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## Short Communication

# How to position ‘mildly sustainable’ products: The joint impact of assortment display and price setting



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## ABSTRACT

To tempt consumers towards more sustainable food choices, ‘intermediately’ sustainable products (i.e., in between conventional and organic) have been introduced. This poses the managerial question how to best position this range of products. In an experiment with intermediately sustainable meat products, we show that the choice share of these intermediate products is high when price level and physical display signal a consistent positioning of these products. This implies that the effect of layout depends on the price level at which intermediately sustainable products are offered. When these products are offered at intermediate prices, displaying them in a separate section will increase choice (i.e., unique feature positioning). Yet, when intermediately sustainable products are offered at low prices, a mixed display in which intermediately sustainable and conventional products are dispersed will be more effective in increasing choice for the intermediately sustainable options (i.e., comparative positioning). These results show the importance of assortment display in affecting the sales potential of products, and how the most optimal display in-store depends on price level.

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## 1. Introduction

Although consumers report positive attitudes towards organic products, sales levels remain low (Krystallis, Grunert, De Barcellos, Perrea, & Verbeke, 2012; Verhoef, 2005). For many consumers, the difference between relatively cheap conventional items and more expensive organic products is apparently too large to act upon their good intentions (Wier & Calverley, 2002). A meat market study for the European Commission showed a wide gap between consumer intentions to buy organic meat and their actual purchases (GfK EU3C, 2012). When asked if they would like to change their purchasing behavior, 41% of the surveyed European consumers mentioned buying more organic meat, but only 16% currently buy this type of meat at all. The most frequent answer to why they do not already buy organic meat more often is that they consider it too expensive. Offering products at a level of sustainability intermediate between conventional and organic products, rather than catering to the extremes of conventional versus organic products only, has been suggested as a solution (De Jonge & Van Trijp, 2013; Ingenbleek, Immink, Spoolder, Bokma, & Keeling, 2012). The communication of such a graded level is often

achieved through stars, smileys, or colors, and is common in areas such as healthfulness (Feunekes, Gortemaker, Willems, Lion, & Van den Kommer, 2008; Van Herpen, Hieke, & Van Trijp, 2014).

The introduction of products at intermediate levels of sustainability poses new questions, as to how these can best be positioned. Product positioning involves communicating to consumers what the product means, which benefits it delivers, and how this differs from competing products (Hooley, Piercy, & Nicoulaud, 2008). Effective positioning depends on the product's attribute levels being communicated (how products are positioned in attribute-space), on their physical display (where products are located in-store), and their interaction. A physical in-store display that is inconsistent with other marketing mix elements can negate an established positioning strategy (Buchanan, Simmons, & Bickart, 1999). Extending this, and based on the idea that consistency among product cues determines overall product evaluation (Miyazaki, Grewal, & Goodstein, 2005), we argue that the effectiveness of the positioning strategy for intermediately sustainable products depends on the extent to which it is consistently communicated. To investigate this, we use price level as an important product attribute and display organization (i.e., in separate section or intermixed with established product lines) as an important factor of physical display. Whereas price levels are constrained by production costs, retailers can decide upon assortment layout with much more flexibility. It is thus important for retailers to have

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insights on the likely effects of assortment layout at different possible price levels.

In the present study, we investigate the most extreme price levels for intermediate products that are realistic: a (low) price comparable to conventional products and a (high) price comparable to organic products, as well as an intermediate price. This implies that the assortment can contain options with the same price but different degrees of sustainability. We aim to show that even in such cases consumer response depends on assortment display. If the in-store display does not support direct product comparisons between conventional and intermediate alternatives, many consumers may not buy intermediate products even when price is as low as that of conventional products.

The main objectives of this study are thus to (1) demonstrate the viability and sales potential of intermediately sustainable products and to (2) show that the effects of price and assortment display are not independent of each other. By showing the interaction between price and assortment display, this study offers several novel insights. Specifically, whereas retailers and manufacturers may expect that low price levels will always increase sales, this study shows that the extent to which this occurs differs, depending on assortment display. Likewise, sales of products at intermediate price levels depend on assortment display, but the optimal display for products at intermediate price levels is not the same as the optimal display for low-priced products. These are important insights for retailers who extend their assortment beyond the conventional range by offering organic products and intermediately sustainable products. Retailers already often face “a dilemma as to where such [sustainable] products should be shelved” (Dahm, 2005), and want insights on whether to put sustainable products in a separate section or dispersed with conventional groceries (Lazarus, 2010). This becomes even more complex when there are also intermediately sustainable options. Should these be placed with organics to highlight their sustainability? Should these be placed in a separate section, to highlight their unique position? Or should they be together with conventional options to attract choice share from conventional buyers? To answer these questions, we turn to product positioning.

