Global Business Review

http://gbr.sagepub.com

An Empirical Analysis of the Organic Retail Market in the NCR

Neena Sondhi and Vina Vani

Global Business Review 2007; 8; 283

DOI: 10.1177/097215090700800207

An Empirical Analysis of the Organic Retail Market in the NCR

Neena Sondhi
Vina Vani

A major change observed worldwide, is the growing concern over health risk associated with consumption of food with residues of agro-chemicals used in production. This heightened awareness about health and environmental issues has generated interest in alternative farming techniques—one of which is organic farming.

However, a major conversion of conventional agriculture to organic agriculture will depend on several reasons-first and foremost being whether the consumers are interested in organic foods, and whether they are willing to pay price premiums for these goods. Second, foreseeing the customer demand is the retailer willing to venture into organic retailing and provide shelf space. A very interesting and a highly lucrative potential market exists in the country itself and there is an urgent need to explore the current organic market and assess its growth potential. The present study focuses on this as well as assessing the potential of marketing organically grown agricultural produce and products in the domestic market. The organic awareness and market is predominantly in the urban metros, Delhi being one of them thus the research is confined to the NCR region.

Introduction

Despite the huge spending on food, food retailing in India is largely unorganized. Only in the last few years, has organized food retailing emerged as an alternative channel for food purchase. Traditionally, Indian consumer used to spend 90 per cent of his food spending on home food which has fallen to 80 per cent. This is largely due to changes in the attitude and lifestyle of the Indian consumer, where eating out is becoming more prevalent. This phenomenon is in line with the Economic theory (Ernst Engel's Law 1857), which also states that as income rises a smaller proportion is devoted to food and other basic products.

However, contrarily, the consumer does not mind paying a premium now for innovative, as well as low calorie and fortified food products, which provide benefits of both food and health products. This is related to

Neena Sondhi is Professor in the Marketing area at the International Management Institute, New Delhi.
Vina Vani is Professor in the Operations area at the FORE School of Management, New Delhi.

Global Business Review, 8:2 (2007): 283–302
SAGE Publications *Los Angeles/London/New Delhi/Singapore*
DOI: 10.1177/097215090700800207

another attitudinal change observed in recent times, which are the growing health concerns of the consumers at large. 'Nutrition density-based intake is the key' says Delhi based health counsellor Ishi Khosla. Health activist Vijaya Venkat further emphasizes 'A nation's security is not food security, it is health security'.

This heightened awareness about health hazards has also instigated certain environmental concerns. Research studies have widely indicated evidence of deterioration of soil and water pollution due to chemical inputs in agriculture, which in turn are responsible for alarming levels of agro-chemical residues in food, milk and poultry products. The 1980s was an era that saw the emergence of environmental issues. They were no longer the preserve of the social activist or the rigid revolutionist, environmentalism 'has become a competitive issue in the market place'. The growing concern for health and environmental issues in India and other countries, has generated an interest in alternative farming methods—one of which is organic farming.

Many consumers, worldwide, exhibit preferences for environmental amenities, either through polls and surveys or indirectly by participating in outdoor activities, environmental organizations or causes undertaking conservation, recycling and other stalwart activities. Consumption of organic food products is one of such active participation in a movement of Green Consumerism. Demand for organic food as a product category is increasing and is expected to grow. More consumers are searching for a healthier alternative; and since the singular force driving the retailing revolution happens to be the consumer, it is only a matter of time before the retailers wake up and grasp the niche but lucrative opportunity in the organic market.

Organic Farming

The phrase 'organic farming' first appeared in Lord Northbourne's book *Look to the Land*, published in 1940. However, the oldest form of agriculture man discovered was organic in nature. Interestingly enough after World War II, the technologies discovered during the war were found to be useful for agricultural production. The Green Revolution round the world observed a boom in agriculture produce following this. In fact, even 10 years ago the agricultural pundits of the old school considered 'organic farming' something of a joke. Its status was best conveyed by an oft-repeated quote by Nixon era Agricultural Secretary, Earl Butz: 'When you hear the word organic think starvation'.

The Oxford English Dictionary defines 'organic' as 'produced without artificial fertilizers or pesticides'. A widely accepted definition of organic farming is the one provided by the United States Department of Agriculture (USDA), which defines it as

> ...a production system which avoids or largely excludes the use of synthetically compounded fertilizers, pesticides, growth regulators and livestock feed additives. To the maximum extent feasible, organic farming systems rely on green manures, off-farm organic wastes and aspects of biological pest control to maintain soil productivity and to supply plant nutrients and control insects, weeds and other pests.

Research indicate organic is better quality food. The pesticide residue in conventional food is almost three times the amount found in organic food. Baker et al. (2002) found that on an average conventional food is more than five times likely to have chemical residue than organic samples. Pesticides toxicity has been found to have detrimental effects on infants, pregnant women and general public (Guillete et al. 1998; Mae et al. 2002; National Research Council 1993).

The most compelling new study to appear on pesticides dietary risks was published online in the highly respected journal, *Environmental Health Perspectives* (2002). The team found that two to five year olds consuming mostly organic foods had 8.5 times lower average level of organophosphate insecticide metabolites in their urine. Studies like these are of serious concern and though further proof is required organic food seems to be definitely a healthier alternative.

The international market for organic food products has shown dynamic growth in the recent years with an increased demand between 20 to 30 per cent in some countries. Currently the worldwide sales of organic food products are estimated to be about US $17.5 billion. The ITC overview of world markets for organic food and beverages (2002) predicts a world average growth rate of 20–25 per cent. Major factors that promote growth in organic market include consumer awareness of health environmental issues and food scandals (Yussefi and Willer 2002).

Organic Food Market—National

Estimating area under organic agriculture in India is a difficult task as there is no central agency that collects and compiles this information. Different agencies have estimated the area under organic agriculture differently. For instance, the study undertaken by FIBL and ORG-MARG (Garibay and Jyoti 2003) estimate the area under organic agriculture to be 2,775 hectares (0.0015 per cent of gross cultivated area in India). The estimates by APEDA for the year 2003–04 are presented in Table 1.

