

## Factors Affecting Consumers' Potential Willingness to Pay for Organic Food Products in Bangalore

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**Abstract:** As different countries have different standards for products to be certified as “organic”, there is no common definition of ‘organic’. With increased concern of food safety and health issues, consumers have started turning towards organic products. Consumers' interest in organic food has been due to growing demand for food free from pesticides and chemical residues. Organic food enhances a balance of human, nature and other living organisms. It reduces considerably the use of artificial preservatives and therefore maintains the originality of food. This reduces the surplus use of harmful ingredients and thereby tries ensuring health. This study attempts to gain knowledge about consumer attitude towards organic food product consumption and to see the purpose of choosing these products and whether they are willing to pay premium price for these products or choosing manufacturers brand with similar health benefits. In this report, analysis on the availability and prices of different organic products including vegetables, groceries and other personal care products has been done. The customers' willingness to pay premium price for organic food is studied by finding the factors affecting their decision making while purchasing these products.

**Key Words:** Organic, Potential Willingness, Organic Products, Chemical Residues, Originality of food.

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### Introduction

As different countries have different standards for products to be certified as “organic”, there is no common definition of ‘organic’. Organic foods are modestly processed to preserve the uprightness of the food without non-natural ingredients, irradiation or preservatives. We get organic products by processes friendly to the environment and cultivation techniques that consider both the attributes of the final product and the production methods. A large number of consumers of organic food and non-organic food were addressed and interviewed to obtain their version and vision towards organic food. The statistical process guides us to understand the relation and the model of the consumer behaviour trends in organic food in India.

Some of the advantages of organic farming for small farmers are the high premium i.e. priced between 20 - 30% higher than conventional food. This premium is very important for a small farmer whose income is just sufficient to feed his/her family with one meal. Another important advantage is low investment as organic farming usually does not involve high capital investment as the one required in chemical farming. As organic fertilizers and pesticides can be produced locally, the yearly cost incurred by a farmer is considerably low. Agriculture mostly depends on external factors such as climate, pests, disease. As small farmers are dependent on natural rain for water, therefore in cases of natural calamity, pest or disease attack, irregular rainfall, crop failure, small farmers practicing organic farming have to suffer less in comparison to other farmers as their investments are low.

There is less dependence on money lenders as farmers for organic products do not require chemical inputs which is very costly. Crop failure, therefore does not leave an organic farmer into huge debts and does not force him to take an extreme step like suicide which is otherwise very common worldwide.

### Review of literature

The study conducted by Rekha Mishra (2013) (Consumer insights for organic food market: A Delhi-NCR study states that the Organic foods are now easily available everywhere irrelevant of the location. The pattern of organic food consumption in India is much different than in the developed countries. So what do Indian organic food consumers prefer? This research presents a study on consumer behaviour and attitude towards organic food in Delhi-NCR. Quantitative data is collected by online survey method consisting of structured questions which are only targeted to organic consumers in Delhi-NCR and analysed with SPSS 16. The results have provided some very insightful findings about the socio demographic and purchase behaviour of organic food consumers in Delhi-NCR. Organic food marketing is the new modified trend in the Indian agriculture sector. The scope for marketing organic food in India is vast and still not yet explored to its full

potential. Organic food marketers can gain from these findings by incorporating these insights while strategizing their marketing plan. This study also serves as good knowledgebase for more research in understanding organic food market and consumer preferences.

The study conducted by Mrs Mehree Iqbal (2015)(Consumer Behaviour of Organic Food: A Developing Country Perspective) states that The demand of organic food is increasing despite its premium pricing and lack of availability particularly in developing countries like Bangladesh. This paper aims to provide the insights about organic foods and the intention consumers have to purchase or not to purchase organic food. The pesticide-residue problem has opened a market opportunity for organic food as it is produced without any form of synthetic chemicals. As there was insufficient literature, a survey was conducted on 900 respondents on six major supermarkets selling organic food in the capital city of Bangladesh. It is found that, consumers expect the organic foods to be healthier, tastier and environment friendly. The organic food buyers tend to be older with child, have higher education level and family income than those of non-buyers. The barrier of organic food is that majority consumers have less knowledge and do not know the main differentiation between organic foods and traditional foods.

