

# **Consumer Response to Green Market Opportunities**

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## ***Consumer Response to Green Market Opportunities<sup>1</sup>***

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Consciousness of Indian consumers towards environmental concerns has been consistently increasing particularly since Bhopal tragedy. The preference and/or demand for organic agricultural products cannot be totally distinguished from the demand of or attitude towards other environment-friendly products. We took up a survey with the help of PGP and FPM students, faculty colleagues of Indian Institute of Management, Ahmedabad and other members of the Honey Bee Network in the country three years ago. In this paper, we summarize the highlights of the consumer response and some correlates of their attitudes towards environment-friendly products/services. It is obvious that considerable improvement is needed in the instruments of survey as well as the methodology so that reliable estimates can be generated about green consumers in the country. Such estimation is necessary if niches for organic products have to be generated and incentives for green entrepreneurs have to be provided.

### **Perception of Organic Products: an action research experience**

A small scale action research experiment was started three years ago in the campus to find out the response of colleagues to certain products such as organically grown wheat, pulses, oil seeds, etc. Only one faculty member responded first year, two responded next year and four faculty and other colleagues responded third year. Outside the campus, about ten people responded in third year. Not many people asked questions about reliability of the organic origin of the products. Apparently they trusted our credentials. But most people were very price conscious except few who were highly variety conscious i.e. they wanted to buy a particular variety of wheat which after a while was not available and consumers wouldn't shift their choice. Many people buy their annual requirements in a particular month and if the availability is not assured by the time, they would buy the ordinary product available in the market. Several people would like to see a sample, test it and then place an order. In the absence of inventory, this led to stock out with the farmer. The low production of this variety due to poorer rains last year, the farmer got good demand and sold out every thing. There are several practical problems of this kind which affect many new products and certainly some of the organic products. However, once consumers have tasted the product, some would like it because of its perceived

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<sup>1</sup> This is draft paper presented at National Workshop on Marketing of Organic Food Products, ISAM, Ahmedabad. Several colleagues helped in designing the survey schedule and analysing the data. Particular thanks are due to Prof A K Jain and Gopal Naik for help in designing and Prof Madhavan in analysing. There still are shortcomings in the design of the survey and responsibility is entirely ours. PGP students of ISPE course have been very helpful besides the members of Honey Bee network in canvassing the questionnaires. I hope that we will be able to expand the scale and coverage of this country wide survey in coming years so that it can provide new niches for green consumers to assert and also induce green entrepreneurs to enter the market.

quality and others for it being organic. **The trade off between quality and value of being organic was studied in the consumer survey discussed later here in.**

Given the emerging demand for organic agricultural products abroad, development of domestic market is must not only to have possibilities of hedging risks but also to hone one's instincts towards the green consumers. However, in the absence of any systematic certification arrangement for organic products, the consumer perception and response will depend considerably on the credibility of the offering agency. There are several lessons which can be learnt from the response of potential consumers to environment friendly products which can perhaps be equally relevant for the organic agricultural products.

### **Survey 1997 :**

The questionnaire was designed to test following issues:

1. What kind of an image of the environment-friendly product consumers have in their mind?
2. What attributes would consumers look into while buying something greener?
3. Which brands were considered environment-friendly and the reasons thereof?
4. After defining the eco-friendly products, what degree of interest the respondents had in different functions of green product ranging from minimal damage to environment, safety for the health of wildlife or other animals, or human beings; saving in energy, and environmental damage during manufacture.
5. For different product categories, what was the readiness to buy, actual purchase behaviour and percentage premium they were willing to pay.
6. The factors which in the view of the respondent influenced the preference of people for environment-friendly products.
7. The agreement or disagreement with 15 statements signifying various kinds of attitudes towards environment-friendly products. For instance, whether a person refused a plastic bag while carrying a product or did she take cloth bag while buying grocery or vegetables. Similarly, whether one thought it was government job to worry about environment problem or had one ever switched product brand because of environmental reasons. It was also asked whether people had looked around to find out about the possible sources of organically grown food.
8. Degree of interest respondents have in different environmental issues and how much time are they willing to spend on each of the aspects.

