



ELSEVIER

Contents lists available at ScienceDirect

Resource and Energy Economics

journal homepage: www.elsevier.com/locate/ree



Consumer confusion over the profusion of eco-labels: Lessons from a double differentiation model



Dorothee Brécard*

Université de Toulon, LEAD, UFR Sciences Économiques et de Gestion, Avenue de l'Université, BP 20 934, 83 957 La Garde Cedex, France

ARTICLE INFO

Article history:

Received 23 January 2012

Received in revised form 10 September 2013

Accepted 6 October 2013

Available online 17 October 2013

JEL classification:

D11

D62

D83

L15

Q58

Keywords:

Eco-label

Environmental quality

Green consumer

Product differentiation

ABSTRACT

How are eco-label strategies affected by consumer confusion arising from the profusion of eco-labels? This article provides a theoretical insight into this issue using a double differentiation framework. We assume that consumers perceive a label as a sign of quality compared to an unlabeled product, but that they cannot fully assess the environmental quality associated with each label and only see each label as a particular variety of a similar product. We analyze the pricing strategies of three firms, each one providing one product: a labeled product, with high or medium environmental quality, according to the eco-label, or an unlabeled product. We infer lessons for eco-labeling policies, according to the identity of the certifying organization: the regulator, an NGO or the firms. We show that the firm supplying the eco-labeled product with a high environmental quality is weakened by consumer confusion while the firm selling the unlabeled product suffers from strict labeling standards, to the benefit of the firm providing the labeled product with a lower environmental quality, which gains a competitive advantage. Most labeling policies consist of harmonizing labeling criteria, but only certification by a third party, the regulator or a NGO, guarantees the high environmental quality of labeled products, whereas certification by firms leads to a uniform undemanding standard. However, when both labels are provided by two different certifiers, including a firm, harmonization of

* Tel.: +33 494 14 28 76; fax: +33 494 14 21 65.

E-mail address: brecard@univ-tln.fr

environmental standards does not occur and the NGO's or regulator's eco-labeling standard will be much more stringent than the firm's one, preventing NGO's or public eco-labeling policy to significantly enhance quality of the environment and welfare.

© 2013 Elsevier B.V. All rights reserved.

1. Introduction

“Are you confused by claims that products are ‘natural’, ‘biodegradable’, ‘organic’, ‘recyclable’ and ‘eco-friendly’? Read on to find out more about certified green products in Canada and how to determine if they really are greener than the rest.” This is the way Canadian Environment, a department of the Canadian Ministry of the environment, introduces its guideline to eco-labels for consumers who want to make environmentally sound purchases.¹ Several other eco-label guidelines have been made available to consumers by associations, as GreenerChoices.org in the United States, or ministries of the environment of developed countries in order to help them through the “eco-label jungle”. Ecolabel Index² is certainly the most complete global directory of eco-labels. It currently identifies 435 eco-labels in 197 countries and 25 industry sectors. Some labels are rigorously certified by a third-party, such as a public institute or a Non-Governmental Organization (NGO), but others arise from self-declarations by firms, which use more or less stringent certification criteria. While these environmental labels are indispensable for signaling the environmental quality of credence goods to consumers, their proliferation induces consumer confusion about the real guarantees they provide.³

Consumer confusion is highlighted by several surveys. For instance, Comas Marti and Seifert (2012)⁴ show that 92% of thousand managers and sustainability practitioners they surveyed consider consumer confusion to be a medium to extreme challenge. In Europe, almost half of the individuals surveyed by the Gallup Organization state that eco-labeling plays an important role in their purchasing decisions, but 61% do not know the Flower logo (European Commission, 2009). In the same way, 75% of Europeans are “ready to buy environmentally friendly products even if they are more expensive” but, paradoxically, 42% do not think that current labels on products allow them “to identify those products that are genuinely environmentally friendly” (European Commission, 2008). In France, according to the French Institute of Public Opinion (IFOP), 91% of French people state that labels are useful for guiding their purchase, but half of them find it difficult to distinguish an official label from a self-declared label.⁵ Hence, while environmental labels have a crucial role to play in order to stimulate green consumption, consumers are not currently familiar with them.

There is a growing empirical literature dealing with consumer preferences toward eco-labeled products. It shows that most consumers prefer an eco-labeled product to an unlabeled one, but that they differ in their willingness to pay for them, mainly according to their socio-economic characteristics. Women, young people and parents are generally more environmentally friendly oriented than others consumers (Blend and Van Ravenswaay, 1999; Loureiro, 2003; Loureiro et al., 2002; Brécard et al., 2009; Schumacher, 2010). Furthermore, eco-label awareness rises with confidence in the certifying organization, level of education and environmental and/or social involvement (OECD, 2005; Torgler and Garcia-Valinàs, 2007) but also with degree of perceived personal responsibility in environmental harm (Arkesteijn and Oerlemans, 2005; Ek and Söderholm, 2008) and degree of altruism (Kotchen and Moore, 2007). However, when consumers are given the choice between several labels,

¹ <http://www.ec.gc.ca/education/default.asp?lang=En&n=F37DC0B8-1>, accessed (15.02.13).

² This directory was initiated in 2009 by Big Room Inc., a Vancouver-based company, and the World Resources Institute, a Washington DC-based environmental think tank (<http://www.ecolabelindex.com>, accessed 15.02.13).

³ However, according to Koos (2011), the multitude of eco-labels in Europe does not affect the likelihood of buying environmentally labeled goods of European consumers.

⁴ Joint study by the International Institute for Management Development and the Ecole Polytechnique de Lausanne, synthesized on IMD's website: <http://www.imd.org/research/challenges/sustainability-ecolabels-effectiveness-ralf-seifert-joana-comas.cfm> (accessed 15.02.13).

⁵ <http://www.lejdd.fr/Ecologie/Actualite/Panique-dans-les-labels-38929> (accessed 15.02.13).

Download English Version:

<https://daneshyari.com/en/article/985643>

Download Persian Version:

<https://daneshyari.com/article/985643>

[Daneshyari.com](https://daneshyari.com)