

A Study on the Organic Food Industry: Consumer Perception in indian scenario

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Abstract:

It was majorly found out that there is tremendous demand for organic food products but there are gaps in terms of awareness (about organic food products amongst the consumers) and faith (in the claims which are made by organic food marketers). Organic food consumers are motivated to consume it because they want to make sure that their food plate is nutritious and safe. Price has little effect on the existing organic food consumers where as others are aware about its benefits but are not willing to shell out extra money for consuming organic. This also justifies why the biggest barrier amongst non-organic food consumers is high cost. Thus our recommendation to organic food marketers would be to identify two segments of the market: One being the existing one and other being the potential one, and devise strategies to suit their needs individually.

Key words: Organic food, Conscious Consumers, Organic Market and Organic Products.

INTRODUCTION

Organic fruits and vegetables are the largest and the fastest growing segment of the global organic food market projected to grow at a CAGR of 9% over the forecast period 2019-2024.

Due to constantly increasing demand for organic food and the limited supply in relation to demand organic foods, the area under organic farming has increased worldwide, ever since 2011. The worldwide production areas were reported to be 57.8 million hectares in the year 2016, which is an increase from 37.2 million hectares in 2011. Owing to the above mentioned reasons, the increasing demand for organic food that overtakes the demand for synthetic foods is driving the organic fruit and vegetable market. Moreover, with the increased occurrence of diseases caused by infected food products (Corona Virus) has made people conscious consumers. Further, according to the Organic Consumers Association, the demand for organic products is much greater than the supply of the same. This is the reason why this study was conducted to find the reasons for such high demand.

LITERATURE REVIEW

Consumers' perceptions regarding organic food consumption are influenced by five factors, namely food safety, price, environmentally friendly, nutrition and sensory attributes (Chiciudean, et al., 2019). If the consumers are guaranteed to receive high quality products, then they are willing to pay a higher price. Health consciousness of the consumers is one of the most influencing factors for purchasing organic food. Majority also claimed that the benefits offered by organic products were exaggerated and hence they weren't ready to pay a premium for purchasing them. Hence high price and lack of awareness regarding the benefits of these products becomes one of the least influential factors. Lack of familiarity with respect to organic products due to poor exposure to media has led to dissatisfaction among the respondents because they don't get enough information. Hence lack of promotion is considered one of the hindering factors for their purchase decisions (Krishna & Balasubramanian, 2018).

Need for the Study:

Consumers have returned to ancient agricultural practices of food production and have started associating organic food with authenticity of their ancestors' time. The need for self-esteem affects the attitude towards organic food to a great extent. Media's extensive coverage, increases the desire of consumers to give a better quality of life has given rise to "green" consumers.

Research problem states why the research is being undertaken and what is it that the researcher is trying to find out about the same. Our research problem is *to study the consumer perception towards organic food products in Hyderabad*. Here, our study population is residents' and subject area is 'Program' which studies consumer's perception, attitudes about organic food products.

Objectives of the study:

Research objectives are statements explaining what kind of information the researcher wants to study about the research problem. The topics selected from the literature review that are studied in this report include:

1. To study the motivating factors that lead to purchase of organic food.
2. To study the barriers that exist in purchasing organic food for non-organic buyers.
3. To study the awareness levels of consumers with respect to organic food.

Hypothesis:

H0: There is no significant motivating factors that lead to purchase of organic food

H1: There is a significant motivating factors that lead to purchase of organic food

Research Methodology:

Research designs are created on the basis of research objectives that include descriptive research,

exploratory and causal. Exploratory research is unstructured and is undertaken when a situation is vague, new and very little is known about the same and makes use techniques like secondary resource analysis, case study method, expert opinion method, observation in depth interviews and focus groups. Causal research establishes relationships between two variables and in order to make this relationship, experiments need to be carried out. This paper makes use of descriptive research, which helps in describing the characteristics of a situation, problem or phenomena. Descriptive research was undertaken to give a detailed profile of the population under study, to measure the simultaneous existence of certain phenomena and hence to describe whatever is prevalent with respect to the formation of consumer's attitude towards organic food. Different techniques involve cross sectional studies and longitudinal studies. Single cross sectional study was conducted which collects data from a section or sample of the population only once at a particular period of time. This was undertaken to find out the current attitude of people with respect to organic food at present because past studies would showcase different attitude.

