Social limits to trust. The Significance of Embeddedness for Consumers Coping with Uncertainty.

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Social Limits to Trust. The Significance of Embeddedness for Consumers Coping with Uncertainty

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Abstract

Except for few studies, not many have analyzed the significance of embeddedness and networks for consumers coping with uncertainty. In our explorative study based on focus groups in Norway and Germany, consumers’ attitudes to purchasing of seafood are further explored. We find that fish in various contexts is conceived as “spooky”, which signifies its credence attributes. According to a conversational analysis, we find that consumers classify seafood along various dimensions associated with both health risk and sensory quality. Most salient is the distinction between fresh fish and frozen fish. Whereas frozen fish very seldom entails notions of risk, purchasing of fresh fish evokes scepticism and uncertainty. We discuss strategies among consumers for coping with uncertainty, and find that consumers discern between various types of outlets in order to attain predictability. There is a strong belief in the superiority of the “cold chain” and “industrial standards” among supermarkets and discounters for granting quality of frozen fish, while these trust factors do not count for fresh fish. Instead consumers attend certain speciality shops that are selected either by own trials and errors or from information mediated through embedded networks.

Key words: consumers, trust, information, embeddedness

Introduction

Which strategies do consumers choose to avoid uncertainty and attain trust? The question has been highly actualized during the last decade due to various incidents of consumer unrest in the European food markets, resulting in a reorganisation of regulatory bodies both on the EU and national levels in order to restore consumer confidence. According to some basic theories of trust, people would react to risk by demanding more information in order to calculate risk (Coleman 1990). Consumers are expected to call for more information in order to bridge the gap between uncertainty and assurance thus making new strategies of labelling and traceability a viable strategy of trust for suppliers.

From the field of contract theory and economic sociology, it is supposed that economic actors react to uncertainty not only by seeking more information, but also by using social connections during economic transactions in order to evade uncertainty and disappointments (Williamson
1981, Granovetter 1985). As the meaning of networks mostly has been applied to transactions in producer markets, we wish to investigate how consumers respond to uncertainty and risk during purchases. Although it is assumed to be a strong incentive for pure market exchange and price as the single criteria during purchasing, we know that social relationships matters for acquisition of certain goods and services characterised by low frequency and information asymmetry (DiMaggio and Louch 1998). Based on focus groups interviews among consumers in Norway and Germany on their fish consumption, we explore how consumers relate themselves to uncertainty, and how it affects their purchasing behaviour. We will study whether the conception of uncertainty varies across fish items, and whether this impinges on their choice of source of supply. More specifically, we will explore whether consumers in some instances prefer embedded transactions before disembedded transactions, that is, if purchases in order to be carried out depend on social connections.

Theoretical approach

Two aspects of trust decides whether information becomes important: trust can be regarded as both reflexive and non-reflexive. Reflexive trust presupposes an experienced uncertainty and is expressed as an active scepticism (Giddens 1991), in that a reflexive choice is made between trust and distrust. Non-reflexive trust, on the other hand, implies that trust is taken for granted. In the case of non-reflexive trust, the option between distrust and trust is not an issue. In this regard, trust is a part of a normalcy, where deviations from the habitual situation are not taken into consideration. Based on this theoretical distinction, we will distinguish between trust and confidence (Luhmann 1988). Trust presupposes an active stand from the consumer, while confidence refers to the non-reflexive aspect of trust. We will expect that reflexive trust among consumers could be observed as a demand for more information on product quality, such as labelling or additional sources of information.

From the perspective of contract theory and economic sociology, trust in business relations not only relies upon the impact of information, but also on the organisation of transactional relationships. Uncertainty and asymmetric information affect the governance of transactions (Williamson 1981), as pure market transactions increase the probability of opportunism. Hierarchy or social networks are both viable options to avoid risk. Although there are principal differences between producers markets and consumer markets, DiMaggio and Louch argue that consumers use social networks in the same way as firms use hierarchy, as a way of protection against opportunistic behaviour; the greater the risk, “the greater the likelihood that buyers prefer dealing with people to whom they have social ties outside the transaction itself” (1998:620). The authors find that for complex services and products, such as second hand cars, houses, home repairs and legal services, consumers seem to prefer embedded transactions before exchanges with a stranger. The examples of DiMaggio and Louch, however, all include expensive consumer purchases that are infrequent, and where high-involvement from the consumers’ point of view is expected to prevail. The question is whether similar patterns are observed for high frequency transactions at lower cost, such as grocery items. The consumption of fish is an interesting case for at least two reasons. Fish is a perishable food, which is very vulnerable to external conditions, such as catch, storage, processing, transportation and packaging (Kirman 2001 ). In contrast to other grocery items there are few
reliable standards for quality on seafood and, besides, variations in quality seem to be more random and unpredictable for seafood than other foodstuffs (Anderson and Anderson 1991).

