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Prospects for a European Animal Welfare Label from the German Perspective: Supply Chain Barriers

Annabell Franz, Marie von Meyer, and Achim Spiller

*University of Goettingen, Germany
afranz@uni-goettingen.de; mvmeyer@yahoo.de; a.spiller@uni-goettingen.de*

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ABSTRACT

The Federal Government of Germany as well as the European Commission are discussing the establishment of an animal welfare label. This label should enable consumers to make a conscious purchasing decision on animal welfare products. Various studies show that many consumers (in Germany around 20 %) prefer products produced under animal friendly conditions. However, the supply of such products is limited. The following study examines the source of this discrepancy by way of an action-based analytical approach and identifies different barriers within the supply chain that prevent the establishment of a market segment for animal welfare products. Although consumer demand will be decisive for long-term success, first of all the stakeholders of the supply chain must be convinced. If the stakeholders are not prepared to participate in an animal welfare program the diffusion phase can take a very long time or even fail. This study presents such supply chain barriers and interprets them in the light of neo-institutionalism.

Keywords: animal welfare, label, supply chain, neo-institutionalism.

1 Introduction

Currently, the European Commission as well as the Federal Government of Germany are working to improve the labelling systems for food, especially for meat products. Implementing an animal welfare label is being considered to enable consumers to identify products that are produced in an animal friendly manner. The background of this discussion is substantiated by various studies showing that a considerable portion of consumers (in Germany around 20 %) are critical when it comes to typical agricultural practices and hold a preference for commodities that are produced in an animal friendly way (e. g. Alvensleben, 2002; Burda Community Network GmbH, 2009; EC, 2005; Harper and Henson, 2001; Schulze et al., 2008). Especially in Germany this demand can hardly be met. For the time being there are only few products, with a few regionally limited exceptions (e. g. Neuland), which originate from animal friendly husbandry and are also identified as such. Also, the market segment for organic meat, which is often associated with animal welfare, is less than 1 %. This is considerably lower than the consumer preferences depicted in many studies.

Although consumer demand will be essential for the long-term success of a labelling system, for the initial implementation it is important to account for the stakeholders of the supply chain and their willingness to participate - at least in case of voluntary labelling initiatives. In case of an animal welfare label, farmers for example must invest in the necessary animal husbandry systems, which substantially obligate them for the depreciation period of about 20 years. Slaughterhouses must handle and market their lots separately. This implies a substantial reorganization of their procurement and production logistics. Processors must find new customers in retail, meat industry and wholesale. Additionally they must develop new marketing concepts. The aforementioned challenges are linked with substantial investments alongside the supply

chain, which require high cooperation among the actors to reduce transaction costs in the supply chain. If cooperation fails, this can lead to a long diffusion phase for the new label or even complete failure.

In Germany around the turn of the millennium the first attempt to implement a common logo for organic products (“Öko-Prüfzeichen”) failed because only a small proportion of organic producers were prepared and willing to participate. On the European level we point to the very lengthy diffusion process in reference to the quality labels for protected regional specialties (PGI, PDO, Commission Regulation (EC) No. 628/2008). While the system is well accepted in Southern, and increasingly in Central and Eastern Europe, in Northern Europe its implementation is only moderate. For German consumers the label is still almost entirely unknown. The reason for these difficulties is predominantly due to the rejection by the German food industry (Voss and Spiller, 2008).

The examples mentioned above make clear that the positions and the decision-making behaviour of the stakeholders along the supply chain are important for the success of a (voluntary) label. There is extensive evidence indicating that in Germany the establishment of higher animal welfare standards through an animal welfare label is particularly hindered by various supply chain barriers in the meat industry. Subsequently, the market offer of animal welfare products is clearly lower than consumer demand.

In the context of action research, the following study concentrates on the incidence of such barriers. The meat supply chain is used as an example because the discussion of an animal welfare label is mainly about the labelling of meat products. Firstly, an overview is given regarding the acceptance of labelling initiatives by the actors of the supply chain as well as consumer preferences for animal welfare products. Afterwards, the complex structure of the meat supply chain and the methods of the study will be defined. Based on an action research project, different supply chain barriers will be analyzed from a neo-institutional point of view.

