

Is an organic line extension interesting for consumers?

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## **Is an organic line extension interesting for consumers?**

### **Abstract**

The purpose of this research is to identify the circumstances that influence on the acceptance of an organic line extension. Grounded Theory methodology was used to discover that consumer evaluates the organic line extension based on the value proposition expected of the new product: ethical value or health value. Although organic purchasing is an increasing phenomenon, it is discovered that is not a sufficient reason for the success of the organic line extensions.

**Key words:** *Line extension, organic products, Grounded Theory*

**Track:** Product and Brand Management

## **Introduction**

The use of a line extension is a very common strategy to introduce new products into the market. It involves introducing a similar brand in the same product category with a different quality or price point (e.g., Chocolate Lindt launching Chocolate Lindt with reduce sugar) (Kim, Lavack, & Smith, 2001). The advantage of this strategy is that the parent brand name provides a signal to the consumer about some characteristics or qualities of the new product that would facilitate consumers' acceptance and purchase (Aaker & Keller, 1990). A line extension could be an upscale of the parent product, adding any type of attribute to improve the quality of the product and increase the price, or a downscale extension, offering a cheaper version of the parent product. Both aim to reach new market segments to achieve incremental sales that compensate for a potential cannibalization of the parent brand sales (Caldieraro, Kao, & Cunha Jr, 2015) - up to 53% of line extension sales are detracted from the parent brand sales (Lomax & McWilliam, 2001)-. Also, premium line extensions can revitalize a brand (Munthre, Bick, & Abratt, 2006).

This study focuses on organic line extensions. Organic food products are experiencing a growing market share in industrialized countries (Mazar & Zhong, 2010), due to the superior benefits attributed to these products such as healthiness, better taste and lower environment impact (Eberhart & Naderer, 2017; Juhl, Fenger, & Thøgersen, 2017; Marian, Chrysochou, Krystallis, & Thøgersen, 2014; Ngobo, 2011; Van Doorn & Verhoef, 2015) and lower risks of food harm (Chintakayala, Young, Barkemeyer, & Morris, 2018).

Taking into consideration that (a) consumers value organic products and the consumption of organic products is becoming mainstream, driving consumers to switch products and brand based on environmental and animal friendliness (Massey, O'Cass, & Otahal, 2018); and that (b) an organic line extension can be understood by the consumer similarly to a new flavor line extension, which have greater acceptance on the market than other types of line extensions (Nijssen, 1999), it seems plausible that launching an organic line extension may be a successful strategy for revitalizing a brand and attracting more consumers from other non-organic brands in the category that could compensate the potential cannibalization.

Although past studies seem to uncritically accept that an organic line extension provide a superior advantage to the parent brand, this strategy may pose some risks that have been hitherto overlooked. First, one of the main barriers to purchase organic food is the high price (Juhl et al., 2017; Van Doorn & Verhoef, 2015) and usually the strategy of an upscale line

extension is to have a premium price, therefore new consumers may not switch brands.. Second, the acceptance of an organic product depends on the category being vice or virtue (Bezawada & Pauwels, 2013). Third, there could be a negative effect on the parent product's image (Caldieraro et al., 2015; Reddy, Holak, & Bhat, 1994) if the organic line extension is not congruent with the parent brand value proposition.

Thus, it is not straightforward that the addition of an organic line extension to a brand's portfolio may prove successful, since it may not attract new consumers or may negatively affect the parent brand.

In order to advance our knowledge on under which circumstances an organic line extension may prove successful, this exploratory study aims to understand the following research questions:

RQ1: Under which circumstances (product category, brand schemata or consumer's previous experience with organics) an organic line extension attracts new consumers or shift consumers?

RQ2: How does the organic line extension affect the parent brand?

## **Method**

Grounded Theory is used since it is appropriate when the research aims for theory development; in this case, our ultimate aim is to create a conceptual model grounded on data with the factors that influence the acceptance of an organic line extension. Following the Straussian version of Grounded Theory, the model will be based on iterative analysis of previous literature and in-depth interviews (Strauss & Corbin, 1990).