There is empirical support for the assumption that the degree of trust and what source(s) people rely on is different among nations (Berg 2000), but findings do not explain why and how. Moreover, previous research indicates that consumers’ need for labelling and other product information is considerably different even among countries that are assumed to be similar and close, such as the Nordic ones (TemaNord 2001). Hence, it is of interest to explore consumer trust in two countries. Norway is selected as an additional case because German consumers and media seem to express more scepticism to food issues compared to what is regarded to be the case in other countries (Berg 2000). By choosing Germany and Norway as contrasts we investigate variations in the understanding of trust among consumers and to what extent social ties during purchases seems to be valued. Our paper will proceed in three parts. After a presentation of our methodological approach, the findings from the Norwegian and German context are presented. In our last part our main results are discussed.

**Designs and methods**

In order to study the significance of information for trust we have selected two contexts: Norway and Germany. By contrasting two nations we intend to explore more specifically what kind of trust is identified among consumers, and in what contexts embedded and disembedded purchases possibly occur. There are differences between the two countries when it comes to consumption, distribution, trust and the organisation of food authorities. This is illustrated in Table 1.

**Table 1.** Consumption patterns, seafood import, distribution and trust in Norway and Germany

<table>
<thead>
<tr>
<th></th>
<th>Norway</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption pr capita (purchased fish)</td>
<td>17.9 kg</td>
<td>14.4 kg</td>
</tr>
<tr>
<td>Consumption share represented by fresh fish</td>
<td>59 %</td>
<td>10 %</td>
</tr>
<tr>
<td>Share of seafood imported</td>
<td>Approx. 10%</td>
<td>82%</td>
</tr>
<tr>
<td>Distribution</td>
<td>Retail distribution of frozen fish; fresh fish distributed by independent wholesalers</td>
<td>Retail distribution of both fresh fish and frozen fish</td>
</tr>
<tr>
<td>Consumer trust*</td>
<td>High trust</td>
<td>Sceptical</td>
</tr>
<tr>
<td>Reorganisation of food authorities</td>
<td>Non-controversial</td>
<td>Controversial</td>
</tr>
</tbody>
</table>

*Consumer trust is based on a truth-telling index for consumers in Denmark, Germany, Norway, Italy, UK and Portugal (Poppe and Kjærnes 2003).

(Sources: Lien 2005)

The major difference in consumption patterns of fish in Norway and Germany is explained by the fact that Norway is major fishing nation while Germany is not. Norwegian consumers consume more fish than most other consumers in Europe, due to among others the proximity to major fishing fields. The distribution pattern in grocery retailing is quite similar in Norway and
Germany, except that fresh fish in Norwegian supermarkets is supplied by independent wholesalers at a local level, contrary to the highly centralised distribution structure in German retailing. Surveys among European consumers indicate that the level of trust in food varies across national borders. Norwegian consumers have high trust in institutional actors, such as food authorities and media. German consumers, on the other hand, express scepticism towards institutional actors. According to a recent research survey, Norway stands out as a high-trust country while German regions prove to be in a middle or lower-trust stratum (Poppe and Kjaernes 2003). Yet, according to our previous theoretical discussion on types of trust, there is little knowledge on what kind of trust and distrust that is prevalent in Norway and Germany respectively. Furthermore, we do not know to what extent information counts in trust relationships, nor do we know of their purchasing patterns on fish.

