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May 2003



# Potentials for improving consumer information

Summary



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## SUMMARY

The present report comprises one of the three parts of the final TAB reporting on the TA project »Trends in food supply and demand and their consequences«, carried out at the suggestion of the Committee for Food, Agriculture and Forestry (now the Committee for Consumer Protection, Food and Agriculture). The two other parts are »Potential for improving food quality« and »Potential for expanding regional food supply«.

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### OBJECTIVE AND KEY TOPICS OF THE REPORT

The BSE crisis was not least also a crisis for consumer information. Every food scandal shakes consumer confidence in the safety of food, and poses special challenges to consumer information.

However, labelling and other consumer information are current topics in the debate about green genetic engineering and new processing technologies in Germany and the EU. In the same way, there has long been controversy about health-related labelling and advertising claims for foods.

In recent years, a range of labels for regional and organic foods have been developed by both the state and private sectors. The large number of labels, the lack of information in some labels, and generally the wide diversity of information on the quality of food, together tend to produce an information overload, with additional uncertainty on the part of consumers.

At the same time, demands are increasing for transparency about origin, production and processing in the food chain. Increasingly, consumers want to know where food comes from, how it was processed, and what health and ecological risks are involved in production and consumption of these products. Despite the range of available information, key data is often missing, e.g. for allergy sufferers. Ultimately it is becoming increasingly clear that comprehensive information on production and processing conditions involves steadily increasing demands on labelling, and it is becoming impossible to convey this information on the product itself or through retailing.

The TAB study accordingly was not concerned with supplying a rationale for or opinion in favour of or against improved consumer information on food. In-



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stead, the commission was to identify possibilities for and limits to an expansion of consumer information. The following questions were studied for this purpose:

- > What do we mean by consumer information?
- > What information needs and forms of processing exist among consumers?
- > What approaches to information in addition to food labelling are important?
- > How do the growing complexity and division of labour in food processing and marketing affect possibilities for consumer information?
- > What potential is there for improving consumer information, and what obstacles are there to realising this potential?
- > What interactions between various actors along the food chain are relevant?
- > What possibilities exist for political influence/structuring?

To begin with, important aspects of the term »consumer information« are presented and their context explored (section II). This deals with forms and providers of consumer information, target groups for consumer information, basic motivations in information behaviour, forms of information processing, and consumer paradigms. This also establishes important basics for the discussion of development trends and areas for action.

Subsequently, trends in development and areas for action are studied in more detail (section III). After a brief review of the importance of consumer information for communicating food quality and regionality, there is a detailed study of the status and development trends in on-product labelling and off-product information approaches.

Finally, options for action on labelling and off-product information approaches are described. The starting point are three scenarios for the future development of food quality and regional food supply: »polarisation«, »convergence« and »differentiation«. Subject to the condition that improving consumer information is made a political goal, general guidelines are developed. The purpose here is to present important elements of a strategy to expand consumer information. In a further stage, options for action are presented and discussed.

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### GOALS OF THE STUDY: OVERALL APPRAISAL, GUIDELINES

Conveying consumer information on characteristics, production and use of foods is a communication process. Growing information needs result particularly from the increasingly complex and confusing processes in the food chain and from consumer uncertainties. However, consumer information itself, with

its diversity of actors, content and channels, is extremely heterogeneous and complex. Summarising, the overall assessment is as follows:

- > Instead of a single approach to consumer information, there are many information items, channels and goals shaped by different interests on the part of information providers, different information channels and forms, and different information needs on the part of consumers. There is some conflict or competition between the various approaches to information.
- > Given the diversity of actors and their different evaluations, a supply of information free from contradiction is impossible. It is very difficult to achieve information which is simultaneously scientifically correct, generally comprehensible and relevant for action. Ultimately, the varying forms and channels of information cannot be simply harmonised.
- > Differing information needs and forms of processing among consumers require specific approaches to information, with comprehensive information for some consumers tending to lead to information overload for other consumers.
- > (On-product) labelling is determined by a large number of horizontal (general) and vertical (product-specific) regulations. It is accordingly complicated, and there have been very frequent changes in recent years to statutory regulations. This leads to problems among producers or marketers in proper compliance with labelling regulations.
- > In various areas there are exceptions and gaps which result in incomplete labelling. For example, not all ingredients have to be shown in the list of ingredients under prevailing law. The EU Commission has since presented proposals for complete presentation of ingredients, which is very important to allergy sufferers. Consumer associations are calling for labelling which is as complete as possible, for example giving not only the recommended shelf life but also the production date, so that consumers can see how old food is. Consumer surveys show that comprehensive labelling is a very high priority.
- > At the same time, labelling already provides a range of information consisting of numerous components which are at least partly misunderstood or misinterpreted by many consumers. For example, formally correct information on food packaging can lead to misunderstandings among consumers. In this way, labelling contributes to the information overload.
- > Finally, obligatory labelling is excessively concerned with food technology and legally exact definitions, which makes it out of touch with everyday language and general consumer understanding. The problems are exacerbated by the fact that uniform labelling regulations are intended to satisfy very different motivations and information behaviour on the part of consumers.
- > One answer to problems in labelling is quality seals (e.g. bio-seal, QA seal), which summarise a range of information on food quality, and whose criteria



