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

Executive Summary

An ecolabel is a seal or a logo indicating that a product has met a certain set of environmental and/or social standards or attributes. Ecolabels offer one avenue to educate consumers about locally grown, sustainably-raised foods.

The Leopold Center for Sustainable Agriculture partnered in a pilot with the Iowa State University Business Analysis Laboratory to conduct consumer and food business market research related to ecolabels.

Project Goals

1. Gauge understanding and perceptions of consumers and food businesses regarding ecolabels and local foods, and
2. Assess ISU Business Analysis Laboratory's role to assist in addressing challenges found in value chains where food production is rooted in the principles of sustainable agriculture.

A **value chain** is a network of collaborating players who work together to satisfy market demand for a specific product or set of services.

Objectives for Goal One

- Analyze different opinions and perceptions of several ecolabel prototypes.
- Document the perceptions of buying local as viewed by consumers and businesses.
- Identify attitudes and perceptions of food labeling issues.
- Ascertain the perceptions of consumers and food businesses on how far fresh produce, meat, and poultry travels from farm to point of sale.
- Identify the additional monetary value businesses and consumers are willing to pay for locally grown foods.
- Based on the consumer Internet survey results, make recommendations on further development of the ecolabel prototypes.

An Internet-based survey was conducted of consumers and food businesses in the states of Illinois, Indiana, Iowa, Kansas, Massachusetts (Boston area), Minnesota, Missouri, Nebraska, Wisconsin, and Washington (Seattle area). The consumer survey questions and ecolabel prototypes were refined based on comments provided at three Iowa focus groups. Consumers were asked to respond to one of three sets of ecolabel prototypes for fresh produce (table grapes) that conveyed information on product origin, distance from farm to point of sale, mode(s) of transportation, and amount of carbon dioxide (CO_2) emitted during transport. They also were asked a series of questions to assess their perceptions about locally grown/raised produce and meats. Another group of consumer respondents did not view any ecolabels.

Responses reflect food values

The consumer survey results showed that consumers were most responsive to the set of ecolabel prototypes that had the least amount of information, that did not focus on the CO_2

emission/environmental impacts, and connected the consumers' core value of product freshness with the time (in days) it took for the product to travel from farm to store. With this information, the majority of consumer respondents thought of reasons to buy local grapes, in part because of a perception that local grapes were fresher.

Regardless of whether or not they viewed ecolabels, consumer respondents exhibited basic knowledge about the seasonality of produce. They shifted their selection as to how far produce traveled (from farm to point of sale) from a longer distance across all four seasons to a shorter distance when considering the summer months only. Midwest consumer respondents also identified that meat and poultry products travel shorter distances from farm to point of sale than produce items over the course of the year, as well as during the summer.

Freshness was the most important reason selected for buying local foods for consumer respondents across all three geographic regions, with more than 40 percent of Boston- and Seattle-area respondents, and 39 percent of Midwest respondents selecting this option. However, "supporting family farmers" received the second highest percentage for the Midwest respondents, although it was the fourth highest choice for Boston respondents, and tied for third among Seattle-area respondents.

Approximately 25 percent of the ecolabel and no ecolabel respondents were willing to pay from 5 to 15 percent more for locally grown meat and produce items than for the same items that were not local. A follow-up set of willingness to pay questions will be posed in a future study because the pay range suggested in this study (0 to 15 percent)—although based on focus group input—was not wide enough to get an accurate portrayal of respondents' intentions.

More than 75 percent of consumer (ecolabel and no ecolabel) and 55 percent of food business 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). 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 "grown locally" combined with "by family farmers" offers a more compelling story to consumer and food business respondents than organic produce or meat products that may or may not be locally grown—with price and appearance being equal.

Marketing implications

In marketing terms, this study determined that the freshness, quality, and price (value) attributes of the food product are part of the core product to consumer respondents. When these consumers shop for foods, the characteristics of the core product are what drive their overall purchasing decision. Consumers secondarily look for secondary or 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. It is unlikely, however, that these consumers would buy the local food product a second time if it were not fresh, or did not have the taste and quality that they are seeking.

The secondary benefits of low environmental impacts, supporting the local economy, and supporting local farmers can be more closely linked to the core product benefits through education and market messages that build contextual bridges to these core product benefits. For example, consumer respondents in this set of surveys placed a high priority on the freshness of local foods. Information on the 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.

Responses to survey questions were compared for food business respondents and the one set of consumer respondents who did not view the ecolabels. 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 difference 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 (52 percent) and meat (40 percent) items over four organic choices that included “organic grown locally.” 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.” 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.

Future collaboration and ecolabel research

Prior to the summer of 2003, the Leopold Center had not collaborated with any department, center or group within the ISU College of Business. Prior to working with the Leopold Center, the ISU Business Analysis Laboratory had never undertaken a project that focused on sustainable agriculture and the marketing of food products. An important goal of this project was to assess the ISU Business Analysis Laboratory’s role in supporting market research and business development in food value chains where the farm production practices were rooted in the principles of sustainable agriculture.

This pilot project has successfully demonstrated that ISU College of Business students can—with appropriate mentoring and guidance—conduct ecolabel market research with consumers and food businesses. The Leopold Center is currently working with the ISU Business Analysis Laboratory on a second phase of ecolabel market research. Once the work is completed, the two groups will coordinate a forum to share results with students, faculty, farmers, and sustainability-oriented food businesses who may be interested in contracting with the ISU Business Analysis Laboratory to conduct market and product development research.

Questions and comments

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