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CONSUMER TRENDS IN ORGANIC FOODS

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Abstract. In Europe the dynamical development of organic food market seems to stop. Besides the declining activity of the producers the potential of the increasing consumption decreases as well. Today we can observe a positive tendency in Hungary: due to the development of trade the organic consumption is rising which is perceptible mainly in case of the basic foods, such as vegetables and fruits, milk and dairy products, bakery products. The consumers are looking for the cheaper products which are available in hyper- and supermarkets. The increasing consumption is hindered by the small ground-space, the absence or restricted numbers of technical instruments, release certificates are difficult and expensive to obtain and the sellers are sometimes underqualified.

Another positive change is that home delivery, which was little known at the beginning, has moved out from the standstill: the consumers are able to buy 100% organic food packages in more and more towns. An increasing number of little processors can be observed on the market with more differentiated and already forgotten products. In bio- and reform stores consumers can get a wider range of organic products. But as a food chain, the organic market is the most successful, in Csörsz Street in Budapest the demand is almost unsatisfiable. In the purchase of organic products the main anomaly it meant by the measure which came into force on 1 July 2005. According to the EGK 2092/91 and 392/2004 EK order every organic food trader (bio- and reform stores, hyper- and supermarkets and other food retailers and wholesalers) has to have the products controlled. But the efficiency of the regulation can be queried, which raises several questions.

In the future the supply will probably predominate. Due to the reduced support a further decrease of the organic area can be expected. The sustenance and increase of the consumption level is only possible by an increasing marketing activity in which positioning for healthiness plays an important part. The consumer should mean the main the pulling power of the market.

INTRODUCTION

In the last 20 years, the importance of organic farming in Europe increased considerably. The overall increase lasted by 2002, when the number of organic farmers decreased for the first time [15]. In the following years, this hang was reflected in the volume of production, and then in 2006, statistics showed a slight drop of the consumption, too. This can probably be attributed to the limited potential of the market, and the decrease in prices caused by the move towards an offered market.

In the demand of the consumers, however, no drop can be perceived. The highest volume of organic products is sold in Germany, while the per capita consumption is the highest in Denmark and Switzerland [13]. Denmark is outstanding in Europe and in the world as well, with the 5.6% proportion of organic foods from the total food consumption in 2003 [8]. Among the new EU member states, Czech Republic has the strongest organic food market. However, with the per capita spending of 1.25 EUR, which is about 3% of the German consumption, it is still far below the level of the developed Western European countries [4].

In Hungary, statistics of the organic and transiting lands have been made since 1996, using the information provided by the control organizations. Despite the low subsidies, an increasing trend could be perceived until 2004, regarding the organic lands and the number of organic farmers as well. After the EU accession, the organic food market in Hungary became an offered market. The volume of import (mainly processed) products from the EU countries is increasing continuously, while raw materials for export are less and less demanded. Due to these factors, the drop of the production could not be avoided in Hungary, either. Several Hungarian farmers were forced to give up organic production even in 2005 [2].

Actual data on ecological production and the share of distribution channels, however, are still in a kind of “mystic fog” in our country. Often they are available only with some years’ delay, so the market itself has already passed the point the data describe. Therefore there are only estimations available on the turnover of organic foods, and there is no organization being responsible for data collection and information [12]. In the last few years, however, some positive changes could be perceived. Due to the changing consumer preferences and behaviour trends, the consumption of organic foods is increasing in Hungary.

CONSUMER PREFERENCES OF ORGANIC FOOD

In order to understand the consumer behaviour, the factors influencing the food choice need to be reviewed. Hundreds of research results verify that besides price, food choice is strongly influenced by the healthy, chemical and additive free nature of products. According to the Central-Eastern European life style research by GFK Hungaria, approximately 65% of the Hungarians consider organic foods of the ideal aliment of the future [14]. Surveys conducted by Szente [12] show that the wholesomeness of foods is an important factor for 83.7% of the people purchasing organic foods, what definitely reflects the more conscious consumer behaviour of this group. Among people not purchasing organic foods this ratio is 64.5%, what shows their strong willingness as well.

In the last years, the consumption of organic foods only moderately increased, and it can be surely stated that these foods will never become mass products in Hungary. This trend, among others, is due to the following factors:

- The increasing demand is primarily directed towards basic foods (milk and dairy products, bakery products, vegetables and fruits). This is reflected by the broad assortment of these products in stores, including domestic and import foods as well. The turnover of processed, ready-to-cook products is low; they are present on the shelves as assortment broadening only.
- There is a limiting factor present when buying vegetables and fruits, the belief that ’what looks good cannot be healthy’. Many people do not trust organic foods even if they can see the control certificate or the organic label.
- Price sensitivity is still present among the people purchasing organic foods, the cheaper products are demanded. The influence of price on the decisions can particularly be perceived in the case of basic foods.
- During shopping, people visit stores where they usually shop, and other goods can be purchased, too. Therefore, a re-arrangement of the retail structure can be perceived, in what the winners will be the hyper- and supermarkets, and within a couple of years, following the trends in Western Europe, discount stores. Besides their easy availability, their main attractive factors are convenience and lower prices of basic organic foods.

