# Local Food Opportunities
## Focussing on the Consumer

Nicole Marenick, Martin Gooch, Abdel Felfel
Value Chain Management Centre

August, 2010

*This commentary is the first of a two-part series designed to help bring some much-needed objectiveness to the debate surrounding the topic of Local Food. This first commentary focuses on consumer trends, including behaviour. The second commentary will identify how the agriculture and food system can take greater advantage of consumers' increasing interest in local food.*

*Consumer interest in local food is undoubtedly increasing. However, interest does not automatically translate into purchasing behaviour. We argue that consumer interest in local is a symptom of a series of interconnected social trends[1], and food purchasing is a complex decision process. So complex are consumers' purchasing decisions that anyone who believes local is THE driver of behaviour is either patently uninformed, or ignorant of the facts.*

## "*I say I support local food, though I often don't buy it*"

The majority of people[2] say they support the concept of local food (Ipsos Forward Research, 2008; IGD, 2008; Lloyd J, 2008). Simultaneously, only a minority (often as little as 30%) purposely buy local food (IGD, 2010; Gooch et al, 2009a).

The reason for the discrepancies that exist between consumers' voiced support for local food and their consumption of local food is that drivers of food purchasing are subconscious and habitual. Therefore, **profound differences exist between what people say they will do and the way they actually behave in a given situation**. Documented evidence of this behaviour occurred while tracking consumers who shopped for fruit in Ontario stores (Gooch et al, 2009a; Gooch et al, 2009c). One self-proclaimed 'locavore' testified to her support for local food before undertaking a shopping trip in the company of a researcher. At the end of her shopping experience she was shocked, frustrated and disappointed with herself after realizing that most of the fresh fruits she had purchased were, in fact, imported.

Argyris (1995) refers to this conundrum as 'theories of action' versus 'theories of use'. While theories of action are voiced intentions of ways people consciously expect they will behave in future situations, their actual behaviours depend more on subconscious responses to prior experiences. These differences are so ingrained that, when challenged to explain why differences exist between what they said and what they did, it is common for people to offer elaborate sincere explanations. In the debate over local food, it is clear that more people say they will buy local than actually do.

A number of studies completed by the Value Chain Management Centre (for example: Gooch et al, 2009a), and other research (for example: IGD, 2008: Ipsos Reid, 2007; Heslop, 2007), illustrate that the main reason people say they support local food has to do with their expectation that local food (particularly fresh produce) will be higher quality in terms of appearance and taste, compared to imports. Higher expectations lead to more careful scrutiny prior to purchase, as well as a less-forgiving reaction when products don't meet expectations. As well, at a subconscious level, many consumers assume that all in-season produce is local.

Given this lack of awareness, there is little sense that origin of food is confirmed or checked as part of a regular shopping experience (Gooch, et al, 2009a). In fact, studies have found that checking labels and store signs for place of origin is often considered an onerous and confusing task (Heslop, 2007), and that the importance of local differs markedly by meal occasion and place of purchase (Gooch et al, 2009c; Ipsos Forward Research, 2008). These factors underline the fact that shopping for food is a complex routine, more influenced by experience and a deeply ingrained network of ideas than by signage or singular terms such as 'local'.

So what place does local have in terms of motivating consumers to choose specific foods?

---

[1] The other trends include an aging demographic, the drive for improved personal health and being "green".
[2] Approximately 80%, depending on food category.

## *Local Food is a "delighter" once other needs have been met*

When deciding what to buy, it was concluded that, "Variety (or brand) is king", with consumers often choosing the variety or brand they and their families prefer over all else (Gooch et al, 2009a). To inspire a purchase, quality must be excellent. For fresh produce, this is generally determined through personal assessment, such as visual inspection and touch.

With the vast majority of shopping occurring at major supermarkets, most consumers want convenience and will not change their shopping habits in order to buy local food products. Critically, **local food purchases are only being made once the more important expectations of quality, availability and price are met** (IGD, 2008; Heslop, 2007; Ipsos Reid, 2007; Gooch & Marenick, 2006). Therefore, for the majority of consumers, the importance of local comes from it being a 'delighter' once their other needs have been met. Local is definitely not THE driver of purchase.

