

LEGITIMACY OF LOCAL FOOD IN INTERMEDIATED MARKETS: GOOD, BAD, & UGLY

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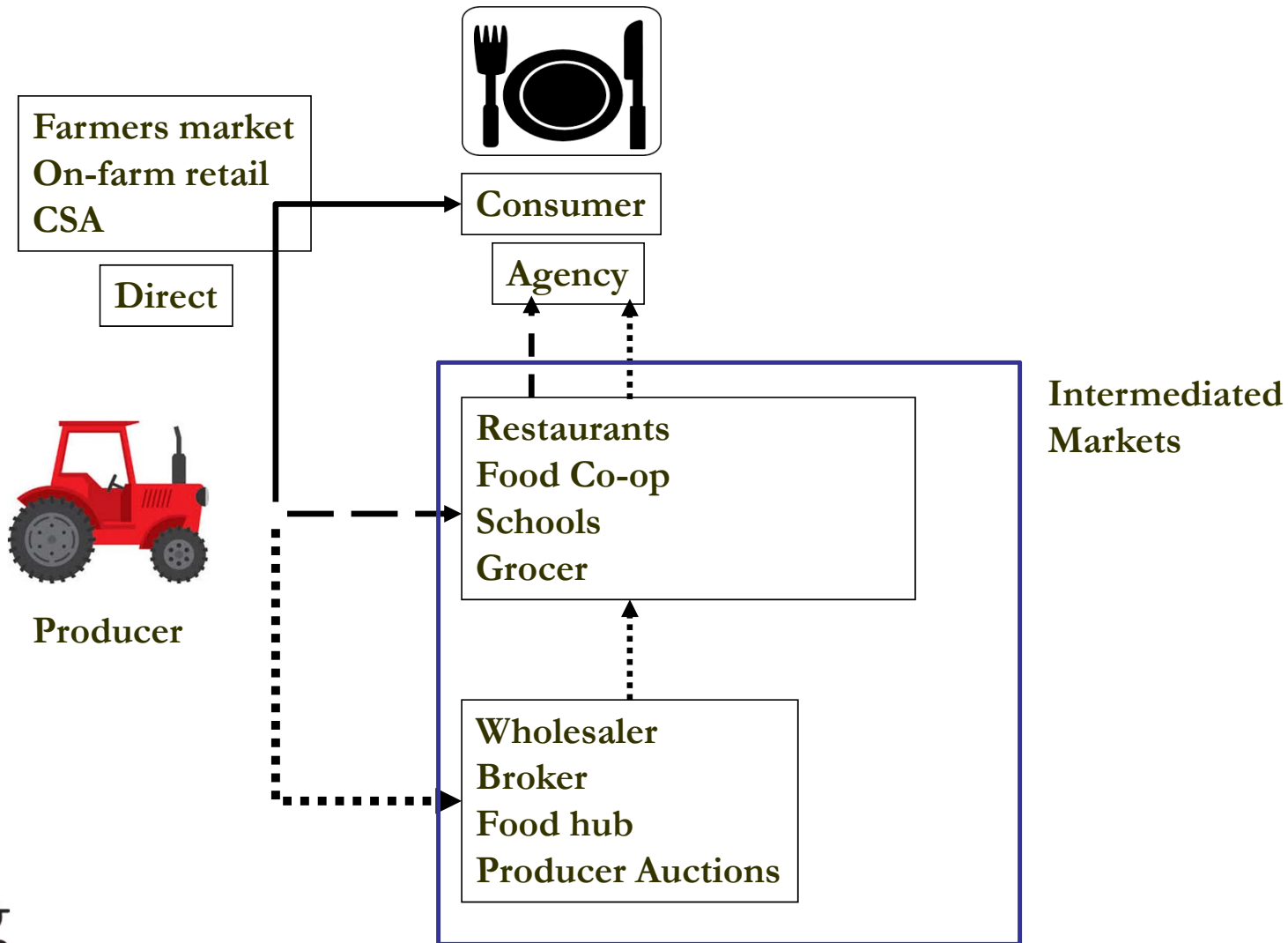
Times food critic Laura Reiley's 'Farm to Fable' series is finalist for Pulitzer Prize

What's all the fuss about?