The main objectives of the study conducted by Miguel Llorens (Spain), María Puelles (Spain), Roberto Manzano (Spain) (2011) (Consumer behaviour and brand preferences in organic grocery products. Store brands vs manufacturer brands) uncover the reasons for buying organic brands and existing barriers for not buying them, and also to obtain some insight into the reasons that may trigger positive or negative consumer attitudes towards organic food branding. As a second objective, the authors study consumer behaviour patterns towards organic food products by comparing two different brand types, manufacturer brands and store brands, in order to evaluate brand relevance on consumer choice. The authors study potential consumer preferences between them, revealing brand equity and consumer trust. Results from this work allow understanding the distribution model of organic food has an impact on its price level, and the resulting premium price being one of the main barriers for buying these products. The price gap between organic and “standard” products, together with the merchandizing used at point of sale are two key factors to address when developing the category. The paper concludes that a collaborative sales strategy between manufacturers and distributors would help a distribution model change and foster consumption of this product category in Spain.

The intention of the research conducted by New Zealand Food Safety Authority (2008) (NZFSA policy on organic food: A Background Paper is to explore NZFSA’s role in relation to organic food. The paper provides a brief history of organic agricultural practices, the current profile of the organics sector in New Zealand and overseas, a brief summary of current research into differences between the food safety and nutritional profiles of organic and conventionally produced food, a survey of public statements about organic food made by selected overseas regulatory agencies Consideration of NZFSA policy in relation to organic food is appropriate at this time given the growth in the market for organic food and the significance of organic food in the New Zealand food supply.

### **Statement of the problem**

The increased consumer interest in organic food has been attributed among others to the growing demand for food free from pesticides and chemical residues; therefore this research focuses on the factors that are affecting the willingness of the customers to pay a premium to buy organic products

### **Objectives of the Study**

- To understand the recent trends in organic food products (store brands and manufacturer brands)
- To ascertain the factors affecting consumers’ potential willingness to pay premium prices for organic food products in Bangalore
- To analyse the occupational status of the organic product consumers.

### **Scope of the Study**

With rising concern of health issues and food safety, many consumers have turned their site to organic products. The increased consumers' interest in organic food has been attributed among others to the growing demand for food free from pesticides and chemical residues. Organic food promotes a balance of human, other living organisms and the nature. It also promotes no artificial preservatives and best maintains the originality of food. This prevents excess use of harmful ingredients and thereby ensures health. This study will attempt to gain knowledge about consumer attitude towards organic food product consumption and to see whether there is any potential this might have for changing their behaviour. The rationale for carrying out this study is that consideration for the environment could come only from well-informed citizens who are aware of, and fully committed to their rights to quality health and environment. Nevertheless, before any behaviour can be changed, it is necessary to evaluate the current state of consumers’ awareness and knowledge. Therefore consumer’s

attitude, perception towards organic food products, willingness to pay for organic food product and intention to purchase organic food will be the main agenda of this study.

### Research Methodology:

#### Research Design

The research design will be having an exploratory as well as a descriptive approach. It is exploratory in the sense that organic food consumption is a recent phenomenon and few studies have been done on it. Descriptive research consists of the survey of organic food users and nonusers.

#### Source of data

This study will be based on primary and secondary data, primary data has been collected through structured questionnaire and secondary data is from various journals and research papers

#### Sampling Frame Work

Sample Respondents	Sample Size	Sampling Technique Age group
Age group (18-40 & above)	100	Convenience Sampling

#### Plan of analysis

Data collection tool: The questionnaire is an essential data collection tool for the survey.

Statistical tools: Descriptive analysis will be used to describe the collected data.

Percentage analysis

#### Limitations of the Study

- This study covers only Bangalore.
- This study covers only limited number of stores in which organic food products are sold.
- This study covers only limited number of respondents.

#### Research Hypothesis of the study

H0: Income level does not create any impact on willingness to pay for organic food.

H1: Income level does create impact on willingness to pay for organic food.