Though for some this might sound like the death knell for local, some retailers have developed strategies to successfully take advantage of the fact that consumers are increasingly interested in local food, though want to ensure their expectations of quality have been met first. Therefore, programs that communicate the benefits consumers value, as well as the local focus, are more meaningful than generic programs that focus solely on the ambiguous slogan, 'local'. An example of this is Loblaws Company Limited's *Grown Close to Home* program, which led to an uplift in sales during the local season. The same factors explain why broad-based programs , that do not have the same direct link to quality, have been found to have less direct influence on consumers' purchase decisions (Gooch et al, 2009b); even though their symbols may be recognised by 94% of targeted consumers (Foodland Ontario, 2010).

Quality is unmistakably the main driver of consumers' purchase decisions (FCC, 2010). It is also the most important purchasing determinant for 80% of downstream buyers: retailers, restaurants and processors. However disconnects exist between the relative importance that buyers (customers and consumers) and many farmers place on quality. For example, while 36% of Ontario farmers interviewed in 2009 said that **quality is a current barrier to the success of local food,** most do not see it that way. Instead, the majority of those interviewed (56%) said that the appeal of supplying the local market came from an assumption that, because local was the main selling feature, they would not need to invest in upgrading their current facilities or improve upon current practices compared to if supplying other markets (Gooch, et al, 2009b). The fact that the majority of farmers do not link quality with consumers' willingness to buy suggests that many have become removed from market realities.

## *Price is a Barrier*

Consumer perception that people will have to pay more for local food has been cited as **the core barrier to expanding the market for local food** (Gooch et al, 2009b; IGD, 2008). Particularly as many if not most consumers expect to pay less or equal for local compared to imports (Gooch et al, 2009a; Gooch et al, 2009b). There are two primary factors driving consumers' expectations that in-season fruits and vegetables should be cheaper than imports. The first is an assumption that increased supply during peak season should translate into lower costs. The second is the perception that less shipping time and/or distance should reduce suppliers' costs (Gooch, et al, 2009a).

In the UK, 41% of consumers believe regional and local foods are generally too expensive (IGD, 2008[3]). In Ontario, Gooch et al (2009b) spoke to a corporate retailer who commented that even though Canadian consumers are willing to pay a premium for high-quality local food, if given sufficient reason, they still

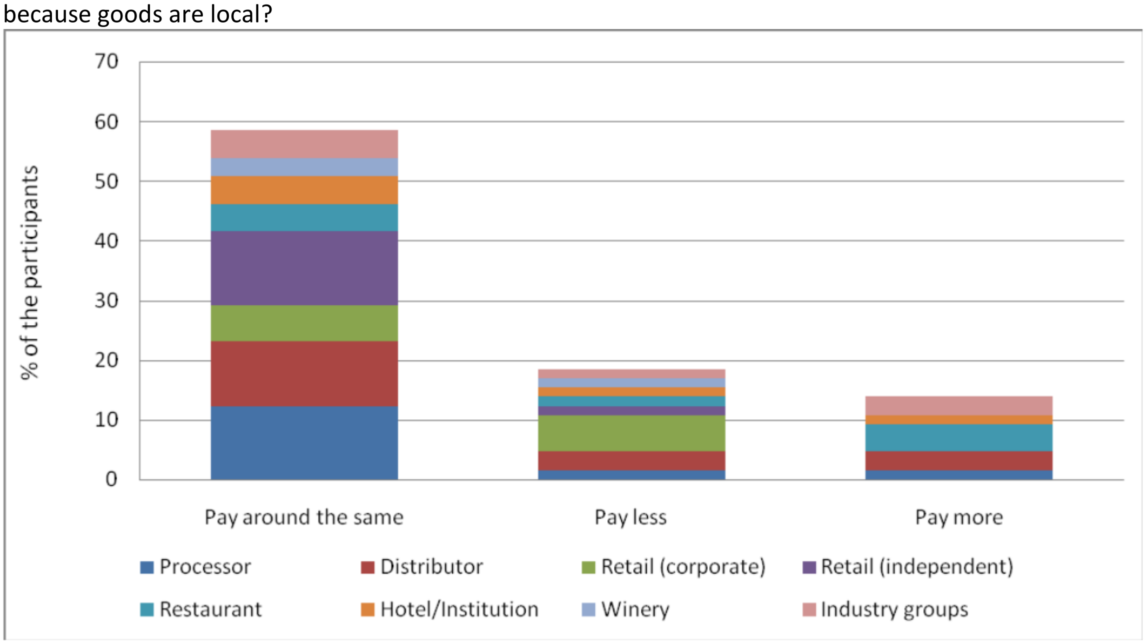
[3] Encouragingly, UK shoppers in 2010 are more likely to regard local food as being 'good value for money' than they did in 2008 (IGD, 2010).

want to pay less for local than they would for competing imported products. Another described how they experimented with a pricing strategy for local and imported produce. Even though they priced imports higher than the local offering, consumers purchased more of the imported produce because it was of higher quality.

