only buy organic products if they were cheaper in the store (Qadir, 2011b).

6.2 Norwegian Consumers' Competence Profiles

Given the fact that there is no local data on Norwegian organic consumer segments in terms of demographics, to analyze consumer attitudes towards organic products and in which mentioned segment most Norwegians reside, firstly it is needed to determine how competent Norwegians are on their environmental and organic purchases. By looking at Berg's study (2007) on consumer competence profiles in Norway, the much needed data can be finally accessed.

To find evidence on consumer competence profiles, Berg asked the fallowing question to 1.034 Norwegian consumers, in 2005: "How well would you say you keep yourself informed about interest rates, food prices, insurance prices, environmentally friendly consumption, electricity prices, telephone prices, fair trade products and organic products?" (Berg, 2007, p. 422). The following table shows the results of Berg's study.

(%)	Very Poorly	Poorly	Average	Well	Very Well
Interest rates	11	14	25	29	21
Food prices	9	16	33	30	12
Insurance prices	16	18	26	23	17
Environmental Consumption	7	16	43	26	8
Electricity prices	16	22	28	20	14
Telephone prices	18	21	27	22	12
Fair trade	22	17	28	21	12
Organic foods	22	28	30	14	6

Table 7: Norwegian consumer competence profiles (Source: Berg, 2007)

When analyzed the data, it is easy to see that the average consumer considered his/her competence related to economic self interest factors to be higher compared to his/her competence related to fair trade, environmentally friendly consumption and organic products.

More dramatically, the area in which fewest consumers were well informed was the market for organic foods. The shocking result shows that only 20% of 1.034 consumers stated that they were well or very well informed regarding organic products. This poor data becomes even worse considering that all other areas had a score of 34% or more on well or very well informed options. Moreover, the 42% coverage of well or very well informed option on food prices category seems to contradict with our prior findings where it's been stated that Norwegian consumers are flexible on their monthly spending, see part 5.2.

Moreover, in a comparative study by Berg (2001), consumers in Norway appeared to be less inclined to prefer organic food products than consumers in the other countries included in the study such as in Russia, Belgium and Britain. However, these studies alone cannot determine the true nature of Norwegian consumers' buying habits due to other moderating factors in effect. E.g. a reason for this unexpected lower interest for organic food products in Norway can be the fortunate absence of major food scandals in the country. Norway is known to have well established food regulations that put strict limits on the chemicals used on food products. Even cleaning agents in the country has a much lower toxicity rate compared to World standards. Therefore, it is not unreasonable to think that Norwegian consumers have the tendency to think that foods produced in Norway are "nearly organic" as they are. However, the lack of marketing campaigns and the scarce availability of organic foods in stores have an impact on this low result. Fortunately, as stated on previous sections, the interest in organic foods is increasing in the market as more and more products are being introduced each year and as Norwegian Government have already established regulations and subsidy schemes to boost organic products in Norway. Finally, it should be noted that although the findings represent data from 2007, it can be considered old in fast moving consumer goods industry and higher competence levels can be expected for 2012.

6.3 Factors Determining Organic Food Consumption

After the rather pessimistic results of the prior part, this part focuses on the most important factors determining organic food consumption for the consumer segments that already choose organic products for their weekly shopping. It is important for marketers to know these moderating factors as they can build marketing and product strategies to improve the areas which have the most importance for consumers. For this purpose the author chose research of Hjelmar (2011) where the researcher conducted 16 in debt interviews with Danish consumers. A study from Denmark has been chosen to determine important factors on organic

food consumption due to the cultural, regional and economical similarities between these two countries and due to Denmark's current leading position in organic food consumption with around 11% market share. As Hjelmar states: "The purchase of organic products is normal for Danes. Only 8–9% of Danes never buy organic food." (Hjelmar, 2011, p. 336).

As the study suggest, consumers are affected by nine major factors that determine their organic food purchases and consumption. It should be noted that most of these factors are already stated as important determinants in organic food consumption on part two and part five. The moderating factors are:

1. **Availability and convenience:** The availability of organic food products in local stores is an important factor for consumers because most consumers are pragmatic and they do not visit several stores for their grocery shopping. Instead, most prefer shopping in a convenient nearby supermarket as they don't have time for an alternative and if the local supermarket does not have a wide selection of organic food, many consumers will end up buying non-organic alternatives.

2. **Price:** For many consumers, even in high income countries, the house economy is still very important and consumers are aware of the "good bargains". Unfortunately, when it comes to organic food products, price premium is still a painful fact. Therefore, many consumers state that they will buy organic food items "if" they were same or cheaper than non-organic products.

3. **Supply and visibility:** Another point that bothers many consumers is the importance of a regular selection of organic products in the local supermarkets. If organic food products are easily available in the local supermarkets with a broad assortment then many convenience oriented consumers can become organic buyers. The important point is to supply organic alternative for each product category. E.g. if a consumer is planning to eat pasta and if there is no organic option available, then it is highly unlikely for that person to buy something else just for the sake of eating organic.

4. **Quality:** Politically and ethically minded consumers (see first chapter of part 6) typically finds the perceived quality and taste of organic food products to be better than conventional products. Most consumers think that organic products have a more natural taste, a cleaner taste or simply a better taste. If this is the case, then marketers

should emphasis the fact in their market communication as the taste is the major driving factor, major positioning strategy, of any and every food product.

5. **Health:** Many politically and ethically minded consumers also express their health concerns on the food items they purchase. Therefore, the perceived health benefit of organic products plays an important role in the buying decision. News or reports that highlight the health benefits of organic products such as organic includes more nutritious, organic can fight cancer or organic has no chemicals attached to it, will change consumer motivation to buy organic.

6. **Principles:** For some consumer groups such as positive greens and concerned customers (see part 6.1) it is important to buy organic as they link their consumption behavior of organic food to have a general diagnosis of society and to effect the environment directly. Therefore, these consumers see buying organic as a principle or as a duty, hence they buy organic for experiential purposes.

7. **A family decision:** Another important factor in organic consumption is the change of eating habits in families. Many consumers state that their decision of what food to buy has dramatically changed after they have settled, as they now think that what to buy is not only an individual matter but also a family matter. Before having a family, many consumers bought cheap food which is really easy to prepare and good for student budget. However, after getting married they have to think more about food and what to buy as they carry responsibility for others.

8. **Influence of the mass media:** As partially stated on item 5, another issue effecting consumer buying behavior is the influence of the mass media. There are always a variety of television programs such as cooking shows, telling consumers what to buy or how to eat. Most consumers actually do listen to these suggestions and change their behavior accordingly. Therefore, it is important for marketers to get advantage for the media to communicate organic message properly. E.g. after the scandal of Tine suppressing the smaller producers such as Q Melk, many consumers tried to buy dairy products from smaller producers.

9. **Becoming a parent:** Last but maybe the most important determine on organic food sales is the responsibility of children. Becoming a parent triggers a dramatic turning point in consumption patterns as the responsibility of raising and feeding children is a task that can tolerate no deviation from the ideal. When people have children it is

particularly important what they buy and what they eat since not only they need to take care of their children but they also want their children to be as health as possible. Therefore, it is an important point for many consumers to meet with organic products. The fact further shows itself as in many countries, organic baby food sales are much higher than other organic product sales. In fact, in many cases organic baby food is the market leader in baby food industry (Hjelmar, 2011).

6.4 Norwegian Consumer Studies

On this final section of Norwegian consumer profiles, author will analyze findings of three different well established studies conducted locally in the Norwegian market. All of the upcoming studies have taken significant primary data from Norwegian consumers as they have used questionnaires, interviews, telephone surveys and web survey methods within a wide population. By analyzing the results of these studies, it's aimed to reach to a final verdict on Norwegian consumers' motivation, attention, perception, attitude and information on organic food products. Moreover, by analyzing the three major studies altogether, regarding Norwegian consumer profiles, it is aimed to grant a starting point for marketers in their future marketing strategies for their organic products or to researchers who will focus on the organic market.

6.4.1 Consumer Study 1

As the first study, the Norwegian Agricultural Economics Research Institute's (NILF) study conducted in September 2010, based on a web survey among 939 Norwegians will be analyzed. The respondents were asked questions about their attitude towards Norwegian agricultural policy and organic farming as well as their food consumption behavior. Food consumption behavior was studied with respect to what conditions are important when consumers buy essential food items, what conditions are important when consumers buy organic food items and the reasons for not buying organic food (Kvakkestad et al., 2011).

