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BUY LOCAL, BUY FRESH?
EXPLORING LOCAL FRESH PRODUCE CONSUMER MOTIVATIONS AND INTERESTS

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- *Up to 30% of consumers prefer to buy their fresh produce from farmers' markets and direct from producers, countering the long trend of increasing purchases through supermarkets and supercenters.*

- *Consumers who tended to buy directly rank variety available and support for local producers relatively higher than other consumers, suggesting a strong connection to local food systems and good motivation for producers to explore unique varieties and cultivars of fruits and vegetables.*

- *Farmers market and other direct consumers tend to be older and spend more on produce, live in midsize markets (from 50,000 to 500,000 in population), and are more likely to be upper-middle income than supermarket consumers.*

The increasing complexity of the food retailing landscape, including a myriad of food label claims and concern about the source, safety and quality of foods, has changed the way consumers approach food buying decisions. This is an issue of interest and importance to those producers who may choose to sell direct to consumers as a means to increase their share of the food dollar or to initially introduce differentiated produce offerings. Yet, the direct buying trend is emerging so fast that little is known about what motivates consumers and how producers can best market to interested buyers.

Direct marketing via farmers' markets, roadside stands, community supported agriculture (CSA) programs, and other outlets, are some of the increasingly popular alternatives that producers have to reach consumers who are interested in their produce. Evidence of direct marketing's popularity among consumers and producers can be found in the growth of the number of farmers' markets countrywide. The United States Department of Agriculture (USDA) reported that between 1994 and 2006, the number of U.S. farmers' markets more than doubled to over 3,700, and the value of U.S. agricultural products directly sold increased thirty-seven percent from $592 million to $812 million (http://www.ams.usda.gov/farmersmarkets/).

In this fact sheet, we will use results of a 2006 national consumers survey to explore fresh produce buying patterns, what motivates the choice to buy direct and some initial findings about how consumers using different marketing channels differ.

Consumer Fresh Produce Market Choices
American consumption trends may be contributing to growth in produce-related direct marketing channels.

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According to the USDA, U.S. per capita consumption of fresh vegetables and melons increased by 52.6% between 1979 and 2004 (http://www.ers.usda.gov/Publications/VGS/#yearbook) but 2005 saw a decrease in consumption as the level of US production decreased, retail prices rose and the trade deficit for produce increased. Yet, a significant number of consumers expressed a willingness to pay higher prices in exchange for higher quality, environmentally-friendly (e.g., organic) and locally produced products.

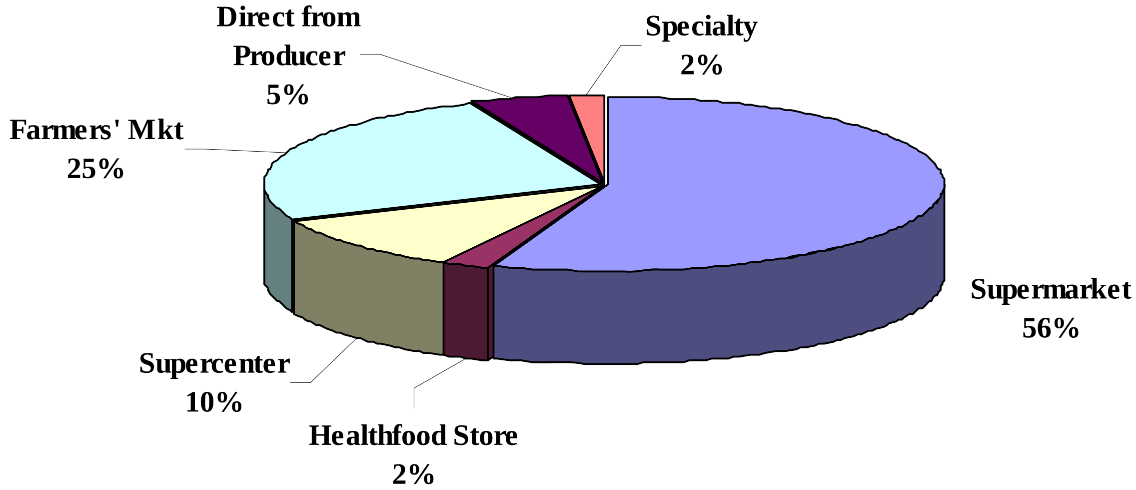
To add to current understanding of consumers shopping behavior, a May 2006 survey asked 1,549 nationwide respondents about purchasing habits, as well as their interest and perceptions about production practices and claims about other product attributes. Consumers were asked to identify where they preferred to purchase food in general and fresh produce in particular. Figures 1 and 2 indicate the breakdown of consumers' preferred primary and secondary fresh produce purchase locations, respectively. While for all foods the majority of respondents (76%) prefer to make primary purchases at the supermarket and another 19% prefer supercenters (ex. Costco, Sam's Club), only 56% of consumers seeking fresh produce prefer supermarkets, while turning to alternative marketing channels far more frequently (Figure 1).