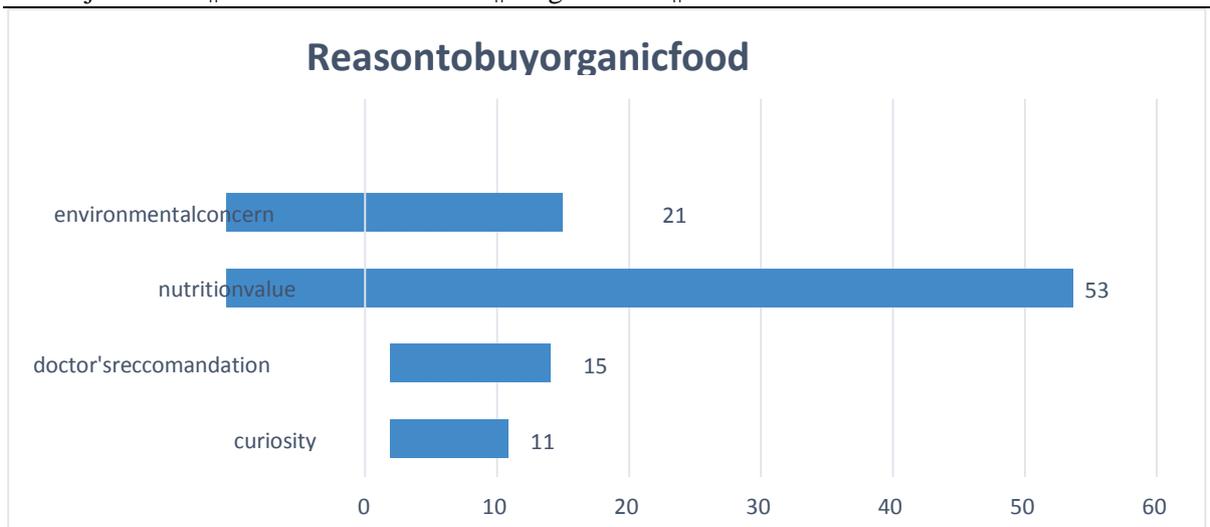
H0: Health benefits do not create any impact on willingness to pay for organic food.

H2: Health benefits do create impact on willingness to pay for organic food.

### Data Analysis and Interpretation

OBJ 1: To understand the recent trends in organic food products (store brands and manufacturer brands)

	Frequency	Percentage
Curiosity	11	11%
Doctor's Recommendation	15	15%
Nutrition value		
Environmental Concern	53	53%
	21	21%
Total	100	100%

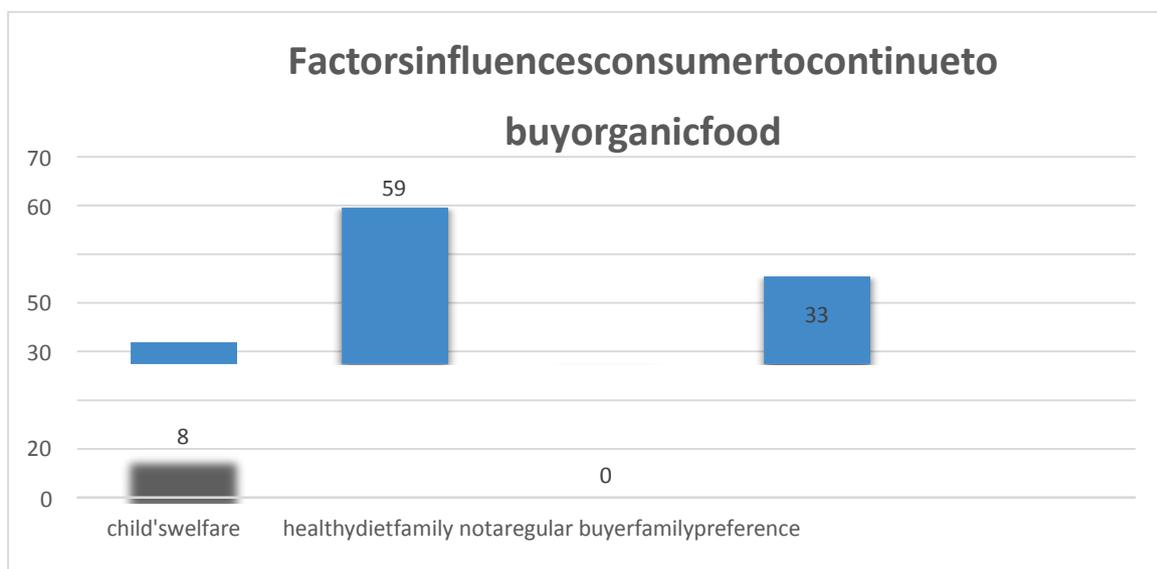


Interpretation: From the above table we can see that 21 respondents (21%) are buying organic food because of the environmental concern, 53 respondents (53%) are buying because of the nutrition value, 15 respondents (15%) are buying because of the recommendation of the doctor and 11 respondents (11%) are buying because of the curiosity.