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and contexts need to be made transparent. The possibilities of quality seals which give clear information on specific qualities of foods are still far from exhausted. This applies inter alia to labelling regional foods, where for example protected labels of origin and details of geographical origin under EU Regulation 92/2081/EEC have been hardly used at all in Germany.

- > Labelling cannot do everything, as the tension between too much information and too little information cannot be easily resolved. This is one reason why off-product information approaches are becoming increasingly important. These information approaches can supplement labelling and also serve an independent information function. Overall, off-product information approaches will play an increasingly important role in building confidence (particularly by disclosing information) and in creating dialogue communication structures.
- > Through the Internet information can be provided on demand, and adapted to the different forms of information behaviour. A portal structure is particularly suitable for summarising, organising and structuring information of varying quality and quantity. The Internet requires the consumer to search actively for information, which makes it primarily suitable for background information.
- > Consumer telephones and hotlines are primarily suitable for standardised information procedures and undisputed technical information. Individual advice is also possible through hotlines, although it involves heavy costs. The limits to providing information through hotlines are accordingly set less by the suitability of the medium than by cost.
- > The mass media with their various broadcasting and reporting formats offer highly differentiated opportunities for shaping information policy. Due to their prominence in consumer everyday life, they play a central role in disseminating information. Besides their information and monitoring function, they also contribute to building confidence.
- > In food retailing consumer information has high potential impact, as it operates directly in the context of purchasing and decision-making, and suitable information has great relevance at this moment. However, the trend in food retailing is away from personal contact with customers towards brand communication. Personal contact between customer and seller will accordingly survive in future primarily in speciality shops.
- > The priority of consumer advice in food information will change. The classic educational structure of consumer advice will, in the course of using modern communications technologies, increasingly give way to interactive dialogue, organised through demand functions, exchange fora and discussion platforms. The possibilities of consumer education are expanding considerably as a result of the Internet. This particularly benefits consumer groups who use modern technologies confidently on an everyday basis.

Based on these assessments and the overall assessment of the TA project, nine guidelines are developed for a policy of improving consumer information. These guidelines are important for policy at both Federal level and other political levels and actors.

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## **TAKING INTO ACCOUNT DIFFERENT INFORMATION NEEDS**

Just as demand for food is becoming increasingly differentiated, needs for information on food are also developing increasing complexity and diversity. The motivation and information behaviour of consumers vary widely. Generally, we can speak of a trend towards individualising information needs. Orientation towards a single consumer paradigm is accordingly inadequate. A consumer information policy should accordingly bear in mind the different information needs, and take these into account as far as possible.

## **BUILDING CONFIDENCE**

Building confidence in the food sector relates to both products and the information providers themselves. Due to increasing remoteness from food production and processing, there is a growing need for confidence in products. Creating and maintaining such confidence is a basic motivation for food information behaviour. However, consumers have virtually no opportunity to develop and test criteria for food quality themselves with reasonable effort and expense. Acceptance of information is accordingly determined by the credibility of the information provider. For consumers, the credibility of the source of information is an important substitute for an evaluation of the quality of the information. Creating credibility accordingly becomes the central criterion of success for the effectiveness of consumer information. An important role in this is played by agreement between different sources of information, e.g. product labelling, product information, advertising and supplier public relations. Confidence is further increased by displaying information. The Internet is particularly suitable for this, for example by providing access on demand to detailed information on criteria, test procedures and other information for quality seals.