According to the results of the study, Norwegians generally think that the Norwegian government should aim to increase the sale of organic food and its local production. However, consumers also believe that Norwegian food already has superior quality and attributes associated with it, as they think it is more important to buy food that is produced in Norway compared to buying exported food only because it is organic. Moreover, consumers also state that buying local, hence Norwegian products, is important for the environment as it pollutes

the environment less by using less fuel in transportation. However, Norwegian consumers still give the upper hand to organic products as they think organic farming enhances biodiversity, it is more environmental friendly, it has better animal welfare standards and it is generally safer than other food production methods. Therefore, consumers believe that organic farming should receive more government assistance than ordinary farming. These findings are also supported by the government regulations and schemes around organic farming, the strong nationalist identity of Norwegians where being Norwegian is a source of pride and the perception of Norwegian products' having the highest standards as possible. Moreover, the trust in the government and its policies also plays a role in consumer perception of organic.

The following table presents clear factors regarding why or why not Norwegians tend to buy organic food. Given the fact that the study collected data from 939 respondents which conceives a valuable representation for the average consumer behavior, it should still be noted that it cannot be taken as a benchmark for the entire market behavior.

Why do you buy Organic Food?	Percentage Marked as Important (%)	Why do you not buy Organic Food?	Percentage Marked as Important (%)
Avoid pesticide remnants in the food	38.6	Expensive	61.3
Healthier	35.2	Too little range of organic food	35.4
Environmentally friendly	33.6	Not visible in the shop	27.5
Safer	28.7	Organic food is not healthier	24.4
Better quality	27.1	Organic food is not tastier	23.5
Better taste	26.4	Unavailable	21.9
Avoid use of fertilizers	22.7	Organic food is not safer	20.4
Avoid additives in the food	21.9	Too little knowledge about organic food	19.6
Animal welfare	14.4	Organic food is not environmentally friendlier	18.0
Do not know	11.6	Organic food is not better for animal welfare	13.9

Table 8: Reasons to buy or not to buy organic food (Source: Kvakkestad et al., 2011)

Table 8 a perfect illustration of the benefits associated with organic food as consumers have the correct perception and attitudes towards organic products. As listed on part 2 of this thesis, organic food has no chemicals or pesticide remnants, has no additives, does not include the use of fertilizers, is healthier as being more nutritious, more environmental friendly, had good quality, tastes better and has higher animal welfare standards compared to industrialized farming practices. Therefore, it is clear that Norwegian consumers have already learned the basics regarding organic products.

On the other side of the coin, there is still a significant group consisting of consumers who are skeptical towards organic products or have problems regarding its price, availability, assortment or visibility. A significant number of respondents also think that organic food is not superior over conventional food, in terms of its taste, animal welfare, environmental protection or safety standards. Although, it is perhaps not possible to change the taste of the product so much, with clever marketing campaigns, it is possible to communicate the actual superior animal welfare, environmental protection and safety standards of organic food compared to conventional food. Since this is a measurable scientific fact, it is clear that the problem is due to misinformation or miscommunication of the organic message. However, no matter how strong the communication is, some consumer segments such as honestly disengaged or stalled starters can still be against of buying organic as they see no reason for it.

More importantly, almost 20% of respondents state that they don't have enough information to buy organic food. This is a strong signal for marketers as it is an easily solvable problem in which they need to communicate organic products better and clearer. However, it is also clear that there is a problem regarding the availability, visibility and assortment of organic products as 22%, 27% and 35% of consumers respectively stated such as a cause of not to buy organic products. The solution of this problem could take a longer period as organic products first need to mature in the market. Finally, a staggering 61.3% of consumers state expensiveness as the reason why they do not buy organic products, a clear message to government regarding the fact that it should perhaps support organic farming more with increasing its Producer Support Estimate (PSE) rather than decreasing.

6.4.2 Consumer Study 2

Fallowing the first study, the report of National Institute for Consumer Research, Statens Institutt for Forbruksforskning (SIFO) 1999, sets the stage on how adjust organic communication better and how to label organic products to communicate organic foods' benefits. The study had a method that consists of two stages. On stage one a pilot study is conducted with 10 in debt personal interviews with consumers who had purchased organically produced food from various distribution channels. On stage two, the results from the pilot study were used in designing a postal questionnaire which was sent to 600 randomly selected households in Stange and Hamar municipalities where 286 of which have completed the questionnaire and made the statistical analyses available (Torjusen et al., 1999).

According to the results of the study, 79% of respondents stated that they would start buying organic food or purchase more than what they are buying now if the price of organic products was cheaper, a whopping 77% stated that they would buy if they had more information regarding organic products, 74% said they would buy more if it was more accessible, followed by 62% of consumers' telling that they would start buying organic if it had better quality. All responds for this study are still in parallel with the results of Kvakkestad and colleagues, 2011. However, beyond the validation of the first study, the results of Torjusen, 1999 highlights a sad but true fact: During a period of 12 years, neither the Norwegian government, nor marketers have done enough to change the beliefs of Norwegian consumers regarding organic food items. The problems listed here are almost identical to problems listed on the first study; the only change is the weighted importance of problems.

Fortunately, the early results of this study give important insight to organic food producers in the area of package design and information on labeling. As it will be analyzed on chapter 7.3, putting relevant information on the package regarding the advantages of organic farming is a crucial step to communicate the organic message. On the study, in light of the 286 responds, 79% of consumers stated that they would be interested in getting information about the cultivation method used in the production, 77% said that the country of origin was a desired information, where 71% believe that information regarding animal welfare standards in food production can be nice to know, 60% stated that the production place information is important, fallowed 58% of consumer's stating that the information on environmental costs such as the carbon grade or transportation mileage was desired and finally 56% thought that

information on working conditions in production is important such as no child labor (Torjusen et al., 1999). Organic food items that are certificated by Debio, as stated on the chapter 5.6.1, do not include harmful cultivation methods, has high animal welfare standards, has high production standards, has low environmental impact and has fair labor policies. Therefore, it is important for organic brands to learn from the results of this study and state the desired information on their product packaging as it is one of the easiest steps to fix.

As a final takeaway for food retailing industry or organic specialty shops in Norway, the data provided by the study expresses consumer considerations when choosing where to buy food. On this ranking, 97% of consumers stated that the availability of high quality foods was important for their consideration on where to buy food, followed by 95% stating the shop environment was important and the same percentage for the importance of the availability of a wide selection of food products was still valid. The most important three factors are further fallowed by the importance of parking availability, low price levels, closeness of the store to home and the availability of organically produced foods. However, the most important data is the percentage of consumers stating that the availability of organically produced foods is an important criterion on choosing where to buy food in as %43 found this important (Torjusen et al, 2001). Although, the number is lower compared to the most important considerations, it still covers an important percentile of consumers and grocery stores should consider the data when accepting more organic products on their shelves. Moreover, organic specialty shops can also use the data to increase the sales of organic food items as they can provide a better shopping atmosphere, a wider selection of food items and as they can try to provide parking area for customer usage.

6.4.3 Consumer Study 3

On the last study that will be presented at this part of the thesis, the report of National Institute for Consumer Research, Statens Institutt for Forbruksforskning (SIFO) 2011, will be analyzed to access information regarding the consumer competencies on organic labeling, focusing on Debios Ø label and the importance of income and/or education on organic food buying behavior. The study had a method that consists of two stages just like the prior study. On stage one a qualitative pilot study is conducted with 18 in debt personal interviews with consumers who had previously purchased organically produced food from various distribution channels. On the second stage, quantitative part of the study, questions were prepared for a nationwide survey. The questions are designed to investigate how widespread the different

opinions and beliefs that emerge from the depth interviews was present within the wide population. Surveys are conducted in the form of telephone interviews by Norwegian Gallup. In total, 1.021 people were called, but the statistical data consist from the answers of 926 consumers (Torjusen, 2001).

The first insight the study provides is the consumer awareness of the existing organic labeling brands in the Norwegian market. To the question "Which of the following brands do you associate as the symbol for officially approved organic food products in Norway?" (Torjusen, 2001, p. 51), not many of the consumers were able to assign the right choice, Debio. Most of the respondents thought that the Svane-merket, an organic labeling for the entire Nordic region, was the official Norwegian logo for certified organic food products as 24% has chosen this alternative. This was followed by yet another mismatched logo as 18% believed that Godt Norsk, a label indicating that the food is produced domestically in Norway, was the official organic logo. Furthermore, 9% chose Gartner, a technology company, 6% chose Marihøne, the Norwegian word for ladybug which seems like it has no logo associations whatsoever and 29%, the biggest share, simply stated that they were not sure or they didn't know.

Of all the participants, sadly only 14% was able to identify Debio's Ø Brand as the official brand for approved organic food products in Norway. Given the fact that the study was conducted in 2001 and products labeled with Debio's Ø Brand are more present in the market only for the recent years, perhaps this is not a shocking fact. However, it still shows the importance of communicating the meaning of the official organic logo and what it stands for. This can be done by campaigns conducted by the certification authority itself, or by explanation of the logo on the product package.

The last but maybe one of the most significant insights the study brings is the buying behavior of organic food in relation to personal income and education. As can be seen on the table, the statistical data can be divided in terms of income and education as researchers have taken the necessary demographical data before each individual survey. Table 9 divides the income in four groups with a yearly income less than NOK 100.000, between NOK 100-200.000, between NOK 200-300.000 and consumers who earn more than NOK 300.000. Furthermore, the table divides buying behavior into three education groups with elementary education, high school education and university/college education.