**Inference:** The research for finding the potential willingness to pay premium for Organic Food, most of the respondents are buying organic food because of the nutrition value followed by environmental concern.

OBJ2: to ascertain the factors affecting consumers' potential willingness to pay premium prices for organic food products in Bangalore

	Frequency	Percentage
Child's welfare	8	8%
Healthy diet	59	59%
Family preference	0	0%
Not a regular buyer	33	33%
Total	100	100%

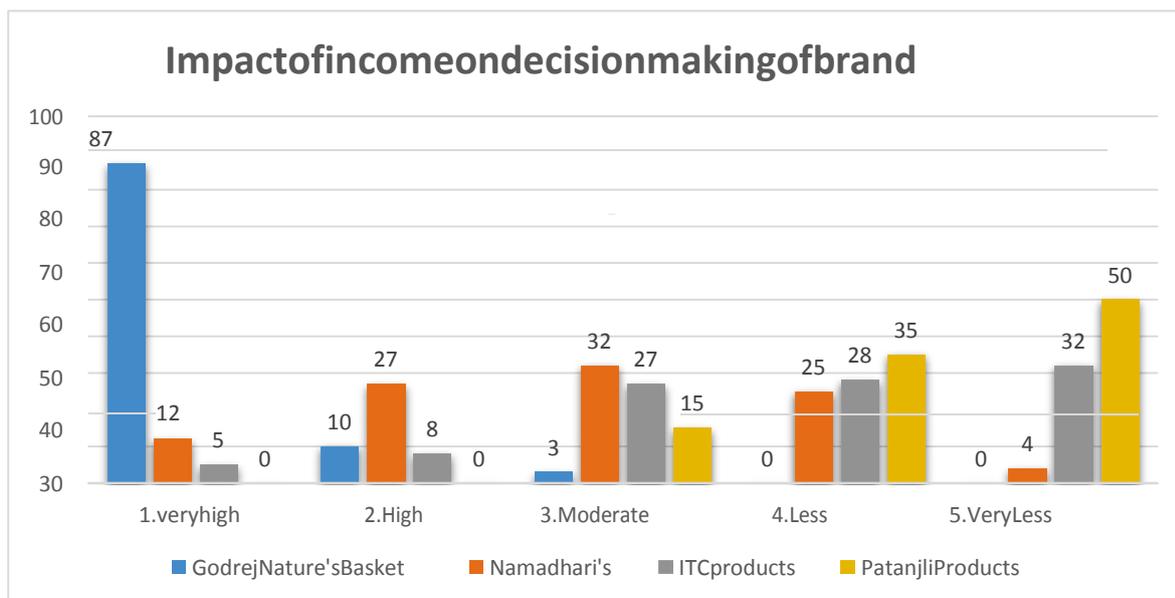


**Interpretation:** From the above table we can see that 8 respondents (8%) buy organic food for their child's welfare, 59 respondents (59%) buy for their healthy diet, 0 respondents (0%) are not a regular buyers, 33 respondents (33%) buy because of their family preferences.

**Inference:** The research for finding the potential willingness to pay premium for Organic Food, most of the respondents continue buying organic food to maintain healthy diet.

OBJ 3: To analyse the occupational status of the organic product consumers.

Frequency	Godrej	Namadhari's	ITC	Patanjali
Very High	87	12	5	0
High	10	27	8	0
Moderate	3	32	27	15
Low	0	25	28	35
Very low	0	4	32	50
Total	100	100	100	100



**Interpretation:** From the above table we can see that 87 respondents (87%) said that the impact of income is very high to purchase products from Godrej Nature's basket, 27 respondents (27%) said impact of income is high to purchase from Namadhari's, 27 respondents (27%) said moderate impact is there on ITC products and 50 respondents (50%) said it is very less impact when it comes to Patanjali products.

**Inference:** The research for finding the potential willingness to pay premium for Organic Food, most of the respondents felt Godrej Nature's basket products are costly. Namadhari's and ITC products are moderately priced and Patanjali products are cheaper and affordable.

### Hypothesis testing

H0: Income level does not create any impact on willingness to pay for organic food.

H1: Income level does create impact on willingness to pay for organic food.

(The below table is the analysis part done by considering various factors and their response from the questionnaire.)

