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Requirements for Meeting Consumer Expectations to Expand the Market for Organic Products

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유기식품 시장의 확대를 위한 소비자 기대 충족 요건

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The world's food production systems are becoming an area of great concern for both human and ecological health. Research has identified that one of the greatest threats to sustainability is conventional industrial agricultural systems and the high energy and material cost they require to function. The organic food movement is contributing as promising alternative to the current dominant model. Over the last 50 years it has developed into the most visible brand for a healthier and more environmentally sustainable food system. However, to achieve its full potential there are still a number of hurdles which must be overcome to make organic products a more viable and appealing option for consumers. This paper provides an overview of key research that has been conducted on why consumers are buying organic products, what they are buying and what is preventing them from purchasing more. It concludes that the key challenge is for the organic food movement to convince existing consumers of the superior 'value' of its products. In addition there are a number of methodological issues associated with analysing the market for organic products as well as issues of limited distribution, intermittent availability and high prices that are currently preventing increases in sales. Recognition and management of these barriers could contribute to more effective targeted research into consumer food purchasing motivations and subsequently the development of more sophisticated marketing strategies that assist in maintaining integrity with consumers and fending off challenges from conventional as well as other complementary food systems such as local food movement. And finally to achieve these market growth strategies the organic food movement will need to cope with its diverse constituency - ranging from global corporates through to local production and consumption - and provide attractive opportunities to individuals and business at all stages in supply chain whilst retaining credibility with government

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to ensure ongoing policy support.

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Ⅰ. Introduction

Emerging concerns with global population growth, food security and environmental degradation have highlighted the inadequacies of conventional agricultural systems. As the negative environmental and human health impacts of industrial agriculture have become evident, organic agriculture has been recognised as one of the most viable alternative food provisioning models (Pearson, 2012). Rather than focusing on high short-term productivity, which requires significant chemical and nutrient inputs, organic production models place value on the long-term health of the ecological systems supporting food production (Pearson, 2012). The following definition of organic agriculture was developed by the International Federation of Agriculture Movements (IFOAM, 2012):

Organic agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved. This is manifest in four principles namely Health, Equality, Fairness, and Care.

As this definition indicates, it is important to emphasise that organic principles extend beyond farming practices to encompassing the whole supply chain. In this way, the organic movement advocates a paradigm shift for the entire food system in which all activity associated with food production, distribution, retailing and consumption is underpinned by a concern for human and environmental health (Pearson, 2012).

The benefits of organic agriculture are becoming more widely recognised, with global sales of organic products increasing at around 10% per annum in recent decades to over $US60 Billion (Datamonitor, 2011). It is claimed that consumer demand will continue to drive growth and the strongest threat is from conventionally grown products. Interestingly fruits and vegetables, with their natural affinity in a healthy diet, are the largest segment, accounting for around one third of total sales (ibid).

However, despite improved product availability and recognition by consumers of the benefits of organic products, they still only account for 1% of all products sold (Pearson et al., 2011).

If the global market share of organic products is to increase further, it will be crucial to identify the barriers currently preventing expansion of the market, and effective ways of marketing organic products to consumers (Lockie et al., 2006).

This paper will begin with a review of the research on the most commonly purchased types of organic products and their distribution, including the accessibility of retail outlets and the availability of individual products. It will then provide an overview of what is known about who buys organic products and why. This analysis will highlight a number of both methodological and marketing challenges that must be overcome if the organic market is to expand. Notable areas of focus include barriers associated with retailing and distribution, pricing, and certification and labelling.

Ⅱ. Organic products and distribution

The organic food movement is an established social force that offers fundamental solutions for food safety and health, environmental issues as well as opportunities for activities ranging from small scale through to multinational distribution of agricultural products (Jung, 2010).

Despite the fact that a large range of organic products now exists, regular consumption is still limited to certain food items. When the organic movement began, consumers only had access to a minimal variety of fresh seasonal organic produce, often sourced directly from the producer. The Teikei system in Japan and consumer cooperatives in Korea are typical examples of the distribution structures that emerged in the early stages of the organic food movement. The Teikei system, although built upon direct marketing, is distinct as it does not give priority to maximising financial rewards to producers, rather the focus is on minimising costs to consumers through reducing the number of stages and costs associated with distribution. With direct marketing food products tend to be seen as merchandise that is traded in exchange for money. In contrast, the driving purpose with a Teikei system is to increase ‘value’ through building mutual beneficial relationships (Adachi, 1985; Jung, 2002). More recently the range of distribution channels for organic foods have expanded and there is now they are available from diverse supply chains including supermarkets, smaller retail outlets including specialty stores, co-operatives and farmer’s markets.

