

Paying quality – Consumers preferences and willingness to pay

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Paying quality – Consumers preferences and willingness to pay

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2.1- local meat – Vaud region

2.2- artisan apple fruit juice – Jura region

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1- The context

This approach was firstly developed in Switzerland to studying the value of Swiss products on the Swiss market -« swissness ».

Considering the Swiss high production costs (compared with EU), marketing research was conducted on chicken meat, apples and strawberries to answer to the following questions :

- Do Swiss consumers perceive Swiss products as differentiated?
- Do they express a preference for Swiss products?
- Are they ready to pay a higher price for Swiss products?

Bolliger C & Reviron S. (2008) Consumer Willingness to pay for Swiss chicken meat : an in-store survey to link stated and revealed buying behaviour , paper presented at the EAAE, congress, Gent , August ; <http://ideas.repec.org/p/ags/eaae08/44155.html>

2- The method

Our methodological approach to elicit willingness-to-pay estimates oriented itself largely along the survey design applied by Loureiro et al, 2002 (*Contingent Valuation*)

Loureiro M.L, McClustkey J.J, Mittelhammer R.C (2002) Will consumer pay a premium for eco-labeled apples? *The Journal of Consumer Affairs* 36 (2): 203-219

2- The method

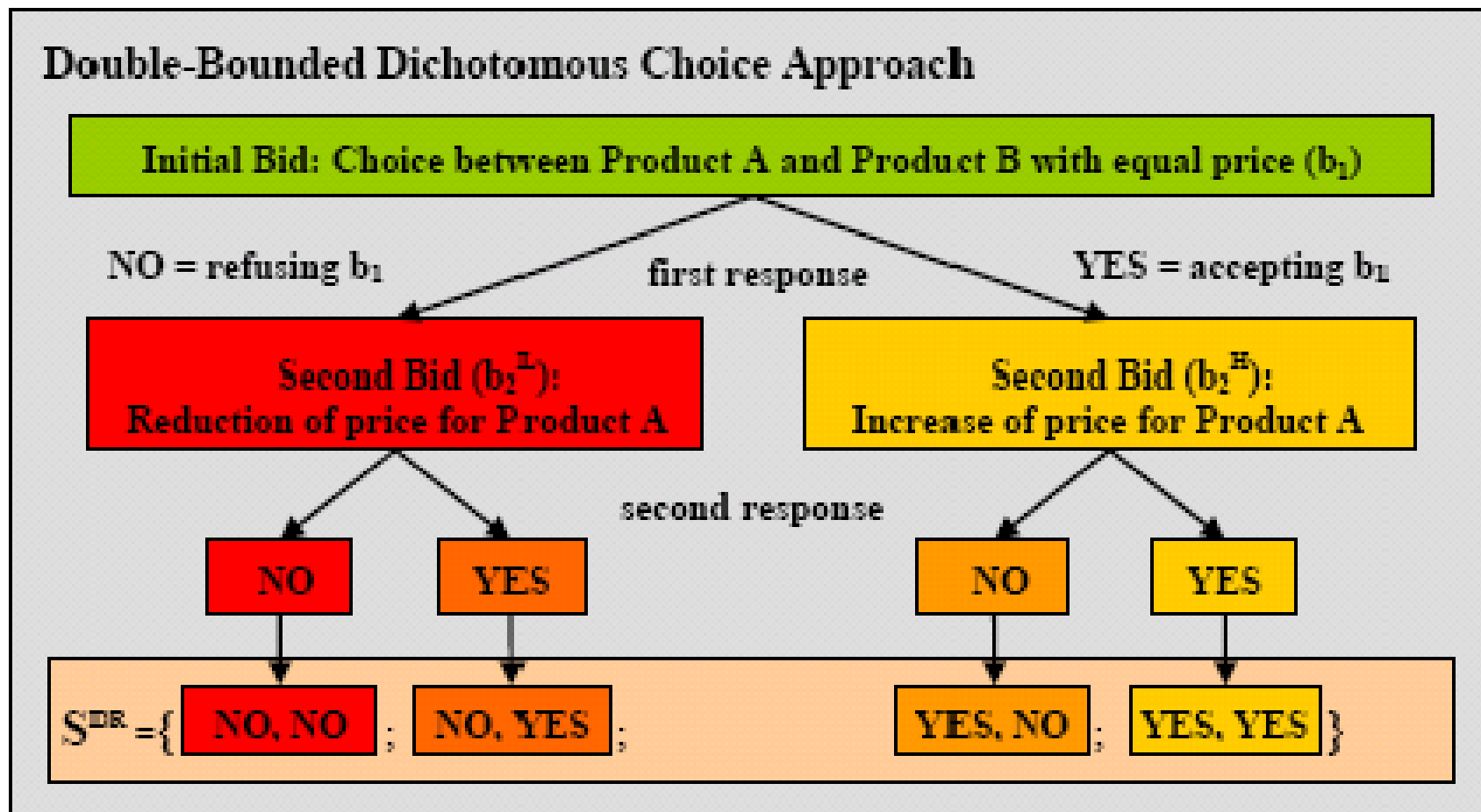


Fig. 1 Design of a Double-Bounded Dichotomous Choice Contingent Valuation Model

2- The method

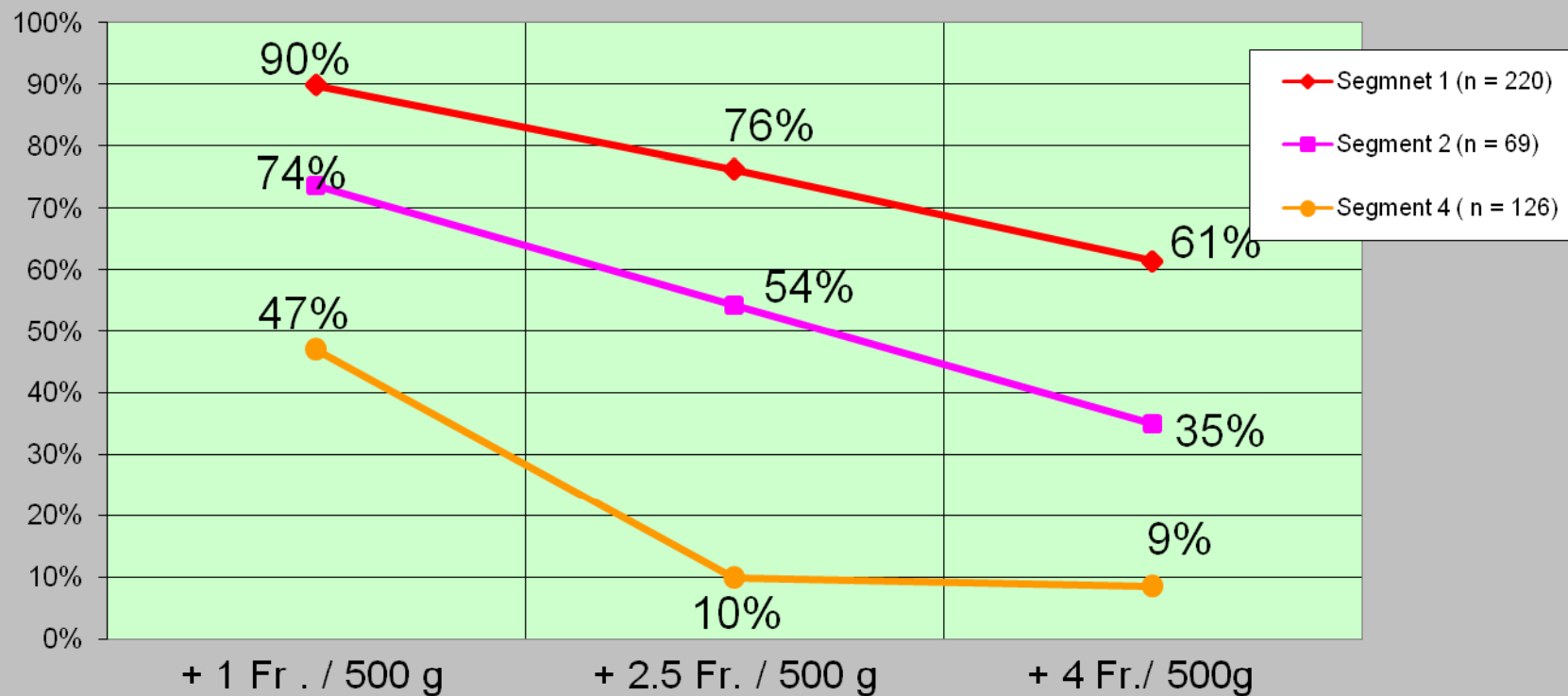
We have enriched the initial “contingent valuation” method :

- in order to avoid a classic problem in consumer surveys - too positive answers-, we have realize interviews in store and got when possible the effective purchases (far from the place of sale, the interviewed person often gives answers that are not coherent with her/his buying behavior – *problem of stated preference vs revealed preference*).

