
Consumers' willingness to pay more for organic food products-A study with reference to the Chennai city**Dr. Shrimathy Ramalingam, M.com. M.Phil., PhD¹, R.Neela Anuradha M.com. M.Phil. SET²**

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ABSTRACT:

In the present era, consumers are becoming more health conscious due to the increasing health hazards. So consumption of organic food products have increased to a greater extent than ever before. This study aims to research about the key factors influencing consumers' willingness to pay more for organic food products. The results showed that education and quality attribute of organic food products are the motivating factors to pay a premium price for organic food products.

Key words: organic food products, willingness to pay

Introduction

The Consumers' purchase behaviour for food products is undergoing significant changes across the world .The increased challenges on health issues and changing lifestyles, coupled with environmental pollution have created a major impact on consumer's purchasing decisions. Alarming increase in the growth of cancer due to the increased usage of pesticides in farming, has created a major health impact in the society. Even a small amount of pesticides and fertilizers can create major health hazards for children, younger generation.

Organic farming is closely related to the Indian agricultural practices. Growing responsiveness towards environment, health and society has created an urge among Indian consumers and agriculturalists to choose organic food as the best alternative.

Significance of the study:

This study attempts to evaluate the consumer's willingness to pay the price premium for organic food products. It also attempts to identify the factors affecting the willingness to pay for organic food products in India. The demand for organic food products in India among various demographics have also been analysed in this study.

Statement of the problem:

Nowadays Indian consumers have become more conscious about food safety and quality due to the increasing ailments like obesity, high cholesterol, cancer, and other similar common health problems. As a result, the Indian organic food market has grown drastically in recent years. Also the increase in disposable monthly income and awareness also influences the organic food market. There is a change in mindset of Indian consumers is observed these days. Though organic foods are more expensive than regular food products, consumersexpress more willingness to purchase. Thus, this research study is conducted in Chennai city to analyse the consumers' willingness to pay for organic food products.

REVIEW OF LITERATURE:

1. Aryal et al. (2009) revealed in their research that consumers expressed a positive attitude towards pricing of organic food products. Majority of the consumers felt that organic food pricing is reasonable only when compared to conventional foods. Based on the availability, consumers were ready to shed an extra premium pricing for organic foods.

2. Diaz (2012) analysed that the level of knowledge about organic food products and their level of consumption significantly found to influence the willingness to pay for organic food. Those who were less aware of organic food benefits felt that pricing is too high.so it was suggested to create more awareness among the Spanish consumers regarding organic food products.

3.Sriwaranun, Gan, Lee, and Cohen (2015) highlighted that food quality attributes like freshness, appearance, and nutritious for health and the pesticides-free attribute were the major factors influencing the purchase of organic foods. Ethical concerns towards animal welfare and the fear of GMOs in conventional food production also increased consumers' willingness to pay for organic food products.

4. Nandi, Bokelmann, Gowdru, and Dias (2016) revealed that organic consumers perceived that the organic foods are free from chemical residues than conventional products. Environmental consciousness, trust in retailers, belief in rich nutrient content and availability in the market influenced the customers' willing to pay high for organic foods. Among the demographic variables, Income, family size and Gender are the significant factors.

5. Jin et al. (2017) showed that consumers had a positive WTP for both types of a food traceability system, but the average premium that consumers were prepared to pay for traceability with detailed information was 10% higher than that with abbreviated information

6. Chege et al (2019) analysed the determinants of WTP for nutritious foods and concluded that providing nutritional information about the product, characteristics of household head, economic status of the household, and presence of young children in the household, influence WTP for the safe and nutritious food

7. Kumar Bhattarai (2019) highlighted in his study that those consumers who suffered from serious health issues due to the consumption of conventional vegetables preferred to to pay high for pesticides free organic vegetables. Consumers were ready to shed 25%extra for these naturally grown vegetables.

8. Jabir Ali (2020) depicts that health consciousness is the major driving factor among the consumers which influences their willingness to pay .It is followed by other factors like product quality, taste, packaging, and price and consumers preference for convenient shopping experience also. Income and education are the significant factors among the demographic variables in the purchase of health and wellness products.

OBJECTIVES OF THE STUDY:

1. To analyse the influence of demographic factors on consumers' willingness to pay more for organic food products.
2. To analyse the spending pattern of organic food consumers.

RESEARCH METHODOLOY:

Primary data

A well-structured questionnaire was prepared and distributed to the consumers of organic food products in the Chennai city.

Secondary data

The various secondary information sources used for the present research include the journals and magazines and also obtained through different websites of organic food products.

Statistical tools used

The data collected was analysed through simple percentages, frequency analysis and chi- square Analysis.

Sampling Design

In this study stratified random sampling technique has been used and 100 customers were selected.

Limitation of the Study

1. The consumers may be hesitant to provide the necessary information.
2. Only 100 respondents were selected for sampling
3. Data is restricted only to the selected areas of Chennai city.

