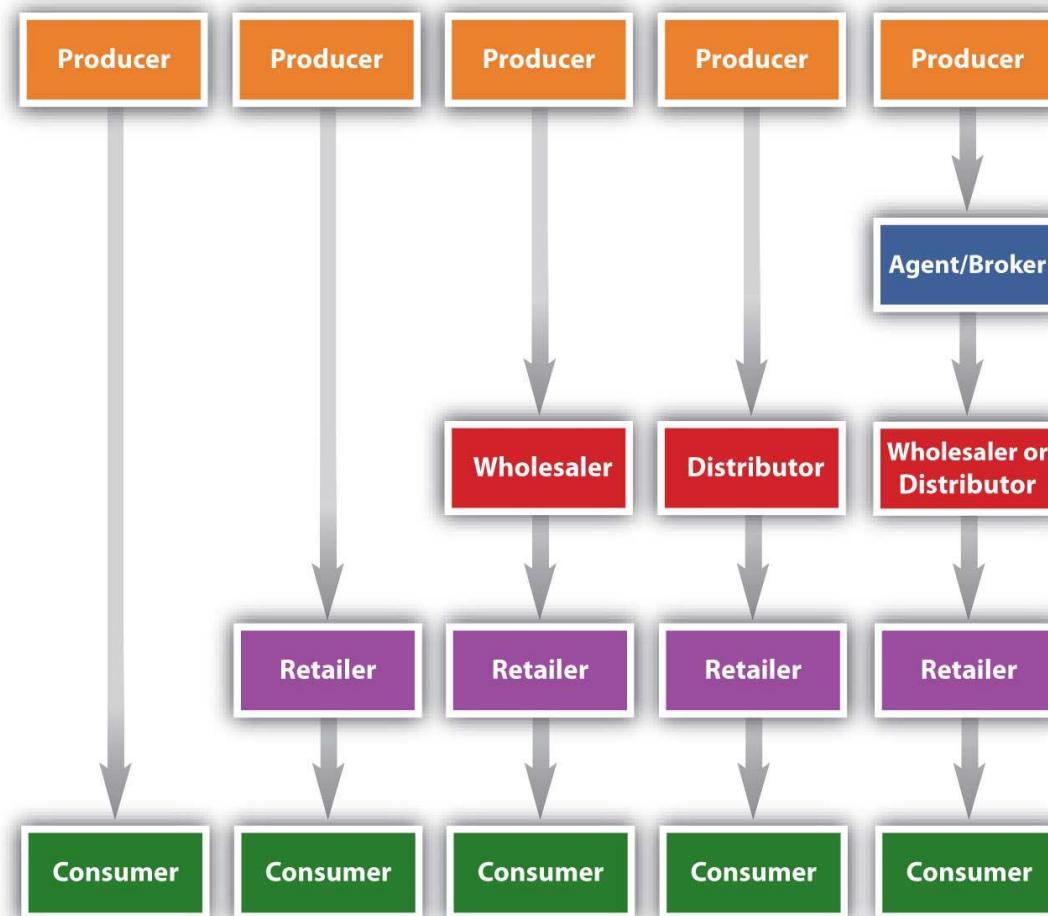


# Production Claims and Consumer Behavior/Marketing Channels

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August 7, 2019

# How does food reach consumers?

Direct → Intermediated



Sample  
Marketing  
Channels

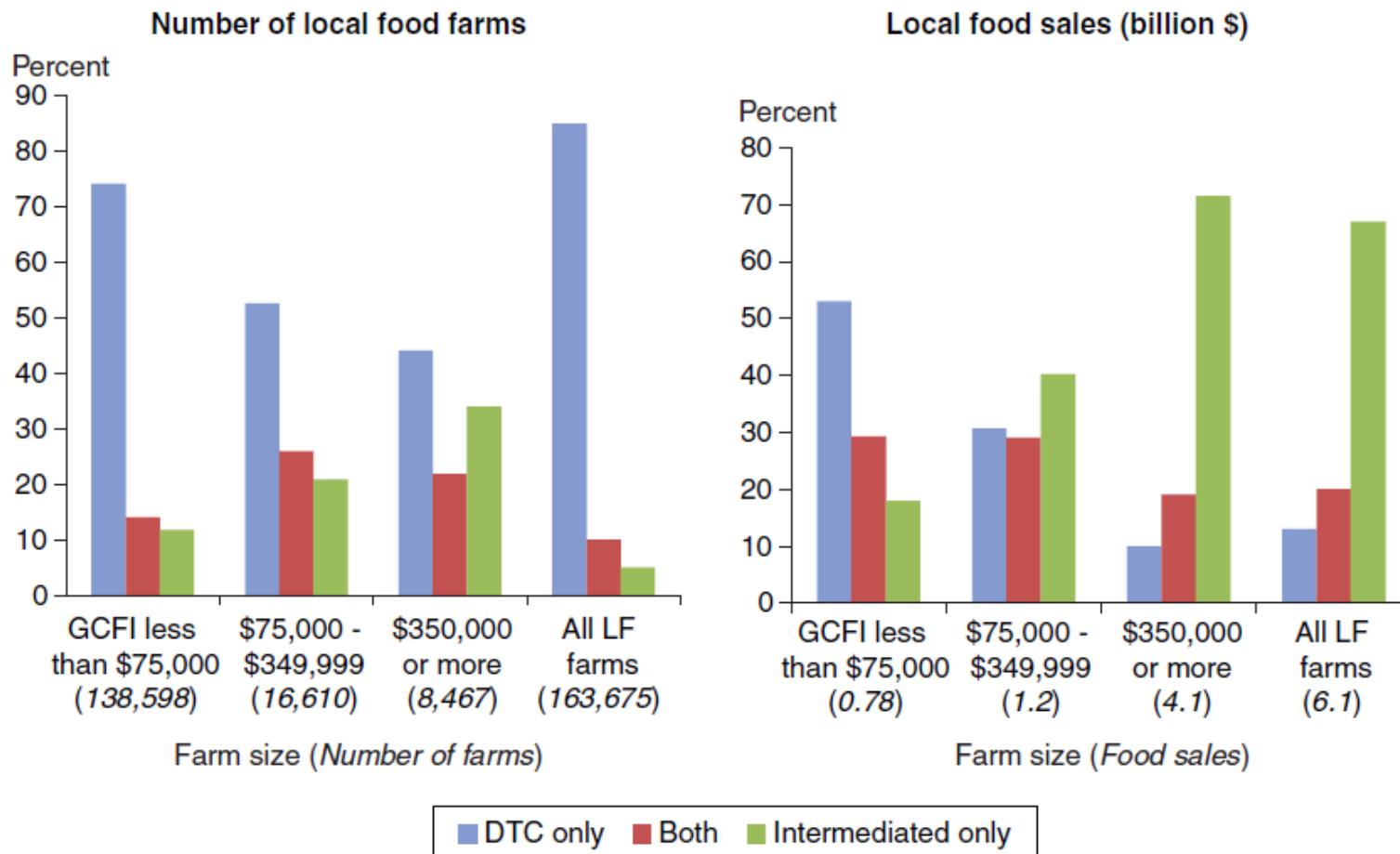
Source: *Principles of Marketing* by Tanner & Raymond

# More on Direct Marketing Channels

- Typically 2 parties involved: Producer and Consumer
  - On-Farm Stores
  - U-Pick
  - Farmers' Markets
  - CSAs
  - Online Sales
- Direct marketing strategies used for local foods, especially for smaller producers
  - Producers can share their story, communicate values with consumers

Figure 5

## Local food farms and sales by farm size and market channel use



Note: The share of farms by farm size and marketing channel use are based on 2012 Census benchmark counts; the shares of total value of local food sales by farm size and marketing channel use are synthetic estimates.