Willingness to pay increases when perception of a difference between products

Strawberries

Willingness to pay of different consumer segment

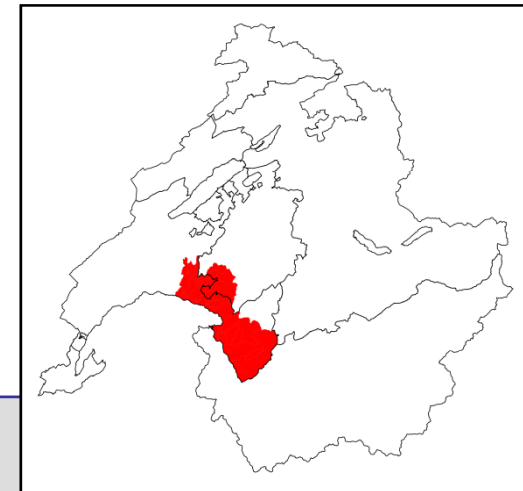


Segment 1 : Buy Swiss, perceive a difference
 Segment 2: buy Swiss , do not perceive a difference
 Segment 3 : buy EU, do not perceive a difference

This approach was later used for studying local food products :

- Local meat – Montreux / Vevey region
- Artisan apple juice – Jura region
- Vegetables – Jura region

A new problem : what does mean “local” ?



2- The results : local meat (at the supermarket gate)

Preference for local meat at the same price : almost 100%
Preference for local meat with + 10% in price : 90 to 95 %

Reasons to prefer local meat at the same price	Supermarket	Butcher
To support the local economy	43%	42%
Proximity	12%	14%
Ecological benefits	9%	9%
Total ethno-centered reasons	64%	65%
Quality	14%	11%
Safety	22%	24%
Total ego-centered reasons	36%	35%

200 persons – May 2009 in Vevey, Montreux, Aigle
Source : AGRIDEA Lausanne

We have asked the reasons that justify preference for the Swiss product at the same price (*spontaneous answer*). It was easy to sort out keywords in “ethno-centered” reasons and “ego-centered” reasons.

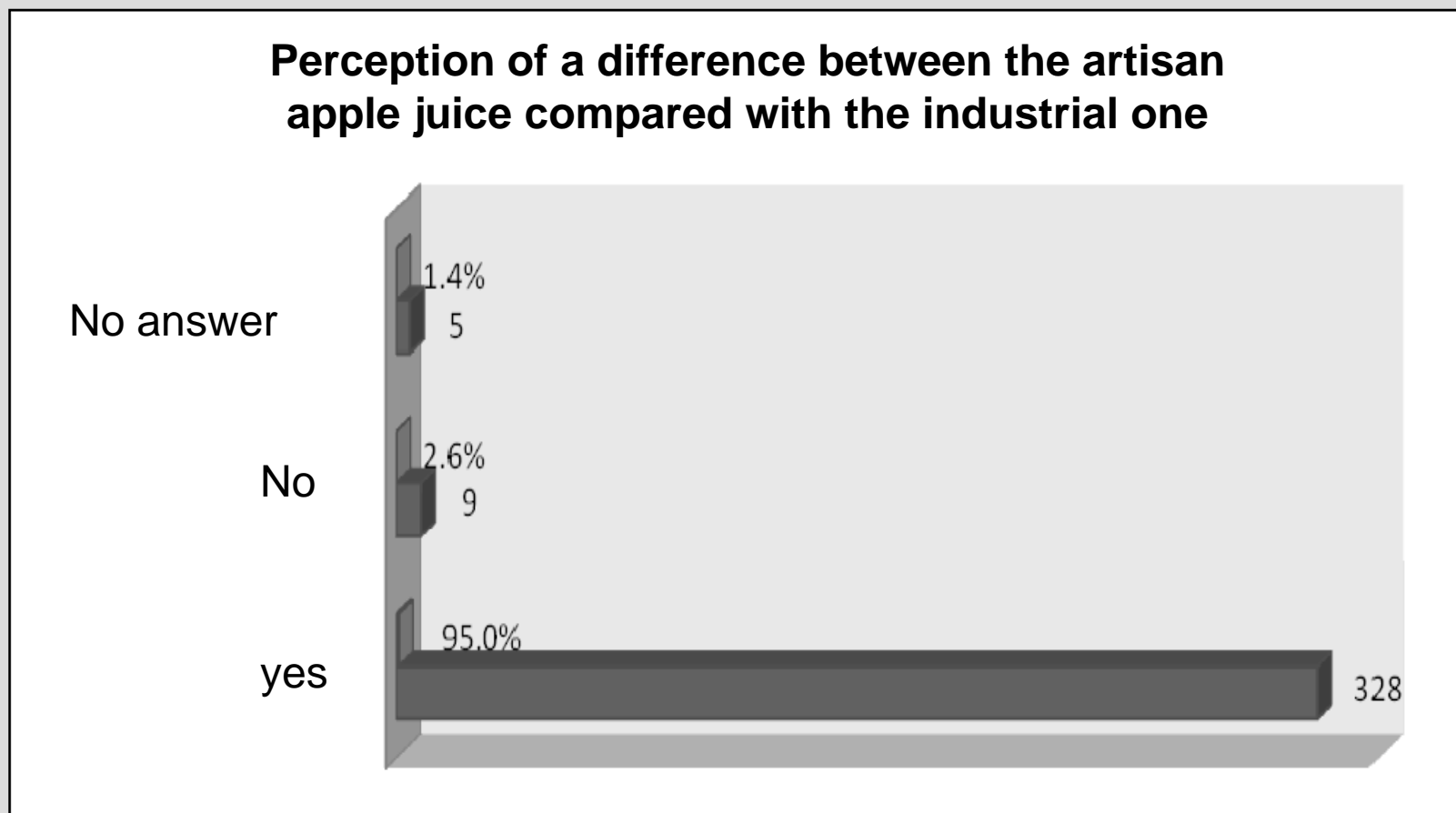
The balance between these two types of reasons has appeared to be strongly linked for low processed products to the perception of product differentiation and willingness to pay.