It is now possible to purchase most grocery items in an organic form year round, due to improved production knowledge and the development of sophisticated organic supply chains. For example, many supermarkets include all the major fresh fruit and vegetable lines, meats – beef, lamb, chicken, pork and even some processed meats such as sausages; dry goods − flour, sugar and semi prepared products such as pancake mix; bottled and tinned goods − apple juice, baked beans, baby foods, tomato sauce and the like; dairy − milk, cheese, yoghurt; bakery − bread, cakes; and confectionary − chocolates, sweets and biscuits (Pearson & Henryks, 2011). Further, convenience foods and personal cosmetics are experiencing rapid growth and are forecast to be the fastest growing segments in the industry in the United Kingdom (Pearson & Henryks, 2008). However, organic does not currently have a significant presence in other non-food product areas such cleaning agents or paper products.

Ⅲ. Who buys organic food?

Research results generally indicate that consumers who buy organic products are demographically the same as those who do not, that is, those who buy conventional products (Pearson et al., 2011; Pearson et al., 2007). However, most consumers of organic products do not purchase organic exclusively, but tend to switch between conventionally produced and organic products. It has been suggested that a very small number of consumers (probably less than one in a thousand) buy a large quantity of organic products on a regular basis, consequently most only buy small amounts on an irregular basis. This observation is supported by evidence where the percentage of organic product sales are less than the percentage of consumers who purchase them. For example, in Australia, it has been estimated that around 60% of consumers purchase organic products, although organic sales are less than 1% of total sales (Henryks & Pearson, 2010). Similarly, in the United Kingdom 70% of consumers buy organic yet it represents around 1.5% of sales (Pearson et al., 2011). It is therefore suggested that increasing sales to existing organic consumers may be one of the easiest growth paths for the industry.

However, significant gaps in our knowledge of organic food buyers still remain. One reason for this is that the literature concerned with identifying the characteristics of organic food buyers has primarily focused on demographics as a segmentation variable. Aside from evidence that suggests, in particular circumstances, organic buyers are more likely to have higher levels of education, be more affluent, be women, have young children, and grow their own vegetables, there are few trends specific to demographic segments. A more nuanced consumer profile may therefore be possible if other methodologies are employed.

In order to overcome the limits posed by focusing on demographics, some studies have used multiple segmentation parameters. These include combinations of attitude and behaviour, which generated segments based on level of ‘green’ purchasing behaviour (Pearson et al., 2011). Other examples of behavioural segmentations include those based on level of awareness or level of commitment and purchase frequency.

However, there are further methodological issues that have limited the usefulness of segmentation research. Problems related to the sample of consumers used in the research and the retail outlet available to them present a significant issue in developing an understanding organic consumers (Pearson et al., 2011). Food consumers often use more than one retail outlet, and the products available may differ significantly between outlets. Within a week, a consumer may go to a food co-operative and then purchase the remaining items at a supermarket. The choice of organic products is limited first by the retail outlet selected, and then the availability of specific products within that outlet. Two new variables, who the consumer is buying for and whether they are shopping alone, were also recently identified as influential factors that may alter consumer behaviour between shopping trips (Henryks & Pearson, 2012). Perceptions of consumer preferences are therefore somewhat distorted by issues pertaining to retail outlet selection, product availability within that outlet and the nature of the particular shopping trip.

Another methodological issue that is presently hindering the creation of a sophisticated organic consumer profile is the reliance of research on buyer’s self reporting (Pearson, 2010). Rather than accurately recording purchase, a lot of research records what consumers think they purchase, or their intentions in relation to future purchases, both of which may be misleading. Research consistently suggests that there is a gap between positive attitudes towards organic food and actual purchase behaviour (Pearson, 2010; Pearson et al., 2011). As a result, a positive attitude towards organic food does not necessarily translate into organic purchases. It is therefore important to explore how this gap could be closed by investigating further the reasons why consumers do and do not purchase organic food.

Ⅳ. Why do people buy organic food?

