



## Consumers' Willingness Towards Expending Premium Price for Organic Food Products in Coimbatore District

### KEYWORDS

Organic Foods, willingness to pay more, Demographic, safety and healthy

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**ABSTRACT** This study attempted to gain knowledge about consumers' willingness to pay high for organic food products and their demographic characteristics. Data were collected in supermarkets, organic food shop and departmental stores in different areas of Coimbatore district, of Tamilnadu state. A total of 150 respondents were taken for the study. The data obtained from the survey were analyzed using percentage analysis and ANOVA. Result indicated that almost of the consumers are eager to pay 20 per cent high for organic food products and were heavily influenced by the perception on organic product worth of pay for and the belief on the safety and health aspect of the product.

### INTRODUCTION

Organic food is growing because of public have started to accepting the fact that today non organic items carries contamination of chemicals. Organic food is free of all the chemicals that are generally used to grow the crops as fertilizers, pesticides and insecticides that spoil environment and spoil human body as well. In short Organic foods are foods that are produced using methods that do not involve any high-tech or modern synthetic inputs. Pesticides, chemical fertilizers, and food additives are not used to deliver this product from start to end, from farm to the end user.

Due to contamination of various chemicals on food consumer are diverted towards nature. It has resulted into shift towards organic food. 'Organic food' is food that is grown without use of chemical from planting seed to harvesting. Recent trend is slanting towards organic food. Yet the time has not rise for mass marketing of organic food. Though at present, prices are premium for organic food, some health conscious niche segment is purchasing it.

### REVIEW OF LITERATURE

Kamal P. Aryal, etal (2009), this paper presents the "Consumers' willingness to pay a price premium for organic products in Kathmandu Valley". A sample of 180 consumers was taken for survey, a semi-structured questionnaire was used to examine peoples' perception about organic products and access their willingness to pay for such products. The results show that the knowledge and awareness level between the surveyed consumers are fairly good but not adequate. Organically grown products are available in the markets of Kathmandu valley but in limited amounts though the growing demands are there for such products. Consumers are willing to pay price premium of 5-50% for organic products that may be viewed as the cost of investment in human health. Consumers' willingness to purchase is influenced by limited and unpredictable supply, high price of the products and sparingly limited access and information.

**T. Bhama and VedhaBalaji (2012)**, in their research study "Consumer perception towards organic food products in India". A sample consisting of 300 consumers was taken for the study in India. It is revealed that Consumers of organic food products evaluate product quality with the price they pay. They believe to be organic food products as safe for consumption. The respondents have also felt that organic food products are healthy to consume, generally prefer to

consume grain based organic food products followed closely by organic grains and organic fruits. This study implies that both producers and marketers need to concentrate on specific factors so as to improve the market potential for organic food products and thereby contributing to the general well being of the society and the larger good to environment.

Jan P Voon, Kwang Sing Ngui and Anand Agrawal (2011), the present study investigated the "Determinants of willingness to purchase organic food among consumers in a Malaysian city", using a questionnaire survey. Using structural equation modeling: attitude, subjective norms and affordability (behavioral control) were modeled to impact intention or willingness to pay (WTP) for organic food. The findings of the study offer insights on promoting impact widespread organic food consumption. Cost of consumption can need to be lowered to catch the attention of new consumers. At the same time the need for discrimination through other means to sustain or increase consumption between existing consumers. These factors include consumers' concerns over their health and environment, observable attributes and their perceived trustworthiness of organic food that were deemed attractive. A successful effort in these directions may impact consumers' affordability concerns and their readiness to comply with subjective norms. These inevitably contribute towards enhancing intention to consume.

### OBJECTIVES

1. To study demographic profile of organic food buyers
2. To examine the willingness of the respondents to pay high for organic food products

### RESEARCH METHODOLOGY

The present study is based on primary data to investigate the objectives and testing the hypothesis. A well-designed questionnaire was used as an instrument to collect the data.

The primary data has been gathered directly from 150 respondents. The secondary data has been gathered from journals, magazines and other websites. The questionnaire was administered in person randomly to most of the respondents in the study area of Coimbatore district.