2- The results . Local meat

Trade-off	Region first			Quality first	
	grade 1	grade 2	grade 3	grade 4	grade 5
Butcher	14	11	4	15	10
Supermarket	20	22	7	11	16
Farm gate	3		3	5	1
Open air market	1	1	1		
Total	38 (26%)	34 (23%)	15 (10%)	31 (21%)	27 (19%)

200 persons – May 2009 in Vevey, Montreux , Aigle
 Source : AGRIDEA Lausanne

2- The results : artisan apple juice – Jura region

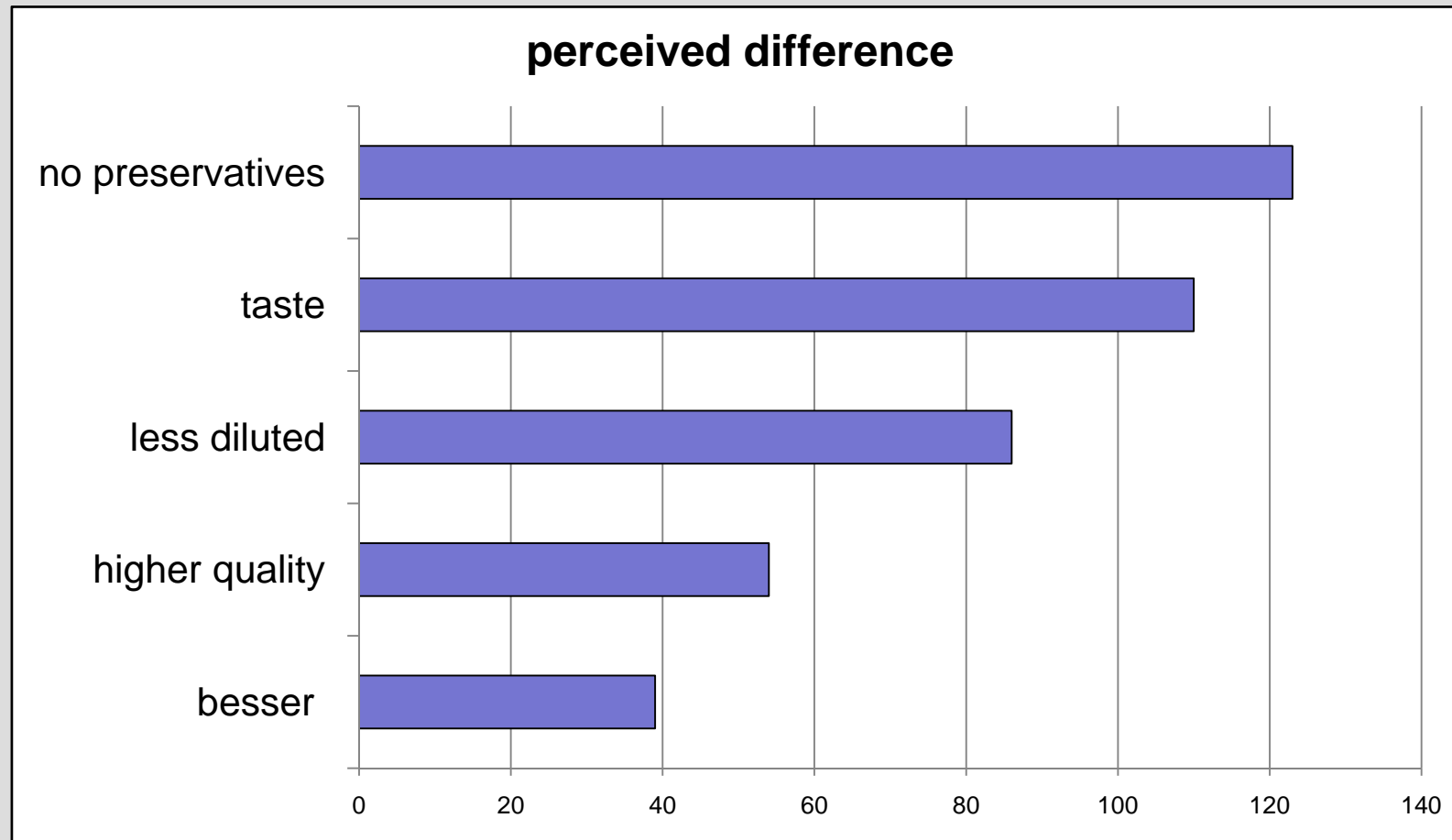


344 persons – December 2009

In 6 open air markets and a supermarket in the Jura region

Source : Fondation Rurale Interjurassienne (FRI)