## 2. Positioning intermediately sustainable products

Product positioning aims at affecting consumer perceptions of a product within an explicit frame of reference, usually competing products (Fuchs & Diamantopoulos, 2010). An important managerial decision is whether to focus mainly on the own product advantages and advocate the unique product features or to focus on comparison with competing products (Kalra & Goodstein, 1998). In unique feature positioning, intermediately sustainable products are presented as a separate product range, without explicit comparison to rival products. In a comparative positioning strategy (the ‘against’ position; Ries & Trout, 1986) intermediately sustainable products claim superiority over well-established alternatives in direct comparison.

A unique feature positioning entails communicating the ‘in-between’ nature of intermediately sustainable products as a unique feature. In general, products with intermediate attribute levels have an advantage over either of the extremes (Müller, Kroll, & Vogt, 2012; Simonson, 1989; Simonson & Tversky, 1992). This advantage is based on the trade-offs that are present (Simonson & Tversky, 1992), with a compromise option being “in the middle” on multiple attribute levels. The intermediately sustainable products are compromise options when these are offered at an intermediate price level. In addition to these advantages for products in the center of attribute-space, placing products in a separate section could signal their distinctiveness (Buchanan et al.,

1999) and thereby support a positioning as unique intermediate options. Congruency between intermediate price and display position to signal that the products are ‘in-between’ options may furthermore stimulate product choice. Thus, we expect that:

H1: When a range of intermediately sustainable products has mid-range prices, a layout in a separate subcategory increases the choice share of these products compared to mixed layouts.

Alternatively, comparative positioning is possible by placing the intermediately sustainable products in direct competition with either conventional products or organic products. This may be a viable strategy to gain share from conventional product customers by providing them with options to enhance sustainable choice at (limited) price premium. Generally, products with intermediate attribute levels tend to take more market share away from low-tier than from high-tier alternatives (Simonson & Tversky, 1992). Furthermore, there appears to be untapped demand for relatively more sustainable products among buyers of conventional products (De Jonge & Van Trijp, 2013; Ingenbleek et al., 2012). Positioning the range of intermediately sustainable products as direct competitors to conventional products may be successful with prices similar to those of conventional products and a physical place intermixed with these products. In that case, consumers are likely to focus product comparisons on products in close proximity and on concrete and alignable product attributes, such as price (Meyvis, Goldsmith, & Dhar, 2012). Placement in close proximity to conventional products allows the intermediately sustainable products to draw attention and be noticed more readily among consumers who would otherwise habitually buy conventionally produced products. Thus, we expect that:

H2: When a range of intermediately sustainable products has low prices, a mixed display with conventional products increases the choice share of these products compared to a separate subcategory or a mixed display with organic products.

Although high price levels for intermediately sustainable products might increase their perceived sustainability and quality, it also implies that the options are dominated by the organic products, which then offer more sustainability at comparable prices. Additionally, gaining share from direct competition with organic products may be a more challenging strategy as the segment of organic buyers tends to be dedicated buyers who are willing to pay a substantial premium to purchase organic products (Cottingham & Winkler, 2007; Van Herpen, Van Nierop, & Sloot, 2012) and who may be more likely to perceive intermediate products as a loss in valued sustainability. Placing intermediately sustainable products in direct competition with organic products is therefore unlikely to increase their choice share. Thus, we expect that:

H3: When a range of intermediately sustainable products has high prices, choice share will be low regardless of layout.

## 3. Experiment

Intermediately sustainable meat products were introduced in the Dutch market in 2009 using a system with one to three stars (the “Better Life Hallmark” endorsed by Dierenbescherming, a well-known animal welfare NGO). Conventionally produced products receive no stars in this system, whereas products at organic or comparable welfare levels receive three stars. One star products indicate somewhat improved animal welfare conditions compared to conventional. Two star products were not yet in the market during the time of the experiment (July 2011). Our expectations

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