The change of the retail and distribution structure is more and more strongly reflected in the consumer behaviour. Due to the various services offered by different types of stores, this new structure is capable of segregating different consumer groups, thus fulfilling individual needs. In the following chapter the change of the Hungarian retail structure is presented.

PURCHASING PLACE OF ORGANIC FOOD

In developing countries like Hungary, retail structure is constant motion in present times. The re-arrangement of export and import markets and the progress of EU accession induced perceivable changes in the food consumption behaviour.

At the beginning, organic products were available usually at the producers and in unprocessed form only. By the middle of 90's, the majority of the sales was settled by organic markets and bio and reform stores. By the millennium, the network of specialist stores became stronger, organic foods became available at several places in the country towns, too. By this time, processed organic products appeared in hyper- and supermarkets. At first, the presence of organic foods was almost unperceivable in these stores, but since then, the volume has been increasing, and they win away more and more customers from bio and reform stores. This trend was similar in countries with a developed organic market, too, the example of Germany is shown in Table 1.

Table 1

Change of purchasing structure of organic foods in Germany

Retail chain	**1998**	**2004**
general retail trade	33,0	36,5
bio- and reform shops	38,0	33,5
direct sale	17,0	16,0
other	12,0	14,0

Source: [16], [1]

The data show that German consumers tend to buy organic foods in the general retail (such as hyper- and supermarkets). ALDI discount chain became the main retailer of organic potatoes, fighting strongly its competitor LIDL: now they sell organic potatoes 60% cheaper than bio and reform stores. By constant consumers, however, a contrary trend can be perceived. They do not believe that discount stores mean the right direction of the organic movement, in their opinion local source, reliability and pure retail are the inducement instead [7].

In the past years, more and more positive changes could be perceived regarding the alternative distribution channels in Hungary. Local delivery, which used to be almost unknown, moved out of the standstill, and 100% organic food packages are available in more and more cities. Besides seasonal vegetables and fruits, traders offer processed foods such as milk and dairy products, meat products, vegetable pastes and tropical fruits as well. The number and assortment of bio and reform shops is growing, too. The most successful distribution channel, however, is the organic market in Budapest. The consumers, impressed by the imposing environment and the opportunity of direct purchase from producers, pay the higher prices of organic products almost unnoticed.

The increase of the small-scale food processors is considered to be a significant change. They market more and more differentiated, often old, “forgotten” products, primarily through alternative distribution channels. The increase of demand, however, brought up several weaknesses of specialist shops and alternative channels against hyper- and supermarkets. These obstacles are the following:

- Small floor-space [5].
- Lack or limited number of technical appliances.
- Simultaneous selling of fresh vegetables, fruits, milk, dairy products, meat, and bakery products require huge investments.
- Often under-educated shop assistants.

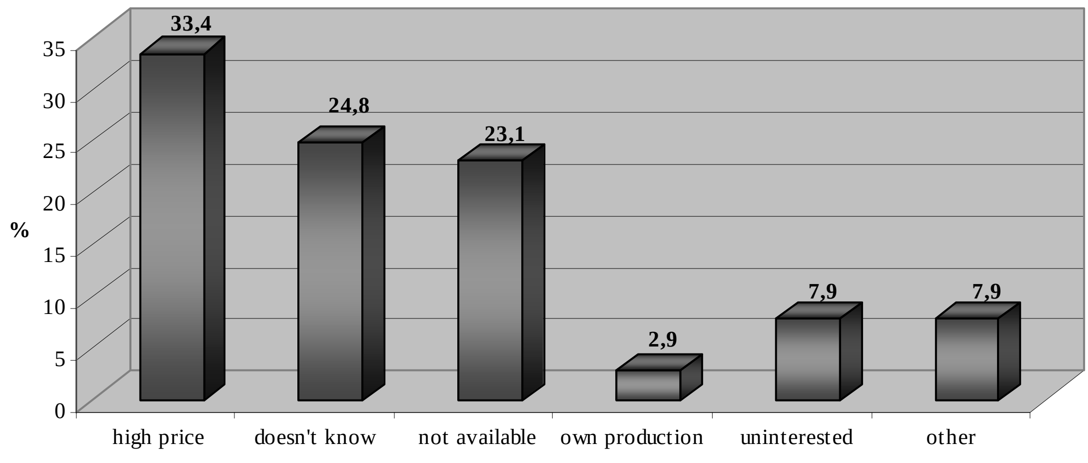
Besides the above listed obstacles, the organic sector needs to face another challenge from June 2005: according to the EEC Regulation No. 2092/91, all retailers of organic foods are required to undergo a control process. The regulation incorporates several anomalies.

