Approaches to organic produce market segmentation

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Abstract: The marked growth in the demand for organic produce places the significance of consumers for the future development of the organic produce market into the forefront. As a part of strategic marketing, market segmentation is one of the required steps enabling the marketing process management. More often than not, the results of empirical research related to market segmentation, attempting to present the profile of an organic produce consumer, are incoherent and contradictory. Reasons for these discrepancies, and the authors' proposal on how to approach the organic produce market segmentation are discussed in this article.

Key words: organic produce market segmentation, criteria for market segmentation, organic produce consumers

1 Introduction

The organic produce market has more than trebled within a decade [1]. According to the latest FiBL-IFOAM research into certified organic agriculture, the total revenue from the sales of organic food and drinks in 160 countries amounted to 59 billion US dollars in 2010, whereas the same data for the year 2000 is 17.9 bn USD. 96% of the total sales revenue from organic produce comes from North America and Europe. The indicators for the Republic of Serbia are far more modest, and approximation shows that farmgate value of all organic produce in 2009 ranged between 20 and 20 million euros [2].

The future development of organic farming and organic produce market will primarily depend on the consumers of these products [3,4]. This is also the context for understanding the pronounced interest in organic produce market segmentation, i.e. effort to research the organic produce consumer profile. Kotler lists market segmentation among the steps in the marketing management process [5]. Together with targeting and positioning, market segmentation is a constituent of strategic marketing subsequent to completing marketing research, and preceding tactical marketing, i.e. marketing mix, and its implementation and control.

2 Profiling the organic produce consumers

In addition to a large number of individual pieces of research aimed at depicting the profile of organic produce consumer, literature also provides scientific articles giving summary overviews of such research.

Having researched articles covering a period of 20 years, Hughner, McDonagh, Prothero, Shultz and Stanton find that, despite certain contradictions in certain instances of research, the most commonly identifiable organic produce consumers are women...
with children in their households and older consumers, whereas younger consumers, despite more positive attitude to organic produce, tend to buy them less frequently due to their higher prices [3]. The same authors state that, when it comes to the impact of income and education levels on the consumers’ preference to buying organic produce, the research results available can be quite contradictory. Research into regular organic produce consumers for whom organic food consumption is an integral part of their lifestyles is regarded as well-established.

Studying the correlation between certain socio-demographic characteristics and willingness to pay for organic produce, Bonti-Ankomah & Yiridoe cite various studies showing no correlation between gender, age, income or education levels, in terms of presence, direction or impact of these variables on consumers’ willingness to pay for organic produce [4].

Dimitri & Oberholtzer give a summary overview of research into the profile of organic produce consumers in the USA, pointing out that organic produce “consumers fuel market growth but defy easy categorization” [6]. These authors cite some studies into organic produce consumers in the USA with no coherent findings either in relation to the consumers’ race (on the one hand, there are studies claiming that Asian and Latino Americans are most likely to purchase organic produce, whereas the most loyal adherents to this lifestyle are Latino and African Americans, while on the other, there are sources asserting that African Americans are the least likely to buy organically grown vegetables) or to how presence of children in the household or income affect the likelihood of purchasing organic food. Still, the authors argue that the only common denominator identifiable is the influence of education level on purchasing organic produce.

It is indicative that not even elements cited as common to the above mentioned summary overviews of research into organic produce consumers’ profile they refer to are common when summary research overviews are compared.

An explanation of a part of these contradictions is also given by the authors of summary research overviews. Dimitri & Oberholtzer emphasise that most studies are based on one-day surveys of willingness to pay for organic produce, conducted in retail outlets while collecting data on demographic or retail issues [6]. Inconsistencies can be explained by the fact that research covers consumers in different parts of the word, attitudes to different organic products, and includes different explanatory variables.

Bonti-Ankomah & Yiridoe find causes of contradiction between individual studies in the facts that the geographic focus of most studies limits the possibility for their generalisation, that the samples are not representative, as respondents were mostly found at specific locations or in food shops, and that a part of the studies is generalised and does not relate to specific organic produce or product groups [4].

At this point, it is also necessary to consider the correlation between the criteria for market segmentation used for describing organic produce consumers, and theories explaining the behaviour of these consumers. Most often, organic produce consumers’ behaviour is explained according to The theory of planned behaviour and The values theory [7].

The theory of planned behaviour, proposed by Ajzen, predicts consumer behaviour based on intention to perform behaviour and perceived behavioural control. In this, the intention to perform behaviour is determined by attitude towards the behaviour, subjective norms and perceived behavioural control. Attitudes stem from the correlation between beliefs and their evaluation, and have their cognitive and affective component, subjective norms are the pressure of society on an individual to perform or not perform certain behaviour, whereas perceived behavioural control is the perception of one’s own ability to perform certain behaviour.

