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A Study on Purchase behavior of rural and urban consumers about Organic food in selected areas of Andhra Pradesh

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ABSTRACT

Organic food category in the retailing industry is gaining importance and increasing its shelf space in different retail formats in domestic market and in the international market. Organic food market size is about Rs. 1000 crore as per the private sources and it is growing at the growth rate of 25 to 30 % constantly since last 5 to 6 years. Out of the total market 70 % is coming from export market and 30% is from Domestic market. Around 5Mn hectares is the area being used for cultivation of organic food in India and is still increasing day by day due to high prices being paid to the farmers. It is expected to grow at around 30 to 35% CAGR in the next 5 to 6 years. It is observed that sustainability of organic food is increasing with the increasing farmers' interest in organic farming. However it is observed that the manufacturers are facing problems because of the costs involved in the supply chain. In this article we have tried to focus on the perception of different consumers about the factors like price, availability, branding etc that influence the purchase of Organic food. Also we have tried to find out the difference in perception of consumers about the organic food in rural and urban areas.

Keywords: retailing industry, importance, increase market etc.

INTRODUCTION:

Organic food is gaining the importance because of the increased health consciousness, changing lifestyles of consumers, concern about environment and other reasons. Indian exports of processed food and related products grew at a CAGR of 11.74% between 2011- 2016 to reach $65.4 Bn by 2018 and the value of export market value is $ 1.3 Bn in 2017. Indian retail market is expected to grow to $865Bn by 2023. India food processing industry accounts for 32% of country's total food market. Indian Gourmet food market is $1.4Bn with annual growth rate of 20%. Organic Food market size is of Rs.1000 Crore out of which 70% of sales is from exports to Europe and American countries. Out of total Organic Food market, Fruits and vegetables hold about 25% of share. Major exports of Organic fruits and vegetables are done to Middle East in the world. Growth rate is as high as 50 to 60% year on year because of the demand organic food in the world market. Through this study, we have tried to study the factors that influence the purchase behavior of consumers in the rural and Urban areas, perception about the prices of Organic Food, reasons to buy Organic Food.

Definition:

"Organic food is made from agricultural products grown without use of chemicals, Inorganic fertilizers"

Major Organic Food Marketers in India:

1. Sresta Natural Bio Products, Organic India, Morarka Organic, Nature Bio Foods, Sun star Overseas, Kashmir Apiaries, Navdanya, 24 Letter Mantra, Fab India

The Major costs involved in the Organic food production are:

S.No	Type of cost involved	Percentage (%) of total cost in supply chain	Average % of total cost
1	Training Programs to the farmers	7 to 10%	8.5
2	Price Premium to Farmers	11 to 17%	14
3	Processing cost	5 to 7%	6
4	Holding/Inventory cost	5 to 10%	7.5
5	Cost of transportation	5 to 7%	6
6	Packing Cost	2 to 4%	3
7	Retailer Margin	10 to 13%	11.5

Source: Govt. Of India, department of Agriculture and Marketing

NEED FOR THE STUDY:

In view of the increasing health consciousness of consumers and concern about environment, and enormous market potential for organic food in India we have tried to study about the different factors that affect the purchase behavior of consumers. This study also reveals about the costs involved the sourcing of organic food, premiums charged by organic food marketers, perception differences of rural and urban consumers about the organic food. This study also focuses on Growth drivers for the development of organic food; understand the demographics of the consumers, income level of the consumers in different areas of Andhra Pradesh.

OBJECTIVES OF THE STUDY:

1. To know the factors that influence the purchase behaviour of consumers in selected areas of Andhra Pradesh.
2. Study the demographics, consumer perception about organic food in rural and urban areas.
3. To know about consumers’ were thinking about the branding and media being followed to know about information about organic food.

METHODOLOGY:

1. Sample Size – 400
2. Period of Study – 1Month.
3. Sampling: Convenience sampling.
4. Structured questionnaire.
5. Survey with simple questionnaire.
6. Data analysis using simple data tables.
7. Data collection –
   a. Primary data collected through structured questionnaire.
   b. Secondary data about the facts of the industry from the articles in the newspapers.

