



## Research report

# Promising ethical arguments for product differentiation in the organic food sector. A mixed methods research approach <sup>☆</sup>



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## ABSTRACT

Ethical consumerism is a growing trend worldwide. Ethical consumers' expectations are increasing and neither the Fairtrade nor the organic farming concept covers all the ethical concerns of consumers. Against this background the aim of this research is to elicit consumers' preferences regarding organic food with additional ethical attributes and their relevance at the market place. A mixed methods research approach was applied by combining an Information Display Matrix, Focus Group Discussions and Choice Experiments in five European countries. According to the results of the Information Display Matrix, 'higher animal welfare', 'local production' and 'fair producer prices' were preferred in all countries. These three attributes were discussed with Focus Groups in depth, using rather emotive ways of labelling. While the ranking of the attributes was the same, the emotive way of communicating these attributes was, for the most part, disliked by participants. The same attributes were then used in Choice Experiments, but with completely revised communication arguments. According to the results of the Focus Groups, the arguments were presented in a factual manner, using short and concise statements. In this research step, consumers in all countries except Austria gave priority to 'local production'. 'Higher animal welfare' and 'fair producer prices' turned out to be relevant for buying decisions only in Germany and Switzerland. According to our results, there is substantial potential for product differentiation in the organic sector through making use of production standards that exceed existing minimum regulations. The combination of different research methods in a mixed methods approach proved to be very helpful. The results of earlier research steps provided the basis from which to learn – findings could be applied in subsequent steps, and used to adjust and deepen the research design.

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## Introduction

Ethical consumerism is a growing trend worldwide. Various studies indicate that consumers are interested in ethical values and that ethical consumerism is gaining relevance in food purchase decisions (Carrigan, Smizgin, & Wright, 2004; Miele & Evans, 2010; Newholm & Shaw, 2007; Shaw & Shiu, 2001;

Vermeir & Verbeke, 2006). Examples of ethical consumerism in the food market are 'Fairtrade' and (partly) organic products, which have exhibited impressive growth rates during recent years.<sup>2</sup> The Fairtrade market in Germany increased by 50% between 2007 and 2008 (Crescenti, 2009) and by 27% from 2009 to 2010 (Rößler, 2011). In the UK, sales of Fairtrade products increased from 16.7 million GBP in 1998 to 799.0 million GBP in 2009 (Fairtrade Foundation, 2011). In Switzerland, the Max Havelaar Foundation reported a growth in sales of 8% between 2010 and 2011 (Max Havelaar-Stiftung, 2011). Similar developments have taken place in the organic food sector. The turnover of the global market for organic food has increased by 200% from 17.9 billion USD in 2000, to 54.9 billion USD in 2009 (Sahota,

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<sup>2</sup> Organic food is also consumed for personal reasons, of which health considerations are most important (see e.g. Aertsens, Verbeke, Mondelaers, & van Huylenbroeck, 2009; Hughner, McDonagh, Prothero, Shultz, & Stanton, 2007; Pearson, Henryks, & Jones, 2010).

2011). The growth of organic markets between 2000 and 2009 was also impressive in European countries: 183% in Germany (AMI, 2011), 129% in the UK (Soil Association, 2010) and 90% in Switzerland (FiBL, 2010). However, market shares for both markets are still small: the share of organic in all food sales in 2010 were at about 6.0% in Austria, 5.7% in Switzerland and 3.5% in Germany (Willer, 2012). The market volume for fair trade products is even less and at about one sixth of the organic market in Germany (Der Handel, 2012; Schaack, Willer, & Padel, 2011), one third in Switzerland (Max Havelaar-Stiftung, 2011; Schaack et al., 2011) and three quarters in the UK (CNN, 2012; Schaack et al., 2011).

Neither of these ethical market segments is independent of the other and a growing share of products is certified according to both Fairtrade and organic farming standards. At the same time, in the organic sector, more and more consumers seem to be dissatisfied with anonymous, homogenous organic food products, which may be produced under unknown social conditions. They want greater traceability and information about the diverse origins and conditions under which organic food is produced, and from where and how it is transported. Thus, neither the Fairtrade nor the organic farming concept covers all the ethical concerns of consumers.

