

The Changing Consumer on the Food Markets

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Introduction

The modern consumer puts individual requirements on, for example, food products. He views his consumption as a way of signaling to others who he is. The increasingly individualized consumption pattern builds upon the emergence of a new set of values — the *postmaterialistic values* – which puts the individual in focus. Individuals who possess this type of values find it difficult to be part of a collective of any kind. Instead, they want to constantly being able to decide for themselves what to do, without having to consider what others might think.

Earlier generations of consumers have not felt this need for a highly individualized consumption pattern. Instead, they have strived for an increasing materialistic standard of living. As tools for this endeavor, they have accepted homogeneous products and accepted only a few product varieties to choose from. These consumers possess the so-called *materialistic values*, which have been dominant throughout the 20th century. A person who has materialistic values does not protest against becoming a part of a collective — for example in a cooperative — as long as his standard of living increases.

In addition to the changing consumer *values*, there are also other changes, for example:

- Consumers are continuously exposed to advertisements (TV, the Internet, radio, magazines, etc);
- Products are more complex than before;
- Competition is rising and markets growing. Hence, organizations have to strive for more effective production processes, and preferably also towards controlling the entire value chain.
- Societies in the West have changed demographically, implying a need for increased segmentation.

The new consumer profile imply that organizations dealing with, for example, food products have to listen closely to the consumers, i.e., market segmentation becomes very important.

The main objective for the paper is to theoretically analyze how organizations acting on food markets may improve their position. Important factors in this analysis will be consumer requirements,

organizations' way of handling market signals, and improvements that can be made within these organizations in order for them to become stronger on the food markets.

The paper will focus on food markets where farmer cooperatives are active. First, a literature review is made, concerning the changes in consumer requirements and ways to study these, what organizations may do to handle the consumer requirements, and in what way farmer cooperatives may be changed. Second, some conclusions are drawn, concerning factors that need increased attention from farmer cooperatives.

Consumer demand trends and ways to handle these

Consumer requirements

Already in 1977, Inglehart described a phenomenon that is central to this paper (p 3):

The values of Western publics have been shifting from an overwhelming emphasis on material well-being and physical security toward greater emphasis on the quality of life. The causes and implications of this shift are complex, but the basic principle might be stated very simply: people tend to be more concerned with immediate needs or threats than with things that seem remote or non-threatening. ... Current changes enable them to play an increasingly active role in formulating policy, and to engage in what might be called "elite-challenging" as opposed to "elite-directed" activities.

Inglehart describes changes in *individual values* (from materialistic to post-materialistic) as well as change in the *skills* of the young generation. The change in values stem from "economic and technological development", "distinctive cohort experiences", i.e., the young generation has not experienced a great trauma, such as a war, and "rising levels of education". The improved skills in handling complex issues and politicians originates from the increased educational level and from the "expansion of mass communications" (both the developments in IT and the increased mobility of people) (ibid., p 5-11).

A person possessing the new values will act differently when he is a consumer of victuals, compared to the traditional buyer. van Raaij describes the "major postmodern conditions in consumption" (1993, p 562) as being (italics added):

- "*fragmentation*": Due to the new values, many different sets of values, norms and lifestyles develops within a society. The development of many ways to lead one's life is expressed through, for example a strive for "disjointed experiences and moments of excitement" (ibid., p 552), segmented production, and segmented media.
- "*hyperreality*": The new consumer will look for ways of showing what person he is through what he buys, as a result, the product's image becomes central. The image is added over time through advertising, and may, for example, imply that a shampoo is said to lead to beautiful hair, which will lead to popularity and give a chance to live a certain way of life. Van Raij labels this "hyperreality" and: "In postmodern terms, the image does not only represent the product, but the product represents the image." (ibid., p 555)

- "*value realization later in the consumption cycle*": Traditionally, production of a good adds value and consumption of the good destroys the value of the product. In an era when people are more or less what they consume, to consume becomes central and also what brands one consume. Some authors have even gone so far as to say that in the future, we will not be able to distinguish between the producer and the consumer. Toffler (1980) coins the term "prosumer" into this discussion as a description of the new way of acting on the market, namely that "almost all services and products require an active input and participation of the consumer to enjoy the benefits. ... Products are there to allow the achievement of human goals." (p 558)!
- "*paradoxical juxtapositions of opposites*": In a society with many different values, ideologies and ways of life, paradoxes will develop. "Anything may be combined with and juxtaposed to anything else." (p 559) It is not necessary to have the product itself in the ad, instead the company may choose to transmit a feeling that they want their product to contain to the consumer.

