Ecolabel Value Assessment: Consumer and Food Business Perceptions of Local Foods

A report of market research conducted and prepared by the Leopold Center for Sustainable Agriculture and the Iowa State University Business Analysis Laboratory   November 2003

Conclusions

More than 70 percent of consumer respondents who viewed the ecolabel prototypes understood them, and 75 percent who viewed them could think of reasons to buy the local grapes. When choosing between local and non-local food products, consumer respondents appeared to better understand ecolabels that had less total information and that conveyed context about local product "freshness," rather than warnings of higher environmental risk.

It appears that viewing the ecolabels influenced the perception of the term"local" when making a food purchase. For those who viewed the ecolabels, local was more likely to mean "grown in my state" than "grown a distance of 25 miles or less from purchase," which was the choice made most frequently by consumer respondents who did not view any ecolabels. A likely explanation for this is that the consumer ecolabels for the "local" grapes contained text indicating they were "grown in your state." Extending this logic implies that if the "local" label contained text indicating the grapes were "grown within 100 miles of purchase," respondents would have chosen "grown 100 miles or less from purchase" to answer the question about what constitutes "local" when making a food purchase.

The ecolabels also may have influenced the perception of how far fresh produce travels, and how fresh the produce would be. Thirty-five percent of respondents who had viewed the ecolabels perceived that, for all seasons, produce traveled more than 1,000 miles, compared to 29 percent of the respondents who did not view the ecolabels. Freshness received the highest percentage of responses as the top reason to buy local foods from both consumer groups**,** with 39 percent of respondents who viewed the ecolabels selecting this option, compared to 33 percent of those respondents who did not view the ecolabels.

Regardless of whether or not they viewed the ecolabels, consumer respondents exhibited basic knowledge about the seasonality of produce by choosing that on average produce would—over the course of the year—travel farther from farm to point of sale than produce grown during the summer months. Also, consumer respondents from the Midwest recognized that meat and poultry products travel comparatively shorter distances from farm to point of sale than produce items.

For consumer respondents across all three geographic regions, **freshness was the most important reason selected for buying local foods**, with more than 40 percent of Boston- and Seattle-area respondents, and 39 percent of Midwest respondents selecting this option.

"Supporting family farmers" was the second most popular reason for purchasing local foods among the Midwest respondents, although it was the fourth highest choice for Boston respondents and tied for third among Seattle-area respondents.

Approximately 67 percent of consumer respondents who viewed the ecolabels and 72 percent of those who did not view the ecolabels, **believed informational labels are important to some degree in their decision making process.** Both the "ecolabels" and the "no ecolabels" consumer respondents place the most value on freshness, quality, price, and the notion of supporting family farms for local foods.

Pricing willingness to pay options

Approximately 25 percent of the ecolabel and no ecolabel respondents were willing to pay from 6 to 15 percent more for locally grown produce and meat products. Approximately 20 percent of ecolabel and no ecolabel consumer respondents were willing to pay from 6 to 15 percent more for products that had low environmental impacts in food transportation. The percent increase over conventional price options for the "willingness to pay" questions were based, in part, on responses from focus group participants. **The "willingness to pay" question options may have, however, been too narrowly focused.** A number of consumer and food business respondents chose "other" for their response to this question. A small portion of these respondents were willing to pay more than 50 percent more for local foods.

Locally grown and organic perceptions

More than 75 percent of consumer respondents chose "grown locally by family farmers" as their first choice for produce or meat products compared to four different organic choices, even though the survey question stated that price and visual appearance would be the same for all choices. This selection was consistent across all three of the geographic regions.

This is surprising, considering that one of the options was "grown locally-organic" (this choice received the second highest percentage of first choice selections). The same trend was found for the food business respondents, with more than 55 of respondents choosing "grown locally by family farmers." It is possible that "grown locally-organic" would have received a higher percentage of first choice selections had the words "by family farmers" been added. **However, the results do suggest that products "grown locally" combined with "by family farmers" offers a more compelling market story to consumer and food business respondents than organic produce or meat products that may or may not be locally grown – if price and appearance are equal.**

It also is possible that the term organic may not be well understood, or may not be as popular with consumers as locally grown foods that are not necessarily organic. **Figure 54 suggests the latter, with food businesses stating they receive more requests for produce and meat items that are grown locally than grown locally-organic.** Food business respondents perceived that more than 50 percent of their customers would be interested in a label that indicates product source, mileage from farm to point of sale, mode of transport, and environmental impacts in food transportation.

Food business and consumer responses without viewing ecolabels

Food business respondents and one set of consumer respondents did not view the ecolabels. Responses to survey questions for the two groups were compared. When making a purchase decision on carrying a food product, the food business respondents were much more likely to view "local" as being "grown in my state" (38 percent) than the no ecolabel consumer respondents, who selected "grown 25 miles or less from purchase" as their definition of "local." This disparity may have been influenced by the high percentage of Iowa food businesses surveyed, a number of which participate in the state's *A Taste of Iowa* marketing program.