SAMPLING DESIGN

The population from whom the data was collected comprised of residents from western Mumbai. There are broadly two ways of Sampling: Probability and Non-Probability Sampling. Probability sampling is a technique of sampling in which every element of the population has an equal chance of being selected. Non-probability sampling is a technique of sampling in which every element of the population does not have an equal chance of being selected. There are several types under the each of the two. For the purpose of this study, non-probability Convenience method of sampling has been done. In this sub-type of sampling, the researchers collect data from respondents based on their (researcher's) convenience. In this study 318 respondents were selected by the convenience method of Non-Probability Sampling.

DATA COLLECTION METHOD

Data collection is a process of preparing and collecting data in a systematic way from different sources, which are observed, recorded and organized. Both primary and secondary data was collected to undertake the research.

For primary data collection, quantitative data that gives insights about demographics, preferences were collected since it is well structured and well planned, requires comparatively less resources in terms of time and money and to apply statistical tools for analysis of responses. Survey method was chosen for the collection of this quantitative data for the descriptive research design adopted as it gives comprehensive information collected from the sample about the topic under study. There are different types of questionnaires used to collect data like formalized and concealed, non-formalized and unconcealed, formalized and concealed and non-formalized and concealed. The research makes use of formalized and unconcealed questionnaire to collect data via survey method that involves a fixed set of

questions and answer categories and disclosing the purpose of the questionnaire to the respondents. This predefined composition helps in administering a large number of people at the same time, producing stable and reliable results and makes work a little easier and hence it was chosen. There are various mediums to collect feedback and opinions using survey method with the questionnaire like personally administered surveys, telephone surveys, physical copies of questionnaires sent as mails, emails using internet and webpages.

DATA ANALYSIS

Data analysis is done in two ways, one is by using descriptive statistics that describes the characteristics of the population or the data and the other is inferential statistics that helps the researcher to make conclusions regarding the data. Descriptive statistics has been used in the report to derive easier interpretations of the data and develop a summary of the data. Measures of central tendency, which include mean, median and mode, were used as they show strength in the data. Mean was applied to interval and ratio scaled questions to get a single value that represents the population under study on an average like the average score given for the importance of certain factors.

MOTIVATING FACTORS THAT LEAD TO PURCHASE OF ORGANIC FOOD

<i>Table 1: Average scores of motivating factors to purchase organic food.</i>		
Motivators	Average Score	Standard Deviation
It is nutritious	4.9	1.71
It is safe	4.8	1.76
It is tasty	4.1	1.64
It is trendy	3.9	1.70
It is traditional	3.8	1.78
It is elite	3.7	1.69
It is easily available	3.6	1.65
It is affordable	3.3	1.56

Source: Primary Data

Human Theory of Motivation by Abraham Maslow has the famous Maslow’s need hierarchy which speaks about the motivations of individuals and says that they can be categorised into 5 stages: Psychological, Safety, Love and Belonging, Self-esteem and self-actualisation. When spoken about organic food consumers, those people are being referred who have fulfilled the need satisfactions of psychology, safety and love. These individuals are striving to have a better quality of life and this is clearly seen in the above data in which least average score is earned by affordability. These consumers

try to get value and not a product. Thus it can be deduced from the above data that organic food consumers are very self-motivated and that they choose to make conscious rational choices over convenient procurement.

Nutrition Consciousness

From the table 6.1.1, it is evident that nutrition is the most chosen motivator. With the rise in awareness about health consciousness, many people who can afford the luxury of spending a bit extra for the purpose of ensuring that their body receives the correct nutrition are willing to do so and find that to be their lead motivator. Health consciousness makes nutrition a necessity as a result of which organic food is preferred.

Quality and Safety

Conscious consumers feel very threatened by the fact that they are not aware of what they are consuming. These threats are posed by conventional food articles which are mostly genetically modified, grown under the influence of artificial fertilizers or sprayed with pesticides. Conscious consumers are aware about what the consequences of the above mentioned negative externalities and thus feel secure when they consume organic food products. Moreover, the increase in the occurrences of food related diseases such as the Corona Virus, Avian Influenza (Bird Flu), e. t.

c. has forced every conscious consumer towards organic consumption.

Taste

Since organic food products do not have any artificial element in their production, they have a natural taste which is distinguishable and desirable as compared to conventional food products. Further consumers naturally expect better food quality and taste because they are paying a premium for the same and sellers are using this opportunity to make it an ever expanding market.

