Consumer Attitudes about Organic Foods

DR. ROBERTA COOK

University of California Davis

January 2004

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

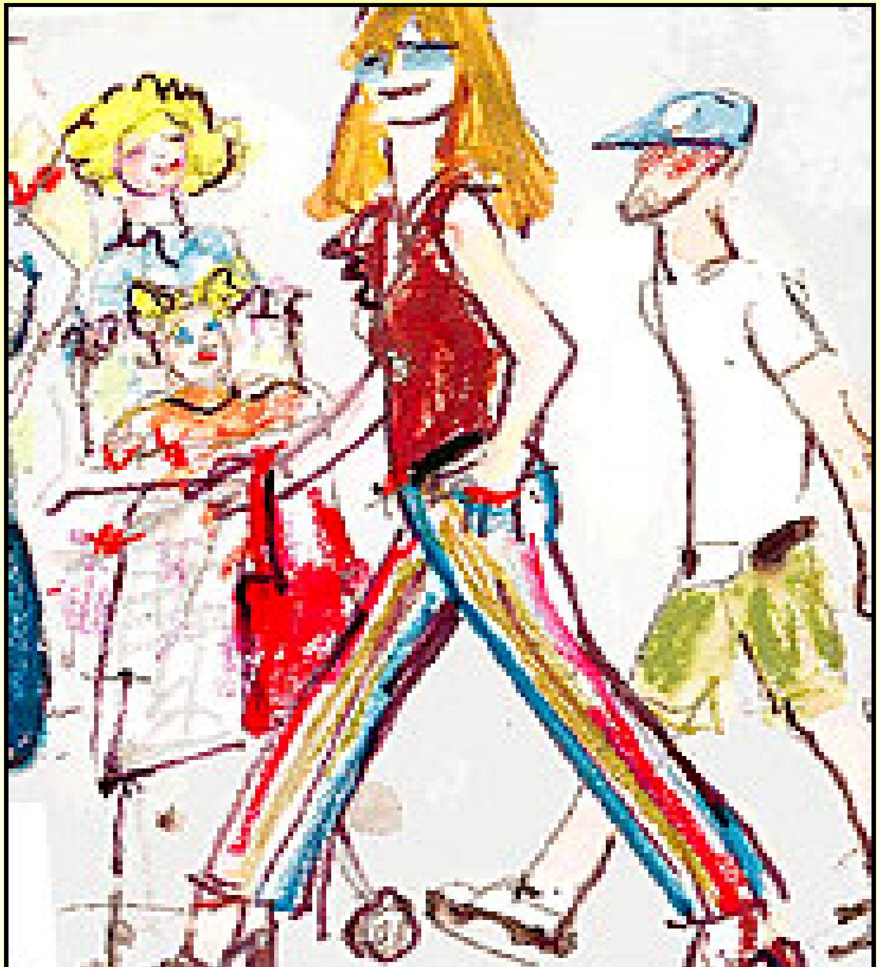
Higher incomes, ability to pay for convenience, variety/choice, aging baby boomers, ethnic diversity, safety/traceability from farm to fork, healthfulness and growing interest in the environmental effects of ag, all join forces to stimulate new product development and branding, even in traditionally 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!*

The New York Times

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 als
applies to food. Flavor Density re calo

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
- Millenials: born 1982-2000
  - 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 change so price is very importan to buyer;
- Has price limits so really driven by cost & overall supply situation.

Niche Market and Market Niche Examples:

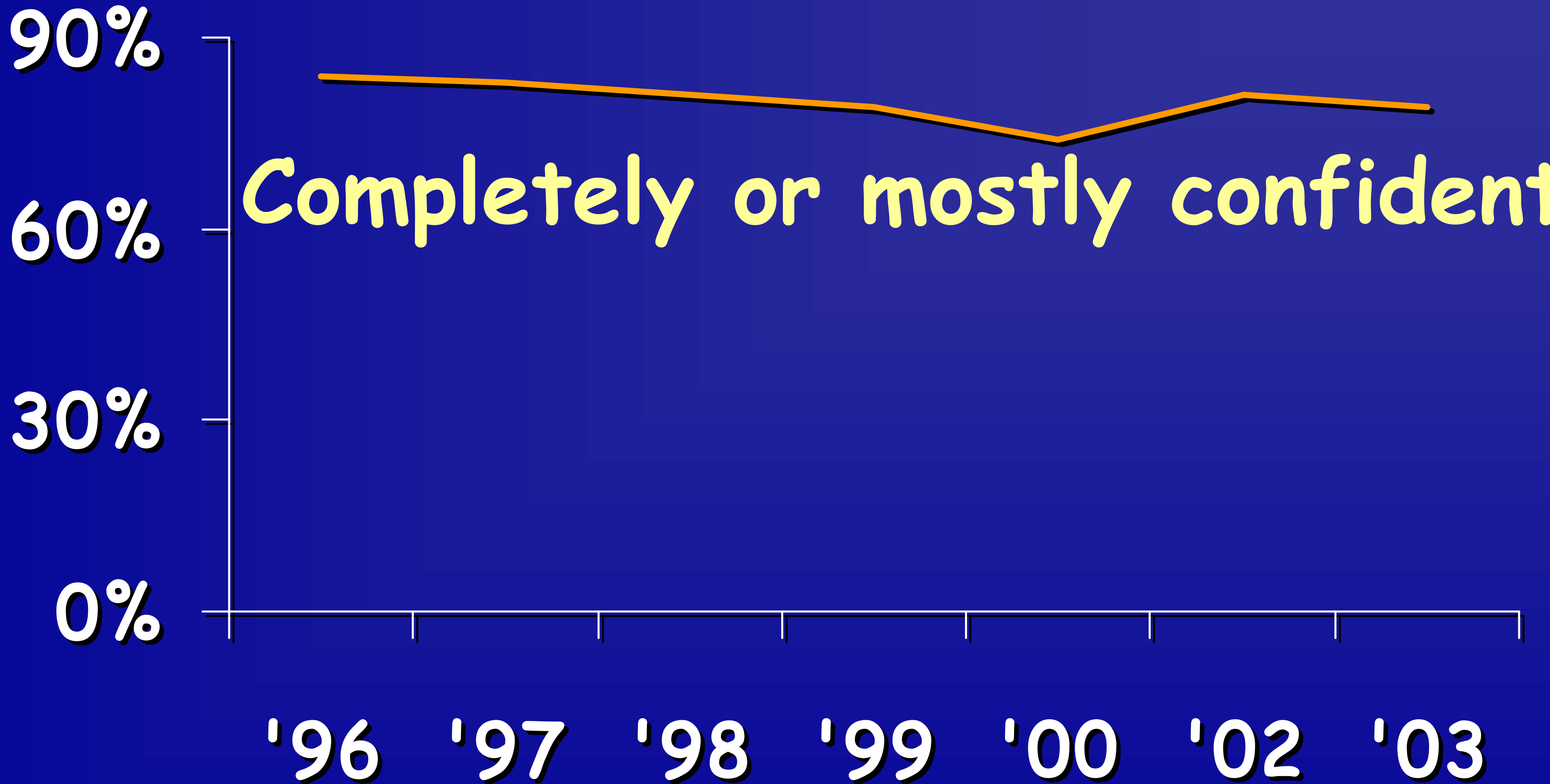
Niche Market

- 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

actors indicated by US consumers as influencing fresh produce purchases, 1990 vs. 2000

Factor	Rating of extremely or very important % 1990	2000
Taste/flavor	96	87
Ripeness	96	70
Appearance/condition	94	83
Nutritional value	65	57
Price	63	47
In-season	38	41
Growing region/country of origin	17	14
Organically grown	17	12
Brand name	9	n/a

n/a = Not available

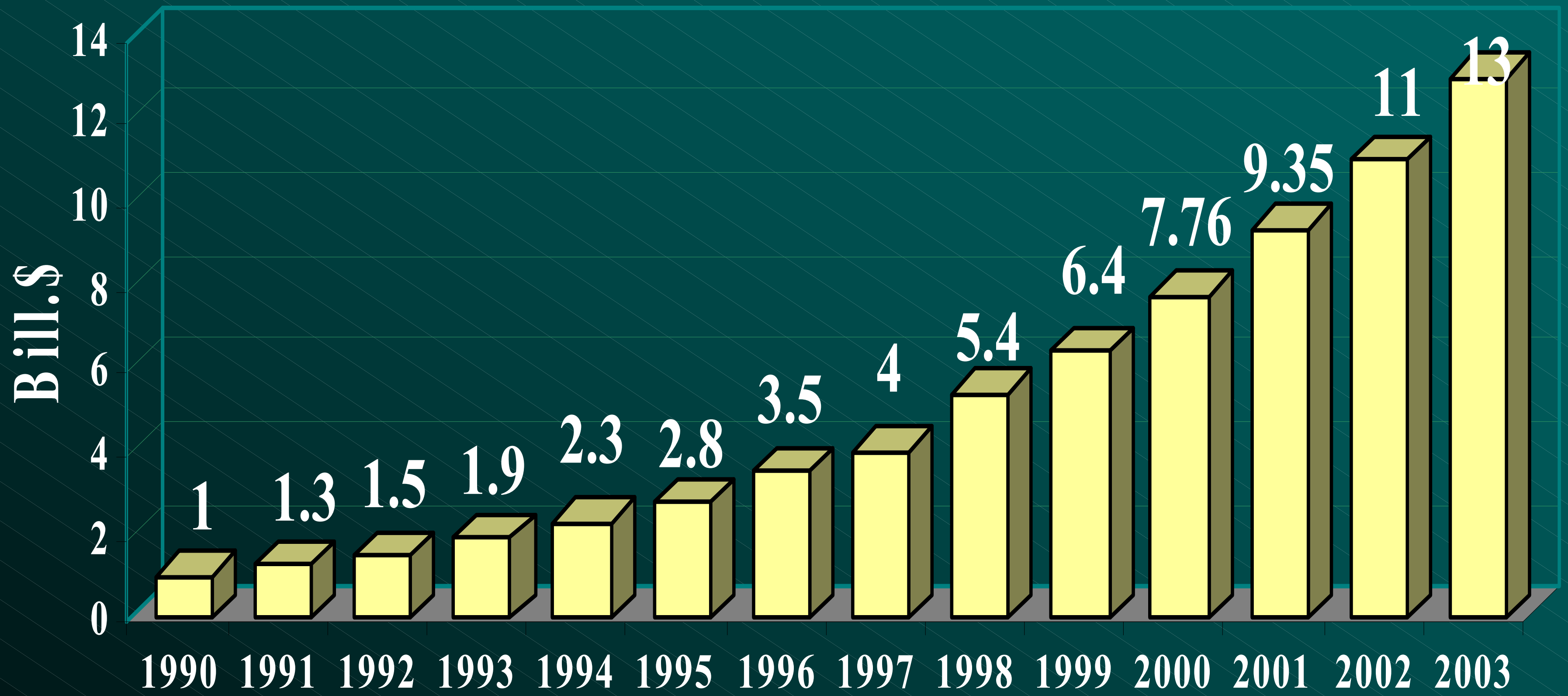
Source: Fresh Trends '90 and 2001

Should fresh produce items, packages, o displays be labeled to identify. . .? Summary "yes" responses