The domestic market for organic products is not as well developed as the export market and it is difficult to estimate the magnitude and trends in this growing market. In general,

Table 1
Total Production—Organic Food Products (2003–04)

S.No.	*Items*	*Data*
1.	Total production	1,15,238 tons + 16,57,000 numbers of seedlings and cuttings + 2,64,000 litres effective micro organisms
2.	Total Quantity exported	6,472 tons
3.	Total export value	Rs. 6,406 lakhs
4.	Total area under certified organic cultivation	25,01,825 Ha (this includes wild herbs from forest area of MP and UP of 24,32,500 Ha)
5.	Number of items exported	35
7.	Number of farmers involved	12,728

Source: (APEDA-New Delhi).

the major market for organic products remain the large metros—Delhi, Mumbai, Chennai, Bangalore, Hyderabad and Kolkata. According to the ORG-MARG (2002) survey, the domestic sales accounts for a meagre 7.5 per cent of the total organic production. Major reasons cited for this are lack of awareness, lack of availability and convenience as well as substantial price differentials. The major selling products in the Indian market are: tea, coffee, spices, rice, wheat, pulses, fruits and vegetables. Wholesalers/traders, supermarkets, producers and NGOs are the distribution channels for the end consumer.

Recognizing the future growth prospects of the product category a number of organic manufacturers have already established their marketing strategy in place and have registered their brands, some of which are available in select retail outlets. This relatively inconspicuous but fast growing movement makes organic food retailing an intriguing and important area of exploration. This was the imperative behind the present study.

Research Objectives and Methodology

The basic issues that the research focused on were:

- An insight into existing market operations of some key organic players (the research has been confined to only Delhi and the NCR region).
- To understand the existing organic retail operations through a representative retailer analysis. Their insights would also be useful in identifying current marketing operations as well as future growth opportunities.
- To assess the future potentials of organic retailing, the marketing probability of some potential retailers was assessed. This was considered essential because if the organic producer/manufacturer is to look at the domestic market, the initiative cannot take off without considerable support by the retailer who provides him with the show window or the shelf space.

Data collection was triangulated through the use of secondary data, unstructured interviews and structured questionnaire survey. Secondary data sources included various government publications, journals and company brochures. The purpose of the unstructured interviews (retailers, suppliers, wholesalers) was to develop an insight into organic retailing, understand the market trends—current and future, and use the inputs to prepare a structured format for capturing information from the key players of the organic arena—the retailer(existing and potential). The details of the designed questionnaires are given below:

Retailer's (existing) questionnaire: The questionnaire consisted of 20 questions. The questionnaire began with identification details of the respondent. Questions 2–13 relate to marketing of organic products–procurement, stocking, supplier appraisal to sales estimates. Questions 14–16 were related to consumer profile. Questions 17–19 were related to market growth estimates and strategic alternatives. Questions 9 was on a 5 point Likert scale. Questions 1, 4, 7, 8, 10, 11, 14, 16, 17, 18 and 20 were multiple-choice questions. Question 5 and 13 were tabled responses and 6 and 19 were open-ended questions.

Retailer's (potential) questionnaire: The questionnaire consisted of 10 questions. The questionnaire began with identification details of the respondent which included– Question 1 related to location, Questions 2–5 related to floor area in square feet, number of customers (transactions positive) in a day, store personnel and what does he stock. Question 6 on a 5-point Likert scale ranging from strongly agree to strongly disagree. There were five questions under this related to the retailers attitude, his perception about the shop's typical customer and his foresight about tomorrow's Indian consumer. Question 7 had multiple reasons (10 statements as well as *any other* was an option) for not stocking. Question 8 was related to his likelihood about selling organic food products. Questions 9–10 were optional, related to his name and contact number. The survey was conducted on 17 retailers who stock organic products and one hundred and fifty potential retailers.

The Organic Market—Delhi and NCR

The organic market in the NCR comprises of both organized sector which is largely composed of the certified branded players, and the unorganized sector. Thus it has the certified players who might operate through the traditional standardized distribution channels or others who might solely be relying on fairs and meets, on the other hand is the non-certified unbranded players who operate more on faith. The various product categories selling in the Delhi market are: cereal, rice, pulses, snack, tea, preserves and pickles, herbs, fruits and vegetables. Though a number of brands exist countrywide and some regional brands also coexist, the study is limited to the brands operating in the NCR.

The Organic Market Players

The organic market currently is not well-structured. There are the government and cooperative bodies like KVIC (Khadi and Village Industries Commission) and TRIFED (The Tribal Co-operative Marketing Development Federation of India Ltd.) which have made an effort to provide a platform for organic pulses, spices, tea and so on. There are self- proclaimed organic market players like 'Dubden'. 'Dubden' is located in the heart of South Delhi–Shahpur Jat. It was started 15 years ago by Jayshree and Ganesh Eeshwar Dubden. The store stocks all kinds of organic and 'healthier' food options. To ensure steady supply, they not only keep their own 'Dubden' brand, but also stock 'Navdanya', 'Grewals', 'Healthfields' and natural unbranded products of 'Aarohi', 'Bhuira' and 'Kumaon'. 'Whole Foods' operates on lines similar to Dubden. Started by Ishi Khosla, a former senior nutritionist at the Escort Heart Institute, she launched 'Whole Foods' to make healthier alternatives available to the consumer. Brahm Arpan Organic Ltd. is an organization located in West Delhi (Karol Bagh) that sells organic products certified by ECOCERT. They claim that the product they sell is not only organic but it is affordable too. The products are priced at least 10–20 per cent below the price level of other brands. Branded as 'Healthfields', they write the advantages of adopting an organic product on every packet of their organic product to create awareness among the ill-informed potential customers. The organization makes the products available to the customer through a chain of dealers in order to cater to the organic demand of Delhi consumers. A strong proponent and player in the organic market is 'Navdanya', founded by Dr Vandana Shiva in 1987, and since then it has been actively involved in saving seeds, promoting chemical-free organic agriculture, creating awareness on the hazards of genetic engineering, defending people's knowledge from bio piracy, and defending people's food rights and food sovereignty in the face of globalization. The NGO is into selling everything from fruits and vegetables to cereals and breads and buns and also operate a 'slow café' where they sell all food offerings made with organic produce. They have a loyalty programme running with over 400 members and a number of outlets, the most visible being at Dilli Haat.