Trend of sustainable consumption

The current trend about sustainable consumption is on the rise now. Companies and individuals are increasingly becoming aware that consuming today without preserving for tomorrow will cause an existential crisis. Further, social norms and environmental concerns have managed to develop feelings of moral obligation and have created a positive attitude towards the environment.

Traditional

In the primitive stages of the evolution of mankind, organic way of production was the only way of production. Later with the onset of industrial revolution artificial methods of production started catching up and almost replaced the traditional method. Green revolution came in India 1969 and ever since then there has been an ever increasing dependence on it to feed the teeming millions.

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Elite nature

As mentioned earlier, organic food products are considered to be the food of those who have reached the self-esteemstage of Maslow’s motivation hierarchy.

Availability

The updatation of technology and the advent of online platforms has made all our lives easier. Everything that is required is easily available and can be shipped at your door step in a few working days. This gives consumers the privilege to take the ease of availability for granted and thus the average score allotted to it was the second least.

Affordability

From the table 6.1.2, it can be inferred that there is a strong similarity between the opinions of the first two income classes and the last two income classes. This means that even those who are relatively less financially equipped to buy organic food products also feel the need to do so as much as others who know are more financially equipped. Further the upper classes are not directly involved in making consumption decision because they have other peoplewho do the same for them.

This data thus shows us that there is an increase in the spread of motivation for consuming organic food products across all classes.

Table 2 Organic food preference based on income levels					
Income levels	No.of respondents	Yes	No	% of Yes	% of No
Less than 12 Lakhs	187	160	27	86	14
12 Lakhs to 36 lakhs	75	64	11	85	15
36 lakhs to 60 lakhs	26	19	7	73	27
More than 60 lakhs	30	21	9	70	30
Total	318	264	54		

Source: Primary Data

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BARRIERS THAT EXIST IN PURCHASING ORGANIC FOOD PRODUCTS

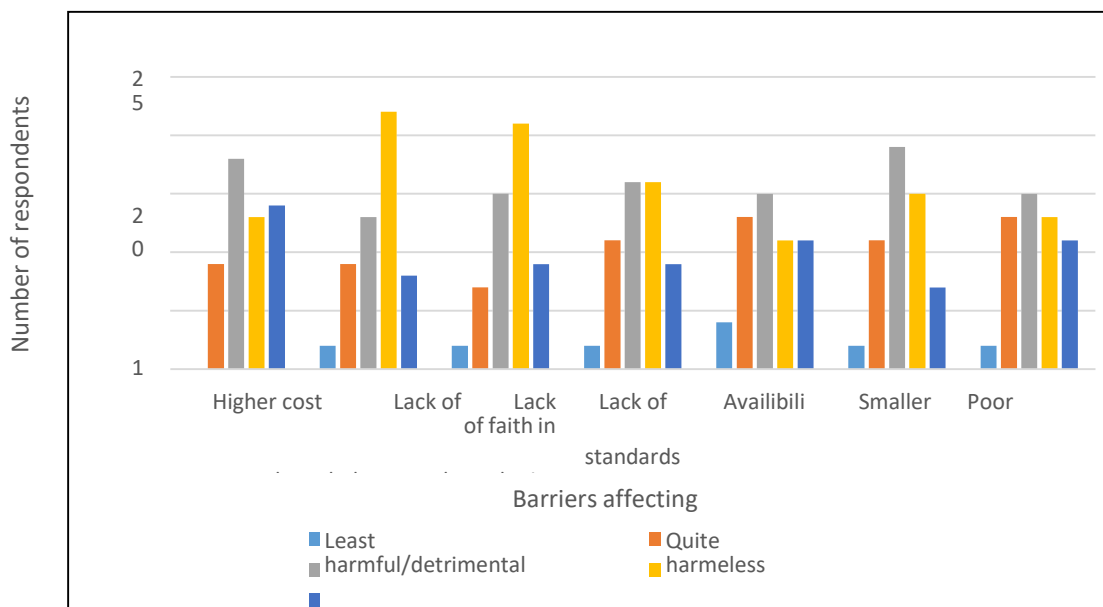
<i>Table 3 : Average score of barriers in purchasing organic food.</i>			
Factors	Average Score	Standard Deviation	Mode
Higher cost	3.5925	1.0554	3
Lack of knowledge	3.4629	1.0588	4
Lack of faith in marketing campaigns	3.5185	1.1015	4
Lack of standards to define quality	3.3518	1.1015	3
Availability	3.2222	1.2387	3
Smaller selection range	3.2592	1.0494	3
Poor marketing	3.3333	1.1655	3

