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# Governmental and private certification labels for organic food: Consumer attitudes and preferences in Germany

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## ABSTRACT

In July 2012, the new EU logo for organic food became mandatory for all packaged organic products produced within the EU. While voluntary governmental and private organic certification labels have a long tradition in Europe, the introduction of a mandatory logo is novel in the regulatory environment. The variety of organic labels in the market raises a number of questions from the perspective of consumers that remain open. Based on empirical findings from Germany, this paper discusses and analyses consumer attitudes towards the mandatory EU logo for organic food and analyses consumer preferences and willingness to pay for a variety of governmental organic labels and farmers' association labels. The aim of this paper is to provide recommendations for governmental and private owners of organic certification labels.

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## Introduction

Germany has by far the largest market for organic food in Europe (Schaack et al., 2011). Over the last decade, the German organic market has grown continuously (Padel et al., 2009; Schaack et al., 2011). In the European Union (EU), the market for organic food falls under EU Regulation (EC) No. 834/2007 and the corresponding implementing regulations that lay down the principles of organic production, certification and labelling. A new development in the regulatory environment of the European organic market is the introduction of a mandatory logo for organic food. As of July 2012, all packaged organic products produced in the EU must carry the new EU logo for organic food (Regulation (EU) No. 271/2010). The new logo thus replaced the former EU logo for organic food, which was optional. The mandatory EU logo was introduced to strengthen the organic sector by making organic products easier for consumers to recognise in all 27 EU countries (Regulation (EC) No. 834/2007, Regulation (EU) No. 271/2010).

The German organic market is characterised by a number of different governmental and private organic certification labels. The variety of labels is the product of the manner in which the German organic market developed. Labels from private organic farmers' associations have the longest tradition. In 1992, the former EU logo for organic food was introduced at the EU level, but this label was

rarely used in the German market. By contrast, the German governmental 'Bio-Siegel' logo quickly penetrated the German organic market after its introduction in 2001. The standards for using the Bio-Siegel logo are directly based on EU standards, and the label can be used upon request on all organic products that have been certified according to EU requirements (Öko-Kennzeichengesetz). The newest organic certification label in the German market is the new EU logo for organic food. In contrast to the aforementioned voluntary labels, the use of the EU logo for organic products is mandatory within the EU.

Given the variety of organic labels in the market, organic producers, processors and retailers must decide which label(s) they display on their products. The introduction of the mandatory EU logo for organic food raises the question of whether voluntary organic certification logos are necessary or provide any additional benefit. A private or governmental organisation is free to establish an organic certification logo (as long as the underlying requirements for the label comply with EU requirements). As will be outlined in section 'Governmental and private organic labelling systems', the ultimate purpose of the use of organic certification logos is to influence consumer behaviour. On the one hand, the literature has reported that excessive labelling and information overload may cause consumer confusion (Verbeke, 2005), which can act as a barrier to increased organic product sales (Langer et al., 2008). On the other hand, the issue of consumer confusion can be mitigated – even with several logos – if each logo is clearly targeted at a particular market segment and properly highlighted with key information (Verbeke, 2005). Voluntary organic

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labels have a long tradition in Europe, and some enjoy a high level of recognition. Moreover, the requirements for certain organic labels exceed EU requirements. These labels can provide a type of market differentiation if consumers understand the differences between them.

To date, little is known about how consumers view *different* organic labels. Our review of scientific journal articles published in English and German reveals that previous studies on organic food mostly used a single organic label and/or the generic term 'organic', but not several organic labels (e.g., [Marette et al., 2012](#); [Stolz et al., 2011](#); [van Loo et al., 2011](#)). One exception is the study by [Enneking \(2003\)](#), which investigated the effect of using the newly introduced Bio-Siegel logo in addition to previously existing organic brand and certification logos on consumer preferences. Two of the tested organic labels – the Bioland farmers' association logo and an organic retail brand logo – benefited from the additional use of the (at the time) new Bio-Siegel logo, whereas consumer preferences for the logo of the Demeter farmers' association were unaffected. In the interim, Bio-Siegel has become the most common organic label in Germany, and the findings of this study, therefore, cannot be generalised to the current situation.

The objective of this paper is to analyse how organic consumers respond to different governmental and private organic certification labels. The study draws on qualitative and quantitative methods of empirical consumer research conducted in Germany. We investigate consumer attitudes toward the new mandatory EU logo and determine whether certain organic labels are more successful than others in influencing consumer behaviour. Furthermore, we take into account the heterogeneity in consumer preferences for organic food because consumer purchasing behaviour with respect to organic food varies considerably in the population ([Wier et al., 2008](#)). Therefore, we analyse whether different organic labels are preferred by different consumer segments. The overall aim of this paper is to provide recommendations for improving the consumer response to governmental and private organic certification labels.