(%)	Income Level (NOK)				Education		
Buying Organic Food	Less than 100.000	100.000 to 200.000	200.000 to 300.000	More than 300.000	Elementary School	High School	University / College
Always	10	16	9	8	13	11	9
Often	25	28	27	32	24	26	32
Sometimes	30	29	34	32	24	29	36
Seldom	34	26	28	27	35	31	23
Never	1	1	2	1	4	3	0

Table 9: Purchase of organic food in relation to personal income and education (Source: Torjusen, 2001)

On first look, table 9 shows that there are no significant differences on organic purchase habits for different income levels or for different education levels. All groups have an average between 35%, being the lowest, and to 45%, being the highest ratios, for buying organic products all the time or at least often. Moreover, around 30% of consumers in all groups have stated that they sometimes buy organic products. However, we see a small correlation between education level and higher buying behavior for the sometimes category as the ratio increases marginally with the increase in education level. The difference becomes clearer when the data for seldom and never categories are analyzed. It is clear that there is a difference in buying behavior as income and education changes for the seldom category. For both income and education level, there is a negative correlation with the seldom buying behavior which is a positive result. As level of income and level of education increases, the seldom category loses its percentage. This fact is also valid for the never category for the education level. There is again a negative correlation between numbers. However, like stated the differences are mini scale and doesn't seem to create any significant difference for marketing purposes. The takeaway from this data is that marketers should aim to reach all education and income groups by using mass media, as they all respond to organic messages similarly.

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7 GUIDELINES FOR ORGANIC FOOD MARKETING

Given the complexity of the Norwegian organic market and the general misperceptions of organic products, prices, labels and packaging, it is important for companies to design special marketing tactics when communicating an organic product. This section focuses on laying out guidelines that can help organic brands to create a healthier link between the actual benefit of organic products and their perceived image. The section will start by describing methods that can be used in overall organic marketing, followed by positioning suggestions for organic products. Finally, packaging and labeling of organic products will be analyzed to establish strategies that work better for organic food items.

7.1 How to Market Organic Food

Marketing organic food products can in many places is a more demanding challenge compared to marketing conventional food products as consumers' lack of information about organic products creates additional effort on their education regarding such products. To overcome the existing gap, companies should give feedback on their products and services, provide information about products, should train staff in contact with customers so that they will have extensive knowledge on organic farming and be able to explain philosophy of the operation and find additional ways to build trust besides having the ordinary organic certification.

Since most consumers are not so familiar with organic products and their benefits, an average Joe tends to distinguish its purchases solely by comparing price levels which gives organic products an additional downfall. Therefore, an ongoing communication with customers would be ideal to overcome such problems. Unfortunately, even in markets where the is no knowhow issues, market development is another problem presenting itself as organic brands have limited expertise in marketing such products, due to the newness of the entire industry. Moreover, in a challenging supermarket environment pricing and having a broad variety of products are important competing factors that organic products are finding hard to satisfy.

Nevertheless, organic brands that want to have a chance in the Norwegian market should satisfy the pricing and variety demand of consumers' and make themselves available in country-wide supermarkets. However, in case of organic food specialty shops, it is wise to

first locate them in residential areas with a relatively higher level in education, consumption and population. In smaller areas, interpersonal contacts are more important. In such locations it can be a wise strategy to work with associations and community clubs to promote organic farming. However, no matter when and where the organic brand promotes its products, it should firstly base its marketing strategy on knowledge of culture and habits of consumers'. After assessing culture and habits of consumers', companies should use a mixture of different marketing channels in communicating the marketing strategy of their organic products. The following list exemplifies the wide range of methods that can be fallowed to communicate organic products:

- **Consumers meetings:** While providing information about upcoming organic products or events, companies can discuss strategies on how citizens may individually contribute to prevent environmental pollution.

- **Brochures:** Promotional material can be used to provide information about the organization, products, brands and sometimes activities. Such leaflets are printed in mass quantities and distributed within the city.

- **Mass media and advertisements:** Articles describing the benefits of organic agriculture can be published in the printed media such as newspapers and magazines. Placing outdoor banners in strategic locations within the city or broadcasting TV commercials on the media should be used as the backbone strategy of market communications.

- **Direct marketing:** The market or retail store itself presents a forum for face to face marketing of organic products. This forum allows consumers to inquire regarding organic products or agriculture directly from the producer or staff of the marketing organization. Such direct marketing strategies may also be undertaken through door to door campaigns or over the phone by the use of box schemes.

- **Word of mouth:** Positive attitudes can also be generated through personal interactions among consumers. If consumers are satisfied with their purchases of organic products, they may recommend it to their friends and colleagues. This would help to spread information about organic agriculture and the organic products in question.

- **Field visits:** Many major organic brands regularly organize meetings between consumers and organic producers-farmers. By sharing experiences and by showing production practices on site, these meetings are useful to educate consumers on organic farming.

- **Consumer newsletter:** Some brands weekly send newsletters (kundeavis) to their members or regular customers. These newsletters include information about upcoming events, articles about organic agriculture or health issues, recipes, weekly promotions, items on sale and so on. Newsletters are free tools that can generate an ongoing stimulation and attention for organic products.

- **Participation in trade and food fairs:** Organic producers and brands could display and sell their products at these events, which are regularly organized in most countries at both the national and local level (Braber et al., 2003).

7.2 How to Position Organic Food

Positioning organic food products is often a tricky challenge as for the majority of consumer groups, being organic cannot be sufficient positioning criteria alone when the price premium still exists. Only the environmental conscious consumers are willing to accept organic as a premium positioning strategy that deserves over pricing. To appeal masses, organic brands should figure out some creative positioning strategies. Especially during the last years where the economic crisis still persists, in many markets such as the UK, Norway or Sweden, sales of organic goods have suffered. Due to the fact, the number of product launches of certified organic products has remained constant and many new products simply offered an organic equivalent to their already existing standard products without any vanity. However, the last two years has seen a wide entry of new organic products in some markets and to some extent this has democratized the choice of organic products so that it is no longer the preserve of the most established consumers.

Fallowing the leading countries, Denmark, UK, Austria and Germany, Norwegian market also started to see an abundance of new entrants to the organic market. Arla foods, Go Eco, Den Gode Baker, Godt Brød, ICA I love Eco, Änglamark COOP, Tine Eco and Vatn are just a few of new entrants to the organic food market. However, despite the wider availability of organic, there is still a need for innovation in the organic category to attract new consumers, and retain the interest of existing consumers in markets where loyalty to organic is weak.

Recent product launches in the UK, Belgium and Latvian dairy market can be shown as to exhibit innovative positioning tactics to make organic more attractive to consumers and to help to justify the price premiums associated with organic products. All of these brilliant atypical positioning tactics in the mentioned markets had something in common; to mix organic positioning with a secondary positioning such as limited editions, unusual flavors and products with luxury or gourmet appeal. Unfortunately, besides some players, e.g. ICA I love Eco, the vast majority of organic brands in the Norwegian market still do not use such combined positioning strategies. Therefore, it is no surprise that despite all the efforts of the government, organic food sales are still cowling on the ground. However, organic brands in Norway can learn from the success of British, Belgium and Latvian dairy industries by fallowing the upcoming examples:

- Brown Cow Organics launched Rich Organic Live Christmas Pudding yogurt in the UK, in October 2011. The product was launched as a limited edition, only available until Christmas with a highly unusual flavor for a yogurt.

- Marie Morin Le Brasse launched Yaourt Framboise (organic raspberry yogurt) in Belgium, in December 2011. The product is presented in a glass cup, giving it a premium look and feel.

- Sojade launched Peche & Fleur de Sureau (organic peach and elderflower yogurt) in Belgium, in December 2011. The product has an unusual flavor as elderflower is not typically found in dairy products.

- Yeo Valley and Rachel launched limited edition lemon curd flavor organic yogurt and limited edition blueberry yogurt in the UK, in June 2010 and July 2010 respectively. Both products were limited editions of flavors for their premium organic yogurt ranges.

- Duchy Originals launched Waitrose Sandringham Strawberry yogurt in the UK, in September 2010. The product has a premium appeal because it is specific about the type of strawberry it uses in the recipe which in this case has real cachet as they come from an estate belonging to the British royal family.

- Trikata launched three varieties of Biologiskais Siers (organic cheese) in blue, Russian and Dutch varieties in Latvia, in May 2011. The products are claimed to be made on

cooperative organic farms which indicates that they have been made in an artisanal way. Moreover, they are packaged in a paperboard box which gives it an artisanal / premium look and feel (Ihekweazu, 2011).

