

# Case study: the Trend Break formula

*On 18 December 2000 Elise Kamphuis, coordinator of the Science Shop for Economics, Jan Hendriks (province of Groningen), Karin Gratema (province of Drenthe), Karel Schuitema (Ministry of Agriculture, Northern Directorate, LNVN), Hans Jürgen Redzcus (owner of organic food shop “De Biotoop”) and Marieke Koning (organic produce consumer) met to discuss the Trend Break formula<sup>1</sup>. At the end of the meeting it was agreed that the Science Shop for Economics would write a research proposal relating to scaling up of the Trend Break formula. Based on the proposal, the provinces and the LNV [Ministry of Agriculture, Conservation and Fisheries] would decide whether the research was sufficiently relevant to be eligible for funding. The deadline for the research proposal would be 10 January.*

## Background

“It would be to the Netherlands’ credit if 10% of the agricultural area was organic by 2010. Internationally, the Netherlands would be adopting a very attractive position here. A quick calculation shows that the area would have to increase by around 25% per year from 2001 to achieve this ambition.” This ambition is stated in the policy document on organic agriculture 2001-2004 of the Ministry of Agriculture, Conservation and Fisheries. Although organic farming grew strongly during the nineties, the question is whether this growth will continue. Organic farmers complain about the low prices that the supermarkets are willing to pay for their produce. Compared with other countries (particularly Scandinavia and Germany) there is little demand for organic produce in the Netherlands and supermarket prices are low. However, consumers perceive that organic produce prices are high because the prices for normal produce are even lower.

## Previously

In 2000 Elise coordinated a Science Shop study into the processing of organic produce in North Netherlands. One of the conclusions of this study was that there was a need to stimulate demand if the organic sector was to develop. Ideas proposed were: stimulation of market development via existing sales channels and sales channels which were under development, better positioning of the ECO image and informing consumers about the advantages and effects of organic produce so that they had a better understanding of the higher prices. Further to this study, she was invited to a meeting on 18 December 2000 to discuss the possibility of extending the Trend Break formula.

## The meeting of 18 December 2000

After a brief introduction of the participants, Hans Jürgen explained what the Trend Break formula involves: “This project originated at the start of the EKO-miles project, analogous to Airmiles. However, the name sounded too much like Airmiles so the concept was changed to Green Smiles. The participating producers paid a contribution into a fund to promote sustainability in the world. The idea behind this was that the consumer would be rewarded, rather than punished, for responsible buying behaviour.”

Karel pointed out that this idea was also in the NMP-III [National Environmental Policy Plan] which named Green Smiles as an example.

Jürgen continued: “The Trend Break formula is a new retail formula that I developed and used in my organic food shop ‘De Biotoop’ in Leeuwarden. The aim of the Trend Break formula is to stimulate the consumer’s environmental awareness and the sale of sustainable produce. For a pilot phase, subscribers to Trend Break could buy items in De Biotoop at cost price. Subscriptions were f 31 per month but this recently rose to f 37 per month because the tax inspector placed the subscription under the higher 19% VAT rate. Since then I have written to minister Zalm with an urgent request to return to the lower rate.” Karin asked what Jürgen meant by cost price. Jürgen replied that this is the purchase price plus VAT, packaging, waste and some basic treatments. According to Jürgen the margin on organic foodstuffs averages 25% of the purchase price (excluding VAT). Jürgen continued: “After 5 months my trial project gave the following results: the purchasing power of the subscribers had increased and in the top position with over f 100 per month. Of the 153 subscribers, 151 benefited financially, most of them by several tens of guilders per month. Compare the Trend Break formula with Airmiles which increases the consumer’s purchasing power by an average of 1%, whereas with the Trend Break formula this is 25%. Just look at the price comparison that I have brought, then you will see that the Trend Break products are cheaper than at Albert Heijn [supermarket chain]. Furthermore, the size of the range available to consumers depends on the number of subscribers. Therefore, the more subscribers I have, the more choice I can offer my customers.” Jan wondered whether the Trend Break formula was also beneficial to the shopkeeper: “How can this formula succeed if the shopkeeper no longer has a profit margin?” Jürgen maintained that the