ANALYSIS AND FINDINGS

Demographics		No. of respondents	Percentage (%)
age	18-25years	20	20
	26-35years	32	32
	36-45years	36	36
	Above 46years	12	12
GENDER	MALE	41	41
	FEMALE	59	59
MARITAL STATUS	Married	72	72
	Unmarried	28	28

No: of members in the house hold	Two	26	26
	Three	31	31
	Four or more	43	43
Monthly Income	Below Rs.50,000	26	26
	Rs.51,000- Rs.1,00,00	43	43
	Rs.1,01,000- Rs.1,50,000	18	18
	Rs.1,50,001 and above	13	13
Education	Under Graduate	11	11
	Graduate	30	30
	Post Graduate	42	42
	Professional	17	17
occupation	Student	11	11
	Homemaker	25	25
	Professional	42	42
	Business	15	15
	Retired	7	7
Background	Rural	27	27
	Urban	61	61
	Migrated from abroad	12	12

Source: Primary Data

- Majority of the consumers belonged to the age group of 36-45(36%)
- Majority of the consumers were female (59%)
- Majority of the consumers were married (72%)
- Majority of the consumers have four or more persons in the household (43%)
- Majority of the consumers have monthly income Rs.51, 000-Rs.1, and 00,000(43%)
- Majority of the consumers were Post Graduates (42%)
- Majority of the consumers were Professional (42%)
- Majority of the consumers were from urban background (61%)

SPENDING PATTERN ON ORGANIC FOOD CONSUMERS

Spending pattern	No. of respondents	Percentage (%)
80% on regular food and 20% organic food	10	10
60% on regular food and 40% Organic food.	33	33
40% on regular food and 60% organic food	38	38
20% on regular food and 80% organic food.	10	10
100% on organic food.	9	9

- Majority of the consumers spent 40%on regular food and 60% on organic food (38%)

WILLINGNESS TO PAY MORE FOR ORGANIC FOOD PRODUCTS

Willing to pay	No. of respondents	Percentage (%)
10% more	15	15
15% more	20	20
20% more	25	25
25% more	32	32
30% more	8	8

- Majority of the consumers were willing to pay 25% more (32%)

WILLINGNESS TO PAY BASED ON PRODUCT ATTRIBUTES

Factors	No.of respondents	Percentage (%)
Quality	21	21
Taste	12	12
Packaging	10	10
Health consciousness	29	29
Environmental consciousness	20	20
Social status	5	5

- Majority of the consumers were willing to pay high based on health consciousness (29%)

Hypothesis testing:

- There is no significant association between Income and willingness to pay for organic food products
- There is no significant association between education and willingness to pay for organic food products

Ho (1) there is no significant association between Income and willingness to pay for organic food products

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.877 ^a	6	.331
Likelihood Ratio	7.031	6	.316
Linear-by-Linear Association	.021	1	.877
N of Valid Cases	100		

Source: computed data

From the above table, it is found that Pearson Chi- Square= 6.877, p = .331 are statistically insignificant at 5% level. Therefore it can be concluded that there is no association between income and willingness to pay for organic food products.so the null hypothesis is accepted.

Ho (2). There is no significant association between education and willingness to pay for organic food products

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.210 ^a	6	.007
Likelihood Ratio	17.168	6	.007
Linear-by-Linear Association	10.468	1	.001
N of Valid Cases	100		

Source: computed data

From the above table, it is found that Pearson Chi- Square= 17.210, p = .007 are statistically significant at 5% level. Therefore it can be concluded that there is a deep association between consumer behaviour and the educational level of the consumers of organic food products.so the null hypothesis is rejected.

Findings of the study:

- There is no deep association exists between income and willingness to pay high for organic food products
- There is a deep association exists between education and willingness to pay high for organic food products
- Majority of the consumers revealed that they were willing to pay high based on the product attribute health consciousness.
- Majority of the consumers were willing to pay a price premium of 25% more for organic food products due to the health benefits acquired.

Suggestions:

The producers and marketers of organic food products can develop their strategies based on the socio demographic factors, psychographic variables, product attributes, and market attributes. The education and income are the important factors that are likely to affect the WTP for organic food products. So the marketers shall make use of this information in their segmentation, targeting, and positioning strategy. Similarly, the consumers are product- centric and focus much on product quality and health attributes rather than the other product attributes. The regulators and policymakers may also utilize the knowledge on the willingness of the consumers to pay for organic food products and protect the interest of the consumers by regulating the excessive high pricing of the products.

Conclusion:

This study provides practical insight into the willingness of consumers to pay and correlate the factors influencing the willingness to pay for purchasing organic food products.

Unquestionably, the respondents believe that organic food products are rich in quality, good for their health and comes with the authentic traditional taste of India. Consumers opined that prevention is better than cure. So they exhibited greater interest to pay premium pricing for organic food products as an investment for health.

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