

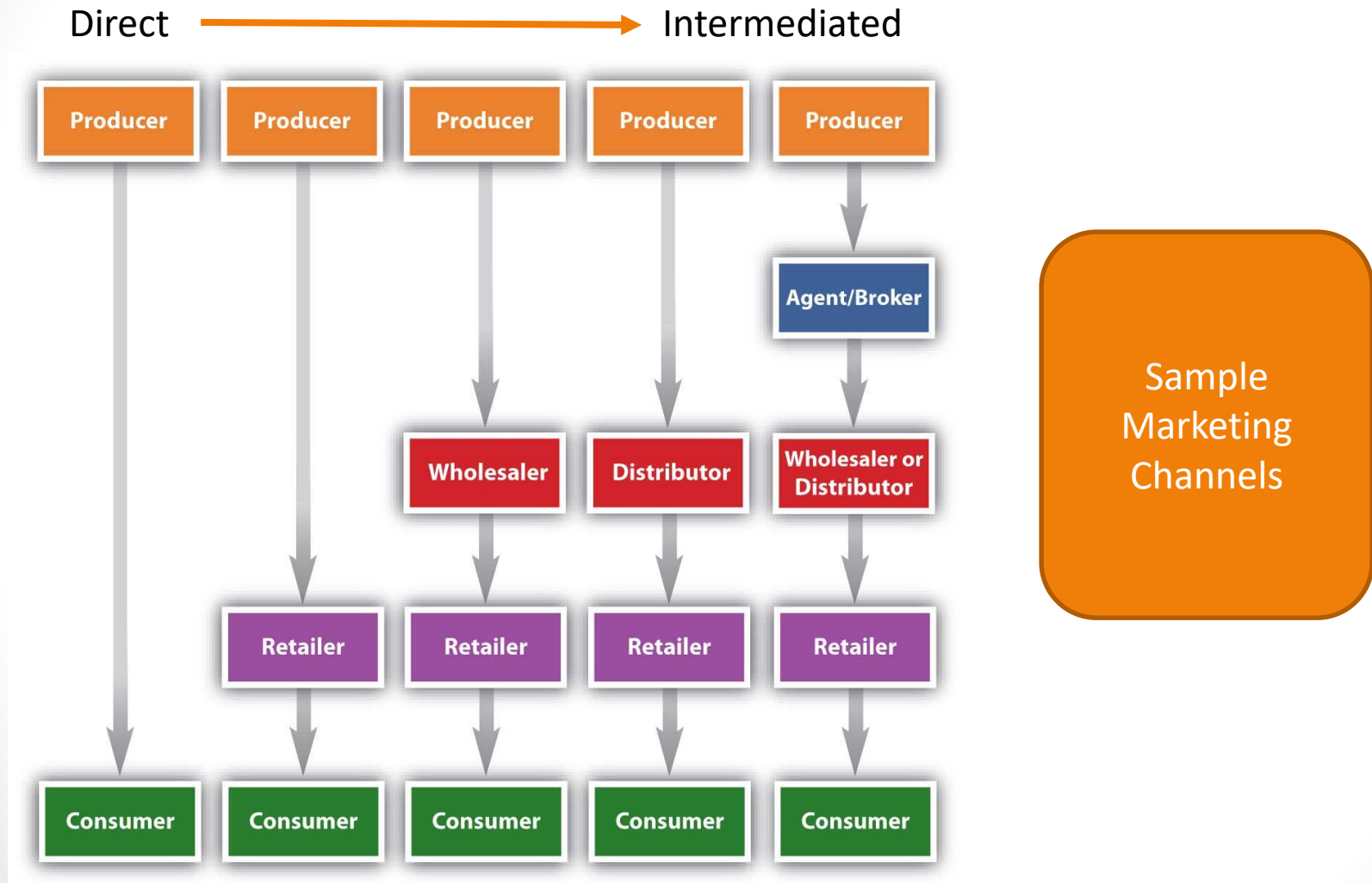
Production Claims and Consumer Behavior/Marketing Channels

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How does food reach consumers?