Source: Primary Data

Higher cost

From the table 6.2.1, it is evident that higher cost is the biggest barrier. With the market slow down and lack of liquidity in the market, consumers are willing to spend a lot less on food. They would prefer to save that money and buy more of their conventional products. Families with children prefer lower cost products so that they can keep their grocery bill low. As per Amazon India, organic raw polished rice costs Rs 95 per kg and a conventional rice packet costs Rs 60 per kg. India is a country that is the second most in rice consumption and families buy and consume a very heavy quantity of rice and hence middle class families opt conventional products when it comes to daily grains. This hence, acts like a barrier.

Graph 1: Kinds of detrimental barriers relating to Organic Product purchases



Source: Primary Data

Lack of knowledge

Most of the consumers aren't aware about organic products, they assume natural products and organic products are the same. Most retail stores showcase their organic products along with their conventional/natural products hence consumers can't differentiate, our study shows that 71% of consumers do not know the difference between organic and natural products.

Lack of knowledge is interrelated to demographic factors like age, income group, education, occupation.

The illiterate population is not aware about the benefits that organic products have and hence are unwilling to spend more.

Lack of faith in marketing campaigns

When an advertisement says 100% organic consumers often consider it just a promotion strategy. Advertisements can often be misleading and portray wrong information. 21 out of 54 respondents say that due to lack of faith in marketing campaigns they do not purchase/consume organic product.

Lack of standards to define quality

When you pay a higher price for a product you expect to get higher quality products. Health conscious customers want to be certain about what they are consuming and need to know the calories count as well. Organic products do not mean 0% pesticides it means that these products have low level of pesticides in them. Moreover, the increase in the occurrences of food related diseases such as the Corona Virus, Avian Influenza (Bird Flu), etc. has forced every conscious consumer towards organic consumption.

Availability

There is scarce and scattered availability of organic products amongst various locations, making it inconvenient for consumers to consume on everyday basis. Consumers always prioritize convenience over all other factors. For example, a consumer that stays nearby a retail store selling organic products is more likely to buy organic products than a consumer who has to travel a great distance for organic products.

Smaller selection range

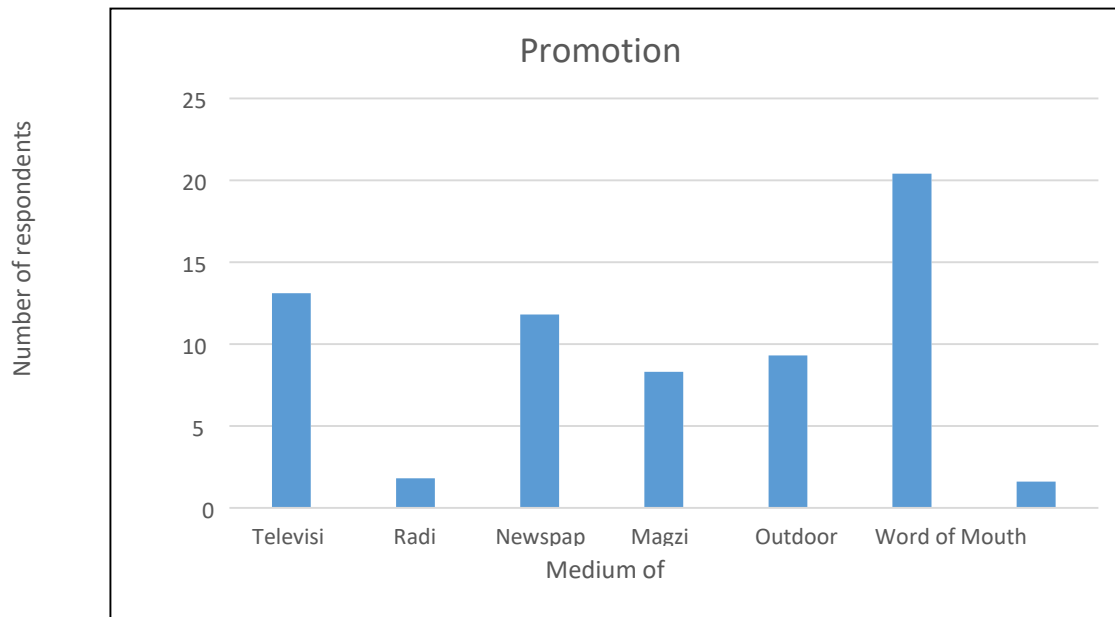
Conventional products have a wider range of products than organic products. Consumer taste and need is ever changing and organic products often is often not compatible for these varieties. 102 out of 254 have said that a wide selection range is important for them to buy organic products.