Overall, Canadian retailers and restaurants say that experience tells them that consumers are generally willing to pay approximately the same price for local as imported products, if the products meet their expectations of quality and convenience (Gooch et al, 2009b). Therefore, quality is critical to local food securing a price that is equal to imports, never mind a premium. Yes, a small percentage of retailers and restaurants regularly pay a premium for specific local foods targeted at specific markets. Though they are in the minority and only do so when quality is assured and the food is just part of the experience that they are selling to consumers.

However, the perspective that most consumers are unwilling to pay premiums for local food 'per se' is not shared by everyone along the value chain. Taken from a study completed in 2009 by the Value Chain Management Centre, Figure 1 illustrates that only a minority of post-farm gate stakeholders[4] believe consumers are willing pay more for local products. The stakeholders who believe consumers would pay a premium for local food were largely producer advocacy groups, including organizations involved in marketing farm products.

Figure 1: Do you believe consumers are willing to pay a premium for local goods, or do they expect to pay less because goods are local?




Of the 275 farmers interviewed for the same study, the majority (66%) also believed that local consumers <u>are</u> willing to pay a premium for local food. Their perception being that consumers are more loyal to local than taste and quality. This perception is likely based on their experiences selling direct, either at farm gate or at a local market. In these environments, a greater percentage of shoppers <u>are</u> generally willing to pay a slight to moderate premium because the products themselves are just one element of the overall

[4] Interviews with value chain stakeholders: retailers (17), hotels/restaurants/ institutional buyers (14), processors (11), distributors (11), wineries (4) and industry interest groups (8). These are also referred to as *customers* in this document.

experience. Part of the reason for this appears to be because, when purchasing food from farmers' markets, consumers are more willing to accept the authenticity of the foods' origins (Feagan, et al, 2004). However, the majority of consumers do not take the same approach when purchasing local food from retail stores. Neither do the majority of consumers purchase a significant share of their food from farmers' markets (FCC, 2010; Gooch et al, 2009b; Gooch et al, 2009c).

## *Who are Local Foodies?*

Do certain consumers exhibit a greater propensity than most to buy local food? Of the customers interviewed in Ontario, 72% believed that specific demographic segments of consumers are particularly interested in purchasing local food (Gooch, et al, 2009). However, there was little or no consensus about the characteristics of these segments, particularly with respect to age, gender, employment, ethnic background, household size and location (urban vs. rural). The only two characteristics the participants tended to agree on were that **consumers with higher incomes and better educations are more likely to seek out and buy local foods.** Though again, this is likely to be for specific meal occasions and not their food purchases per se.

A University of Guelph study into factors influencing the purchase intentions of Canadian consumers with respect to locally produced foods found that **socio-demographic characteristics play only a limited role in shaping local food purchase intentions** (Cranfield et al, 2008). The study supports findings from previous work by the George Morris Centre that attitudes have far greater influence than demographic characteristics on whether a consumer consciously supports and/or seeks to purchase local foods over alternative offerings.

Many consumers who exhibit a preference for organic also claim to prefer local food. This means that local and organic may compete against each other in the marketplace and vie for the attention of the same consumer group. This is quite likely, since a common factor driving consumers to seek out both organics and local is a desire to connect with the source and integrity of their food (Gooch et al, 2009; IGD, 2009). Additional interviews with Ontario retailers and restaurants confirmed that at the corporate level, organic and local are seen as competing products. This is particularly true in the current economic environment where consumers are increasingly more aware of the price differential that often exists between 'conventional' and 'organic'.

