



IMPACT OF PREMIUM PRICE MEDIATES THE CONSUMER AWARENESS AND GREEN PURCHASE INTENTION ABOUT ORGANIC FOOD IN COIMBATORE

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Abstract

Modern consumer strives for a quality and healthy life, and that motive directs consumer towards the quality foods by focusing both the environmental concern and health consciousness. Herein, this paper addresses the impact of consumer awareness of organic food towards green purchase intention with the mediation effect of the premium price. A mixed research approach has been adopted and a systematic sample has been selected, whereas impact assessed through Regression, mediation through Barron- Kenny model, and Sobel test. Further thematic analysis was performed to assess the green purchase intention qualitatively. The main findings revealed, both environmental concern and health consciousness positively influence over green purchase intention, and the health consciousness is most influencing consumer awareness factor and a partial mediation by the premium price. From the thematic analysis, main themes identified as (a) health and nutritional concern, (b) environmental concern, (c) taste & freshness, and (d) social status. The Paper concluded by providing recommendations to policymakers, and marketing planners to design and initiate consumer awareness to widen the customer base and plan future strategies

Keywords: Consumer behavior, Green Purchase Intention, Marketing, Organic Food, Premium Price

1. Introduction

Food is one of the basic needs of the human, as well as a crucial need for human existence without any doubt. Modern consumers strive for a healthy life and more cater to the quality of the food that they consume, even the “ quality” could be diverse among different communities. The priority for quality might direct the consumer to the foods reactive towards the environmental concern, health consciousness, perceived consumers' effectiveness, and social norms (Haytko and Matulich, 2008). Within this digital age, the continuous devastation of green resources of the earth is turning the land into a concrete jungle, where the ecological issues become vital and would be influential to human survival. The appearance of “ go green” would be created tremendous opportunities for food manufacturers to lead a healthy society by providing products and services which are expected (Nielsen, 2015). In this regard, the need for eco-friendly and green products has emerged and there is growing interest and demand for organically produced foods globally. That leads to a direct majority of industries to covert the marketing efforts on green marketing and green products. Among the category, “ organic food” has become popular among consumers all over the world creating a specific demand. Herein “ organic food” refers to the products which avoid the use of man-made fertilizers, pesticides; growth regulators, and livestock feed additives (Department of Agriculture and Rural Affairs), and achieved a significant place in the world economy by becoming a high revenue-based industry (Department of Agriculture and Rural Affairs). According to world statistics, above 69.8 Million hectares of organic farmlands were recorded in the year 2017 around the world, and among them, above 6.1 Million hectares of farmlands are represented by Asia (Department of Agriculture and Rural Affairs). Comparatively, Sri Lanka represented about 165, 553 hectares of organic agricultural land in the year 2017 according to the statistics (Willerand Lernoud, 2014). Accordingly, Argentina, Brazil, Dominican Republic, China, India, and Sri Lanka are the leading suppliers of organic products in the world, and accordingly, Sri Lanka became the pioneer of organically certified Tea to the world market (Vidanapathirana and Wijesooriya, 2014). A vast variety of local farms produce organic vegetables, fruits, meat, eggs, milk, spices, mushrooms, and green leaves to the market to fulfill the demand of the consumers (Kurugala, 2018), that would be highlighting the growing tendency for a healthy life. Processed fruits, processed vegetables, edible nuts, grains, pulses and seeds, herbs and spices, coffee, tea and cocoa, honey, cane sugar, and syrup, oils and fats and essential oils consider as organic food within the local context.

Consumer awareness is a vigorous part within the marketing domain, that link consumer with the specific need, where could lead to creating the demand. Consumer awareness simply the buyer's knowledge of a particular product or service, where the value in return might be enhanced by the seller from the purchases made (Thomas, 2018). In the modern era, industrialization, intensification of agriculture and increasing energy sources might act as severe driving forces of environmental degradation and health issues as suggested by scholars (Remoundou and Koundouri, 2009). That leads to identify the environmental concern and health consciousness as key determinants of consumer awareness, ultimately create a specific demand for organic produce.

