

Consumers' perception of credence attributes in quality labelling of food

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1 Introduction

Our food products have got a lot of attributes, so-called credence attributes which can not be observed by the consumer either at the point of sale neither after consumption, e.g. the level of pesticide residues for vegetable food or the level of animal welfare for animal food. Because of this asymmetric information about the value of credence attributes market failure can occur due to opportunistic behaviour of the better informed party. Labeling the value of credence attributes can alleviate asymmetric information. During the last years the number of food labels has been rapidly increasing. A majority of these labels are quality marks for high-quality schemes, e.g. bio labels. These quality marks do not explicitly label the guaranteed values of the different credence attributes, they just indirectly denote the characteristics of credence attributes. For example bio labels guarantee the ban on chemical fertilizers, the forbiddance of pesticides, minimum standards on animal welfare, etc. in the agricultural production, although it may not be mentioned explicitly on the aliments. The crucial prerequisite to decrease asymmetric information about the value of credence attributes by these quality marks and therefore to reduce potential market failure is that consumers perceive the indirectly labelled attributes correctly.

2 Material and methods

In order to examine the perception of value of credence attributes by consumers a survey was conducted before supermarkets in Austria. 442 consumers were surveyed in a personal interview during June 2002 in Austria. The sample was stratified by the following three criteria: (i) federal state (Bundesland) of domicile, (ii) inhabitants of principal residency and (iii) percentage of supermarket chains of the turnover in the food sector. Consumers were asked about their beliefs in characteristics of several product attributes as Austrian origin, usage of pesticides and artificial fertilizers, usage of antibiotics, required standard of animal welfare, safety, taste and healthiness of food and environmental friendliness of agricultural production. Consumers' perception of these values were collected for three major quality labels in Austria, namely AMA-Gütesiegel and Bauernhofgarantie as two non-bio quality labels and Ernte für das Leben as a bio label.

3 Results

The main result of this consumer survey is that consumers perceive the value of attributes of bio-labeled food mostly correctly, whereas they predominantly overrate the rigour of the obligations entailed by the two non-eco-labels AMA-Gütesiegel and Bauernhofgarantie. Only the fact that AMA-Gütesiegel and Bauernhofgarantie guarantee an Austrian origin of the food is perceived correctly by a majority of the interviewees. The severeness of the imposed obligations on animal welfare, environmental friendliness of agricultural production and usage of antibiotics for AMA-Gütesiegel and Bauernhofgarantie food is highly overestimated on the average.

4 Discussion and conclusions

In the case of quality marks consumers only can observe the real product values of credence attributes, if they have got knowledge about the obligations the quality scheme imposes on the production process and on the product quality. This seems to be mostly true for eco-labels, whereas consumers have got less knowledge about requirements imposed on the production and product quality by AMA-Gütesiegel and Bauernhofgarantie. As a consequence asymmetric information and the potentially following market failure are not abolished in every case and producers of quality label food therefore may behave in an opportunistic manner and take economic advantage.

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