

THE IMPACT OF PREMIUM PRICING ON CONSUMER PURCHASE BEHAVIOUR TOWARDS ORGANIC FOOD ITEMS

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Abstract

The growing emphasis on food safety, sustainability, and health has fuelled an emerging global trend towards organic consumption. In India too, the trend is gathering momentum, but premium pricing remains a major obstacle to bulk consumption. The current study explores the influence of consumers' perception of premium pricing on their buying behaviour for organic food in Kerala. Employing a quantitative method, data were collected from 303 respondents through structured questionnaires and analysed using SPSS.

The study investigates whether premium pricing perception relates to buying behaviour and whether the association holds after adjusting for awareness and perceived value. The tools of correlation analysis, partial correlation, t-tests, and ANOVA were employed. The results show a statistical positive correlation between premium pricing perception and buying behaviour, irrespective of awareness and perceived value. Gender did not influence buying behaviour but women perceived premium pricing more favorably compared to men. Income level had a significant influence on awareness and perceived value but not on buying behaviour. The results are useful to policymakers and marketers, emphasizing the need for clear communication of product value, pricing strategy, and education campaigns to stimulate organic consumption in India.

Keywords: Organic products, premium pricing, consumer behaviour, perceived value, awareness, gender, income, India

INTRODUCTION

In the modern world the growing awareness of health, environment sustainability and food safety has led to an increase in the consumer preference towards the organic products across the globe. In India the, organic food market is witnessing a steady rise, driven by the shifting consumer attitude towards wellness and ecological responsibility. However, one of the main challenges that is faced by the market today is the increasing price towards the organic products when compared their conventional counterparts. This pricing difference often perceived as a “premium” can significantly influence the purchasing decision of the consumer. Premium pricing, while often associated with superior quality and value, may act as both the motivator and a deterrent depending on consumer perceptions and social-economic factors. Understanding how consumer perceive this premium and how it affects their actual purchase behaviour is crucial for retailers, marketers and policymakers aiming to promote organic consumption. Additionally, variables such as consumer awareness, perceived value, gender and income level may moderate or mediate this relationship, further complicating the dynamic of purchase behaviour in this niche market. This study aims to investigate the impact of premium pricing perception on consumer purchasing behaviour towards organic products. It further explores whether this relationship holds when controlling for awareness and perceived value, and also examining the demographic difference in consumer attitude and behaviour. The findings expected to offer valuable insights for designing affective pricing strategies, enhancing consumer education, and expanding the market for organic products in a sustainable manner.

LITERATURE REVIEW

1. Motivators of Organic Food Purchase

Across multiple studies, health consciousness emerges as the strongest driver of organic food consumption (Singh & Verma, 2017; Gundala & Singh, 2021; Yiridoe et al., 2005). Consumers perceive organic food as safer, more nutritious, and beneficial to long-term wellbeing. Environmental concern is another significant motivator, often linked to sustainability and eco-label awareness (Tsakiridou et al., 2008; Wang et al., 2020; Akter & Ali, 2023).

Moreover, ethical and emotional factors—such as guilt, self-identity, and social norms—substantially influence organic food purchase intentions (Michaelidou & Hassan; Aertsens et al., 2009; Lockie et al., 2004). Consumers associate organic consumption with moral responsibility, especially when sustainability is socially emphasized.

2. Perception on Premium price and purchase behaviour

Many studies highlight that while a significant proportion of consumers express a willingness to pay a premium for organic products, actual purchase decisions are often constrained by affordability (Govindasamy et al., 2018; Nandi et al., 2017; Smoluk-Sikorska et al., 2021). Factors that positively affect WTP include income, education, trust in certification, and perceived product quality (Khanal, 2020; Misra et al., 1991; Hu, 2024). However, price sensitivity moderates this relationship—high prices deter purchase despite favourable attitudes (Wang et al., 2020; Singh & Verma, 2017).