Income level	More	Namadhari's	Big basket	Godrej nature's basket
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Less than 50000	53	27	3	-
50k to 1.5L	-	9	2	4
1.5L to 2.5L	-	-	-	2
2.5L and above	-	-	-	-

The above table states the income level of the respondents and their choice of store from which they purchase Organic products and we can see that from total of 83 respondents who has an income level of less than 50k chose More & Namadhari's over Godrej's Nature's basket, from the total of 15 respondents who have income level of 50k to 1.5L chose Namadhari's & Godrej's Nature's basket and 2 respondents chose Nature's Basket as their income is between 1.5L to 2.5L.

**Inference:** The null hypothesis is Rejected. The income will definitely impact the willingness to pay for organic food. People having less income are opting for non-branded organic products and people having high income are opting for branded ones because of the huge price variations.

H0: Health benefits do not create any impact on willingness to pay for organic food.

H2: Health benefits do create impact on willingness to pay for organic food.

(The below table is the analysis part done by considering various factors and their response from the questionnaire.)

	S Agree	Agree	Neutral	Disagree	S Disagree
Nutritious than ordinary food	58	32	0	10	0
No adulteration	74	23	00	3	
Organic food keeps me healthy	47	32	0	16	5

The above table states the customer's intention of buying organic food products. 90 respondents purchase organic products because of the nutritious value and 97 respondents purchase organic products because of no adulteration and they believe that organic food keeps them healthy.

**Inference:** The null hypothesis is rejected. Health benefits do create impact on the consumers' willingness to pay premium. The term organic states that they are produced naturally without using any pesticides or chemicals and so customers believe that organic products keep them healthy.

### Findings

- Majority of the respondents are from age group of thirty one and above because of the income level and the health conscious mind-set.
- Majority of the respondents are female because the groceries section in any family is generally handled by a woman.
- Majority of the respondents are married because they are thirty years and above and are more conscious of their health.
- Majority of the respondents are graduates and they are the ones who are ready to accept the change and are interested in trying new products.
- Majority of the respondents are buying organic food because of the nutritional value.
- Most of the respondents get attracted to price and convenience over availability and quality because the price of the product is bit higher than the normal groceries and prefer to buy in stores near by.
- Majority of the respondents continue to buy organic food to maintain healthy diet.
- Most of the respondents started buying organic food within last 6 months because of the growth in the organic farming in Bangalore city and also because of the awareness they got about the health benefits they get by using these.
- Majority of the respondents buy both regular & organic vegetables, fruits and pulses which depends on their requirement and availability

- Majority of the respondents believe that the organic products are nutritious than ordinary products, affordable by every income level group and not over hyped.
- Majority of the respondents believe that organic food is nutritious, value for money and no adulteration is done in production process.

### Conclusion

There is a huge market for organic food in India and the farmers as well as manufacturers couldn't able to grab the demand. The reasons are as farmers cannot retail their products directly, prices have increased and slowly people have started shifting from organic to regular products. As per the suggestions given, government should interfere in this particular area and should create a good atmosphere so that they can increase the variety as well as the demand.

The research found that consumer is ready to pay premium price for buying organic products because of the health benefits that they get from it. Income creates huge impact on the purchase behaviour of the consumer and therefore consumers are opting for various generic products and other products which are sold in local outlets. At the same time, premium customers opting for organic products prefer various branded stores like Godrej Nature's basket, Namadhari's etc.

### Suggestions

- As organic farming is labour intensive, a proper training to farmers about organic inputs and farming techniques is a must. Allowing the private sector to assist the farmers through knowledge and information must be encouraged.
- Three types of certifications are possible by Indian government to lower the costs:
  - i. "100% Organic": These can only contain organic ingredients, meaning no antibiotics, genetic engineering, pesticides or fertilizers can be used.
  - ii. "Organic": contains 95% organic ingredients, with the balance coming from ingredients on the approved national list.
  - iii. "Made with Organic Ingredients": Products must be made with at least 70% organic ingredients, three of which must be listed on the package and the balance must be on the national list.
- There is a need to establish incentives/penalties system for better/poor quality of organic produce meant for, export in particular and domestic market in general.
- Any strategy to promote organic agriculture among the poor ought to consider crop choices so that the variety of the products can be increased.
- It is not necessary to turn a farmer into a trader but an apex body can be fortified with outside support and training in order to take advantage of economies of scale, improving bargaining power and significantly reducing transaction costs.
- Selling back to the government in the form of mid-day meals for children, or to hospitals can play a role in keeping demand stable.

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