7.3 How to Package Organic Food

Packaging is the first step of communication when consumer gets into contact with the actual product. Organic brands can use two different strategies to gain an edge over competition. The first strategy comes from consumers' seek in ethically and ecologically products reflected to product packaging to make sure that the brand supports sustainable values. Even though, in the Norwegian market, there is current an absence of sustainable packaging, in time it is likely to be seen as a basic product requirement along with pricing and product performance. Today, within the Organization for Economic Co-operation and Development (OECD) countries, more than 30 countries have regulatory instruments aimed at reducing packaging waste. Moreover, 13 countries have additionally implemented some form of packaging tax. Unfortunate still, Norway is not one of these countries. However, on the other side, retailers are also pressuring companies for cost-reducing or cost neutral sustainable packaging solutions. In Norway, ICA is an industry leader as it has the highest standards and targets on sustainable packaging. Some of the characteristics of sustainable packaging include:

- Reduction of weight and volume.
- Reduction of waste-to-landfill through recyclability, reusability or degradability.
- Lower environmental footprint by using sustainable resources and reducing emissions.
- Reduction of waste by extending shelf life and preventing damage or contamination.
- Ability to communicate brand image and sustainability credentials (Qadir, 2011b).

The second and maybe the more important strategy of the two is the use of on-package information. On-package information about food production methods is an increasingly relevant indicator for consumers who want to differentiate between conventional products and organic products. Food producers face with a dual choice on the amount of information to put to the package. Firstly, they can limit the amount of on-package information to a label, such as Debio logo that should symbolize a whole set of organic production standards. Secondly, next to organic logo, they can include a panel where they communicate more details about such standards.

In a 2006 Dutch study, researchers have done just that to see how consumer perceptions' change for different package information for different products. In the study, three types of on package information were presented:

- Solely a certified organic logo
- Certified organic logo and details about animal welfare standards of organic products.
- A statement in which the product was attributed to the world market.

Hoogland and his colleagues created a set of copy tests by combining three products with three types of information in varying order. For the experiment, three sources of animal protein were selected:

- Chicken fillet.
- Semi-skimmed milk.
- Salmon fillet.

For the study, these three products with the mentioned types of on package information were presented to 371 customers of a supermarket in the city of Amsterdam and later they are asked to fill in a questionnaire. The results show that many consumers do not realize that the organic logo already covers all the standards. Therefore, the effect of distinctive advantage of the logo could not be reached. On the other hand, products with logo and production details got the highest ratings of positive attributes but they were also considered as being the most expensive.

Table 10 presents the detailed mean scores of each food item matched with different on package information type. Mean ratings of product beliefs per product and information on package is scaled from 2 (better than similar products) to minus 2 (worse than similar products). Consumers ranked the products in terms of taste, safety, health, better for nature, more animal friendly and more expensive. As can be seen in the table, organic labeling scores higher and organic label plus information scores highest on all positive attributes. Therefore, it is immediately clear that organic food brands in the Norwegian market should use explanatory information on their packaging next to the organic labeling. Only this way, they can gain the full distinctive advantage of the logo and what it stands for.

Product	Information on Package		
	World Market	Logo	Logo with Details
Chicken Fillet			
Tastier	-1.19	-0.23	0.45
Safer	-1.11	0.16	0.31
Healthier	-1.11	0.21	0.71
Better for nature	-0.98	0.63	1.07
More animal friendly	-1.13	0.87	1.46
More expensive	-0.5	1.18	1.42
Semi-skimmed Milk			
Tastier	-0.66	-0.40	-0.26
Safer	-0.63	-0.27	0.16
Healthier	-0.73	-0.08	0.29
Better for nature	-0.62	0.34	1.02
More animal friendly	-0.80	0.41	1.16
More expensive	-0.26	0.74	1.26
Salmon Fillet			
Tastier	-0.70	-0.52	-0.07
Safer	-0.78	-0.27	0.47
Healthier	-0.61	-0.46	0.46
Better for nature	-0.73	0.02	0.92
More animal friendly	-0.75	-0.24	1.02
More expensive	0.07	0.60	1.25

Table 10: Mean ratings of product beliefs per product and information on package (Source: Hoogland et al., 2007)

7.4 How to Label Organic Food

Labeling indicates standardization of products according to specific criteria. In organic products, labeling indicates weather a product meets nationally accepted rules on organic farming or not. Given the fact that a single logo makes the difference between acceptable and not acceptable products in consumer mind, labeling plays a crucial role in mediating all communication from producers to consumers which takes place outside of the context of face to face trading. Since in today's developed society, only a very small proportion of organic products are distributed directly in a manner that involves face to face contact between organic producers and consumers, organic labels cover an increasingly import presence. Most of the organic products are distributed in grocery chains where the label is the sole communicator between the producer and the consumer. In such a society, it can be stated that organic labels and the labeling system as a whole become a strong symbol of the organic sector and its overall regulation. For the consumer, the organic label has central significance for how products are interpreted, judged and for how certain qualities ascribed to them. Just as

the branding of food products serves as an identifier of products that are associated with the image of a particular firm, so as an organic label functions as an identifier with regard to organic foods and image of a particular firm (Torjusen et al, 2004).

Since the situation is either black or white, it is crucial for organic food brands to label their products properly according to the national organic farming goods. On exported products, organic certification of a home authority may not be perceived as safe in consumers mind. Therefore, it is crucial to obtain a regionally accepted organic logo or to attain host logo on the place of import. Moreover, companies should explain the meaning of such certifications and logos as many consumers are still unsure regarding which logo stands for what. As can be remembered from the consumer perceptions of organic food part, the majority of Norwegian consumers thought the Scandinavian eco-label, Swan logo, was Norway's official organic logo. The same study showed that only 14% acknowledged Debio as being Norway's own organic label (Torjusenl, 2001). Although, consumers were able to identify organic labeling to a certain extent, it is still a fact that more communication is needed.

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8 CASE STUDY: ICA, I LOVE ECO

The case at hand should be seen as a brilliant illustration of how a company can closely monitor and implement most, if not all, of the embraced theories and frameworks presented in this paper. Therefore, to have a strong market position with organic food products, the ICA case successfully underlines that a broad spectrum of theories, strategies and marketing techniques needs to be taken into account and be carefully in a highly competitive industry such as food retailing. Moreover, the case exemplifies how a brand can use its industry power by powering private labels and by being able to market them freely in its own retail environment. This ability gives company to have the luxury of trials and errors, to have great product placement, to be able to create more favorable in store brand experiences, to control assortment, position its products easier and to differentiate its products by making it more visible in the store setting. All of these factors put together moderate consumer behavior and increase effectiveness of marketing efforts for organic products.

Overall, ICA's expertise in positioning and marketing their organic product line should be seen as a favorable benchmark for the industry. Companies that are currently competing with their organic products or companies that will launch new own organic products should take ICA example into consideration and preferably learn by its success. Although, some of ICA's abilities cannot be implemented by other players such as their ability to use company owned retail chain to promote and market their own private label organic product line. This ability can only be achieved by retail industry players that can also integrate backwards within the production chain. However, the net effect of ICA's market success can still be achieved by understanding consumer behavior against organic products and by implementing right strategies.

Case analysis will start with a brief introduction of ICA Group and their retail business, followed by brief analysis of ICA Norway and ICA's organic, health and location focus on Nordic countries. This first part will be enhanced and elaborated by presenting ICA's "Good Business Model", the way ICA pursues responsible business. After having an understanding of ICA Norway and its business model, the core focus of the analysis will be based on ICA's organic product line I love Eco and its marketing mix. The section will be finalized by concluding remarks regarding the case.

8.1 ICA Group Profile

The ICA Group (ICA AB) is one of the Norway's and Nordic region's leading retail companies. It has around 2,125 company and retailer-owned stores in Sweden, Norway and the three Baltic countries Estonia, Latvia and Lithuania respectively. Besides its core business the Group also includes ICA Real Estate and ICA Bank. However, the scope of this thesis only covers ICA retail and its activities, therefore the analysis part will solely focus on ICA Group (retail business). ICA employs around 50,000 people in offices, logistics or in retailer owned stores. Over 20,000 of these employees are employed by the ICA Group making it the most important part of ICA AB (ICA, 2011a).

In 2011, the company reached net sales of SEK 95,179 million increasing last year's number by 1.4%. However, taking the constant exchange rates into account, net sales increased by 2.6%. The same year operating income excluding capital gains and impairments amounted to SEK 3,101 million, accounting around 2.6% of total sales. Although the number can be considered as par for the industry, ICA put higher limits for future margins. During 2012, ICA Group has decided on four major goals for the future economic performance:

1. Increase sales faster than the total market in each sector.
2. Reach an operating margin of 3.5–4%.
3. Reach a return on equity of at least 14–16% over a business cycle.
4. Maintain an equity/assets ratio at 30–35% in the long term (ICA, 2011b).

