Consumer Attitudes about Organic Foods

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MARKET ORIENTED

Growers can be susceptible to Marketing Myopia
= have product, find market
Be market-oriented--focus on your MARKET, THEN MATCH YOUR PRODUCT TO THE MARKET.
Key Drivers and Effects

Changing Consumers

Higher incomes, ability to pay for convenience, variety/choice, aging baby boomers, ethnic diversity, safety/traceability from farm to fork, healthfulness and growing interest in the environmental effects of ag, all join forces to stimulate new product development and branding, even in traditionally unbranded categories like fresh produce. Organics are benefiting.
SEGMENTATION/TARGET MARKETS

• Consumers are not all the same. They differ regarding:
  - buying practices
  - wants
  - purchasing power

• Market trends reflect consumers’ wants & define opportunities – *problem solving is key!*
Consumers are Becoming More Eclectic: Unabashed Wal-Mart Shopper Speaks

The writer found a brown stretch top with a ruffle drizzling down the V-neck, for about $9, and jeans made of two-inch-wide strips of washed corduroy, denim and a blue lace print, reminiscent of Dolce & Gabbana, $17.98, at Wal-Mart. She wore them with Celine platforms, $420.

Value Propositions and Needs! This also applies to food. Flavor Density re calories.

Adapted from Food Marketing Institute 2002
SEGMENTATION/ TARGET MARKETS

• Variables commonly used to categorize consumer differences to focus marketing activities
  - geographic
  - demographic
  - psychographic--based on attitudes & activities

• STATUS SEEKERS, CHASE & GRABITS, ENVIRONMENTALISTS

»Mass individualization!
Consumer Age Segments

- Traditionalists: born prior to 1946
  - Brand and retail store loyal, like classic items with a new twist
- Baby Boomers: born 1946-64
  - Love to experiment but are strapped for time
- Generation X: born 1965-81
  - They hate to be “sold to” but they want to be educated
  - Like to make buying decisions over the web

Source: David Stillman, Bridgeworks, Wash. DC
IMPLICATIONS OF AGING BOOMERS

- Prevention focus
  - organic/natural/no GMO
  - soy
  - nutraceuticals
- Energy supplements
- Smaller portions/serving sizes
Niche Market vs. Market Niche: Is there a difference? YES!

**Niche Market:**
- Unique w/ narrow demand so customers have uniform views;
- Insensitive to price changes so wide range for prices & markup;
- Local market saturates very quickly when growers learn about sales opportunities.

**Market Niche:**
- Broad demand where customers have lots of close substitute choices;
- Sensitive to price changes so price is very important to buyer;
- Has price limits so really driven by cost & overall supply situation.
Niche Market and Market Niche Examples:

**Niche Market**
- organic produce
  - medicinal herbs
  - elephant garlic
  - microgreens
- Specialty outlets
- Demand dominates but often there is easy market saturation.

**Market Niche**
- greenhouse tomatoes
- yellow peppers
- sweet onions
- seedless watermelon
- Mainstream grocery
- Supply availability & comparative price dominate buy decision.
How confident are you that the food in your supermarket is safe?

Source: FMI  Trends in the US Consumer Attitudes and the Supermarket 2003
Factors indicated by US consumers as influencing fresh produce purchases, 1990 vs. 2000

<table>
<thead>
<tr>
<th>Factor</th>
<th>1990</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taste/flavor</td>
<td>96</td>
<td>87</td>
</tr>
<tr>
<td>Ripeness</td>
<td>96</td>
<td>70</td>
</tr>
<tr>
<td>Appearance/condition</td>
<td>94</td>
<td>83</td>
</tr>
<tr>
<td>Nutritional value</td>
<td>65</td>
<td>57</td>
</tr>
<tr>
<td>Price</td>
<td>63</td>
<td>47</td>
</tr>
<tr>
<td>In-season</td>
<td>38</td>
<td>41</td>
</tr>
<tr>
<td>Growing region/country of origin</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Organically grown</td>
<td>17</td>
<td>12</td>
</tr>
<tr>
<td>Brand name</td>
<td>9</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Rating of extremely or very important %

n/a = Not available
Source: Fresh Trends '90 and 2001
Should fresh produce items, packages, or displays be labeled to identify...?

**Summary “yes” responses**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutritional value</td>
<td>77.1%</td>
</tr>
<tr>
<td>Country of origin</td>
<td>85.9%</td>
</tr>
<tr>
<td>Chemicals used in</td>
<td>90.7%</td>
</tr>
<tr>
<td>Organically grown</td>
<td>86.0%</td>
</tr>
<tr>
<td>Irradiated</td>
<td>77.8%</td>
</tr>
<tr>
<td>Use of biotechnology</td>
<td>78.4%</td>
</tr>
<tr>
<td>Use of waxes and/or</td>
<td>84.5%</td>
</tr>
</tbody>
</table>

*Source: Fresh Trends 2002*
US Organic food sales, 1990-2000 and sales forecast to 2003 ($billion)

Source: Organic Trade Association, Consumer facts and market information, 4-05-2001
The global organic food market was estimated to total $20 billion in 2000, with the US the largest player, accounting for 39% of global organic sales.

Although the U.S. is the largest organic food market in absolute terms, in relative terms organics represent only 2% of total US retail food sales vs. 10 percent in Austria.