Nutritional value	77.1%
Country of origin	85.9%
Chemicals used in	90.7%
Organically grown	86.0%
Irradiated	77.8%
Use of biotechnology	78.4%
Use of waxes and/or	84.5%

ource: Fresh Trends 2002

US Organic food sales, 1990-2000 and sales forecast to 2003 ($billion)



Source: Organic Trade Association, *Consumer facts and market information*, 4-05-200

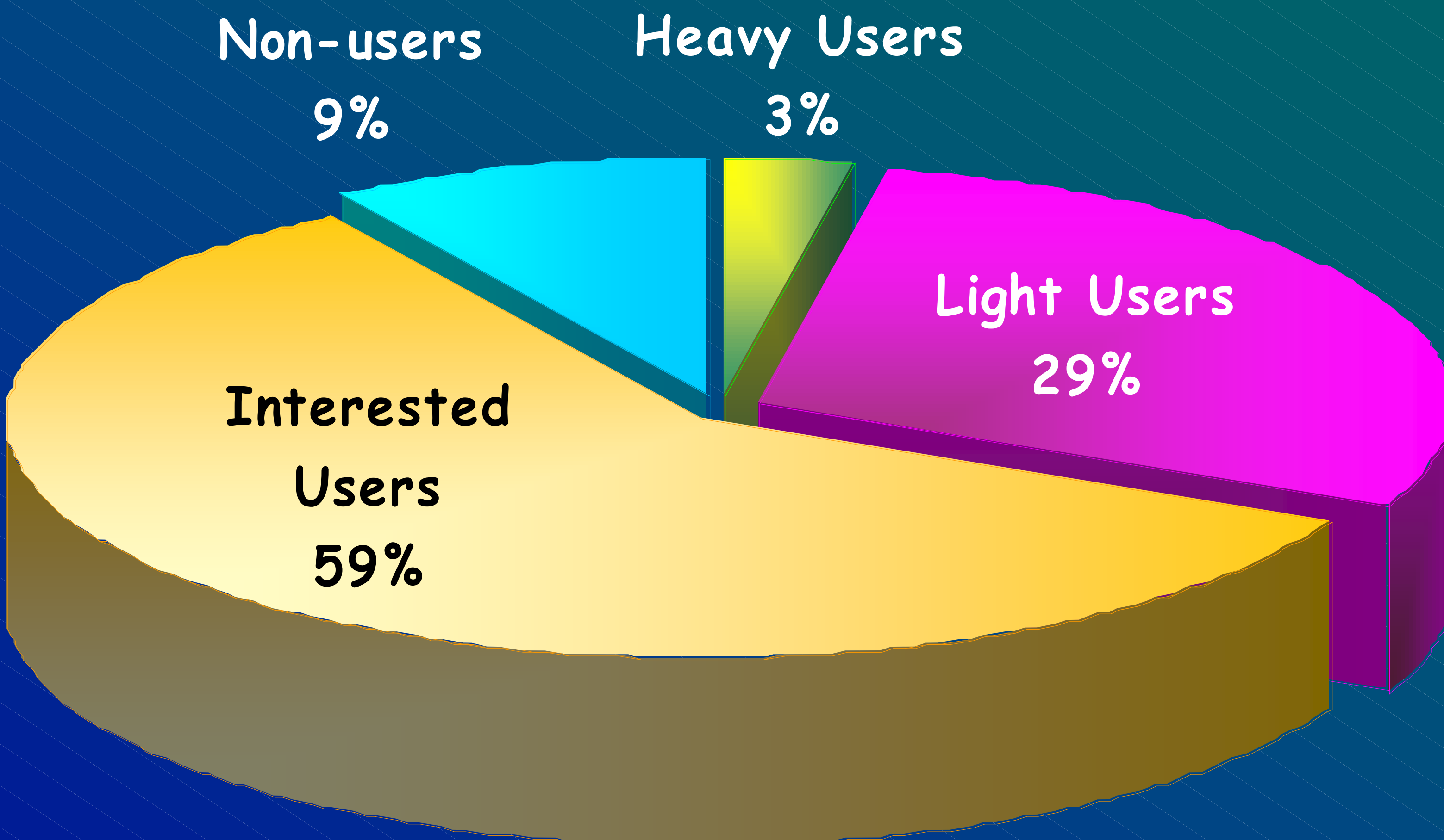
The Global Organic Food Market Expands Rapidly