REVIEW OF LITERATURE:

Organic Food Marketing in Urban Centres of India by Nina Oswald (Author), Manoj K Menon (Author), Published by International Competence Centre for Organic Agriculture (Iccoa) (1 August 2013). This study presents wide-ranging insights into the current state and future prospects of organic food markets in urban India, focusing principally on Mumbai, Bangalore and Hyderabad. The authors identify challenges and obstacles to growth in organic supply chains, examine best-practice examples of successful and holistic market development, and suggest sustainable, long-term models of growth for organic producers. India's Organic Farming Revolution: What It Means for Our Global Food System Paperback – 30 Sep 2014. Author Sapna E. Thottathil, published by University of Iowa Press in Sep 2014.The author calls on us to rethink the politics of organic food by focusing on what it means for the people who grow and sell it-what it means for their health, the health of their environment, and also their economic and political well-being. Taking readers to the state of Kerala in southern India, she shows us a place where the so-called "Green Revolution" program of hybrid seeds, synthetic fertilizers, and rising pesticide use had failed to reduce hunger while it caused a cascade of economic, medical, and environmental problems. Annam Brahma, Organic Food in India: Growing, Selling and Eating Hardcover Authors Pathak and Anjali, A book published by Pilgrims Publishing in March 2007. This presents the testimonials and true life experiences of organic farmers from all parts of India. This book also covers the role of retailers and traders that are engaged in supplying organic food to urban Indian consumers.

DISCUSSION AND EXPLANATION:

Reasons to buy Organic Food:

a. Health consciousness
b. Nutrition
c. Environment safety
d. Life style and living standards
e. Quality of food
f. Free of chemical usage

Current position of Organic food market:

a. Less sustainability in production
b. High prices i.e. 50 to 65% higher than that of conventional food
c. excellent branding
d. huge demand and supply variation
e. More mileage to reach the consumers
f. Sellers charge more premium
g. Growth rate of around 30 to 35%
h. Growth rate of 25 – 28%.
i. Competitive advantage for the super markets in the local markets.

Detailed explanation about the survey conducted on 400 respondents:

Supply chain in Organic food Market.

