



# Factors influencing Indian consumers' actual buying behaviour towards organic food products



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## ABSTRACT

The organic foods are perceived as more nutritious, healthy, and nature-friendly than conventional food. Consumers, therefore, are switching over to organic food products and are willing to pay a premium price. The purpose of this study is to examine the factors influencing the consumers' actual buying behaviour towards organic foods. For this purpose, a survey data were collected from 611 Indian consumers through a structured questionnaire. The data were analysed using various techniques like factor analysis, independent *t*-test, ANOVA multiple linear regression, and hierarchical multiple regression analysis. Results have confirmed four factors (health consciousness, knowledge, subjective norms, and price) that influence the consumer attitude towards organic food products. However, purchase intention towards organic foods is affected by these four factors along with one additional factor (i.e., availability). The results show that these five factors also influence the actual buying behaviour but attitude and purchase intention mediates the relationship. Further, socio-demographic factors (age, education and income) also found to have an impact on actual buying behaviour. This study provides a better understanding of consumers' attitude, purchase intention and actual buying behaviour towards organic food products. The findings have implications for companies of the organic food industry, retailers and market regulatory agencies. The study also provides guidelines and suggestions for retailers and marketers who are dealing with the organic foods and aim at expanding the organic food market.

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## 1. Introduction

Environmental awareness and increasing interest of consumers in organic foods and willingness to pay for organic features lead to corporate interest in organic marketing, initiating major changes and innovations (Peattie and Crane, 2005). The enhanced consciousness has a thoughtful effect on the consumer, with organic product market expanding at the decent rate (Bhaskaran et al., 2006). The growth of organic product is seen as part of emerging marketing trends where consumers seek to know what an organic product can deliver before making purchase decisions (Thøgersen et al., 2016).

When India had low population, agriculture was almost organic and nearer to nature. The system of agriculture based on the traditional knowledge and practices handed down from generation to generation could not produce enough to feed the increasing

population. During "green revolution" technological interventions in agriculture were widely adopted by farmers for maximizing the agriculture production to meet the demands of food of fast increasing population (Dholakia and Shukul, 2012). The green revolution paid a rich dividend by increasing the food grain production many folds. At the same time, this has led to increasing the use of chemical fertilizers and pesticides which cause serious damage to the environment and human health.

A very large number of consumers from all over the world are concerned with environmental problems (Diekmann and Franzen, 1999). Consumers who are concerned about the environment can be understood to be sensitive to the information regarding not only the environment itself but also to products, processing and brand that might affect it (Minton and Rose, 1997). Consumers are ever more aware of the seriousness of environmental degradation, resulting in more ecologically consciousness and desire to purchase organic products and services, favouring the businesses that complying with environmental practices (Laroche et al., 2001). This is because current environmental dreadful conditions are ever more menacing the consumer health and well-being (Ragavan and Mageh, 2013).

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The present study is designed to explore the factors influencing consumers' actual buying behaviour. Knowledge of these factors is essential for devising the effective marketing strategy for the development of the domestic organic market in India.

### 1.1. What is organic food?

The most common definitions of organically produced foods emphasize the technology or production practices and principle used, and/or the 'organic philosophy' (e.g., Bourn and Prescott, 2002; FAO, 1999). Some definitions highlight dimensions such as 'biological' or 'natural production system' (Klonsky and Tourte, 1998) and 'green' or 'environmental friendliness' (Bhaskaran et al., 2006), while some other emphasize the limited use of artificial chemicals in organic production (e.g., FAO, 1999; Yi, 2009), or its general philosophy (e.g., Torjusen et al., 1999). According to Yi (2009), organic foods are improved to maintain the food integrity, instead of artificial content, preservations and irradiation. Put it simply, the food which is produced/processed without using pesticides, mineral fertilizers or any other type of chemicals can be labelled as organic food. "In terms of food that come from living animals- meat, eggs and dairy, the animal must not be fed antibiotics or growth hormones" (Organic Foods Production Act, 1990). Thus, organic foods are conventionally safe, produced using ecologically and environmentally sound methods that do not involve synthetic inputs such as pesticides and chemical fertilizers, do not contain genetically modified organisms (GMOs) and do not processed with irradiation, industrial solvents, or chemical food additives (Paul and Rana, 2012).

