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Organic Shoppers and Supermarket Retailers Talk about Organics

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Today's economic turmoil has put pressure on sales of high priced items. So far organic sales seem to have held out; however, organic marketers in the US are anxiously tracking sales of organics to see if sales will slip.

More than ever, organic marketers need to understand how consumers think and feel about their products. This is critical in order to construct profitable marketing and merchandising strategies and to weather the stormy year(s) that are probably ahead.

In a national study, the Food Industry Management Program at Cornell interviewed over 500 produce shoppers about organics. Forty mid- to senior-level supermarket executives from across the US were also interviewed. These interviews provided insights into how consumers feel about this farming alternative and opportunities producers and retailers may have to market and merchandise organic foods.

Surprisingly, almost half, 47.3%, of Conventional Shoppers from the study think that organically grown fresh fruits and vegetables are healthier. And over two-thirds, 68.4%, of the Conventional Shoppers say that organics are readily available where they shop. Why then is organic produce not in their "produce shopping consideration set"? The reasons for this appear to be twofold:

- **Price.** 60.2% of Conventional Shoppers said that they would like to buy organic produce, but it is too expensive.
- **Segregated Displays.** Many retailers operate separate organic displays. However, due to segregation, conventional produce shoppers very frequently ignore the organic section entirely. In addition, many conventional shoppers appear to be interested in purchasing organics during sales when they are price close to conventional items, but because of segregation or low visibility, these consumers often miss advertised sales because their path through the produce department never takes them by the organic section, and sales go unnoticed.

Even among committed Organic Shoppers, price is a consideration. Over one-third, 35.4%, of Organic Shoppers feel that low-price retailers can provide them with the organic produce they want, despite the belief by some upscale supermarkets that the organic consumer is somehow immune to looking for a "good deal".

Supermarket retailers might do the additional research to consider bolstering their organic offerings. While 46.5% of Organic Shoppers select their primary food store because of its organic selection, it appears that the remainder may be willing to shop multiple outlets to complete their shopping. In addition, 39.5% of Organic Shoppers cannot find the organic produce they are looking for in their primary food store. Thus, an opportunity exists to include more variety in organics and eliminate the need for their organically-inclined shoppers to make a separate trip to the farmers market.

Improved signage and packaging and a change in the position of organics in the produce department flow are merchandising strategies vital to organic sales. A substantial proportion of Conventional Shoppers, 31.2%, indicated they find it hard to tell which produce is organic and which is conventional.

The majority, 62.2%, of Organic Shoppers appear to prefer organic produce in a separate area of the produce department. The challenge in having a separate display are as follows: how can the retailer prompt conventional shoppers to buy organics if the section is isolated from the conventional shopper's traffic pattern, and conversely, how does one manage integrating organics produce, often in bulk, next to conventional produce given government regulations, certification standards, and labor challenges?

Retailers who maintain separate organic displays indicated:

- Integrating organic with conventional produce is harder to manage and stock properly.
- It is easy to compare prices when product is integrated. This is good when organic items are priced close to conventional, for instance carrots are priced closely, but bad when organics are priced a lot higher.
- Organic certification for retailers is strict. As one retailer said, "If I had to integrate, it would be an operational nightmare and we would fail our organic certification. Our certification gives customers more confidence that it is truly organic."

Retailers who integrate their organics products with conventional products indicated:

- Integrating helps lift the sales of organic items, because shoppers shop for the product category first, such as apples. By integrating into the mainstream apple category, organic apple sales increase.
- Conventional shoppers become more exposed to organic product, and although organic shoppers do not like it, organic sales increase due to increased sales to the conventional shopper.

Mis-rings at the cash register for bulk organic produce are large and controlling them requires either constant cashier training or using packaged organic produce, which is already coded. However, over two-thirds of Organic Shoppers (68.6%) preferred to buy organic produce loose to reduce packaging waste in the environment. Many retailers understand how organic consumers feel, but as one retailer indicated, "I know 30% of organic products are mis-rung. I think this is a bigger reason than government standards or customer preferences for retailers to use packaged."

Another retailer indicated, "The reason most [retailers] have chosen to use packaged is to get the correct ring. Otherwise, the organic shopper wants bulk. We did a test in an existing store. We almost doubled the movement out the door when we used bulk, but we got only a 10% lift in sales.

If a retailer can train cashiers to ring up bulk organics properly, profitability of organics can increase, “Getting the cashiers to ring it properly is a nightmare. But we can’t afford to have our cashiers govern how we operate; organics is a huge opportunity. We looked at bananas last fall and found we were getting 30-35% mis-rings. Now, we have a new training program and we are getting 16%. We are also looking at other ways to solve this. For example, our conventional green onions come washed and cleaned and are in a wrap with a bar code, and all our organic green onions are bulk.”

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