2 Acceptance of labelling initiatives by the actors of the supply chain

In the broadest sense, labels are used to mark products with special qualities in order to distinguish these from competitor products (Label-online, 2010). Strictly speaking, it is a marketing instrument that enables companies to indicate special qualities. Therefore, labelling facilitates market segmentation.

In recent years, numerous labels have been developed worldwide, in part politically initiated, with the aim to resolve the information asymmetry (Akerlof, 1970) between suppliers and consumers. In contrast to the large number of labels – the approximation given for the German market alone is around 1,000 (Weiß, 2008) – the market success is rather marginal in many cases. Critics mostly attribute the limited success to consumer information overload (e. g. Gellynck et al., 2006; Malhorta, 1984 und 1982; Salaün und Flores, 2001; Verbeke und Ward, 2006).

Before a label can be in demand, it must first be introduced into the market. Therefore, a prerequisite is the acceptance and broad endorsement by the supply chain actors as well as a smoothly operating supply chain (CCIF, 2002; Golan et al., 2000; Gulbrandsen, 2006; Teufel et al., 2009). However, the endorsement by the supply chain actors is not always given, so that labelling initiatives can also fail even before consumers have a chance to demand those products. The reasons behind this lie, among other things, in barriers that can emerge along the complex supply chain. In this context, Boström (2006) refers to the importance of a labelling initiative’s authenticity in order to generate the necessary acceptance of the supply chain actors. Taking a Swedish label for sustainable fishing as an example, he underlines the importance of active support by as many supply chain actors as possible for the implementation of a new labelling system.

The German organic label (ÖPZ) is one example of the failure of a label due to the lack of acceptance of the supply chain actors. At the end of the 1990s – before the launch of the national organic label – an initiative of the Organic Agriculture Corporation (AGöL) and the Central Marketing Association for Agricultural Products (CMA) made an attempt to establish a common symbol for organic products. However, the launch of the ÖPZ failed due to a considerable lack of acceptance from potential participants (Zenner and Wirthgen, 2002). They were not convinced of the communication strategy and the allocation modalities, as well as the distribution and marketing policies. The rejection by the potential participants was strengthened by the existence of well-established collective and private brands. The actors of the supply chain saw no need for the ÖPZ. Quite the contrary, many producers and manufacturers perceived the ÖPZ as potential competition to their individually built niche markets. In addition, they were of the opinion that its design was biased towards the marketing needs of food retailers (ibid.). Shortly after the failed adoption of the ÖPZ, another attempt to establish a collective organic label was launched in September of 2001 with financial backing of the German Government. The

national organic label stands out today as a great and enduring marketing success.

The examples above thus provide evidence that the success of labelling initiatives cannot only be traced back to the level of consumer demand but also to barriers along the supply chain as well.

3 Case study of an animal welfare label: background

3.1 Consumer preferences for animal welfare products

An animal welfare label could be greeted by a brisk consumer demand. This is the result of various European studies that analyzed consumer attitudes towards animal welfare on a transnational level (cf. project "Consumer Concerns about Animal Welfare and the Impact on Food Choice" 1998-2001; EC, 2005 and 2007). These studies consistently found that a considerable proportion of consumers see problems with regard to animal welfare in the meat industry and are thus unsure of their purchasing decisions. However, animal welfare consciousness varies depending on country and animal species. While it is clearly distinctive in Scandinavian countries, the animal welfare consciousness is identified as below average in Southern and Eastern Europe (EC, 2005). In Western Europe, for example in the Netherlands and especially in Switzerland, observable preferences for more animal welfare were also expressed (Meuwissen et al., 2004, Badertscher Fawaz, 1997, Badertscher Fawaz et al., 1998 as well as Badertscher Fawaz and Anwander Phan-Huy, 2003). Species specifically, consumers expressed the greatest concern for poultry farming and pig fattening, whereas cattle farming was attributed better standards (Köhler, 2001; Alvensleben, 2002).

In Germany, Schulze et al. (2008) determined a target group for animal welfare meat consisting of about 20 % of all consumers. This result shows that a substantial proportion of the German population has a positive ethical attitude with regard to animal welfare, and in addition deems the current animal husbandry conditions as deficient. Closely related to the animal welfare issue is the higher perceived meat quality of well-treated farm animals (Badertscher Fawaz, 1997).