It is encouraging news for direct marketing producers that up to 30% of consumers prefer to buy from farmers' markets and direct from producers, while just 10% and 2% prefer to purchase fresh produce primarily from supercenters and specialty/healthfood stores, respectively. Given the challenges of securing distribution partnerships with food retailers in an increasingly competitive environment, many producers appear to welcome the opportunity to develop direct sales relationships with interested consumers.

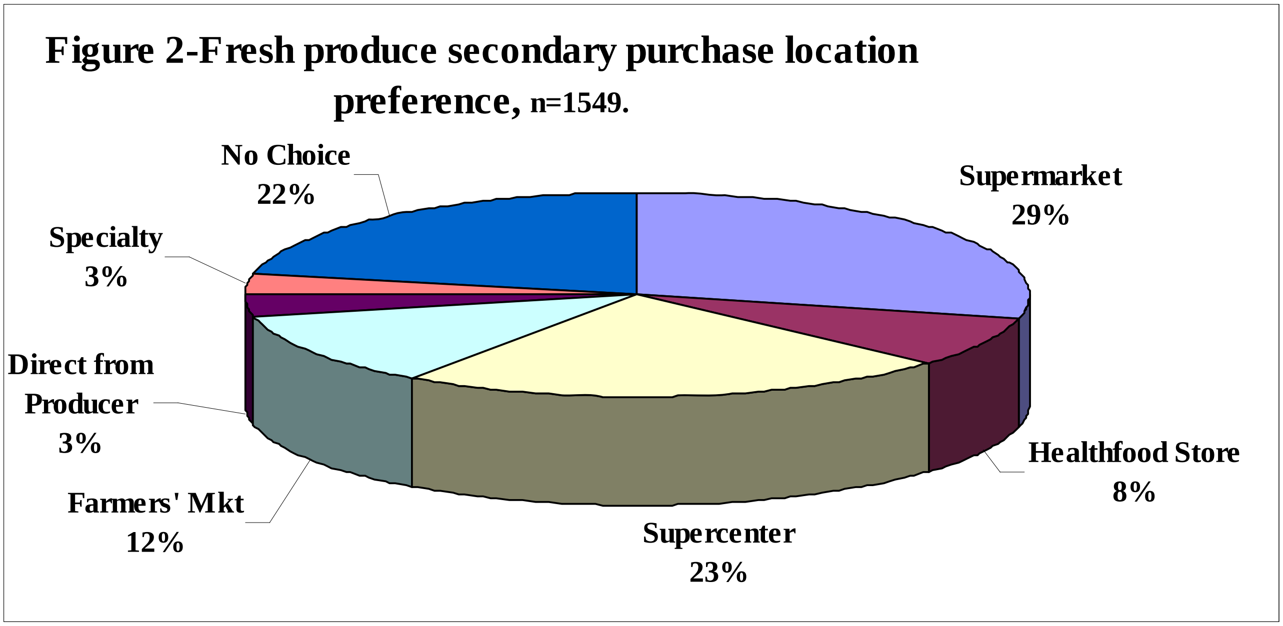
Consumers were also asked to indicate their preferences for secondary sources of fresh produce (Figure 2).[2] While 22% of the sample had no preferred secondary source of fresh produce, 52% indicated supermarkets or supercenters as a complement to their primary source, and 15% selected farmers' markets or direct-from-producer channels. This diversity in market choices may be a function of consumers' willingness to "shop around" or make a special trip for good bargains or specific items such as unique fruits, ethnic vegetables or organic herbs that may not be available at their primary produce or general food purchase location.

Just as supplies of local produce in most areas of the country are likely to be seasonal in nature, many

Figure 1- Fresh produce primary purchase location preference, n=1549.



