Consumers' preferences for ethical values of organic food

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Abstract

Consumers increasingly criticise food that is produced under unsatisfactory social and environmental conditions. From the very beginning, organic food production included ethical aspects and did not only care for the environment and animal welfare but also for social aspects of people affected by the organic supply chain. With the organic sector gaining additional market share, products from organic mass production become more and more important and competition is predominantly a question of price. Ethical values going beyond the standards of the EU regulation on organic farming are no longer features of large parts of organic production. Against this background, the question arises of whether there is a demand and an increased willingness to pay for 'ethical' organic food. This would create possibilities of product and market differentiation with respect to ethical products. This paper investigates various ethical communication arguments from consumers' perspective by means of an Information-Display-Matrix (IDM) in five European countries. The IDM is a process tracing method aiming at monitoring the information acquisition and purchase behaviour of consumers. Seven different ethical attributes and the product price were tested with about 1200 consumers. The most important ethical attributes turned out to be 'animal welfare', 'regional production' and 'fair prices for farmers'. These attributes were followed by 'product price', indicating that consumers tend to prefer cheaper products over ethical products with attributes like 'care farming', 'social criteria of production', 'protection of biodiversity' and 'cultural aspects'. There are only minor differences between the countries regarding the order of the most important attributes. Altogether, the results allow the conclusion that a large share of consumers of organic food would be willing to pay a price premium for 'ethical' products.

Keywords: consumer behaviour, market research, information-display-matrix

Introduction

Globalisation and anonymity of trade with organic products are seen as a problem by many organic farmers and consumers in Europe. European organic farmers often fear competition with producers from countries, in which production costs are much lower due to climatic conditions, lower costs of labour or land, lower production standards, etc. Against this background, organic farmers are under pressure to find a way to decrease their production costs in order to keep up with world-wide competition, either by realising economies of scale through increased production or by lowering their production standards and serving the organic mass market. Organic farmers and other suppliers such as manufacturers or traders, who do not make use of all possibilities to lower their production costs but offer ethical values, face competitive disadvantages and will finally disappear from the market.

From the very beginning, organic farming was based on ethical aspects and did not only care for the environment and animal welfare but also for social aspects of people affected by the organic supply chain (Lautermann *et al.,* 2005). With the organic sector gaining additional market share, products from organic mass production become more and more important and competition is predominantly a question of price. Ethical values going beyond the standards of the EU regulation on organic farming are no longer part of large sections of organic production.

On the other hand, various publications indicate that consumers are interested in ethical values. Ethical consumerism is a growing trend worldwide and moral responsibility is a relevant buying motivation among various consumer groups (Carrigan *et al.,* 2004; Shaw and Shiu, 2003). 'Organic consumers are widely perceived to be ethical, although their motivations for buying organic are said to be based on health and environmental criteria rather than on workers' welfare' (Browne *et al.,* 2000: 87). Several examples illustrate that consumers of organic food are willing to pay a price premium if ethical values are added to organic products and are well communicated, such as fair trade products from developing countries or the direct support of small farmers' initiatives in disadvantaged (mountainous) areas (Zanoli *et al.,* 2004; Schmid *et al.,* 2004). Recently, very successful 'fair milk price' projects were initiated by organic dairy farmers in Germany and Austria (Sobczak and Burchardi, 2006; IG Milch, 2006).

Based on literature review and on an analysis of 'ethical' arguments used by organic farmers and farmers' initiatives, a wide range of arguments going beyond organic standards according to the EU regulation was identified (Padel and Gössinger, 2008). Existing arguments were categorised according to economic, social and environmental concerns as well as cultural issues. Within this research, consumers of organic food were confronted with these ethical concerns and with the product price in order to identify the ethical aspects that are most important for consumers in their decision to buy organic food.