ICA believes that achieving these goals is a truly important step to fulfill company vision and mission in long term. ICA' vision for the retail industry is to make every day a little easier for consumers. And ICA has a strong mission statement to be the leading retailer focused on food and meals. Although, the mission statement is a tough one to accomplish, ICA is well on its way to climb to the edge of the ladder. To be the industry leader in the retailing industry, ICA focuses mainly on three subjects:

1. To remain competitive, ICA focuses on the major consumer trends such as health, environment, accountability and simplicity with products offered at a great competitive price. ICA's private labels are aimed to play an increasingly important role to achieve competitive edge in the industry. The launch of ICA Basic product line in 2011 and the redesign of ICA's Premium Selection products are just two examples

of ICA's future focus. However, ICA goes one step forward and invests in extensive price cuts over its already competitive prices.

2. An important point in ICA's business model is taking responsibility at every level of the chain. ICA thinks that if the company does not serve as a positive force in the society for sustainable development today, it can ruin any opportunity for good business in the future, a similar standing with the environmental economics point of view. Therefore, to achieve this positive force, ICA summarizes its business values in seven position statements as they call "ICA's Good Business" which describe how ICA works from factory to store (the model will be deeply analyzed on upcoming sections).

3. Another important subject to achieve ICA's anticipated future performance is the conservation of the environment. ICA believes that emission of greenhouse gasses is the most important issue today in preservation of the environment. To minimize its effect on the environmental, ICA believes that it should have hard goals to minimize group's environmental footprint. To achieve this ICA set up two important goals. The first goal is to reduce the Group's direct greenhouse gas emissions by 20% by 2012 compared to 2006, followed by the second goal, a reduction of 30% by 2020 compared to 2006 (ICA, 2011b).

8.2 ICA Norway

After ICA Norway's decision in 2011 to discontinue the ICA Maxi Hypermarket, ICA Norway sold ICA Maxi stores for approximately NOK 2,826 million. After the undertaking, in 2012, ICA Norway sells groceries in Norway under two main brands: ICA and Rimi. ICA brand name further divides within two store formats: ICA Naer and ICA Supermarked. In total, there are 265 ICA and 285 Rimi stores as the end of 2011. About 69% of these stores are fully owned and 31% are franchises. ICA accounts for 14.1% of the Norwegian grocery industry and takes the forth place in terms of market size (ICA, 2011a). The biggest is Norgesgruppen, followed by the Reitan Group (Rema 1000), Coop Group and ICA Norway.

By exiting the hypermarket format, ICA Norway believes that they can concentrate all of their energies on consolidating Rimi's image as a budget store and ICA Supermarket's image in the high quality segment. Therefore, the new format after selling ICA Maxi Hypermarket sets the stage for a new, more streamlined dual format strategy. In this strategy by locating

Rimi on discount segment and ICA Supermarket on the premium segment, ICA Norway believes that they can optimize their market position for both of their main brand names. When it comes to financial terms, net sales during the financial year 2011, amounted to SEK 20,679 million having a decrease of 2.6% compared to last year (ICA, 2011b). However, the decline can be explained by the upsell of ICA Maxi Hypermarket stores and it still is the biggest pie among all regions: Sweden, Norway and Baltic countries. Detailed figures associated with ICA stores in Norway can be seen on table 11.

	Positioning Strategy	Stores (#)	Sales NOK (million)
ICA Supermarket	A passion for good food and variety, personal service and a wide selection.	73	4,425
ICA Nær	Small convenience stores offering good service, a limited product range and local choices.	168	3,304
ICA Maxi	Everything in one location. A wide selection of foods combined with non-foods.	24	2,826
Rimi	Discount stores that make it easy and convenient for customers to do their daily shopping.	285	8,799

Table 11: ICA Group store and sale data (Source: ICA, 2012a)

As can be seen from the table, ICA Maxi stores have the lowest contribution to ICA's revenue in Norway. Therefore, it can be seen as a good tactical move of the upsell of ICA Maxi stores and focus on the most profit generating brand names as ICA Supermarket and Rimi. Furthermore, after the upsell, ICA Norway accelerated the rebranding of Rimi stores. The new concept has received a very positive response as can be seen on the rapid increase in Rimi's market share. During the year, 76 rebranded stores were opened, 13 of which were converted from the ICA Naer format and 6 of which had a new Mini Rimi format (ICA, 2012a).

8.3 ICA's Organic, Health and Location Focus

ICA Norway believes that Norwegians are interested in eating well and are willing to pay more for organic, convenient, fair trade and healthy products. The environmental friendly and organic trends have been strong signals of the fact in the recent years. However, even though,

buying healthy foods and buying local are important aspects for Norwegian customers, they still remain highly interested in good prices. Realizing the price level is a major deciding factor, according to recent surveys, over 35% of customers chooses their store based on the quality they feel, the quality of the supply of fresh foods and the location of stores, especially in urban areas. The most important factor in the list might be Norwegian customers' concern about location of the store as they generally shop for groceries several times a week and they prefer stores close to their houses. In fact, the same trend could be addressed for the entire European consumer buying practices. As a result of these trends, there have traditionally been many small stores in the market, although hypermarkets such as upsold ICA Maxi can still be found as well (ICA, 2011b).

In such a diverse market, ICA Group's goal is to be found everywhere locally and to be seen as a leader in inspiring people to eat healthy. The goal also includes being a source of inspiration for people with food intolerances such as: lactose intolerance or allergy. These segments are growing customer groups in Norway as well as in other Nordic markets. As 2011, ICA is already an industry leader in products for allergy sufferers in Sweden and in Norway. However, ICA puts high emphasis on its organic product line and they are currently the industry leader in Organic food sales in Norway and in Sweden. ICA's organic corporate brand, ICA I love Eco, is further available in Estonia, Latvia and Lithuania with growing numbers.

The products sold under the I love Eco brand name are complied with laws on labeling and ingredients of the European inspection authorities. Furthermore, all corporate brands are inspected by the company to ensure that they all meet these requirements. Products in the ICA I love Eco brand is certified according to the EU's organic certification criteria and sometimes also according to KRAV organic rules in Sweden or Debio standards in Norway. However, it should be noted that all of these certification authorities have almost identical certification rules and practices, and animal based ingredients in ICA I love Eco products must be approved according to KRAV in Sweden or Debio in Norway, both of which place more stringent requirements on animal welfare than the EU standards.

By fallowing such strict standards, ICA aims to offer a large variety of healthy, ECO-labeled, organic and fair-trade products within all of its markets and to apply environmental thinking when selecting products for the ECO range. Perhaps, as a result of ICA's organic

product strategy, in Norway, ICA I love Eco is seen as an economical organic alternative and sells well despite organic sales in the Norwegian market have trended lower and still compose a small market niche. Detailed sales data for ICA Norway, Sweden and Baltic countries can be seen on table 12.

	Products 2011 (#)	Products 2010 (#)	Products 2009 (#)	Sales 2011 (NOK, million)	Sales 2010 (NOK, million)	Sales 2009 (NOK, million)
ICA Norway	479	426	563	126	123	128
ICA Sweden	1,077	1,138	1,036	2,023	1,940	1,844
ICA Baltic	1,156	771	446	Unavailable	Unavailable	Unavailable

Table 12: ICA AB organic product number and sales data (Source: ICA, 2012b)

8.4 ICA's Good Business Model

ICA has chosen to describe their view on ethics and corporate responsibility in their position statement "ICA's Good Business". In the model, ICA states that they want all parties to feel secure and confident with ICA. To achieve this promise they have built a seven stage business model where ICA will:

1. Be driven by profitability and high ethical standards.
2. Listen to customers and always base decisions on their needs.
3. Nurture diversity and growth among its employees.
4. Maintain an open dialogue internally and with the community.
5. Ensure quality and safe products.
6. Promote a healthy lifestyle.
7. Adapt sound environmental practices and to promote sustainable development (ICA, 2010).

To achieve this tall order, ICA had developed 18 major guidelines for ICA's quality, environmental and social compliance policy. The long list of guidelines that are designed to ensure that ICA can deliver its good business model is as it fallows:

1. **Quality assurance at the supplier level:** Suppliers and producers will use established management systems and be certified according to a third party standard for product safety and quality.

2. **Social responsibility in production:** Products of ICA will be manufactured in a manner that meets no harmful child labor, no forced labor, no discrimination of employees and employee rights requirements.

3. **Climate responsibility:** ICA will increase its knowledge about the assortments' effect on the climate. In the purchasing process this will be taken into account, in relation to production method, transportation distance and mode of transport.

4. **Local production:** ICA will take a positive view of local production. These products must also be safe and must be produced in an ethically and environmentally acceptable manner, in accordance with ICA's policies.

5. **Traceability:** All products will be traceable to the relevant facility and production batch by means of a code or date label. The origin of component raw materials will also be traceable.

6. **Agriculture, forestry and fishing:** ICA will ensure the responsible management of natural resources in order to guarantee access to quality food, ensure long-term sustainable agricultural, forestry and fishing practices and preserve biological diversity.

