



ANALYZING THE DETERMINANTS AFFECTING THE CONSUMERS' ATTITUDE AND WILLINGNESS TO PAY PREMIUM PRICE FOR ORGANIC MILK.

Prachi Narang*

Student, Amity University, Uttar Pradesh. *Corresponding Author

Sneha Ghai

Amity University, Uttar Pradesh.

ABSTRACT This study is intended to determine the factors affecting the consumer's attitude and willingness to pay price premium for organic milk by analysing them using chi square test of independence and other simple descriptive method. The study reveals the result on the basis of both primary and secondary research. For this purpose, a survey of 155 respondents was conducted. SPSS software was used to get the results. According to the results, factors such as gender, annual income, prices offered, quality of organic milk and education had significant effects on consumers' attitude. Overall, 58.1% of the respondents chose organic milk for their daily consumption. The average price willingness to pay was estimated to be 70-90 rupees per litre for organic milk. The results showed that insufficient availability, lack of knowledge and awareness and also the premium prices offered are all considered as the major pitfalls in the development of the organic market and consumption.

KEYWORDS : Consumers' attitude, Organic milk, awareness, market and consumption.

INTRODUCTION

With the growing food sectors, organic food industries have been certified as the fastest one among them. Here, we will give special attention to the organic milk among all organic food products due to its uniqueness, abundance and it has a potential in developing any economy. This milk is produced from the livestock which are grown in their natural conditions and are fed with organic feed. Majorly which differentiates organic and normal milk according to the consumers, is supposedly price and taste, the organic is more expensive and is required to taste superior and finer than the conventional one.

It's valuable to have in-depth knowledge about the attributes of organic milk according to the consumers as the role of organic is rising, specifically for milk in retail market. Furthermore, it's necessary for the producers to study the organic market for rising production with a plan, which may carry higher costs.

Although the organic food industry has grown a lot in the past decade but then also the total share of it is still small when compared with others. It is expected to gain market growth from \$234,370 million(2019) to \$352,190 million in 2025. This study aims to study the factors/determinants that influence consumers' while purchasing organic milk. It also examines the review of relevant studies which carried out in this field.

REVIEW OF LITERATURE

In a study it's found that Consumer's salary is strongly correlated with the organic milk purchases and while other studies stated that frequent purchases of organic milk have incomes below \$50000 p.a.(Hill&Lyncheaun, 2002). One study cited that the demand for organic milk has increased sevenfold between the years 1997 and 2002(Dhar&Foltz, 2003).

The call and requirement of organic has been increased among the consumers due to the food scandals at the very first beginning of the new millennium(Zanoli, 2004). Also, a study showed that some of the companies from dairy industries were offering incentives (like free grains, bonus, and veterinary care) to farmers for getting converted into organic (Abelson, 2006).

The variation/difference in results of the consumers, who are consuming organic milk, is probably due to the high cost range. May be consumers with Lower income are likely to use organic milk but their disposable income may refuse this(Krystallis, Chryssohoidis & Govindasamy, 2005).

Also, families in which new baby arrives the people there, prefer organic over the conventional milk (Hill & Lyncheaun, 2002). In a study, it is stated that consumer income and their education is correlated and it isn't easy to tell that which one of the two are more likely responsible in buying organic milk (Zanoli&Naspetti, 2002).

According to the studies it is indicated that significant factors that affect consumer's attitudes includes age, salary, level of education,

regional difference; these factors affect towards a price premium for a certified food(Wang et al.).

There are many model structures which describes choice factor of food; Arranging these factors when grouped may divide food choosing factors into three major groups(Furst, Connors, Bisogni, Sobal, & Falk, 1996): Product related(aroma, texture, packaging), Consumer related(age, gender, appetite) and Environment related factors(price, incomes, custom, society).

OBJECTIVES

The aim and objective of this study is to assess and analyse the determinants which affect consumers' attitude and WTPP for organic milk:

1. To explore and assess factors of consumer attitude towards organic milk consumption.
2. To assess the significance of gender on preferences for buying organic milk.
3. To assess the impact of annual income of consumers on the WTPP.
4. To assess the significance of level of education/social status with the WTPP.

MATERIALS AND METHODOLOGY

This research study consists of both primary and secondary methodology for WTPP for organic milk and consumer attitude towards organic milk respectively.

Also, it takes into account the respondents' opinions regarding problems on the market of organic milk.

The survey conducted in total covered 155 people. Out of which male constituted around 51% and female respondent accounts for 49%, which is almost equal in terms of gender. The majority of the population survey was between the ages of 21-30 with 74.2%. The largest group of people surveyed were from the learning population i.e. students with 58.1% (more than half). Employed population constituted of about 27.7% from the respondents, whereas a similar percentage of the surveyed population was unemployed or were among housewives—6.5% and 7.1% respectively. In addition, this survey also covered pensioners with 0.6%.