3. Perceived Value and Trust

Perceived value, especially when associated with health and safety, significantly boosts both willingness to pay and the actual purchase of organic foods (Cilia et al., 2002; Tong Hu, 2024). Studies emphasize that trust in organic labels, certifications, and sources of information mediates the influence of perceived value on consumer behaviour (Patil & Nandurkar, 2023; Liu & Zheng, 2019). Consumers are more likely to pay premiums when transparency and credibility of information are high.

5. Attitude-Intention-Behaviour Gap

Despite generally favourable consumer attitudes, multiple studies reveal a persistent gap between intention and behaviour (Singh & Verma, 2017; Tarkiainen & Sundqvist; Aertsens & Verbeke, 2001). This gap is attributed to practical barriers like high price, limited availability, and confusion over labels. Models such as the Theory of Planned Behaviour (TPB), Value–Belief–Norm (VBN) theory, and ABC model have been employed to explain the mediating and moderating influences of these barriers (Janzen, 1991; Wang et al., 2020; Aertsens et al., 2009).

The literature collectively underscores that while health and environmental benefits strongly influence consumer attitudes, the actual purchase of organic food is moderated by perceived value, trust, income, and price sensitivity. A complex interplay of demographic, psychological, and contextual variables defines consumer behaviour in this domain. Marketers and policymakers must address the attitude-behaviour gap by building trust, improving accessibility, and clearly communicating value propositions to bridge the intention-action divide in organic food consumption.

PROBLEM STATEMENT

Despite the increasing demand for organic products driven by environment and health concerns, their market penetration remains limited particularly in price sensitive markets like India. One of the major barriers to wide spread adoption is the premium pricing associated with organic goods. While premium pricing may reflect the added value of organic products in terms of quality sustainability and safety consumers perception of this price difference varies based on their level of awareness, demographic factors and perceived value. So, there is a critical need to understand how consumer perceived the premium pricing of organic products and how this perception influence their actual buying decision. Moreover, it is unclear whether this perception remains significant when accounting for other factors such as consumer awareness and perceived value. The difference in income level and gender may also influence the awareness, price sensitive, and purchasing behaviour yet this dimension remains unexplored in the context of organic consumption. Hence this study addresses the gap by examine the impact of premium pricing perception on the purchase behaviour of organic products, also considering the moderating role of awareness demographic factor and perceived value

METHODOLOGY

This quantitative study investigates the impact of the perception of premium pricing on purchasing behaviour of organic products among the consumers in Kerala. The data were collected using a well-structured questioners designed to measure the premium pricing perception, consumer awareness purchase behaviour, perceived value and demographic factors like income and gender. A total of 3 responses from various religions of Kerala were selected through convenience sampling provide a diverse sample across income level and gender. Descriptive statistics (Mean) summarized the key variable. Correlation analysis assessed the relationship between premium pricing perception and purchase behaviour, while partial correlation helped to examine this relationship controlling for awareness for pursued value. The independent sample T- test was used to identify the difference in purchasing behaviour between male and female consumer. One way -ANOVA tested for variation in awareness, pursued value, premium pricing perception and purchasing behaviour among different income groups.

This methodological ensures a thorough analysis of how the perception of premium pricing influences the consumer purchasing behaviour towards organic products. Taking in to account key moderating variables and demographic difference.

OBJECTIVES

- ❖ To analyse the relationship between consumer perception towards premium pricing and their purchasing behaviour toward organic products.
- ❖ To examine whether the correlation between premium pricing perception and the purchasing behaviour remains significant when controlling for consumer awareness and perceived value of organic products.
- ❖ To identify gender-based difference in the purchasing behaviour of organic products.

❖ To assess the difference in awareness, perceived value, premium pricing perception and the purchasing behaviour among consumers belonging to different income group.