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<sup>1</sup> The names, with the exception of Elise Kamphuis and Hans Jürgen, have been changed.

formula had led to an increase in turnover in his shop. He was now keen to study the extent to which his concept could bring about a real trend break in the sale of organic produce and whether the concept could be applied more broadly over several shops, supermarkets and the internet. Karel expressed the fear that if the Trend Break formula took off via the internet, this could have a negative effect on existing organic food shops. Shouldn't they receive compensation? Jürgen himself was afraid that his customers would exhibit the "rebound effect". "If people can shop cheaply, they may spend the money they save on a holiday with a long-haul flight . And that isn't our intention." He believes that half of the margin that the consumers gain should therefore be donated to good causes. Marieke said that consumers on low incomes would then drop out. She would drop out in any case. A heated discussion followed over the question of whether it was right to specify that half the discount received by the consumer must go to good causes. However, no agreement could be reached.

Karin and Jan said that the provinces would be particularly interested in the effect of the formula on organic farmers in North Netherlands. Karel wondered whether internet sales would be bad for the environment. The produce must reach the consumer in one way or another. The meeting ended by tasking the Science Shop for Economics with writing a research proposal on the extension of the Trend Break formula. The proposal must also propose a budget. Elise said that the draft proposal would be sent to everyone on 10 January so that it could be discussed at the next meeting on 17 January.

### **The problem**

This morning, Elise sat at her computer and thought about the project proposal that she had to write. What exactly needed to be studied? She looked at the notes that she had made at the meeting and the information on the project that she had obtained from Jürgen (see annex). She also searched on the internet (<http://www.ekodirect.com/TrendBreuk/welkom.htm>, <http://www.platformbiologica.nl>). Using this information, she started to formulate the problem and research questions.

## Annexes

### Organic produce via savings system offers real competition

*Green Smiles will conquer the Netherlands from the north. Consumers learn that organic produce is delicious and very affordable. And buyers contribute to a good cause.*

From our reporter  
Wil Thijssen

### LEEUWARDEN

Dutch people love to save. Stamps, points, coins, flippos in crisps or stickers under the jam pot lid – “you imagine it, we save it”, says Hans Jürgens Redczus of organic food shop De Biotoop in Leeuwarden.

This passion for saving set him thinking. Last year he started an experiment in “sustainable saving” in the high street where his shop is. A number of retailers joined his “Green Smiles” project: stamps with a laughing green smile show consumers that the product they have bought is environmentally friendly. Shopkeepers can buy Green Smiles from Stichting de Groene Weg, which is headed by Redczus. The customer receives discount on Green Smiles items. The income from the savings stamps, each worth ten cents, goes partly to the consumer, partly to the shopkeeper to cover expenses, and the rest goes to good causes such as the purchase of agricultural land for organic farming or planting of new green cover in the Netherlands.

The well-intentioned initiative of this small independent trader should grow into a large-scale project for saving on sustainable items such as organic produce and environmentally-friendly energy. The Van Hall Institute in Leeuwarden and the University of Groningen have studied the feasibility of this approach, which Redczus calls “Trend Break”. Based on their conclusions, these establishments will support Redczus in extending the project. This autumn Green Smiles will be introduced in Haren, a town in the province of Groningen.

A number of ministries and the Sociaal-Economische Raad (SER) [Social-Economic Council] support this project which, when introduced on a large scale, “can make the consumer more environmentally aware than is currently the case for many people,” says Redczus.

