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AN EMPIRICAL STUDY OF CONSUMER'S DECISION MAKING FACTORS IN PURCHASING ORGANIC FOODS IN MUMBAI CITY

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Abstract

Consumers increasingly tend to prefer food with added value such as high quality, health benefits and animal welfare. And organic farming is in tune with the expectations of this growing number of consumers who buy organic food despite the considerably higher prices. Organic method is a better method of agriculture than chemical-based agriculture because it retains the health of soil as well as environment and also producing qualitative agricultural produces. The organic food market revenues in India are expected to increase at a CAGR of around 25% during 2014-19. The western region is the highest revenue contributor for the country's organic food market followed by the southern region. In terms of metro cities, then organic food sales are high in Mumbai, Chennai, Delhi, Bengaluru, Pune and Gurgaon. The present study is undertaken in Mumbai city as Mumbai has one of the highest numbers of organic food outlets in the entire country of India. This study examines consumer preferences for organic foods, their demographic profile, and most importantly, their decision-making factors for purchasing organic foods. All the information pertaining to the research topic is collected with the help of structured questionnaires from the sample respondents. And thereafter, necessary suggestions and recommendation are made by the researcher.

Keywords: *Organic Farming, Organic Food, Consumer's Decision making Styles*

A. Introduction and Origin of the Research Problem:

Organic foods are the produce from plants that have been grown without the use of synthetic fertilizers or pesticides. There is an increasing demand for organic foods in domestic as well as in international markets. With a Compound Annual Growth Rate (CAGR) of 12.8 percent through 2009-2018, the expected revenue from the global organic food market is USD 149.92 billion in 2018. Europe and North America are the major global market for organic food products. The demand for organic food products is growing in these regions due to high purchasing power and huge presence of health conscious customers. As Compared with western countries, the organic food consumption in India is very low. In India, organic food market is highly unorganized and fragmented, which offers immense growth opportunities for domestic as well as international players. Among the Indian states, Madhya Pradesh had the largest organic farming area of 2,866,000 hectares.

The ill effects of modern chemical-intensive farming has manifested into lowering productivity, shrinking water table; pest- resistance over the last six decades; with many farming communities now shifting back to the traditional organic farming and promoting organic and health foods. Organic farming could well possibly be the panacea for all these problems. Besides the obvious immediate and positive effects organic or natural farming has on the environment and quality of food, it also helps the farmer to become self-sufficient in his requirements for agro-inputs and reduction in input costs; thus ameliorating the reduced yield from organic farming. Organic foods, being free from toxins and harmful chemicals are much tastier and palatable. Given a choice any consumer would definitely like to eat pure, chemical free food.

Table 1: Categories of organic consumers, and relationship with consumer behavior

Organic consumer groups*	Key characteristics
Environmentalists	Concerned about environmental quality
Food phobics	Concerned about chemical residues in food
Healthy eaters	Consumers who, for various (medical or other) reasons, follow particular diet sets
Humanists (and welfare enthusiasts)	Concerned with 'factory farming' methods
Hedonists	Believe that a price premium on a product signals a better product

*It is important to note that various degrees of overlap can exist among the categories.

Source: Bonti and Yiridoe (2006), p. 2.

B. Objectives of the Study:

The followings are the objectives of the study:

1) to study the demographic profile of consumers preferring organic food.
2) to study the purchasing frequency and behavior of consumers preferring organic food.
3) to analyse the decision-making factors of consumers for purchasing organic food.
4) to provide suggestions on the basis of findings of the study.

C. Scope of the Study:

The scope of research is restricted within the limits of Mumbai city .This research mainly concentrates on consumer behavior and their decision making towards organic food. The period of undertaken study covers from the year December 2017 to January 2018. The primary data is collected from organic food customers.

D. Sample Selected for the Study:

For the purpose of this study, 120 consumers are taken as samples that purchase organic foods from organic stores in Mumbai city.

E. Methods of Data Collection:

The study is conducted by collecting data through primary sources like questionnaires and observation and secondary sources like books, journals, information from newspapers, annual reports of retailers, other research reports, internet etc. All the data are properly classified and arranged in tabular form.