The Values theory was proposed by Rokeach. Based on his observation of people as biological organisms and socially interactive members of social groups struggling for survival and welfare, Schwartz defined 10 basic values that motivate worldwide. The most important values leading to the purchase of organic produce are safety (related to health) and hedonism (related to taste), and – in some segments particularly (regular consumers and the young) – the value of universalism related to environmental protection and wildlife and animal welfare.

Although the criteria for market segmentation used as the basis for describing organic produce consumer profiles are not explicitly mentioned in
theories explaining the behaviour of these consumers, Aertens, Verbeke, Mondelaers & Van Huylenbroeck emphasise that socio-demographic factors are nevertheless implicitly present in these theories, as consumers, classified into segments based on the above mentioned criteria, may differ by attitudes, intentions and behaviour [7].

3 A proposed approach to research into organic produce consumer profiles

Based on the observations presented above, the authors of this article would first like to emphasise a prerequisite for research into organic produce consumers in terms of describing their profiles [4,6]. It is necessary to start from studying the consumers’ attitude to a single organic product or product category, rather than organic produce in general. It is also necessary to bear in mind the representative character of the sample the research is conducted on.

In addition, the authors propose a consumer preference-based segmentation of the organic produce market. Recently, there is a growing amount of research where market is segmented based on consumer preference [8-10].

Preference-based market segmentation can play a special role in countries with an emerging or growing organic produce market, like Serbia. In support to using this approach, it can be argued that such markets mostly do not offer a large number of organic products, but there are a lot of initiatives for introducing new ones. Moreover, market segmentation based predominantly on surveying consumers who are already buying organic produce would result in neglecting a segment of the population significant for research – those who, due to absence of purchase habits, low availability of organic produce, currently limited income or similar reason – are not buying organic produce at the moment, but may have expressed preference for buying these product and the potential to develop it further to purchase phase, which is of essence for further market development.

The advantages of preference-based market segmentation over the classical approach to market segmentation were presented, among others, by Reynolds & Wilson-Jeanselme [11]. These authors use conjoint analysis for preference based market segmentation.

Conjoint analysis is a technique used in situations where the decision maker has to choose between options where two or more attributes vary [12]. Based on their insight into the research of a large number of authors, Gustafsson, Herrmann & Huber list various possibilities of applying conjoint analysis: for planning new products, for determining the preferences of innovation effects, for advancing the existent achievements, for pricing, advertising, distribution, controlling, market segmentation, and stimulating purchase decisions with a focus on competitors’ response [13].

The use of conjoint analysis for preference-based market segmentation is usual, although there are doubts as to whether it is more appropriate to use choice-based or rating-based conjoint analysis [11,14].

The authors of this article see the advantages of applying preference-based market organic produce market segmentation in:

- formulating questions in a manner appropriate to real-life purchase situations;
- reducing the number of socially desirable answers, which is a frequent problem in the implementation of survey methods [15];
- introducing other attributes of a given product, thus enabling an insight into the relative significance of the product's organic (conventional) attribute and the preference for organic level of that attribute, and defining different market segments based on this;
- possible testing the significance of various other segmentation criteria for describing the segment defined in a manner described above;
- possible comparability of results of various research and studies;
- possible use of this method for planned new product launches and on emerging and developing markets; and
- studying the difference between expressed preferences and purchases, in terms of obstacles preventing preferences to transform into purchase events.

In addition to the above, the implications of adopting a new approach to organic produce market segmentation would also related to marketing mix instruments (notably product, place and promotion). Also, significant implications could also relate to
4 Conclusion

The dynamic growth on the organic produce market, especially recorded over the past decade, has placed research into the organic produce consumers into the forefront, as they are the primary agent affecting the future growth in this market.

This has given rise to the publication of numerous articles attempting to depict the profile of an organic produce consumer. The results published in individual papers, however, are contradictory. Certain authors give summary overviews, trying to establish the common denominator. Nevertheless, the elements listed as common in these summary overviews of research into the organic profile consumer consumers are not common when the summary research results are compared.

In addition to shedding light on the causes of incoherence and contradiction in the results of the existent research into organic produce consumer profiles, this article also attempts to propose an approach to the issue –the preference-based segmentation by means of conjoint analysis. The potential benefits of this approach are discussed, not only by elaborating on the verified benefits recorded in the already existent literature, but also by offering the authors' own argumentation.

The authors’ idea was not to propose accepting the above approach in such a manner as to exclude other existing approaches. The fundamental idea is to initiate discussion on this topic, which is significant for future research into organic produce consumers, and provide a broader space for comparing results from countries with emerging and developing markets (including the authors’ country origin) with research results obtained in countries where the market is at higher levels of development.

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