

# **Sustainable consumption in Australia: A review of marketing strategies used in the local organic food sector**

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## **Abstract**

*The security and sustainability of our food systems are under increasing scrutiny as governments grapple with the challenges presented by climate change, peak oil and population growth. Organic food comes from a well-established production method and is available to most consumers in the developed world. When including local sourcing of organic food, the sustainability of this food choice for consumers is enhanced. A detailed investigation of the marketing strategies used in this sector concludes that local organic food purchasers do make a contribution to sustainable consumption as an exemplar from which other food systems may adapt selected components. However, as much of the evidence base is incomplete, a research agenda is proposed to facilitate local organic food increasing its contribution to the policy, practice and theory of sustainable consumption.*

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## **Introduction**

The world food systems are faced with a sustainability challenge. This is the challenge of increasing production to meet a growing and increasingly affluent world population whilst adapting to the consequences of climate change within the constraints of finite ecosystems. As such, the world food system will have to produce more whilst using fewer resources. It is one of the many industries that is developing more sustainable production methods. In addition, any meaningful contribution to meeting international commitments to a low carbon economy will need to include the food system, as it is estimated to make up almost 20 per cent of total green house gas emissions in many developed countries (Food Climate Research Network, 2008). The scientific advances of the "green revolution", particularly in the areas of genomics and agronomics, over the last 50 years have led to a substantial increase in world food production. However, their incremental contribution has started to reduce and is now below world population growth. This has led to seeking other areas in which to improve the efficiency and

effectiveness of world food systems including that of understanding and, ultimately, influencing consumer behaviour (Godfray et al., 2010).

## **Sustainable food systems**

Sustainability is a commonly used term and embodies a challenging array of complex issues. The sustainability of a food supply system may be considered in four areas: financial sustainability that requires profitability to the business owner; social sustainability that encompasses the continuation of relatively independent communities; a production requirement of sustainability that expects the continued production of food at or above current levels; and, finally, ecological or environmental sustainability which focuses on the health of plants and animals as well as the soil and water systems. Whilst recognising the importance of all facets of sustainability, this article will only consider the availability of finite environmental resources.

The challenge of sustainable food and drink production is to use renewable resources within their capacity for renewal, and to minimise waste. This is now a priority for many countries, including the United Kingdom where they have recently implemented extensive research programs in this area including a Food and Farming Foresighting group, which is due to report in October this year (HMG, 2010). However, the general recommendations for a more sustainable diet include eating less animal-based protein (particularly from intensive production systems such as beef feed lots, indoor piggeries and housed chickens) and replacing this with more fresh fruits and vegetables (Friel et al., 2009). In addition, the behavioural changes recommended include wasting less food. It has been reported that 30 per cent of the food purchased in the United Kingdom is not eaten (Waste Resource Action Plan, 2008) and a similar situation exists in Australia (Baker, Fear & Denniss, 2009). Other behavioural changes for consumers include moving towards more local sourcing, with a more seasonal diet being an inevitable consequence, as well as favouring smaller portions of higher quality products, such as certified organic.

A locally-sourced diet that includes certified organic food has also been recognised as making a contribution to sustainable consumption by many influential organisations, including the United Nations and the Organisation for Economic Co-operation and Development (OECD, 2008; United Nations, 2006; United Nations Environment Program, 2008). As such it offers an exemplar of a sustainable food system that contributes to a healthy sustainably-sourced diet with many features that may be adopted by other food systems, although it is important to stress that this is not to suggest that the world should be encouraged to make a rapid move to widespread adoption of organic production as, amongst other things, this would be likely to lead to significant shortages of many food products (Badgley et al., 2007).