DTC = direct-to-consumer; GCFI = Gross cash farm income.

Source: USDA, ERS/NASS, ARMS data, 2008-2011; USDA, NASS, 2012 Census of Agriculture.

Source: Trends in U.S. Local and Regional Food Systems Report to Congress by Low et al. (2015)

# We are also seeing more retailers cutting out intermediaries.



Business Markets World Politics TV More

BUSINESS NEWS APRIL 24, 2019 / 10:20 AM / 3 MONTHS AGO

## Walmart creates Angus beef supply chain, cutting out meat processors

Tom Polansek

3 MIN READ



SIGN IN

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NEWS

ARTS & LIFE

MUSIC

SHOWS & PODCASTS

SEARCH

NATIONAL



3:21

+ PLAYLIST

DOWNLOAD

## Costco Builds Nebraska Supply Chain For Its \$5 Rotisserie Chickens

October 22, 2018 · 4:31 PM ET

Heard on *All Things Considered*

# Intermediated marketing channels can make it more difficult to communicate one's story, values.

- To signal such values, producers may add labels (or labeling claims) to their food products



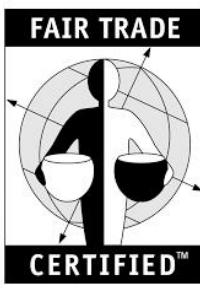
# Why labels exist...

- For consumers, labels:
  - Provide information about product attributes they might not be able to easily see or verify – credence attributes
  - Can also signal a type of public surveillance system, such that people can feel confident in the food system
  - Can signal public values (“vote with your dollars”)
- To help producers/manufacturers/retailers market their product and increase consumers’ value of that product
  - Product differentiation tool

# What are some of the complications with food labels?

- Do consumers know what they all mean?
- Do some of the labels overlap?
- How do you know which labels to trust?
- How many do you really need on a product?

# For example...





◆ Grass fed happy cows from the pristine coastal pastures of Northern California.

◆ No artificial hormones or pesticides

◆ Our cheese is made from organic milk from local family farms in our region.

◆ 4 generations of the Rumiano Family bringing you the best tasting organic hand-crafted cheese on the planet!



3

## Nutrition Facts

Serving Size: 1 oz. (28g)  
Serv. Per Pack: 6

Calories 110

Calories From Fat 80

\* Percent Daily Values (DV) are based on a 2,000 calorie diet

Amount/serving	%DV*	Amount/serving	%DV*
Total Fat 9g	14%	Total Carb 1g	0%
Sat. Fat 5g	25%	Dietary Fiber 0g	0%
Trans Fat 0g		Sugars 0g	
Cholest. 30mg	10%	Protein 7g	16%
Sodium 170mg	7%		

Vitamin A 6% Vitamin C 0% Calcium 20% Iron 0%

5

1,6

4

7

8

9



98% FAT FREE

NO ADDED  
HORMONES<sup>†</sup>

HUMANELY  
RAISED<sup>\*\*\*</sup>

100%  
vegetarian fed.<sup>\*\*</sup>  
No preservatives.

NO ANTIBIOTICS EVER!<sup>\*\*</sup>



## Oven Roasted Turkey

NO NITRATES OR NITrites ADDED.\*  
KEEP REFRIGERATED.

NO MSG ADDED • GLUTEN FREE • CASEIN FREE • FULLY COOKED

60 CALORIES | 1g TOTAL FAT | 510mg SODIUM | 1g SUGARS  
PER SERVING

\*EXCEPT FOR NATURALLY OCCURRING NITRATES IN SEA SALT & CELERY JUICE POWDER.

<sup>†</sup>FEDERAL REGULATIONS DO NOT PERMIT THE USE OF HORMONES IN TURKEY.

