

Beyond Organic

*How Evolving Consumer
Concerns Influence
Food Purchases*

The Quality Claims That Matter Most
To Today's Specialty Food Shopper

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A Research Report Presented By:

CONTEXT
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Beyond Organic – How Evolving Consumer Concerns Influence Food Purchases

Overview

If the proliferating claims found on many food labels and menus are any indication, consumers are applying increasingly higher standards, including enhanced ethical expectations, to food purchases. Pick up a carton of milk or a dozen eggs and don't be surprised to find up to four or five separate quality claims. Ask a specialty butcher about the provenance of the meat and poultry in the case and be prepared to spend a few minutes.

Context Marketing recently surveyed a national sample of more affluent consumers to determine which issues-based product claims are most important to them when making specialty grocery and restaurant menu decisions. The research emphasized quality claims having to do with safety and health, as well as ethical considerations and their role in the purchase decision. It did not include nutrition claims.

While the results confirm the strong influence of low price on the purchase decision, they also illustrate several trends, including a shift away from some familiar quality claims such as *organic* and *free-range*. It is not that these terms are no longer valued, rather that newer claims have captured the consumer's attention. Following are study highlights which are discussed in greater detail on the following pages.

- **Consumers are paying closer attention to food quality claims.** They also are increasingly savvy about evaluating them. The more educated and affluent consumers included in the survey are familiar with many if not most of the issues behind the claims being made today by producers, manufacturers and restaurants.
- **Safety concerns lead the list.** The quality claims that consumers find most meaningful today relate to food safety. Most important are claims that assure consumers that the things they do not want to see in food are not there, such as antibiotics and artificial hormones. Food safety is important to the majority of shoppers and especially women who bring somewhat greater concerns to food choices.
- **Ethical claims are important.** Although safety is the primary concern, ethically-based claims also are important, especially with a large subset of consumers. One reason is because ethical claims are frequently linked to safety issues; another is that ethical behavior is important for a company seeking to gain consumer trust and loyalty
- **Most will pay up to 10% more for quality.** Despite the fact that most consumers report that low price is the main reason why they purchase a product in the supermarket, 60% of respondents reported they are willing to pay up to 10% more for food that promises to be healthier, safer or produced to higher ethical standards. Another 12% said they would pay more than a 10% premium.

About the Research

This study reports the findings of an online survey conducted in September 2009 that included 600 respondents between the ages of 20 and 64, equally representing women and men, and living in major metropolitan areas across the U.S. The research emphasized more educated and affluent consumers. Respondents were mainly working adults (89% employed either full or part-time), educated (92% had at least some college education and 64% had a college degree or higher), and more affluent (50% had household income of \$75,000 or higher.) In addition, 66% were married or living with a partner. The survey was designed by Context Marketing and conducted by MRops, Inc., a global provider of integrated market research data collection and reporting services.

Context Marketing is a San Francisco Bay Area consulting firm that helps companies develop communications strategy and initiatives addressing the societal issues and trends that influence brand preference and corporate reputation. The firm has worked extensively with companies and organizations in the food and beverage industry.

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Study Highlights

Food Safety Claims Matter The Most To Consumers

Food safety clearly tops the list of consumer concerns about food quality. When asked to identify the most important issues, those directly involving food safety were ranked highest by the majority of respondents. (Figure 1). The claims consumers found most meaningful have to do with the things consumers do not want to see in their food such as mercury, pesticides, hormones and antibiotics.

Consumers also care where their food is produced, which is most likely a result of their assumption that origin influences safety. Claims such as “Produced in the USA,” “locally-grown” and “from family farms” are important to many shoppers.

When asked directly about the safety of the food supply, 57% said they were “definitely concerned” or “very concerned.” (Figure 2) An equal number expressed concern about the safety of imported foods.

Figure 2. “How Concerned Are You About The Safety Of The Food Supply?”