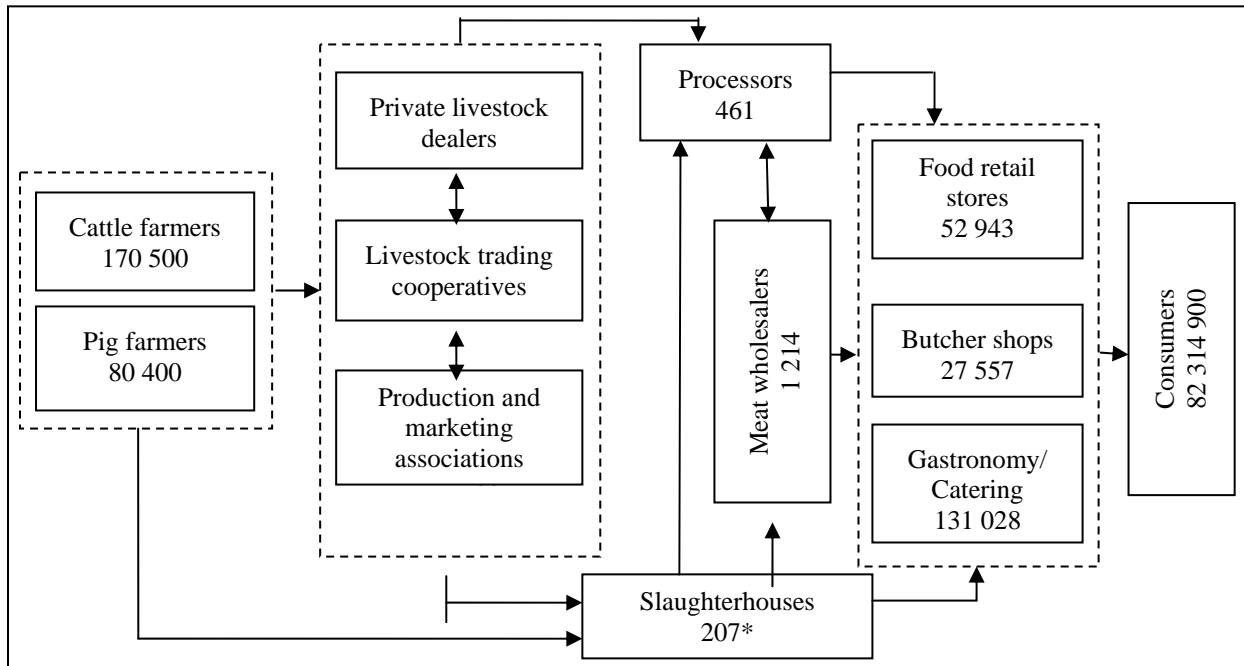
Besides the determination of target groups for animal welfare meat, the evaluation and analysis of consumers' willingness to pay plays an important role in the research dealing with consumers' animal welfare consciousness. Overall, the current research in Germany, as in many other Western European countries, is relatively unanimous (Köhler and Wildner, 1998; Blandford and Fulponi, 1999; Villalobos, 2001; Meuwissen et al, 2004, Schulze et al., 2008; Verbeke, 2009): The empirical studies often evaluate a high willingness to pay for alternative animal husbandry practices. This allows for the assumption that considerable marketing potential exists for animal welfare products. At the same time, especially in Germany, only a limited supply of animal welfare products is accessible in specific product groups. Currently in the egg industry alternative forms of animal husbandry achieve the highest market shares (AMI, 2009).

Against this background, the present study will discuss barriers in the meat supply chain, i. e. barriers which can block the establishment of animal welfare products, or rather an animal welfare label, so that the existing consumer demand and willingness to pay of animal welfare products cannot result in a corresponding purchasing behaviour. At first an overview of the complex organization of the meat supply chain and the methods of the study will be given, before the results of this study are presented.

3.2 Organization of the meat supply chain in Germany

The meat supply chain in Germany is based on a strong division of labour. Particularly pork and beef production is carried out in Germany and in most other European countries in market-coordinated forms. Contrary to the strong vertical integration in poultry production, feed industry and agriculture, slaughterhouses, meat processing, as well as food retailing in pork and beef production are mostly autonomous and work without binding contracts (Schulze et al., 2006). Figure 1 demonstrates the complex market structure of the German meat supply chain.

