



Effect of Organic Certifications on Buying Decision for Cosmetics Products in Turkey

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Abstract

Many institutions are providing non-mandatory independent organic certifications for cosmetics products. These certificates promote sustainability of products in different aspects, such as mandatory use of ecologically-farmed ingredients, controlling ecotoxicology, limiting use of petrochemicals, increasing information transparency and so on. In this study, the impact of organic certifications on buying decision was investigated. A pilot group of 55 university students and graduates (43 female, 12 male) were surveyed. The participants were asked how much organic certificates would affect their buying decision and how much more they would be willing to pay for organic certified products. The answers were taken separately for 5 product groups, hand cleaning, face cleansing, hair care, body care and baby care. The results shown that participants' buying decision would be moderately affected on average (3.8 on a 1-5 scale), with higher effect on baby care products (4.62 on a 1-5 scale) and lower effect on hand cleaning products (3.24 on a 1-5 scale). The participants were willing to pay an average of 30.1% more for organic certified products. The findings of this pilot study should be beneficial for brand managers, certification institutions and market researchers interested in organic certifications.

Keywords: Certification, Willingness to Pay, Organic Cosmetics, Corporate Social Responsibility, Eco-Label

Introduction

Sustainability is one of the main concerns of the modern era. Governments, institutions, corporations and consumers are seeking for environment friendly product alternatives. One of the means for sustainable consumption and production is organic farming [1]. Organic farming differs from other farming methods with two major principles; soluble mineral inputs are prohibited and synthetic herbicides and pesticides are rejected in favor of natural pesticides [2]. Organic Cosmetics on the other hand, relies on using ingredients obtained by Organic Farming. Organic Cosmetics Certifications are tracing the origin of the ingredients, controlling ecotoxicology, limiting use of petrochemicals, increasing information transparency and so on. Independent authorities control and certify organic products to prove their authenticity.

The major claims of Organic Cosmetics are sustainability and environmentalism. Organic Certifications are one of the many attempts to move towards more sustainable and environmentally friendly approaches [3]. This way, Organic Certifications promotes implementation of more sustainable supply-chain methodologies.

Every organic certification organization has its own standards and procedures, but there are efforts to unify certifications as well. For example COSMOS Standard has been developed at the European and international level by 5 different institutions in order to define common requirements and definitions for organic and/or natural cosmetics [4]. United States and Japan also have their government-level standards for defining Organic Farming however, they do not have any standards for Organic Cosmetics yet. There are also some proof-of-claim policies, which limits use of words such as organic and ecologic unless plausible evidence is provided. Some policies in Turkey is also limiting use of words such as "organic" and "ecologic" for past several years.

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Like any other developments on sustainability, any organic certification would need investment in the value chain. Cheaper yet not sustainable ingredient alternatives must be discarded, processes need strict inspection measures, man-hours are needed for proper documentation and infrastructural investments may be required. Therefore, any economic entity would be expecting some return of investment before investing in Organic Certifications.

Preference for organic products and increased Willingness to Pay (WTP) for the end-products are typical reasons for the investment on Organic Certificates. Companies would be expecting to have higher number of customers willing to pay more for their products when they obtain Organic Certification. Therefore, investment decision on these certificates can be taken after forecasting WTP and changes in buying decision.

The effects on buying decision and WTP depends on a variety of factors, such as product category, country of origin, packaging, brand, label information, discounts and so on. There had been many studies on WTP for Organic Food. Gil et al. investigated WTP for organic food in two different regions in Spain, and across 7 categories [5]. They have also performed a segmentation analysis; and found increase in WTP between 8 and 14 percent. A study by Krystallis et al. in Greece in 2005 investigated 22 factors affecting WTP, across 16 categories and found an increase from 45 to 120 percent in 14 categories [6]. In 2007, Akgüngör et al. investigated WTP for Organic Food in Turkish market in cooperation with a professional research team, and found the increase in WTP as 36 percent [7].

So far we did not come across any studies on WTP for organic cosmetics products, neither global nor local. In this study our aim was to have some insights on the effects of organic cosmetics certifications on buying decision and WTP in in Turkish market.

Methodology

This pilot study aims to find if customers claim that their buying decision are affected by organic cosmetics certificates and how much more they are willing to pay. A structured questionnaire was prepared and posted in popular online forums and Facebook pages on cosmetics. Convenience sampling was used to reach volunteering participants to take part in the survey. 55 respondents (43 female, 12 male) were all university students and graduates, aged between 20 and 45.

The participants were asked how much organic certificates would affect their buying decision on a 5 five-point agreement Likert-type scale variables with end-points 1: not affected and 5: strongly affected. The 5 questions were directed to 5 different product groups, hand cleaning, face cleansing, hair care, body care and baby care.