Also, it is important to note that there are some areas in which the sustainability of a localised organic system could be questioned. Based on some measures of sustainability, a localised system may be less attractive due to the fact that it would reduce opportunities for benefiting from comparative advantages of production, as well as economies of scale and scope. In addition to resulting in a higher cost, and potentially a lower quality product, these issues may lead to the product having a higher environmental footprint, such as in-season apples and lamb being exported from New Zealand to England (Saunders & Barber, 2007). Finally, it is recognised that diets and

their associated food systems are hugely complex and there are many other areas in which sustainability may be improved (Australian Bureau of Statistics, 1995; 2008).

## **Local organic food systems**

Local organic food systems have been analysed from many perspectives and in many countries. It has been stated that their importance “is not only economic. Organic purchasing reflects growing public concern about food production and consumption, and its personal, social and environmental impact” (Cook, 2008). Further, it is interesting to note that sales of many products, which are differentiated with intangible features such as credence attributes like local organic and Fair Trade, are enjoying much higher growth rates than their mainstream counterparts.

The fact that organic food is available for consumers is a result of a long series of events that is generally thought to have commenced during the 1940s and 1950s. These included “ecological agriculture” in Switzerland, “biodynamic agriculture” in Germany, as well as Rodale’s work in the United States, and Howard and Balfour’s work in the United Kingdom on what became known as “organic farming”. A number of Australians also contributed to its development (Paull, 2008). During this time, numerous organisations were formed, many of which still exist today. These include charities such as Garden Organic and the Soil Association Certification, the latter being the largest certifier of organic products in the United Kingdom.

The development of the organic movement continued during the 1960s and 1970s, when there was increasing consumer activism associated with concern about manmade changes to the natural environment. This era is perhaps epitomised in the work of Rachael Carson and her evocatively titled publication *The silent spring* (Carson, 1962). During the 1970s, the International Federation of Organic Agricultural Movements (IFOAM) was formed and has continued to provide a forum for the global coordination of the movement. It is guided by four principles:

- health—organic agriculture should sustain and enhance the health of soil, plant, animal, human and planet as one and indivisible;
- ecology—organic agriculture should be based on living ecological systems and cycles, work with them, emulate them and help sustain them;
- fairness—organic agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities; and
- care—organic agriculture should be managed in a precautionary and responsible manner to protect the health and well-being of current and future generations and the environment (International Federation of Organic Agricultural Movements, 2010).

Whilst these principles are only guidelines, during the 1990s, organic received recognition as a food production from many national governments throughout the world. It was at this point that it started to move from the fringe into a significant activity in the mainstream food industry and, consequently, it gradually became a feasible choice for the mass population. It is now regulated by strict standards for the production of certified organic products. Although there are many different regulations around the world, there are only subtle differences between them and international

trade is facilitated via reciprocity agreements through a process known as “equivalence”.

According to the Australian Government, the basic principle of organic agriculture is to achieve optimum quantities of food of high nutritional quality without the use of artificial fertilisers and chemicals. Hence, it emphasises the use of renewable resources, the need to conserve energy, soil and water, as well as maintaining environmental quality. The production cycle is as closed as possible, with only limited use of permitted external inputs (Department of Agriculture, Fisheries and Forestry, 2010). In Australia, organic certification is administered by independent organisations—the largest being Australian Certified Organic (which is part of Biological Farmers of Australia Ltd) and the National Association Sustainable Agriculture in Australia. Exports are supervised by the Australian Quarantine Inspection Service and the domestic market is supported by the recent adoption of a Standard for Organic and Biodynamic production in Australia (Standards Australia, 2009).

In relation to consumers, previous research has not been able to provide a convincing demographic profile. However, there is now overwhelming evidence that, while there are many reasons for consumers purchasing organic foods, by far the most important is the supposed health benefits offered by these products (Hughner, McDonagh, Prothero, Shultz & Stanton, 2007; Pearson & Henryks, 2008). These consumers believe that organically produced foods contain more of the “good” things, such as nutrients and less of the “bad” things, such as harmful agro-chemicals. It is important to note, however, that, although it is contested, this consumer perception is not supported by the scientific literature on the actual measured health benefits, such as the recent Food Standards Agency report from the United Kingdom (Food Standards Agency, 2009). This is consistent with the Australian Government’s stated position (Department of Agriculture, Fisheries and Forestry, 2010).