1. Lack of uniform standards
2. Lack of transparency
3. “Local” -Highly value-weakly verified credence attribute
4. Significant agency problem
5. Very high demand for local in grocery markets
6. ‘Local-washing’
7. Grocery highly intermediated
8. But channel largest volume of local products

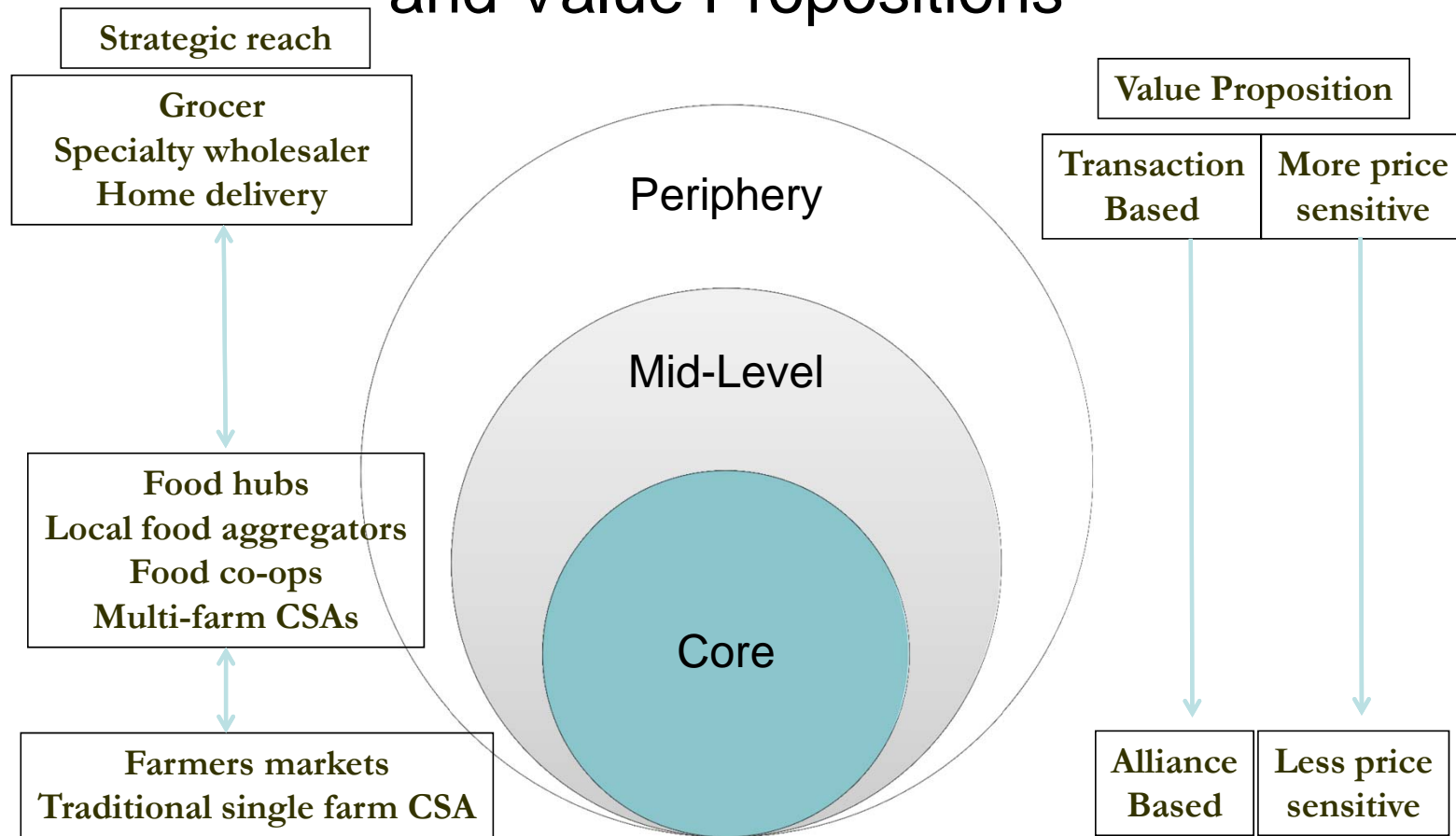


April 2016 Tampa Bay Tribune



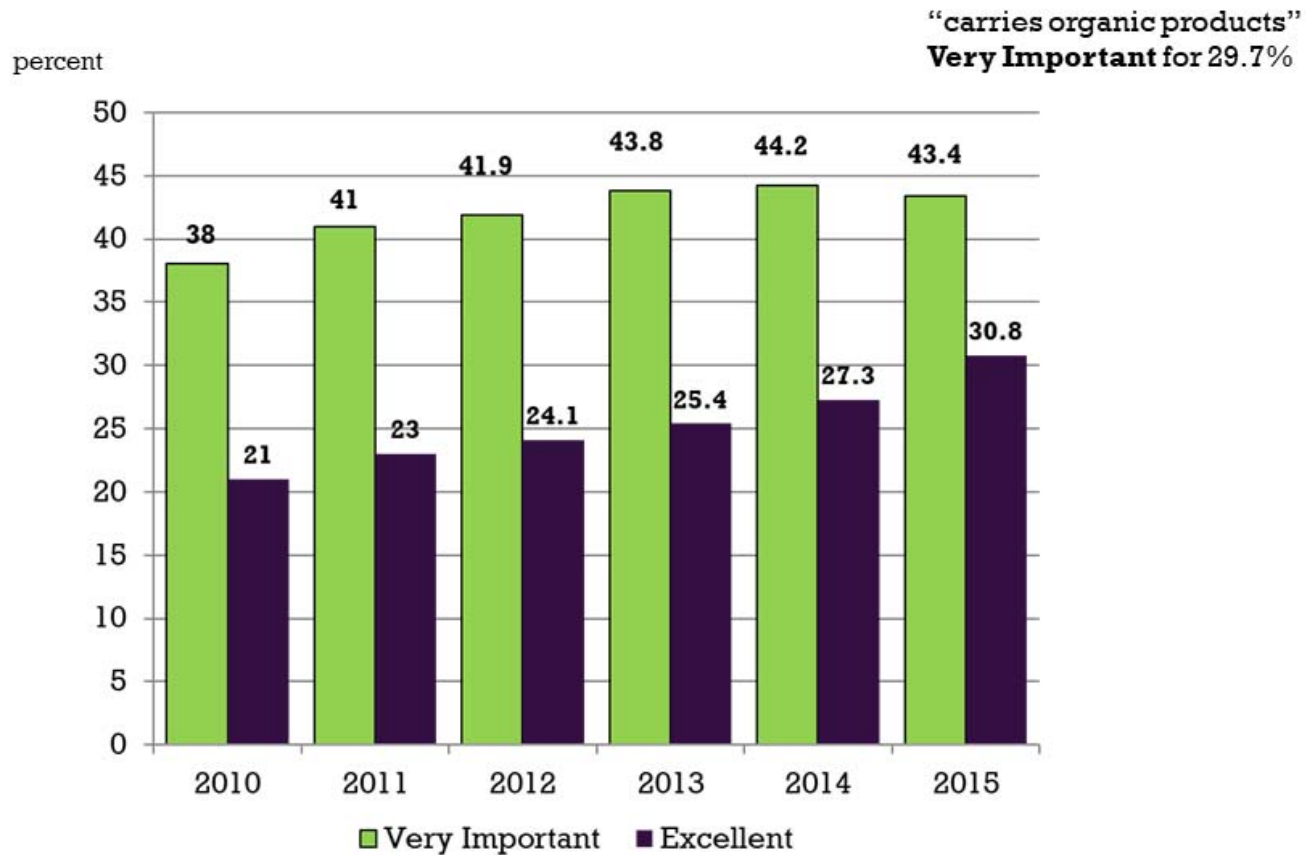
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 Intermediated:DTC
 (Low et al 2015)