### Governmental and private organic labelling systems

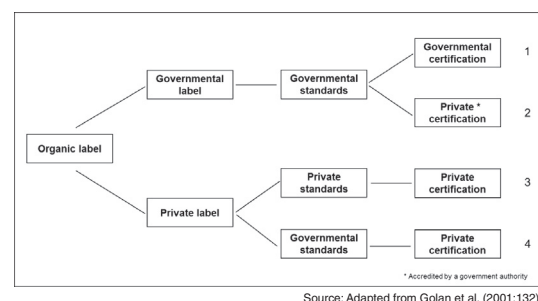
Product labelling is defined as "any policy instrument by a government or other third party that somehow regulates the presentation of product-specific information to consumers" ([Teisl and Roe, 1998](#): 1). Product labelling may be voluntary or mandatory ([Teisl and Roe, 1998](#)). Voluntary labelling is generally used to highlight desirable product attributes, such as labels for non-GM (genetically modified) food products or voluntary organic labels. Mandatory labelling, by contrast, is established and required by law and aims to provide consumers with information about product attributes that are considered essential for a buying decision ([Golan et al., 2001](#)). There are different types of mandatory labelling. One type involves providing information that must be displayed on *all* products, such as the mandatory indication of quantity on all packaged food products (either volume or weight). Another type involves providing information that must be displayed on products that possess certain characteristics. This type of labelling is mainly used for undesirable attributes that suppliers would otherwise disguise. Currently, the mandatory labelling of GM products under discussion in the European food sector represents this type of labelling. The new EU logo for organic food is a third type of mandatory labelling. This label is used to highlight desirable product attributes. In contrast to the previous example, the new EU logo is mandatory only for products that are produced *and* labelled in a certain way (namely, as organic).

Product labelling plays an important role in the organic food market because organic standards regulate the processes involved

in production rather than the characteristics of end products. What makes a product 'organic' is the way in which it was produced, controlled and certified ([Jahn et al., 2005](#); [Roe and Sheldon, 2007](#)). At the time of purchase, it is impossible for consumers to verify whether a product is organic because consumers do not normally oversee entire production processes. Organic products are thus credence goods ([Roe and Sheldon, 2007](#)). The high degree of information asymmetry between producers and consumers coupled with the fact that organic food products typically have significant price premiums over conventional and equivalent products make the organic market prone to fraudulent claims, which jeopardises consumer trust ([Jahn et al., 2005](#)). Without external intervention, the organic market might fail because "widespread deception makes consumers less responsive to messages, even those that provide truthful information" ([Golan et al., 2001](#): 130). Organic certification combined with product labelling is an instrument for overcoming these deficiencies ([Grolleau and Caswell, 2006](#)). Organic labels are used to inform consumers that the products are trustworthy. Compared to other policy instruments, certification combined with labelling is considered an effective policy instrument for preventing fraud and helping non-fraudulent firms increase profits in green markets ([Hamilton and Zilberman, 2006](#)).

In the EU, the minimum standards for organic production, processing, certification and labelling are regulated by Regulation (EC) No. 834/2007 and its corresponding implementing regulations. While all products marketed as 'organic' must comply with EU legislation, private organisations are free to define organic standards that exceed the minimum EU standards. In all organic certification systems, standard setting, certification and enforcement are undertaken by third-party organisations. Third-party organisations are independent bodies that are neither the supplier (first party) nor a contractor who acts in the interest of the supplier (second party) ([Tanner, 2000](#)). It is generally assumed that third-party organisations enjoy greater legitimacy, provided that they have "no stake in the outcome of the transaction" ([Hatanaka et al., 2005](#): 358). However, the literature has also indicated that the credibility of a label depends on the credibility of the third-party organisation standing behind the labelling scheme. From this point of view, product labelling involves a shift in the credence attribute from the producer to the third-party organisation ([Albersmeier et al., 2010](#); [Moussa and Touzani, 2008](#)).

In organic certification systems, different types of government agencies and private organisations act as third-party bodies. [Fig. 1](#) provides a systematic overview of the governmental and private involvement in organic certification systems, which was adapted from [Golan et al. \(2001\)](#). Above all, distinctions must be drawn between governmental and private organic labels, between governmental standards and private organisation standards, and between governmental and private certification.



Source: Adapted from Golan et al. (2001:132)

**Fig. 1.** Governmental and private involvement in organic labelling systems.

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