Although the health benefits are the most important reason for purchasing organic food, many consumers are also attracted to the environmental, or sustainability, benefits of this production system. This consumer perception receives general support in the literature (Fuller et al., 2005; Mäder et al. 2002) and is the rationale given by the UK Government for promoting organic food and farming (Defra, 2004).

The organic sector is continuing to grow rapidly. There is an estimated \$60 billion of sales throughout the world (Willer, Yussefi-Menzler & Sorensen, 2009) and in excess of \$600 million in Australia (Biological Farmers of Australia, 2008). Most common food products, including processed ones, are now available under an organic brand in developed countries, including Australia. And, more importantly, organic food is now a viable choice for many consumers as it is available in most supermarkets, as well as specialist complementary retail outlets such as health food stores and farmers’ markets, although intermittent availability for some products, combined with price premiums for many products, and the fact that organic products are not available in their immediate area, still make it difficult for some consumers to purchase them (Australian Conservation Foundation, 2008; Dixon et al., 2007). However, it has been reported that nearly all consumers (in excess of 90%) know about organic food (Pearson, 2002) and most (6 out of 10) buy it on a regular basis (Biological Farmers of Australia, 2009). Although sales of organic products are important to many businesses, the organic sector is still only a niche market in many developed countries—it represents around 1 per cent of all food sales in Australia (Pearson, 2002). Thus, the marketing of organic

products exists as a niche within the context of the much larger conventional products industry.

In contrast, the literature relating to local food webs is not as well developed. This is in part because local food is in its relative infancy, without being clearly defined and lacking significant institutional and policy support (Brown & Geldard, 2008; Defra, 2008). This literature has identified that local food has many layers of appeal to consumers, including being seen to be healthier and more sustainable (DEFRA, 2008; Food Standards Agency, 2007; Rural Industries Research and Development Corporation, 2005, which is similar to the reasons many consumers are attracted to organic food. Local foods have a particular resonance with fresh and minimally-processed products, which enhances their perception of being healthier. In addition, their main claim to being more sustainable relates to the reduction in “food miles” from transportation, although the credibility of “food miles” being a good indicator of environmental impact has recently come under scrutiny (Australian Bureau of Agriculture and Resource Economics, 2009; Edwards-Jones et al., 2008).

In summary, previous marketing communication has created a high level of awareness of organic food amongst Australian consumers. Further, it is available to many of them from a localised production system. The unique aspects of marketing local organic food are analysed in the following section.

## **Marketing of local organic food**

The generic issues in relation to the marketing of organic food have been identified in previous research (Pearson & Henryks, 2008). These issues pervade the national, organisational and individual differences within the global organic industry. These will be discussed in terms of product, price, promotion and physical distribution, with the local sourcing of organic food being the focus of this latter category.

Organic products occupy a niche where customers choose between them and conventional products. Their positive attributes relate to superior claims in the area of being from an environmentally-friendly production method as well as the consumer-perceived benefits of being a more healthy product, due to the absence of artificial chemicals, and generally being of a higher quality. However, to purchase these products, customers have to overcome the negative attributes of price premiums and limited availability (Hughner et al., 2007). It is important to note that the order, or priority, for these reasons varies according to the product and the person. Further, customers rely on an organic brand and/or the credibility of the retail outlet to confirm that the product is genuinely organic (Pearson, Henryks, & Moffitt, 2007).

Organic products tend to sell at a price premium (Lockie, Halpin, & Pearson, 2006) and this is generally perceived as an impediment to increasing sales. However, a more detailed investigation suggests a complex situation in which price premiums may not be very important for some customers, such as those who see them as high quality products, and are irrelevant to many others for whom the price of frequently purchased, relatively low value products, such as food, is not important.