A polypolistic agricultural structure and a concentrating, but still medium-sized cattle trade, are accompanied by a strongly concentrated slaughter and processing section. Of the 207 registered slaughterhouses, the foremost three, Tönnies Ltd., Vion Food Group and Westfleisch Group, have a market share of more than 50 % (Lebensmittelzeitung, 2010). The downstream meat processing is again organized in smaller sections, whereas the food retailing in Germany is dominated by only five core business groups (Voss and Theuvsen, 2009). Edeka, Rewe, Schwarz, Aldi and Metro alone accounted for 74 % of food sales in 2009 (BVE, 2010).



*Slaughterhouses with a minimum of 50 employees;
Source: Authors' source according to Bahlmann and Spiller, 2008

Figure 1. Supply chain of pork and beef production in Germany

The entry in a new market segment, like that for animal welfare products, cannot be easily coordinated in such a labour-divided supply chain organization. Rather, the specific market participants must be convinced and motivated to make the necessary investments. This is more difficult in exclusively market based relationships than in binding contracts or vertically integrated systems (Spiller et al., 2005). The results of the action-based analytical approach used in this study show where stakeholders of the meat industry expect difficulties when implementing an animal welfare label.

4 Methods

The research underlying this study is constructed as action research, as established by Kurt Lewin (1948 and 1952). Originally action research was a method used in social psychology, but has over the years spread to a variety of research areas.

Stähli and Egli-Schaft (2008) define action research as a method in which researchers – similar to a catalyst – without giving directions empower individuals or groups to develop new strategies for their problems. A more detailed definition from French and Bell (1973) describes action research as *application of scientific investigations of facts and of scientific experiments to practical problems*. The goal thereby is to *develop measures to solve the problems through the collaboration and cooperation of scientists, practitioners, and laymen*.

The origin of action research is a scientific question coinciding with a practical problem. As a result, the solution of the research question, as well as the solution of the practical problem, ought to be given. The fundamental instrument in the regulation of the research process is the working group consisting of scientists and practitioners (French and Bell, 1973). The goal of action research, along with pure compilation of information, is the attainment of changes in mentality within the researched group, in order to make innovative, solution-oriented operations possible (Stähli and Egli-Schaft, 2008). According to Moser (1977), the process of action research is organized in four elements: collection of information, discourse, formulation / modification of activity orientation, and action in the social field.

In the context of the research project “PET: Perspectives for a European Animal Welfare Label” (supported by the German Federal Ministry of Food, Agriculture and Consumer Protection), the present study illustrates a segment of the elements “collection of information” and “discourse”. The collection of information was carried out, among other things, with the help of a comprehensive literature study on animal welfare, labelling, and stakeholder management, as well as the attitudes of consumers and other

stakeholders towards animal welfare from September 2008 until December 2009 and, strictly speaking, is still ongoing. Furthermore, fourteen guided expert interviews with supply chain actors were conducted in January and February 2009, in order to determine the positions of the stakeholders within the German meat industry in terms of animal welfare and food labelling. As interviewees, representatives from every step of the supply chain of meat were chosen (e. g. farmer organizations, slaughterhouses, processors, retailers, NGOs, politicians). Further, the meetings of the project's working group consisting of scientists (University of Goettingen, Friedrich-Loeffler-Institut) practitioners (Neuland e.V.) and the German Animal Welfare Federation as well as two stakeholder workshops offered the possibility of a deepened exchange of opinions and experiences. The first workshop was held in September 2009 to discuss the results of the expert interviews with participants of the PET working group and selected practitioners of the meat supply chain. This discourse is still ongoing in the current "Animal Welfare Label Task Force", which was founded in a second stakeholder workshop after the conclusion of the PET project in December 2009. Members of the task force are: PET working group (University of Goettingen, Friedrich-Loeffler-Institut, Neuland e.V., German Animal Welfare Federation), further German scientists, representatives at the farm level, one of Germany's major slaughterhouses, processors as well as Germany's biggest retailers (<http://www.uni-goettingen.de/tierschutzlabel>). At present the task force is trying to establish an animal welfare label. First standards to be established are for pig and chicken fattening. The first draft of the standards will be discussed in a public stakeholder workshop in summer 2011. At the end of the year it is planned to announce the standards on a final conference. The development of further animal welfare standards (e. g. cattle, dairy) is planned to start in 2012. Table 1 describes the work packages of the action research in detail.