### **Background of the Respondents**

Gender wise distribution of respondents

There were 108 (78 per cent) males and 30 (22 per cent) females.

### Age of respondents

Age	No.of respondents	Percentage
< 24	29	21
25- 34	58	42
35 - 44	25	18
45- 54	15	11
55 +	9	7
not known	2	1
Total	138	100

The state wise distribution of respondents is as under.

STATES	RESPONDENTS	PERCENTAGE
GUJARAT	39	28
PUNJAB	27	20
UTTAR PRADESH	16	12
NEW DELHI	10	7
ASSAM, MAHARASHTRA, ANDHRA PRADESH, TAMIL NADU, WEST BENGAL, KARNATAKA	46	33
TOTAL	138	100

### Monthly family income

Monthly family income	no.of respondents	percentage
- 5000	13	9
5000-10000	47	34
10000-20000	60	44
20000+	12	9
not known	6	4
Total	138	100

### EDUCATION

Education	No.of respondents	percentage
Upto graduation	31	22
Post graduation	52	38
Doctorates	48	35
not known	7	5

Total

138

100

Thus the results presented here pertain to urban, highly educated, young, professional respondents with above average income levels and primarily males.

#### 1. The Perception of Environment Friendly Product:

About one fourth of the respondents considered environment friendly products to be safe for nature. Another one fourth (28 per cent) respondents were concerned with safety to human health and happiness and protective to nature. Concern for future on one hand and cost effectiveness on the other extreme of the spectrum of highly idealistic to highly pragmatic clients were articulated by very few respondents (about 6-7 per cent each).

Apparently the customers are appraising the products on safety to nature and human health. While the cost is not mentioned as a major consideration, it becomes crucial when the willingness to pay the premium is inquired.

#### BRAND AWARENESS

'Brand Awareness' of environment friendly products was generally low ranging from one to two in majority of cases for various products. The response had a problem however. Many of the brands listed under environment friendly products were not necessarily so. In any case, the reasons mentioned were impressionistic and objectively speaking one could not rely upon the same. The implication is that many potential consumers of green products may not be swayed by merely on account of perceived environmental friendliness. Some comparative statement will have to be conveyed to the potential consumers so that they can make informed choices. Otherwise, the loyalty is likely to be weak.

Which elements are taken into account to define a product as environment friendly revealed that the extent of pollution caused while manufacturing was the factor which evoked the least weightage. Also it had the highest number of people least interested. In all other cases, there was not much difference on this ground. This seems to be a case in which respondents have generally distributed their response on the scale only in the higher degree of interest. One implication is that any so called environment friendly product such as herbal cosmetics may be highly environment unfriendly as per the manufacturing process and yet the consumers do not seem to take note of that.

#### ***Organic Products***

#### ***Willingness to Buy, having Bought and willingness to pay the premium***

We asked three questions for different categories. Whether respondents have willingness to buy any organic products or have already bought and the percentage premium they would like to pay on it.

About eighty four per cent respondent were willing to buy most environment friendly products and the sixty four per cent respondent had actually never bought one.