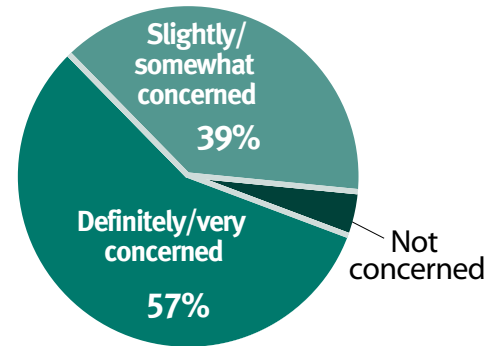
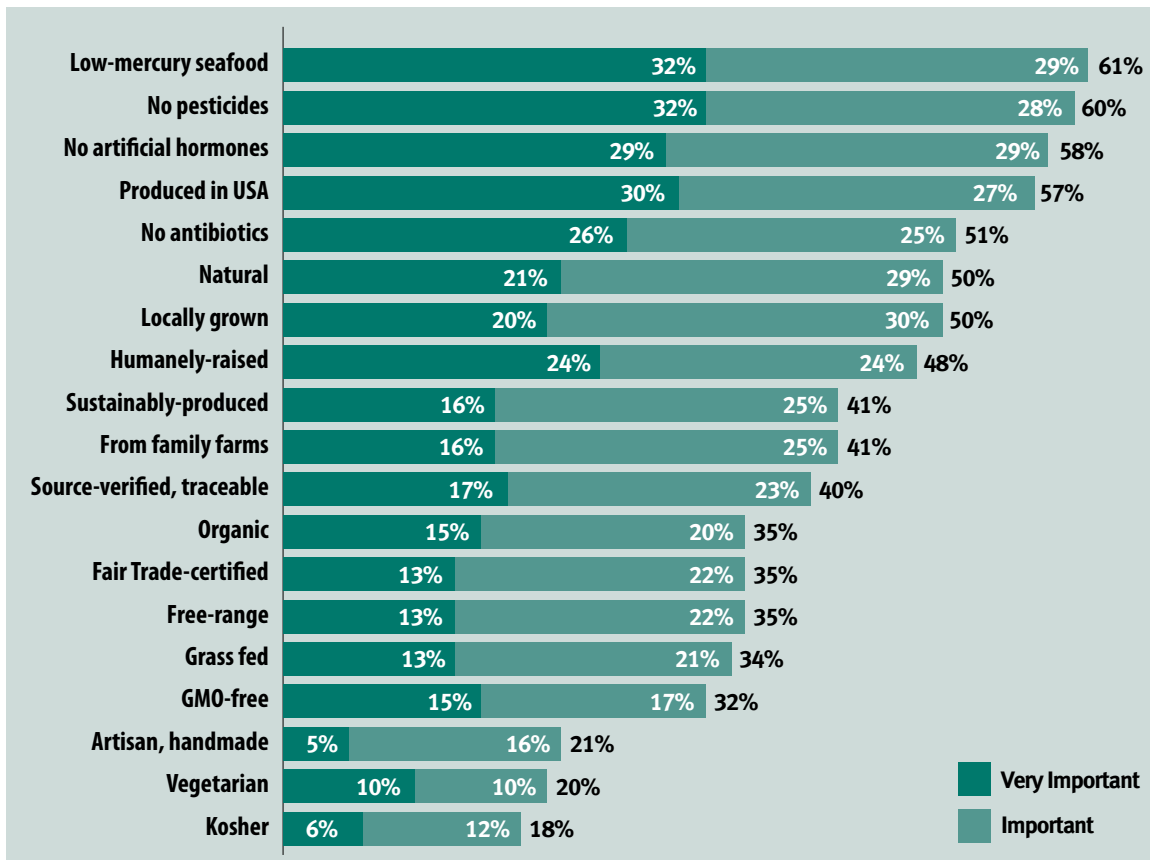


Figure 1. “Following are claims you may see on a food package or menu that implies a food is healthier, safer or produced to higher ethical standards. Please rate how important these claims are to you.” (Claims rated “very important” and “important”)

