

DOWNSTREAM: Pricing of green products

Description

Green product alternatives typically cost 10-50% more than conventional products. Pricing of green products refer to that retailers are actively working on reducing the price differences between conventional and green products.

Potential for positive environmental impact

A 'good' pricing of sustainable products should aim to support sustainability goals and the mainstreaming of the purchase of sustainable products.

Prevalence and future potential

Organic and Fairtrade products typically cost 10-50% more than conventional products and the majority of retailers currently do not have any plans to subsidise them, with the exception of a few retailers who are actively working on reducing the price difference. For example, Albert Heijns operates a permanent 5-35% price reduction on a selection of 25 organic food products. In France, Auchan has set a limit of 25% on the group's margins for Fairtrade products (UNEP, 2005). In Denmark, Coop decided back in 1993 to eliminate the price difference between organic milk and conventional milk. This decision led to the breakthrough of organic products in Denmark (Schmidt et al, 2009).

Coop Sweden has a specific pricing policy on organic food: instead of the normal price percentage mark-up, the same amount in Swedish Crones (SEK) as for the conventional alternative product is added for the organic products (Linell, 2005). SuperBrugsen in Denmark combines promotions of green products with discounts providing customers with the possibility of testing green alternatives for a better price (Schmidt et al., 2009). They also have "organic weeks" where all organic products were subject to a 25% price reduction. KIWI in Denmark reduced VAT (50%) on organic products in a campaign from May 2009-October 2009 and Kiwi in Norway had success with a campaign with no VAT on organic products.

The pioneering work of some retailers actively working on reducing the price difference between conventional and green products could be emulated by a larger group of retailers.

References

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