There is a general consensus in research on why people buy organic food. Despite slight differences related to cultural and demographic factors, the priorities driving people to purchase organic products include, in order: personal health; product ‘quality’; and concern about environmental degradation (Pearson et al., 2011; Henryks & Pearson, 2012).

Although the scientific evidence to support a superior health claim in inconclusive (Smith-Spangler et al., 2012) numerous research projects have reported that consumers are motivated by the perceived health benefits of organic food. For example in one survey, over 70% of the respondents said that the most important reason of purchasing organic products was for personal health benefits associated with the absence of artificial chemicals (Jung, 2006; Heo & Kim, 2003). These consumers can be subdivided into those who are proactive about their health and those who are reactive to a negative situation (Pearson et al., 2011). Proactive consumers believe that organic food will have a positive impact upon their wellbeing because it is healthier than conventionally produced food. Conversely, some consumers purchase organic food as a reaction to an adverse health situation. For example, someone who is ill and believes organic food may assist in their recovery.

Quality has been identified as another significant motivator for purchasing organic food. Research shows that the quality attributes that consumers generally associate with organic food include improved taste and freshness (Pearson et al., 2011). This is particularly the case for purchases of fresh fruit and vegetables (Pearson, 2010). However, product quality is an unreliable determinant as it can vary according to individual expectations and it often relates to a specific product, purchased under certain conditions, for a particular reason. Moreover, there is often only a tenuous link between the form of production system, organic or otherwise, and product quality.

The third main reason consumers purchase organic products is concern for environmental sustainability. Consumers have reported that they purchase organic food to support a food production system that is more sustainable in terms of its impact on the natural environment (Pearson et al., 2011).

However, it is also important to note that research has identified two key reasons preventing consumers from purchasing organic products: first, that they are not available where consumers do their shopping; and second, in situations where they are available, they are often significantly more expensive (Pearson & Henryks, 2008; Pearson et al., 2011; Hughner, 2007). These are discussed in the following section.

Ⅴ. Key barriers to growth in the organic market

1. Distribution and availability

A key barrier to increasing organic food purchases is the access to retail outlets which stock organic foods (Pearson et al., 2011; Henryks & Pearson, 2012). Although organic food is now available in most retail outlets in cities in developed countries, it is still not available in all. Moreover, the products available in a supermarket tend to differ from those in a food co-operative, farmers market or other types of retail outlets. As such, the accessibility of these different forms of outlet will significantly influence consumer's options.

The availability and layout of products in stores then presents a secondary range of variables which determine whether or not organic products are chosen over conventional ones. For example, a farmers market or cooperative may have a greater range of organic products relative to conventional ones, whereas supermarkets may only provide limited product lines that are organic. Moreover, the way that the organic products are laid out within the store can have an effect on decision making (Henryks & Pearson, 2012). For instance, if there is an organic product right next to its conventional equivalent there may be a different consumer outcome than when all of the organic products are grouped together.

Variables related to distribution and product availability therefore have a major impact upon the accessibility of organic products for consumers.

2. Price

In general, organic products sell at a higher price than conventionally produced equivalents. This has consistently been identified as one of the greatest deterrents to increased purchasing of organic products (Pearson, 2001; Pearson, 2002; Pearson & Henryks, 2008). However, despite the general tendency for more expensive products to be purchased less, an investigation of the role that price plays in consumer purchases illustrates a number of exceptions to this generalisation.

Research suggests that higher prices may not act as a deterrent to the increased consumption of organics in certain product categories and retail contexts. The size of the premium on organic products varies; on occasions they may be available at the same price as conventional ones whilst on others it may exceed 100% (Pearson & Henryks, 2008). The reasons for these premiums are often associated with the additional costs involved at all stages in the organic supply chain. However, the amount purchased relative to the price premium is also determined by the nature of the specific product. For instance, many consumers tend to be more insensitive to price premiums for relatively low priced items that are produced in small quantities. Conversely, consumers are more to sensitive price changes with higher value products that they purchase in large amounts.

Importantly there are also cases in which the amount purchased actually increases as the price increases. For some consumers in some situations, price signifies quality. Therefore, for those consumers whose purchases are motivated by product quality and think that organic falls within this luxury, or high quality category, an increase in product prices may lead to an increase in the amount purchased.

