

# GREEN BRANDING: DO LOCAL AND GLOBAL BRANDS BENEFIT FROM ORGANIC LABELING

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## ABSTRACT

The organic food market grows vastly across the globe within a fairly static total food market (e.g., Baker et al. 2004). Many countries show annual growth rates of the organic food ‘industry’ of up to 30 percent (e.g., Essoussi and Zahaf 2008). Nowadays, the USA, Europe, and Australia even number this industry among the most promising ones (e.g., Gifford and Bernard 2006). Simultaneously, an increasing magnitude in the number of brands being offered within the retail market can be discerned. It has been observed that firms successfully distinguish brands by means of features that are relevant, meaningful, and valued. Besides, the differentiation must be perceptible by the consumers. Obviously, organic food production has become a distinguishing feature of increasing importance (Essoussi and Zahaf 2008). Despite the rising interest in using organic labeling to distinguish brands, research efforts have not yet focused on this brand differentiation approach. Thus, our study intends to contribute to fill this research gap by looking at organic labels as a brand differentiation strategy.

In doing so, we conducted (1) a literature review as well as in-depth interviews with twelve consumers to identify the motives driving organic food choice. The overwhelming majority of studies show that health is the most important buying motive. Many studies have found that the perceived pleasure of organic food consumption is higher than consuming conventional food. Several studies identified environmental concerns as a reason for purchasing organic foods. Furthermore, the concern over food safety motivates consumers to buy organically produced food. These identified main reasons for buying organic food are confirmed by twelve in-depth interviews with consumers.

Based on these results, we test in an experimental study (2) how the use of an organic label affects both the perception of a global and local brand concerning the identified four key motivational drivers of organic food buying behavior. The experiment simulates consumers’ confrontation either with an advertisement of a global or local brand that differentiates itself from others owing to the addition of an organic label. Thus, the experiment is a 2 (local and global brand) x 2 (organic and nonorganic) between-subjects design. A total of 425 subjects took part in the experiment, and were randomly assigned to the four treatment levels. Findings show that use of an organic label increases global and local brand perception concerning the main drivers of organic food choice.

In a last step we examine (3) the effect of organic labels on marketing-related variables, namely purchase intention and willingness to pay a price premium. The effect is tested in an experimental setting. More precisely, the experimental design corresponds to the one introduced in study 2. The results offer evidence of predictive validity, showing that the addition of an organic label to the features of a global and local brand has a strong positive effect on purchase intention and leads to a significant increase in the consumer’s willingness to pay a price premium. Thus, our findings underpin the relevance of organic labeling for marketers. In sum, our findings confirm that organic labels prove to be an effective instrument for global as well as local brand providers in distinguishing their own brand from that of their competitors!

We additionally tested on differences between an organic labeled global and an organic labeled local brand concerning the dependent variables. Our study provides evidence that the positive effects of an organic label lead to an almost equal evaluation of global and local brands regarding the main purchasing motives and purchase intention. Hence, it can be assumed that it does not make a difference, whether the organic product is from a global or local brand owner. Obviously, it only matters to the consumers whether the name-brand product is organic or not. The brand seems to be of minor importance within the range of organic foods! The only exception is that the consumer’s willingness to pay a price premium is greater for an organic labeled local brand than an organic labeled global one.

References available on request.