- 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

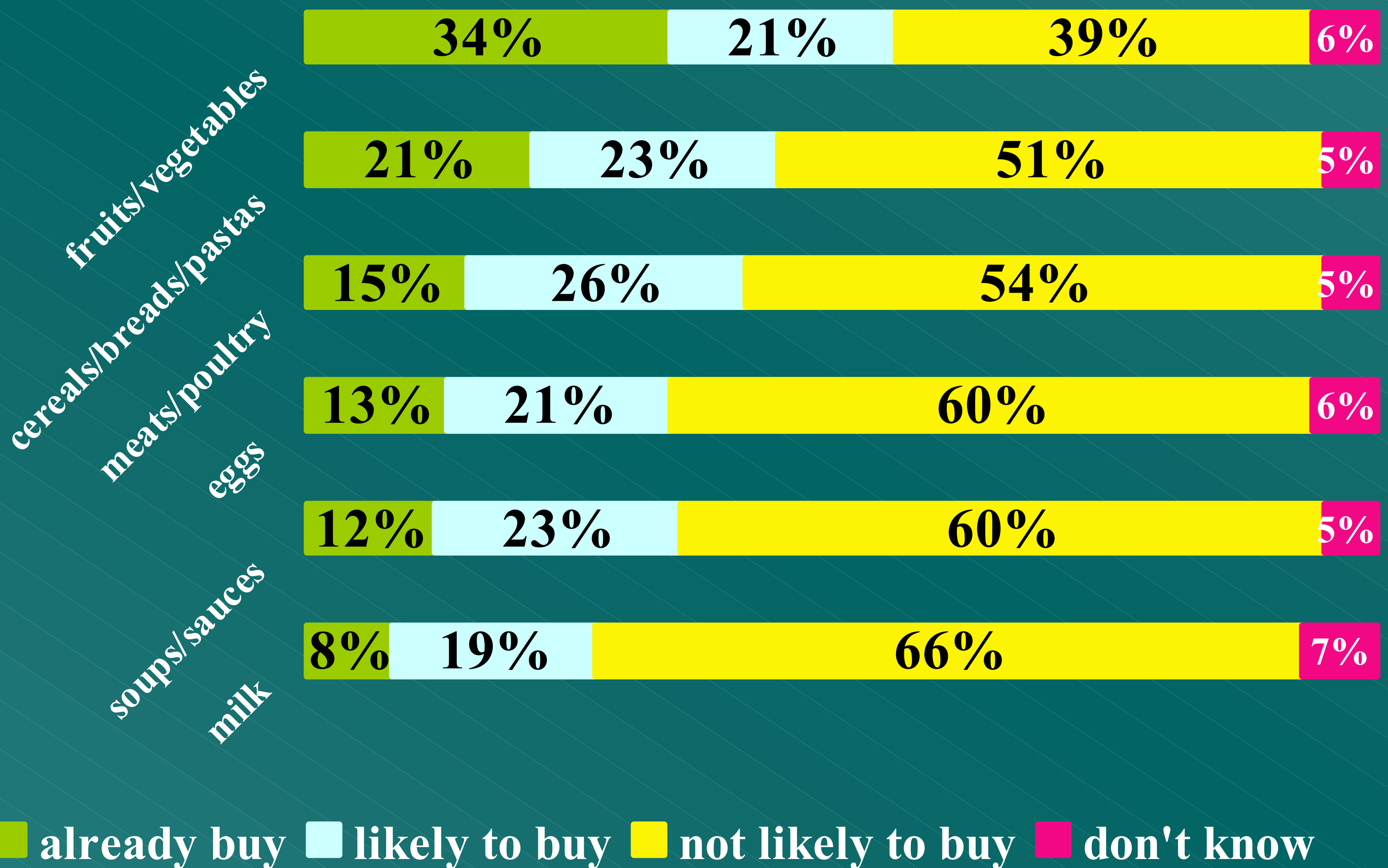
Typology of US Organic Consumers - 2000

Most interested users generally aren't urchasing but are curious and have cautiously favorable attitudes.