## **STRIVING FOR RELEVANCE FOR ACTION**

Besides credibility and reliability, information should also have relevance for orientation. This is specifically achieved if confusing and diverse information



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is summarised in simple, striking and cohesive formula, in the sense of rules of thumb. A central objective should accordingly be everyday relevance and relevance for action. Relevance for action also facilitates access to further and differentiated background information, because simple formula as a point of entry help in categorising information.

### USING VISUAL PROGRAMMES

Communicative integration of food qualities and nutrition trends into appealing images can create the conditions for changing behaviour. Brand advertising for food shows the power of information embedded in visual programmes. Brand images contain not only ideas about product quality but also images of people and situations where the products fit in. However, brands and visual programmes serve not only as substitute indicators of product quality but also – and primarily – to help users position themselves. Products and or nutrition styles associated with attractive visual programmes accordingly have greater acceptance, and can also create a reception and information mood which generates incentives to seek information. Technical information alone has little impact in terms of education and influence. Many consumers respond negatively to information which is presented in a pedagogic and educational style. Threats of hazards, risks, illnesses or long-term injury also have little impact in terms of sustainable information unless they include appealing solutions to problems.

### SIMPLIFYING MANDATORY LABELLING

The situation in mandatory food labelling is characterised by problems with formally correct labelling on the part of the manufacturers (marketers) and a lack of perception, misunderstanding and misinterpretation on the part of the consumer. The challenge here is to eliminate exceptions and gaps on the one hand while simplifying rules and improving content on the other hand. Special attention should be paid in further developing labelling regulations to bringing labelling closer to the consumer's everyday language and understanding. However, completeness and comprehensibility are requirements which cannot both be satisfied without conflict. Ultimately, comprehensive display of all ingredients of foods is important for allergy sufferers. The EU Commission has taken corresponding steps.



## USING DIFFERENT INFORMATION CHANNELS

Only a limited amount of information can be carried in labelling on packaged foods. In future, it will accordingly be increasingly important to combine on-product labelling with off-product information. Important supplements are the provision of additional information at the point of sale in food retailing, in the form of monitor screens, signs or leaflets, and new and expanded information services on the Internet. The increasingly intensive use of various information channels raises demands in terms of agreement or lack of contradiction in the available information, which are decisive for the credibility of information providers and consumer confidence.

## DEVELOPING NEW STANDARDS AND QUALITY SEALS

The bio-seal for products of organic farming will probably serve as an example of how to communicate successfully the specific quality of an entire production system. However, this is far from exhausting the possibilities of quality seals. New standards could, for example be developed for livestock farming systems («animal-appropriate», «particularly animal-appropriate» – TAB 2003a) or regional products (TAB 2003b). Quality standards should then be established on the basis of these standards and provided with protected labels, where private sector labelling could again make a start. In Germany, the possibilities of protected labels of origin under Regulation 92/2081/EEC are by no means adequately used as quality labels for regional specialities (TAB 2003b). Quality seals serve primarily to compact information on the process quality of foods. Quality seals should be integrated into attractive visual programmes and secured for confidence building by extensive display of information (for example on the Internet).

## MAKING QUALITY CHARACTERISTICS TRANSPARENT AND COMMUNICATING THESE

Efforts to improve food quality (TAB 2003a) can only succeed if the new or improved characteristics can also be communicated. Consumers must be easily able to identify and understand specific qualities. As these are characteristics which must be taken on trust, specifically with process qualities, communicating them poses particular requirements in terms of competence and credibility. Quality policy is dependent on corresponding improvements in food labelling and consumer information by both the state and private sector actors. Measures in food policy generally, such as nutrition advice and education or conveying



information on foods can help quality characteristics to be recognised and acknowledged.

## PROMOTING COOPERATION BETWEEN DIFFERENT ACTORS

Decisions on the statutory basis for food labelling are taken at EU and Federal level. At the same time, politicians and agencies at EU, Federal and Land level are important actors in providing information on food and creating the environment for consumer information. Producers and retailers have a central role in implementing food labelling, and also in providing off-product information. Increased cooperation and coordination between actors along the added value chain is being increasingly important in consumer information as well. Finally, consumer associations and advisory centres have an important role as independent institutions, specifically in providing credible information and contributing to building confidence, and consumers themselves are playing an increasingly active role. These different actors should cooperate more, while performing their specific tasks. In view of the complexity of the information content (particularly on food quality) and the complexity of the consumer information itself, cooperative ventures should be promoted in order to achieve synergies, avoid unnecessary contradictions and promote reciprocal learning processes.