2- The results



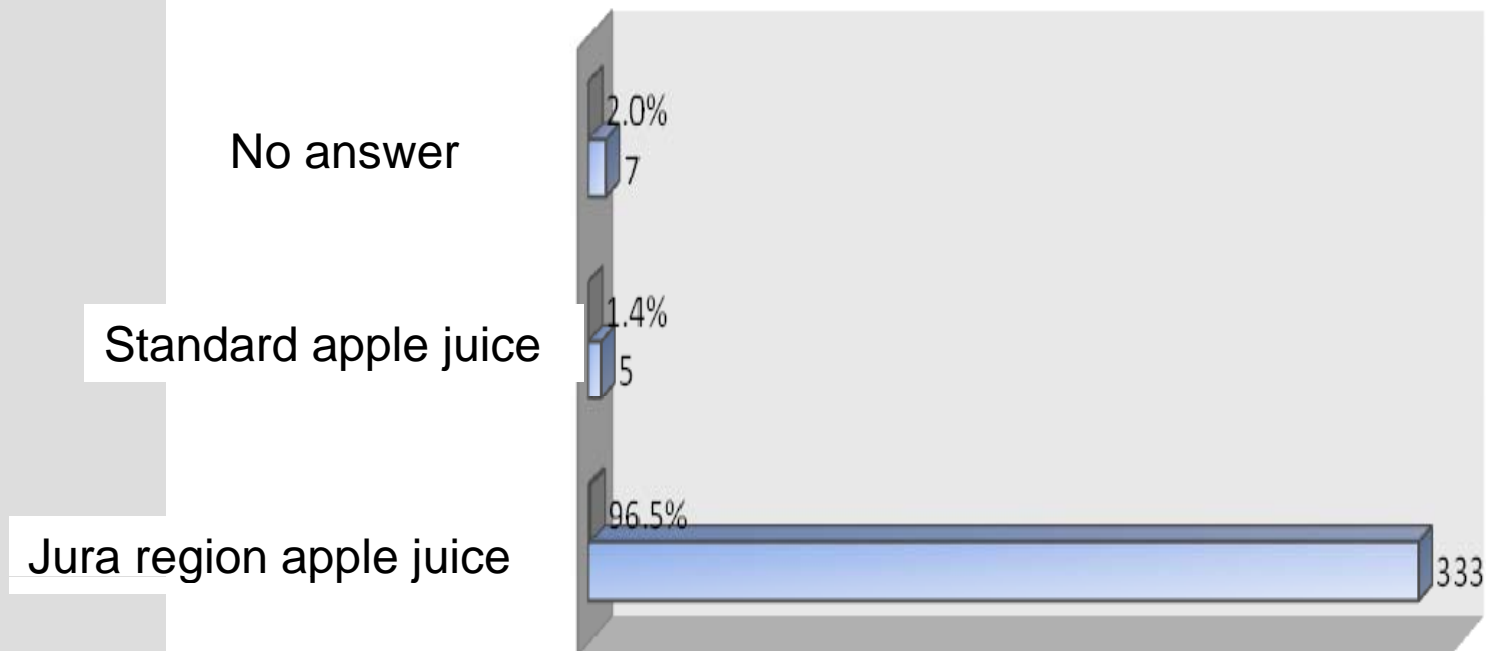
344 persons – December 2009

In 6 open air markets and a supermarket in the Jura region

Source : Fondation Rurale Interjurassienne (FRI)

2- The results

Preference at the same price between artisan Jura region apple juice and standard apple juice