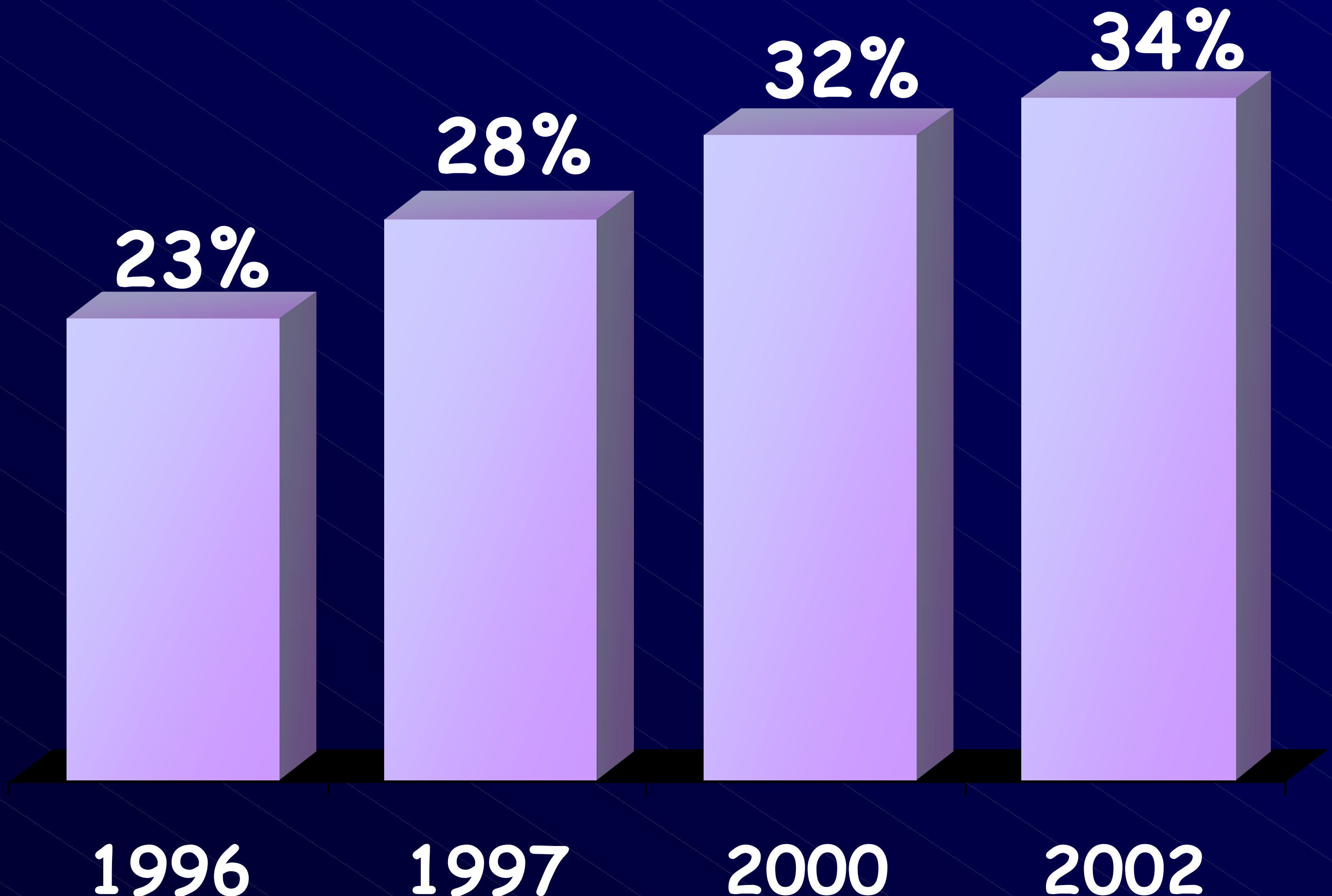
urce: Hartman-Group, 2000

Organic Foods



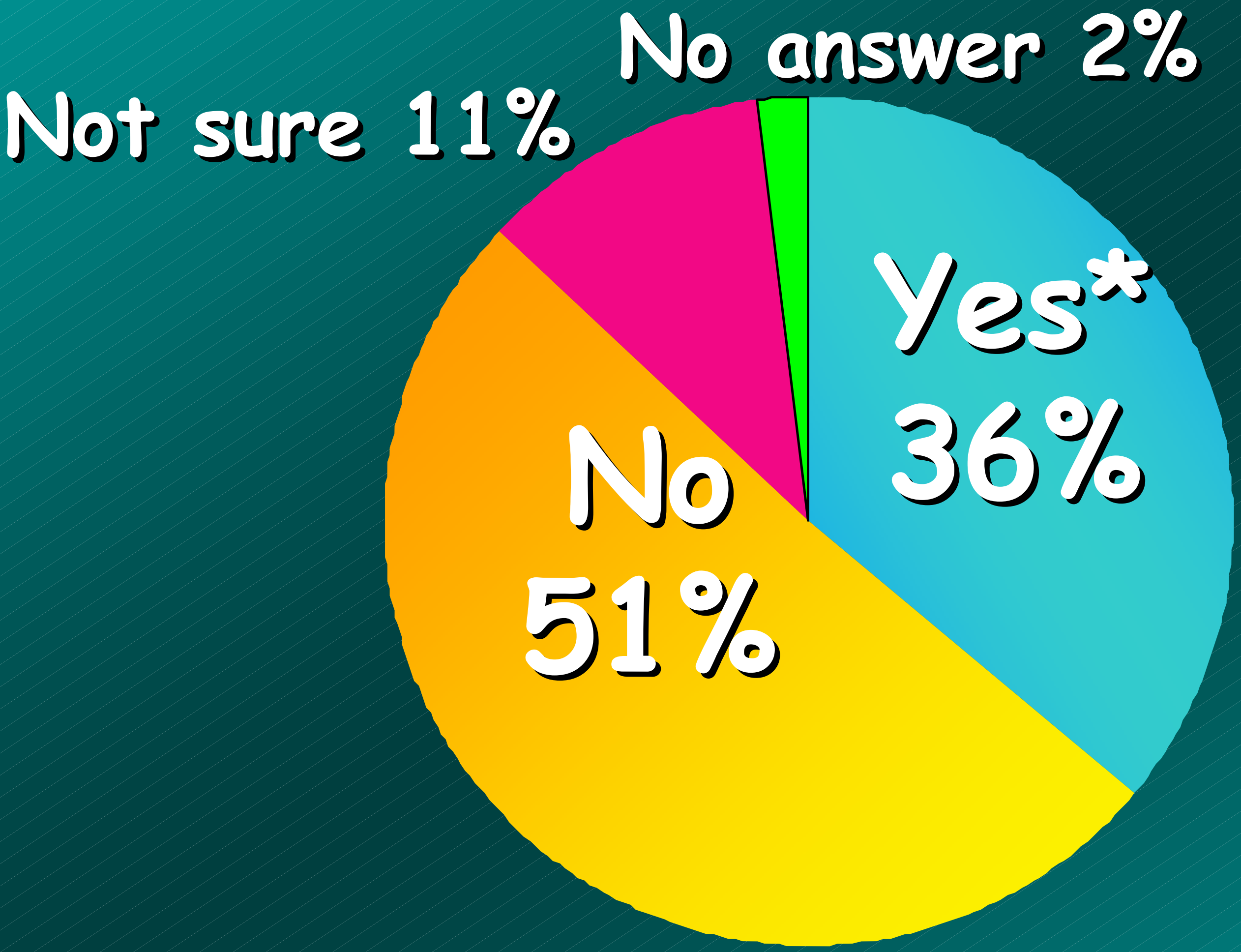
Source: Produce Merchandising, May 2002