[2] Primary and secondary source categories were both mutually exclusive; in other words, only one primary and one secondary source was identified per respondent.



farmers' markets and some direct from producer channels are accessible only during certain times of the year. To capture seasonal preferences, we asked consumers to indicate which locations they preferred to use as a source of seasonal fresh produce, and about thirty percent of respondents indicated a preference for farmers' markets as a seasonal source of produce, followed by about twenty-two percent who preferred supercenters. Specialty stores (17.6%), direct from producer options (16.1%), healthfood stores (15%), and supermarkets (8.3%) follow next in order of consumer preference. Just 22.7% and 2% indicated they did not purchase fresh produce at farmers' markets and supermarkets over the past year, respectively.

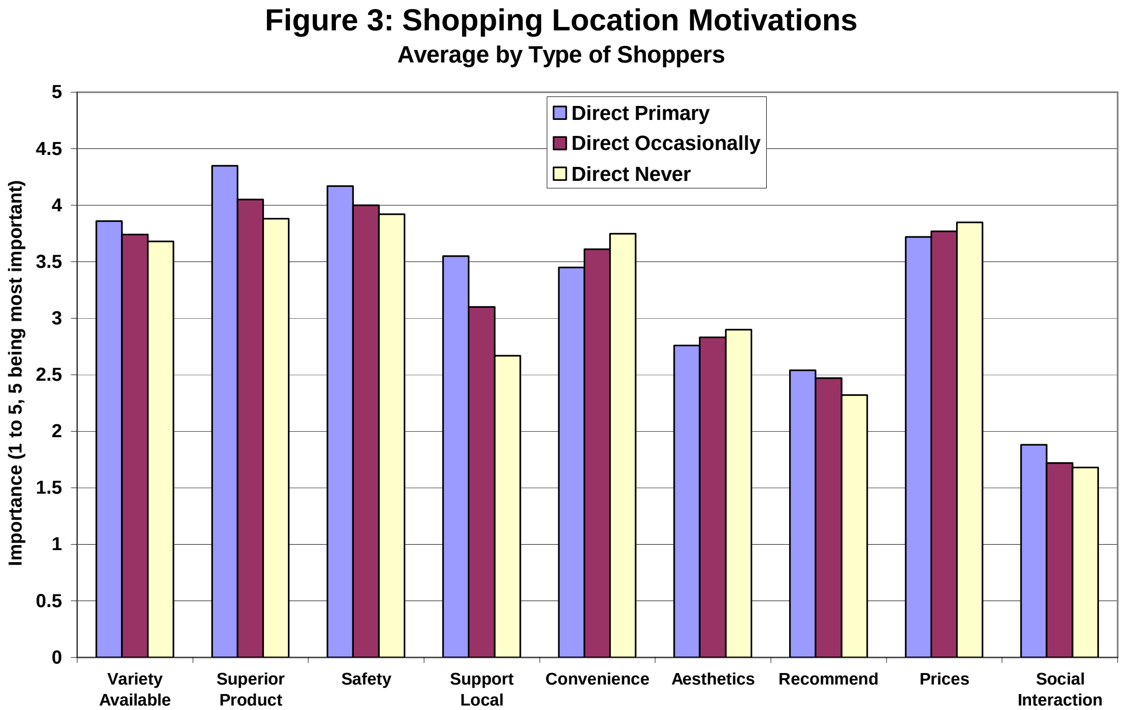
Consumer Fresh Produce Attribute Preferences and Purchase Location Motivations

In a 2006 study, Keeling-Bond, Thilmany and Bond organized consumers into three groups in order to analyze motivations and produce attributes (CHOICES, 2006). The first group, Direct Primary, preferred to make primary fresh produce purchases via consumer direct channels (either at farmers' markets or direct from producers), and represents about 30% of the sample. The second group, Direct Occasionally, preferred to use direct channels as a source of secondary or seasonal fresh produce, but not as a primary source and includes approximately 50% of the sample. The final group, Direct Never, did not utilize direct sources over the prior twelve months, and accounts for approximately 20% of survey respondents.

All consumers were asked to evaluate the relative importance of a series of location-specific attributes and three categories of product-specific attributes, including production practice, intrinsic properties, and value/package/convenience using a scale of 1 (Not Important) to 5 (Extremely Important). Figures 3-5 show how these factors generally rate in importance among consumers, as well as allowing for comparisons about relative importance between direct consumers and those who are less likely to buy direct from producers.