In the survey, maximum people surveyed were among those who have an annual income below 4 Lakh—57.4%. A similar percentage of the surveyed population was observed from the people with annual income 4-6 Lakh, 6-8 Lakh or Above 10 Lakh—15.5%, 10.3% and 11% respectively.

Simple Descriptive analysis is used for analysing the results and the analysis in the cross tabulation of quality characteristics was performed using Pearson's chi-square test of independence(inferential statistics) for few result interpretations. Where In the conducted analyses, $\alpha = 0.05$, whereas asymptotic significance ≤ 0.05 was considered to be statistically significant.

RESULT AND DISCUSSION

For the purpose of recognizing whether the reason of preferences for

organic milk depends on the gender of a person, the chi-square test was carried out. The table given below shows the research results obtained.

			Gender		Total
			Female	Male	
Why will you prefer organic milk over the normal one?	Healthier	Count	63	51	114
		Expected Count	55.9	58.1	114.0
	I won't	Count	2	12	14
		Expected Count	6.9	7.1	14.0
	It's Trendy	Count	6	1	7
		Expected Count	3.4	3.6	7.0
	Tastier	Count	5	15	20
		Expected Count	9.8	10.2	20.0
Total		Count	76	79	155
		Expected Count	76.0	79.0	155.0

Note: The expected count is the value which was expected to be observed if the variables have no dependency on each other.

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	16.926 ^a	3	.001
Likelihood Ratio	18.327	3	.000
N of Valid Cases	155		

Note: N—size and df—Degree of freedom

The analyses carried out indicate that it is statistically significant: asymptotic significance is 0.001 which ≤ 0.05 ; this means that the preferences for organic milk depends on the gender of an individual. Also, from the survey, we can say that more females than males prefer organic milk due to its health benefits (83% out of 100% females preferred organic because it is healthy). Also, regarding the identification of other preferences for choosing organic milk (taste, it's trendy and won't prefer), men and women did not show such significant differed results.

To check whether the WTPP for organic milk depends on the annual income of an individual, the chi-square test was again applied for the analysis. The analysis carried out showed that the WTPP somewhere depends on the annual income of an individual because the test is statistically significant; asymptotic significance is 0.037 which ≤ 0.05 . Also, from the survey figures, we could say that people easily with higher income were willing to pay more percentage for the organic milk with comparison to the normal milk. People with annual income between 6-10 Lakh were willing to pay price premium for the organic milk.

In terms of work status, among the employed people, 67.4% out of 100% were ready to pay more than 10% more for organic milk in comparison to conventional milk.

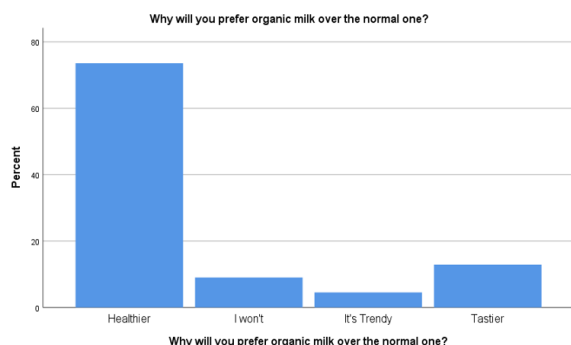


Figure 1: Preference of organic milk over conventional milk

The above bar graph interprets that most of the respondents chose organic milk because it is healthier and have realised the health risk associated with other milk.

Consumer attitude towards organic milk

- According to a study by Hussain Akbar et al, it is found that the consumers buying organic milk considers taste, health, environment and its nutrition level, and among these health is preferred to be the number one parameter.
- With increasing age, people become more health conscious while buying organic milk.

- It is found that the environment consciousness is also important factor in depicting consumer attitude as before buying consumer also pay attention to the aroma, packaging and texture of the milk.

CONCLUSION

The conducted research is to analyse the factors on which consumer attitude and their WTPP for organic milk depends.

While purchasing milk 58.1% of the people prefers to buy organic milk than conventional one. Also, the survey study showed that people lack awareness towards the organic milk and therefore, putting a barrier on their willingness to buy. When asked from people about the issues in the organic milk market, majority of them pointed out the insufficient awareness and lack of information followed with the lack of product sales channels. The analyses carried in this research study shows the factors on which consumers are willing to pay for organic milk are their personal preferences(healthy, tasty, etc), Annual Income and their work/social status. The customers are now becoming more anxious about the health so organic comes in play.

LIMITATIONS

- Performing the study on a small group of population leads to constrain related to cost and time.
- Volume, organic milk production methods, consumer's personal values were some of the factors which were beyond this study and couldn't be discussed here.
- In different areas of population generalizability will be different as this market is still growing.

RECOMMENDATIONS

- To educate people about organic market, government should conduct efficient classes or educational facilities.
- Also, it's suggested that Government should provide low cost loans and schemes to decrease process and production costs to help consumers buy this product at moderate prices.

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