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## OPTIONS FOR ACTION – PACKAGED BY SCENARIO

In the TA project, three scenarios are postulated for the future development of the food sector: polarisation – convergence – differentiation. Various options for action to further operationalise labelling can be assigned to these scenarios. The options are alternatives, which would need to be operationalised through specific steps.

### POLARISATION

The »polarisation« scenario assumes a long-term crystallisation of the two primary qualities »conventional« and »organic«. Growing demand, state promotion and more effective marketing (e.g. bio-seal) lead to a growing market share for organically-grown food. At the latest when the dominant distribution outlet becomes food retailing (specifically supermarkets and hypermarkets, but also discounters), organic foods are no longer niche products.

While demands in terms of food safety are rising for products of conventional agriculture (e.g. as part of the QA system), there is little pressure otherwise to raise quality standards. Environmental and animal welfare requirements are not being significantly raised for (conventional) food production. Rising demands under hygiene regulations and QA systems with certification will increasingly force smaller farms and smaller enterprises in food processing out of business. This continues the past trend of a declining market share in the middle price segment for food.

This scenario has the option »simplified labelling«: Simplifying labels aims to make them generally comprehensible, clearer and limited to essential information. The goal is accordingly primarily to reduce the information overload. This option corresponds to consumer expectations that labelling will be highly useful and not confusing. Key information on the quality of foods should be conveyed through two standards – the bio-seal and QA seal. These require disclosure of information.

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## CONVERGENCE

The »convergence« scenario assumes that demands for the various production systems will move together, ranging from aspects of food safety to standards for environmental protection and animal welfare.

Food from organic farming will again win a significant market share. Growing use of conventional processing and marketing channels will enhance market success, but will also result in blurring differences. Retailing will increasingly use international procurement markets to obtain organic foods as well. Organic farming will continue to try and make the greatest possible use of advances in production technology, and EU requirements will remain unchanged at their present level.

By contrast, requirements for various quality criteria will rise in conventional farming. Besides introducing quality assurance systems to improve food safety, it is assumed that minimum requirements for environmental protection and animal-appropriate livestock farming will be significantly raised. Attention to quality criteria such as enjoyment and health and nutritional values will also increase among all actors in the food chain. The general convergence of the quality standards will mean a decrease in the importance of individual product characteristics.



This scenario has the option »comprehensive labelling«: this option aims at further development in the direction of more complete and systematic labelling. This is intended to eliminate gaps and inconsistencies in labelling and satisfy consumer expectations for complete labelling. This approach can potentially be linked with simplifying the labelling laws.

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## DIFFERENTIATION

The »differentiation« scenario describes growing segmentation of the food market in which growing differentiation of consumer wishes is reflected in definition, labelling and advertising of different quality criteria, ranging from animal welfare to environmental conservation to enjoyment, nutritional and health value and convenience.

Organic products are here just one quality product among others. Their growth potential is accordingly limited. Products from animal-appropriate, extensive production processes which conserve landscapes or the environment could represent other lines of quality. Additional quality differentiation continues to be introduced at the level of food processing, i.e. vertical product differentiation increases in many product categories. Issues of food safety become subordinate and lose importance.

The differentiation also applies to marketing channels for foods. Direct marketing, farmers' markets, regional supply systems (»from the region, for the region«), regional specialities with supraregional distribution, supraregional and national processors and marketers, and European and global products will all play a role. There will accordingly be market segments ranging from largely unprocessed products through to convenience products with a high level of processing.

This scenario has the option »multilevel labelling«: The goal here is greater differentiation in labelling requirements. A (mandatory) core area of generally understandable and clear labelling will be supplemented by various quality seals and optional labelling requirements. Optional labelling provides a direct link with off-product information approaches, i.e. specific labelling can be omitted if the corresponding information is offered and easily accessible in other ways (e.g. Internet, request). This option is designed to respond specifically to the varied information needs of consumers.



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## EXPANDING CONSUMER INFORMATION

Besides further expansion of labelling, various options on off-product consumer information with supplementary character can be identified and discussed. These are:

- > Consumer Information Act
- > disclosure of consumer information
- > agreement between sources of information
- > strengthening consumer advisory services.



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