7. **Animal welfare:** ICA will ensure high standards of animal welfare. ICA will treat animals well and protect them from unnecessary suffering and disease. Animals will be kept and cared for in an animal-friendly environment that promotes their health and allows them to behave naturally.

8. **Environmental and organic labeling of products:** ICA will provide a broad range of environmentally labeled products in all product categories for which criteria have been established by the labeling organizations that are relevant on each of the markets where ICA/Rimi operates.

9. **Salmonella:** Products sold by ICA will be free from salmonella. Whenever necessary, ICA complements standard governmental controls for salmonella and other pathogenic micro organisms.

10. **Antibiotics:** ICA will not accept the use of antibiotics for preventive purposes in animal husbandry.

11. **Pesticides:** ICA will reduce the environmental impact of agriculture by reducing the use of pesticides. ICA requires all suppliers of fruit and vegetables to be certified in accordance with Global Gap, IP or the KSL quality system for agriculture.

12. **Additives:** Additives will be used with restrictiveness and bring about a clear benefit for customers. E.g. improved nutritional value, food safety, manageability, appearance and taste.

13. **GMO:** For ethical and environmental reasons, ICA questions the production and cultivation of genetically modified foods and seeds that are not produced in a closed environment. Genetically modified foods (GMO) and ingredients will be kept separate and will be traceable.

14. **Consumer packaging:** Packaging material and products intended to come into contact with food will comply with the EU directives. Packaging will be optimized in terms of both the environment and size.

15. **Climate responsibility:** ICA will work progressively and seriously with the way their activities affect the climate. This will be done in investment decisions and in daily operation by using energy, transports and cooling media in an effective way.

16. **Waste:** ICA operations and stores will reduce the amount of waste sent to landfills by separating and sorting materials for recycling, reclamation or combustion.

17. **Energy:** ICA will seek to reduce its energy consumption and to increase its use of renewable energy sources.

18. **Transports:** ICA will strive to achieve an ongoing reduction in the environmental impact of its transportation activities (ICA, 2010).

8.5 I Love Eco Assortment

Having 90 years of experience on private labels, today ICA established a durable and strong performance on its private labels. In 2011, the total share of these private brands consisted 19% of ICA's overall sales which makes it a staggering number that highlights the success of ICA's private assortment. Moreover, it shows consumers' trust on the ICA labeled

products and their perceived quality. The same year, ICA's private food assortment consisted of I love Eco, Gott Liv, ICA Selection and ICA Basic which replaced the Euroshopper product line (ICA, 2011b). ICA aims to continuously expand its range of organic and eco-labeled products which had 1,100 organic products in its overall assortment in 2011.

The same financial year, after adding ICA Basic to its assortment, in ICA stores globally, sales of organic products rose by 4.3% and sales of ICA I love Eco products rose by 23% which again highlights the strong market position of ICA's private labels (ICA, 2011b). Taken into closer observation, during the last few years, the big organic sellers were milk, buttermilk, natural yogurt, coffee, eggs and baby food. Due to the success of these products, in 2011, a total of twenty new ICA I love Eco products were added to the assortment. Furthermore, ICA decided to support the new organic products by introducing price cuts on its I love Eco branded organic products to have a greater market penetration by making it more accessible to lower income user groups.

As 2012, ICA had four different product lines under its I love Eco brand in the Norwegian market. The first line out of four is I love Eco morning which is designed to aim customers that put emphasis on the importance of breakfast. The second one is I love Eco everyday which is designed to aim customers that seek organic products in their daily lives. The third one is I love Eco evening joy which is designed to aim costumer segments that seek relaxation at their home after a busy day. And the last one is I love Eco fruits which is designed to aim consumers that put special emphasis on getting organic fresh fruits on their tables (ICA, 2012c). ICA uses Krav, Debio and EU organic certification on all of its I love Eco assortment. Krav certification is the Swedish equivalent of Debio and requires no further evaluation in the Norwegian market. Krav asks the same requirements from producers as Debio, to certificate them as organic and Norwegian consumers are aware of Krav certification on the same level as they are aware of Debio certification. EU flower label is also similar to Krav and Debio in its requirements and as Norwegian consumers are aware of it on the same level as Krav and Debio. However, by combining all three, ICA is able to market its organic products in all European countries without further investigation. Beyond the required certification, ICA goes a step further and arranges all organic products in a second layer assortment which makes it easy to find and reach in their retail shops.

In the second layer of assortment, I love Eco products are arranged in six categories within the retail environment with the aim to make it easier for consumers to find desired products faster and without too much focus. The main reasoning behind this strategy is a simple thought: To make all products desirable and reachable to all consumer segments. E.g. if all organic products were located in one part of the store, consumers who are not looking to buy organic products will never go to that specific part of the store and be familiar with I love Eco assortment. By putting each product into the overall product category, ICA makes sure that all consumers are exposed to I love Eco products. E.g. a consumer who is willing to buy a pasta product will easily find pasta assortment in ICA store and while browsing existing assortment to find a specific brand, they will also be exposed to ICA's I love Eco assortment. In this situation the "organic" brand associations, a possible promotion on I love Eco products or a price difference might convert consumers to buy I love Eco product instead of their normal choice, hence expanding ICA's customer portfolio. Furthermore, by creating distinguishable assortment categories in two separate layers, ICA gets advantage of the "Mere Categorization Effect" which emphasis that the mere presence of categories, regardless of their actual content, positively influences learning and the satisfaction of consumers who are familiar with the assortment category. ICA's current I love Eco assortment, divided in 6 categories, is as it fallows:

- **Drinks and preserves:** This category covers liquid and canned items such as; sauces, juices, pastes and bottled products. Current products sold under this category are: I love Eco balsamic, blueberry and lingo berry drink, blueberry drink, blueberry jam, filter coffee medium roast, filter coffee dark roast, chocolate drink, chunky salsa, crema di balsamico, elderflower syrup, raspberry and blueberry drink, raspberry jam, raspberry jam refill, strawberry lemonade, strawberry jam, apple juice, coffee, cold-pressed rapeseed oil, crushed tomatoes, lingo berry juice, corn grain, olive mixed, olive oil extra virgin, passed tomatoes, pasta sauce with basil, pasta sauce with garlic, squeezed lemon juice, squeezed lime juice, lingo berry, redcurrant jelly, mustard, instant coffee, blackcurrant jelly, blackcurrant juice, taco sauce, tea lemon- cream, tea buckthorn-berries, arctic raspberry-cranberry -cloudberry, tomato paste and I love Eco applesauce.

- **Dry goods:** This category covers all dry food items such as pasta or legumes. Current products sold under this category are: I love Eco apricots, baguettes, basmati husked rice, bond cake, borlotti beans, buckwheat, chips sour cream, chips lightly salted,

cornflakes, croissants, crunchy, dates, spelt wheat, berries, figs, fusilli, gnocchi, green lentils, yellow peas, oatmeal, oat cake, jasmine, cocoa, kidney, chickpeas, coconut, corinth cake, flaxseed, muesli apricots, raisins and pumpkin seeds, muesli fruit, muesli natural, pasta screws, pasta shells, penne rigate whole, plums, rice cakes, rye cereal, sifted rye flour, red lentils, red rice, sesame, sesame cake, spaghetti, breadcrumbs, tagliatelle with eggs, tortilla chips, flour, flour special and I love Eco baked beans.

- **Fish and seafood:** This category covers marine items such as salmon. Current products sold under this category are: I love Eco cold smoked salmon, caviar and I love Eco salmon.

- **Fruit and vegetables:** This category covers all fresh fruit and vegetable products. Current products sold under this category are: I love Eco baby spinach, yard salad, arugula salad and I love Eco salad mix.

- **Frozen food:** This category covers all frozen food items such as fruits or vegetables. Current products sold under this category are: I love Eco broccoli, haricot, potato, corn, summer berries and I love Eco peas.

- **Fresh goods:** This category covers fresh dairy items such as cheese and eggs. Current products sold under this category are: I love Eco feta, fat cheese, pancakes, platelets, eggs 10-pack and I love Eco eggs 6-pack (ICA, 2012d).

8.6 I Love Eco Product Placement and Promotion

One of the major factors of success on ICA labeled private products is ICA's ability to place and promote such products without any boundaries. The unique advantage rises from the private labels' naturally born fact that they belong to the company that sells them. Therefore, ICA has an extended flexibility on its private labels in its grocery stores regarding where to place them, how to place them, for how long to place them and how to promote them.

In a normal retail setting, each brand negotiates with the grocery chain to get sufficient shelf spots in order to display their products. Best spots usually costs the most and only strong brands can cover the expenses associated with it since only they can have the highest amounts of sales. Moreover, it is usually the grocery store that demands promotions on certain items so that it can empty its expiring stocks and make room for new products. This system in some

cases hurts small to medium size producers since it cuts their profit margins down. Therefore, on private labels, companies have a starting advantage of not negotiating any price for product placement and not being forced to conduct untimely promotions.