Methodological approach

The Information-Display-Matrix (IDM) is one among several methods for analysing information acquisition behaviour. The IDM is a process tracing method aiming at monitoring information search, judgement and choice. The two-dimensional matrix lists alternative product stimuli in columns, while product attributes are listed in rows. Each cell contains concealed information about a product-related attribute, which has to be accessed one after another by the subject in order to obtain the information (Jacoby *et al.,* 1987, Mühlbacher and Kirchler, 2003). The method enables a detailed analysis of cognitive processes within decision making. A variety of measures exist on the kind, sequence and amount of

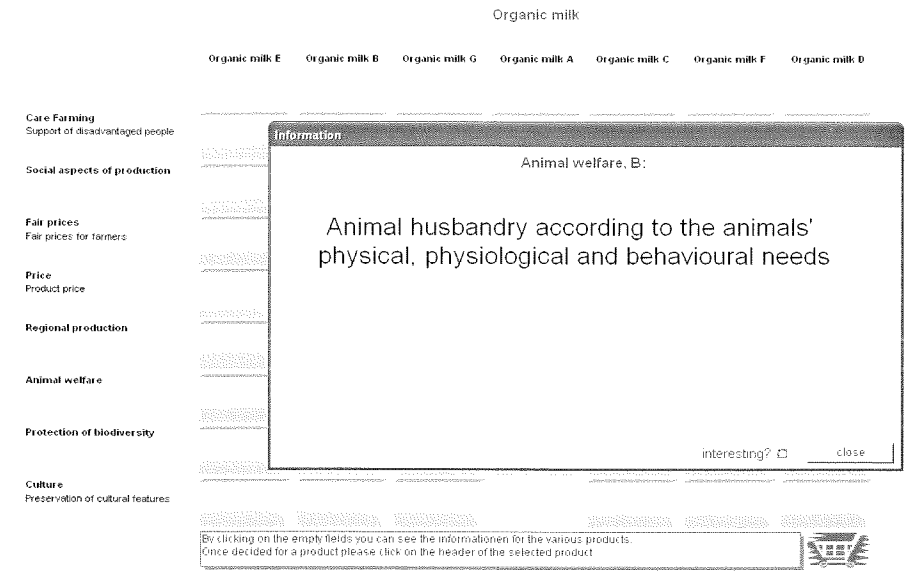

Figure 1. The information-display-matrix (Zander and Hamm, 2009).

information sought as well as on the duration and structure of the information acquisition preceding choice and decision. That way, relevant product-related criteria and their relative importance for the purchase decision can be identified (Jasper and Shapiro, 2002).

In this research, the IDM was used to track the information search regarding ethical values of organic food and to identify the ethical attributes most relevant for decision making. Based on the outcome of the research of Padel and Gössinger (2008), 7 ethical attributes were selected for further testing: 'biodiversity', 'animal welfare', 'regional production', 'fair prices for farmers', 'care farming', 'social aspects of production' (e.g. support for family farms and good working conditions for farm workers), and the 'preservation of cultural features' (traditional processing methods and landscape). The corresponding ethical arguments were assigned at random on six hypothetical products (1 litre of organic milk each). For the use within the IDM, the product price was added as a reference to the list of attributes. Thus, the seventh product was defined without any additional ethical value but at a lower price, namely 1.00€ per litre of organic milk, compared to 1.20€ for all other products with ethical attributes.

The respondents were asked to open various information fields one after the other according to their individual preferences and interests. The number of fields to be opened was not limited and repeated opening of the same field was also possible. Fields once opened changed colour after closing. In order to help the test persons not to get lost in the rather large matrix they were offered the possibility to mark interesting information fields. These fields got another (third) colour after closing. Once the respondents had come to a purchase decision they had to click the header of the selected product. The software then asked the respondents to confirm their choice. With this virtual final purchase decision, the IDM exercise stopped and the decision time measurement ended. The IDM software saved the information of all accession incidents, the order of accession, the time spent on each information field, the total time needed from starting the information acquisition until deciding for a product and the chosen product.

The IDM was accompanied by a questionnaire aiming at the validation of the results obtained by the IDM, at an explanation of the information acquisition behaviour and at giving answers on 'real life' information behaviour concerning organic food. About 1200 organic milk buyers were interviewed face-to-face in a computer assisted manner between Mai and July 2008 in the five study countries Austria (AT), Germany (DE), Italy (IT), Switzerland (CH) and United Kingdom (UK).

Results

The main aim of the IDM was to identify the most important ethical attributes of organic food from the consumers' point of view. According to economic theory, the most valuable information will be asked for first, since its marginal utility is highest (Foscht and Swoboda, 2004; Solomon *et al.,* 2006). The indicator provided by the IDM is the share of each attribute in all first accessions (Table 1). It turns out that 'animal welfare' and 'regional production' are the most important attributes followed by 'product price'. 'Cultural aspects', 'biodiversity' and 'social criteria' are the attributes least frequently accessed first. There are some differences between the countries: 'product price' was most frequently accessed first in Italy and least frequently in Switzerland. 'Cultural aspects' seem to be least important in Germany. The results indicate that many consumers prefer cheaper products over products with additional social or cultural values.