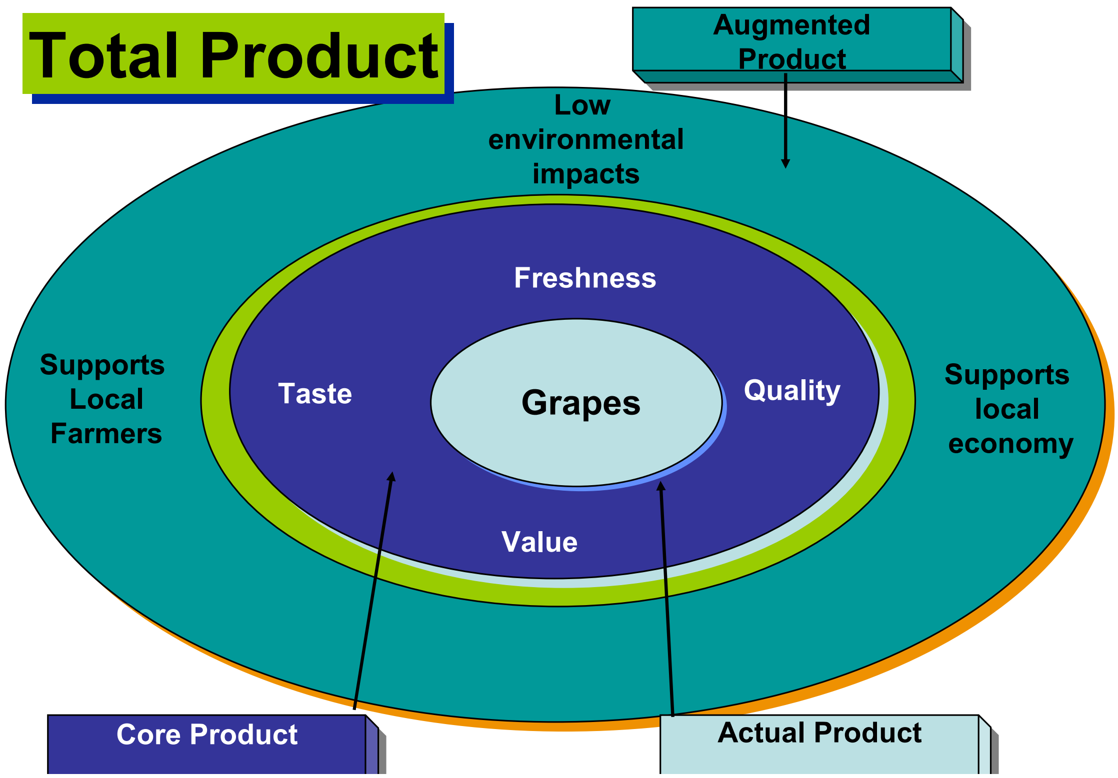
Food business respondents selected "grown locally" as the most frequent consumer request for produce and meat items over four organic choices that included "organic grown locally" (52 percent of the responses for produce and 40 percent for meat items). In this case, the words "by family farmers" were not part of the "grown locally" option. The choice receiving the second highest percentage for both produce and meat was "organic grown within my state."

Marketing perceptions

In marketing terms, the freshness, quality, taste, and price (value) attributes of the food product (in our ecolabel case, grapes) are part of the core product to consumers (Figure 55). "Taste" is included in the set because of the responses it received in the open-ended questions. When consumers shop for foods, the characteristics of the core product are what drive their overall purchasing decision. Consumers secondarily look for augmented benefits such as supporting local farms, low environmental impacts, and supporting the local economy.

The survey results indicate that—regardless of whether they viewed the ecolabels—consumer respondents do place a high value on their perception that purchasing local foods supports local farms. In fact, 18 percent of the Midwest consumer respondents chose "supports local farms" as their primary reason for buying local foods. It is unlikely, however, that these consumers would buy the local food product again if it was not fresh, or did not have the taste and quality that they are seeking. **That is why freshness, taste, quality, and value are core attributes, and supporting local farms is not. However, the importance of the augmented benefits should not be discounted as an important factor in consumer decision-making.**

Figure 5.5. Core and Augmented Product Chart



Building contextual bridges to product benefits

Over time, the secondary or augmented benefits of low environmental impacts, supporting the local economy and supporting local farmers can be more closely linked to the core product through education and market messages that build contextual bridges to the core product benefits. For example, consumer respondents in this set of surveys placed a high priority on the freshness of local foods. Information on time involved in transport and storage from farm to point of sale can be used to develop a concept parallel to "freshness dates" often found on perishable and semi-perishable items such as milk, orange juice, and yogurt.

Questions and comments

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