ANOMALIES OF RETAIL REGULATION

Just as producers and processors, retailers of organic food are required to comply with the regulations covering topics of storage, separation from conventional products, waste management and packaging materials in the first line [3].

Earlier, the retailers selling organic foods were not required to be inspected, but starting 1 July 2005, bio and reform shops, hyper- and supermarkets, and all other food retailers and wholesalers are subjects to the above mentioned regulation and the Council Regulation (EC) No. 392/2004 as well [10]. All sellers has to have an inspection made, what enables the retailer to use the label ’controlled organic shop’. The purpose of the regulation was to increase consumer trust, since several intended and unintended trespasses occurred at the stage when the consumer meets the product. However, the efficiency of the new regulation is strongly questionable. The major dilemmas are the following:

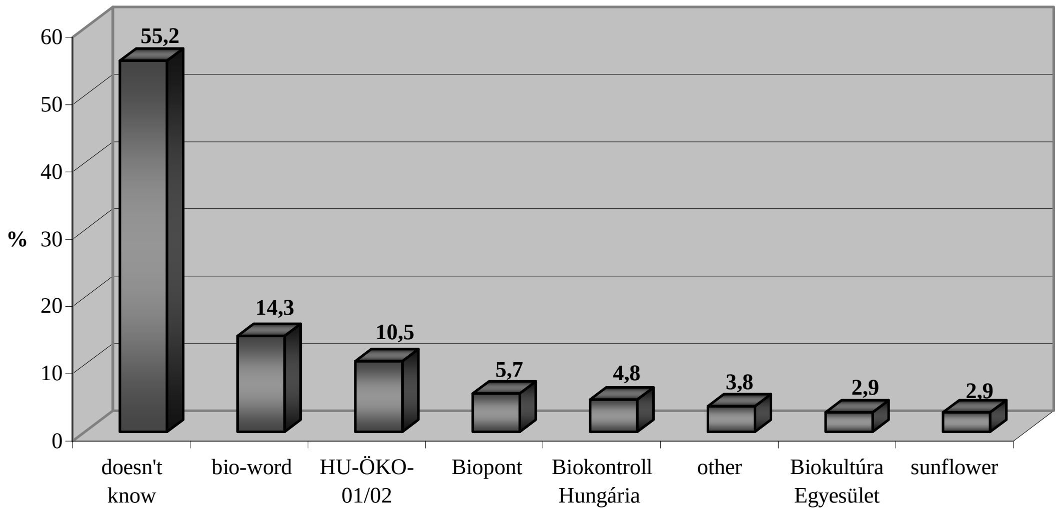
- Retailers consider the control as unnecessary, time-consuming and costly. (Besides the control fee, retailers need to comply with the regulations on separated storage, waste management, packaging, etc., what is difficult or even impossible to accomplish for smaller shops).
- They charge the higher costs to the consumers, who consider organic products too expensive even today (*Figure 1*), they mentioned high prices as the major counter-argument against the purchase of organic foods.



Source: [11]

Fig. 1: **Counter-arguments against buying organic food (n=197)**

- The label ’controlled organic shop’ cannot improve the consumers’ trust, due to the fact that they are not familiar with the regulations and they do not even know the controlled product labels, either. This is presented in Figure 2, showing that only 10.5% of customers of bio- and reform shops could correctly define the letter-number combination destined to mark organic products.



Source: [6]

Fig. 2: **Knowledge of organic product symbols (n=105)**

It would be more reasonable, if the denotations bio (biological), eco (ecological) or organic were solely allowed for products and retailers complying with the regulations, the inspections, however, should not be restricted to subjects signed in into the control system. Through strict control, the use of these denotations could be banned for several producers and retailers gaining market advantages by abusing the consumers’ good faith.

POSSIBLE ALTERNATIVES IN THE FUTURE

After these thoughts a question may emerge: what will the future bring on the market of organic foods? The progress may have two outcomes:

1. The organic will slowly disappear from the shelves, and their place will be taken by other products of trust or functional foods with health benefits.
2. In the more favourable case, the market will grow. In the near future, the surplus of supply will remain, and due to the strong activity of retailers, the interest of consumers in organic foods will increase.

The only way to sustain or increase the consumption level is to intensify marketing activity, with special interest on common marketing. Among the elements of STP marketing, positioning should get special attention, since research results show that their wholesomeness in the most important factor in choosing organic products. Therefore, producers and retailers should position their products by accentuating their scientifically proved nutrition benefits. Using target group oriented, individual marketing, there is a chance to maintain or improve the market positions. The current regulation structure should be thought over in the fields of trade, control and subsidies. The purpose of the regulation should be the easier accomplishment and the encouragement of market process. There is a chance to maintain the organic food market only if it is driven by the consumers' willingness to buy organic products.

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