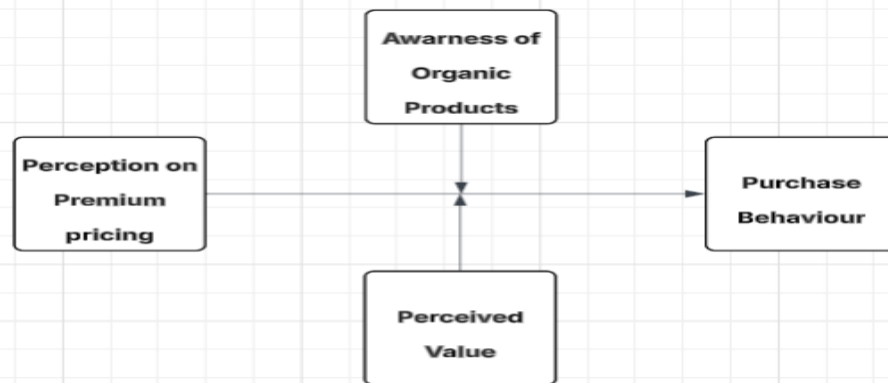
HYPOTHESIS

H1: Premium pricing perception is positively correlated with purchase behaviour of organic products.

H2: When controlling for the awareness and perceived value, the correlation between premium pricing perception and purchase behaviour remain significant.

H3: There is a significant difference in purchasing behaviour between male and female.

H4: There is significance difference in awareness for organic products, perceived value, perception on premium price and purchase behaviour among different income groups.



RESEARCH MODEL

RESULTS AND DISCUSSION

• The study used a quantitative approach in investigating the relationship between premium price perception and buying behaviour of organic foods. Data were collected from 303 participants across Kerala using a standardized questionnaire. The Internal reliability of the tool was confirmed with a Cronbach's alpha of 0.893, indicating excellent reliability.

• Descriptive statistics showed that consumer knowledge of organic products had the largest mean value ($M = 3.71$, $SD = 0.71$), indicating a relatively well-educated sample of respondents. Perceived value ($M = 3.51$, $SD = 0.67$) and premium pricing belief ($M = 3.53$, $SD = 0.71$) trailed closely behind, both indicating moderate consumer consensus on the value and rationale for organic products being more expensive. Purchasing behaviour, however, had a relatively lower mean ($M = 3.45$, $SD = 0.60$), indicating possibly a discrepancy between consumer attitudes and eventual purchasing behaviour.

• A Pearson correlation test indicated a statistically significant moderate positive correlation between premium price perception and purchasing behaviour ($r = .469$, $p < .01$). This indicates that when customers perceive premium prices as reasonable, they are likely to exhibit positive purchasing behaviour. Partial correlation tests were employed to investigate the impact of other variables. The correlation between purchasing behaviour and premium price perception was still significant but reduced when perceived value was controlled ($r = .181$, $p = .002$). The correlation was still significant when awareness was statistically controlled ($r = .276$, $p < .001$). These findings validate that perceptions of premium pricing independently and consistently drive consumer behaviour even when awareness and perceived product value are controlled.

• Independent t-tests of samples were used to examine differences on the basis of gender. Statistically significant differences were not identified between men and women in terms of awareness ($t(301) = 0.404$, $p = .686$), perceived value ($t(301) = 1.606$, $p = .109$), or purchasing behaviour ($t(221.77) = 0.172$, $p = .864$). One difference was observed in the premium pricing perception ($t(224.75) = 2.88$, $p = .004$) where the female respondents ($M = 3.63$) had a more positive perception of premium pricing than males ($M = 3.38$). It suggests that gender does not have a direct influence on purchasing behaviour but can influence perceptions about premium-price justification.

• One-way ANOVA was used to examine differences between income groups. There were significant differences in awareness ($F(4, 298) = 3.63$, $p = .007$), perceived value ($F(4, 298) = 2.57$, $p = .038$), and premium pricing perception ($F(4, 298) = 4.71$, $p = .001$). Post Hoc Tukey HSD tests showed that the respondents in the ₹30,000–₹40,000 income group had significantly higher awareness than the ₹20,000–₹30,000 group ($p = .042$) and significantly higher perceived value than the <₹10,000 group (p

= .015). There was significant difference in premium pricing perception between the ₹30,000–₹40,000 and <₹10,000 groups ($p = .000$). There were no differences in purchase behaviour between income groups ($F(4, 298) = 0.645, p = .631$), reflecting a stability in actual buying behaviour despite differences in perception and awareness.