In practice, organic food fetches a higher price when compared to the conventional type of food products due to associated processing cost, and some circumstances consumers might perceive this premium price as a quality measure. The perception of the consumer towards "go green" might impact the green purchase intention specially in food production in several ways. Green purchase intention is defined as the internal wish, desire, and willingness of the people to purchase environmentally friendly products that are no harm to the environment. Herein, some scholars argued that the concern towards environmental problems might lead to enhancing the purchase intention of the green products that might less harmful to the environment (Peattie, 1995).

Consumer awareness of green products might complex whereas the market conditions play a dominant role in consumer awareness formation and change. As a recent trend, the local consumers also stepping towards the concept of "go green", while catering to the demand for eco-friendly developments, green products, and organic produce. Besides, the consumption of organic food will promote green entrepreneurship, which leads to a green economy. Therefore, as a result, the organic agriculture industry finds itself with enormous market opportunities worldwide.

1.1 Research gap

The majority of scholars argued that the price is a major determinant towards the purchase intention of a product, and when it applied to organic foods, it will play the role as a major obstacle for purchase decision (Padel et al., 2005, Hughner et al., 2007, Zanolli, 2002). Similarly, scholars argued the marketing mix has a positive influence on the purchase intention of organic food products (Weerasiri&Maldeniya, 2016) and organic farmers can reap the benefits of trade with a relatively high price premium along with this organic market expansion (Willer and Youssefi, 2008). Hence, there were several conclusions on the impact of the premium price of organic food on purchase intention which is addressed in different markets. Most of the researches have investigated the impact of consumer awareness on purchase intention of the organic foods, but fewer investigations on testing the mediating impact of the premium price (Hapuarachchi, 2016, Siriwardhana et al., 2017) and this paper will enlighten the knowledge gap and empirical gap.

RESEARCH QUESTIONS

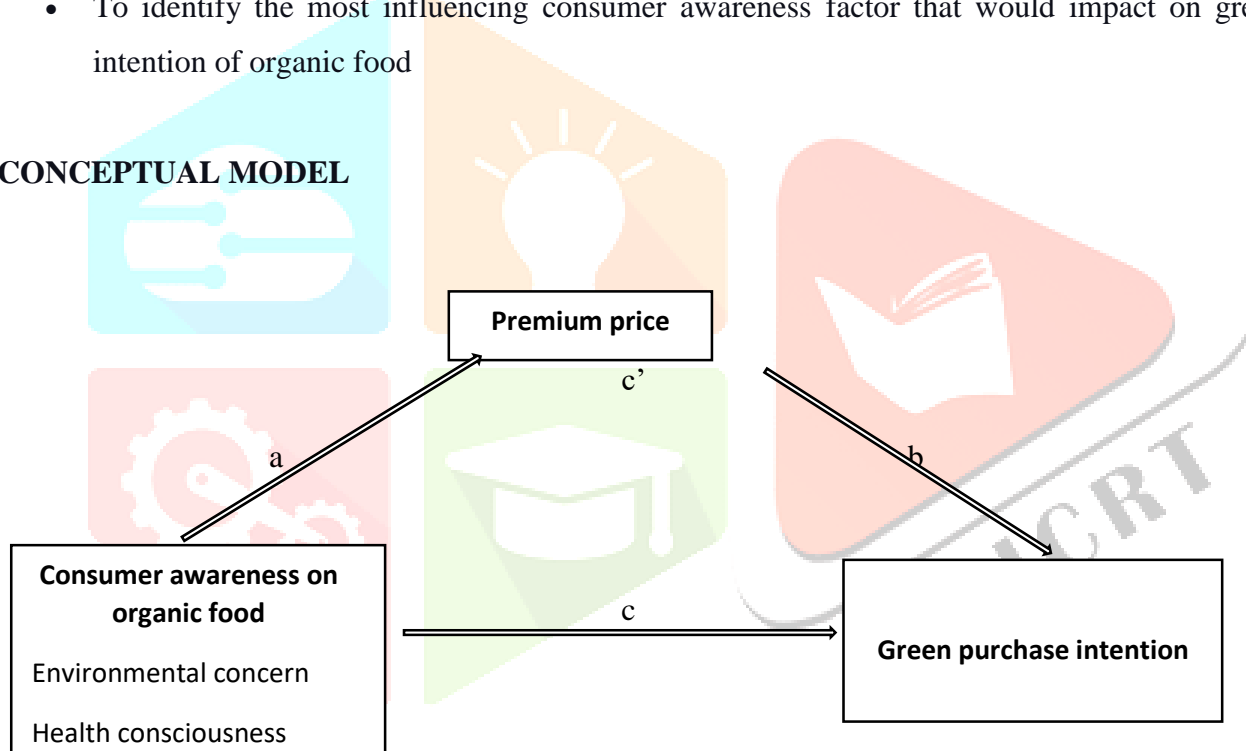
Therefore this paper addresses the impact of consumer awareness of organic food towards green purchase intention with the mediation effect of the premium price. Therefore research questions have been identified;