F. Review of Literature:

The study of Ndungu S. K. (2013) was aimed at evaluating consumer awareness in East Africa from 2006 to 2013. For this purpose, 698 households were selected from the 8 cities. It was revealed that the awareness of organic foods and organic farming in East Africa increased from 62% to 67% between 2006 and 2013. The awareness is highest in Uganda (83%) followed by Burundi (75%), Tanzania (63%), Kenya (55%) and Rwanda (48%).

To compare the preferences of organic and conventional fresh produce buyers in terms of their stated willingness to pay a price premium to purchase organically grown food products, Williams and Hammitt (2000) use a data set drawn from 700 food shoppers collected from ten major retail stores in the Boston area. The results showed significant differences between the two groups of buyers (organic and conventional) from various perspectives including lifestyle characteristics, food safety attitudes and beliefs, perceived food safety risks, and valuation of health risk reductions. Boccaletti and Nardella (2000) assess the effects of socio-demographic and risk perception variables on individuals' WTP for pesticide-free fresh fruit and vegetables in Italy. The authors concluded that 89 per cent of respondents were generally concerned about health risks from pesticides. As a result, consumers were willing to pay higher prices for pesticide-free fresh fruit and vegetables, but 70 per cent of them would not pay a premium higher than 10 per cent of conventional prices.

By taking a sample of 1,327 customers with considerable online shopping experience, the survey was conducted in the NCR, Chandigarh and Lucknow between November 2013 and December 2013 by Joshi P. and Upadhyay H. (2014). They found out that although websites like Flipkart, Jabong and Myntra have got the highest number of respondents reporting problems with regard to delay in delivery, asking for replacement/ return/refund, or deficiency in customer service, the overall share of these problems is relatively small against the positive ratings they have got. Based on series of interviews with senior managers, e-tailing consultants and 30 shoppers in Kolkata, Dawn S. K. and Kar U. (2011) suggested effective e-tailing strategy for the Indian companies. To retain, a mix of marketing tools such as public relations, advertising, promotions, direct marketing and Internet advertising should be used. Customer loyalty programs should be initiated and also customer care should be a top priority as with leading online companies. According to Yes Bank Ltd (2012), organic foods industry currently is predominantly metro-based. At least 95% of the brands market exists in the Top 10 metros in India. The increase in organic food consumption in India is evident from the fact that many organic food stores are spurring up in India. Today every supermarket has an organic food store and every large city in India has numerous organic food stores and restaurants. This is a huge change considering that the first organic food store in Mumbai was started in 1997.

G. Analysis and Interpretation of Data:

Table 2: Demographic Profile of Consumers of Organic Food

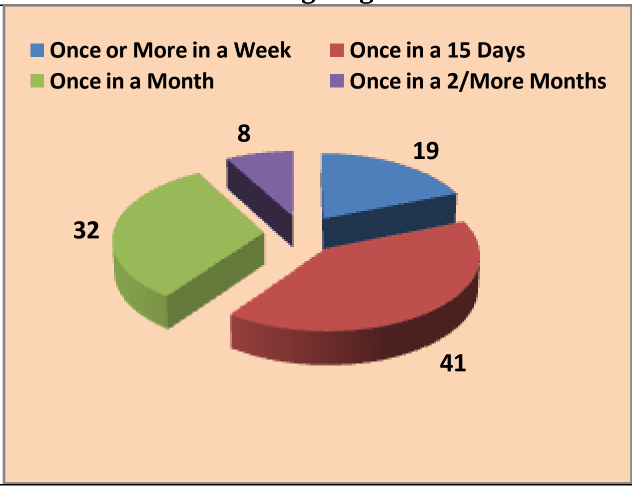
		Responses	
		In No's	**In Percent**
1) Gender	Males	71	59
	Females	49	41
	Total	**120**	**100%**
2) Age	<=20	24	20
	21 - 35	64	53
	36 - 50	28	23
	>50	04	04
	Total	**120**	**100%**
3) Educational Qualification	< =SSC	04	03
	HSC	13	11
	Graduate	58	48
	Post-Graduate	17	14
	Others	28	24
	Total	**120**	**100%**
4) Occupation	Student	26	22
	Working (Service)	78	65
	Business	07	06
	Others	09	07