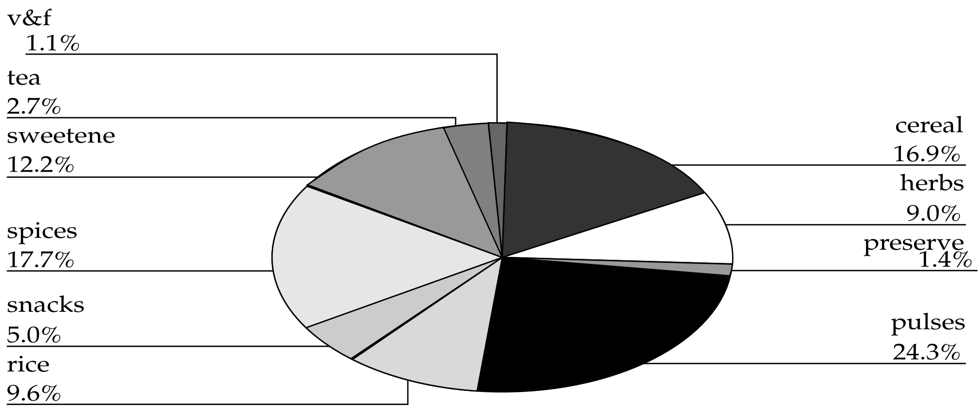
Last but not the least is the most organized of the marketers–Fabindia Organics. Fabindia was established in 1960, subsequently extending their partnership to the farmers in rural areas, Fabindia launched its organic food products range in 2004. Fabindia has a whole range of certified organic products as well as herbal and Ayurvedic formulations. The price range of the products is the highest amongst all the organic product offerings which accounts for its relatively smaller share of the organic market.

The organic market has a mixed bag of offering, some certified and authenticated offerings like Healthfields while others relying more on trust. The price is double to three times the non-organic offering. The supply is extremely organized as at Fabindia and sporadic and irregular at the NGOs' end. The market seems to be surviving more on buzz and word of mouth rather than any active and aggressive effort by any of the players.

Market Structure—Category-wise Sales

On the basis of the analysis done on retailers and experts, the following market structure emerged (Figure 1). In terms of the category-wise sales, pulses emerged to be the maximum selling item followed by spices and

Figure 1
Sale for Product Categories



then cereals. Least sales were found for preserves and vegetables and fruits. The major reasons cited for this were problems of availability and accessibility. Fruits and vegetables, whether they were from Navdanya, Dubden or Health farm (a French farm located 60 km from Delhi) were available to the customer only on advance notification and bookings, and that too once a week. Thus the customers were forced to look at non-organic alternatives even when they had a preference for organic produce.

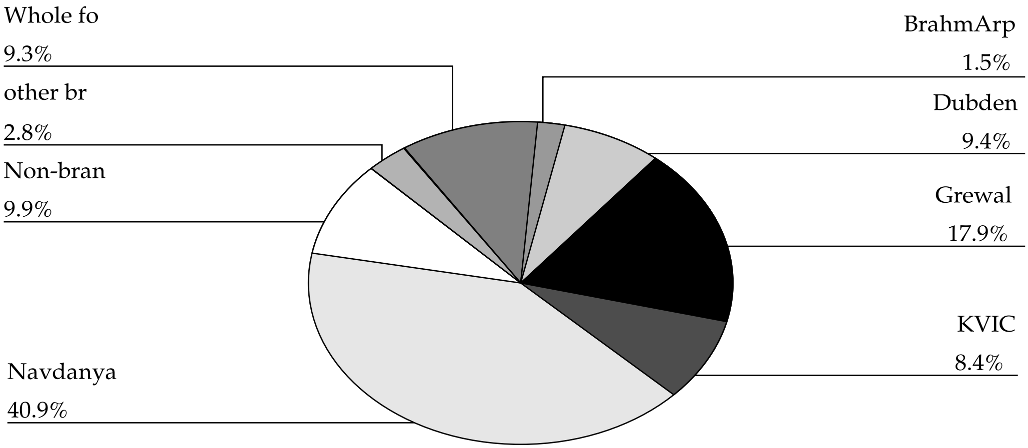
Market Structure—Brand-wise Sales

The maximum selling brand was Navdanya followed by Grewals, Dubden and Whole food (Figure 2). There are a few brands like Fabindia-organics, Chetna, Herbal planet, Conscious foods, CIS Dehradun which together contribute to about 2.8 per cent of the organic sales. Fabindia is the most expensive amongst the organic offerings. Another reason for the low presence could also be because of sampling errors of lack of representation of Fabindia customers. The other brands collectively keep a low profile in terms of marketing of their products.

The Organic Channel: Existing Retailers

With growing awareness about the benefits of organic food products, the demand is growing and thus retailers in grocery business have started stocking the product; though they remain a very small fraction of the total grocery business. All the market players discussed earlier have limited one or two outlets of their own, except for Navdanya and Fabindia, and for the rest they use local retailers for selling their products. For example, Dubden sells many other brands such as Conscious, Grewals and Navadanya including their own. Whole Food uses lifestyle stores like Life Spring, Food Plus and other grocery stores. Complete information of these stores including their existence in the

Figure 2
Brand Wise Sale



market and the category and brand of organic food product sold is presented in a tabular in Appendix III.

As can be observed, except Navdanya and Divine Organic, all are relatively new in the organic business. Most of the organic outlets were in the more upscale South Delhi markets. Another significant fact that emerges is that processed organic products like snacks, beverages and spices are also becoming popular alongside pulses, rice and varieties of cereals–especially atta.

Target Segment

According to retailers, more than 10 per cent of customers coming for general grocery purchase pick up organic items where as only four retailers have 50 per cent of customers who do organic purchase regularly. The retailers perception about people who buy organic food product were that the organic customers are more educated, rich and health conscious, irrespective of age or gender (Table 2). Thus, the general perception was that it is a more upmarket product.

Product Portfolio

The data from the above table is summarized and presented in Figure 3. As can be seen from the retail details above majority of the stores, are selling groceries and snacks and herbs. As stated earlier it is not that the organic consumer is unwilling to buy fresh fruits and vegetables. The problem is availability of the product, a typical case of a mismatch between demand and supply.