In the following chapters the most important arguments and findings from the expert interviews (January and February 2009) and the stakeholder workshop (September 2009) are presented and interpreted against the background of neo-institutionalism.

In the context of the expert interviews, supply chain actors were confronted with the results of different consumer studies. These results were initially called into question due to methodological problems occurring in market research (e. g. effect of social desirability). However, as the discussion progressed other argumentation patterns slowly moved into the foreground. In many cases these represent the vital barriers according to the authors' interpretation.

5 Mimetic isomorphism: Supply chain barriers through stakeholders' behaviour

5.1 Mimetic isomorphism in concentrated supply chains

Stakeholders' behaviour in the meat industry is highly isomorph. This is a common result of interviews and discussions in the context of our action research. Different dialogue partners consistently brought up the same arguments and examples (focus on the price, path dependencies, coupled production, comparisons to the organic market etc., see below). The actors' behaviour in choosing the same option as important leading companies in situations of high uncertainty is widely dubbed as mimetic isomorphism in scientific literature (DiMaggio and Powell, 1983; Jones and Bouncken, 2008).

Isomorphism can acquire a special relevance in concentrated markets. In highly concentrated stages of the supply chain individual suppliers influence the behaviour of the downstream stages (Anders et al., 2007). In economic research this phenomenon in the flow of goods has long been discussed in context with the term 'gatekeeper' (Lewin, 1963).

If important companies block the implementation of an animal welfare label, meat and other high welfare products can only develop in niche markets (Schulze et al., 2008). At present it cannot be calculated reliably to what extent food retailing companies and slaughterhouses are able to block market developments in Germany. However, in the current discussion regarding the abandonment of piglet castration it becomes clear that a company like Tönnies Ltd. is indeed in a position to change the market through its decision (in this case: pro boar fattening) even against strong opposition. Thus, in very tight markets (e. g. the poultry sector) a few decision makers can block, but naturally can also push an issue.

Table 1
Work packages of the PET project and the “Animal Welfare Label Task Force”

Work packages	2008		2009				2010				2011				2012	
	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV		
PET																
Literature study																
Meeting PET working group																
Expert interviews																
Meeting PET working group																
Analysis of expert interviews																
Stakeholder workshop																
Stakeholder workshop and creation of “Animal Welfare Label Task Force”																
Ongoing action research with “Animal Welfare Label Task Force”																
Public workshop: first draft of pig and chicken standards																
Final conference and announcement of pig and chicken standards																
Development of further standards																

I-IV: Quarters of a year;

 As yet unplanned work packages

Source: authors' illustration

5.2 The consumers' focus on prices

A consistently mentioned example that strongly determines the position of the companies is the perception that consumers solely pay attention to the price while purchasing meat. Thus, market differentiation in the German meat market is very low. The market share of private brands is steadily increasing. Most products are marketed using price arguments instead of emphasizing specific qualities. Especially in the meat industry the perception is widely spread that there are only small niches for brands and specialty products. Therefore, price competition, i. e. the cost leadership strategy clearly dominates the meat industry (Porter, 1980).

A frequently repeated argument against the implementation of an animal welfare label was the futile attempts in the 1980s and 1990s to establish brand meat programs in Germany. The failed attempts strengthened the opinion that a differentiation strategy would not succeed in the market (Schramm et al., 2004). Moreover, a common perception developed that consumers would neither pay for a better taste

nor for other differentiations from the standard quality. At the beginning of the year 2000 self-service meat entered the fresh meat market. Its big success with discounters led to high losses in the market share for butcher's shops as well as service counters. This development certainly contributed to the meat industry's mindset. Accordingly, all attempts to enforce long-term investments in quality segments have difficulties as the involved managers still mention the failed attempts of the 1980s and 1990s, which in part ended in bankruptcy. As a result, a relatively isomorph management strategy concerning the dominance of cost and price competition is apparent.

In this context, consumer preferences for animal welfare identified in empirical studies are repeatedly described as an artefact of market research. The managers involved do not deny the fundamental motivation of animal welfare by a considerable portion of consumers, but doubt its impact on the meat market. Therefore, they are skeptical toward a label. Neo-institutional research describes such initial positions also as an "iron cage", which restrains the possible strategy spectrum considerably (DiMaggio and Powell, 1983).