U.S. organic fresh fruit and vegetable sales estimated at $800-953 million in 2002, around 2% of retail fresh produce sales.

Source: Roberta Cook, UC Davis
Typology of US Organic Consumers - 2000

Source: Hartman-Group, 2000

- Interested Users: 59%
- Light Users: 29%
- Heavy Users: 3%
- Non-users: 9%

Most interested users generally aren’t purchasing but are curious and have cautiously favorable attitudes.
Organic Foods

- **Fruits/vegetables**
  - Already buy: 34%
  - Likely to buy: 21%
  - Not likely to buy: 39%
  - Don't know: 6%

- **Cereals/breads/pastas**
  - Already buy: 21%
  - Likely to buy: 23%
  - Not likely to buy: 51%
  - Don't know: 5%

- **Meats/poultry**
  - Already buy: 15%
  - Likely to buy: 26%
  - Not likely to buy: 54%
  - Don't know: 5%

- **Eggs**
  - Already buy: 13%
  - Likely to buy: 21%
  - Not likely to buy: 60%
  - Don't know: 6%

- **Soups/sauces**
  - Already buy: 12%
  - Likely to buy: 23%
  - Not likely to buy: 60%
  - Don't know: 5%

- **Milk**
  - Already buy: 8%
  - Likely to buy: 19%
  - Not likely to buy: 66%
  - Don't know: 7%

Source: Produce Merchandising, May 2002
Percentage of customers who purchase organic fresh produce

- 1996: 23%
- 1997: 28%
- 2000: 32%
- 2002: 34%

Source: Produce Merchandising, Sept. 2002
Have you ever purchased organic fresh produce?

- Yes*: 36%
- No: 51%
- Not sure: 11%
- No answer: 2%

*Vs. 41% of 45-54 yr olds and 48% of households earning > $75,000

Source: Fresh Trends 2003
Organic Fresh Produce Purchases, among those having purchased

- 35% prefer it but also consider other factors
- 26% sometimes purchase but don't necessarily prefer it
- 24% don't usually purchase it
- 8% Other (mainly no answer)
- 5% buy if available only buy organic fresh produce
- 2% Source: Fresh Trends 2003

**Source:** Fresh Trends 2003
US Organic Consumption, % of Consumers Having Purchased in the Prior 6 Months, by Region

Source: Fresh Trends 2002
Top fresh organic vegetables purchased

- Tomatoes: 37%
- Leafy vegetables: 18%
- Carrots: 15%
- Potatoes: 6%
- Squash: 5%
- Beans: 4%
- Mushrooms: 4%
- Celery: 4%
- Corn: 4%
- Broccoli: 4%

Source: Produce Merchandising, Sept. 2002
Organic Shoppers are likely to have more education and higher income.

Source: FMI Organic Shoppers
Percent of Shoppers Who Are Working Women

<table>
<thead>
<tr>
<th>Work 20 hours per week or more</th>
<th>Non-organic Shoppers</th>
<th>Organic Shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work less than 20 hours per week</td>
<td>Non-organic Shoppers</td>
<td>Organic Shoppers</td>
</tr>
</tbody>
</table>

- Non-organic Shoppers: 29% (less than 20 hours), 40% (20 hours or more)
- Organic Shoppers: 26% (less than 20 hours), 45% (20 hours or more)

Source: FMI Organic Shoppers
## Shopper’s Eating Habits - 2003

<table>
<thead>
<tr>
<th>Percent of Shoppers</th>
<th>3+ times weekly</th>
<th>1-2 times weekly</th>
<th>1-3 times mo’ly</th>
<th>&lt; than once a month</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eat home cooked meals at home</td>
<td>83</td>
<td>9</td>
<td>6</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Dine out at full-service restaurants</td>
<td>8</td>
<td>27</td>
<td>42</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Eat meals at home that aren’t prepared at home – takeout and delivery</td>
<td>5</td>
<td>20</td>
<td>36</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>Eat out at fast-food establishments</td>
<td>9</td>
<td>23</td>
<td>35</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Just-heat main dishes at home*12</td>
<td>26</td>
<td>26</td>
<td>19</td>
<td>14</td>
<td></td>
</tr>
</tbody>
</table>

Source: FMI Trends in the Supermarket 2003  *2001
US Consumer Attitudes

- A decade ago over 75% of consumers claimed to be environmentalists yet “eco-lution” didn’t materialize from a market perspective.
- Most consumers talk the eco talk but don’t walk the eco walk.
- Today consumers are first focused on their health rather than the environment.

US Consumer Attitudes

• 66% of organic consumers purchase organics out of concern for their health, while only 26% say they do so for environmental reasons.

• Most consumers want the product to work/taste at least as well as conventional products – only when these tests are met can you sell “eco-value.”

• Effective selling of eco-value may yield a price premium for certain products, but to achieve this marketers must connect with consumers on their terms.

“TAKING THE BAD OUT” will be replaced with “PUTTING THE GOOD IN”
Taste . . .
✓ appearance . . .
✓ price . . .
✓ “feeling” . . .
✓ lifestyle . . .

are at least as important.
The Challenge:

- To compete effectively for share of mind.
- In order to maintain or increase share of stomach.

And TO DO IT PROFITABLY!