

## SHORT ARTICLE

# Effect of Perceived Health Benefits and Trust on Customer's Satisfaction & Willingness to Pay for Organic Foods

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## Abstract

**Background:** Organic food has captured the market tremendously, yet the attitude and purchase intentions differ invariably. Many researchers have made an attempt to discuss the major barriers and motives to purchase and consume organic food. There is a need to identify how these factors contribute in drawing intention to buy the organic food. **Objectives:** To assess the significance effect of perceived benefits & trust on willingness to pay premium prices for organic foods. Also, to test the effect of perceived benefits and trust on Customer's satisfaction. **Materials and Methods:** Data on perceived benefit and trust derived from organic food was collected from 304 respondents from Delhi & NCR students hailing in different demographics through a convenience sampling technique. The authors have used structured, and pre-tested questionnaire. Linear Logistic regression analysis was done using SPSS 21.0 to find association between the perceived benefits and trust on consumer satisfaction and willingness to pay premium prices for organic food. **Results:** Trust and perceived benefits are the main predictors of WPPP for organic foods. **Conclusion:** The findings gave valuable insights for marketers to learn organic consumer's profiles based on socio-economic variables & benefit perception. Other variables could also be used to different consumer segments with respect to their purchase behavior.

## Keywords

Food, Organic; Personal Satisfaction; Regression Analysis; Motivation; Consumer Behavior; Survey

## Introduction

Due to increased health related risks and disorders which has led to increased demand for organic food. Perception and understanding for organic foods has been significantly experiencing a shift and thus the overall behavior.(1) The premium prices being charged for organic foods is duly adjusted against the benefits realized from consuming organic foods. It is seen that the consumers get attracted towards the

health and nutritional benefits sought from organic foods and the so called health claims being put for organic foods rather than being pro-environmentalists (2). Attitude towards organic food is generally framed considering the gender, age, education level, income pattern, geographic conditions, social status, prevalent family size etc. Consumers' satisfaction and Willingness to pay premium prices are important measurements to decide the propensity of consumers buying organic

food and further recommend. Many past researches have resulted in showing the likelihood of consumers paying premium prices as a compensation for higher quality, nutritional benefits, safety, trust and authentication of certification process.(3,4) As, it impacts the behavioral intention and eventually the purchase. These benefits could be utilitarian or hedonic in nature yet significant to leave an impact on purchase intention of the consumer.

### Literature Review

The personal attitude towards buying organic food is often triggered by the issues like health concerns, preference for taste, presence of harmful pesticides and safety.(5,6) It is seen and believed that trust component is pivotal and more important than satisfaction (7). Consumers majorly are disguised for the labelling and authentication of organic food products and hence the trust is adversely affected.(8)

It is further revealed that a consumer's trust and perceived risks associated with its purchase have a strong impact on the decisions influencing the purchase. Certification process enables the establishment and sustenance of trust factor in consumers' mind. It many a times helps in generating a positive feedback for the products as well for the organic market.

Satisfaction is directly linked to the category purchase yet not directly linked to the variables like willingness to pay premium prices but is also effected by trust component.(9) Willingness to pay for premium prices for innovative products is positively influenced by the constructs like satisfaction, economic expectations and considering the status quotient rather than other demographic and psychological constructs.(10)

### Aims & Objectives

1. To assess the significance effect of perceived benefits & trust on willingness to pay premium prices for organic foods.
2. To test the effect of perceived benefits and trust on Customer's satisfaction

### Material & Methods

The sample population constitutes the buyers as well as the consumers of organic foods. The study was purely descriptive in nature. Data on perceived benefit and trust derived from organic food was collected from 304 respondents from Delhi & NCR students hailing in different demographics through a

convenience sampling technique. The data was collected from the period April 2017 to June 2017. A pre-tested questionnaire was used as a tool for an online survey conducted from 304 potential respondents through email. A total of 276 valid questionnaire responses who purchase and consume organic food were collected giving a response rate of 91%. The items in this section were measured using 5-point Likert scale (1 is low and 5 is high). Most items used in this section were adapted from (Davies, 1995). Linear Logistic regression analysis was done using SPSS 21.0 to find association between the perceived benefits and trust on consumer satisfaction and willingness to pay premium prices for organic food.

**Study Type:** Descriptive research using survey based design, **Study Population:** Sample was taken who were the buyers of organic food and was conducted across varied age groups and demographics, **Study Area:** Union Territory of Delhi and NCR, India. **Study Duration:** January 2017- October 2017, **Sample Size Calculation:** A Sample size of around 300 students was taken by referring the thumb rule proposed by Uma Sekaran in Research Method for Business 4th Edition, Roscoe (1975) for determining sample size where sample size larger than 30 and less than 500 are appropriate for most research.(11) **Inclusion Criteria:** Working and non-working Respondents were taken out of convenience sampling amongst Delhi & NCR only but those were the buyers or consumers of organic food. **Exclusion Criteria:** Respondents who were not the buyers / consumers of organic food and also those who didn't give consent for the participation in survey.  
• Respondents with age 50 years and above were not included.