<sup>\*\*</sup>TURKEY NEVER ADMINISTERED ANTIBIOTICS OR ANIMAL BY-PRODUCTS. VEGETARIAN GRAIN-FED DIET.

<sup>\*\*\*</sup>TURKEY RAISED ON SUSTAINABLE FAMILY FARMS IN A STRESS-FREE ENVIRONMENT THAT PROMOTES NATURAL BEHAVIOR AND SOCIALIZATION.

SERVING  
SUGGESTION



NET WT  
7 OZ (198g)

PKG MEAT

2.79

GLUTEN  
NO ARTIFICIAL  
MINIMALLY PRO-  
SLICED • FULLY  
KEEP REFRIG

# What does the research say about food labels?

- Research often shows consumers are willing to pay more for products with a specific attribute (for example, organic, cage-free, etc.)
- However, as researchers, we often try to isolate the effect of one label and hold everything else constant
- In my own labeling research, I have worked to consider the larger context in which decisions are made

# Project 1: Putting the Organic Label in Context

- Collaborative work with Dr. Brittany Duff (Advertising, UIUC), Zongyuan Wang (Advertising, UIUC), and Dr. Tiffany Barnett White (Business, UIUC)
- Published in *Food Quality and Preference* (2016)

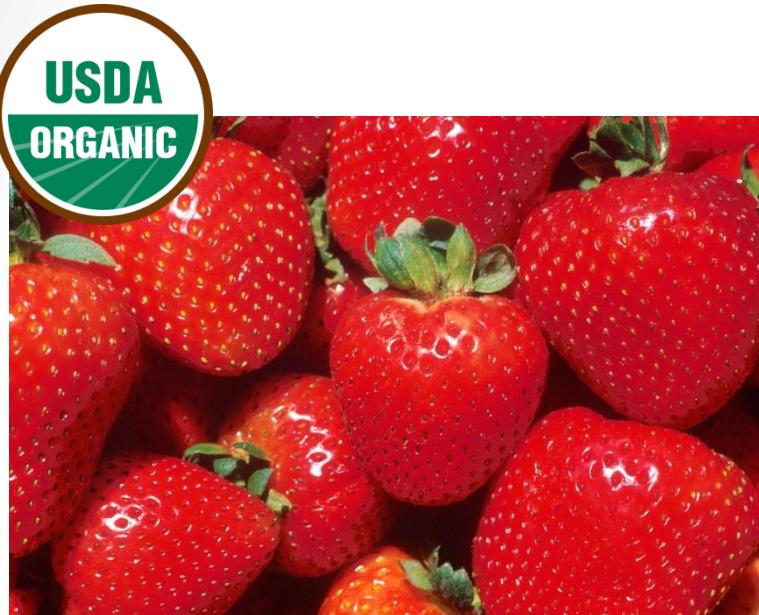
What do you think when you see the organic label on a product?







# Option 1



# Option 2



# Summary of Results and Implications

- Context Matters!!!
  - Organic virtue foods (strawberries) purchased on basis of taste
  - Organic vice foods (cookies) purchased on basis of nutrition
  - Retailers like Walmart may only be suited for promoting organic virtue products
  - Retailers like Target may be able to successfully promote both organic virtue and vice products
- Producers should understand that the organic label will not be interpreted uniformly across products or across retail settings.
  - Brand Reputation vs. Sales Volume?
- What does this mean for regulators?

# A Final Interesting Result

- How “organic” are organic strawberries and organic cookies?  
(% Organic Content)