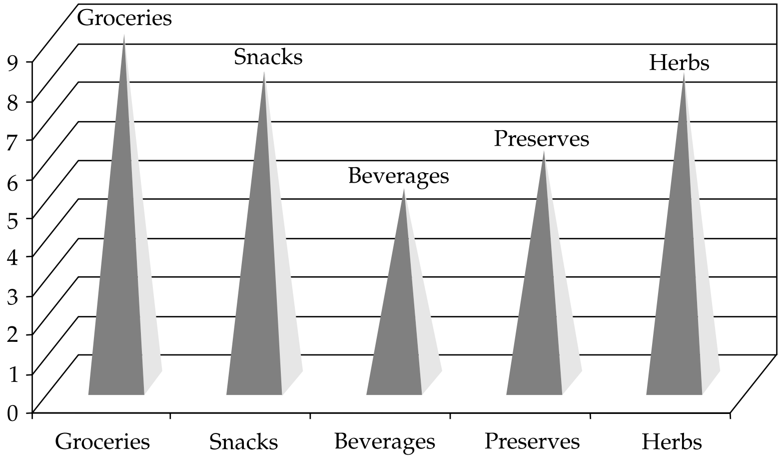
Product Certification

During the course of personal conversation with the retailers it became apparent that many times they trust the suppliers based on their relationship and personal visits and thus they sell uncertified organic food products also. Thus all the products sold in the market are not certified and many times it is difficult to convince quality of products to consumers. As can be observed (Appendix I) many brands of organic products sold in NCR are not certified.

Table 2
Customer Profile for Organic Food Purchase

Any Consumers		*Regular O C*		*Identification*	
Percentage	*No. of Stores*	*Percentage*	*No. of Stores*	*Types of Customers*	*No. of Stores*
0–1	2	0–5	7	Men	15
0–5	1	6–25	4	Women	16
6 to 10	1	26–50	2	Young	7
>10	13	>50	4	Old	4
				Rich	16
				Health Conscious	15
				Doctors	5
				Dieticians	3

Figure 3
Product Portfolio



Pricing

A major source of conflict between the producer-retailer-consumer is the fact that in order to sustain conversion to organic farming (the produce per hectare would be less as compared to non-organic farming), and justify stocking and selling the product, it has to be premium pricing that the organic producers and marketers have to opt for. To give an indication of the price range amongst the major brands, a comparison was carried out for cereals and spices. Table 3 gives the comparative data. As can be seen in Table 3, Grewals and Divine are on the lower end and Fabindia is on the higher end. This is especially observed in the spices category. The reason for more expensive offerings at Fabindia is also because of the brand image of the range of products under the umbrella brand, all of which enjoy premium pricing. Another reason could perhaps be a likely expansion in the international market where the prices would then need to be comparable.

Place: Distribution Strategies

Considering the nascent nature of the product category as well as premium pricing strategies of organic players, it became imperative to understand the stocking and demand pattern of the product options in the category under consideration. The retailers were asked about the products they stock and the demand trends. As they were not able to reveal exact figures, their perceptions about demand was recorded.

Maximum stocked products were wheat atta and Basmati Dehradun. Demand for these items was also high. Honey, though stocked by four stores, revealed a high demand. Tea also was stocked by a number of stores and revealed a high to medium

Table 3
Price List of Products of Various Brands (Rs/Kg)

	Navadanya	*Dubden*	*Whole Food*	*Grewal*	*Fab India*	*Divine*
Pulses						
45–70	✓	✓	✓	✓		✓
71–84						
85–120					✓	
Rice & Flour						
20–40						✓
41–60	✓	✓				
61–80				✓		
81–90			✓		✓	
Spices						
50–100				✓		
101–200	✓	✓				✓
200–600					✓	

demand. Another popular product was unpolished rice. Similarly moong dal, kabuli chana, moong sabut, masoor dal were popular categories. However demand for these items varied from high to medium in most of the cases. Stocking pattern also reflected partly the items which are more in demand. The less stocked and lower demand products were squashes, ragi and jhangara atta and oils.

Satisfaction with Channel Members

The efficacy of distribution cannot be established unless the retailers' satisfaction level is explicitly assessed. In order to attempt this, as stated earlier, a set of 11 items broadly covering attitude towards organic selling, product satisfaction, price and commissions and supplier satisfaction were analysed. The mean values obtained for the eleven variables are presented in Table 4.

In the area of product satisfaction, the retailer is reasonably satisfied with the product quality and freshness of the product (mean value = 2.118 and 2.647). Cleanliness and packaging however are clearly areas of concern (mean value = 4.235 and 3.824) and the retailer is especially concerned about these, as the products have a lower than average shelf life. In terms of reliability of quantity packed (mean = 2.000), the retailer clearly

Table 4
Key Determiners of Organic Distribution

Worthy Cause	*Product Quality*	*Cleanliness*	*Freshness*	*Packaging*	*Quantity Correct*	*Supplier Meets Demand*	*Supplier Trustworhty*	*Supplier Price*	*Commission*
1.411	2.118	4.235	2.647	3.824	2.000	3.177	2.235	2.941	3.765

demonstrates more trust and satisfaction. In terms of supplier trustworthiness, the retailer expressed his satisfaction, however on efficiency in meeting demand the retailer was non committal (mean value = 3.177). Another key area—sales commissions and incentives emerged as areas of dissatisfaction (mean value = 3.765). Considering the fact that there is low level of awareness about organic products, the retailers push takes on considerable significance and is an important parameter for increasing the expanse of the organic market.