Allen and Ng (1999) made another interesting study, dealing with consumer values. They hypothesized that (p 5):

... values would have a direct influence on product choice when consumers attend to a product's symbolic meaning and make an affective judgement, and have an indirect influence (via tangible attribute importance) when consumers attend to a product's utilitarian meaning and make a piecemeal judgement.

Based on the meaning of the product, in combination with the "judgement used to evaluate this meaning" (p 13), a person's values can influence — either indirectly or directly — what product that person chooses. The indirect path of influence encompasses utilitarian and piecemeal factors (see table 1); the direct factor contains symbolic and affective meanings held by the product.

Table 1: Product meaning and type of judgement associated with the direct and indirect influences of human values on product choice. *Source: Allen & Ng, 1999, p 15.*

Routes of human value influence on product choice		
	Indirect	Direct
<i>(Via tangible attribute importance)</i>		
Product meaning	Utilitarian	Symbolic
Content	Overt function and utility	Social categories and cultural principles (e.g., ideas, values, traits)
Location	Separate tangible attributes	Product Whole
Focus	Objective: product-focused	Subjective: self-focused
Breadth	Specific/Narrow	Abstract/Broad
Conceptual clarity	Clear	Vague
Judgement type	Piecemeal	Affective
Reasoning	Logical, comprehensive, and systematic attribute-by-attribute analysis	Holistic, intuitive and approximate goodness of fit to exemplar
Response type	Piecemeal-based	Category-based
Affect latency	Delayed	Immediate
Affect intensity	Low: evaluative	High: emotional states

Allen and Ng found that their hypothesis was possible to validate, even though there still remains some issues to address in future research in order to develop a model concerning the link between human values and product ownership (ibid., p 34):

... the results show that an individual's preference for utilitarian meaning and a piecemeal judgement to symbolic meaning and an affective judgement was greater when his or her values have an indirect influence (via tangible attribute importance) on product choice than when values have a direct influence.

Consumer's *search strategies* enter into focus for future organizations. Mazursky (1998) has investigated what search strategies are adopted once a consumer realizes that he has invalid product information. He found that the nature of the reaction on invalid information (p 261):

... influence the search strategies concerning the invalidated and additional alternatives. The search process following invalidation was more extensive, the invalidated attribute was accessed more frequently, and the search sequence appeared to alter during the search process.

There have also been attempts by scientists to create *indexes* that could be used to indicate what consumers would want to spend money on in the future (Eppright et al 1998). One such index is the University of Michigan Index of Consumer Sentiment and Consumer Expectations, another is the Conference Board Index of Consumer Confidence and Consumer Expectations. Eppright et al tested

whether such indexes "can be used to anticipate changes in different types of aggregate buyer activity". Their conclusions imply that indexes can be used to predict future consumption patterns.

Thøgersen has studied consumers' behavior from a perspective of to what degree *environmental issues* influence these in their purchasing patterns (1999a, b). Central to his research is the link between the expressed attitudes and the final behavior. Several studies show that it is difficult to predict final behavior, expressed in consumers' attitudes towards environmental issues, in terms of consumers choosing an environmentally friendly alternative instead of a less environmentally friendly product. This has led some researchers to the conclusion that it is not possible to predict this kind of consumer behavior and hence to draw the conclusion that this way of working is not feasible. Thøgersen sees the following negative consequences if this conclusion is drawn (1999a, p 8-9):

Inconsistency between expressed attitudes and actual behaviour has a number of negative consequences. It reduces the usefulness of attitude research for would-be entrepreneurs in the environmental field (and other fields plagued by seemingly unreliable attitude measurement). Even more seriously, it reduces producers' faith in the economic defensibility of investing resources in developing environmentally friendlier products and services. Inconsistency between expressed attitudes and behaviour also reduces the political system's ability to predict the effectiveness of interventions in order to promote environmentally responsible behaviour, such as information, education, economic incentives, and direct regulation (Zaltman, 1974)

Thøgersen does not want to give up his attempts to understand the link between consumer attitudes towards environmental aspects of products and their final behavior. Hence, he uses Ajzen's theory of planned behavior (Ajzen, 1985, 1988, 1991) to map this relationship. This model (see figure 1) includes the individual's attitude towards a certain act (AB), a factor describing the social pressure on that individual to act in a certain way (SN), and also a factor measuring the degree of perceived control (PC). These three factors lead to a behavioral intention, which in turn leads to a certain behavior. The original model only contained AB and SN. By adding the PC-factor, it has been found that it is possible to predict behaviors in a wider array of situations (Ajzen 1991). When doing so, it is possible to include "environmentally sensitive behaviours such as recycling (Taylor & Todd, 1995 a, b), buying organic food products (Sparks & Shepherd, 1992), and investing in conservation technology (Lynne, Casey, Hodges & Rahmani, 1995)" (Thøgersen 1999a, p 12).