**84.5%**  
**Organic Content**

**62.1%**  
**Organic Content**

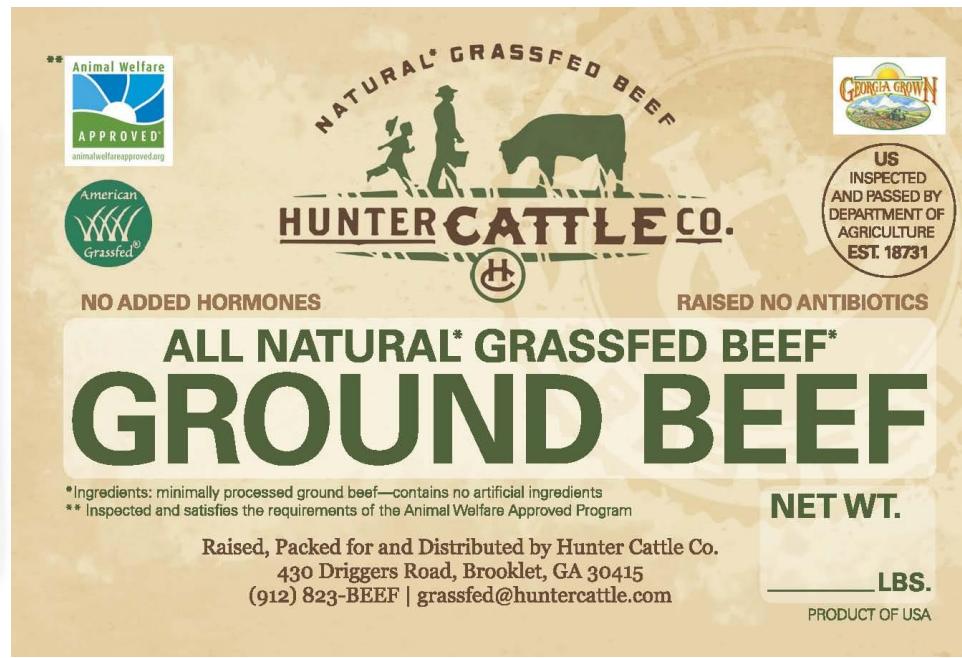
# Project 2:

## Which Livestock Production Methods Matter Most to Consumers?

- Collaborative work with Dr. Kate Brooks and Dr. Taro Mieno (Ag Economics – University of Nebraska)
- Published in *Agriculture and Human Values*, 2017

# Primary Objective

- Determine which production method label claims are most and least important to consumers



# Selection of Production Method Claims and Livestock Products

- Focus on specific on-farm practices:
  1. Product is certified organic.
  2. Animals were humanely raised.
  3. Animals were grass-fed (or raised on a vegetarian diet).
  4. Animals were not administered growth hormones.
  5. Animals were not administered antibiotics.
  6. Animals were raised in a free-range (or cage-free) environment.
  7. Genetically modified organisms were not used in the production of this product (Non-GMO).
- Considered these claims on four product types:
  - Beef meat products, Milk, Chicken meat products, Eggs