- What are the consumers' expectations behind the purchase intention of organic food?
- What is the impact of consumer awareness of organic food on green purchase intention with the mediation effect of the premium price?

RESEARCH OBJECTIVES

- To ascertain the consumers' expectations behind the purchase intention of organic food.
- To determine the impact of consumer awareness of organic food on green purchase intention with the mediation effect of the premium price
- To identify the most influencing consumer awareness factor that would impact on green purchase intention of organic food

CONCEPTUAL MODEL



Source: Conceptual model developed based on the literature review

RESEARCH METHOD

As the research method, the mixed research design is used, to combine the elements of qualitative and quantitative research approaches. The study is based on mainly primary data collection by catering to organic food consumers. Due to a lack of statistics for organic food consumers within the local context, the economically active population of Sri Lanka has been taken as the population. Herein the population whose age is above 15 years would be assumed as having the financial capacity and independent decision-making ability. The western province has been taken as the sample due to (1) the highest economically active

population (DCS, 2012) and (2) the highest food consumption expenditure and the highest average income of Sri Lanka (DCS, 2016). The sample size was 384 and calculated based on the confidence level of 95% and the margin of error at 5% (Cohen, 1988). A multi-stage sampling technique was used and data has been collected from the organic food outlets within Coimbatore and the sampling unit was the organic food consumption. As data collection methods, Survey was conducted for the quantitative analysis, and interviews were conducted for the qualitative analysis.

Conclusion

Healthy life and quality food pattern have become one of the priorities of the modern consumer, regardless of other marketing efforts. Therefore, this paper attempts to assess the impact of consumer awareness regarding organic food with the green purchase intention and tested the mediating effect of the premium price. Research gap has been identified, objectives developed, primary data has been conducted, and followed a mixed research approach. The sample has been drawn systematically from the western province and the data gathered through a survey and interview method. As analysis methods, impact assessed by regression analysis, mediation assessed through Barron- Kenny model, and Sobel test. Multiple regression revealed both environmental concern and health consciousness positively influence over green purchase intention, and the health consciousness is the most influencing consumer awareness factor that impacts on green purchase intention of organic foods. Further, the relationship between consumer awareness and green purchase intention is partially mediated by the premium price, but the effect is very low as 13.21% estimated from the Sobel test. From the thematic analysis, main themes identified as (a) health and nutritional concern, (b) environmental concern, (c) taste & freshness, and (d) social status to the purchase intention of organic foods. Among them, health and nutritional concern and environmental concern paying the key role as the main drives towards the purchase intention of organic food.

The paper reveals the relationship between consumer awareness of green purchase intention is partially mediated by the premium price of the organic food within the local market as the knowledge contribution.

Recommendations and Managerial Implications

The findings revealed the relationship between consumer awareness and green purchase intention of organic foods is partially mediated by the premium price within the Sri Lankan context. Therefore, the following key recommendations could be proposed,

- The availability of “ real organic food” is questionable by many respondents and excessive demand was observed compared to the supply. Therefore domestic and international market demand can be fulfilled by popularizing the organic foods by focusing the health consciousness
- Introduce certifications for organic food quality to build trust among consumers to enhance the perception of “ premium price-premium quality”
- Public relations to enhance consumer awareness of the quality and healthy life through consuming the organic produce
- Promotional campaigns via social media marketing to enhance consumer awareness., specially targeting the youth generation
- Marketing offer as a “ differentiated organic food” with innovative methods and process, therefore the premium price mediation might reduce
- A wide distribution of the retail organic food outlets throughout the country; such as outlets of Good market and main supermarket chains
- Collaborative programs with the Agriculture Department to aware farming community about the novel methods, process, and other extension programs on organic produce

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