Consumers’ Buying Groups in the Short Food Chains: Alternatives for Trust

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1. Introduction

Food markets in affluent countries tend to be characterized by increasing complexity under several regards such as the organization of the productive chains, the process that leads to the formation of consumer’s preferences, the information/communication task and the building of trust among stakeholders. In particular, consumers are increasingly concerned about many credence attributes such as food safety, environmental concerns, the fairness of trade conditions, product origin and so forth.

The paper focuses on short chains and consumers’ buying groups (CBGs) seen as strategies to overcome the emerging difficulties that consumers face in collecting and processing information on credence attributes. The results of a field survey, based on e-mail interviews to Italian CBGs’ members are presented. The survey had the aim to explore personal motivations to join a CBG, the groups’ main objectives and organization and, eventually, the degree of satisfaction with this organization of the food shopping.

The paper is organized as follows. Section 2 analyses the sources of consumer’s substantial distrust on many of the products available on food markets and underlines that the most common remedies to market failures due to asymmetric information, undertaken both by producers and policy makers, are far to be fully effective. Section 3 is devoted to short chains, directly connecting producers to consumers, and CBGs, i.e. families that organize their shopping on a collective basis to better pursue their ethical goals and to gain organizational advantages. Both weakness and strength points of short chains and of CBGs are briefly discussed from the consumers’ as well as from the producers’ point of view. The results of the interviews are analysed in the fourth section while some concluding remarks are contained in the last section.

Keywords: Trust, Transaction Cost, Exit/Voice, Consumer’s buying groups, Short food chains

2. Credence attributes, information and trust in food markets

In affluent countries food consumers tend to be increasingly sceptical about food quality and safety (Verbeke, 2005). This lack of trust becomes, obviously, more sharp after the crisis that take place in food markets from time to time, and has relevant consequences on consumers’ behaviours and their buying habits (Jensen and Sandoe, 2002). Besides emergencies, though, there are other underpinning causes for food consumers’ anxiety on credence attributes they judge to be relevant.

Firstly, it is to be recalled the more and more frequent and deep interventions on biological processes, both of plants and animals, (i.e. GMOs) and the subsequent manipulation of raw agricultural materials which includes the use of chemicals, different conservation techniques, etc.. Though, some aspects of both agriculture and the subsequent industrial processing have improved food safety and the environmental impact of production (examples are the prevention from bacterial contaminations, the possibility to detect the presence of dangerous substances and the capability to preserve food for longer periods maintaining its nutritious characteristics), in many
cases experience proved that the introduction of new technologies can also lead to less safe and/or less healthy food and to negative environmental impacts.

Furthermore, the growing complexity of technologies and of the production processes implies that there are many unknown and unintelligible to final consumers, this ignorance creating a sort of underpinning, pervasive feeling of suspect and mistrust. This perception of lack in understanding and control is deepened by the high number of stakeholders participating to the food chains that makes it difficult to segment the supply and to determine patent responsibilities in case of opportunistic behaviours or in case of casual breakdown in quality (Hennessy et al., 2003). Media do play an important role in the amplification of citizens’ worries and fears about food quality. The exposure to health risk linked to food tends to be overestimated compared to other sources of risk because food enters the body and turns into the body itself, because eating is a necessary, everyday action and risk is somehow hidden, not evident nor directly detectable (Frewer, 2003).

The demand for quality food -whatever defined, as safety food, ethic food, typical food, organic food, etc.- increases with income, education, living standards, health standards, etc., thus tend to be higher in richer countries, with specificities linked to culture (Verbeke, 2005; Uusitalo and Oksanen, 2004).

The actual most common ways to organize production and exchanges, with large scale companies, complex chains with many stakeholders and increasing international trade, is regarded as a major source of social concerns. Examples are: i) the negative environmental impacts of production and transportation; ii) the lack in law regulation for workers’ safety and salary, iii) the issues related with working children; iv) the unfairness of trade conditions; vi) the increasing market and political power of big companies and multinationals; vii) the decline of rural communities and their culture.