The higher price is often too high a threshold for the consumer. So, as an experiment, the shopkeeper decided to sell his produce at cost price. Redczus’ organic shop has been going for 30 years and he decided this was “reason to celebrate”. So now there are two price tickets on all fresh produce, bread and dairy produce: one with the shop price and one with the cost price for customers with a subscription. The customer can take out a

subscription for 31 guilders a month and gets this produce at the purchase price. For example, a cauliflower costs subscribers 2.55 guilders instead of 3.45 and the goat’s cheese is 22.50 per kilo instead of 29.95. For anyone who doesn’t trust the price, the order books are on the counter - the organic trade must always be completely transparent, says Redczus. His milk sales have quadrupled since then and his cheese is regularly sold out.

The Trend Break system gives him the subscription fees, higher sales (even of non-discounted items) and a fixed client base. And that’s what it’s about. “As an organic shop we must take a stand against the chain stores that can sell much cheaper because they impose cuts on the producers when we would just be laughed at.”

De Biotoop is the oldest organic food shop in the Netherlands. Redczus regrets that organic shops have never joined together to take a stand against ‘the Albert Heijns which has stolen our formula’. Because, as the Centraal Bureau Levensmiddelen (CBL) [Central Food Bureau] announced last week, the big supermarkets are increasingly moving to organic produce.

During the experiment in Haren, Easychip, the organisation for all the banks, will give savers the chance to save Green Smiles and redeem them for cash using their bank card. Smaller shopkeepers who don’t want to buy pin equipment will continue to use the trading stamp book and receipt stamp system. Even chain stores, a car manufacturer and an energy company have signed up to it.

The customer receives stamps for sustainable purchases and for handing in batteries, which are suitable for recycling, or for bringing their own sustainable shopping bag. In addition to discounts on many products, the customer receives a receipt on handing in a full trading stamp book. In the Trend Break system ten savings stamp books equal half a “green tenner [ten-guilders]” and ten green tenners (which are saved rather than being redeemed for cash) give a certificate which entitles the customer to 8% dividend (eighty guilders) per year. The intention is that the Green Smiles can’t just be redeemed for cash but also exchanged for travel by public transport or for other “environmentally friendly benefits”.

The Van Hall Institute in Leeuwarden and the University of Groningen expect that there will be great interest in the Trend Break formula because companies want to prove they have a positive and environmentally aware image and the government wants to stimulate the consumption of organic and environmentally friendly products. If the Haren project succeeds, the plan is for a phased introduction of the system in all communities so that ultimately everybody in the Netherlands can be part of the savings system through his or her bank card. The largest internet shop in the Netherlands, Shop.nl, welcomes the sale of consumer goods with Green Smiles via the net.

Because one cent from each savings stamp goes towards tree planting, “we can achieve more CO2 reduction than the government targets each year”,

laughs Redczus who received the Maltha environmental award for his idea. "Then you know that your shopping is really sustainable. Because biocarrots with Airmiles from Albert Heijn have the

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Trouw - Economics, Wednesday 14 February 2001 [Trouw is a Dutch daily newspaper]

## **PvdA [Dutch Labour Party] fears organic farming**

Meindert van der Kaaij

Agriculture Minister Brinkhorst (D66) [Democraten 66 – Dutch political party] is taking far too cautious an approach to organic farming. The coalition cabinet must show much more commitment to getting organic farming off the ground in the Netherlands. At the current rate, the expansion of organic farming looks likely to get completely bogged down.

So says PvdA member of parliament and organic farmer Harm Evert Waalkens. The agricultural spokesman is far more enthusiastic about the announcement by the German Minister of Agriculture, Künast, that she will take a radical approach to agriculture in Germany than minister Brinkhorst. Künast is aiming for 20% organic farming (double the Dutch target) and a maximum of two cows per hectare of grassland.

"I think the Netherlands also needs a radical reform of its agriculture. I fully support GroenLinks [Green Left, Dutch political party] on this. Ecology must be above economics. The Netherlands now has significantly more intensive farming than our neighbours to the east and we also have less land for extensive farming. But I agree with Künast that the current subsidy system for agriculture must change considerably."

