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ORIGINAL ARTICLE

Opportunities for small and medium enterprises in the innovation and marketing of organic food: investigating consumers' purchase behaviour of organic food products in Victoria, Australia

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Abstract This research study investigates Victorian consumers' understanding, awareness and perceptions of organic food products. Analysis of the quantitative data revealed that there are three major segments of consumers, i.e., pro-organics, reluctant consumers and organic sceptics. The buying and usage pattern of these segments has been identified as also their demographic profile. The findings of this study are strategically important for small and medium size organic food producers. They would be better able to practise and implement differentiation strategies for the three identified segments of customers, thus allowing their marketing teams to emphasise the beneficial attributes of organic food products.

Keywords Organic food · Buyer behaviour · Segmentation · Marketing strategies · Small and medium enterprises

1 Introduction

Over the last few decades, there has been a significant increase in interest in organic foods. New food technology, growing health awareness, busier lifestyle and global environmental issues have been the drivers of this greater awareness (Smith and Paladino 2010; Smith 2009). This has been especially the case in many developed countries. Between 1990 and end of the 1990s, the organic food market had increased by 25 per cent across Europe (McDonald 2001). An estimated growth of organic products sales reached 16–20 per cent in the European market during year 2002 and 2005 (Willer 2006). According to the International Federation of Organic Agriculture Movements (IFOAM) report, the global sales of organic food and beverages reached 59 billion US dollars in 2010. This suggests that the global market has expanded more than threefold in 10 years. North America and Europe comprise over 90 per cent of global demand, the largest markets being the United States, Germany and France in that order (Willer 2012).

The organic industry has become one of the world's fastest growing food categories growing by an average of 30 per cent annually, and this has been replicated in Australia and Victoria in equally high levels. Moreover, Australia has the most certified organic land available in the world (Willer 2012). In this context, Victoria is Australia's leading organic State, and there are more than 600 certified organic food operators, with more than 20 per cent of the country's certified producers in this State. Organic food producers operate in a broad range of products that include dairy, fruit, vegetables, nuts, meat (beef, lamb, pork and poultry), wine grapes and grain. Victoria is the centre for organic processing, particularly of fruit, flour and dairy products but also a wide range of retail products. Equally organic agriculture is perceived as being more sustainable than conventional agriculture.

Over the last few decades, industrial activities have created serious ecological issues such as global warming, loss of biodiversity, ozone depletion, air pollution, acid rain, etc. (Brown et al. 1991, 1992, 1993 cited in Shrivastava 1995). These are expected to worsen in the future

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