Uncertainties and concerns on relevant credence attributes may determine loss of welfare that affects both consumers and producers; for example, food safety crises generate negative externalities due to incomplete supply segmentation (Hennessy et al., 2003); more in general, asymmetric information incentives opportunistic behaviours and leads to adverse selection against quality products (Akerlof, 1970). Stakeholders at different stages of food chains try to set remedies to the market failures caused by asymmetric information, the most used being branding, disclosure, labelling, certifications, guaranties, and so forth. Public authorities, at different levels, regulate many relevant credence attributes and impose rules for producers-consumers communication like product standards and classifications, mandatory production norms and/or certifications, products quality and safety attributes, norms concerning labelling, traceability, liability and more (Fonte, 2002). Though, all these remedies, actually improve quality attributes and consumers’ confidence, they are far to be definitive: on one side, information tend to remain distributed unevenly so that in many cases producers have incentives to act opportunistically; on the other side, public action is far to be always fully implemented and/or effective (Vetter and Karantininis, 2002). In addition, it is of particular relevance for the issues addressed in this paper, to stress that knowledge about quality attributes is quite complex in itself and that information generated by producers and public action is abundant and complex as well; so that, for example, consumers may find it difficult to understand which are the differences between one certification and another or how to properly judge the reliability of a brand or a certification. This complexity is to be regarded not only as a matter of education, but also in the light of bounded rationality and time constraints in a context where there are lots of alternative products and a sort of information overflow (Carbone and Sorrentino, 2005).
Consumers who feel deeply involved with these quality concerns, and who feel mostly discontented with the goods they can find in the conventional retailing, look for alternatives. To say it with Hirschman (1970), these consumers, that are unsatisfied and with no voice, may choose the exit option (Pestoff, 1988). Some of them choose to buy directly from the producers, in the so called short chain, regarded as a way to improve communication, to build trust and to reduce uncertainties on quality attributes.

3. Short chains and consumers buying groups

Food consumers and small scale producers are looking for different ways to shorten food chains by skipping many retailing steps with the aim to reduce quality uncertainties and, on a more general ground, to get better economic conditions and to be less passive stakeholders in food markets (Holt, 2005). Examples of short food chains are on farm and off farm shops; sales in occasional fairs or farmers’ markets; e-commerce and direct deliveries.

3.1 Short food chains

Though differing under several respects, these alternatives of direct producer-consumer relationships do share some relevant aspects. Hereafter a brief discussion is given on the main advantages and disadvantages of the short chains, both for the demand and the supply side.

When directly buying from producers, consumers seek the following advantages:

- vegetable and fruit are more fresh (usually picked-up within 24-48 hours before delivery). Freshness is important for nutritional characteristics and for taste as well. In addition, storage and transportation often require the use of physical and/or chemical treatments that can be avoided in the short chain;
- the products’ origin is known. Geographical origin is an important quality attribute that consumers increasingly appreciate as it is shown by the case of EU certification for typical products: PDO and PGI;
- the producer is known, representing a simple and sure way for product traceability and for producers unambiguous responsibility towards consumers;
- small scale, handicraft, genuine, traditional processing, generally low environmental impact process, as opposite to industrial manipulation and long distance trade1;
- information and guarantees in the short chain are usually not formalized but far more direct and simple to manage and understand. Some consumers consider the direct, personal knowledge of the farm, and of the producer, as a way to get information and to be assured on quality, especially on credence attributes;
- consumers actively choose producers while in conventional chains retailers do so. This straightforward and more active relation with producers, that are often locally based, generates (and at the same time, it is often the result of) a sense of responsibility towards the local economy. Consumers perceive that buying from local consumers is a way to sustain small local farms and, more in general, economic development in the area;
- last but not least, the need for less transportation and, more important, the reduction in the number of stakeholders involved in the productive chain reduces the overall production cost. Generally, this effect counterbalance higher production costs that may be due to small production scale, traditional productive processes, constraints on natural resources.

1. With respect to these aspects, empirical evidences are mixed: short chains may not be always convenient both considering the environmental impacts and the energy inputs required, the outcome depending on production scale, natural resources, technology, etc.
With respect to the possible disadvantages that may occur to consumers in the short chains a tentative, short list is the following:

- shopping requires more organizational efforts and it is more time demanding; that is: search costs and overall transaction costs are higher. The reason is in that consumers should contact many producers to acquire all the different kinds of products they need; producers are less close by; producers are not specialised, and hence less efficient, in the selling function; there are, usually, also more severe constraints on the delivery hours and arrangements;
- products variety and differentiation is low: for example, this is the case of a stricter constraint on fruit and vegetables seasonality; though some traditional kind of product or old variety not fitting the needs of the food industry and of the modern retailing, is usually rediscovered and recovered in the short chains;
- shortages of supply may occur due to climate or pests adverse events. It is, thus, worth noting that, even in normal situations, one of the most serious constraints of short chains is the uneven geographical distribution of consumers and producers which means that in many cases local markets may be characterized by not enough production to satisfy the demand or, in the opposite case, local demand may not absorb the whole production of the area. This implies that even if consumers would increasingly choose to directly buy from producers, it would not be always possible to choose local production due to constraints in natural resources availability and allocation.