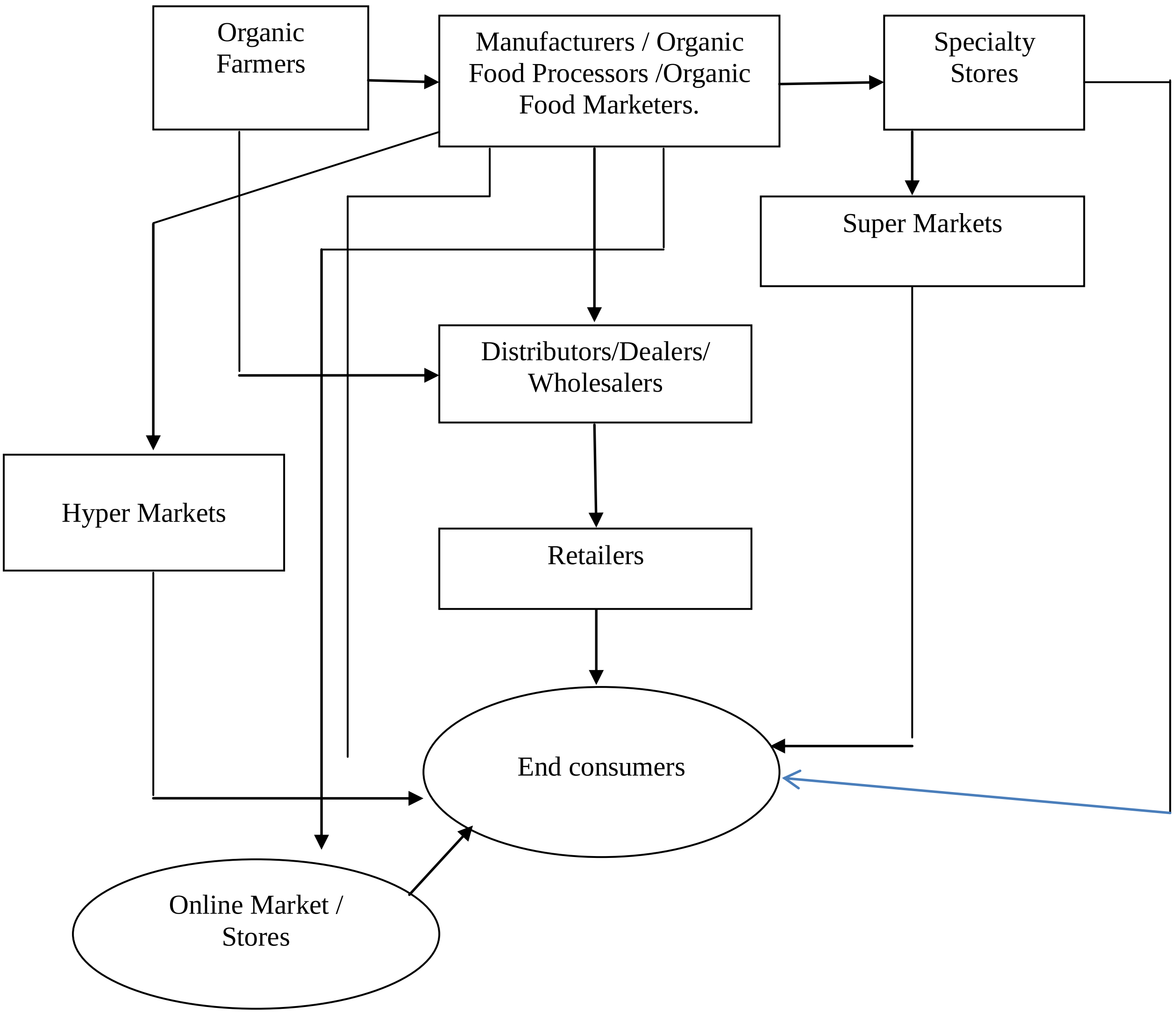
During the study of the perception of the consumers we have observed that the organic food market is in the nascent stage. Farmers produce the organic food at different areas of Andhra Pradesh. Only 5% of the total farmers are in the organic farming because of the lower yields obtained in this process. However in long term farmers will end up in profits because of the premium being paid by the marketers. In the supply chain, the goods reach the place of processors /manufacturers then it will reach the specialty stores selected by the processors. Simultaneously the organic food reach the super markets and then it reaches to the basket of end consumers. Like-wise it is observed that manufacturers established distributors or dealers or whole salers for marketing their finished goods to consumers in the market. It is observed the online market is extending its share majorly in the urban market. In the present scenario, organic food is being sold to niche customers because of the higher prices prevailing in the market. We hope that prices and premiums charged on the organic food will come down slowly by increasing the supply organic food from the farming side.

Channel Structure and amount of market in domestic and export market:

S.No	Channel type	Percentage
1	Traders/ Whole salers	30
2	Manufacturers	32
3	Supermarkets/ Hyper Markets/ Specialty Stores	28
4	Health Food Stores	4.5
5	Direct Sales	5
6	Others	0.5

Source : Data based on the Market observation and survey.

Major Marketing channel followed in the Organic industry is as given below:



Source: Created by the Authors as per the Data collected from the Market.

It is observed that 28% of Organic food is sold through Specialty stores, supermarkets and Hyper markets, 32% are selling their finished goods through their own stores and 30% processors have established distributors to market their finished goods.

The Premium charged on different products by sellers in Organic Food Market:

a.Tea b. Rice c. Grains d. Spices e. Vanilla f. Fruits g. Nuts h. Vegetables

S. No	Product Category	Percentage
1	Tea	48
2	Rice	50
3	Grains	45
4	Spices	35
5	Vanilla	55
6	Fruits	28
7	Nuts	40
8	Vegetables	30

Source: Source: Government website, Department of EX-IM, Govt. of India

It is observed that around 28 to 50%, sometimes more than 50% is the percentage of premium charged by the organic food marketers. Out of all the items mentioned in the table, 50% premium is charged on rice, 45 – 48% is charged on grains and Tea, around 28 – 30% is charged on fruits and vegetables, 55% is charged on vanilla products, 40% is charged on Nuts. As the organic food market is in the nascent stage and due to lower supply of organic food is giving opportunity for the marketers to sell these goods as niche goods.