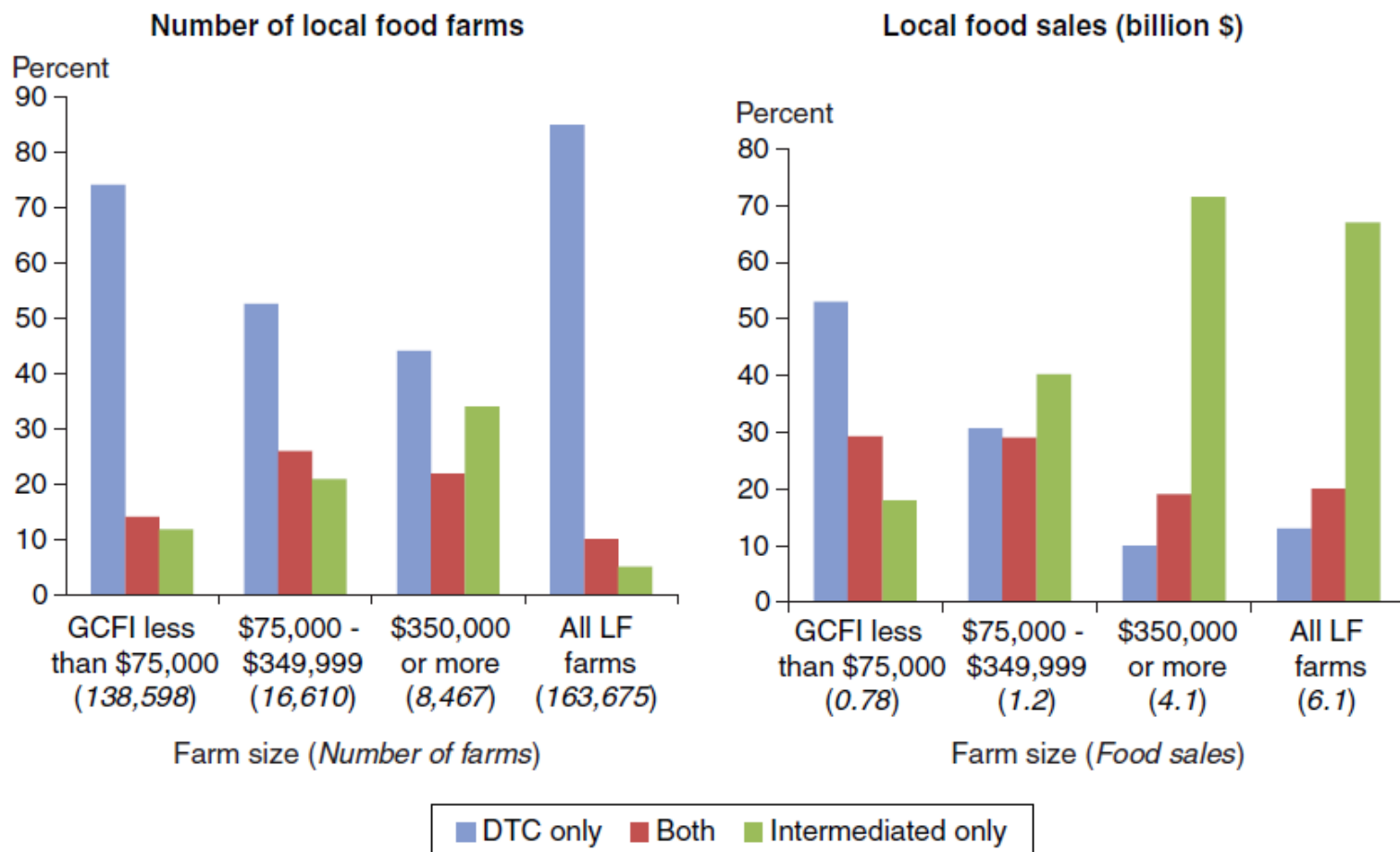
Source: *Principles of Marketing* by Tanner & Raymond

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





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3:21

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NATIONAL

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...





5

◆ 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!

1,6

4

7

8

3



9

CONTAINS 0g OF LACTOSE PER SERVING

Nutrition Facts

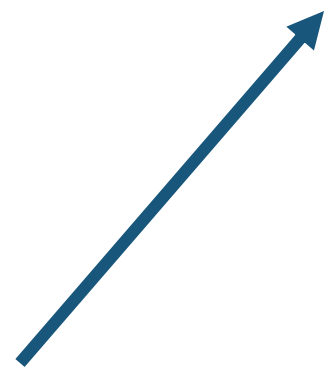
Serving Size: 1 oz. (28g)
Serv. Per Pack: 6

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	2%
Sat. Fat 5g	25%	Dietary Fiber 0g	0%
Trans Fat 0g		Sugars 0g	
Cholest. 30mg	10%	Protein 7g	14%
Sodium 170mg	7%		
Vitamin A 6%		Vitamin C 0%	
Calcium 20%		Iron 0%	



98% FAT FREE

NO ADDED HORMONES[†]

HUMANELY RAISED^{***}

100%
vegetarian fed.^{**}
No preservatives.