It is worth noting that also on the producers’ side there are incentives to seek new competitive strategies based on more straightforward producer-consumer relations seen as a way to overcome stagnation of food demand, price decline and the food industry and retailers’ market power.

On the supply side, short chains may be convenient under the following regards:

- selling directly to consumers implies better price conditions, a higher share of value added, reaching new demand segments, a better insight on what consumers prefer, and this, in turn, makes it possible to adopt strategies for long lasting relationships;
- consumers who directly buy from farms are more likely sensible to the many constraints a farm has to cope with and will, therefore, be more willing to accept their consequences in terms of price/quantity/quality variations;
- short chains help avoiding negative externalities generated by food safety emergencies, when demand suddenly collapses due to consumers’ trust disruption.

On a more general ground rural economy can take advantage from short chains that value locally based producers and thus are a premise to enhance the whole variety of economic activities rooted in rural areas (Forsman and Paananen, 2003).

It is no need saying that producers should necessarily make additional, non trivial, efforts to get the advantages that short chains can offer:

- first of all, the organization of the whole production should be reconsidered. For example, the production mix should be widened to meet consumers’ needs on variety; the production calendar probably should adjust to have almost constant production throughout the year;
- secondly, selling directly to the costumers is highly time demanding and requires ad hoc capabilities and experience; furthermore, specific investments may be required for packaging, for opening a shop, to organize sales in the farmers’ markets, or to make deliveries to the costumers.
3.2 Consumer’s Buying Groups

High transaction costs severely limit the development of short chains. Some consumers, and some producers, build networks with the scope to get a more efficient organization and to easy transactions. Consumers’ Buying Groups gather families that choose to commonly organize their shopping directly from producers and that tend to privilege local, small farms with which they wish to settle stable rather than spot relationships (Saroldi, 2001). The phenomenon, which seems to include a whole variety of diversified situations, is spreading in many industrialised countries, although it is impossible to have an exact idea of its dimension and characteristics because it is in the “philosophy” of the groups “not to be part of the system”, not to be targeted by big firms or multinationals that could see in them a new market opportunity (Carbone et al., 2006).

The organization of CBGs can vary a lot from informal ones to more structured situations in which the group is committed to buy for a period of time and/or for fixed quantities and prices, etc.. In some cases each single member of the group accepts to buy the so called “box”, that contains a fixed amount of variable items of fruits and vegetables depending on the season and on actual production. Other products like cheese, eggs, meet, oil, wine, bread, legumes, pasta, etc. may also be bought.

In addition to the goals that consumers seek when they choose short chains, already discussed in the previous pages, CBGs’ pursue other aims both on a practical and on an ideal ground.

Firstly, as already stated, gathering into groups allows these consumers to better organise their shopping and to lower costs: i) when they make arrangements with producers, larger quantities bought by the group than what would have been bought by single consumers, obviously, do influence price; ii) transport costs and transaction costs (for arrangements on orders, meetings, inspections, etc.) are also subject to scale and scope economies that make the collective organization more convenient; iii) they can also gain flexibility in sharing organizational work to make orders, deliveries, checks, etc., often with a turning system or according to personal possibilities.

CBGs can, in turn, be organized in networks that enlarge the shopping scale, seek wider scope economies and intensify information exchanges. In some countries, i.e. USA, France, Japan and more recently Italy, there are cases of producers who form networks with the scope to enhance advantages of short chains: to broaden product variety and convenience attributes they can offer to consumers; to reduce unpredictable supply variations; to gain more visibility and establish a common reputation.

CBGs are often associated to the so called Anti-consumerism movement in that they are deeply involved in environmental sustainability, social justice and local development as opposed to large scale firms, multinationals and globalisation (Lamine, 2005; Valera, 2005; Wilkinson, 2001). They try to be active players of the economy as they think that as consumers they may influence production organization, income distribution and social justice issues. They care and trust the dimension of human personal relationships: GBGs members discuss together and try to share ethical values, criteria to select producers and products, as well as practical aspects of their shopping.

GBGs also care straight relationships with producers not only as a way to lower costs and have direct guarantees on product quality, they also look for interacting on production decisions, they appreciate participating somehow to the farm’s life, but they also wish to discuss their consumption decisions with producers to be able to take into consideration production constraints in their consumption patterns. In other words, they try to be actors in the economic and social life of
their surroundings and to foster cooperative relationships, or partnerships, as opposed to behave as a counterpart. To say it again with one word, these consumers clearly choose to exert their voice option. To do this firstly they participate in building a market where they could have voice.