13 semi-structured interviews (9 females, 4 males) were conducted with the person responsible for the household grocery shopping. Based on the different consumer profiles from the literature review, variability was sought on the basis of consumption of organic food (Schäufele & Hamm, 2018; Thøgersen, Jørgensen, & Sandager, 2012), place of residence (rural vs. urban habitat) (Juhl et al., 2017; Smith, Huang, & Lin, 2009) and household type (Chintakayala et al., 2018; Thøgersen et al., 2012). All interviewees were contacted by phone and interviews were conducted either face-to-face or online, at the informants' request. Interviews lasted from 45 minutes to 120 minutes.

Prior to the actual interview, informants were asked to complete a questionnaire about the product categories and brands regularly bought. The set of images in the interview guide was

customized to match their responses, so that they were asked about a scenario where their preferred brands launched an organic brand extension. The extensions depicted were real ones (e.g., Nestlé Chocapic Bio) or invented (e.g., Café Hacendado). In this latter case, the interviewer outlined a product prototype using the European organic logo and including a claim (organic, biological or ecological).

In order to have a better understanding on the importance of the brand and the attitude towards it when an organic line extension is launched, two types of vignettes were used. As Alexander & Becker (1978) defined, a vignette is “a short descriptions of a person or a social situation which contain precise reference to what are thought to be the most important factors in the decision-making or judgment-making processes of respondents” (p. 94). In the present study, vignettes were used to illustrate situations in which a person is about to purchase a food product and find out that there is a new organic line extension available on the shelf of the supermarket. There were two stories shown in an alternate order.

The transcripts of the interviews were analyzed in three sequential phases (Strauss & Corbin, 1990). First, transcripts were read several times and preliminary categories were identified. Second, the categories were aggregated into a broader category in order to help understanding the context (Nunes, Martins, Zhou, Alajamy, & Al-Mamari, 2010). Finally, the third step detected the connections among categories to find the core category that determine the mechanism of the evaluation of organic line extension done by consumers (Gambetti, Graffigna, & Biraghi, 2012).

## **Findings**

The evidences from this study support that the main circumstance that influence on the acceptance of the organic line extension is the value proposition expected by consumers. If the expectations are related to health, the evaluation is based on the product category, whereas consumers looking for ethical value, evaluate the brand or the parent company launching the line extension.

For consumers looking for health benefits, there are two possible dimensions for this evaluation based on the product: (a) type of category (vice, virtue or process product) and (b) how the product is consumed.

The literature of organic products demonstrated that the added value of being organics (health) for virtue products is higher than in vice categories, where the organic attribute

reduces the pleasure during the consumption or is incongruent because the product will remain unhealthy anyway.

*“The organic beer may be more natural, but as the level of alcohol remain the same is not a healthier product and probably it would have a worst taste, therefore is not worth consuming organic beer”* (Informant 8)

Concerning the perception on whether the product is high processed or not, findings are not consistent. Some informants do not perceive any improvement when making the product organic, as highly process products cannot be a healthy.

*“The ketchup is an artificial product; it is a mixture of many ingredients with the tomato... it makes no sense to have it organic”* (Informant 3)

On the contrary, other consumers believe that process products can improve when are manufactured following the organic requirements (gentler and more respectful with the raw materials), and therefore being organic would improve functional benefits of the product.

*“I imagine the production of the coffee more handcrafted; they would roast the coffee without industrial ovens, with wood, for example. Therefore, the coffee should be a bit different and with a better taste”* (Informant 7)

The use that the consumer is going to do with the organic line extension also affect the evaluation of the organic line extension. If the product is going to be cooked before consumption, the benefit of being organic disappears as there is a manipulation.