### 1.2. Organic food market in India

Despite significant spending on foods, the food retailing in India has been unorganized. Traditionally, Indian consumers used to spend 90% of their food spending on home food which has fallen down to 80%. This is mainly due to change in attitude and lifestyle of Indian consumers, where eating out is becoming more prevalent than ever before. And, these consumers do not mind paying a premium price for the food products which provide benefits of both food and health (Sondhi and Vani, 2007).

The organic food market in India is at a nascent stage of its development; most of the produce is exported to developed countries (APEDA, 2014). The domestic market for organic products is limited to mainly in the big cities of India, and the market is anticipated to grow at a significant rate of 40%–45% in 2014–2017 (Oswald, 2013; Nandi et al., 2017). Currently, the market for organic agribusiness has crossed ₹2500 crores, and the global trade is today at USD \$69 billion (₹360,000 crores approx) (ICCOA, 2014). Presently, in India, fruits and vegetables are the highest demanded organic food categories (Nandi et al., 2017).

India is having the highest number of organic producers in the world (Willer et al., 2013), and the majority (>80%) of them are small and marginal (<2 ha) (Dev, 2012). Smallholder farmers are being excluded from the export organic supply chains (Singh, 2009). Thus, the option left for smallholder farmers is the domestic market to sell their produce. In India, there are over 15,000 certified organic farms and the number is growing fast over the years (Kumar and Ali, 2011). To date, there are more than 181 organic retail outlets in Bangalore alone (Devakumar, 2014). These organic retailers are not organized, and there are substantial differences in their pricing of the products. Despite this growth potential, one of the hindering factors for organic consumers is the high price for organic products. As reported by the Dholakia and Shukul (2012) organic consumer survey in north India, 71% of respondents cited that the high price as an

obstruction to buying organic products. They expressed that the future of organic agriculture would, to a large extent, depend on consumer demand and their motive to pay an extra price for organically grown foods.

Consumer-oriented approach to understanding the market for the organic product is essential for pursuing better management of organic food market in India. This is a complex process, which is determined by some factors such as infrastructure, quality production, policies, certification, and market environment (Aryal, 2008). However, it is also very essential to understand consumer decision-making regarding organically produced foods and seek strategies about how consumptions are determined by consumers' beliefs, attitudes, and responses to organic products and willingness to pay a premium price (Dipeolu et al., 2009). A majority of previous studies were carried out in developed countries where knowledge and awareness of food are high. The consumer awareness and preferences for organic food products in the developing world is mostly unknown. Therefore, there is an urgent need to investigate the demand status of organic food particularly in developing countries like India. The investigation of consumers' attitude and behaviours towards organic food products may help both consumers of organic interest and marketers to drive growth in the organic food market.

## 2. Theoretical background and research hypotheses

The consensus of international research provides a clear picture of the same reasons why people buy organic food products. Although there may be differences in the order of preferences in the specific cultural and demographic factors, the main reasons, in order of priority, are health, product quality, and concern for the environment and environmental degradation. These were supported by previous studies years ago (Tregear et al., 1994) and have been consistently supported by subsequent studies too (Hughner et al., 2007).

Harper and Makatouni (2002) and Chinnici et al. (2002) found that consumers have positive attitudes towards organic products where one of the most commonly mentioned reasons for purchasing organic products was consumers' perception about organic products as healthier than conventional alternatives. Vermeir and Verbeke (2004) found that consumers did not always buy sustainable products as outcome of environmental concern or to benefit the community or due to personal beliefs but mainly to give priority to health, to be part of the social group, to differentiate from others and to accomplish the need to try out new technologies.

The consumers' perception about organic food as healthier than conventional food is constantly strong in Asia Pacific Region and in emerging economies like India and China (Sheng et al., 2009). Indian consumers prefer organic food for their children (Chakrabarti, 2010). In both western and eastern world, consumers seem to be conscious of wider benefits of organic foods as a healthy food with the positive impact on the environment (Frewer and Van Trijp, 2007). Some studies revealed that consumers agree with the fact that organically grown foods have less chemical and microbial contamination than conventionally produced foods (e.g., Letourneau et al., 1996; Cayuela et al., 1997). Perceptions that organic foods are associated with less or no chemicals residues, for example, sometimes questioned because of the probability of contamination during processing and possibility of mixing organic and conventional products in food supply chain. There may also be chances of organic foods carrying the higher risk of microbial contamination than conventional foods because increased use of manure in agriculture can enhance the incidence of contamination from pathogens such as *Salmonella* species and *E. Coli* (Tauxe et al.,

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