But what are the ethical concerns of (organic) food consumers? Although research has shown that consumers of organic food know only little about organic production standards (Janssen & Hamm, 2011), they have their own expectations about the production methods of the organic products they buy. These expectations are related to animal welfare, support for local production structures and the well-being of those engaged in food production (Aschemann & Hamm, 2007; Browne, Harris, Hofny-Collins, Pasiecznik, & Wallace, 2000; Goig, 2007; Hughner et al., 2007; Lusk & Briggeman, 2009; Ozcaglar-Toulouse, Shiu, & Shaw, 2006; Torjusen, Sangstad, O'Doherty Jensen, & Kjærnes, 2004). Generally, organic consumers are characterised by a strong interest in deliberate pro-social behaviour (Spiller & Lüth, 2004; Sylvander & François, 2006; Zanolini et al., 2004). Padel and Gössinger (2008) categorised the various ethical concerns (additional to common organic farming standards) according to the three pillars of sustainability.

- Social issues, such as fair, safe and equitable working conditions, ban on child labour and exploitation of foreign workers, employment of disabled people, re-integration of drug addicts or delinquents.
- Environmental issues, such as protection of natural resources, water, soil, biodiversity or climate as well as conservation and enhancement of landscapes.
- Economic issues, such as fair prices for organic farmers, manufacturers or retailers, long-term contracts for smaller farms, processing or trading companies, support for enterprises in disadvantaged or mountainous regions.
- Other issues which might be summarised under the term spiritual (or cultural) concerns, such as cultural or religious convictions or the preservation of specific agricultural or manufacturing traditions. The well-being of farm animals would also be part of this category.

Local production is difficult to assign to one of these categories since environmental, such as short transport distances, as well as economic and cultural aspects are associated with it (Roininen, Arvola, & Lähteenmäki, 2006).

While, on the one hand, organic consumers' interest in 'ethical consumption' is increasing, on the other hand organic production is subject to growing international competition and price pressure. In order to survive growing international competition, more and

more European farmers try to minimise production costs by orienting their production systems towards minimum organic standards, for example, according to the EU Regulation on Organic Farming 834/2007. These standards concentrate on environmental aspects and some animal welfare concerns but do not cover further ethical concerns, such as social aspects or local production. Accordingly, actual production methods and ways of distribution might be quite different from what consumers expect. At the same time, farmers might engage in production methods which meet standards significantly higher than what is required by the EU Reg. on Organic Farming or other standards. In order to secure competitiveness they need to know how to efficiently communicate their additional efforts to consumers. In any case, organic farmers and processors need to care about adjusting and communicating their production methods in line with customers' concerns, in order to remain credible and to secure, or even increase, market shares. Organic production according to standards that are higher than those of the named EU Reg. can be assumed to offer additional opportunities for product differentiation within the organic market, such as local production, higher animal welfare standards, improved biodiversity and other.

Previous research has indicated that consumer concerns regarding organic food vary between countries. However, most studies have focused only on one country and different studies use different methodological approaches. Therefore, the question of whether variation between countries is due to cultural matters or due to the use of different research methods still remains open. The research presented in this paper consists of a cross-country comparison between five European countries (Austria, Germany, Italy, Switzerland and the United Kingdom), employing exactly the same methodological approaches in each country.

The aim of this contribution is threefold: first, to identify the three additional ethical attributes which are of most interest to consumers of organic food, second, to discuss with consumers on ways to successfully communicate these attributes, and third to assess the relevance of these attributes in purchase decisions. For this purpose, 'mixed methods research' was used which combined different methodological approaches in order to systematically analyse consumer preferences step by step as well as from different perspectives.

Section "Methodological approach" of this article describes the different methods that were combined in order to meet the aims of this contribution. Section "Consumers' preferences for additional ethical attributes of organic food" presents and discusses the results according to the research methods employed. The paper closes with a discussion of conclusions for researchers regarding the use of the mixed methods research approach, and for practitioners regarding the opportunities for product differentiation within the organic market.

## Methodological approach

The research was undertaken in several steps, since the task was to derive specific, promising 'communication arguments' from the wide and foggy array of ethical concerns in the organic sector. This is why a mixed methods research approach (MMR) was used, combining quantitative and qualitative methods in a subsequent manner. Typically, MMR brings both of these methods together within the same research project (Bryman, 2004), neglecting the traditional premise of using either exclusively quantitative or qualitative methodology (Teddlie & Tashakkori, 2010). MMR offers the possibility of different perspectives in order to increase the validity of results and to increase confidence, and/or to make use of the convergent or complementary effect

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