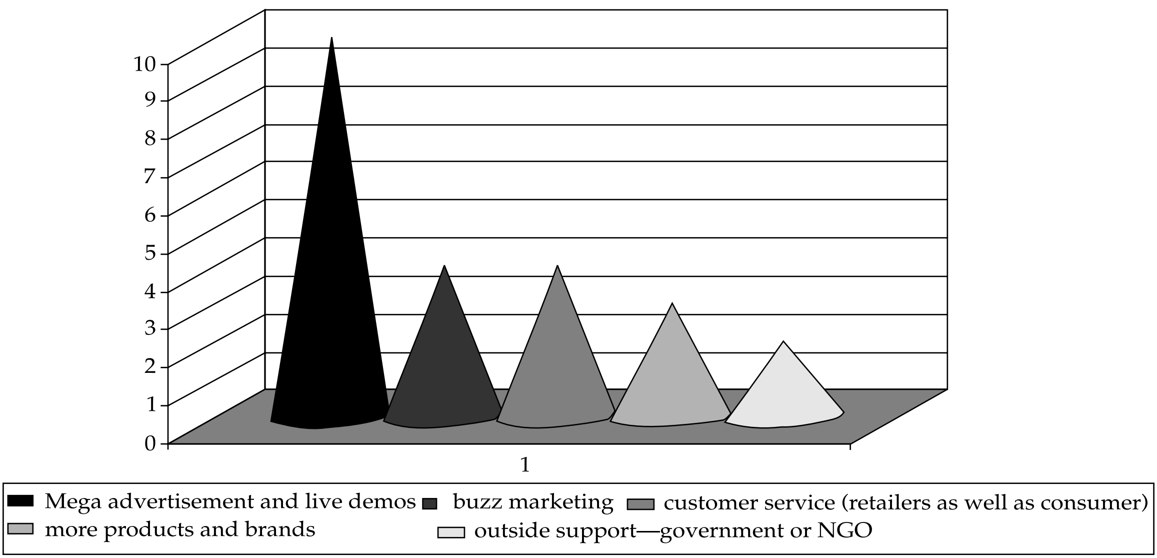
Advertising and Sales Promotions

The retailers were queried on methods for promotion of organic food products. Majority of retailers think mega ads are necessary for promoting organic consumption. They also believe that the consumer needs to be demonstrated how the product is beneficial so that they can understand the product benefits. Quite a few retailers were of the opinion that better customer service (this has to be at servicing both the retailer as well as the end user) is definitely required, as a lot of the retailers complained of an inadequate and erratic supply. However, there were a few who felt that there was no need for promotion and that word of mouth or buzz marketing should be the strategy for the niche product category. A few however wanted outside support from the government as well as NGOs, especially in terms of procurement and certification (Figure 4).

Perceived Demand

More than 50 per cent of the retailers take an optimistic perspective and perceive

Figure 4
Suggestions for Increasing Organic Awareness



the demand to be between 10–40 per cent. 23.5 per cent perceive that it will grow by 50 per cent and 12.5 per cent believe that it will remain the same. This clearly indicates a growing faith in the organic demand and opportunity (Figure 5).

Organic Channel: Potential Retailers

Consuming organic products not only means managing health of individuals and society but also managing soil and environment in general. Thus, even if they are premium products today and there are a limited number of organic consumers, with growing health concerns and awareness about environmental hazards and depletion of natural resources, it is only a matter of time before people start looking for healthier and chemical free alternatives; organic food products being one of them. As stated earlier, with the market expected to grow between 10–50 per cent in the coming years, more and more food retailers will be eyeing this lucrative and fast growing market. Considering this possibility, some key upscale markets were identified in Delhi and the NCR; and to estimate potential organic retailing, a representative survey was conducted on 150 retailers who were identified as probable organic retailers on the basis of their clientele and location, as well as nature of operations (the sample details in terms of location, floor area, store personnel and number of customers is given in Appendix II).

The retailers were queried on their future plans for selling organic food. The five response options were clubbed into two groups—probable (maybe, probably in the near future, definitely in the near future) and non-probable (absolutely never + never). Then, a two group discriminant analysis was conducted using the five statements listed in Question 5 as the discriminating variables. The resulting output is presented in Table 5.

Figure 5
Perceived Demand

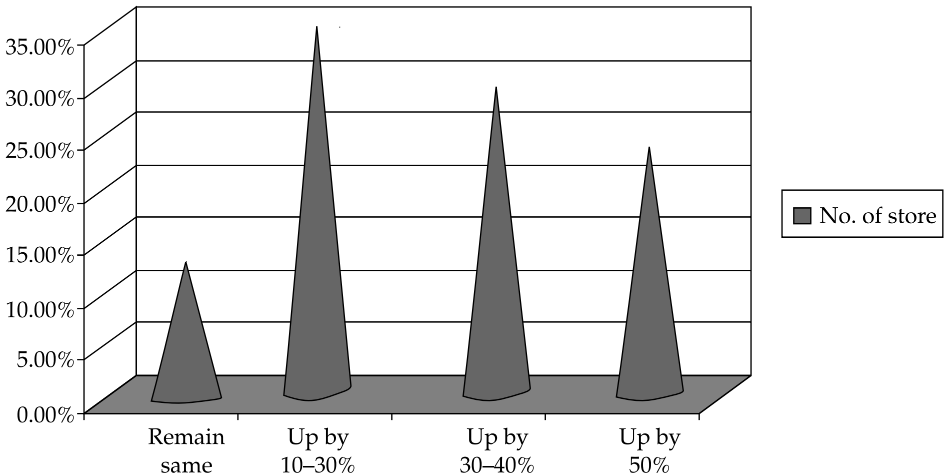


Table 5
Discriminant Analysis for the Potential Group of Retailers (N = 150)
Test of the Function

Function	*Eigen Value*	*Canonical Correlation*	*Wilks' Lambda*	*Chi-square*	*df*	*Sig.*
1	5.981	0.926	0.143	282.736	5	.000

Table 6
Discriminant analysis for the potential group of retailers (N = 150)
Structure Matrix and Test of Equality of Means

	Structure Matrix	*Wilks' Lambda*	*F*	*df*	*Sig.*
todays customer health conscious	0.309	.637	84.521	149	.000
my customer does not bother price	0.723	.242	462.994	149	.000
my customer looks for premium quality	0.850	.188	639.751	149	.000
like to experiment with n-products	0.650	.284	373.543	149	.000
indian customer is ready to experiment	0.493	.408	215.077	149	.000

As can be observed, by considering the Wilk's lambda, Eigen value and the Chi-square, the discrimination function was robust and stable and could clearly discriminate the probables from the non-probables (refer group centroids Table 7). Structure matrix and *F*-values (Table 6) demonstrate that all the five variables selected for the study were significant. This indicates that the two groups had diversely different views on the statements. Even though as the function demonstrates the opinion on 'today's customer is health conscious', it was more or less similar as the weight for this variable in the function is low.

[The obtained discrimination function was as follows: D = (–) 0.4380 + (–) 0.084 *health conscious* + 0.479 *price* + 0.597 *quality* + 0.517 *newproducts* + 0.215 *indian consumer*]. The most important variable as can be seen is the typical customer of the retailer is looking for quality and for this is willing to compromise on price. Another very important variable was the retailers own business attitude of willingness to experiment with new products.

Table 7
Functions at Group Centroids

	Function
Stocking grps	1
non-probables	3.961
probables	–1.490

Unstandardized canonical discriminant functions evaluated at group means.