	Total	**120**	**100%**
5) Family Income (Monthly)	< 40,000 Rs.	14	12
	41,000 – 80,000 Rs.	58	48
	81,000 – 1,20,000 Rs.	42	35
	Above 1,20,000 Rs.	06	05
	Total	**120**	**100%**

It is evident from the table 2 that 59% of consumers of organic food are male and remaining is female. In terms of age, 53% of sample is in the age bracket of 21-35, 23% of sample is in the range of 35-50, 20% of sample is less than 20 and remaining is above 50. If educational qualification is seen, then it is found out that 48% of sample is graduate, 24% of them is pursuing or completed other courses, 14% of them are post-graduate, 11% of them are HSC and remaining 3% is SSC. In terms of annual family income, 48% of sample is found in the range of 41,000 – 80,000 Rs, followed by 35% is in the range of 81,000 – 1,20,000, 12% of the is < 40,000 Rs, and remaining 5% of them are earning > 1,20,000 Rs.

Table 3 & Chart (a): Frequency of Customers in Purchasing Organic Food

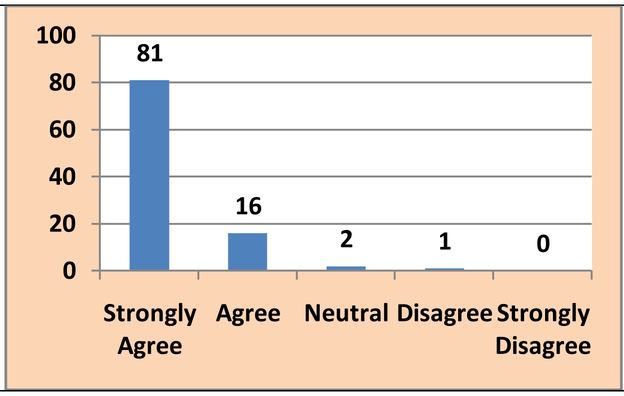
	In No's	In %
Once or More in a Week	23	19
Once in a 15 Days	49	41
Once in a Month	38	32
Once in a 2 or More Months	10	08
Total	**120**	**100**



It is understood from the above table 3 & chart (a) that majority of consumers (i.e. 41%) purchases organic food once in a 15 days, followed by 32% of consumers purchasing once in a month, 19% of them are purchasing organic food once or more in a week and remaining 8% of consumers are purchasing once in a 2 or more months.

Table 4 & Chart (b): Organic foods are healthy/nutritious.

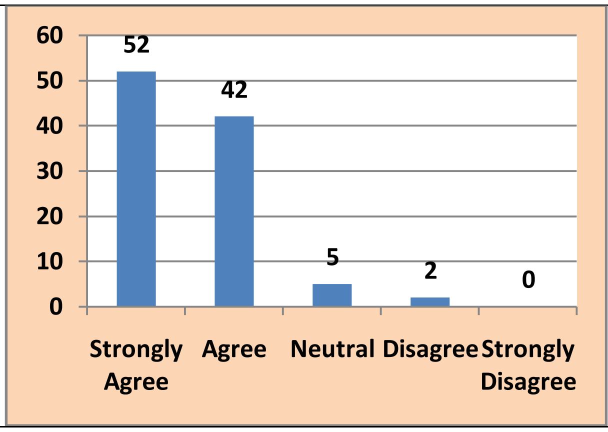
	In No's	In %
Strongly Agree	97	81
Agree	19	16
Neutral	04	02
Disagree	01	01
Strongly Disagree	00	00
Total	**120**	**100**



It is cleared from the above table 4 and chart (b), that maximum number of consumers (i.e. 97%) agrees that organic foods are healthy and nutritious, whereas only 1% of consumers disagree with the statement that organic foods are healthy and nutritious and remaining 2% of consumers are found neutral.

Table 5 & Chart (c): They are safe to consume/not contaminated.