ICA is such a case where the company has almost unlimited flexibility to display its private labels. The only problem might rise from the opportunity cost view. The opportunity cost view tells that if ICA cannot sell its private labels as good as it can sell normal brands; it will lose profit on its occupied shelves by its private labels since such shelves could have generated profit if they were rented to other brands. However, considering that the total share of ICA's private brands consisted 19% of ICA's overall sales, the opportunity cost of the assortment can be considered zero if not negative.

In practice it is easy to see ICA's private brand placement and promotion strategy when entering an ICA store for the first time. The whole strategy is designed to enhance the exposure of such products and to gain attention of consumers. ICA uses approaches that tackle the absolute and differential thresholds of consumer perception by making the assortment different than competitors. ICA establishes this in three steps:

1. All I love Eco products have almost identical white packaging with a vivid red I love Eco label. This makes it immediately easy for consumers to identify the product line and realize what it is all about.

2. ICA positions I love Eco products on highly visible shelves for higher exposure. The products are visible from multiple angels in store and most of I love Eco assortment is clustered together, arranged within the mentioned six distinct categories. Therefore, when consumers see only one item labeled as I love Eco, they are being exposed to several others. Most popular items are placed on eye level.

3. The promotion of I love Eco products is also designed to stimulate consumers and get higher exposure and attention rates. ICA promotes it's I love Eco assortment in an ongoing basis. The promotions usually range from campaigns such as; buy two pay one, buy three for NOK 30, three for NOK 35, five for NOK 40. All promotions are market with big red labels over white paper, matching the high contrast of I love Eco packaging, that are visible from a long range in the store, thus they are focused on gaining consumers attention even when the felt involvement is low.

8.7 I Love Eco Price

One of the major factors delivering success to ICA's private assortment, especially the I love Eco line, is its matching price levels to its competitors. As analyzed on the economic aspects of organic food products part, organic products typically have 30 - 60% price premiums over their conventional competitors. The biggest problem of organic food consumption has also been ranked as the high prices of such products, on the consumer perceptions part. ICA on the other hand, has a leading place in Norwegian market when it comes to price wars; therefore it is no surprise that ICA is the leading brand on organic food sales.

On base price comparison, I love Eco assortment, as any other organic product assortment, is more expensive over conventional products due to the extra costs associated with its production, delivery and storage. However, as seen on the previous part of the case analyses, ICA's continues promotions of its organic line, brings prices down to a matching level with non-organic products. Moreover, in many cases, where ICA presents buy two pay one, buy three for NOK 35 or buy five for NOK 40 promotions on I love Eco products, the assortment actually becomes cheaper than competing conventional products. Over the periods where ICA presents such promotions, its organic assortment actually becomes the price winner over the entire range of grocery products. Therefore, ICA gives its customers the unprecedented ability to buy organic products with "0" price premium and let them be familiar with the organic product concept. By doing so, ICA introduces it's I love Eco products to all consumer groups, hence increasing its chances to attract more consumers to organic labels. E.g. a consumer who met ICA organic line due to its lower price might keep buying it if he/she finds the taste superior over conventional products, even when the promotion is over.

8.8 I Love Eco Packaging

Being highly concerned with consumer well being, ICA has high standards on its product packaging. All packaging and products in ICA's assortment is analyzed to not contain PVC material since such material might include environmentally hazardous substances. Furthermore, ICA states that its products and packaging does not contain substances of very high concern (SVHC) published on the REACH Candidate list. The list is published by European Chemicals Agency (ECHA) and at the heart of the process is the "Candidate list" of chemicals that meet the criteria for substances of very high concern. European Member states

and EU authorities nominate dangerous chemicals to be included on this list, REACH Annex XIV (ECHA, 2012). Therefore, when a substance is introduced on the Candidate list, such substances are phased-out from ICA's products and packaging within 18 months. Finally, ICA plays it safe by setting three general rules on its private labeled packaging:

1. Packaging material and products intended to come into contact with food shall comply with the EU directives.
2. Packaging shall be optimized in terms of both the environment and size.
3. Packaging shall be labeled in the manner required by national laws (ICA, 2010).

However, the packaging content of ICA's private labels is not limited by the safety and usage rules governed around it. ICA believes and emphasis the importance of package design as the first step of brand building. Fallowing the idea, in 2010, a new packaging design was introduced in Sweden and Norway for ICA's organic private labels to make it easier for customers to find them on the shelf and to boost interest in what the various labels stand for. The new package design was considered to be highly effective that ICA won the silver medal for packaging design in the category of beverages at the international design competition Pentawards. The success of ICA's package designs comes from its ability to outsource this.

ICA outsourced all package design activities to Identity Works design firm in Sweden who also got them the bronze medal in 2008 Pentawards. Identity works is a Swedish brand development agency who believes that brand building must come from within and involve all aspects of an organization. Therefore, to be able to help clients, they have a mix of competences, including graphic designers, strategists, digital wizkids, innovation experts, industrial designers, business analysts and more (Works, 2012). The company works with well known brands such as; WWF, Spotify, Arla, Abba Seafood, Danske Bank and Swebus. Therefore, by working with Identity Works, ICA can benefit from company's high competency and knowhow on package design, giving ICA an edge over its competitors, something they couldn't have achieved if the packaging design was done in house.

Finally, ICA uses a combination of organic labeling from three different accepted certificate agencies; Norwegian Devio, Swedish Krav and EU labeling system for organic food symbolized by the EU Flower. However, ICA believes that communicating what the eco labeling stands for is a crucial strategy to receive the full effect of what these certifications stand for. Therefore, each package on I love Eco product line, include an explanation of the

benefit of organic food, ICA's aim in organic food and a short explanation of what the labels stand for. By using all of these strategies together, ICA is able to communicate its organic presence to its fullest.

8.9 I Love Eco Sponsorship

I love Eco as a separate brand name does not have extensive sponsorship activities which make sense taken account of the low profit percentage of the product line over ICA's overall corporate profits. Therefore, it is a strategic move for the company to establish sponsorships with the parent brand name ICA rather than individual sub-brand names. However, to attract young generations to organic consumption ICA recently engaged in sponsorship activities with I love Eco assortment. In the beginning of 2012, ICA sponsored World Snowboarding Championships, making the whole championship "organic" with the slogan: Snowboarders Love Eco!

As the main sponsor of organic food for Snowboard World Cup, ICA ensured natural experiences for all performers, audience, guests and media. The way ICA have achieved this experience as a sponsor is by having 15,000 free servings of ecological product series "I Love Eco" during the time of World Cup. Only the fact that ICA gave 15,000 servings for free had a great impact on young consumers as they had the invaluable chance to meet with organic products and create strong attitudes for I love Eco assortment. Henning Andersen, CEO of Snowboard World Cup, explains the impact in his own words: *"There are good and healthy meals to all who visit the championship. Snowboarders are hedonists, so for us this sponsorship tasted extra good. We had hundreds of hungry mouths to feed already in the beginning stage and when audiences flock to the competition, we had to organize large amounts of food and drink. ICA's I Love Eco series made it easy for us to get all organic food from the same place. Furthermore, they gave the goods for free which made us very grateful"* (ICA, 2012e, p. 1).

Terje Haakonsen, 1974, a famous Norwegian snowboarder has been a strong advocate of ecological thinking in Norway for many years. For over 10 years he has set ecology and environment agenda through The Arctic Challenge. When a world championship investing so clear on organic products, it was so important for him that the grocery industry to support it. Therefore, with his contact in the grocery brand that has Norway's best selection of organic products, "ICA", he played an important role in establishing the sponsorship. Vidar Engen in

ICA states: *"Having Norway's best selection of organic products, it was natural for us to sponsor World Snowboard Cup, when they had such high environmental goals. We are a proud contributor!"* (ICA, 2012e, p. 1).

8.10 I Love Eco Advertisement

ICA uses outdoor advertising, printing press, internet and media as its major drivers of communication with its consumers. However, in recent years, one of ICA's television commercials made the best impact on positive associations with the I love Eco assortment. The commercial has aired with the main message "try our organic product family, I love Eco" and the sub-message "dance with Marius on ICA.no".

The commercial starts with a bunch of ICA representatives arguing on how to communicate the new assortment, I love Eco, to Norwegian consumers. Fallowing the brief debate scene, a funny looking average Joe, Marius, suggests that they should give the message with a dance. He starts dancing in a nonsensical and funny way where he lists some of the major I love Eco product categories. The commercial ends with the sub-message "dance with Marius on ICA.no" where consumers are given an online interactive experience of ICA's organic product range and education on organic products in general. The unconventional commercial is aimed to create as high brand associations as possible with I love Eco products when consumers think organic products in general.