"I would like to see the European premiums on animals linked to sustainability. At the moment, the biggest fat cats receive the same subsidy as the trendsetters, the farmers working against the tide in sustainable agriculture. That's not right."

According to Waalkens, coalition partner Brinkhorst is concentrating too much on cleaning up intensive animal husbandry. "This is also very necessary and I fully support him. But the minister is giving too little stimulation for organic farming. He is being far too liberal. In the Netherlands organic farming accounts for 1.5% and growth in this sector is taking off. Of course we won't reach the 10% target this way."

According to Brinkhorst there is a pot of ten million guilders waiting for farmers who want to switch. So making more money available isn't right ?

"It's logical that this money won't be used. The current legislation isn't broad enough, it should be available to more farmers. Organic poultry and pig farming in the Netherlands are lagging far behind

scent of aviation fuel about them."

De volkskrant, 19 Juni 2000 [Dutch daily newspaper]

other European countries. The dairy and vegetable sectors are doing very well. Why can't this be achieved in other sectors? Brinkhorst now wants to do away with the conversion legislation after 2002. I think it's a disastrous plan. Sustainable farming will grow in fits and starts.

Brinkhorst thinks that the market and consumers should determine the rate of growth of organic farming. He doesn't want organic butter mountains or milk lakes. What about you?

"The minister has got a big blind spot. I think you can stimulate the supply side without directly creating surpluses. The sustainable sector is in great need of reference points, farmers who set a good example. We spend billions on combating swine fever and BSE and on restructuring and purchase schemes. Let's shave off a small slice and give it to the trendsetters."

The PvdA's only support for the plea for more government investment in sustainable agriculture comes from GroenLinks.

"I realise that our coalition partner, D66, left us in the lurch on this draft. The CDA and VVD [Christian Democratic Appeal and People's Party for Freedom and Democracy – Dutch political parties] say that they are not against organic farming but in the end they always choose intensive farming."

Copyright: Trouw [Dutch daily newspaper]

## References in the reader:

Nathans, H. (1992) 'Doelstellingen ontwikkelen', *Adviseren als tweede beroep: resultaat bereiken als adviseur* [Developing objectives, *Advice as a second career: achieving results as an advisor*], Kluwer Bedrijfswetenschappen, Deventer, p. 115-126.

The research process according to Adriani  
The theory of action model of Heinz Moser  
Formulating the problem.

## Optional references:

Het onderzoeksplan [The research plan] (1998), in: H. 'Hart, et al, *Onderzoeksmethoden* [Research methods], Boom, Meppel, pages 68 - 96. 68 - 96.

## Tasks

Read the case study and associated references in the reader. Complete the following tasks and submit task 4 by Monday 17 December by Nestor or email, [wewi@eco.rug.nl](mailto:wewi@eco.rug.nl) When answering the questions you may use the set literature and annexes from the case study. Questions 1-3 will help you to answer question 4. All four tasks will be discussed on Wednesday 19 December.

Read the case study and associated references in the reader and complete the tasks below.

1. Elise thinks about it and is fed up because she does not have a clear definition of the problem.  
Using the Adriani and Moser models, show how that can have happened. Show how Elise could get a better idea of the problem.
2. If you were Elise, what do you think she should have done at the meeting? Go through this exercise again and try to formulate answers that you have not been given (see Nathans).
3. Carry out a problem analysis.
4. Prepare a research plan on one side of A4. The plan should include the objective (the why) of the research, a statement of the problem (the what), and should formulate subsidiary questions and consider which research methods you could use.

## Lecture Wednesday 19 December

After a short introduction from the coordinator of the Science Shop for Economics you will discuss the solutions to questions 1-4 in groups during the lecture. We do not have a great deal of time. It is therefore important to put your answers on paper in advance. The solutions will then be discussed in a plenary session. Note that there may be more than one solution and that there isn't one correct solution to the problem.