Percentage of customers who purchase organic fresh produce



Source: Produce Merchandising, Sept. 2002

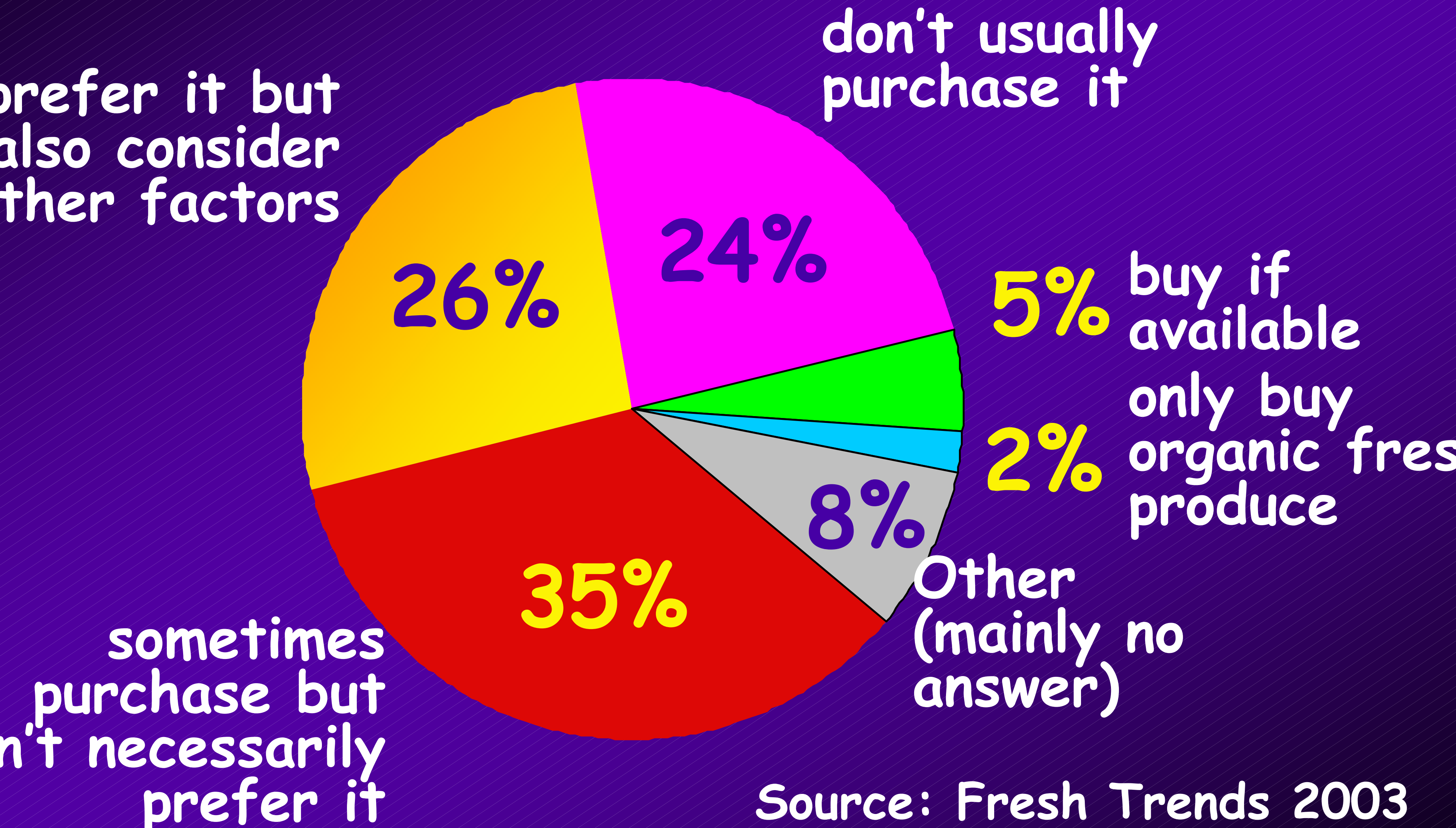
Have you ever purchased organic fresh produce?