**Data for collection:** Convenience sampling method was adopted using a structured questionnaire by administering the survey online. The respondents were briefed up about the study objectives and were encouraged to clarify doubts before or during filling up the questionnaire in the introduction section itself. The filled questionnaire was anonymously collected in a box. We used semi-structured, questionnaires-namely 17 items for perception and attitude towards organic foods; nearly 15 items for willingness to pay premium prices and satisfaction.

**Ethical Approval:** The necessary approval from Amity Business School, Amity University, and Uttar Pradesh was taken for conducting the survey. **Data Analysis:** The data entry was followed by coding and

cleaning of data and then analysis was done using SPSS-version 21. Logistic regression analysis was done to find association between perceived benefits & trust and willingness to pay premium prices and satisfaction respectively. P values of less than 0.05 was considered statistically significant.

## Results

The reliability test was conducted to check the internal consistency of the scale and the Cronbach's Alpha was calculated. It is interpreted that reliability is satisfactory for the construct Perceived Benefits of Organic Foods is taken into consideration as Cronbach's Alpha has been found to be 0.917 which not only exceeds 0.70 (Nunnally, 1978) but is excellent for the Construct Internal consistency and similarly for the other constructs like Trust, Willingness to Pay Premium Prices and satisfaction, the Cronbach's Alpha are 0.741, 0.883 & 0.742 respectively which is higher than 0.7 hence all the items of the scale are consistent and reliable.

Also, to determine which variables could be significant to explain the willingness to pay premium prices for organic foods among the consumers, and also explaining its impact on satisfaction of the consumers, Regression Modelling technique was employed using SPSS. Therefore, we could conclude from the results compiled in Table no. 1 that both T (trust) and PBOF (perceived benefits of organic foods) account for significant unique variance in outcome variable called "Willingness to Pay Premium Price (WPPP)".

Similarly, through the results of ANOVA in Table no. 2 suggests that both Trust (T) and PBOF account for significant unique variance in variable named as "Satisfaction".

## Conclusion

It is clearly indicated from the results of linear regression analysis reveals that there is a positive relationship between Trust and Perceived benefits of organic foods (PBOF). And this relationship will be a useful predictor of willingness to pay premium prices and increased satisfaction levels. Satisfaction mediates the effect of PBOF and trust on WPPP. Also, the component Trust established by the benefit perception is significant in driving the willingness to pay premium prices (WPPP) for organic foods. These constructs have a role in deciding the probability of satisfied consumers to recommend organic foods to others. This paper can conclude consumers with high

level of trust and satisfaction for organic foods would have an impact upon consumers' purchase intention through the mediating effect of Perceived benefits of organic foods. Satisfied consumer will definitely increase the propensity of recommendation for organic foods to others which will help in further growth of this niche market.

## Recommendation

It is concluded in the present study that the concerns about potential negative health impacts of conventional food and consumer perceptions that organic farming is more sustainable based on the perceived benefits, and environmental sustainability. It is much more likely that people will switch to organic products. But, here lies the role of government and the policy makers to stringent the laws and regulations pertaining to the sale of these products with 'certified organic label'. This will also enhance the trust and satisfaction in consumer's mind which is critically needed, as this will impact the willingness to pay premium prices.

## Limitation of the study

Also, one of the limitations is that study was conducted for one location / region, the future study can further be extrapolated to other metropolitan cities

## Relevance of the study

The current study largely signifies the health benefit perception and the trust component gathered over the experience of organic foods. This is important for public satisfaction and which will eventually trigger their willingness to pay premium prices associated with it. If the consumer is able to establish trust and holds organic food important is significantly contributing to the good health, overall the acceptability quotient of organic foods would be enhanced.

## Authors Contribution

Both the authors have contributed to the design and implementation of the research, to the analysis of the results etc. Authors together have discussed the results and contributed to the final manuscript.

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**Tables**

**TABLE 1 ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.007	2	32.003	78.418	.000b
	Residual	111.416	273	.408		
	Total	175.423	275			
a. Dependent Variable: Willingness to pay Premium						
b. Predictors: (Constant), Perceived Benefits of Organic Food, Trust						
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.292	.190		6.800	.000
	Trust	.179	.060	.190	2.974	.003
	Perceived Benefits of Organic Food	.431	.060	.461	7.204	.000
a. Dependent Variable: Willingness to pay Premium						

**TABLE 2 DATA ANALYSIS FROM SPSS, COMPILED BY AUTHORS**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.773	2	21.386	62.047	.000b
	Residual	94.098	273	.345		
	Total	136.871	275			
a. Dependent Variable: Satisfaction						
b. Predictors: (Constant), Perceived Benefits of Organic Food, Trust						
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.570	.175		8.989	.000
	Trust	.243	.055	.293	4.398	.000
	Perceived Benefits of Organic Food	.265	.055	.321	4.813	.000
a. Dependent Variable: Satisfaction						