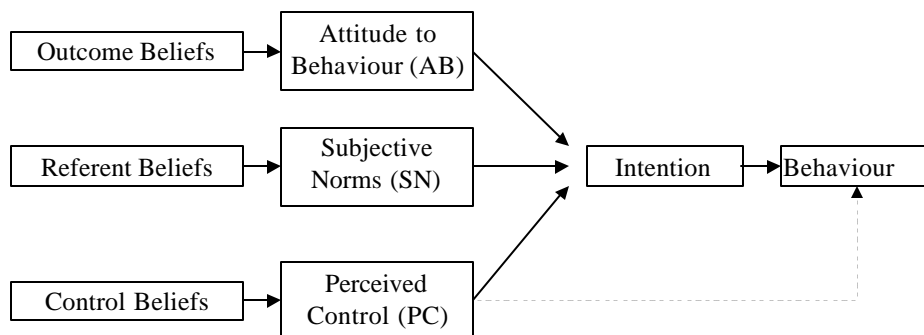


Figure 1: The Theory of Planned Behavior. *Source: Kalafatis, et al 1999, p 444.*

The AB and the SN are composed of:

- *salient beliefs*, i.e., beliefs "that are easily brought to mind by respondents" (Kalafatis et al, 1999, p 444),
- combined with a *subjective measure*: For the attitude the individual adds a weight for the outcome's desirability and for the subjective norm, a weight is added to the salient belief, showing what he thinks other think about the outcome and to what degree he cares about what others think.

An attitude may be strong or weak. What determines the strength of an attitude is to what degree the individual is *capable to deliberate* and what *motivation* he has in a specific decision situation (see Fazio 1990 & 1995). This phenomenon has been found to be central in decision processes that include environmental issues. Additional characteristics that have been found to play a vital role in such processes are (Thøgersen, 1999a, p 14):

- attitude accessibility (Alwitt & Berger 1993; Berger 1993)
- ambivalence (Herberlein & Black 1981)
- affective-cognitive discrepancy (Smith et al 1994)
- the antecedents experience (Berger & Kanetkar 1995)
- knowledge (Kallgren & Wood 1986)

As a conclusion, the individuals' value sets have changed, making consumers' requirements more heterogeneous and complex. One important task for producers is to try and measure the different requirements, and adjust their production of goods and services in a way that makes the new consumer satisfied.

The organizations handling the consumer requirements

Organizations have to adjust to the current changes in consumer demands. These adjustments include, for example, surveys on consumer needs and attitudes, diversified production, a flexible production process, and tailor-made marketing efforts. Hence, organizations need to adjust their *goals*, production *processes*, and their *structure*. In addition, structural changes on several markets will probably have to take place, targeted at becoming a stronger actor and to come as *close to the consumer* as possible.

Another important change-process is to move from only considering the *environmental* impact caused by the production process itself, towards including also the impact on the environment once the product is consumed. Since the new consumer consumes not only the product itself, but also its "meaning", and since many consumers care about what environmental impact both production itself, as well as the waste disposal process has, it will not be possible for organizations to continue as they have done during the 1970 through 1990's. Gradually, societies want organizations to take an extended producer responsibility, i.e. to also take into account what effects their products have on the environment after they have been consumed.

The need for *supply chain management* most probably will increase in the future. The basic idea here is that the organization has to know what the consumer will demand in the future and have the product ready for the consumer when he wants it. In order to succeed in this strive, the organization has to focus on *production chains* and not on the *enterprise* as such. Contracts, time bargains, and combinations of these will play an increasingly important role in the future. Hence, the production has to become more tailor-made and effective, hereby economizing on transaction costs.

Markets will become more global, implying a need for standardized products, global organizations and global marketing efforts, adjusted to local circumstances. This implies a conflict: How can organizations handle the need for *standardized production*, on one hand, and *cultural differences* on the other? van Raaij suggests a four-level division of the standardization, which leads to that the marketing efforts may be adjusted to different cultural traditions (1997, p 265):

- “mission”: The organization’s identity and vision is summarized in an objective.
- “proposition”: Following the objective of the organization, a more detailed objective may be formed, creating a relationship between the producer and the consumer.
- “concept”: The proposition is translated into a form that the consumer understands, perhaps through metaphors.
- “execution”: The layout and the mode of communication has to be determined and executed.