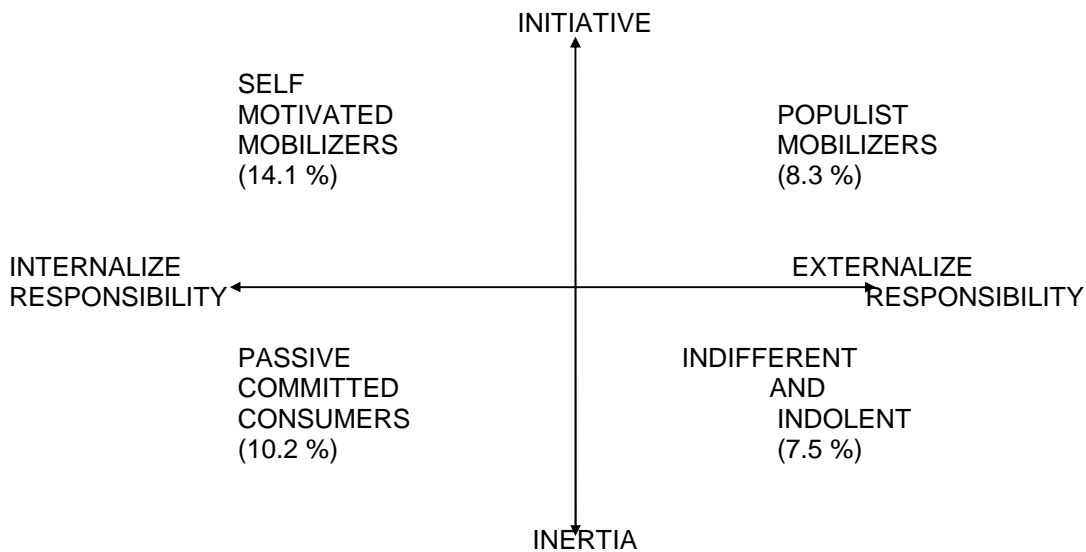
Most important aspect of this dimension is that the ones who were willing to pay premium for one kind of green good were willing to pay premium for other goods as well and more or less in the same range.

Little less than one third of the respondents (29 per cent) were willing to pay premium of about five per cent and forty five percent people were willing to pay 6-10 per cent premium in case of environment friendly processed food. The lower bound remained almost same in the case of unprocessed food. But those willing to pay 6-10 per cent was only one third in this case.

**Attitudinal Profile:**

Several iterations were tried to understand the attitudinal profile of different groups of consumers.

There are primarily four kinds of consumers at the most general level we could discern from this survey:



Sacrificial Consumers (6.9%): These consumers may sacrifice their existing comforts for the sake of their commitment to a cause. These may be in minority.

The Motivated mobilizers are wiring to join an ecological club, pay pollution tax, do not think that environmental problems are for government to worry about.

The populist mobilizers are those who will not hesitate in carrying a plastic bag even for those things which can be carried otherwise, consider government to be responsible for environmental problems, do not try to save energy and have never shifted brands due to environmental reasons.

The passive committed consumers are responsible for their own conduct but do not want to bother others. They are highly educated, are aware of many brands of environmental friendly products, and do make effort to save energy.

The indifferent and indolent consumers have never contacted any agency for reducing pollution, never looked around for organic products and consider environmental problems to be the concern of government.

Those who are willing to pay higher premium for organic processed food are relatively less educated (most participants in this survey are postgraduate in any case), spend less time in conservation of energy, do not bother very much about the damage to the environment during manufacture of goods, and are generally not inclined to recycle the waste material. This is quite counter intuitive. It seems that those who are more concerned with environmental issues and spend lots of time for various activities expect that they are perhaps entitled to get organic food items in lieu of their efforts and contribution.

The correlates of the attempt to look around for organic food articles provide an interesting insight about the people behave. Those who never looked around for organic products will prefer to use a plastic bag even when the things can be carried otherwise, will not carry a cloth bag, may not join an ecological club, may not donate a day's salary, neither will stop buying products of companies that are guilty of pollution, and of course are unwilling to pay pollution tax. While converse may not be true, still those having a more favorable outlook.

So far as women consumers are concerned, they are prepared to pay much higher premium on health and beauty products, have strong interest in recycling of waste, and reducing pollution control.