NO ANTIBIOTICS EVER!^{**}



Oven Roasted Turkey

NO NITRATES OR NITRITES ADDED.*
KEEP REFRIGERATED.

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

60	1g	510m
CALORIES	TOTAL FAT	SODIUM
PER SERVING		

*EXCEPT FOR NATURALLY OCCURRING NITRATES IN SEA SALT & CELERY JUICE POWDER.
†FEDERAL REGULATIONS DO NOT PERMIT THE USE OF HORMONES IN TURKEY.
**TURKEY NEVER ADMINISTERED ANTIBIOTICS OR ANIMAL BY-PRODUCTS. VEGETARIAN GRAIN-FED DIET.
***TURKEY RAISED ON SUSTAINABLE FAMILY FARMS IN A STRESS-FREE ENVIRONMENT THAT PROMOTES NATURAL BEHAVIOR AND SOCIALIZATION.

NET WT
7 OZ (198g)

SERVING
SUGGESTION



PKG MEAT

GLUTEN FREE
**NO ARTIFICIAL
MINIMALLY PROCESSED
SLICED • FULLY COOKED
KEEP REFRIGERATED

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:

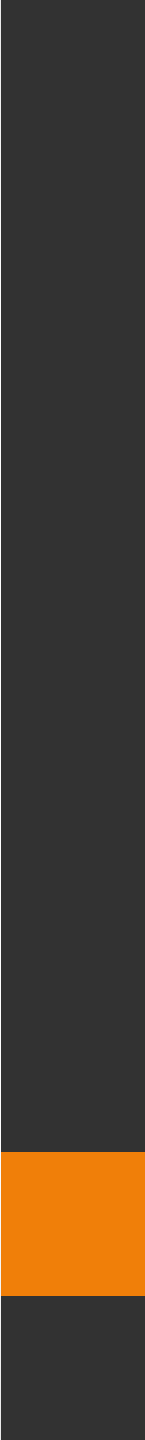
Putting the Organic Label in Context

- 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

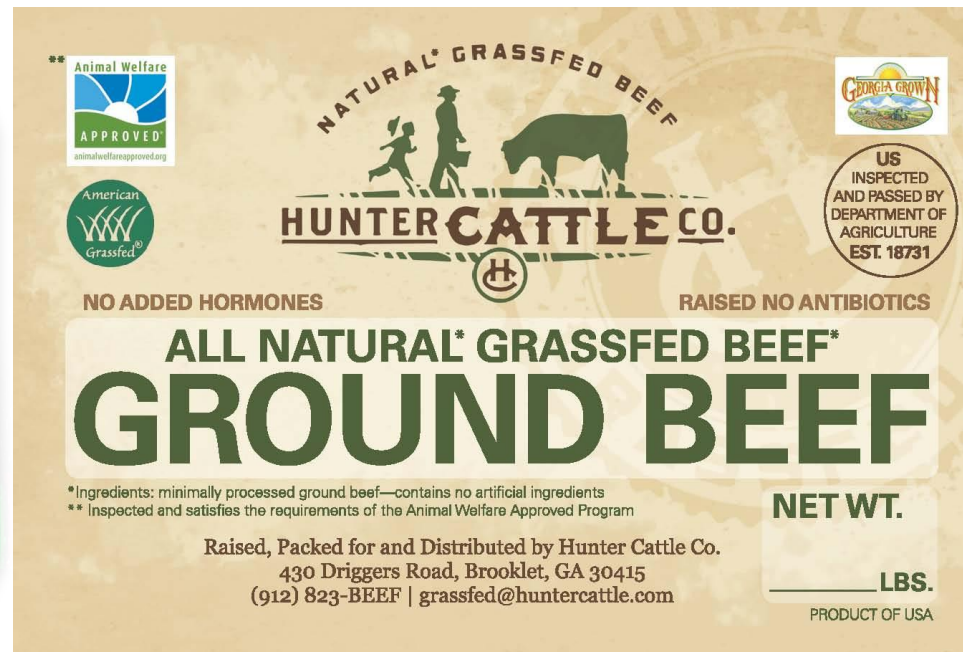
Project 2:

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

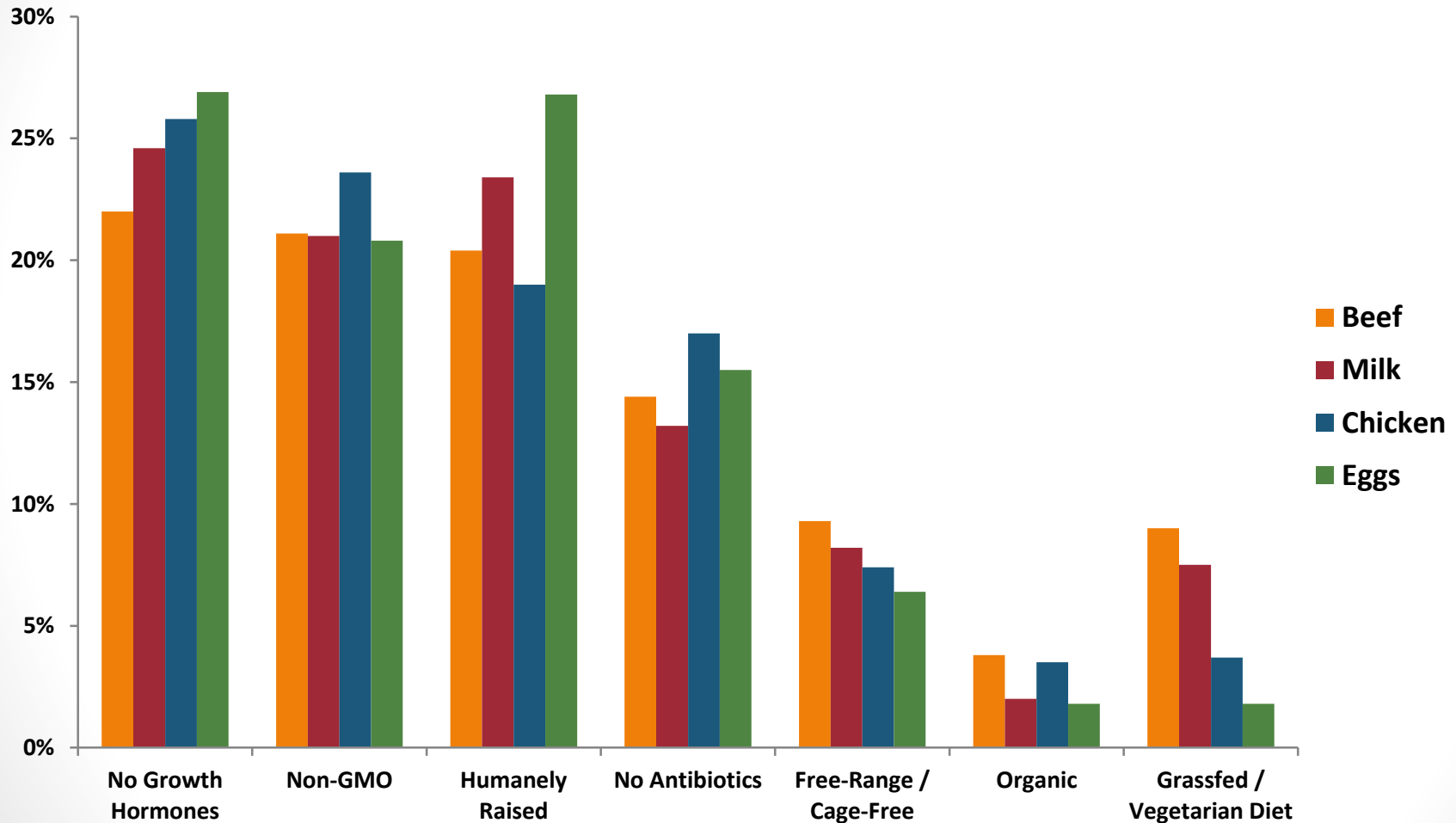
Sample Best-Worst Question

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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