Purchase Location Motivations

Figure 3 summarizes the importance of various motivations for choosing where to shop for fresh produce, which may aid producers and location managers in better marketing their venues as a whole to specific consumer groups. Overall, rankings are quite similar, with all groups indicating that superior products, safety, and prices were top concerns. Relative to other groups, however, Direct Primary consumers tended to rank variety available and support for local producers higher than other attributes, while Direct Never consumers tended to discount local support in favor of convenience. Recommendations of friends and family and social interaction were ranked as the least



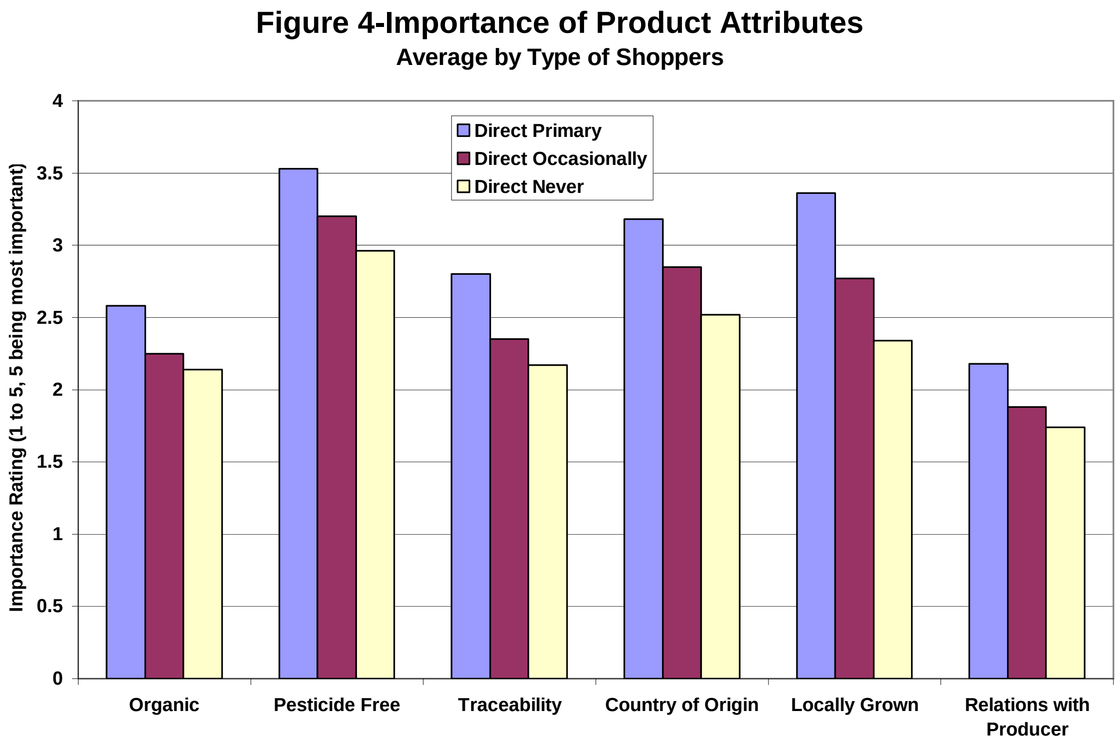
important motivational factors among all consumers, a somewhat unexpected result given that farmers markets are often thought to be large drivers in community social networks.

Although the rank attributes were similar across groups, there are some subtle differences. For example, Direct Primaries tended to value a connection to local production to a greater degree than the other groups, while those that did not frequent direct channels tended to value convenience, aesthetics, and price (attributes more associated with supermarkets) more than the other groups. Furthermore, the Direct Occasional group seemed more closely aligned with Direct Nevers, with five of nine attribute ratings not significantly different from each other. As such, it appears that a marketing strategy that highlights product quality and safety, in conjunction with lowering transactions costs to enhance convenience (delivery, marketing along major thoroughfares or among shopping districts), may help to sustain growth for the market share of direct marketing channels.

Production Practice Attributes

Figure 4 reports the mean ratings by consumer group for the category of factors that relate to the importance consumers place on production processes and claims. Pesticide-free production was the most important attribute across all three buyer groups, though Direct Primary purchasers valued the attribute statistically more than Direct Occasionals and Direct Nevers. Locally grown is the next most important attribute to Direct Primary purchasers, while country of origin labeling is ranked second for the other buyer groups. Although Direct Occasionals buy from direct marketing channels that are more likely to supply locally grown produce, it is interesting to note that country of origin is more highly rated as a claim among these buyers (suggesting that domestic foods may be as of great of interest as locally grown).