Beyond price considerations, there are additional reasons local and organic compete: consumers who buy either product often possess similar ethics; and the same overall trends (health, environment, experience, etc.) are driving interest in both food types. In the UK, the Institute for Grocery Distributors (2010) found that organics are losing market share to local because local has a clearer message. Furthermore, organics are not perceived to support the local economy to the same extent as "local food."

In the UK, the number of consumers buying locally produced foods almost doubled to 27% in 2009, compared with 15% in 2006. At the same time, in 2009 organic food was the only ethical driver to have dropped in importance. The number of shoppers buying organic foods increased between 2006 and 2008 from 12% to 24%, though largely due to the recession, fell back to 19% in 2009 (DEFRA, 2010).

Essentially, what appears to set successful and unsuccessful local and organic products apart is not that they are local or organic. It is that they present a strong value proposition to consumers (Gooch, et al, 2009a/b; Cloud, 2007), such as buying local provides added experience or satisfaction, and directly supports the local economy. The latter is becoming increasingly relevant during the challenging economic conditions. As well, there is the belief that local food products are more environmentally friendly than imported options, even though numerous studies have proven that locally produced foods can in fact have a negative impact on the environment compared to imported foods[5].

Therefore, as stated at the outset, **the importance of complementary social trends should not be underestimated as a key driver behind the expanding market for local food.**

## *Creating a Value Proposition for the Consumer*

Canada can learn from the UK in terms of creating a more meaningful value proposition for marketing local food. In the UK, local and regional foods have established a significant foothold in many of the major retailers. And across categories, not just in produce, which remains the primary focus of local in Canada. With consumers' increasing propensity to buy local or regional, a number of the larger retailers have established specialized operations to source local products. Though, with quality and consistency being the defining element of success in the UK too, only capable suppliers need apply.

Other differences between the situation in the UK and Canada are that, for instance, the UK does not legislate what is or is not local. Local is what the consumer defines it to be. **With the definition of local food in Ontario being unclear and often not being related to objective quality standards,** it is difficult to create a meaningful promotional platform. In establishing its *Grown Close to Home program*, which focuses on quality in connection to specific products/categories and grown in Canada, Loblaws replicated an approach that many UK retailers have used to their advantage. It was savvy marketing on their part.

Another reason for the Program's success is that to consumers in particular, the meaning of local food can change depending on the organization, the market in which it is being sold, the commodity being discussed, and the growing season (FCC, 2010; Giovannucci, Barham & Pirog, 2009; DEFRA, 2008). Studies by the Value Chain Management Centre and others have found that local means different things to different people in Canada too. These include: *from Ontario, from Niagara (my region), within 100 miles, anything Canadian*, etc.

The definition of local food can also be associated with the value chain through which such products are purchased. Thus, farmers' markets are common supply channels for local foods, although the products sold through these avenues may not always comply with the factors described above. Over time, Community Supported Agriculture (CSA) schemes, roadside stands, small grocery stores and direct marketing from farms have become important supply chains for local foods, and consumers frequently take it as a given that such products have been produced in relatively close proximity to their home. It should also be noted that many studies refer to local and regional food, and use the terms interchangeably. This is, in part, because regional success is often the key determinant to whether a local scheme is successful. If a scheme can stand tall outside its immediate geographic area, it often stands tall within it too. However, the reverse is not usually true (Gooch, et al, 2009b). Whether a product stands tall from a regional perspective almost inevitably comes from it exhibiting specific quality attributes that are valued by a certain segment of consumers. It is not **because** they are regional or local.

Although local boundaries are unclear, specific products that are perceived to be more suitable to marketing as 'local' than others do exist. **Products that appear most suitable to marketing as 'local' include fresh fruit and vegetables, followed by minimally-processed products such as meat, most dairy products, and processed fruit and vegetable products.** Local is also important for prepared or processed foods that are perceived to require some skill or craft in production (*e.g.* cheeses,

[5] Examples of studies that concluded that local food can in fact be detrimental to the environment include Desrochers & Shimizu (2010); Saunders, Barber & Taylor (2006); Saunders & Barber (2007).

sausages, baked goods, preserves), particularly where there is a clear link between the point of sale and the producer or processor (Gooch, et al, 2009i; DEFRA, 2008).

## *Summary*

Together, these factors illustrate an important point: that interest in local is the symptom of a wider set of social trends and a number of converging drivers. Local is not THE reason consumers choose to purchase a particular product. It can be a delighter for consumers and a point of differentiation for retailers and food service providers, once all other consumer demands are met.