Demographic Analysis
(Probable vs Non-Probables)

As can be seen from the classification summary (Table 8) almost two third of the sample was willing to look at organic as an option in the foreseeable future. The discriminant function had clearly demonstrated a difference in the attitude of the retailer which

Table 8
Classification Results

Stocking grps			*Predicted Group Membership* *Non-Probables*	*Probables*	*Total*
Original	Count	non-probables	36	5	41
		probables	18	91	109
	%	non-probables	87.8	12.2	100.0
		probables	16.5	83.5	100.0

84.67% of original grouped cases correctly classified.

seemed to have a clear bearing on whether he was willing to stock organic or not. A cross tabulation analysis was run between the group membership and demographic variables of location, floor area, store personnel and number of transacting customers in a day. The results were plotted as bar chart and are presented in Figures 6–10. The potential retailers outnumbered the laggard group in areas like South Delhi and Gurgaon. The retailers of north, east and west also demonstrated a positive response to organic retailing. Surprisingly however the retailers located in Noida were not really open to the

Figure 6
Bar Chart

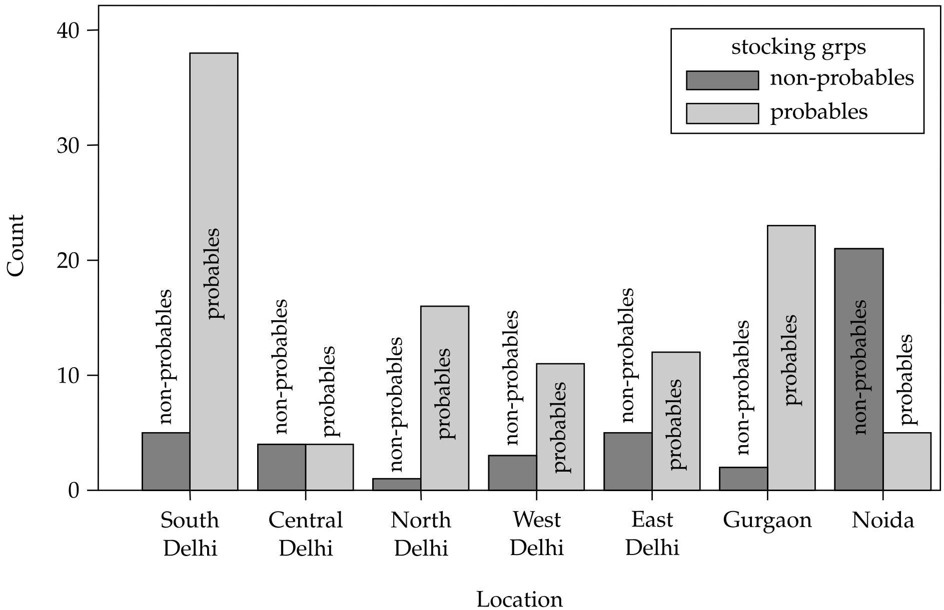


Figure 7
Bar Chart

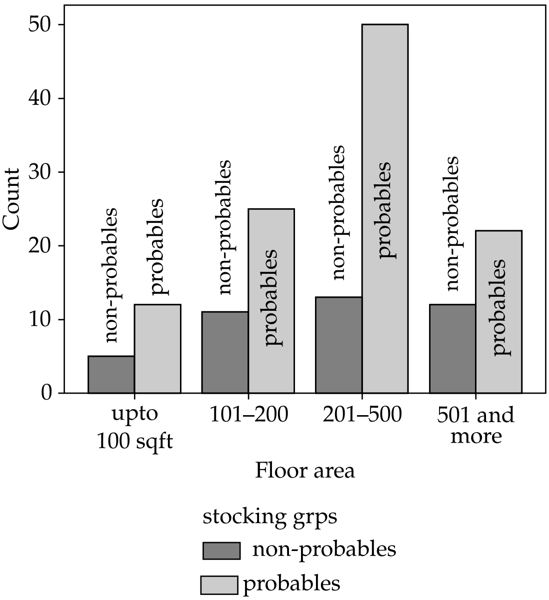


Figure 8
Bar Chart

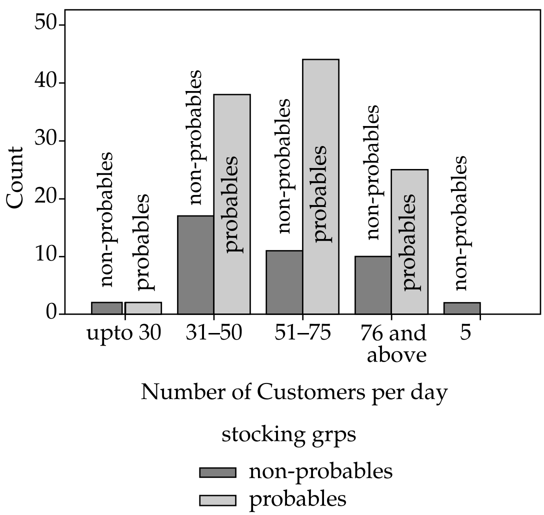


Figure 9
Bar Chart

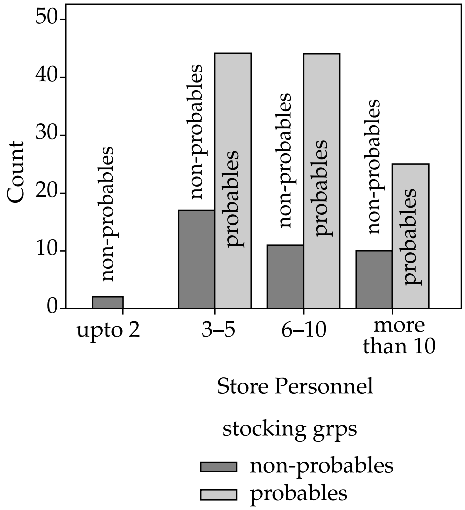
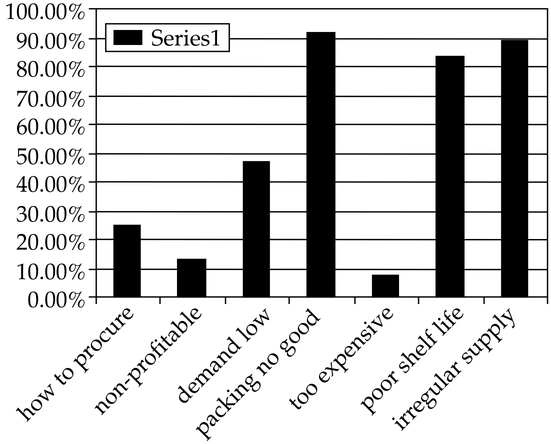


Figure 10
Reasons for not Stoching Organic Products



idea and preferred to be cautious and reticent. The product seem to be currently customer driven and is recognized predominantly as an upmarket product which could be the reason for the retailers in the more affluent zones seem to want healthier and premium products for which they might be willingly to forego price. The astute retailer recognizes this and could be easily persuaded to consider the organic option.