The purchase context for many organic products also leads to a deviation from the usual trade-off relationship between product price and purchase rate (Pearson et al., 2011). In situations where a large number of relatively low value purchases are made on a regular basis, the price of individual products is not very important to the purchaser, such as where the majority of grocery products are purchased in supermarkets. The habits and routines that this form of shopping fosters mean that people focus more on the price of the overall basket than that of individual products. Therefore, price premiums for some organic products may not be a substantial impediment to increasing sales.

This analysis of price suggests that the value consumers place on organic products is a key issue. That is, the reasons people choose conventional over organic is not always due to its higher price, but because they are not valuing organic at its high price. A significant marketing challenge is therefore be to demonstrate that the benefits to be obtained from purchasing organic products are worth the higher price.

3. Product information and labelling

The certification and branding of organic products have also been identified in the literature as important determinants of product choices. Most consumers do not have the capacity to investigate food production systems. Rather, they generally rely on the reputation of the retail outlet selling the product, or a label indicating organic certification. The existence and credibility of organic certification is therefore of vital importance in the marketing of organic products.

The labelling of organic products also has implications for the establishment of an organic ‘brand’ in consumers’ minds (Henryks and Pearson, 2010). Certification labels play a vital role in the industry by providing consumers with a degree of confidence that the organic product is genuine. Globally, there are numerous organisations with their own logos that are placed on products to indicate its certified organic status. This diversity of certification bodies means that consumers in many countries see different certification brands on different organic products, instead of one clearly identifiable brand on all certified organic products which has been the case in USA for some time and has recently been implemented in the European Union. The lack of a clear brand is a significant limitation in achieving higher sales, as research suggests that successful promotion of organic products benefits from a clear communication of their benefits, particularly identification of them with a prominent brand.

Investigations into why some buyers purchase organic food has also revealed consumer confusion over organic food labelling (Henryks & Pearson, 2010). This confusion was evident at both a product level and at a retail outlet level. For example, at the product level, people assumed that a particular brand of chicken was organic when in fact it was free range. While at the retail outlet level, some consumers assumed that all products sold at a farmers' market were organic when many were conventionally grown.

In addition, the use of the word 'organic' on products which are not certified organic, further diminishes the power of the organic brand, and compromises consumers' trust in it. Legislation stipulating the use of the word organic does not exist in most countries. The relatively recent inclusion of 'certified organic' as a term in food labelling law in some of these countries is likely to improve the credibility of organic as a brand. For instance, South Korea's Government enacted legislation (Environmentally-friendly Agriculture Promotion Act) in 1997 that regulates organic agriculture promotion and certification. This certification by Government law is presumed to be contributing to the continued increase in sales of organic products in this country.

These research findings further reinforce the importance of clear labelling to increase the amount purchased by existing organic consumers and to entice conventional consumers to purchase organic products.

Ⅵ. Conclusions

Stimulating consumer demand is seen as being vital in continuing to expand the market for organic products. This will require these products to maintain integrity with consumers and for the organic food movement to be successful in fending off challenges from conventional as well as other complementary food systems such as the local food movement. Further, purchases of organic products will only be available when the organic food movement offers attractive opportunities to individuals and business at all stages in supply chain. This requires continuation of successful management of diverse stakeholders ranging from global corporates through to local production and consumption networks. Whilst retaining credibility with government to ensure ongoing policy support will facilitate achieving these strategies.

Research shows that despite the rapid growth in market share and its increasing integration in to more mainstream retailing outlets, the amount of organic products purchased, relative to conventional products, is still low. In order for the organic industry to continue developing as a viable mainstream alternative to conventional agriculture, it is vital for consumers to value organic products, and hence purchase more of them. However, the research analysed in the paper reveals a number of crucial barriers which as still inhibiting this expansion.

First, there are methodological issues which must be resolved in order to accurately target marketing efforts. A sophisticated understanding of motivations driving purchasing behaviour, who is consuming organic products and what they actually purchase, is currently being obscured by the use of methodologies that rely on self-reporting and demographic segmentation.

Second, the distribution and availability of products, product price, and multiple certification labels which contribute to unclear and inconsistent information for consumers have consistently been identified in the research as key deterrents for purchasing organic products.

However, this research has also revealed a number of areas that can be targeted for more effective marketing. In particular, evidence suggests that marketing strategies should focus on increasing the relative amount of organic products purchased across all demographics, and that the value of organics relative to price should be emphasised.

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