4. Organization, attitudes and evaluations of Italian CBGs: results of a survey

In Italy the formation of CBGs is a relatively new phenomenon and it is rapidly growing, though it is still very limited. CBGs started to act more widely in the nineties and in 1997 the existing groups formed the national network of CBGs with the scope of coordinating activities and, above all, to facilitate circulation of ideas and the formation of new groups. In 2006 around 300 groups were in the network; in the whole period their number almost doubled every two years\(^1\) (Saroldi, 2005). Few years ago the Italian National Association for Organic Farming, together with Greenpeace, started promoting groups of consumers and producers altogether (the so called GODO), which are seen as tools for participants to better know each other and to enforce reciprocal trust and partnership attitude.

The empirical analysis is based on a field survey (n=90) aimed at collecting preliminary insights on this almost unknown demand segment. During the period September 2005 - March 2006, a questionnaire was sent, mostly by e-mail, to CBGs\(^ IS \) participants\(^ 2\). The area covered by the interviews is nationwide, though the Southern regions are almost absent due to a scarce presence of CBGs in this part of the Country\(^ 3\).

Information collected help to have an insight on different aspects: interviewed socio-economic profile, their shopping habits and their general attitude and beliefs towards “ethical” issues in the economy; CBG criteria in selecting producers and their organization; interviewed feelings and opinions on the quality of products they buy through the CBG and on the trust they rely on producers.

Our data confirm that CBG are rapidly expanding in recent years: about three quarter of the groups involved in the survey were born in 2003 or after and over 50% of respondent joined the group within the last two years. It is also remarkable that nearly one half of the interviewed started buying through the group more than two years ago and still does it, showing that, for many of them, belonging to a CBG is a lasting behaviour.

**Organization of CBGs**

Each group gathers approximately 15 to 30 families that meet altogether not more than one time per month. Almost 50% of them do buy through the CBG monthly or even less frequently, while the other half arranged for more frequent purchases (every week or every two weeks). All the interviewed also do food shopping in small traditional retailing shops, in the grocery markets, as well as to supermarkets and shopping centres, on a regular basis. On average, each family spends about 100 euros per month to buy food through the CBG. Considering that, on average, Italian families do spend around 500 euros per month for their food (ISTAT, 2006) it is possible to affirm that food bought through CBGs represents roughly 20% of their total food expenses. Putting together these elements, we argue that, as other consumers, people belonging to CBGs

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1. The figures, however, are very likely underestimated due to the attitude of many CBGs that deliberately avoid to be “visible” not to be classified as a market segment.
2. Many questions had multiple choice answers and a final open option. In most cases respondents could select more than one answer (up to two or three), so that their judgments are expressed in relative terms more than in absolute ones.
3. According to the information of the CBGs Network website, only about 9% of the groups are based in Southern Regions while 67% are up in the North and 24% in Central area.
do complement different kinds of retailers for their food shopping. Food is the most important item that CBGs do buy: almost 100% do buy fresh foods and about two thirds do buy preserved foods; though products for personal care and for house keeping are less important with about one third of the families buying some of these products through the group. Deliveries are organized either by the groups (56.6%) that go directly to the producers to collect the goods, or by the producers (43.4%) that brings the goods to one meeting point where the families then go to pick them up. About two thirds of the interviewed said that the majority of the goods they buy is produced within the same region where the people of the CBG is living, furthermore in about half of these cases farms are located within the same province area.

Motivations for joining CBGs

One task of the survey was to explore the people’s motivations to join CBGs and their attitude towards the so called “ethical consumers’ behaviour”. What clearly emerged from the survey is that the involvement of the respondents and the degree of their concern in ethical issues is definitely high: when asked what were their main concerns as consumers it came out that environmental problems and social injustice caused by economic organization where almost as important as food safety (respectively 48%, 56% and 54% of the respondent indicated these issues), while, for instance, worries about present or future economic conditions of the family was far less important (10.1%). Consistent with these indications are the motivations indicated for joining the group: 59.3% consider the group as a way to put into practice a responsible behaviour as consumers, again with respect to environmental and/or social issues. Also products quality is considered very important, with 51.2% that gave this motivation; while, one out of four interviewed affirmed that joining the group was a way to pay cheaper price for high quality, organic products1. The task of behaving as “ethical economic actors” emerges as an even more important aspect (65%) when the interviewed were asked to indicate the group main objectives; in this case product quality was indicated by 35% of answers. The importance of ethical issues for these consumers also emerges from other behviours they put in practice: 70% of the sample do voluntary activities on a continuing basis. Furthermore, 85.6% of the interviewed do buy Fair Trade products, which is an outstanding high incidence for Italy2.