According to our theoretical perspective, qualitative approach gives us the opportunity to capture in-store considerations among consumers at two levels. First, by exploring whether focus group participants communicate any considerations, precautions or safety measures during their shopping experiencing. Secondly, by investigating if and how such considerations affect their choice of source of supply. In this case we ask whether the purchase can be regarded as embedded or disembedded. The element of embeddedness is linked to four main sources of supply. First, there are discounters, which mainly distribute frozen produce. Secondly, there are supermarkets that distribute both frozen fish and fresh fish - the latter product often traded in separate counter sections inside the store. Thirdly, there are fishmongers, who mostly trade fresh fish. Lastly, there is informal supply, where fish is distributed outside conventional channels either through friends, relatives or acquaintances. Disembeddedness is characterized by price being the major search criteria, and that consumers are indifferent to which channel of provision that are chosen. Embeddedness is regarded to exist in cases where the identity of the supplier counts, and where consumers prioritize prior transactional relationships. Embedded purchases are believed to have two analytically distinct origins (DiMaggio and Louch 1998). People might prefer transactions within a close ties because there are common normative expectations on reciprocity. Individuals may also buy from others where people is acquainted as a “result of explicit calculation or tacit strategic understandings” (DiMaggio and Louch 1998), where the seller’s reputation to other network members become hostages to the purchase (Williamson 1981). This implies that the social mechanisms leading to embeddedness can be different.

Empirical data were collected in Norway and Germany by means of focus-group interviews among consumers. In order to attain various experiences from fish consumption, we recruited the participants according to three strata: age, consumption pattern and gender. Totally 8 focus-group interviews were carried out, 4 groups in each country¹.

¹ The same recruitment criteria applied to all groups: fish-consumption experience, age, gender and children. Both experienced and less experienced consumers should be represented, females should constitute two thirds, participants should be from 20 to 65 years, and minimum half of them should have children living at home. The reason for this specification was as follows: seafood consumption increases with increasing age; most women are responsible for doing shopping to the household and, besides, men tend to dominate discussions (undesirable behaviour); persons having responsibility for children are assumed to be more conscious about what food to purchase and the content thereof.
Empirical findings

Our questionnaire was based on five research issues: safety, quality, food control, traceability and information. How these issues were treated or not treated on a conversational level is the starting point for further analysis. In this way, everyday experiences are linked to purchase and consumption of fish. A report from each country follows.

Reflections by Norwegian consumers

As mentioned above, Norway is among the countries with the highest consumption of fish per capita in Europe. We should therefore expect a high degree of familiarity with fish as a meal. Yet, there was a large portion of younger, participants that made connotations to uncertainty when buying and preparing fish. As one woman in her thirties expressed, “there is always something spooky about fish”. Although “spooky” is a dramatic term, she did not use “spooky” in terms of fish being dangerous or harmful, she rather wanted to express her lack of knowledge and inexperience. Something similar was uttered by another woman, “fish is fish, and meat is meat”. She explained that fish was not the same as meat and other food ingredients, because meat represented certainty. The impact of asymmetric information was confirmed by another woman, “The fish in the counter is totally anonymous, it does not signal anything to me”. Still it is it is unclear what the perception of uncertainty is related to and neither do we know anything about its extension. We therefore searched for distinctions that could signify the content of uncertainty more clearly.

One of the most basic categorisations was made between fish and shellfish. For some people in the focus group shellfish such as clams and oysters was simply “horrible”, thus marking a distinction between the edible and inedible. Fish, on the other side, had no connotations of being inedible or involving health risk of any kind. None of our participants had ever become sick. Nor could they remember that family members or friends had any concerns. This indicated that fish and food safety was not considered an issue at a conversational level, “it is simply something that never strikes me when I do my shopping” a housewife said. The idea of a health risk was absent. The non-reflected character of food safety indicated a strong sense of confidence to fish.

A more complicated distinction was made between fresh and frozen fish. Although there is a switch from frozen food to fresh food in grocery retailing in general, the consumption of frozen filet has increased among Norwegian consumers in recent years (Lien 2005). The focus-group participants did not consider frozen fish as inferior to fresh fish. On the contrary, there was a strongly expressed idea that frozen fish is good: “Fish is most fresh just before it is frozen” said a middle-aged woman. Frozen filet represented something safe, i.e. you always knew what you got. This was not the case with fresh fish, where a lot of differing statements appeared. Also the notion of freshness was diffuse. When a young woman in her thirties was asked what freshness meant, she answered bluntly “I have no idea; this is something I always ask about”. Information from the persons behind the counter therefore became a key issue. In many cases, asking simply left one none the wiser, said a young man; “sometimes I feel that I could have moved behind the counter and said exactly the same my self”. Instead of exposing oneself to the uncertainty of buying fresh fish, they stuck to the familiar. “When we need some
fish, we take it frozen”, confirmed a woman. Of course, there were several participants who regarded fresh fish as superior to frozen fish. But many participants were insecure of how to judge high quality of fish. Lack of skills was compensated by proxy indicators, such as cleaning and hygiene in the shop. The different understanding of fresh fish and frozen fish lead us to believe in a strong division of trust. Fresh fish was in many ways regarded a “credence good”. Credence goods are those that cannot be evaluated by the consumer during normal use (Darby and Karnai 1973).