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

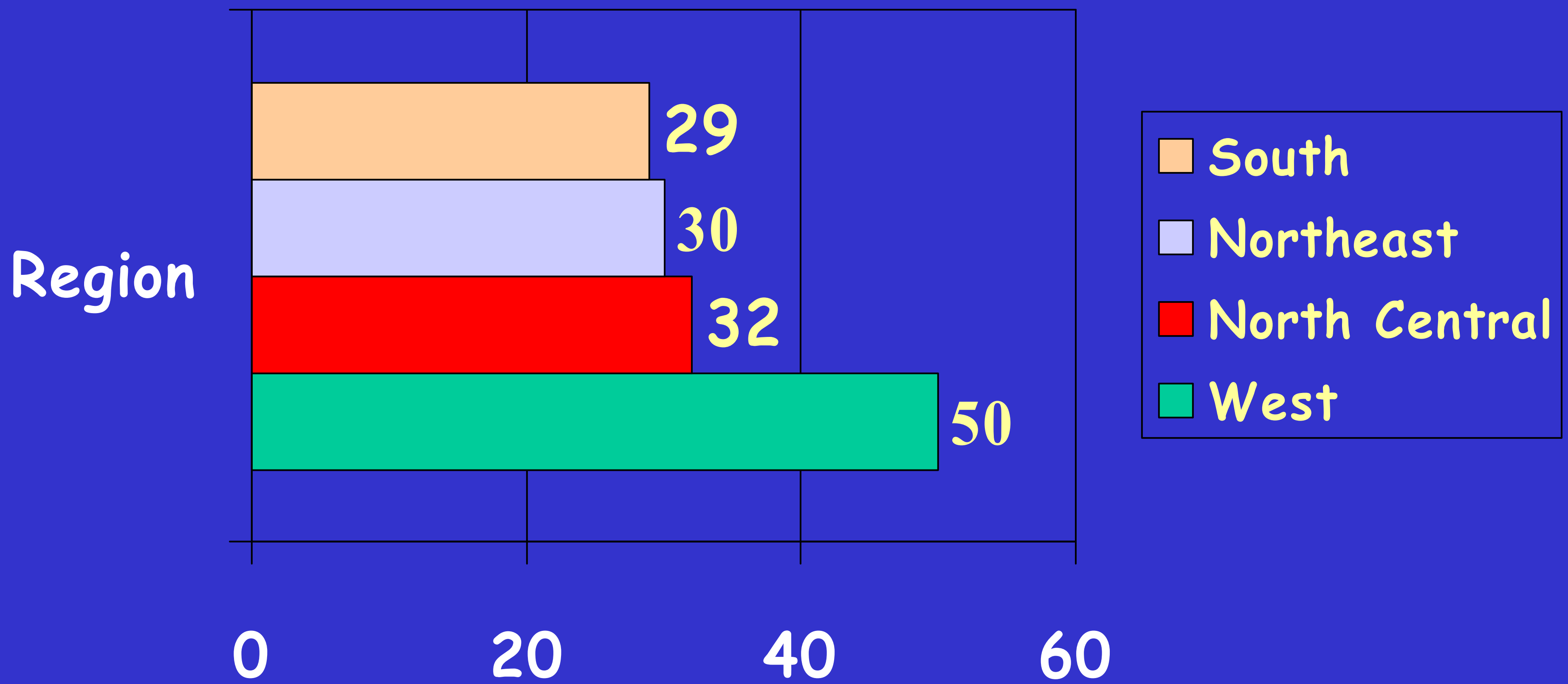
Source: Fresh Trends 2003

Organic Fresh Produce Purchases, among those having purchased



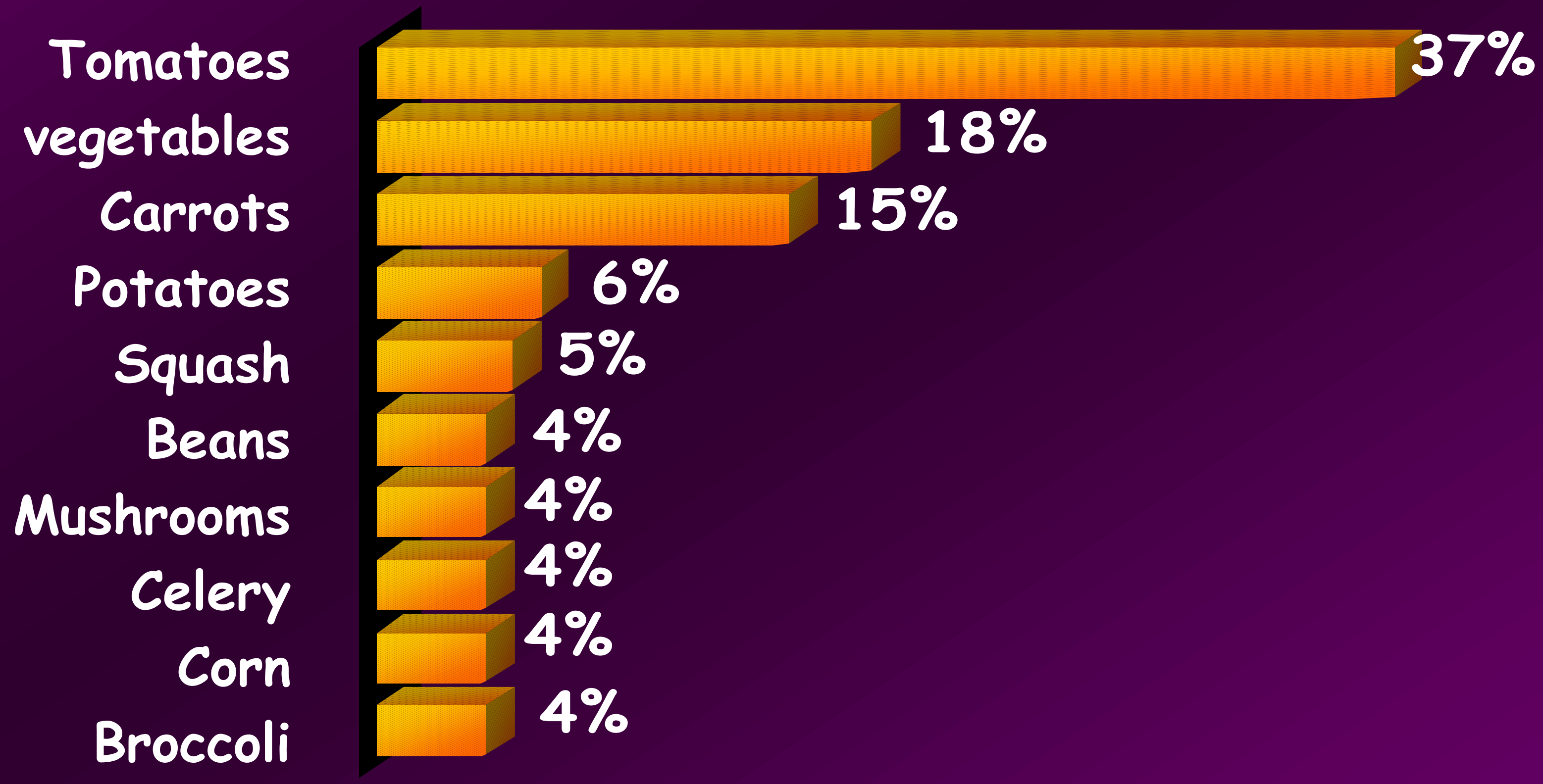
Source: Fresh Trends 2003

US Organic Consumption, % of Consumers Having Purchased in the Prior 6 Months, by Region



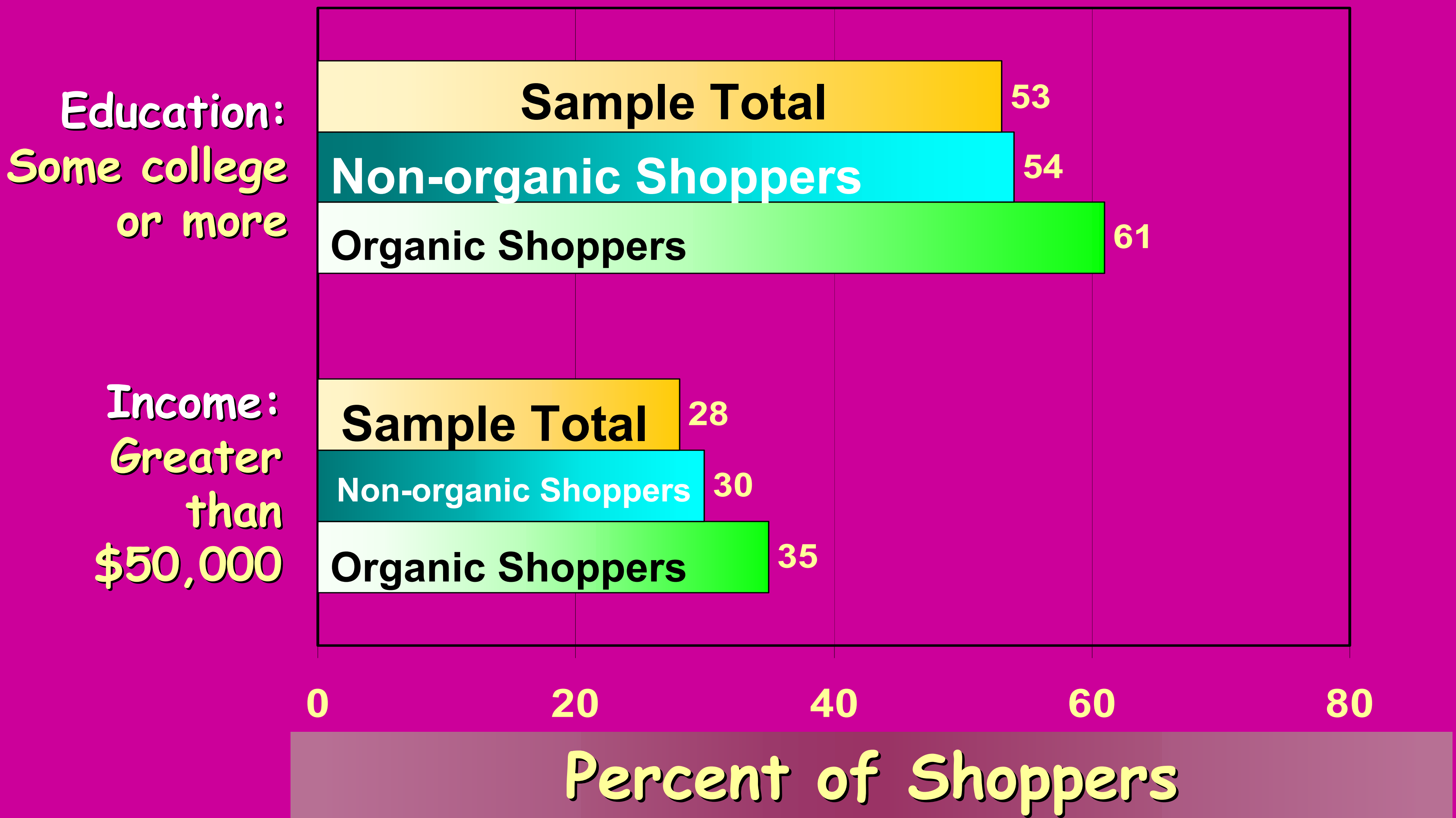
Source: Fresh Trends 2002

Top fresh organic vegetables purchased



Source: Produce Merchandising, Sept. 2002

Organic Shoppers are likely to have more education and higher income



ource: FMI Organic Shoppers

Percent of Shoppers Who Are Working Women

Source: FMI Organic Shoppers

Shopper's Eating Habits - 2003

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

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.

Source: Food and the Environment Update 2001, The Hartman Group

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.

Source: Food and the Environment Update 2001, The Hartman Group

"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!