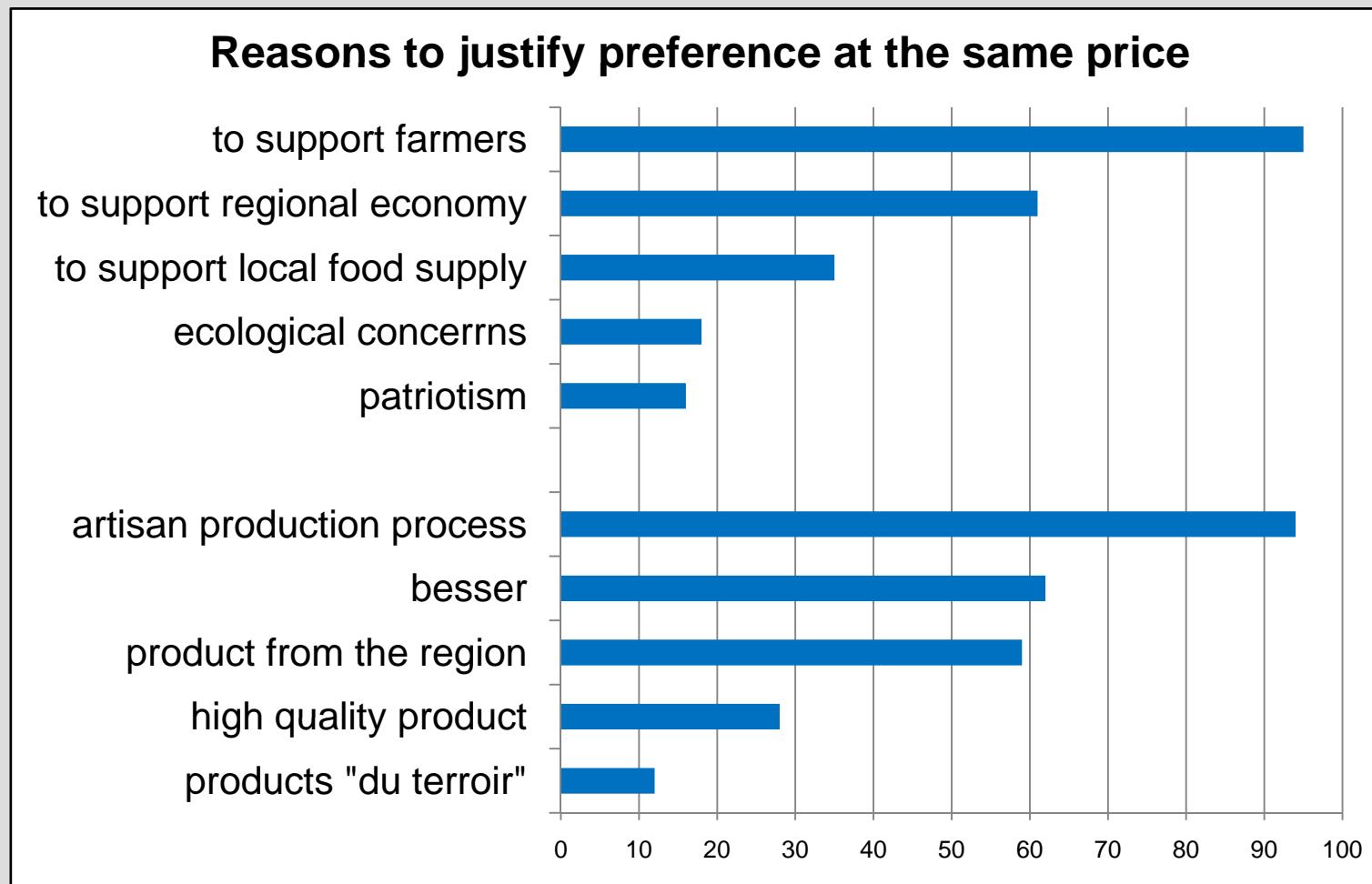


344 persons – December 2009

In 6 open air markets and a supermarket in the Jura region

Source : Fondation Rurale Interjurassienne (FRI)