5.3 Path dependencies as barriers to the establishment of an animal welfare label

Mimetic isomorphism by the decision makers in a sector is especially problematic when dealing with long-term investments. In the case of entering the animal welfare market, companies have to accept path dependencies, i. e. they cannot simply test the market. Path dependencies exist when, due to technical reasons or prohibitively high costs of change, a once chosen but now undesirable path (production path) cannot be left (lock-in effect; Theuvsen, 2004). In the case of implementing an animal welfare label, long-term investment cycles inhibit a change in production. Thus, a change in animal husbandry or in slaughtering technology is a specific advance investment, which takes several years to amortise. The specific investments in animal husbandry are especially distinctive. In many cases the implementation of animal welfare standards requires a fundamental rearrangement of the husbandry conditions. It is a real long-term investment, since the investments in stable constructions are calculated with a depreciation period of about 20 years. According to actors in the meat industry and food retailing, farmers will only make these investments if they can permanently expect long-term profit in marketing. Only few farmers would be willing to execute such specific investments without binding contracts. However, the market success for meat processors and food retailers is difficult to calculate. Thus actors in the meat industry try to avoid these required long-term contracts.

Skeptical managers – like the majority of the discussion partners – will hold back their investments until they are convinced of a well working example ("benchmark / leading company"). Against the background of this mindset, in many cases market research alone does not suffice to legitimize high long-term investments.

5.4 Business difficulties in niche markets

During the discussions, managers of the meat processing industry pointed out that not only the additional production costs had to be considered when calculating the extra costs of a specific quality. In small niches, the separation and distribution costs on the downstream stages of the supply chain are often higher than the animal welfare costs on the agricultural level. For example, milk from farms that participate in an animal welfare program has to be collected and handled separately. The latter could occur either in specialized dairy factories, which are relatively small and comparatively less cost effective, or an additional process line could be set up in a conventional factory. Just for the purpose of certification a complete separation of production and the flow of goods would have to be established. According to the company managers these costs are often underestimated.

Additionally there would be costs for the sales floor, with introduction of new varieties. Although these products achieve higher prices, their profit margin would be diminished through the opportunity costs of the sales floor. Also, spoilage in niche markets is often higher because of smaller rates of turnover in food retailing resulting in more additional costs.

The above mentioned difficulties are characteristic for the perception of the companies that is strongly shaped by a dominant comparative example, i. e. in this case the organic meat market. Even though surveys show that consumers perceive a high risk when purchasing meat and thus prefer organic products (Bruhn, 2008), the market share for organic meat is disproportionately smaller than it is for milk products, fruits and vegetables or dried products. The German market share for organic pork is still smaller than 1 % (Hartmann et al., 2006). In such a niche market, three quarters of the additional costs fall into the downstream supply chain stages (Spiller, 2001).

Altogether, companies assess the organic meat market as a problematic niche segment, in part even as failure. Thus, they judge the implementation of another niche product skeptically as in their opinion this is what an animal welfare label will be in the beginning.

5.5 Coupled production as a supply chain barrier

Besides the aforementioned barriers to the implementation of an animal welfare label the discussion partners expect problems in the field of production techniques. Here, the problem of coupled production in the meat industry was discussed in the context of different distribution channels.

Slaughtering and cutting are typical examples of a coupled production, in that different products accrue at the same time. A cost efficient production may only be achieved when as many parts of an animal as possible can be utilized. Slaughterhouses have to rise to the challenge and ensure the full utilization of an animal through various distribution channels. While, for example, prime cuts are mainly marketed through food retailing and gastronomy, around two thirds of an animal end up in meat processing and use of leftovers. Slaughtering and cutting companies are all the more successful, the better they manage the difficult task of full utilization.

With the implementation of an animal welfare label, however, the problem arises that various consumer groups and distribution channels hold different preferences for animal welfare. The problem of different preferences in various distribution channels is known from the egg market where almost half of all produced eggs are marketed to consumers. The rest goes to the processing industry or the gastronomy (Grethe, 2007). While alternative husbandry systems have gained a considerable market share by consumers, it is considerably harder to convince industrial customers of animal friendly produced eggs. Since the use of eggs in many products is not always visible for consumers, for industrial buyers the incentive to use more expensive animal welfare products is low.

