

UNDERSTANDING THE CONSUMER

LOCAL DEMANDS FOR LOCAL AND ORGANIC PRODUCE IN THE KAW VALLEY

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presented by
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Focus on specialty products

- “Environmentally Identified Products” (EIPs) include agricultural products such as:
 - certified organic produce
 - locally grown products
 - low-impact products
 - integrated pest management (IPM) products
 - grass-fed beef

The KAW Valley EIP project

- Goal: increase local sales and income from EIP produce
- Phase 1: the demand side
- Today: hypotheses plus preliminary results from a survey of consumers

Why do consumers care about EIP produce?

- Health
- Environmental impacts
- Sensory experience (taste and appearance)
- Preferences for localness

Hypotheses on demand for EIP produce

- Motives to purchase are highly varied
 - Implication: marketers must seek wide appeal
 - Implication: certified organic is better than IPM
- Localness is extremely important
 - Implication: produce that is both local and organic is a good strategy

Localness as a complex attribute

- Consumers may have varied associations
 - freshness
 - distinctive, “old time” taste/varietal choice
 - trust in the production process
 - face-to-face association with farmer
 - local economic impacts
 - environmentally friendly/sustainable

Demand for EIP produce - previous research results

- Most people have a positive view of organic produce
- Purchase of EIPs is very responsive to:
 - Price differential
 - Quality differential
 - Availability

Research results (continued)

- Adoption of EIP produce follows a growth curve
 - There is continuing rapid growth in total sales (but data are soft)
 - Coastal markets lead the Midwest
 - Europe leads the US

Puzzles and open questions of demand for EIP produce

- Expected variables that are weak predictors
 - Income
 - Concern with health and/or environment
 - Political views
- We know very little about the demand for local produce

Puzzles and open questions of EIP demand (continued)

- We know little about
 - predicting who will purchase EIP produce
 - relative strengths of various motives
 - what bridges the gap from abstract motives to actual purchase
 - what retailing methods work
 - what affects the rate of growth in sales

Modeling the consumption decision

- A step-by-step decision
 - Would consumption of EIP produce improve my life (either materially or spiritually)?
 - Do I proactively attempt to improve my life?
 - Are EIP produce items available? Are there barriers to consumption?
 - Are the price and quality reasonable (in comparison with non-EIPs)?

Potential barriers to purchase

- Problems of access
 - Lack of knowledge about using organics
 - Not available in the usual store
 - Not located with other produce
 - (the “organic ghetto”)
 - Not located or presented to encourage side-by-side comparisons with non-EIPs

Potential barriers (continued)

- Problems of inertia
 - Adverse habit formation
 - Intermittent availability
 - Not advertised or promoted

Potential barriers (continued)

- Problems of certification
 - Lack of knowledge about certification
 - Not clearly labeled or not certified
 - Lack of recognition of certification
 - multiple competing certification systems
 - Lack of trust in certification
 - Inadequate coverage or limited definitions
 - irradiated produce? Antibiotics in milk? (etc.)

Survey results

- A majority of Kaw valley grocery shoppers claim to consume EIP produce.
 - 40% purchased produce at a farmer's market in the last year
 - 36% purchased organic food at least "occasionally"
 - 56% did one or both.

Survey results (continued)

- Most people who purchase EIP produce, also purchase non-EIP produce.
 - “almost always” purchase organic produce
 - overall 2%
 - “never” purchase organic produce
 - overall 63%
 - among shoppers at farmers market 52%
 - among non-shoppers at farmers market 70%

Survey results (continued)

- Most people who do *not* purchase organics have a potentially positive opinion of them
 - 85% of those who “rarely or never” purchase organic produce would “be willing to consider purchasing”.

Survey results (continued)

- Local production is more important to the consumer than organic production.

With equal price and quality, would prefer:

- | | |
|-----------------------------|-----|
| – non-local organic produce | 26% |
| – local non-organic produce | 60% |
| – don't know, didn't answer | 14% |

Survey results (continued)

- Local production is more important to the consumer than organic production (continued).

Ranked as “somewhat important” or “very important” to choice of a grocery store:

- availability of organic food 41%
- availability of locally grown produce 59%

Survey results (continued)

- People who take charge of life are more likely to make EIP purchases.

Percent who shopped in farmer's market:

- among persons who contacted political representatives 49%
 - among persons who did not 37%
- (difference is significant at $p = .01$)

Survey results (continued)

- People who take charge of life are more likely to make EIP purchases (continued).

Percent who purchase organics at least occasionally:

- among persons who made healthy lifestyle changes 40%
 - among persons who did not 25%
- (difference is significant at $p = .02$)

Survey results (continued)

- People concerned about health or the environment are more likely to purchase organic produce

Percent who purchase organics at least occasionally:

- among persons worried about agricultural chemicals in grocery store produce 41%
- among persons not worried 27%

(difference is significant at $p = .03$)

Survey results (continued)

- Main barrier volunteered: organics non-purchasers
 - no answer or uninterpretable 33%
 - high price, cost, or cost/benefit 20%
 - availability, convenience 19%
 - habit, haven't thought about it 10%
 - don't like them, don't believe in them 8%
 - lack of knowledge 4%
 - have a garden 3%
 - don't trust certification 2%
 - poor appearance, low quality 1%

Survey results (continued)

- Main reason volunteered: organics purchasers
 - no answer or uninterpretable 2%
 - keeping chemicals out of food 27%
 - generalized health concerns 26%
 - taste, freshness, appearance 18%
 - availability, just to try it 15%
 - generalized quality concerns 6%
 - low price 5%
 - concern for farmer 1%
 - other environmental concerns 1%

Implications for potential market

- Estimated long-run potential market for locally grown organic produce: 15% of all produce sold in Kaw Valley (\$100M/year)
- Assumptions:
 - local organics will dominate the EIP market
 - persistent and effective marketing
 - prices no more than 10% above non-EIPs
 - equivalent quality to non-EIPs
 - local produce available on average 30% of year

Implications of the demand model for marketing methods

- Every step of the decision must be addressed
 - reinforce varied motives for purchase of EIPs
 - reinforce self-image as proactive person
 - remove all barriers; e.g. establish
 - knowledge about reliability of certification
 - availability in regular markets
 - predictability and routineness
 - control price and quality

Implications for future research on EIP marketing

- Hypotheses:
 - we must get produce out of the organic ghetto
 - side-by side comparisons must be available
 - clear certification labeling is needed
 - certification labels must earn trust
 - consistent availability is important
 - promotions are needed to change habits

FIN

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