Given recent growth in availability of organic produce, it is somewhat surprising to find that this production practice attribute ranked sixth out of seven across all groups. No statistical difference was found between the Direct Occasional and Never groups' mean value on the organic attribute, suggesting organic and local may not always be jointly demanded by consumers. It thus appears that the Direct Occasional group shops locally without seeking organic produce, and is consistent with a 2004 Iowa State Leopold Center finding that found "locally grown by family farmers" was a



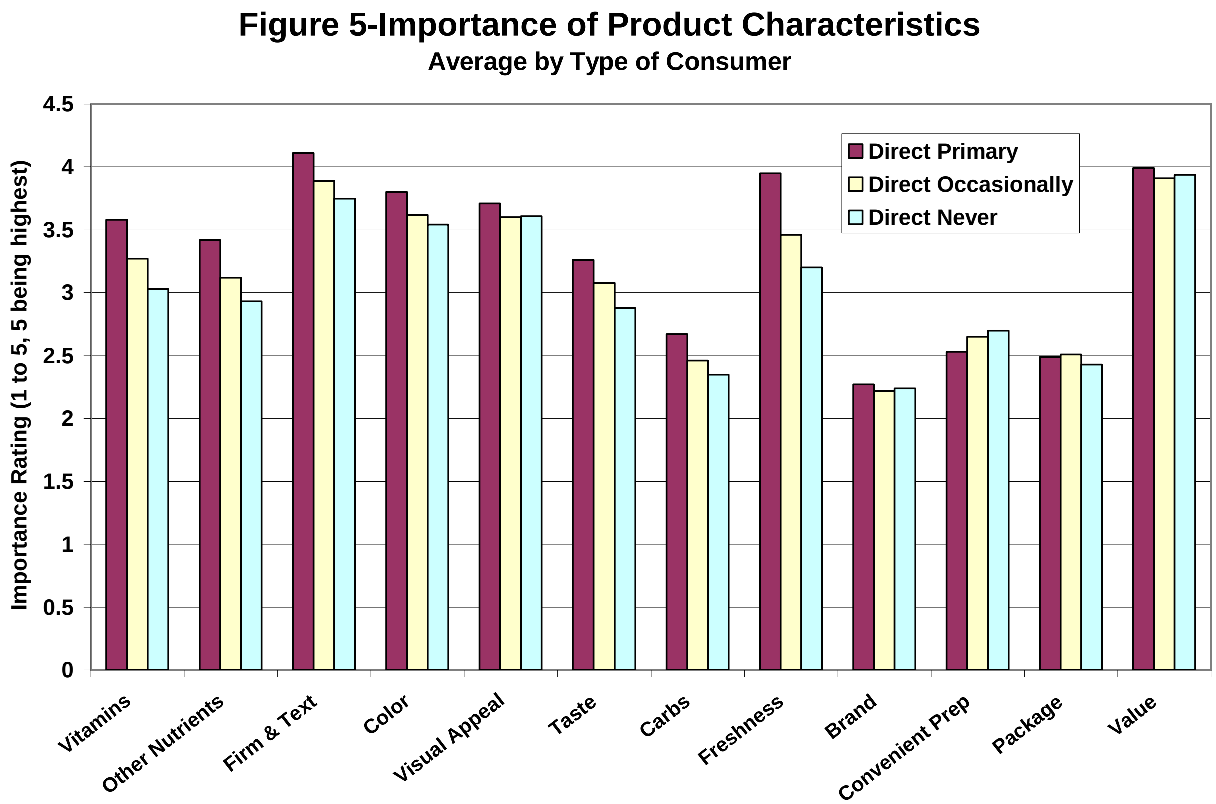
more compelling claim than the bundled "locally grown and organic" claim among consumers.

Product Characteristics
Figure 5 reports the mean importance placed on produce-specific intrinsic attributes. All buyer groups ranked firmness and texture most highly; however, there is some diversity in the importance placed on other product attributes, particularly between Direct Primaries and the two other buyer categories.

