



Analysing Consumer Preferences for Organic Products in Albania

PhD candidate Elena Kokthi
MSC Eneida Topulli

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Research motivation

- The process of EU approximation is important in food production.
- It is important to extend the information on consumer perceptions' on new food related regulations.

Research Background

- Albania is a typical agricultural country. Agriculture employs 50% of the labor force, and produces 18% of GDP.
- Albanian agriculture is dominated by the conventional agriculture systems (50%),
- Low External Input Agriculture (LEIA 40%).
- Organic agriculture with integrated agriculture systems occupies respectively 1% and 9 %.



Organic schemes –opportunities

- Limited access to agricultural inputs in Albania implies a low input agriculture
- Possibilities to differentiate the agriculture products with quality schemes such as Organic Agriculture.

Need for more research

- A better understanding of consumer behavior is crucial for better designing market strategies and decisions
- Researches on consumer preferences of origin attribute have been performed in Albania using
 - *Contingent Valuation;*
 - *Taste experiment;*
 - *Conjoint analyses.*
- Analysis on organic attribute in consumer preferences is comparatively limited.

Paper Objectives

- The objectives of this paper are :
 1. To estimate WTP for organic products in Albania through Contingent Valuation.
 2. To analyze If the extra payment for organic fruit and vegetables is linked with : 1) taste, 2) freshness, 3) high nutritional values, 4) health.
 3. To analyze if there is any effect of consumer characteristics in WTP

Research questions

- *Does Albanian consumer show a higher willingness to pay for organic productions?*
- *Does the socio-economic characteristics of consumers impact the WTP ?*
- *Is there any connection between the consumers WTP and the health safety issues?*

Research design

Two techniques of Contingent Valuation Method (CVM) are applied.

1. Discrete choice : *The respondents were asked: Assuming that 1kg of fruit and vegetables is priced at 100 ALL in your store shop would you pay 150ALL to get organic products Yes or No*
1. Payment card : *A payment card design of CV similar to Hu et al.(2011) is applied. Respondents were presented with 5 bids. The respondents were asked: Assuming that 1kg of fruit and vegetables is priced at 100ALL in your store how much are you willing to pay? 10___,20___,30___,40___,50%___*

And then If you are willing to pay more for organic fruit and vegetables you link the payment with : 1) taste, 2) freshness, 3) high nutritional values, 4) health

Sample and questionnaire

- 325 consumer were interviewed during 2015
- The sample is selected in several areas of Tirana
- The interview is made during the consumers' fruit and vegetables purchase process
- The study questionnaire has three main parts:
- 1. Socio-demographic information with variables such as; gender, age, education, income etc;
- 2. Information about purchasing behavior, expenditures on fruits and vegetables, main factors considered in buying fruits and vegetables such as price, freshness, taste, origin, place of purchasing products;
- 3. The contingency scenario is developed. The consumer presents his willingness to pay for 1kg fruit and vegetables and to which quality he links the extra payment; taste, health, freshness, nutritional values.

Statistical analysis

- Data analysis techniques used are the following :
- Two multivariate methods are used:
 - (Principle Component Analysis) and CA (Cluster Analysis).
 - PCA is used to analyze the nature of interrelationships among variables by defining a set of common underlying dimensions (factors).
 - Cluster Analysis is performed in two stages:
 - a. Hierarchical clustering to define the most appropriate number of clusters and
 - b. Non-hierarchical cluster to define the clusters of the sample and the characteristics of each type.
 - The main variables used for classification were: taste, health, freshness, nutritional values, price, origin, place of purchasing products, appearance and WTP.

Main findings.... (1)

- 97% of the sample considers the organic information as important in the purchase decision .
- 97% of the sample are ready to pay 50% or more for organic production.
- The results shift quite significantly when the payment card technique is applied.
- Only 16% of the sample in the payment card technique are ready to pay 50% or more for organic products.



Main findings.... (2)

- Four consumer groups were identified as follows:
- Cluster 1- Price oriented consumers. This group represents around 41.8% of sample size. For this category of consumers, high price is an indicator of organic attribute and push them to buy and pay extra for the product. (WTP=25%)
- Cluster 2- Consumers of this group (about 16.6%) appreciates all considered attributes when decides to buy fruits and vegetables and their extra premium is linked to freshness and origin.(WTP=34%)



Main findings.... (3)

- Cluster 3- This category of consumers (about 21.7%) appreciates mostly the health attribute on selecting fruits and vegetables, and connects extra payment with freshness. This result shows that this group of consumer is not aware or informed regarding the real attribute and qualities of organic products. (WTP=28%)
- Cluster 4- Origin oriented consumers (about 19.9%). appreciates only origin factor in extra payment for fruits and vegetables. (WTP=26) According to (Kokthi, Gonzales, & Vazques, 2016) consumer does not differentiate origin from organic attribute. For them made in Albania has the same meaning as organic.

Conclusions

- Albanian consumers are aware of the importance of the consumption of organic products and have high willingness to pay extra for them.
- Consumers were willing to pay 50% - with discrete choice evaluation
- and 27% payment card technique evaluation.
- Still they are not well informed on organic attributes.
- The majority of them (41.8%) use the price as the determinant factor of the quality of the product they consume.
- This is a factor that leads to producer's abuses and it necessary to increase consumer/producers awareness in this context.
- Also responsible bodies should increase the efforts on controlling and labeling organic products.
- Producers as well should be aware that the market has high potential on absorbing organic products and invest on this direction.



Thank You



elena.kokthi@uet.edu.al

etopulli@ubt.edu.al