However, in market impact analysis of the latest commercial, ICA has discovered that majority of Norwegian population did not like the commercial and found it a bit stupid. When consumers are asked "How much did you like the commercial?" the mean score on a 7 scale was 3.7, slightly lower than average (Hagen, 2010, p. 12). Consumers who stated that they liked the commercial listed fun, originality, liked the actors, friendly and catchy as the main factors why they found the commercial appealing. On the other hand, consumers who stated that they did not like the commercial listed stupid, boring, not funny, not appealing and doesn't say much about the products as the main factors why they didn't like the commercial. However, some marketers suggest that there is no bad advertisement as long as it has been remembered by the consumers and as long as it can form favorable brand associations.

Fallowing the logic, consumers are asked a different question to measure if right associations are formed. When asked "Can you remember the recurring theme on ICA's latest

commercial and briefly describe what it is?" (Hagen, 2010, p. 13) the results were encouraging. 37% stated that it was about organic food, 34% remembered it had organic products, 16% thought it had a health focus, 10% felt that it had a funny dance scene and 3% further realized that it had a promotion. Fallowing the same question, consumers are further asked "What kind of associations do you have about ICA after watching the commercial?" which in turn revealed even better results. 58% of participants associated the commercial with ICA having an organic product range, 16% stated ICA has focus on health, 13% thought ICA has better products, 10% think organic food is good, 5% thought it was just fun and 4% believe ICA is an environmental friendly company (Hagen, 2010).

More importantly, the last question reveals the most important impact of the I love Eco commercial. When consumers are asked "What do you think about the taste of I love Eco products that you have purchased?" (Hagen, 2010, p. 18) on a 7 point scale, consumers gave an average 5.9 ranking which shows how satisfied they are with the taste of the product. Taken all the responses together, it is obvious that even a ridiculous commercial about organic products has the capability to change consumer attitudes in a positive way.

8.11 Concluding Remarks

Considering the fact that organic products still occupy a market niche in Norway, ICA is doing a great job in terms of organic food sales, promotion, marketing and education. From its socially responsible business model to its efforts on ensuring the healthy and safety of its private labels, ICA is currently setting industry standards for organic food industry. Having company owned grocery business helps ICA to freely arrange how to place and promote its organic products line I love Eco, however, ICA does not stop there but they also spend enormous efforts on their package design, certification, advertisements and sponsorships. While the certifications and outsourced package design creates better attention towards the product line, advertisements and sponsorships create higher exposure, education regarding organic products and boost consumer attitudes towards organic. Finally, by having a huge assortment on organic products, by making it available in each store and by having aggressive pricing on I love Eco products, ICA sets the benchmark for any organic brand as it creates an impressive product experience for organic consumers.

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9 CONCLUSION

This thesis unfortunately has shown that organic food products in the Norwegian market do not occupy a significant market share in the overall food retailing industry as they currently control less than 2% of the overall food product sales. Therefore, organic products in the Norwegian market currently occupy a small niche even where the market gets high government support for organic production. Unfortunately, author believes that the market is bound to exist as a niche if Norwegian government decides to lower or end its financial support to organic farming. However, the collected data on government's 15% organic production target for 2020 suggest that this will not be the case. Like other industries in Norway, the heavily regulated Norwegian economy phenomenon seems to persist itself on organic food production as well. Therefore, it is reasonable to believe that in the near future, organic products in Norwegian market will rise and they can finally occupy a segment that goes beyond being a niche and appeal to messes. However, in such a regulated market, it will still be questionable why consumers by these items: Will they buy organic food items because they are widely available and are perhaps cheaper than conventional products due to high government production support, or will the organic be bought because it is organic?

9.1 Embracing the Research Questions

By applying the developed framework, this thesis aimed to answer all five research questions that are stated on part 1.1. In the process of analyses that took part in this research, it has been shown that the organic and local food trends with respect to the increasing health and environmental issues are significant consumer trends that show presence mostly in the western countries particularly in the continental Europe. Countries such as Austria, Sweden and Denmark are places where these trends are especially strong with high market shares of organic products. However, the Norwegian market also has a high potential for future organic development as consumers share these trends just like their neighbors. The problem with Norway can also be summarized as consumers' belief that Norwegian agricultural products to already have high standards as government has intense regulations for agriculture and exported food products. Therefore, many Norwegians consider food products that can be found in grocery stores to be almost organic.

In part five, the thesis further answered the preparedness of the Norwegian organic food industry to satisfy the ever increasing organic, local and healthy food trends. It has been

shown that the Norwegian market is more than ready to cope with any demand for organic products as it is able to import such products from its neighbor such as Denmark and Sweden where there is an abundance of such products. Moreover, Norwegian government has already taken action to increase local organic production as it increased the organic farming area by 10% compared to 2010. Finally, the good news is the ongoing high estimated producer support for organic production and the regulatory preparedness of the government as it currently has all the regulations, support schemes and certification authorities ready to control organic farming.

The vital part of this research was part six where the author analyzed the consumer competency profiles of Norwegian consumers regarding organic food products and their benefits as data on the perceptions and attitudes of Norwegian consumers' are examined. The findings have shown that the general population already has good association regarding organic products and they have valid information about the benefits of organic farming and organic diet. However, there is still a segment that is skeptical to the idea of organic as they see no difference between organic or conventional. Moreover, most of the consumers although having information on organic products, are not competent on their organic purchases as the consumer profiles have shown. The majority of population is still price oriented despite the high average income levels. Furthermore, there are still many consumers who do not have enough information on organic products and simply do not buy these products due to the unknown. Finally, the part has shown that the majority of Norwegians are unaware of the local official organic certification Debio, as they were reluctant to identify the logo on consumer surveys. Overall, the picture is not too sound and there is still room for better communication and improvement.

Fallowing part five and part six, on part seven, the author stated guidelines to establish a better market place and position on organic food products. These guidelines are relieved in four parts as marketing, positioning, packaging and labeling advices are given on this chapter. On marketing part, the importance of using a mixture of communication channels with clear messages is highlighted as important. This was followed by the importance of positioning strategies where the need of dual positioning strategies is specified. Being organic itself is not a good positioning strategy since consumers do not perceive it as a unique product proposition. By linking organic products with unique taste or premium packaging, a better positioning strategy can be established. Moreover, packaging and labeling are other important

factors that marketers can improve by using sustainable packaging strategies or by using detailed information on organic product benefits. Finally, the part finished by presenting the importance of labeling as using the proper organic certification found to be crucial.

Finally, after taking all of these questions into consideration, the ICA case has shown as to incorporate the best practices in organic food marketing. The fallowing section then describes the benchmarks that can be learned from the case and from the analyses of this thesis for future organic food producers and marketers.

9.2 Recommendations for Organic Food Brands and Producers

Taking all the analyses covered in this master thesis and the best practices of ICA in consideration, the author presents the fallowing recommendations, check list, for other industry players and new entrants to the organic food retailing:

- ✓ Do not just include organic products in your product portfolio but create a separate organic assortment. A separate assortment will create mere categorization effect and improve the product experience.
- ✓ Try to lower the price premium for organic products by the help of your existing product lines until the organic market matures. The most important factor why consumers don't buy organic is its perceived high price premium.
- ✓ Make sure that your organic product line is widely available in many stores. Consumers are not willing to travel for their everyday grocery shopping, reaching them locally is as important as lower prices.
- ✓ Make sure to educate consumers about your organic product line by designing suitable advertisements, promotions and using sponsorships. Try to communicate the benefits of organic food; healthier, higher animal welfare standards, lower environmental impact and does not include chemicals.
- ✓ Fallow a socially responsible business model. Consumers are intelligent; they will select organic products produced by socially responsible companies. Transparency of operations and traceability of products within the production chain are also considered important for environmentally focused consumers.

- ✓ If you already operate in grocery industry or have strong agreements with the industry players, use your power to promote organic products in the store by using product placement tactics. If not, try to have good shelf placement for the launch of your product as it will increase exposure.
- ✓ Pay attention to your package design. Color, size, contrast, shape, smell, certifications and distinguishable labels all have impact on consumer preferences. A strong package design can be the deciding factor for consumers to try your product.
- ✓ Use locally known official organic certification and support it with your local or European organic logos. Make sure to communicate what these logos stand for on your product package as labeling. Consumers tend to choose organic products with detailed explanation on the package.

9.3 Areas of Further Research

This research is designed to answer broad research questions as it tackles a broad problem statement. However, it can also be divided into sub-categories to be analyzed in further research. If the research is taken as a guide or as a starting point for further research in the organic food area, it should then also taken into consideration that there is lack of available data on economic side of organic food production in the Norwegian market, lack of available data on the cost and on the market success of organic brands and their products in the market and finally there are time and budget problems associated with gathering primary data on consumer preferences for different positioning strategies of organic food products. However, the author believes that although these problems are beyond the scope of a master thesis, especially the positioning strategies for organic food products can be pursued as an area of further research on a marketing PhD or by professional researchers. In fact, this thesis is designed to be the first part of author's efforts to analyze organic food marketing as the second part is planned to be pursued in a marketing PhD.

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