Looking at the other parameters it seems that a shop area of 200–500 square foot area located in any of the above localities with a footfall of at least 50–100 customers in a day and having at least on an average 5–6 store personnel would be ideal for the organic manufacturer/wholesaler to target.

Reasons for not Stocking Organic Food Products

To understand the reasons for the potential retailers not stocking organic options currently, a frequency analysis of the reasons they had marked as reasons for non stocking were looked at (Figure 9). Lack of interest and non-awareness as reasons were not considered by any of the probable retailers (in fact only 15 out of the sample of 150 were not aware of organic). As can be seen from the percentage figures, the retailers know how to procure the product and think that it would be a profitable venture, as it is not too expensive for their typical customer. However they are extremely concerned about irregular supply and which could harm rather than improve their organic stocking. A major concern of the retailers seems to be with the packaging and the poor shelf life of the product.

Implications of the findings

The research, even though conducted on a moderate scale, threw up some interesting findings. Both secondary and primary analysis clearly pointed out that despite considerable disparity in prices demand for organic food is on an upward swing. Bernward Geier states, 'nobody can deny that organic trade is ... heading towards what can be called at last a boom'.

The current research conducted in the NCR conveyed some significant findings. Despite environmental concerns and healthier options, the size of organic market remains abysmally small. Even though the product has been there for more than a decade in the domestic retail market it has only picked up largely in the last four or five years. Interestingly enough the leading organic player is not an organized marketer but a social activist and NGO, Navdanya, followed by Dubden and others. Fabindia , a more established brand is still a small player in the organic market. The reason being that unlike Navdanya their main product category is not food or grocery.

However, notwithstanding the market size, a number of astute and far sighted retailers have recognized organic as a lucrative opportunity; every year new entrants are joining the organic bandwagon. A case in point being, Fabindia, an apparel and home solutions retailer in Delhi has started selling organic products from their Indian outlets. A lot of lifestyle stores like Life Springs, Good Things, CRS (chemist stores) and Food Plus recognizing the future trends have created shelf space for organic products.

This has resulted in competition among few leading players and thus managing organic market has become important for every one. Present marketing strategies used by the marketers are based upon market demand and customer relations. Stocking and selling of the item depends upon demand. Customer relationship is build up by making them member of the organization or registration for required services. Considering the size of the market, it is an appropriate approach for managing the market. However, the scenario is changing very fast and the organic player needs to develop strategic competitiveness by providing value to the customer.

The analysis demonstrated a healthy trust of the retailer with his organic supplier. However the product in terms of packaging and cleanliness has to be more professionally handled, especially if the brands need to compete with international quality brands, whether in the domestic or the international market. The quality standards have to be adhered to in order to sustain competition in the premium and niche market of organic produce. Another area of concern is the margins offered to the retailer. Dealer incentives for stocking and promotional materials as well as membership options would ensure better shelf space for the brand.

Amongst the potential retailer group, a whopping two third of the sample was open to stocking organic in the near future. And interestingly enough it was not only the locality (South Delhi and Gurgaon) but also the innovating attitude of the retailer who was willing to experiment with new products because he understood the significance of a customer driven market. The customer had finally come of age and is looking for quality, is more health conscious and is willing to compromise on price.

Thus, based on the secondary and primary information, to promote organic purchase the organic suppliers need to do the following:

- Aggressive marketing is required to promote the product amongst retailers. Based on the analysis of different areas, locations serving the organic or probable consumers the probable retailers need to be visited frequently and offered incentives for providing shelf space.
- More visibility with retailers, better follow-up and better incentive schemes like free lifetime membership with suppliers, invites to organic talks and programmes, information on the benefits of organic food, leaflets and brochures of supplier and his offering, as well as organic information, with the retailer for any consumer who is interested in knowing more about organic food.
- As revealed by retailers and experts both, word of mouth is a very powerful tool in educating the consumer about the product benefits. Thus the retailer has to be an important link in the decision making process, thus motivating and enthusing him is a very crucial area.
- The demand pattern demonstrates atta, pulses and spices are the fast moving items and also generally purchased items in the organic basket. Thus, the stock inventory and supply of these items should be foolproof, otherwise the organic retailer and consumer both would be lost.
- The existing and potential retailers are equally concerned about the packaging

and shelf life of the product. Considering that these are not likely to be fast moving goods a longer shelf life would need to be ensured with vacuum or other packaging option.

- Home delivery and e-transactions should be service options which the supplier must adopt. The reason being the educated and upper class nature of the buyer who accepts these as essential parts of a grocery transaction.
- Lastly study best practices across the globe on marketing organic food products and benchmark against them.

Once the availability is increased the awareness to purchase would definitely happen. To cater to the demand the supplier would then need to escalate the supply. The maintenance and growth of the cycle and volume sales would automatically bring down the prices. The product has tremendous market and growth potential however the extent to which it can grow is directly proportional to the efforts that will be made by the proponents of the organic movement.

The study though comprehensive, did not cover the total domestic market and considering the diverse nature of the country, the retail scene may be different and would require different kind of marketing strategies. Thus, a more wide scale study would throw light on the nuances of the organic market in India. Second, the most important beneficiary of the movement–the consumer and his/her perception, purchase and consumption of the product needs to be monitored, as only that can reveal the true gaps and areas of improvement in order for organic retailing to become a more wide spread lucrative business opportunity.

REFERENCES

www.apeda.com

Baker, B., C.M. Benbrook, E. Groth and K.L. Benbrook. 2002. 'Pesticide Residues in Conventional, Integrated Pest Management (IPM)-grown and Organic Foods: Insights from Three US Data Sets', *Food Additives and Contaminants*, 19(5): 427–46.

Garibay, S.V. and K. Jyoti. 2003. 'Market opportunities and challenges for India Organic Products', Research Institute of Organic Agriculture (FIBL) and A.C. Nielsen Org-Marg.

Department of Agriculture and Rural Development. 2000. *Organic production, A Viable Alternative for Northern Ireland*.

Dryer, Jerry. 2004. 'The Organic Option', *Dairy Foods*. September, 105(9): 24.

Food and Agriculture Organisation of the United Nations (FAO). 2001. *FAO Yearbook*. Production 1999 Vol. 53, Statistical Series No. 156. Rome.