2- The results : artisan apple juice – Jura region



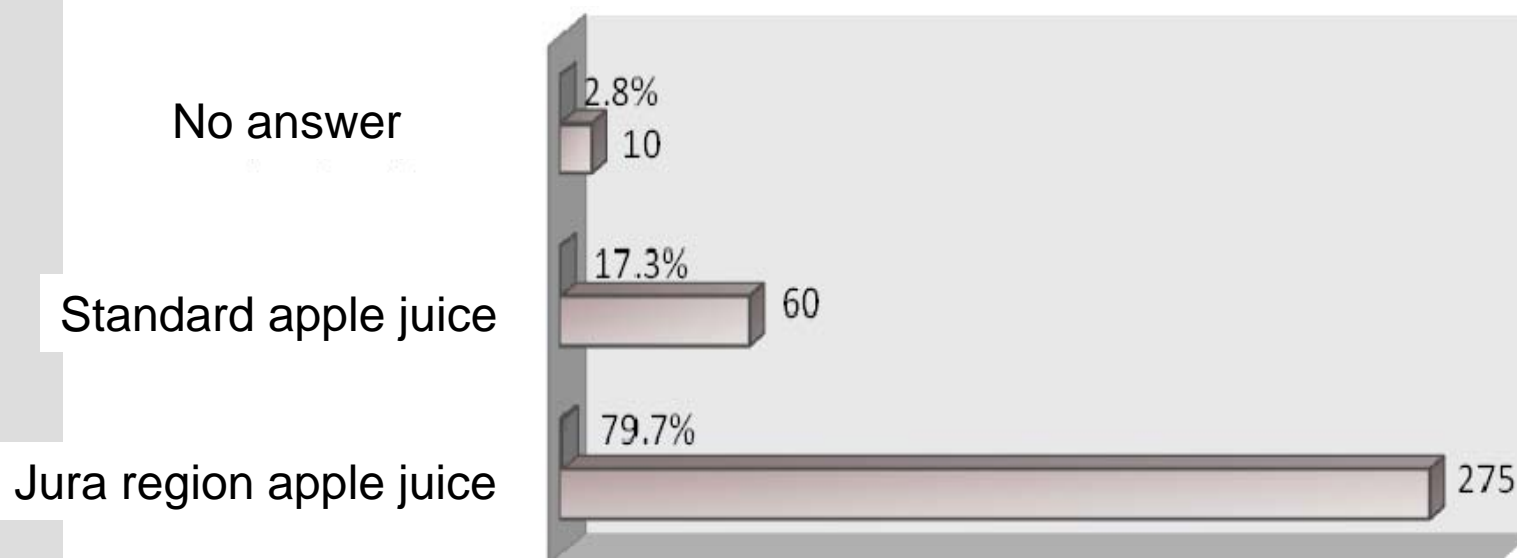
344 persons – December 2009

In 6 open air markets and a supermarket in the Jura region

Source : Fondation Rurale Interjurassienne (FRI)

2- The results

Preference at a different price - + 1 Fr./l - between artisan Jura region apple juice and standard apple juice



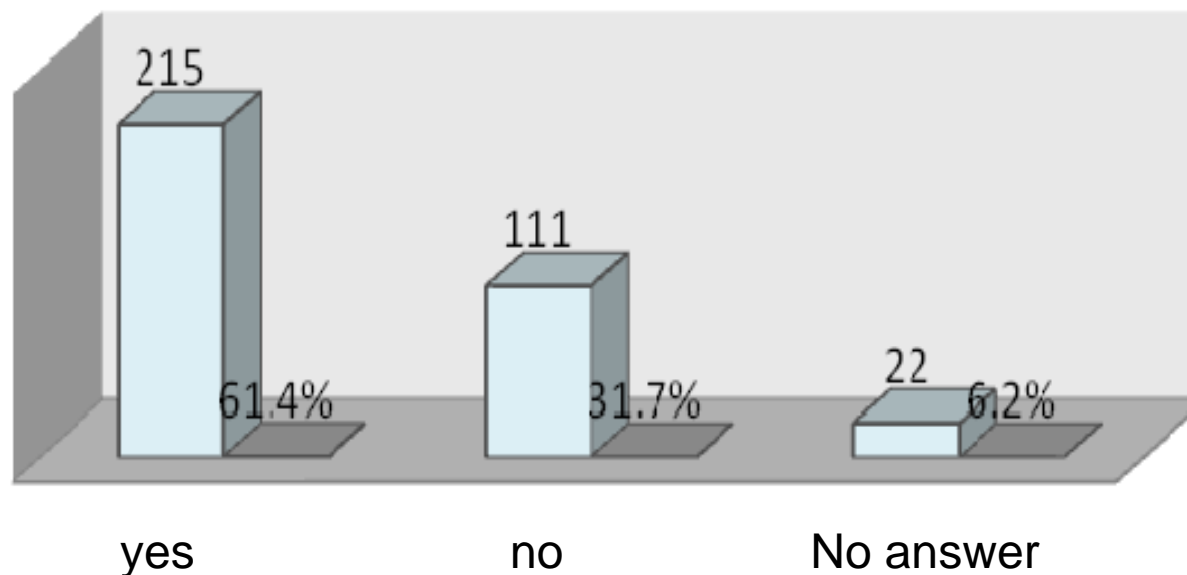
344 persons – December 2009

In 6 open air markets and a supermarket in the Jura region

Source Fondation Rurale interjurassienne

2- The results : organic vegetables vs conventional (direct sales)