Poor marketing

Organic product advertisements are limited. Companies producing organic products often don't have marketing campaigns to promote their products and hence consumers are not aware about it. Lack of

marketing campaign means low consumer reach.

Chart 2: Level of exposure of organic food products to consumers by extensive media coverage



Source: Primary data

As the chart no 2 clearly shows awareness of information about organic food products amongst the population under study and hence it shows that wide media coverage has provided great coverage of health-related topics and has used consumer behaviour to showcase ads highlighting concern for well-being of children and environment by showcasing preservatives as harmful, creating a need to nurture the children responsibly, creating a need to “feel good” about oneself by shopping premium and high quality products.

This kind of high media coverage has made consumers more health conscious with a drive to live a quality life. The motto “You are what you eat” has created great demand for organic food products (Rana & Paul, 2017). Word of Mouth has been the greatest source of information with respect to organic products and this places great importance to positive post purchase evaluation by the buyers to increase the demand for these products.

Increasing consumer awareness

Table 4: Helpful factors of increasing consumer awareness about organic food products				
Factors		Mean	Standard Deviation	Mode
Scientific evidence on packaging		3.46	1.15	3

Sustainable investment by brands	3.22	1.09	3
Informative advertising	3.65	0.96	4
Consumer education movements	3.56	1.07	4

Source: Primary Data

From table no 4 it can be seen that more exposure to informative advertising and consumer education movements could help a buyer in increasing awareness about organic food products and differentiating between organic and conventional products as most respondents have considered them to be extremely helpful factors. These are the respondents who mainly purchase organic food due to its rich nutritional composition and quality and hence are very conscious before purchasing. Inability to differentiate between organic and conventional products is one of the major causes of the low market share for organic food products. Standard deviation which is more or less equal to 1 shows that there is consistency in the data and more or less the respondents believe that factors like scientific packaging, sustainable investment made by brand, informative advertising and consumer education movements will be of considerable help to increase their awareness about the same.

Impact of purchase locations

Consumers normally purchase food products from corporate stores, locally owned stores and open markets. Supermarket chains have their sales limited only to a certain range of organic products and their promotion is mainly based on price and very little emphasis given about the quality, ethical considerations and health consciousness criteria that people have with respect to organic food products and hence it attracts more non-organic shoppers

CONCLUSION

With the advancement of technology and spread of artificial production techniques, there has been a rise in the awareness about conscious consumption. Further, there has been a rise in the incidence of diseases spread by infected food articles. The harms posed by genetically modified, artificially fertilized and synthetically grown food articles are on the rise. For the purpose of long term food sustainability, it is essential to ensure that the resources which are required for food production are not exhausted and hence the demand for organic food has increased.

This study concluded that organic food consumers have several motivations. The most prominent one being that organic food consumers feel the need to consume nutritious food as a result of which they turn towards organic food products. Further, we found out that organic food products are currently considered to be a premium good as a result of which it should be mostly targeted towards the upper middle classes.

Lack of information and awareness about the differentiation between organic and conventional products has a significant impact on the purchase intentions. The heuristics associated with organic food products play a crucial role in evaluation of alternatives and hence perception of organic food needs to be changed considerably to ensure the right attitude. Hence, word of mouth, TV advertising are effective tools to build awareness and increase demand for organic food which in turn will increase the availability of organic food. There is low alignment between consumer's perception about labels and their actual meaning as per companies in case of lack of quality standards. Despite the organic product market growing tremendously it does not have enough market penetration due to certain barriers. One of the main purpose of this study was to identify and analyse these barriers and understand why consumers do not purchase and consume organic products, through this research we identified seven important barriers namely, higher cost, lack of knowledge, lack of faith in marketing campaigns, lack of standards to define quality, availability, smaller selection range and poor marketing.

To conclude for the demographic factors, the results achieved by this research is exactly what was predicted as around 97% of middle aged females and 95% of high income groups having children buy organic food products over others. These results give insights as to how effectively a retailer needs to identify and target its population to ensure long term effectiveness of its operations.

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