

Part one of a two-part series

# A survey of Australian organic consumers

By JAMES MELDRUM

NOURISH, in conjunction with Metier Consulting, recently announced the results of one of the most comprehensive research studies on the Australian organic consumer market.

Based on more than 300 respondents, the *Australian Organic Consumer Report 2005* covers a range of behavioural and attitudinal factors, including household spending and product buying frequency, channel preferences, key buying criteria, brand awareness, organic certifier recognition, and price perceptions of organic versus conventional products.

In the first of two reports, we take a look at two of the most topical issues facing the organic industry: the integrity of organic food labelling and retail price perceptions.

## LABELLING INTEGRITY

When it comes to trusting whether a product is organic or not, consumers are divided. About 27% of consumers who regularly spend at least some of their weekly shopping spend on organic products trust that a product labelled 'organic' has been made to accepted industry standards, while 32% do not and 34% are unsure.

Interestingly, consumers who shop mostly at organic food stores appear to be one of the wariest groups of all – just more than 40% do not trust organic labels, compared to 15% for regular supermarket shoppers.

If you think this lack of trust may lead to inertia or inaction, think again. Organic consumers are vigilant in acting on their suspicions. Of those who do not trust organic labels, about 77% always check whether products are labelled 'certified organic', and 16% most of the time.

This is in marked contrast to consumers who already trust organic labels: almost 32% always check if products are certified. Indeed, the incidence of checking whether products are labelled 'certified' increases significantly with the proportion of weekly spend on organic products.

Less than one-quarter who spend less than 5% a week on organics always check for certification, while two-thirds who spend more than 75% always check.

The issue of labelling integrity is a key issue for the organic industry, particularly as organics become more

**Based on your current observations, what price premium do organic products have in general compared to non-organic products? What sort of price premium do you think organic products should have in general compared to non-organic products?**

|                     | Current (%) | Expected (%) |
|---------------------|-------------|--------------|
| No premium          | 0           | 15           |
| 1-5% premium        | 1           | 6            |
| 6-10% premium       | 4           | 22           |
| 11-15% premium      | 10          | 20           |
| 16-25% premium      | 24          | 8            |
| 26-50% premium      | 31          | 5            |
| 51-100% premium     | 11          | 1            |
| > 100% premium      | 3           | 0            |
| Don't know/not sure | 17          | 22           |
| Did not respond     | 1           | 1            |
| <b>TOTAL</b>        | <b>100</b>  | <b>100</b>   |

mainstream and newer manufacturers and producers enter the market.

Underpinning this issue is our finding that the most important source of information about organic products is the label itself. About 86% of organic consumers consider product labels very important or important as a source of information, followed by family and friends (73%).

## RETAIL PRICE PERCEPTIONS

Consumers are willing to pay more for organics – but not that much more. Most organic consumers (55%) believe current prices for organic products are generally between 16% and 50% more expensive than conventional products.

Indeed, just under one-third felt organics had a premium of 26%-50% compared to conventional products. About 14% believed the premium was more than 50%, while 17% did not know.

But when asked what premium organic products should have compared to conventional products, an interesting picture emerges. About 15% believe there should be no premium and 22% did not know. However, most felt there should be some premium but it should be limited to 6%-

| TRUST LABELS            | CHECK LABELS        |                  |           |        |       |
|-------------------------|---------------------|------------------|-----------|--------|-------|
|                         | Always check labels | Most of the time | Sometimes | Rarely | Never |
| Yes, I trust label      | 32                  | 38               | 20        | 5      | 5     |
| Maybe                   | 40                  | 35               | 19        | 6      | 0     |
| No, I don't trust label | 77                  | 16               | 6         | 1      | 0     |

15% (about 42% of organic consumers). So while consumers are generally prepared to pay a premium for organics, there is a significant disconnection between current price perceptions and future price expectations. But the answer may not be as simple as lowering prices to match conventional products.

In Britain, Sainsbury dropped prices on selected organic products to match conventional lines. The result? Sales performance was negligible and the original (higher) prices were reinstated.

What our results indicate, however, is that most Australian organic consumers believe existing organic price levels are relatively too high. They want organic products to be price-competitive compared to conventional products and are prepared to pay a premium – but not as much as many people may think.

And it is not just price-conscious supermarket shoppers who hold these attitudes. About 60% of consumers who mostly shop at organic food stores believe the premium should be 15% or less.