Perceived difference between organic vegetables and conventional ones



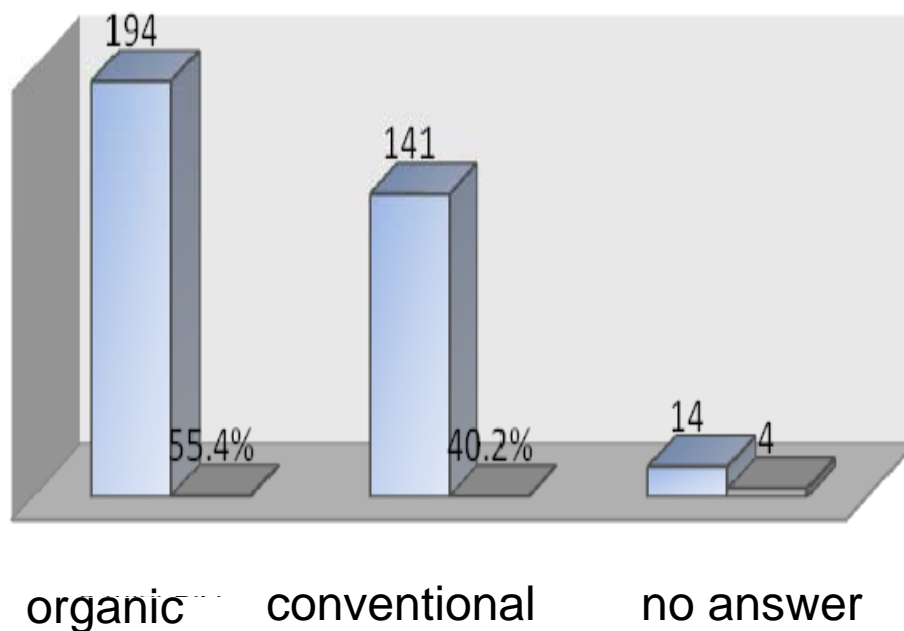
350 persons – February 2010

In 3 mini stores and 7 supermarkets – Jura region

Source : Fondation Rurale Interjurassienne (FRI)

2- The results

Preference at the same price between a basket of organic vegetables and a basket of conventional ones



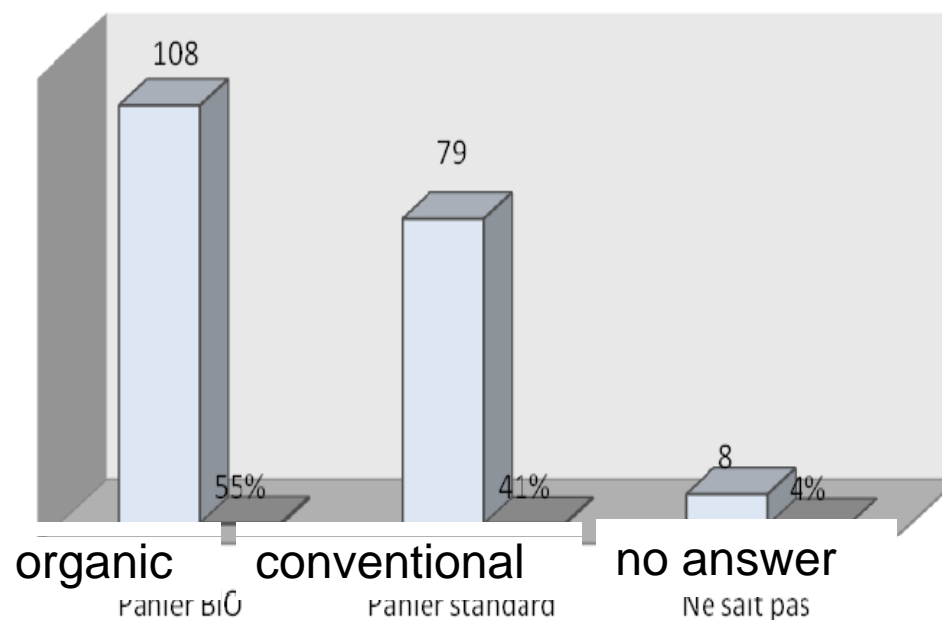
350 persons – February 2010

In 3 mini stores and 7 supermarkets – Jura region

Source : Fondation Rurale Interjurassienne (FRI)

2- The results

Preference at a different price - + 15 Fr. - between a basket of organic vegetables and a basket of conventional ones (*only persons having chosen « organic » at the 1st bid*)



194 from 350 persons – February 2010

In 3 mini stores and 7 supermarkets – Jura region

Source : Fondation Rurale Interjurassienne (FRI)

Double enchère	Total : 376 Preference for organic apples vs conventional ones (Swiss)								
Bid 1 (equal price)	PI= 132 (35%)			Egal = 45 (12%)			organic = 199 (53%)		
Bid 2	1/3*	1/3*	1/3*	1/3*	1/3*	1/3*	1/3*	1/3*	1/3*
Price differential	- 2.80 Fr. / kg	- 2 Fr. / kg	- 1 Fr. / kg	- 2.80 Fr. / kg	- 2 Fr. / kg	- 1 Fr. / kg	+ 1 Fr. / kg	+ 2 Fr. / kg	+ 2.80 Fr. / kg
Organic	58%	56%	46%	-	-	-	29%	28%	26%
Standard-PI	42%	44%	54%	-	-	-	71%	72%	74%

Bolliger C & Reviron S. (2008), in-store survey on apples

Conclusion

Willingness to pay increases when consumers perceive a difference of quality between a local product vs competitors.

Ethno-centered reasons to justify preference (at equal price) are not sufficient to accept a higher price. It is crucial to highlight ego-centered reasons (taste, special production conditions...) in order to boost willingness to pay.