Principles for CBGs action and their evaluations

According to what emerged in the previous section it is possible to affirm that CBGs’ achieve the ethical tasks they seek by directly interacting with close by farms or other local producers, in some cases (about 18%) they buy from social cooperatives, and this is seen as a way to further strengthen their ethical commitment as consumers.

At a subsequent stage the choice of the producers is mainly driven by intrinsic quality, however defined: “organic” (69%), “genuine” (34%), “tasty” (25%) and “fresh” (19%) products, at “fair prices” (20%), from producers who can be trusted (39%). Straight relationships with producers are considered crucial to build trust: 59% selected this option, although, also products certifications is considered important by more than one third of the sample (37%). A further indication of the importance that straight relationships has for trust, in the opinion of these consumers, comes out from what they say on how quality is defined in the agreements made with producers:

1. This question was an open one; no indications were given because we did not want to influence respondents anyhow. So it is particularly significant that answers were highly concentrated on these two aspects of quality and responsibility, in some cases given jointly.

2. A survey on a sample of consumers in the urban area of Milan showed an incidence of 27% of Fair Trade products buyers (Casati, Sali, 2005).
frequent farm visits at least by someone from the CBG are considered more important than any formal or explicit definition of quality attributes. In addition when asked if they feel any need to improve trust: 64% said this was not the case; 36%, would intensify meetings and visits to farms as a means to improve trust. The interviewed were also asked to evaluate different aspects of CBG purchasing organization: the great majority of them gave an overall positive evaluation. Product intrinsic quality is especially appreciated as about 83% find it “very satisfactory”; in addition, when asked to judge the quality of these products in comparison to other products bought through the conventional distribution chains 95% find them of better quality. Prices are considered “satisfactory” by 77.4% of respondents, while 20% think they are “very satisfactory”. Also aspects like orders and deliveries organization and punctuality are judged positively: 65.5% are “satisfied”, 19% are “very satisfied” and only 15.5% are “unsatisfied” with it. One more telling aspect is how these consumers feel about information they get on product and production processes: only ten percent think they would know more than they actually manage to know.

5. Concluding remarks

The paper focused on Consumers’ Buying Groups and on Short food chains. These are seen as alternatives to traditional retailing. In particular, it has been argued that consumers that are extensively unsatisfied with quality and that do not trust the supply chain nor feel able to have any positive influence on it, choose to exit from the market.

In order to get an insight into this relatively unknown consumers segment, an empirical analysis have been carried out among an Italian sample of Consumers Buying Groups (CBG). The results have shown that CBGs, establishing direct trade relationships with producers, operate actively in the creation of short food chains.

The motivation for joining a CBG resulted driven both by economic reasons and on the ideological ground. Through this way of performing part of their purchases, consumers aim to play an active role in the social and economic system, being socially an environmentally responsible and fostering local development. CBGs give much importance to both ethical attributes and quality/safety attributes of goods, both being credence attributes that call for info and trust. These attributes are so important to them and they are so poorly satisfied with it that they actively try to adopt buying behaviours at least partially “coherent” with their beliefs. In other words, it has been argued that their motivations are so strong that they try to fill the usual consumers’ Attitude-behaviour gap (Verbeke, 2006) and accept to deal with the high transaction costs of being in the short chains.

The survey confirmed this hypothesis in showing that:

- Members of CBGs are highly interested in ethical issues and, more in general, in credence attributes: they do voluntary activities, they buy Fair Trade products, Organic products, and so forth;
- Members of CBGs are deeply unsatisfied, and mostly concerned, with quality in traditional retailing;
- mistrust is a key point in the CBGs’ exit choice;
• Reciprocal trust that is being established through direct trade represents a strong element for CBGs members to persevere in collective direct purchases and one of the reason of their satisfaction. Furthermore, interviews have revealed a wide interest of CBGs participants toward strengthening the relationship with producers also through tighter and frequent contacts with farms.

• CBGs are highly satisfied with quality, farms, trust, and this is why this is a dynamic market niche: i) half joint a CBG in last two years; ii) CBG show a lasting behaviour: half are in the CBG since more than 2 years.

From the supply side, the short food chain, in particular direct sale to CBGs, may represent a new key factor of the competitiveness of farms. While SMEs in food sector suffer from entry barriers and sub-optimale production scale in building trust through labelling, brand reputation, certification, etc., they can have an advantage in the short chains where they can build straightforward relations and reciprocal trust. In this light, CBGs, that help to reduce transaction costs of short chains, are to be regarded as an opportunity. The limited range of products at present purchased by each CBG, interpreted as a severe supply constraint, represents, at the present stage, a major limitation for a wider dissemination of this collective purchasing behaviour beyond the strongly motivated consumer groups.

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