Interestingly, in Australia, the main responsibility for promoting organic products tends to fall to the processors and retailers, rather than benefiting from any industry or government-led activities. This is not the case with many other countries, such as the United Kingdom, where the organic industry is supported by an extensive government-funded program, which includes research and development activities throughout the

supply chain from farmer to consumer (Defra, 2004). However, the Organic Federation of Australia is developing a new logo, in association with the recently released certification standards for organic products that are produced and sold in Australia, which is being supported by modest Australia-wide marketing communication that aims to increase consumer awareness.

The focus of most marketing communication for organic products tends to be on advertising the value of their benefits. This includes identifying them with a prominent brand. These activities aim to increase sales to existing organic customers, as well as enticing conventional customers to try organic products.

The physical distribution of organic products tends to mirror that of conventional, with a great diversity of supply chains and associated retail outlets. This has been achieved by managing the issues associated with maintaining the organic status of the product in the existing conventional supply chain or, in some cases, developing a supply chain, or stage in the supply chain, that only deals with organic products. Further, there is a resurgence of interest in local food networks (Brown & Geldard, 2008; Defra, 2008). Some supermarkets, such as TESCO and Waitrose in the United Kingdom, are now actively developing locally-sourced product ranges. Some non-supermarkets, or complementary retail outlets, also supply local food. These outlets appear in many different formats, ranging from the historically popular “bricks and mortar” shop-front to more recent developments based on modern communication technologies, such as web-based purchases with home delivery. Further, many non-supermarket retail outlets are set up under non-shareholder ownership structures, such as co-operatives, which give explicit emphasis to social as well as commercial objectives. Community Supported Agriculture (CSA) schemes offer another alternative. These encompass a total reengineering of the supply chain. Community Supported Agriculture schemes create a unique structure in which “consumers” take some form of effective “ownership” in the farm and its resulting production, resulting in a blurring of the traditional separation between the producer and consumer. The ultimate reduction in “food miles” is created in another “retail” format—that of productive gardens, where the environmental impact maybe measured in “food feet”.

However, all of the previously mentioned sources only supply food that is eaten “at home”, whilst the food service sector supplies all the food that is eaten “away from home”. The away-from-home market includes take-away food, food eaten in restaurants and pubs, as well as institutional food such as in schools, hospitals and other government organisations. Some of these specialise in organic food, such as an organic restaurant or pub, or include a particular organic item on their menu, such as organic beef. Some also specialise in local products. Locally-sourced products are particularly common in tourist destinations, where they contribute to a regional identity.

So, the main claim for local organic food to represent a sustainable choice is in that it comes from a more environmentally-friendly production system that excludes the extensive use of artificial chemicals, as well as minimising product transportation, but the question remains of how this relates to sustainable consumption?

## **Sustainable consumption of food**

The term “sustainable consumption” has been defined as:

the use of services and related products which respond to basic needs and bring a better quality of life while minimising the use of natural resources and toxic materials as well as emissions of waste and pollutants over the life cycle of the service or product so as not to jeopardise the needs of future generations. (Norwegian Ministry of the Environment, 1994)

As such, it focuses on the quality of life for humans, whilst incorporating the notions of equitable use of resources across the planet (intra-generational equity) and for future generations (inter-generational equity). Further analysis of resource use encompasses consideration of the full product life cycle, minimisation of waste and pollution, as well as the use of renewable resources within their capacity for renewal.

A recent report from the United Kingdom has provided a comprehensive review of how consumers engage in sustainable food consumption (Defra, 2007). It reminds us that food purchases are complex, involving many influencing factors such as cost, health, habit, special offers, taste and availability. Similarly, consumers’ aspirations are not straightforward and are often contradictory. However, they are influenced by three key drivers: health, quality and indulgence.