Demographics of the respondents:

It is observed that around 185 with age group of 10 – 50 years out of 400 are interested in consumption of organic food and around 31 out of 400 with age of greater than 50 years are interested in consumption of organic food. Out of 400 180 are male and 220 are female. It is observed that 51.25% of rural consumers 90 in the poor class, 60 are in the middle class, 40 are in the upper middle class, and 15 are in the rich class. Where as in urban areas, out of 48.75% of the total population 60 are in the poor class, 55 are in the middle class, 60 are in the upper middle class, and 20 are in the rich class. Around 135 i.e. 33.75% of the total population of 400 is in the upper middle class and rich class. Interest fact is that people in the rural areas are becoming more health conscious and showing interest towards environmental safety. Only 24 to 25% of respondents are interested to buy organic food in both rural and urban areas. Around 95 urban consumers have said that organic food is available within radius of less than 10Kms, whereas only 20 rural consumers have responded that organic food that too only rice, pulses and Fruits and vegetables are available in the weekend Mandi and only in limited number of villages.

Perception of consumers about availability in rural and urban areas:

Around 69% of the urban consumers have responded that organic food is available at super markets and specialty stores. Rural consumers have responded that they get organic food in weekend Mandi and local Mandi in limited villages upon the special request of consumers. It is observed that around 66% of urban respondents have said they buy Food & Groceries, F&Vs out of different Organic foods. Mango, Banana, papaya and sweet oranges are the biggest sold fruits in organic category. Okra, leafy vegetables and tomatoes are highly sold organic vegetables.

Consumers' perception about Motivational factors for purchase of Organic food:

Majority of the buyers have told that health is the most important motivating factor and quality, availability and taste are the other important driving forces to buy organic food. There is perception difference between rural and urban people in terms of thinking towards environmental safety, depletion of resources, and ground and water pollution caused by conventional farming techniques. Use of chemicals for ripening of fruits is also being seen seriously by the people.

Out of all the commodities, fruits and vegetables are available in 66% of the days in a year; rice & wheat are available in 62% of the days in a year. As per the information collected availability of organic food is not sufficient at the current scenario. But the situation will change by another 4 to 5 years in the domestic market.

Prices and Premiums' charged by Organic Marketers:

It is observed that the prices of organic food are higher than prices of conventional food in the present market. Premium of 40 to 50% is charged on the organic products like tea, rice, grains, nuts and vanilla. 28% to 30% premium is charged on the fruits and vegetables by the organic food marketers. 35% percent of premium is charged on spices like cashews and other food.

Competitive advantages for retailers in marketing of Organic food:

1. High quality Products
2. Increasing no. of farmers in Organic farming in India.
3. Usage of corporation mixed cropping, use of Bio Pesticides, control of pest and diseases through natural compost, neem oil and Agri-extracts.
4. Reduced Labour costs and decreased cost of fertilizers, pesticides but profit lies in increase of yields.
5. Formation of clusters for organic farming
6. NGOs training for cultivation, Pre- Harvest techniques, Post-Harvest techniques, marketing information and buyers' information.
7. Increasing demand for OF in Exports and Domestic market.
8. Increasing health conscious consumers in India and Global market.

Major problems in Marketing of Organic Food:

1. Higher prices than the conventional food
2. Huge demand-supply variation
3. Higher premiums charged by the marketers
4. Slower shipment, lack of knowledge for farmers regarding certification, accreditation and other export regulations.
5. Lack of information regarding organic food.