### RESULTS AND DISCUSSIONS

#### DEMOGRAPHIC PROFILE

Table 1 describes the demographic profile of the respondents, chosen for the study.

**Table 1**  
**Demographic profile**

PERSONAL FACTORS	CLASSIFICATIONS	FREQUENCY	PERCENT-AGE
AGE	18 – 30 years	31	20.7
	31 – 40 years	57	38.0
	41 – 50 years	47	31.3
	Above 51 years	15	10.0
GENDER	Male	81	54.0
	female	69	46.0
MARITAL STATUS	Married	126	84.0
	Unmarried	24	16.0
EDUCATIONAL LEVEL	No formal education	24	16.0
	School level	42	28.0
	Diploma	9	6.0
	Undergraduate	39	26.0
	Postgraduate	30	20.0
	Others	6	4.0
QUALIFICATION	Employee	69	46.0
	Professionals	18	12.0
	Businessman	30	20.0
	Others	33	22.0
FAMILY TYPE	Nuclear	84	56.0
	Joint	66	44.0
FAMILY SIZE	1 to 3 members	45	30.0
	4 to 6 members	78	52.0
	Above 6 members	27	18.0
MONTHLY INCOME	Below Rs. 20,000	24	16.0
	Rs. 20,001 to Rs. 30,000	63	42.0
	Rs. 30,001 to Rs. 40,000	24	16.0
	Rs. 40,001 to Rs. 50,000	18	12.0
	Above Rs. 50,001	21	14.0
Total		150	100

**AGE:** Age of the respondents has been playing a important role for selecting the organic food products by the consumers. From the above table it is implied that 20.7 % of the respondents are in the age group of 18 - 30 year, 38% of them are in the age group of 31 - 40 years, 31.3 % of the respondents are in the age group of 41 – 50 years, and 10% of the respondents are above 51 years of age. **It is implied that, Almost (38%) of the respondents belong to the age group of 31-40 years.**

**GENDER:** The gender of the respondents is classified as male and female. It is implied that 54% of the respondents are male, and 46% of them female. **It is concluded that, Majority (54%) of the respondents are male.**

**MARITAL STATUS:** The marital status of the respondents is classified as married and unmarried. It is implied that 84% of the respondents are married and 16% of them are unmarried. **Hence, it is implied that, Majority (84%) of the respondents are married.**

**EDUCATIONAL QUALIFICATION:** Educational qualification has been a major parameter for the organic food products consumers. Among the respondents, 16% of the respondents have no formal education, 28% of them have school level education, 6% of the respondents are diploma holders, 26% of them are undergraduates, 20% of the respondents are postgraduates, and 4% of the respondents fall under

other category. **It is concluded that, Most (28%) of the respondents have school level education**

**OCCUPATIONAL STATUS:** From the above table it is known that 46% of the respondents are employees, 12% of them are professionals, 20% of the respondents are business person, and 22% of the respondents are under other category. It is implied from, the above table that, Most (46%) of the respondents are employees.

**FAMILY TYPE:** The study reveals that 56% of the respondents belong to nuclear family, and 44% of the respondents are in joint family. It is implied that, Majority (56%) of the respondents belongs to nuclear family.

**FAMILY SIZE:** From the above table it is clear that 30% of the respondents have 1 to 3 members in their family, 52% have 4 to 6 members, and 18% of the respondents belong to the family size above 6 members. It is found that, Majority (52%) of the respondents have 4 to 6 members in their family.

**MONTHLY INCOME** : Income as a personal component has deep rooted effect on the confidence level of the customers. From the above table it is assumed that 16% of the respondents have monthly income below Rs.20000, 42% of the respondents income level is between Rs.20001-Rs.30000, 16% of them have monthly income between Rs.30001-Rs.40000, 12% of the respondents have monthly income ranging between Rs.40001-Rs.50000, and 14% of them have more than Rs.50001 as their monthly income. It is found that, almost (42%) of the respondents monthly income is ranging between Rs.20001-Rs.30000/.