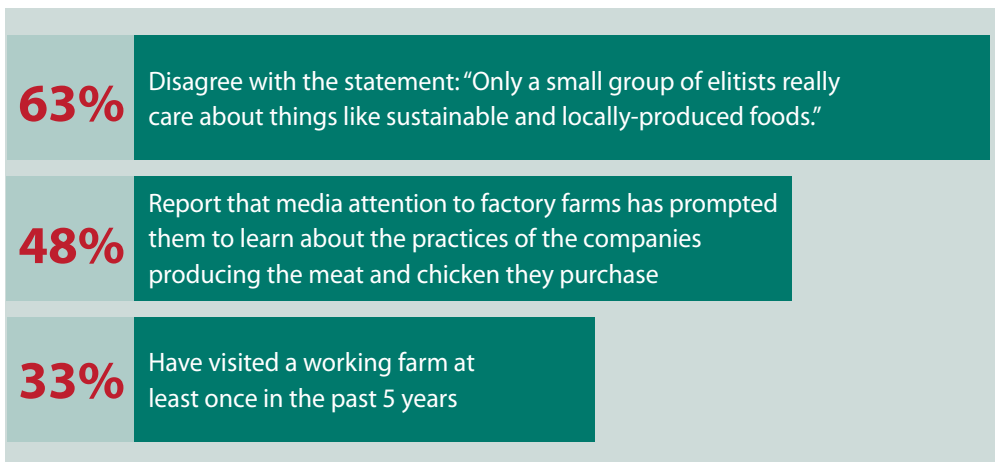


Consumers Are Becoming More Savvy About Food Claims

The more affluent and educated consumers who were the focus of the research seemed to be fairly well informed about food quality claims and the issues behind them. Field traceability is one claim that seems on the upswing with consumers, most likely a result of headlines in recent years reporting recalls of field-tainted produce.

Many consumers believe that understanding the issues is part of being a smart shopper today. Sixty-three percent do not agree that only food elitists care about things like sustainable farming and locally-produced food. Forty-eight percent said media attention to factory farms has influenced their purchases at the meat counter. And one-third reported visiting a farm within the past five years. (Figure 3)

Figure 3. Today's Food Shoppers Are Better Informed



The Lesson of "Organic"

The fact that "organic" is ranked lower in importance by consumers (Figure 1) is perhaps due more to shifting food trends than to a lessening of enthusiasm for organic foods. As more and more "organic" products and ingredients came to market in recent years, many shoppers began to consider the organic claim a new standard and shifted their attention to new issues. This also may explain why terms such as "artisan" and "vegetarian" are not more valued by consumers today. All of this raises the question of how quickly some of the newer quality claims will become accepted practices and which issues and claims will replace them in order to meet rising consumer expectations.

Low Price Is Important, But Many Consumers Will Pay More For Quality

It is important to note that price remains a very important purchase factor, even among more affluent consumers. However, what is notable is not that 64% agreed with the statement, “Price is the main reason why I purchase a product in the supermarket,” but that 36% did not. And even among those who agree, other factors matter. Sixty percent of respondents reported they are willing to pay up to 10% more for food that promises to be healthier, safer or produced to higher ethical standards. (Figure 4). Another 12% said they would pay between 11% and 20% more.

There is an age skew in willingness to pay a premium for quality. (Figure 5) About 70% of the youngest group (age 20-29) reported a willingness to pay more, compared with around 55% for each of the other two groups (30-49 and 50-64). Also, young men reported they were just as willing as young women to spend more.

It should be noted that the 60% figure reflecting those willing to pay more for quality food is significantly higher than the number of consumers who say they are willing to pay for socially-responsible brands and products outside of the food category. In a recent survey conducted by Context Marketing (see box below), 42% of respondents reported they were willing to pay up to 10% more for low-cost responsible brands. This number – around 40% – has also been reported in other recent studies.

Figure 4. “How Much More Are You Willing To Pay For Food That Is Healthier, Safer Or Produced To Higher Ethical Standards?”