- In general, the results are in line with the hypothesis that perception of premium price plays a major role in influencing purchase behaviour. The results also show that demographic factors such as income and gender influence perception and awareness but not necessarily differential purchasing behaviour. The results are in line with the need for programs that increase greater consumer acceptance and awareness of premium pricing in encouraging consumption of organic food.

FINDINGS

The research produced some significant results in terms of how the premium price perception factor affects the consumption behaviour of consumers towards organic products in Kerala.

The research disclosed that consumer awareness was the most highly scored of all the variables under measurement, with an average score of 3.71. This indicates that most of the consumers are extremely aware of organic products, and this is one of the most important factors in forming positive attitudes for their consumption. Despite the high awareness, the average score for actual purchase behaviour was relatively low ($M = 3.45$), which is a sign of the existence of an attitude-behaviour gap in organic consumption.

The correlation test confirmed that premium price perception is significantly and positively correlated with purchase behaviour ($r = .469, p < .01$). This means that consumers who perceive that organic products are deserving of premium price will be more likely to have purchase behaviour. Partial correlation tests also confirmed that the relationship remains statistically significant when consumer awareness ($r = .276, p < .001$) and perceived value ($r = .181, p = .002$) are controlled. The results suggest that perception of premium pricing operates independently to stimulate consumer purchase behaviour but with a slightly smaller effect size when the moderating variables are controlled.

Gender differences based on independent samples t-tests revealed that no significant differences existed among female and male respondents in terms of awareness, perceived value, or purchase behaviour. Significant differences did exist with respect to premium pricing perception, where female consumers perceived premium pricing to a greater extent than males ($p = .004$). This shows that gender does not impact actual purchase behaviour but does affect the perceptions of consumers with respect to the price of organic products. One-way ANOVA results indicated statistically significant differences in awareness ($p = .007$), perceived value ($p = .038$), and perception of premium pricing ($p = .001$) across income groups. Post hoc tests revealed that in the income group of ₹30,000–₹40,000, the respondents always exhibited higher awareness, perceived value, and acceptance of premium pricing than lower-income groups, i.e., less than ₹10,000 or ₹20,000–₹30,000 income group. No significant difference was, however, found in actual purchase behaviour across income groups ($p = .631$), which indicates that purchase decision for organic products is not directly dependent on income although it influences awareness and perception.

Overall, the research confirmed that the perception of premium pricing has a strong influence on purchasing decision after other psychological constructs are held constant. While awareness and perceived value vary by income segments as well as gender, purchasing decision is consistent regardless of demographic characteristics. The findings confirm the independent and inherent role of pricing perception in determining consumer behaviour and have valuable implications for marketers and policymakers aiming to expand the market base of organic food in India.

CONCLUSION

The results of the present study accentuate the pivotal position of premium price perception in guiding purchasing behaviour of consumers towards organic food. A positive and statistically significant medium correlation in support of the argument was found that most consumers perceive premium prices as cues of higher quality and health characteristics. Notably, even controlling for consumer knowledge and perceived value levels, the association was strong.

Although awareness was the most significant predictor of the variables tested, the data did suggest that awareness and value perceptions did indeed vary by income significantly, especially among middle-income buyers. However, actual purchase behaviour itself was not affected by income or gender to a large extent, which implies that drivers more than mere demographics such as personal values and product trust can quite often prove to be even more effective at determining purchases. The study also found a perceptual price gap for premium by gender, where females were more price-tolerant, but this was not accompanied by differences in buying behaviour.

In conclusion in order to bridge the attitude-behaviour gap for organic consumption, policymakers and companies must fall back on strategic pricing, building trust based on transparency, and consumer education initiatives. These can have the potential to generate perceived value and justify premium pricing in the mind of the consumer, thereby boosting market penetration and

facilitating sustainable growth for the Indian organic food market.

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