#### CONSUMER WILLINGNESS TO PAY HIGH FOR ORGANIC FOOD PRODUCTS

The table 2 describes the consumer willingness to pay high for organic food products

**Table - 2**  
**Consumer Willingness to pay high for Organic Food Products**

Willingness to pay high for Organic Food	No. of Respondents	Percent-age
No, I don't like to pay extra price, I won't purchase	3	2.0
Yes, for Organic I shall pay between 1 to 10% high	33	22.0
20% high	48	32.0
30% high	27	18.0
40% high	9	6.0
50% high	6	4.0
For quality food products, I won't mind the money	24	16.0
Total	150	100.0

**Source: Computed**

Among the respondents 2% of them do not wish to pay extra price to organic food products compare with non-organic products, 22% of them wish to pay high between 1 to 10%, 32% of them wish to pay 20% high, 18% of the respondents wish to pay high 30%, 6% of them wish to pay 40% and above, 4% of the respondents wish to pay 50% and above, and 16% of them wish to pay high for quality products and won't mind the cost.

It is implied most that, 32% of the respondents wish to pay 20% high for organic food products.

One way ANOVA

Consumers' Willingness to pay high for Organic Food Vs Demographic variables.

Table 3 describes the willingness to pay high for organic foods among the demographic variables such as age, gender,

marital status, educational level, occupational status, type of family, family size and monthly income of the respondents.

$H_0$ : Consumer willingness to pay high for organic foods does not vary significantly among the demographic variables of the respondents.

**Table – 3**  
**Consumer Willingness to pay high for Organic Food Vs Demographic variables.**

Factor	Source	Sum of Squares	df	Mean Square	F	Sig.
AGE	Between Groups	12.473	6	2.079	2.668	NS
	Within Groups	111.421	143	.779		
	Total	123.893	149			
GENDER	Between Groups	6.203	6	1.034	4.760	NS
	Within Groups	31.057	143	.217		
	Total	37.260	149			
MARITAL STATUS	Between Groups	.834	6	.139	1.029	**
	Within Groups	19.326	143	.135		
	Total	20.160	149			
EDUCATIONAL LEVEL	Between Groups	106.587	6	17.764	10.604	NS
	Within Groups	239.553	143	1.675		
	Total	346.140	149			
OCCUPATIONAL STATUS	Between Groups	78.134	6	13.022	3.791	NS
	Within Groups	491.206	143	3.435		
	Total table	569.340	149			
FAMILY TYPE	Between Groups	6.447	6	1.074	5.035	NS
	Within Groups	30.513	143	.213		
	Total	36.960	149			
FAMILY SIZE	Between Groups	13.857	6	2.310	5.899	NS
	Within Groups	55.983	143	.391		
	Total	69.840	149			
MONTHLY INCOME	Between Groups	135.419	6	22.570	29.818	NS
	Within Groups	108.241	143	.757		
	Total	243.660	149			

### S-Significant, NS-Not Significant

One-way ANOVA was applied to find whether the consumers' willingness to pay high for organic food product does not differ significantly between demographic variables. F-value is, less than the table value at 5 per cent level of significance in case of age, gender, educational level, occupational status, type of family, size of family and monthly income. It is found that the mean score for willingness to pay high for organic food products does not differ significantly on age, gender, educational level, occupational status, type of family, size of family and monthly income. Hence, the hypothesis is accepted. In case of marital status the hypothesis is rejected. Hence, it is inferred that all the variables are significant except marital status at 5% level.

### CONCLUSION

A variety of agricultural products may be produced organi-

cally, including produce of dairy, grains, meat, eggs and processed food products. "Organic" does not indicate "natural." There is no legal definition about what constitutes a "natural" food. However, the food industry uses the phrase "natural" to indicate that food has been minimally processed and is preservative-free. Consumers have high positive attitude toward organic products and they exhibit an increase willingness to pay higher prices for these products. Few consumers don't mind to pay even 50 % high for organic food products as they look for good quality and healthy product. For such reason, marketing strategies for organic food product must be targeted towards those segments of consumers almost appreciative of the positive attributes of organic food.

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