In this process, the organization has to determine whether all or only some of these levels should be standardized (see Table 2). If total standardization is not acceptable, a decision has to be made, concerning which levels should be diversified. In this process, key factors such as (pp. 266-269):

- “target groups”,
- “topic, product or service”,
- “environment” (market structure, competition, distribution structure, etc),

and the way the organization itself is structured has to determine the choice between standardization or diversification of market communication.

Table 2: Global, adaptation, differentiation and local strategies for communication. *Source: van Raaij, 1997, p 266.*

	Global	Adaptation	Differentiation	Local
Mission	Identical	Identical	Identical	Identical/different
Proposition	Identical	Identical	Identical	Different
Concept	Identical	Identical	Different	Different
Execution	Identical	Different	Different	Different

Hence, in order for an organization to be successful on future consumer markets, it has to become more effective on *reading the consumer*, diversify its production and still economize on each production line, and also to adjust its way to communicate with different consumer-groups. Put differently, organizations have to focus on *creating improved value* for the consumer (e.g. Kyriakopoulos 2000; Day 1990,

1991; Drucker 1954; Porter 1980; Shapiro 1988). This “extra” value offered is the key to success and is *gauged* by the consumer, which makes the task even more challenging. Kyriakopoulos summarizes the task for modern organizations as (2000, p 55):

... understanding all the factors that affect the value chain in order to increase the perceived benefits and reduce the perceived costs, including the whole supply chain, competitors, regulatory framework, etc ...

In this process, organizations need two tools: A *market analysis* and a *strategic plan* for how to best benefit from the market. In addition, organizations need to include the process of *organizational learning* into their mode of acting (see Fiol & Lyles 1985; Huber 1991; Levitt & March 1988). It implies (see Kyriakopoulos 2000, pp 65-67):

- *acquisition of information*: Both internal and external information is needed in order to become a successful actor on the market.
- *dissemination of information*: To spread the information to the relevant part of the organization is crucial.
- *interpretation of the information*: Having the information is not enough – it is necessary to interpret what the information tells the organization and, based on this interpretation, to decide what actions need to be taken.
- *storing experiences into the organization*: Here, individuals, statutes, routines, and the organizational structure may be used.

Implications for Farmer Cooperatives

For traditional farmer cooperatives, being structured and run through a system of unallocated capital and democratic governing structures (one vote per member), often geographically tied to a certain part of a country, is required that:

- members become aware of that the *market is changing* and that consumers look for additional values in the products,
- intra-organizational systems are created which
 - allows *market signals* to go between members and the consumers,
 - facilitate *organizational* as well as *market learning*,
 - facilitates organizational *flexibility*
- the farmer cooperative itself, as well as members, are encouraged to act as *entrepreneurs*,
- farmer cooperatives are run by *directors* who are *capable* of running the multi-faceted cooperative organization
- *members' commitment* to the cooperative is increased/maintained through a
 - *financial structure* which only has a small proportion of unallocated capital,
 - tailor-made *voting schemes*, giving those members who are most reliable in the cooperative's success the greatest influence on the decision process,
 - *education* of future elected representatives,
 - more professional mode of conducting business

It will also be necessary for cooperatives to *merge* with other organizations, or to at least *collaborate* with others more frequently than is the case at present. This is needed due to that future markets will be more or less global and in order to be competitive on these markets, farmer cooperatives have to be larger than they are today. In addition,

Conclusions

Due to an ongoing value change among the young generations of the West, new and more complex demands are put upon, for example, farmer cooperatives of the traditional type. When young people act as consumers of food products, they look for (1) the product as such, but also for (2) intrinsic values of the product, for example:

- *how* the product has been produced,
- by *whom* it has been produced,
- what *brand name* the product has,
- what *image* the product has,
- how *far* the product has been transported,
- *how* the product has been transported,
- how the *retailer* has treated the product,
- what effect the product might have for *health*— both in the short run as well as in the long run

These intrinsic product values are shown to others when the product is consumed. Generally, the great challenge for any organization acting on the food markets is to find out what different consumers want to signal through their consumption, to continuously monitor changes in consumer preferences, to produce and distribute these products as cost effective as possible. For farmer cooperatives, there is an additional factor to include in the process: The member/owner. The cooperative has to find marketing solutions that keep members interested in committing themselves to the cooperative!

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