This report goes on to suggest that, for most consumers, the primary link to sustainable food consumption is to eat healthily. Here they aspire to eat more fresh food, including fruits and vegetables. Further, rather than making major changes to their diet, such as eating less animal-based proteins, which tend to have a high environmental impact, consumers are more open to changing their behaviour by wasting less food and buying more seasonal and local food. In addition, many consumers expressed a desire to purchase smaller amounts of higher quality products such as organic, certified or assured food. However, it should be recognised that this latter point was only expressed by a small number of consumers.

A local organic food system does provide a sustainable consumption choice for consumers. This is because it incorporates an explicit goal of reducing the use of natural resources. Its sustainable consumption credentials are also supported by the fact that consumers see it as a more healthy choice and it can lead them to both purchasing higher quality products and reducing waste.

In addition, purchasing local organic food can lead to a greater awareness of general sustainability issues and, hence, act as a gateway into a range of more environmentally-friendly behaviours. These behavioural changes may include reducing purchases, which in turn reduce resource use, ensuring that existing possessions are re-used, as well as engaging in recycling activities. Creating behavioural change in consumers is increasingly being seen as the area of greatest impact for improving environmental outcomes for our food systems, greater than even the potential from agronomic or genetic advances (Pretty, 2007). Thus, local organic food purchases do make a direct contribution to sustainable consumption. Their impact is likely to be greater in the change in attitudes and associated behaviours that such purchases may engender than the impact of the difference between the sustainability of local organic and conventional food production systems. In addition, they have a positive impact by contributing to changing attitudes and associated behaviours in other areas of sustainable consumption.

## **Conclusion: proposed research agenda**

It is evident that increasing the environmental sustainability of our consumption behaviour is an important policy objective for governments around the world. Further, the sustainability of food production systems is faced with the additional challenge of feeding an increasing world population within the constraints of existing natural resources, whilst simultaneously reducing its contribution to greenhouse gas emissions. Within this context, local organic food has the potential to increase its contribution to policy, practice and theory of sustainable consumption. However, its impact will remain marginal until it is able to grow beyond its current niche. This leads to potential research activities that are aimed at increasing the size of the local organic market, as well as filling gaps in our knowledge, including the evidence base for the Australian context.

- Compile the evidence base that local organic production in the Australian context is more environmentally-sustainable in that it results in lower green house gas emissions and associated energy use. In addition, it may provide other environmental benefits, such as increased biodiversity, and less pollution, such as reduced contamination of waterways.
- Second, undertake a comprehensive comparison of local organic and conventional products in Australia to identify the extent to which local organic food is healthier, in terms of higher levels of beneficial nutrients, as well as lower levels of harmful agrochemical additives.

Assuming that the claim of local organic food provides a healthier and more sustainable diet in the Australian context is supported by the collation of evidence, then the Australian Government has the opportunity to use various policy measures to support expansion of the local organic food market. This then leads to research activities that focus on production and consumption.

- Develop supply-oriented policy initiatives. These could include subsidies to farmers, such as those available in the European Union, particularly during the three-year period of conversion to achieve the certified organic status on their products.
- Develop demand-led policy initiatives. These could include marketing communication to increase consumer awareness of local organic products, including their brands, as well as supporting local organic products in public food procurement contracts, such as catering in public hospitals.

And finally, the current success of the local organic food movement would appear to provide an example of the evolution of a viable sustainable consumption choice for consumers. In particular, successful brands on local organic products have created a direct link between the consumers and the way in which the product was produced. This successful marketing communication may have applications in other areas. This leads to the final research activity.

- Derive the generic features from the local organic food movement that will be useful in encouraging sustainability transitions in other industries. These will contribute to the theory of sustainable consumption as well as its practice in the Australian context.

## Acknowledgements

This research has received support from the Global Studies and Sustainable Food Research Cluster at the University of Canberra and the Organic Industry Research Group at the University of New England.

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