WTP increase is estimated by contingent valuation method, where customers are expected to declare an amount for the maximum premium they would be willing to pay for organic products. Some researchers such as Gil et al. preferred to strengthen this method by asking multiple choice WTP declarations beforehand, in form of "Would you be willing to pay an amount of A_i % for this product" [5]. However, this model must be validated and calibrated in order to find the right A_i amounts, thus needs a larger sample. We therefore used contingent valuation method alone like Krystallis et al. [6]. We asked the question "How much more would you be willing to pay for this products if it has organic certificate". This answers were also taken separately for 5 product groups

The participants were also asked how they would rate their knowledge on cosmetics products. The self-declared knowledge was asked on a 5 five-point Likert-type scale variables with end-points 1: no knowledge and 5: good knowledge.

Besides asking for their self-claimed knowledge, the participants were also asked which organic certification brands they know, assisted and unassisted.

The results were gathered using Google Forms, edited in Excel and analyzed in SPSS.



Results

When participants were asked how much they know about cosmetics products, most of the participants stated that they have average or above average information (Likert-type scale answers 3 and 4, making a total of 75%). When the participants were asked which Organic Certifications they know 47% of respondents could name at least one certificate assisted and 9% of respondents could name at least one certificate unassisted.

Participants' buying decision would be moderately affected on average (3.8 on a 1-5 scale), varying between 4.62 and 3.24 for product groups. Average increase in WTP was 30.1%, varying between 19.1% and 54.1% between product groups. The complete results are shown in Table 1.

Table 1. Effect of product type on Buying Decision and Increase in WTP with respect to product type

Product Group	Effect on Buying Decision	% Increase in WTP
Baby Care	4.62	53.1
Face Cleansing	4.04	31.9
Hair Care	3.69	27.3
Body Care	3.44	23.1
Hand Cleaning	3.24	19.5
Average	3.80	30.1

When analyzed with respect to gender, and education level, effect on buying decision and change in WTP was not statistically significant.

Analysis with respect to knowledge on organic certifications shown that as knowledge on certifications increases effect on buying decision is increasing. The increase in buying decision is statistically significant on 95% confidence interval ($p=0.013$). Effects of knowledge on organic certificates are shown in Table 2.

Table 2. Effects of knowledge on organic certificates on Buying Decision and WTP

Gender	N	Average Effect on Buying Decision	Average % Increase in WTP
No organic certificates can be identified	24	3.38	26.3
Some organic certificates can be recalled assisted	26	4.05	36.8
Some organic certificates can be recalled unassisted	5	4.60	23.2

Discussion

The results of pilot study demonstrated that there are customers in Turkey willing to pay more, up to 53% more for products with Organic Certificates. These customers state that organic certificates would affect their buying decision. Participants stated that their decision would be affected by Organic Cosmetics certificates and for most of the cases they would be willing to pay an average of 30.9% more, varying between 19.1% and 54.1% for product groups.

In literature, we have not come across any studies on effects of Organic Certificates on WTP and buying decision for cosmetics products, but there are many studies on Organic Food products. The increase in WTP was between 8% and 140% depending on product category and market location. Our result is very close to the only study that was performed in Turkey by Akgüngör et al. on organic food, which found the increase in WTP as 36% [7].

The effect of Organic Certificates are strongest on baby products, and weakest on hand cleaning products. One might say that as the use of the product gets more intimate, customers state that they would be more willing to prefer products with Organic Certificates.



However, these very potential customers, who claim that they would prefer organic products and they are willing to pay up to 50% more, have limited information on organic certificates. Only 9% of participants can name any organic certificate. 53% of respondents cannot even recall any organic certificates from a list. This raises the question, what are these customers are paying this money for. The term “organic” is well known and has its own brand value, but how to connect this marketing asset into the value chain and benefit should be a serious concern.

As the knowledge of customers on Organic Cosmetics increases, the effect on buying decision increases. This means that as the customers get better informed, they tend to give more attention to organic certificates. On the other hand, we could not find statistically significant difference in WTP changes between knowledge levels.

Conclusion and Future Work

This pilot study clearly indicates that there is a strong demand in Turkey for Organic Cosmetics products. When investing in sustainable supply-chain systems, corporations should take into account that Organic Certifications can be a proper way to get the return over the investment. Many customers are willing to prefer Organic Cosmetics, and they are willing to pay more.

The findings have shown that potential customers in Turkey have limited knowledge on cosmetics certificates. The regulatory authorities should therefore keep restricting use of marketing terms such as “organic” and “ecologic” like they have been doing for the past several years. The certification agencies on the other hand should see this space for development and focus more on informing the customers.

This exploratory study is limited in many ways. The participants were all volunteering university students, mostly females. A randomized and calibrated field study might provide a better insight on the market and demand.

The WTP declarations can be validated by asking similar questions in different ways. Further studies might be address changes in buying decision and WTP with respect to country of origin, brand, packaging, products size and other factors.

The term organic is a claim, whereas organic certificates are obtained through a processes. Customers in Turkey might have limited knowledge on this difference, since they have limited knowledge on the certificates. Some further studies can try to find the answer to the question: Are the customers willing to pay for the term organic or organic certification?

A final point of interest for further studies would be to find difference of WTP between product groups. While the customers were willing to pay much more for baby products and face cleaning products, they were more price sensitive on body care and hand cleaning products.

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