FINDINGS:

1. Lack of sustainability in the supply of organic food.
2. Lower variety of organic food available in the market.
3. Stringent regulations in the export of Organic food from Indian market to Europe and American countries.
4. Higher premiums are being charged by the organic food marketers.
5. Prices of organic food are at least 28 to 60% higher than the prices of conventional food.
6. Branding of Organic food is lower than the other industries.
7. Specialty stores, super markets and own stores are the major intermediaries in the organic food supply chain.
8. Major costs involved are cost of premium paid to the farmers, processing, cost of holding stocks and cost of training to the farmers.

SUGGESTIONS:

1. Government should give subsidy for the seeds and organic fertilisers in organic farming which increase the confidence of the farmers to enter into the organic farming which helps to increase sustainability of supply in the organic food.
2. Government should liberalise the export regulations on Organic food so that exports increase and there by the profitability of farmers will increase in future.
3. It is suggested to increase the online marketing to reduce the cost of distribution.
4. Branding of organic food may improve the confidence level on purchase behaviour of the consumers in the nascent stage and growth stage of product life cycle.
5. Increase the farming of fruits and vegetables in the organic food category which increases the volume of the business. It will also reduce the sustainability of supply there by the premiums charged will come down.

CONCLUSION:

As shown above it is observed that organic food has huge market potential in the export market and increasing market share in the domestic market are the strong driving forces for the industry. Super specialty stores and super markets are the good sources for buying Organic food in the market. Increasing area of cultivation in organic farming has increased the sustainable supply of organic food. Also changing life styles and health consciousness of consumers is important factors in marketing of Organic Food.

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DATA TABLES OF THE RESULTS OBTAINED IN THE SURVEY:

Production of Organic Food Products in India:

S.No	Product Category	%
1	Tea	20
2	Rice	25
3	Fruits & Vegetables	18
4	Wheat	10
5	Cotton	8
6	Spices	5
7	Coffee	4
8	Pulses	3
9	Cashews	3
10	Others	2

Source: Government website, Department of EX-IM, Govt. of India

Growth forecast of Organic Food Market in India:

S. NO	Name of Product	Percentage of growth
1	Spices	15
2	Tea	12
3	Rice	10
4	Fruits	9
5	Vegetables	20
6	Herbal Extracts	10
7	Coffee	6
8	Oil Seeds	5
9	Baby Food	10
10	Others	3

Source: Government website, Department of EX-IM, Govt. of India.

SURVEY RESULTS:

Discussion about consumer perception and behavior about Organic Food:
Survey is conducted on about 400 consumers to know the perception of consumers in both rural and urban areas. The results of the survey are as given below:

Age of the respondents:

Age	People interested in Organic Food	People Interested in Inorganic food
10 – 18	5	10
19-25	15	20
25-35	85	65
35-50	80	40
50-65	13	37
>65	18	12

Source: Primary Data collected from the market through Survey

Income level of the Respondents:

Income Level	R.C s(51.25%)	%	U.Cs(48.75%)	%
1 – 5000(Poor)	35	17.07	20	10.25
5001-10000(Poor)	55	26.83	40	20.51
10001-20000(Middle)	60	29.27	55	28.21
20001-50000(Upper Middle)	25	12.2	35	17.95
50001-100000(Upper Middle)	15	7.32	25	12.82
>100000(Rich)	15	7.32	20	10.26

Source: Primary Data collected from the market through Survey.

Interest of consumers towards Organic food in rural and urban areas:

Type Food	U.Cs	%	R.Cs	%
Organic	50	25.64	50	24.39
Inorganic	145	74.36	155	75.61

Source: Primary Data collected from the market through Survey

Distance to a nearest retail Store where OF is available:

Distance Travel to Nearest store where OF is available	Ucs	RCs
<10 Kms	95	20
10 to 50	65	70
50-100	25	90
100-200	6	15
>200	4	10

Source: Primary Data collected from the market through Survey

Type of retail format where Organic Food is available

Type of Retail format	Ucs	%	RCs	%
Local retailers	10	5.15	65	31.7
Weekend Markets	15	7.69	100	48.78
Specialty Stores	75	38.46	0	0
Super Markets	60	30.76	0	0
Hyper Markets	15	7.69	0	0
Others	20	10.25	40	19.51

Source: Primary Data collected from the market through Survey

Consumption behaviour of Consumers' about the following OF:

Category	RCs	%	Ucs	%
Food & Groceries	100	48.78	60	30.76
F&Vs	75	36.58	70	35.9
Juices	0	0	10	5.13
Sugar, Jaggery, Honey	15	7.32	15	7.69
Dairy & Allied	10	4.88	10	5.13
Dehydrated F&Vs	0	0	10	5.13
Frozen/ IQF OF	5	2.44	10	5.13
Others	0	0	10	5.13

Source: Primary Data collected from the market through Survey

Factors that motivate more to buy Organic food

S.No	Name of the Varaible	RCs	Ucs
1	Health	50	45
2	Taste	30	25
3	environment	25	20
4	Quality	35	35
5	Local economy	20	20
6	Price	10	15
7	Availability	20	25
8	Assortment & Variety	15	10

Source: Primary Data collected from the market through Survey

Relationship between type of retail format and service factors:

Type of Retail Format	Price	T.S	Quality	T.S	Assortment & Variety	T.S	Availability	T.S
Specialty Stores	3	150	5	225	5	300	5	325
Super Markets	2	90	5	250	3	120	3	150
Hyper Markets	4	80	4	100	5	125	4	100
Local Retailers	2	50	4	80	3	30	2	20
Weekend Markets	3	45	2	20	2	30	2	20
Farmers	3	90	5	150	2	40	5	125
Others	3	30	3	45	4	100	2	20

Source: Primary Data collected from the market through Survey

Information about repeated purchases about OF in a month:

No. Of times OF is Purchased	R.Cs	%	U.Cs	%
1 to 2	45	21.95	35	17.95
2 to 4	65	31.7	75	38.46
4 to 6	55	26.83	50	25.64
>6	40	19.51	45	23.08

Source: Primary Data collected from the market through Survey

Production of Organic Food in India:

S.No	Type of Merchandise	Products being produced in this category
1	Commodities	Rice, Wheat, Tea, Coffee, Sugar, Jaggery, Honey
2	Spices	Black Pepper, Cardamom, Green Chilies, Tamarind, Cloves, Pepper, ginger, Herbs, Roots Etc
3	Pulses	Black gram, Red Gram, Jowar
4	F&Vs	Mango, Banana, Pine Apple, Sugar Cane, Sweet Oranges, Guava, Sapota, Cashews, Walnuts, Okra, Brinjal, Garlic, Onion, Tomato, Potato
5	Oil Seeds	Sun Flower, Sesame, Castor
6	Others	Cotton, Herbal Extracts

Source: Primary Data collected from the market through Survey

Production and seasons for different Organic Food:

S. NO	Product Category	Season for Production (No. of. Days)	No. Of Days as the % of Year	OF Producing states
1	Tea	365	100	West Bengal (WB), Assam (AS), Uttaranchal (UC)
2	Spices	365	100	Kerala (KL), Tamil Nadu (TN) Karnataka (KA)
3	Coffee	365	100	KL, TN,KA, AP
4	Rice	150-300	62	Punjab (PB), Haryana (HR), AS, Maharashtra (MH), TN
5	Wheat	150-300	62	PB, HR, UP
6	Vegetables	240	65.75	Entire India
7	Fruits	240	65.75	Entire India
8	Cotton	150	41.1	MH, GJ, MP,AP, TG
9	Green Chilies	240-280	71.23	AP, MP, Karnataka

Source: Primary Data collected from the market through Survey

Difference in prices between OF and conventional Food Products:

a. Rice b. Wheat c. Coffee d. Tea e. Spices f. Pulses g. Fruits h. Vegetables i. Sugar

S. No	Product Name	OF (Rs./Kg)	Conventional Food (Rs./Kg)
1	Rice	40-150	30-60
2	Wheat	35-40	15-25
3	Coffee	500-1200	300-600
4	Tea	450-1500	250-500
5	Spices	600-2000	200-800
6	Pulses	90-130	70-90
7	Fruits	70-150	30-110
8	Vegetables	75-120	30-70
9	Sugar	70	40

Source: Primary Data collected from the market through Survey

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