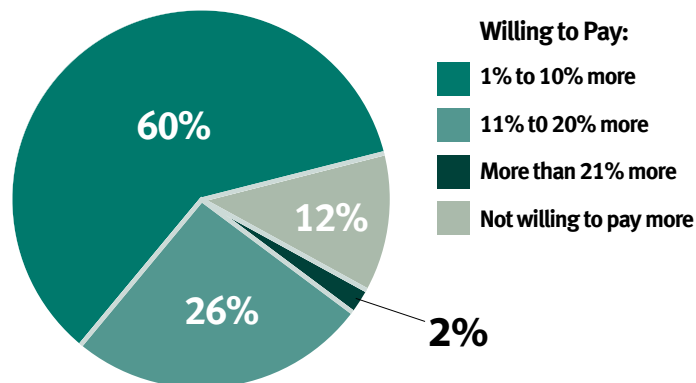


Figure 5. Younger Adults Are Willing To Pay More (Those willing to pay 1% – 10% more, by gender and age)

	20 – 29	30 – 54	50 – 64
Women	71%	58%	55%
Men	70%	52%	54%

Brand Virtue As A Competitive Asset

Several references are made in this report to findings included in “Brand Virtue As A Competitive Asset,” a research report by Context Marketing and Noesis Research released in September 2009. While a separate study, it addressed a very similar audience as this one and covered overlapping issues in several areas as it explored the concept of “Modern Virtue” as a mindset consumers use in evaluating the social responsibilities of brands and companies. A copy of the report is available at: www.contextmarketing.com

Ethical Claims Reinforce Safety Claims And Help Create Brand Loyalty

The emphasis on safety should not overshadow the importance of ethical concerns when it comes to food purchase influences. Food producers and manufacturers need to pay attention to ethical issues because so many consumers do. Broadly speaking, there are two reasons for this.

First, ethical issues are frequently linked to safety concerns and ethical behavior can add credibility to assurances about safety. For example, a consumer may believe that if an animal is humanely raised, it also has been subject to other “responsible practices” that allay safety concerns, such as being raised without antibiotics or artificial hormones. Many consumers see ethical claims as an important part of a cluster of responsible behaviors shown by food producers and manufacturers.

Another reason, and one of importance to marketers, is that ethical, or socially responsible behavior, builds a stronger relationship with consumers which will serve a company well over the long term. The “Brand Virtue” study recently conducted by Context Marketing (see box on page 6) found that those brands and companies that are seen as behaving “responsibly” develop deeper engagement with many consumers, generating higher levels of trust and loyalty, and greater word-of-mouth referrals.

Ethical food claims, while perhaps not a primary factor driving food purchases, are an important way for companies to build trust and loyalty with many consumers, especially with more affluent shoppers. (Figure 6)

Figure 6. Ethical Factors Influence Purchase Decisions For Many Consumers



Concern For Food Quality Affects All Ages; Gender Differences Are Small Although Women Are Somewhat More Progressive Than Men

While there are some differences when analyzing responses by age and gender, they often are not large even if they are statistically significant. What is notable is that most food quality issues concern the majority of men and women, and in all age groups (20 to 64). Following are several observations regarding age and gender differences.

- Price concerns.** As noted previously in the discussion about price, young men and women, ages 20-29, were more willing to pay a premium for quality foods, even though this group has somewhat higher agreement with the statement that low price is the main reason for purchasing a product in the supermarket.
- Safety concerns.** Women are somewhat more concerned than men when it comes to many food quality issues, especially issues concerning food safety. However, concern about food safety increases with age for both men and women. (Figure 7)
- Ethical concerns.** It’s tempting to assume that younger adults are more idealistic and hence more responsive to ethical claims than are older adults. In fact, no findings in the research support this. So even while those in the youngest group report they are willing to spend more money on quality foods, responses to the importance of ethical claims are fairly consistent across all age groups with only a few exceptions.

Figure 7. Top 5 Food Claims
(Top 5 issues rated “important/very important,” by gender and age)

Male	Female		20-29	30-49	50-64
60%	62%	Low Mercury	54%	59%	70%
55%	66%	No Pesticides	55%	62%	63%
53%	63%	No Hormones	54%	60%	61%
55%	59%	Produced in USA	49%	60%	63%
53%	63%	No Antibiotics	44%	53%	59%