Local Food Consumers, Strategic Reach, and Value Propositions



Woods & Tropp, "CSAs and the Battle for the Local Food Dollar", JFDR 2016

**Figure 1. Offers locally grown produce and other local packaged foods (“very important”)
Rate your primary store’s performance (“excellent”)**



Source: NGA, 2015 Consumer Survey Report and previous issues



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Food Consumer Co-ops vs Traditional Grocers

Table 3. Shopper Response to “Please rate your co-op on the following aspects:”

	Co-op Member Shoppers					NGA Shoppers			
	Poor	Fair	Good	Excellent	N/A	Poor	Fair	Good	Excellent ¹
Offers locally grown produce and other local packaged foods	0.4%	1.7%	17.5%	80.2%	0.2%	10%	29%	38%	23%
Offers organic food of all kinds, including produce and packaged foods	0.6%	2.7%	19.0%	77.1%	0.6%	4%	26%	42%	28%
A clean, neat store	0.4%	2.0%	21.8%	75.7%	0.1%	0%	4%	40%	56%
High quality fruits and vegetables	0.6%	3.2%	21.3%	74.7%	0.2%	1%	9%	45%	45%
Courteous, friendly employees	0.6%	3.2%	19.1%	74.1%	3.0%	1%	12%	43%	44%
Accurate shelf tags	0.7%	2.9%	31.3%	64.6%	0.5%	1%	8%	53%	38%
Convenient location	0.8%	5.8%	28.8%	64.3%	0.4%	1%	5%	39%	56%
High quality meats	0.3%	2.7%	20.6%	61.5%	14.8%	1%	12%	45%	42%
Paying attention to special requests or needs	0.9%	3.7%	23.9%	60.4%	11.1%	3%	24%	53%	20%
Having nutrition and health information available for shoppers	1.0%	5.6%	35.2%	55.3%	3.0%	7%	28%	46%	19%
Fast checkout	0.5%	5.1%	40.2%	53.5%	0.7%	2%	20%	55%	23%
Store layout that makes it easy to shop	2.3%	15.1%	40.2%	42.1%	0.2%	1%	11%	54%	34%
Low prices	5.2%	36.4%	42.7%	13.4%	2.3%	1%	8%	53%	38%

Source: Woods, Katchova, Ernst 2012, NGA 2012

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Whole Foods "Local" program

Defining the ‘Core’ local consumer – ‘Importance’ in Choice

“How important is local food to your consumer choices?”	Local food orientation (percent of sample)
Not at all, slightly important, neutral	Periphery (45.4%)
Moderately important	Mid-Level (38.2%)
Very Important	Core (16.3%)

Purchase Frequency Means

Local Consumer Type Local product purchase frequency in last 12months			
Market	Periphery	Mid-level	Core
Farmers' market purchase	3.76	5.76	9.23
Grocery purchase	5.65	9.14	9.99
Restaurant purchase	2.49	4.09	4.55
N (612)	278	234	100