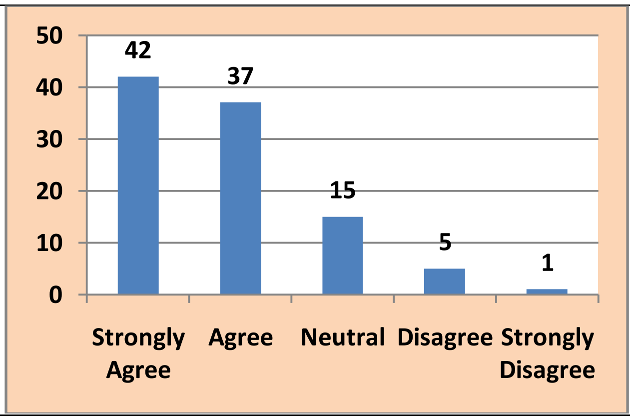
	In No's	In %
Strongly Agree	62	52
Agree	50	42
Neutral	06	05
Disagree	02	02
Strongly Disagree	00	00
Total	**120**	**100**



Above table 5 and chart (c) shows the statement that organic foods are safe to consume and not contaminated. 94% of consumers are strongly agreed or agreed with the statement, whereas only 2% of consumers are strongly disagreed or disagreed with the statement. Remaining 5% of consumers are neutral.

Table 6 & Chart (d): They are tasty.

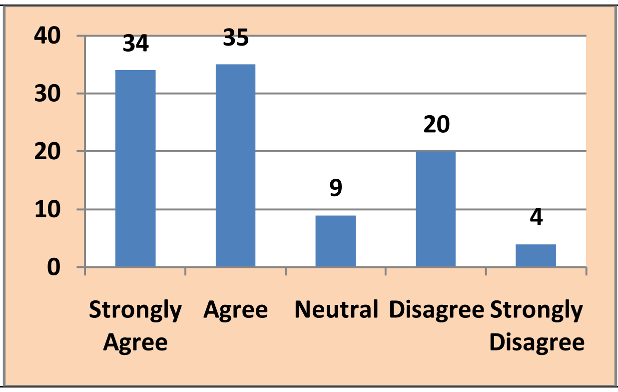
	In No's	In %
Strongly Agree	50	42
Agree	44	37
Neutral	18	15
Disagree	06	05
Strongly Disagree	02	01
Total	**120**	**100**



Regarding the statement that organic foods are tasty, it is found out from the above table 6 and chart (d) that majority of consumers i.e. 79% strongly agreed or agreed with this statement. Only 6% of them strongly disagreed or disagreed with the statement. And remaining 15% of consumers are neutral with this statement.

Table 7 & Chart (e): They are readily available.

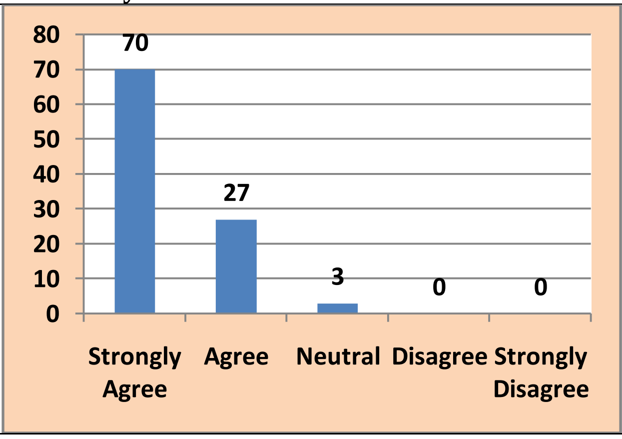
	In No's	In %
Strongly Agree	41	34
Agree	42	35
Neutral	11	09
Disagree	23	20
Strongly Disagree	03	04
Total	**120**	**100**



It is cleared from the above table 7 and chart (e), that maximum number of consumers (i.e. 69%) agrees that organic foods are readily available, whereas only 24% of consumers disagree with the statement that organic foods are readily available and remaining 9% of consumers are found neutral.

Table 8 & Chart (f): They are environmental friendly.