Conclusion:

***How do we develop a strategy for marketing organic products?***

A: Strategy One: At this stage of market development, involvement of NGOs having high credibility in society will certainly give a push to this cause. It seems that lack of formal certification may not come in the way if the assurance is available through some such intermediaries. The kind of consumers who are likely to find greatest interest are precisely those who believe in being more environment friendly in their own life and do not mind mobilizing others towards their cause. But such consumers may not pay very high premium. They may provide numbers. As against this, those who are willing to pay more premium are not this kind of clients. They are much more pragmatic and do not affect their life style just because they buy organic products. They may not respond to highly emotive appeal. Instead they may pay more attention to price, quality, and other features related to value realization.

B: Young, educated (but need not be very highly educated) and motivated people devoted to environmental cause may provide bulk of the demand to begin with. How discerning will they be and thus how much will they push suppliers towards more

attention to quality and post harvest processing and packaging remains to be seen. They may be reached through organic food clubs or some such fora.

C: The quiet passive but committed buyers who have their own values but do not push their way around. They may be reached only through a market penetration strategy. One may have to develop home delivery channels for such clients who may not like to join a club, or be even seen frequenting such shops.

D: The fact that those who want to pay more want to pay more for all environment friendly products suggest that some tie ups with existing product range may be a good idea to introduce new products. Through which ever existing green product chain can one identify the clients, they may be surely targeted for organic agricultural products as well.

In addition to these measures, there is a need to pursue such studies with more elaborate design and also accompanied by participative observation. Prof. Jain had suggested that we observe buyers visiting existing organic food shop and try to generate a reference group of similar clients who do not buy. We tried doing it two years ago in Bombay through some of the summer trainees students with SRISTI. Several insights were gained: many of the buyers were advised by doctors to buy organic products for health reasons. If they could spend so much on health, why not some more amount on health foods. In fact in last two years several shops have come up including near big hospitals (Naik, p. c. 1 997). We also learned several other reasons for buying green products, such as concern for nature protection, chemical pesticide residues, happiness etc.

A very large number of small farmers with rain fed agriculture often with saline and alkaline soils have production systems that are compulsively organic (they can not afford chemical inputs and also in many cases new technology suitable for their condition does not exist). Generation of market for organic agriculture will simultaneously generate higher incomes for these very poor people and in the process generate incentives for conservation of biodiversity, land races, and also soil and water through privately financed watershed development.

Organic food items may not be always regularly shaped, or uniform in size, maturing at the same time and having same taste in every batch. The consumer acceptance of heterogeneity is a challenge but without such an acceptance there is little hope of saving the diversity in nature which organic agriculture supports. Diversity in tastes may perhaps be very necessary to maintain diversity in culture. How do marketeers of organic foods combine concern for culture with sustainable agriculture is an unknown path on which we all have to traverse collectively.

**Action taken by SRISTI, Ahmedabad.**

This whole exercise was being carried out with a view to carrying out some concrete action. We participated in **MARKETING FAIR** in Indian Institute of Management, Ahmedabad where students of IIM explained to the visitors about the benefits of using organic food and also opened one experimental organic shop. This was not a game. In the shop, we put non-organic food as well as organic food (wheat, rice, tur dal, soybeans, mung, Thakarsi's MORALA groundnut) . The person can buy upto fifty rupees worth of commodities.

We tried several alternatives on the visitors of the stall. Initially discount was offered on organic as well non-organic products. Almost all people bought organic products . Then we withdrew the discount on organic products. The response continued. After that we started charging premium on organic products and giving discount on non-organic products. We charged as high as forty per cent premium and the response was as it was before. This does not mean that in the market we can charge so high premium.

We also carried out post-market fair activities where we teletalked with the persons who had actually bought organic products during the fair. Almost fifty per cent people liked the food with regard to its taste, quality and were ready to consume regularly if supply is available.

In Ahmedabad , Mrs. Charushila Naik, associated closely with SRISTI, has started collecting the organic food from the villages of Gujarat. With the help of SRISTI and **Shri Chhelbhai Shukla, Managing Trustee, Saurashtra Gramodhyog Sangh**, an organic shop will be opened in Ahmedabad shortly.