DTC almost 3x Frequency for core

Grocery channel still very important to core local shoppers

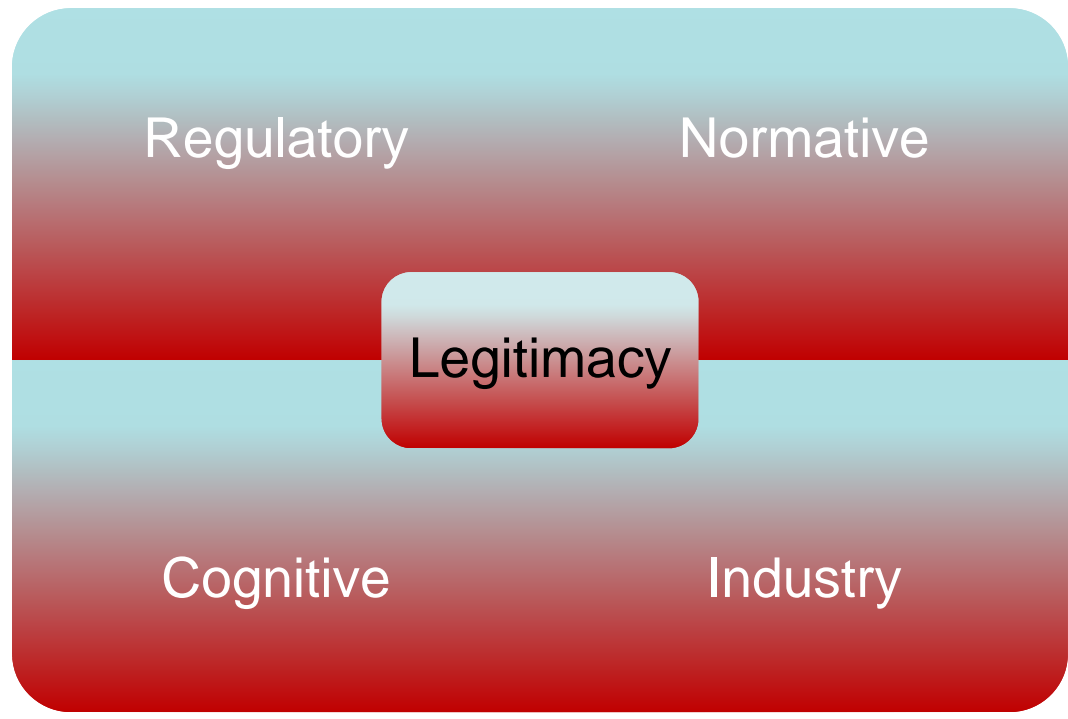
What is legitimacy?

- **“Generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995)**
- **“Social judgment of acceptance, appropriateness, and desirability, enables organizations to access other resources needed to survive and grow” (Zimmerman and Zeitz, 2002)**

Legitimacy Framework

Rules and standards
Certification

Social norms
Values



Expectation of product quality
Healthiness, Freshness, Experience

Standard practices
Historical customs

Legitimacy Type	Representative Variable	Midlevel	Core	Other significant variables
Regulatory	CERTLOCAL	0.516***	0.641***	Male (+), income (-), urban (+)
	CERTDIST	0.641***	0.862***	Urban (-)
Normative	TREATEMPL	0.754***	1.167***	Suburb(-)
	ENVPRACT	0.894***	1.483***	Age (-)
	SMALLFAIR	0.864***	1.595***	Secshop (+), Income (-)
Cognitive	LOCQUAL	0.787***	2.225***	Income (-)
	LABELTRUST	0.287*	0.151	Urban (-), Yrsres (-), South (-)
	HEALTH	0.780***	1.864***	Income (-), Urban (-)
	SAFETY	0.377**	0.256	Age (+), Urban (-)
Industry	DIRPUR	0.875***	2.032***	
	CONVCHEAP	0.097	-0.231	Edu (+), Income (-), Urban (+)

Source: Asgari (2017); Woods, Asgari, Rossi (2018)

Why is local foods legitimacy important?

- Intermediated channels offer numerous benefits for distribution, wider customer access
- Can local foods marketers, assuming some degree of agency problem, move toward stronger signals of the values inherent in local?
- Can we learn from food co-op local merchandising?
- Core shoppers bundle lots of related values together. A need for wider messaging?
- Evidence of direct grower benefit highly valued

Legitimacy of Local Food

- **Latecomers are trying to ‘steal’ the local food market share**
(e.g. Walmart, Kroger, Meijer)
 - ✓ **Overcome the “liability of newness”**
- **Illegitimate products are undermining the legitimate market – “local-washing”**
(The “market for lemons” argument, Akerlof, 1995)
- **What legitimacy measures matter? Translating concept to context**

The background is a solid teal color. A large, stylized graphic of two hands shaking is positioned on the right side, extending from the bottom towards the top. The hands are rendered in various shades of teal, creating a sense of depth and movement.

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