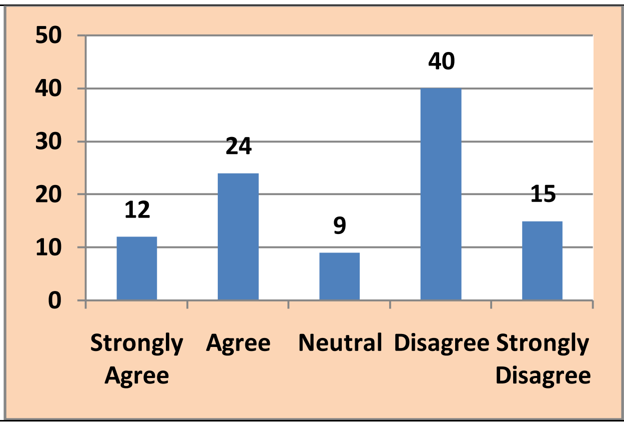
	In No's	In %
Strongly Agree	84	70
Agree	32	27
Neutral	04	03
Disagree	00	00
Strongly Disagree	00	00
Total	**120**	**100**



Above table 8 and chart (f) shows the statement that organic foods are environmental friendly. 97% of consumers are strongly agreed or agreed with the statement, whereas not a single consumer are strongly disagreed or disagreed with the statement. Remaining 3% of consumers are found neutral.

Table 9 & Chart (g): They are affordable.

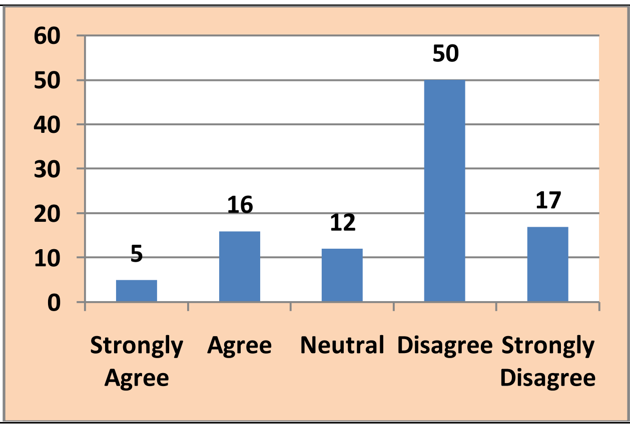
	In No's	In %
Strongly Agree	14	12
Agree	29	24
Neutral	11	09
Disagree	48	40
Strongly Disagree	18	15
Total	**120**	**100**



It is cleared from the above table 9 and chart (g), that maximum number of consumers (i.e. 55%) strongly disagree or disagree that organic foods are affordable, whereas 36% of consumers strongly agree or agree with the statement that organic foods are affordable and remaining 9% of consumers are found neutral.

Table 10 & Chart (h): It is a status symbol.

	In No's	In %
Strongly Agree	06	05
Agree	19	16
Neutral	14	12
Disagree	60	50
Strongly Disagree	21	17
Total	**120**	**100**



Regarding the statement that consuming organic food is a status symbol, it is found out from the above table 10 and chart (h) that majority of consumers i.e. 67% strongly disagreed or disagreed with this statement. Only 21% of them strongly agreed or agreed with the statement. And remaining 12% of consumers are neutral with this statement.

H. Conclusion and Suggestion:

It can be concluded that two-third of consumers purchase organic food once in a 15 days, as well as once in a month. It can be inferred that maximum number of consumers strongly agrees that organic foods are healthy and nutritious, they are safe to consume and not contaminated, they are good for management of illnesses and they are environmental friendly and organic foods make them feel in touch with their indigenous roots. Major problem of organic stores do not have their own website, which is very much needed in today's scenario. Store's website provides complete information about stores such as its location, available different brands, location of brands in mall, various discount offers, loyalty reward scheme or gift (if any) etc. This information not only helps to existing and new customers but also prove to be a good marketing tool for potential customers.

Today, e-tailing, which comprises of online retail and online marketplaces, has become the fastest-growing segment in the larger market of India. Therefore, store owners must concentrate on this aspect also. Organic farming is also in tune with the expectations of a growing number of consumers who buy organic food despite the considerably higher prices. Consumers increasingly tend to prefer food with added value such as high quality, health benefits and animal welfare. We can feed the world and must restore ecological health to our planet. To do this we need to launch an Organic Green Revolution – that fundamentally changes the way we grow our food to maximize yield while mitigating climate change, restoring clean water, building soils, and protecting agricultural production during times of drought.

The future challenges facing agriculture and food production are considerable. Organic farming is potentially able to respond to these challenges, both in the area of environment (mitigation of and adaptation to climate change, water and soil management, biodiversity and stable environments) as well as in the area of food (the need for sustainable production of high quality foods), rural development and animal welfare.

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