Focus groups participants were relatively indifferent to the source of supply of frozen fish. “When I look at product in the freezer, I mainly look for price. I might prefer one before the other due to the colour of the packaging. But it is very little history that is built into these products”, said a young father. On the contrary, most participants were sceptic to buying fresh fish in an accidental supermarket. Focus group discussants from coastal areas stuck to fresh fish supplies from informal ties, such as friends and relatives involved in the fisheries, because “they would become embarrassed if the fresh fish proved to be of poor quality”. General norms of reciprocity regulated the quality of fish (DiMaggio and Louch 1998:623). Yet, even for the majority of Norwegians, informal supply is rather limited. One woman shopped fish regularly at one specific supermarket, but explained that “I shop there so often that I know it is good”. Most participants tended to prefer a speciality shop or a fish monger for fresh fish. A speciality shop gave a certain assurance, said a woman, and continued; “if one has had a negative experience, it does not take long time until people know it. So they are forced to sell fish of a very good quality. If not, things strike back. Isn’t that reassuring to know?”. In this case it is taken for granted that within-network communication among consumers is able to sanction against bad products and bad behaviour, thus illustrating the consumer’s belief in rational calculation as a check against dishonesty.

As a conclusion, the sensory quality of frozen fish was not questioned. Frozen fish represented a predictability of taste – you could always know what to get. This sense of confidence seemed to stem from a strong belief in a freezing technology and a domestic logistics system. The quality of fresh fish was however doubted. A basic scepticism seemed to prevail. Focus-group participants urged for more information on freshness and origin in order to overcome the uncertainty of taste that characterised fresh fish. On the other they complained that there was already too much information during shopping that they had to process during shopping trips. They wanted the retailer to take the full duty of selling high quality fresh fish. According to the participants, supermarkets were not capable of taking this responsibility. Therefore consumers preferred sellers that were dependant on keeping their reputation intact.

**Reflections by German consumers**

German consumers are different from Norwegians both when it comes to the per capita consumption of fish and consumption of fresh fish. Furthermore, most fish consumed in Germany is imported, implying that sourcing, supply and consumption of fish takes place under different circumstances than in Norway.

There was a general concern of health risk among German focus groups, although it was not strongly concretized. Even though Germans had an awareness of the origin of fish, this was not
related to a domestic vs. foreign dimension. One obvious explanation is that most fish consumed in Germany is imported, thus making the distinction irrelevant. People had ideas that linked taste to geographical origin. “Origin is for me a question of taste, I think” said a middle-aged man, but otherwise he was unable to explain the difference in taste between fish from the Atlantic and the Mediterranean. What seemed to be the case was that this distinction had a more diffuse foundation. A mother in her late thirties explained that there is “information of origin that can be sympathetic and unsympathetic. I don’t have very much knowledge, but fish from the Mediterranean makes me question whether it is proper or not”. The distinction between sympathetic and unsympathetic seemed to cover a number of concerns that many participants related to origin, such as whether the sea was regarded as “proper”, transport distance, sustainability of fishing and content of foreign ingredients in fish. Thus, the distinction seemed to entail a more complex mixture of ethical concerns and health risk. The idea of being sympathetic seemed to include fish from imagined “virgin” oceans, such as the Pacific or waters surrounding Greenland, being a symbol of the healthy and clean nature. The Victorian perch 1 – exported fresh from Africa – seemed to evoke opposite associations. Participants referred to critical media attention raising questions about food security issues in the third world. Neither was the third world considered to be reliable as regards pesticide spill in fishing waters. In spite of expressed doubts, however, the declared sceptics did not avoid buying the Victoria perch. This indicates a general preoccupation with non-material quality properties among consumers, leading us to believe that trust is considered as conditional.

The German participants did distinguish between wild and farmed fish. Due to extensive media coverage during recent years, feeding stuff and farmed fish was regarded a source of health risk. People were afraid of medication of salmon, and they were suspicious about fish-farming practices. Wild fish, suggesting notions of pureness and nature, was not unproblematic either. People questioned the danger of over-fishing in the North Sea, thus giving voice to an overall environmental concern. They were also worried about fish-catching practices in the Atlantic. These objections made by the participants did not prevent them from buying fish. This indicates that traceability information on environmental issues and health risk could increase trust.