GOI (Government of India). 2001. *Report of the Working Group on Organic and Bio Dynamic Farming for the 10th Five Year Plan*, Planning Commission, GOI, New Delhi, September, 2001.

Guillette, E.A., M.M. Meza, M.G. Aquilar, A.D. Sooto, and I.E. Garcia. 1998. 'An Anthropological Approach to the Evaluation of Preschool Children Exposed to Pesticides in Mexico', *Environmental Health Perspectives*, 106(6): 347–53.

Hitt, M.A., R.D. Ireland and R.E. Hoskisson. 2001. *Strategic Management: Competitiveness and Globalization, 4th ed*. Thompson Asia Pvt. Ltd.

International Trade Centre (ITC). 2000., 'Organic Food and Beverages: World Supply and Major European Markets', International Trade Center , xiv, p. 271.

Kohls, Richard L. and N. Uhl Joseph. 2002. *Marketing of Agricultural Products 9th Edition*. New Delhi: Prentice Hall of India.

Mae, X., P.A. Buffler, R.B. Gunier, G. Dahl, M.T. Smith, K. Reinier and P. Reynolds. 2002. 'Critical Windows of Exposure to Household Pesticides and Risk of Childhood Leukemia', *Environment Health Perspectives*, 110(9): 955–60.

Mc.Donald, T.A. 2002. 'A Perspective on the Potential Health Risk of PBDES', *Environmental Health Perspective*, 46(5): 745–55.

National Research Council. 1993. 'Pesticides in the Diets of Infants and Children', National Academy Press, Washington, D.C.

Northbourne, C.J. 2004. *Look to the Land*. New Zealand: Sophie Perennis.

Organic food.co.uk 2000. *Organic Food market triples over three years.*

Org- Marg. 2002. 'Organic & biodynamic farming' Field survey and the publication, Government of India, Planning Commission.

Phataphekar, P.N. 2005. 'Healthy Kya?', *Outlook* 16 May.

Porter Michael, E. 1998. Competitive Advantage: Creating and Sustaining Superior Performance' Frees Press .

Rajshekhar, M. 2005. 'Taking Reform to the Farm'-*Businessworld*, 30 May.

Singh, S. 2003. 'Marketing of Organic Produce and Minor Forest Produce', Chairman's Report on Theme 1 of the 17th Annual Conference of the Indian Society of Agricultural Marketing (ISAM), *Indian Journal of Agricultural Marketing*, 17(3), Conference Special, 77–83.

Tregear, A., J.B. Dent and M.J. Mc Gregor. 1994. 'The Demand for Organically Grown Produce', *British Food Journal*, 96(4): 21–25.

United States Department of Agriculture. 1995. National Organic Standard Board. Definition of "Organic." USDA Washington D.C.

United States Department of Agriculture Study Team. 1980. Report and Recommendation on Organic Farming, United States Department of Agriculture.

Washington Post. 2000. 'What on Earth'.

Wier, M., L.G. Hansen and S. Smed 2001. 'Explaining Demand for Organic Foods', Paper for the 11th annual EAERE Conference, Southhampton.

Wilson, Richard, M.S. and C. Gilligan. 1999. *Strategic Marketing Management: Planning, Implementation and Control 2nd ed.* India: Viva Books.

Willer, H. and M. Yussefi. 2001. 'Organic Agriculture Worldwide, Statistics and Future Prospects SOL, No. 74.

Wright, S. 1997. 'Europe goes Organic', *Food Ingredients Europe*, 3: 39–43.

Yussefi, M. and H. Miller. 2002. Organic Agriculture World Wide 2002, Statistics and Future Prospects, International Federation of Organic Agriculture Movements, Germany.

——— (eds.). 2003. *The World of Organic Agriculture 2003—Statistics and Future Prospects*, IFOAM, Tholey-Theley.

APPENDIX–I

Certification Details

Brand	*Agency*
Dubden	not any
Herbal Planet	not any
Tribes	not any
Veda	not any
Devine Organic	UOCB
Healthfield	Ecocert
Navdhanya	SGS
Goldern Corn	Amcorn India
Fab India Organics	not any
Grewal	SQF2002
Desi Ahar	ISI

APPENDIX–II

Sample Details of Potential Retailers (N = 150)

Location	*Number*	*Floor Area Sq Feet*	*Number*	*Number of Customers/Day*	*Number*	*Store Personnel*	*Number*
South Delhi	43	Upto 100	17	Upto 30	3	Upto 2	4
Central Delhi	8	101–200	36	31–50	55	3–5	59
North Delhi	17	201–500	63	51–75	55	6–10	53
West Delhi	14	500+	34	76–100	35	10+	34
East Delhi	17			100+	2		
Gurgaon	25						
Noida	26						

APPENDIX–III

Profile of Organic Retailers (Demographic)

Store Name	*Experience*	*Brands*	*Products*
Food Plus, Noida	2 Yrs	Dubden	Groceries, tea
Herbal Planet, Krishna Mall, Dwarka	2 months	Herbal Planet	Groceries, beverages, preserves, spices
Tribes, Mahadev Road, ND	3 Yrs	Tribes	Preserves, spices & herbs
Full Circle, Khan Mkt.	1 Yrs	Veda	Jams, honey, preserves
Food Plus, Vasant Vihar	3 months	Dubden	Groceries, snacks, spices & herb
Devine Organic, Uttam Nagar	8 Yrs	Devine Organic	Groceries, snacks, spices & herb
Brahamarpan, Karol bagh	3 months	Healthfields	groceries
Navdanya, Dillihaat and Hauzkhas	6 Yrs	Navdanya	Groceries, snacks, beverages, preserves, spices & herb
Corn World, Kamla Nagar	1 Yrs	Golden Corn	snacks
Fab India, G K	8 months	Organic India	Groceries, snacks, beverages, preserves, spices & herb
Steak House, Jorbagh	1 Yrs	Grewal	Groceries, snacks, beverages, spices
98.4 Gurgaon	2 Yrs	Grewal	Groceries, snacks, beverages, spices
Full Circle, GK-1	3 months	Grewal	groceries
Dubden Green, Shapur Jet	2 Yrs	Dubden Healthfields Grewal Concious Food HIM.Fresh Navdanya	groceries snacks beverages preserves Spices & herb
KVIC, C P	2 Yrs	Desi Ahaar	Groceries, snacks, preserves, spices
Whole food, New Friends Colony	1 Yr	Grewal, navdanya, Divine organics	Groceries, snacks, beverages