During the interviews, slaughterhouses consistently referred to the egg market as well as the organic meat market. As it is known from the latter, prime cuts can be marketed relatively well as special quality. Many other pieces must be marketed without a price premium. Prime cuts with organic labels then subsidise the residual pieces in a mixed calculation, which only succeeds with appropriate higher prices of the prime cuts. Thus, a coupled production with incomplete utilization raises the price gaps between the standard and the niche products.

Altogether the ongoing discussion with regard to the markets for eggs from alternative husbandry and organic meat shows how strong the mindset of companies is shaped by comparative examples and their respective behaviour patterns.

6 Conclusion

This article argues that the low market relevance of animal welfare meat is not only due to consumer demand and willingness to pay but also to various barriers within the supply chain. A product differentiation initiative for animal welfare products has to begin at the farm level and continue under strict merchandise segregation along the whole supply chain. In doing so, problems with regard to specific investments in husbandry, slaughtering and meat processing will emerge (transaction costs). Furthermore, business difficulties arise from separation and distribution costs, which are often higher at the downstream stages of the supply chain than the animal welfare costs at the agricultural level. In marketing, coupled production is the pivotal problem. In the meat industry, the production of prime cuts leaves many secondary products that are processed into sausages for example. These products must be marketed somehow. It must be possible to simultaneously gain food retailers, butcher's shops (for the prime cuts) and meat processors as well as gastronomy and other bulk consumers as customers. Otherwise costs and therefore consumer prices rise enormously. This situation would risk reaching the price level of organic meat and to exceed consumers' willingness to pay for animal welfare. To overcome this barrier, cooperation among the actors of the meat supply chain is essential.

The above-mentioned business challenges face a competitive sector that has in the past been characterized by relatively isomorph behaviour patterns. The companies' attitudes towards animal welfare are especially shaped by the attention to competitive pricing, with a strong focus on private brands and investments in new process technologies (i. e. self-service meat). Against this background, the results of our action research show how pronouncedly many companies follow special "fashion trends" and blindly adopt the behaviour of the mainstream or specific leading companies (Kieser, 1997). Changes succeed most easily in such a situation when a powerful processor or food retailer takes the initiative and operates as "supply chain captain" or focal company (Goldsmith et al., 2003; Hanf, 2005). Currently the example from the Netherlands illustrates that this position can in particular be filled by food retailers who

are vertically integrated into the supply chain (in Germany e. g. Edeka or Tegut). In the Netherlands it is Albert Heijn, the leading company in the food market that drives the animal welfare segment these days. Press releases related to this in January 2010 received much attention in the German meat industry and – as per our perception of the ongoing discussions with the members of the “Animal Welfare Label Task Force” – induced remarkable changes in the previously firm paradigm.

These experiences further confirm the neo-institutionalistic interpretation of the case study. In most cases, isomorphism can hardly be influenced by results of market or scientific research, but by the action of a leading company in a sector. Managers’ perception is relatively strongly focused on leading companies.

For farmers as for processors, the market entrance of animal welfare products is not at least risky because of the high specific investments involved. As long as successful examples are lacking, market entrance barriers are high. Only companies with positive market expectations that want to develop market segments systematically or which are intrinsically motivated in animal welfare will invest in such a situation.

However, the stakeholders’ aim should not be to invest into a new niche segment comparable to the organic market and therefore face the same problems, as is the concern of many stakeholders. To gain a high market share, an animal welfare label should be established by cooperation of as many stakeholders as possible. To support the stakeholders’ collaboration, the University of Goettingen established the “Animal Welfare Label Task Force” in 2010. Collaboration is important to reduce costs along the supply chain and to realize appropriate consumer prices that do not exceed consumers’ willingness to pay. The targeted price segment could lie in between the organic and the conventional meat prices. Furthermore, with rising market share, the barriers lose relevance as more and more companies will join the animal welfare market. Thus initially higher consumer prices can gradually be reduced.

Finally, this study shows that the success factors of labelling should not only focus on consumer acceptance. Besides the numerous studies on willingness to pay in various quality segments (e. g. Blandford and Fulponi, 1999; Gianni et al., 2009; Jones et al., 2009; Scarpa et al., 2009; Villalobos, 2001), supply chain research should increasingly be included. This field of research receives little attention in the literature, and currently supply chain research can only be found in the field of traceability (Gampl, 2006; Müller, 2007).

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