Interestingly, 84% of organic consumers who prefer farmers' markets to do their organic shopping believe organic products should generally have a premium of 15% or less compared to conventional – with around one-in-four saying the difference should be less than 5%, or no premium at all.

Although farmers' markets generally provide consumers with better prices compared to retail stores, the high expectation for even lower prices may concern some organic producers who feel that retail prices are being squeezed enough already.

To add to the confusion, about 97% of consumers who primarily buy their organic food from farmers' markets do so to support local farmers and growers. No wonder the question of what is a fair price is an issue.

Even though most consumers want prices reduced, we know there are also many sound reasons why organic retail prices are higher compared to conventional foods.

It may be, however, that some consumers do not yet fully understand or appreciate why there is a price differential, and that the organic industry still has some way to go in effectively communicating the benefits (and costs) of organic food production to the wider population.

This is an area that will be explored further in the 2006 survey.

Price is a major barrier, even for frequent organic shoppers. Given the difference between current price levels and consumer expectations, it is not surprising that the highest-ranked incentive to encourage more organic buying is lower prices (more than 70% of organic consumers).

This was followed, by a significant margin, by more con-

**What would make you buy more organic products? (Multiple responses allowed; major reasons only)**

| FACTOR  | %  |
|---|----|
| If prices were lower  | 71 |
| If organic food stores were more conveniently located                           | 55 |
| If I could buy a wider range/variety of products                                | 54 |
| If there was a single, national standard to prove what's organic and what's not | 48 |
| If I could buy more in supermarkets   | 41 |
| If there was more information about the source/origins of products              | 39 |
| If I knew what the most popular/trusted organic brands were                     | 17 |
| If there was more evidence that organic food was better/healthier for you       | 12 |
| If supermarkets had more organic 'home brands'                                  | 10 |

veniently located organic food stores (55%) and a wider variety of products (54%). A single, national standard to prove what is organic or not was mentioned by slightly less than half of all organic consumers as a key incentive to buy more.

The role of supermarkets is also relatively high on many consumers' minds, with just more than 40% of organic shoppers claiming they would buy more if supermarkets stocked a wider range of organic products.

The opinion of Australian consumers that organics are too expensive reflects similar results from US studies. In 2003, the Hartman Group found the main reason why US consumers did not use more organic products was due to higher prices.

This study also found that 58% of 'Core Organic Consumers' (those who have made most things in their life organic) considered the expense of organic products was restricting them from consuming more.

An interesting pattern emerges when looking at weekly shopping spend. For those spending less than 5% on organic products, lower prices (88%) and more availability in supermarkets (68%) would encourage greater organic consumption.

Even for those spending between 51%-75% of their weekly shop on organics, lower prices are very important (77%) followed by conveniently located organic food stores (56%).

It is not until organic products exceed 75% of the weekly shopping basket that consumers feel they are spending enough on organics and nothing would encourage them to buy more (22%).

Of the "75% plus" spenders, less than half would buy more if prices were lower, while one-quarter would increase spending if supermarkets stocked more organic products.

In the next issue, we take a look at what organic consumers are buying and what they intend to buy, where they shop, why they purchase organic products, and the effectiveness of branding. ■

**The Australian Organic Consumer Report 2005 is published by Nourish. For copies, please contact James Meldrum, phone (03) 9421 6880; email james@nourish.net.au.**

| % Weekly spend on organics | When you see a product labelled as 'organic', do you trust it has been made/grown to accepted organic standards? |           |           |             |            |
|----------------------------|--|-----------|-----------|-------------|------------|
|                            | Yes  | Maybe     | No        | Don't think | Don't know |
| Less than 5%               | 8  | 28        | 28        | 32          | 4          |
| 5-10%                      | 33   | 24        | 24        | 10          | 10         |
| 11- 25%                    | 23   | 41        | 36        | 0           | 0          |
| 26-50%                     | 21   | 43        | 34        | 0           | 0          |
| 51-75%                     | 40   | 33        | 23        | 0           | 4          |
| > 75%                      | 30   | 27        | 43        | 0           | 0          |
| Don't know/not sure        | 0  | 100       | 0         | 0           | 0          |
| <b>TOTAL</b>               | <b>27</b>  | <b>34</b> | <b>32</b> | <b>4</b>    | <b>2</b>   |