Similar to the Norwegians, the Germans made a distinction between fresh and frozen fish. Frozen fish represents something safe and predictable. A woman in her forties maintained that “I normally prefer frozen fish, as it is deep-frozen shortly after it is caught”. Frozen fish did not provoke any reflections on risk, “when the cold chain is not broken, everything is okay” said a woman. This indicated an unquestioned trust; “when I buy my frozen filets from Lidl I have trust”. Another person referred to “standards” as something she always expected the retailers to comply with. In people’s mind, the buying of fresh fish seemed to necessitate a certain level of individual competence, as where to find a proper retailer. “When I do my shopping at a specialist shop I always have a feeling that the fish is fresh, and so do many of our friends”, said a female participant. Like the other fresh-fish consumers in her web of social relationships, she had selected her outlet by using within-network communication as a source. They did not question the quality of seafood from the speciality shop, neither was labelling

1. He Victorian perch is imported fresh and airborne from Tanzania, and is quite common in German supermarket shelves.
important. "I do shopping at Alfa because they have really fresh products there. For me – yes – you might call it blind trust. The same also applies to Beta”, said a retired male cook. Consumers used networks in order to identify potential sellers and to assess the reputation of warranted outlets.

We find these differences important in terms of trust and shopping behaviour. Contrary to the frozen fish, trust in fresh fish was particularistic, in the sense that it depended on the trust in specific outlets – not trust in general. For frozen fish, the trust was generalized and linked to a belief in the superiority of the cold chain. Although Germans raised more questions and were more doubtful about food safety and ethical issues, they did not express distrust. The presentation of frozen fish in supermarkets entailed an immediate trust similar to what we defined as confidence. Still, the consumers were more sensitive to negative media publicity on issues like over-fishing and medication of farmed fish. In our opinion, this signifies that communication of traceability information to consumers should be seen as more important in Germany than in Norway.

Conclusions

In this preliminary explorative study of consumers’ purchasing behaviour of fish in Norway and Germany, we have analyzed the meaning of uncertainty, information and embeddedness. In Norway, neither health risk nor ethical issues were questioned. This signifies a high degree of confidence that food is safe. The quality of fresh fish, however, was controversial among consumers. Consumers responded either by rejecting fresh fish or preferring speciality outlets. Although Germans seemed to have trust in food safety, they were less confident.

The discursive distinction between fresh fish and frozen fish – found to be salient both within a Norwegian and German context – coincided with a differentiation between outlets. Retail standards could guarantee consumer trust in frozen fish, while these standards did not appear to be valid for fresh fish. In these instances consumers’ preferred informal supply if available - as in the case of Norway - or they favoured speciality shops and supermarkets with a high reputation for quality. In the latter case, word of mouth and within network communication was a precondition. In table 2 various types of trust is linked to source of supply.

<table>
<thead>
<tr>
<th>Source of supply</th>
<th>Trust</th>
<th>Source of trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal supply</td>
<td>Friendship and familiarity</td>
<td>Norms of reciprocity</td>
</tr>
<tr>
<td>Speciality shops</td>
<td>Reputation</td>
<td>Word of mouth and exit sanctions</td>
</tr>
<tr>
<td>Retailers</td>
<td>System trust</td>
<td>Industrial standards and third party audit</td>
</tr>
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</table>

The impact of informal supply and within network exchange of fish where trusts is gained by norms of reciprocity is marginal even within a Norwegian market context. In Germany informal supply is more or less absent. For speciality shops, we believe that the source of trust is different. Consumers’ trust is based on an idea of reputation. This means that there is a
widespread belief in that sellers do conduct explicit calculation of probable loss effects from
detrimental behaviour, which refrain them from selling poor goods. According to our
conclusion, retailers and discounters do not count on embedded relations, but build trust in
food quality from methods and standards at a very systemic level rather than from personal
relationships and face-to-face interaction with customers.

Our findings have implications for the understanding of distribution of fast moving credence
goods. Contrary to frozen fish, trust in fresh fish could not be transformed at a systemic level,
involving a cool chain guaranteeing quality by industrial standards. Our findings indicate that
consumers tended to use network connections to alleviate risk for everyday purchases even on
purchases with high repeatability. Rather than preferring close within network transactions– as
DiMaggio and Louch found in their study - consumers distinguished strongly between type of
outlets. Contrary to supermarkets chains, there was a belief that the reputation of speciality
outlets could be justified by embedded networks of consumers. For fresh fish, there was a
social limit to trust.

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