Notably, Direct Primary consumers ranked freshness second, followed by color and visual appeal. The freshness attribute is a point of differentiation often associated with produce available at farmers' markets where farmers use signage promoting how recently produce was harvested before the market. Freshness was less important to Direct Occasionals and Nevers who value color and visual appeal relatively more. In general, these two consumer groups ranked attributes that can be assessed visually relatively higher than Direct Primaries who tended value health-related attributes such as freshness, vitamin, nutrient and carbohydrate content more highly.

These findings indicate that producers may be able to further appeal to consumers in the Direct Primary category by offering nutritionally-superior cultivars and marketing the health aspects of their produce, especially if there are credible claims (from USDA, Land Grant or private research institutions) about these potential benefits. To reach out to consumers in other buyer categories, direct marketers may do well to prominently display attractive and colorful produce of high quality.

Value/Package/Convenience Attributes
Figure 5 also reports the importance of value, packaging, and convenience attributes to alternative consumer groups. These attributes were the most similarly rated across groups, with few of the means statistically different from each other. Only the mean for convenient preparation was statistically different between Direct Primary and Direct Nevers, with the latter placing more importance on convenient preparation of fresh produce (such as pre-washed and pre-cut products). As produce offerings at farmers' markets and other direct channels are less likely to be processed than those at supermarkets, it is not surprising that Direct



Primary purchasers would place less importance on convenience, but one way to attract more mainstream consumers would be to increase the number and types of value-added and ready to cook/grill/serve items. Overall, the greatest importance is placed on value, followed by convenience of preparation, and type of package. Although a trip to any supermarket would illustrate the fact that the supply of branded produce has been on the rise in recent years, brand name of fresh produce ranks as the least important attribute among these respondents.

In further analysis, the shopping location choices of consumers were explored to look for patterns among other shopping behavior and purchase motivations based on the probability they choose to primarily shop in various marketplaces. Relative to consumers who tend to use mostly supermarkets, farmers market consumers tend to be older and spend more on produce in addition to our previous findings that they highly value organics, vitamin content, color, fresh, traceability and relationship with producers relatively high. Among those that reported they primarily buy produce direct from producers in other venues (CSAs, roadside markets), they also spend more on produce, live in midsize markets (from 50,000 to 500,000 in population), and are more likely to be upper-middle income than supermarket consumers.

Willingness to Pay for Local, Organic and Nutritionally Superior Produce

Bond, Thilmany and Keeling-Bond also explored differences in willingness to pay for produce differentiated by local and other production claims. In short, those that purchase direct are willing to pay 7-23% more in terms of premium for different combinations of organic, local, or nutritionally superior produce than supermarket customers. In addition, a smaller percentage of direct purchase customers opt out of the purchase of produce differentiated by these claims as compared to those that primarily shop at supermarkets. The price difference direct consumers were willing to pay was higher for the local, organic, Vitamin C-rich melon than for purple organic potatoes with higher antioxidants (the two produce examples used in this study).

Conclusions and Marketing Implications

In short, producers must consider the perceptions and interests of their consumers in order to develop effective product differentiation strategies that use the marketing channels where their products will most likely succeed. For example, many would argue that organic producers will be most successful within direct markets, but these findings suggest that support for local farms may trump interest in production processes among the occasional farmers market consumer.

The finding that there is more than one "type of consumer" interested in locally produced fruits and vegetables differentiated by nutrition or production practice should be noted by producers as the product development and marketing strategies needed to attract these different segments may differ significantly. For instance, although convenience is not as important to those buying direct, to gain more interest from consumers who do not shop directly, producers may want to consider how to make their produce more "user friendly" for those with less time to prepare and cook their meals (for example, value-added products like salsas and chopped vegetable pouches, herb bundles or salad mixes).

Through direct marketing, producers are able to establish a closer relationship with consumers, avoid expenses associated with using a broker or wholesaler, and increase their profits. On the consumer side, marketing may be one of the most effective marketing system strategies to address emerging consumer demand for more local food systems based on increasing consumer interest in knowing more about the source of their food. Information from this analysis could be used to inform production practice and varietal selection decisions as well as produce-specific marketing efforts of direct marketers, but more importantly, further reinforces the idea that marketers should use interaction with their consumers to better understand how to meet their needs. Perhaps the greatest challenge to direct market producers is to keep "Local food system supporters" happy while exploiting opportunities to grow the number and share of purchases among more occasional direct-from-producer shoppers.