Quality in relation to price (which determines overall value) is the overriding factor driving consumers' purchase decisions, regardless of its source. This is particularly the case when purchasing foods through retail, where ambience is less important for shaping consumers' purchase decisions, compared to purchases at restaurants or farmers' markets.

It is true that supporting local food is important to a growing segment of the consumer population. However, assuming that any product will be successful because it is local is something of a pipe dream.

**NEXT:**
**Opportunities to Increase the Distribution and Market for Local Food in Canada**

**About the Authors**

*The **Value Chain Management Centre** is the only Canadian organization dedicated to researching and analyzing value chain issues and opportunities. The Centre has completed considerable research relating to the production, distribution and marketing of food in Canada and elsewhere. The Centre also offers management expertise in developing new chains and strengthening existing initiatives.*

For more information, contact:
Martin Gooch
519.822.3929
martin@georgemorris.org

## *References*

Argyris, C. (1995). Action science and organizational learning. *Journal of Managerial Psychology, 10*(6), 20-26.

Cloud, J. (2007). *Eating Better Than Organic*; Time. March 2, 2007.

Cranfield J, Henson S, Blandon J (2008). *The effect of attitudinal and socio-demographic factors on the likelihood of buying locally-produced food*. International Food Economy Research Group Department of Food, Agricultural and Resource Economics, University of Guelph. July 2008.

**Department for Environment, Food and Rural Affairs, UK (DEFRA)**
*Shopper Trends 2009: Food Shopping in a Recession (2010).* Viewed online July 2010.
http://www.defra.gov.uk/evidence/statistics/foodfarm/food/pocketstats/documents/FoodPocketbook2009.pdf

*Understanding of Consumer Attitudes and Actual Purchasing Behaviour, with Reference to Local and Regional Foods.* SERIO Research & Innovation University of Plymouth, June 2008
http://randd.defra.gov.uk/Document.aspx?Document=FO0312_7367_FRA.pdf

Faye Clack Communications (FCC), (2010). Personal Communication; Mississauga; Ontario.

Feagan, R., Morris, D., & Krug, K. (2004). Niagara Region Farmers' Markets: Local food Systems and Sustainability Considerations. *Local Environment, 9*(3), 235-254.

Foodland Ontario website. Viewed July 2010. http://www.foodland.gov.on.ca/english/about.html

Giovannucci, D., Barham, E., Pirog, R. (2009). Defining and Marketing "Local" Foods: Geographic Indicators for US Products; Journal of World Intellectual Property;

Gooch, M, D Laplain, K Stiefelmeyer, N Marenick, A Felfel, F Ingratta, L Martin, C Siren, T Lamb, B Dent, J MacTavish (2009a). *Consumer Market Research Strategic Study for Fresh Grapes and Fresh & Processed Apples & Tender Fruit & Orchard Fruit & Vineyard Quality Assessment throughout the Value Chain.* Value Chain Management Centre. Available online: http://www.vcmtools.ca/pdf/Vineland%20Final%20111009.pdf

Gooch, M., Felfel, A, Marenick, N., Viera, J., (2009b). *Local Food Distribution Initiative in Niagara & Hamilton*. Value Chain Management Centre.

Gooch, M, Felfel, A, Marenick, N, Laplain, D., (2009c); Consumer Data For Farmers (and the Agri-Food Industry); Value Chain Management Centre.

Gooch M & N Marenick (2006). *Canadian Domestic Branding*. George Morris Centre.

Heslop, L (2007). *Literature Review of Canadian Consumer Attitudes and Perceptions.* Prepared for AAFC.

Homegrown Ontario website. Viewed July 2010. http://homegrownontario.ca/

**Institute of Grocery Distribution (IGD)**
*Shopper Trends, 2010*.
*Interview with IGD representative, August 2009.*
*Home or Away, The Role of Provenance. 2008.*

Ipsos Forward Research (2008). *Consumer Usage and Attitudes towards Chicken, Lamb, Pork and Veal Study – Data for the Canadian Agri-Food Industry*. June 2008.

Ipsos Reid (2007). *Canadian Domestic Branding: Quantitative Report*. June 2007.

Lloyd, J. (2008) *Loblaws Stays Local*; Marketing Magazine, August 2008.