*“The crushed tomato doesn't have taste itself; it is used to cook something else, so there is not worth purchasing an organic”* (Informant 10)

When the value proposition of the organic line extension is ethicality, the circumstance that influence on its acceptance is the brand or the parent company launching the product.

For those informants that are more concerned about sustainability and purchase organic products regularly, the size of the company has a negative effect on the evaluation of the new product, due to: (a) big productions are associated with less quality of the products than small productions, as they need to add some type of unhealthy ingredients (e.g., preservatives) to produce high quantities with a long expiration date, therefore the benefit of being organic is diluted; (b) there is a believe that big companies meet the minimum requirements to have the European Union logo, so the credibility is reduced as their purpose is to maximize benefits

rather than protect the environment; and (c) productions from big companies cannot be proximity production so it is against environmental respect.

*“A company that produces so much quantity, I think is impossible... I don't believe they have an ecological, sustainable agriculture. When I purchase real organic pasta, the expiration date is shorter than others, the flour of the pasta is not so treated, you can notice the differences” (Informant 11)*

Nevertheless, for informants less knowledgeable about organic goods, the trust on a brand positively influences on the acceptance of the organic line extension, as is valued the effort done by big companies because they have a higher impact on the environment.

*“Danone sell lots of yogurts and have many ads, the impact on having organic yogurts is higher” (Informant 2)*

Another interesting finding is regarding the ability of the company to produce the organic product. The literature on line extensions demonstrated that there is a greater acceptance of the line extension when the consumers perceive this ability (Desai & Keller, 2002).

Nevertheless, this research shows the opposite, the consumer would like to have all the production organic, since is better for the environment.

*“As the taste is the same, what is the reason not to have it all produce in the organic way, that is more respectful with the environment” (Informant 7)*

However, there is a reinforcement on the parent brand when consumers believe that is feasible to produce something with the organic requirements and all the production is done in the same way, so they purchase the regular product assuming that is organic as well, without the price premium of the organics.

*“The milk is a healthy product, not so process, so if they sell organic milk is due to the feeding of the cows... so I imagine they feed all the cows in the same way, so everything may be organic milk” (Informant 13)*

## **Discussion**

There is a paradox on the acceptance of an organic line extension. Based on the learnings of organic products, it can be expected that an organic line extension will always be accepted by the consumer, being an improved product, but this is not the case. The purpose of this study is to identify under which circumstances consumers favorably evaluate an organic line

extension. Our findings demonstrated that the main circumstance is link to the value proposition expected by the consumer. When the value proposition is identified with health, the circumstance that influence is the product category, whereas if is expected to have ethical value, the circumstance that influence is the brand (or company) launching the extension.

The main differences on the conclusions of this study are related with the profile of the consumer regarding the previous experience and knowledge on organics. For consumers used to purchase organic products, the value proposition of the organic line extension is ethicality, whereas for novice consumers is related to health and natural attributes.

Consumers with a high environment concern reject mainstream brands launching an organic line extension, even if it makes sense for the product category, due to the incongruency between the image of the company and the organic values. Nevertheless, novice consumers positively evaluated the ethical benefit of a mainstream brand launching an organic line extension because of the trust of the brand and the high impact on the environment.

The literature of line extensions established two main risks associated to this strategy: the cannibalization of the parent product, and the negative impact on the parent's product equity. Contrary to the expectations, this research demonstrated that the launch of an organic line extension can reinforce the value of the parent product, as consumers perceived that the organic product is manufactured with the same processes as the parent one, so it is believed that both are organic.

### **Research limitations**

This study identified the dimensions considered by the consumer when evaluation an organic line extension. To further understand this issue, a quantitative study approach is needed to identify the importance of each factor and the necessity (or not) to be present during the evaluation process.

### **Practical implications**

The results of this research will help managers that wish to launch an organic product to evaluate the best alternative for their company: use the parent product and launch an organic line extension or use a new name. Depending on the product category and the values of the brand, one or the other strategic will have a higher success.



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