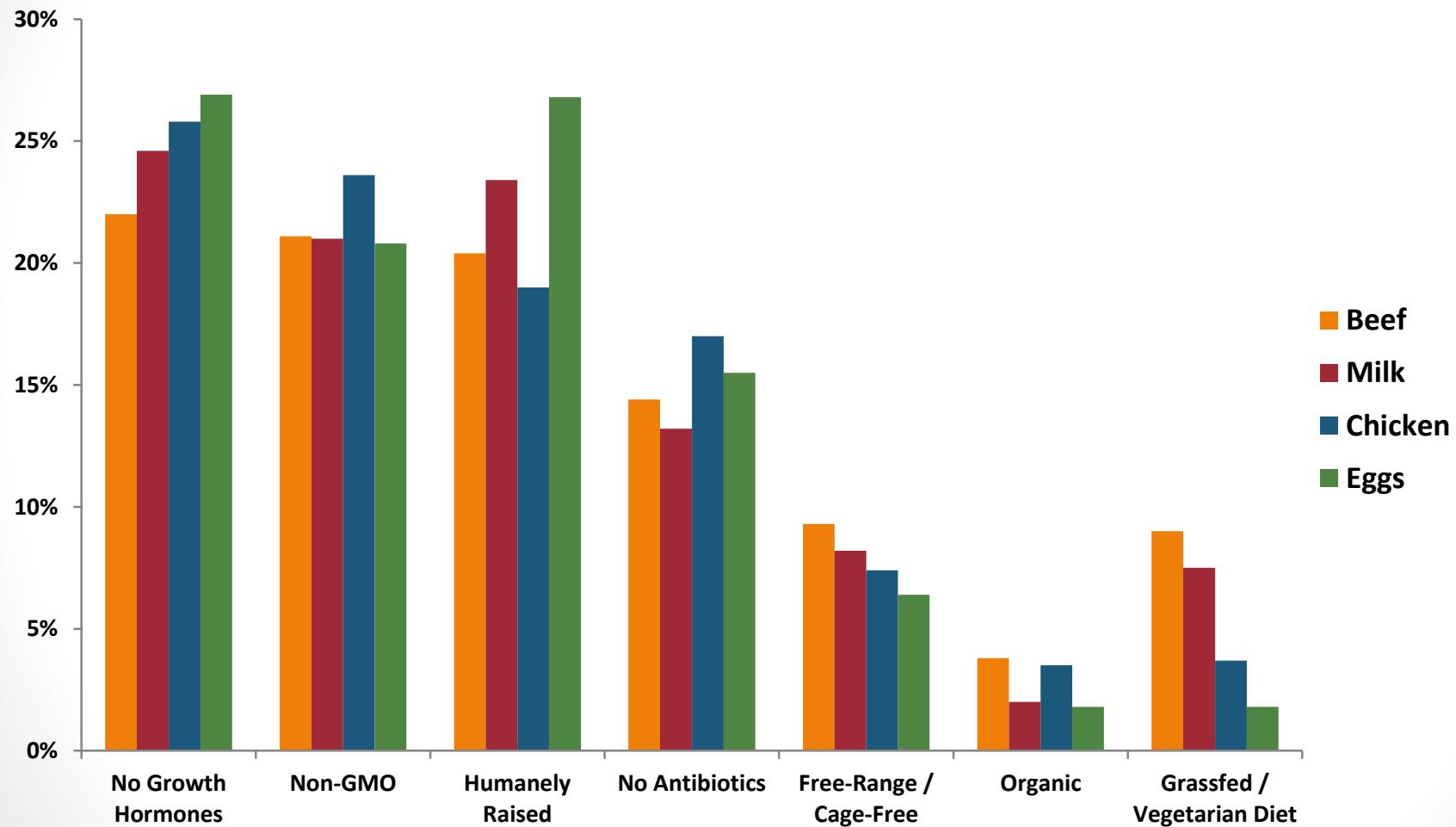
# Sample Best-Worst Question

Which of the following production methods is **MOST** important and **LEAST** important when you are purchasing milk?

*Please check only one production method as the most important and one as the least important.*

MOST IMPORTANT		LEAST IMPORTANT
<input type="radio"/>	Cows are grass-fed.	<input type="radio"/>
<input type="radio"/>	Cows are humanely raised.	<input type="radio"/>
<input type="radio"/>	Cows are not administered antibiotics.	<input type="radio"/>
<input type="radio"/>	Cows are not administered growth hormones.	<input type="radio"/>

# Results – Preference Shares



# Conclusions/Implications

- Use of growth hormones most important across all categories; however, USDA already prohibits this in poultry
  - Lack of consumer knowledge?
- Most shocking: Lack of importance for Organic
  - One of the most comprehensive claims
  - Suggests growing skepticism of this label?
  - Or less knowledge related to organic livestock products requirements?
- For producers, the top three preferred claims were very clear; BUT there are *many* factors at play in food purchase decisions

# Final Thoughts on Food Labels

- Labels can be a good product differentiating tool....
  - IF consumers understand what they mean
  - IF consumers notice them
  - BUT they are competing with many other labels
  - BUT consumers also care about price, taste, etc.

Thank you!  
Any questions?

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