The second indicator calculated was the share of respondents who considered an attribute at least once within their information search. This indicator places attributes in a similar order. More than 86% of the respondents considered 'animal welfare', followed by 'regional production' (84%), 'fair prices for farmers' (81%) and the product price (80%). These results are quite similar in all study countries. Only Austrian and Italian consumers considered the product price more frequently than the attribute 'fair

Table 1. Share of attributes in all first accession incidents (%) (Zander and Hamm, 2009).

Attribute	All	AT	CH	DE	IT	UK
Animal welfare	21.4	21.3	27.6	22.1	18.0	17.9
Regional production	21.2	19.2	25.1	22.9	21.9	17.1
Fair prices for farmers	13.8	17.1	13.4	15.4	8.2	14.6
Product price	13.3	13.8	6.7	11.3	20.6	14.6
Care farming	8.2	9.6	4.6	7.9	9.4	9.6
Social criteria of production	7.8	6.3	5.9	10.8	9.4	6.7
Biodiversity	7.3	5.0	9.2	5.8	6.9	9.6
Cultural features	7.0	7.9	7.5	3.8	5.6	10.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

prices for farmers'. In Austria, information on the product price (87%) was even more frequently asked for than 'regional production' (83%).

Socio-demographic factors affecting the respondents' perception of the most important attribute were found to be gender, age and education: Women are more interested in 'fair prices for farmers' than men; younger and older respondents assess 'animal welfare' to be more important than respondents belonging to other age groups and test persons with a higher educational level seem to value 'animal welfare' less than others.

The fact that on average 80% of the consumers considered the product price before deciding for a product implies that about 20% of the test persons made their purchase decision without having asked for information on prices. The product price thus seems to be less important for the purchase decision of organic consumers than commonly assumed.

This finding is supported by the results on the purchase decision of test persons. As explained before, one product without any additional ethical value was offered at a lower price. This product was preferred by only 6% of the respondents on average of all countries. Thus, the vast majority of consumers appears to be willing to pay a price premium for additional ethical values of organic food.

For the aim of contrasting the results of the IDM with results from direct inquiry within the survey part, the questionnaire included a question asking for the relevance of different criteria for the purchase decision on organic food. In direct inquiry, social production criteria like 'good working conditions for farm workers' and 'support for family farms' as well as 'preservation of cultural landscape' ranked higher than 'regional production' and 'fair prices for farmers'. These were the most important arguments in the IDM following 'animal welfare', which is most important according to both methodological approaches. The most outstanding example for differences in the preference structure is the relative importance of the product price. When asked directly, consumers ranked the price lowest (AT respondents second lowest) of all arguments, while in the IDM it was in close competition with the 'fair price' argument at the third or fourth position, respectively. Similar results with respect to revealed preferences for prices were reported by Aschemann and Hamm (2008), who also compared results of an IDM with those obtained by direct questioning in a single source approach. It can therefore be concluded that the IDM is an adequate instrument to reduce socially desired answers in consumer surveys.

Conclusions

The overall conclusion is that a considerable group of consumers seem to be willing to pay a price premium for some 'ethical' attributes of organic food. Accordingly, organic food with additional ethical values offers an opportunity for product differentiation – given that these ethical qualities are effectively communicated in an increasingly competitive market. Communication concepts should focus on attributes that are most important to consumers, such as 'animal welfare', 'regional production' and 'fair prices for farmers' in order to be successful.

The results were produced in a test environment, so that there might be some differences compared to real life behaviour. However, the aim of this research was to elicit relative preferences of consumers. There is no reason for assuming that relative preferences obtained in an experimental setting differ considerably from real behaviour, given that similar information is provided to consumers. Moreover, contrasting the results of the IDM with those from direct inquiry within the survey part, the IDM proved to be a valuable tool to elicit consumer preferences by reducing biases due to social desirability of answers. However, there are clear limitations to the use of the IDM. In order not to cause information overload, the number of products, attributes and arguments used in an IDM has to be restricted. Nevertheless, the IDM turned out to be suitable to rank different ethical values according to consumers' point of view within this research.

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