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Benefits of Regional Food Quality Labels for Czech Producers

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ABSTRACT

The objective of this paper is to evaluate the benefits of regional food quality labels for producers using the example of the Czech quality label, *Regionální potravina* (Regional Food). To do so, a telephone survey was carried out on a sample of 208 Czech food producers who have acquired the *Regionální potravina* quality label for some of their products. The results show that the producers have seen a positive improvement in sales following acquisition of the quality label, although they have not noticed greater interest in their products during campaigns to support awareness of the *Regionální potravina* quality label.

Keywords: Benefits; quality labels; producers; Czech Republic

1 Introduction

In the last few decades, ever more consumers are choosing food products based on their local and typical attributes including environmental and ethical issues (Zander and Hamm, 2010). This trend reflects public concern for safety, healthiness, sustainability and social issues in food production practice (Vermeir and Verbeke, 2006). Therefore, policy makers and the food industry have introduced several strategies to help consumers choose food with guaranteed product quality (Resano et al., 2012; Moshini et al., 2008). Such strategies include food quality schemes and quality labelling (Aprile et al., 2012; Verbeke et al., 2012; Kuznesof et al., 1997).

For consumers, knowledge about food is of basic interest and information about products plays an important role in serving it. However, consumers' ability to perceive the status of certain product characteristics may be limited as might be the case regarding geographical origin, methods of production and the regionality of food. Labels informing about the certification of food characteristics are becoming important for communicating the existence of characteristics which consumers desire.

As the utilization of labels for food products is subject to efforts and costs by producers, producers need to be able to balance efforts and costs against benefits and market success. While efforts and costs are easy to identify, the analysis of benefits and market success is more complex as e.g. any observed market impacts might be due to a variety of factors. This paper deals with this problem and discusses it in conjunction with a selected quality label used in the Czech republic.

As the term *quality* may relate to many different characteristics, different kinds of quality labels have emerged. In contrast to general quality labels, representing a broad range of characteristics, specific quality labels may focus on a few specific quality characteristics guaranteeing e.g. certain quality or food safety characteristics, the origin of products, or an organic food production base, etc. Alongside international labels, each country may have its own national and/or regional quality labels that are only relevant in a given country or region (Velčovská and del Chiappa, 2015).

The paper introduces into the subject through a discussion of quality labels in general and specifically of a regional label that is the focus of an in-depth analysis of producer attitudes. The research uses data from telephone interviews and builds on an extensive statistical analysis. The paper concludes with a discussion of policy implications.

2 Quality labels and the Czech Republic *Regional Food* policy

2.1 Quality labels

Quality labels may build on graphic or other symbols that can be placed on a product or its packaging indicating that the product or the production process complies with certain standards and that this compliance has been certified (United Nations, 2007; Velčovská and Marhounová, 2005). Such standards may include classical product quality requirements but also criteria referring to the production process, the country or region of origin, composition of the product, health benefits of the product, etc. (The European Committee for the Valve Industry, 2007).

Nowadays, quality labels have become a central component of consumer policy. They are a valuable tool for managing and communicating a higher quality and safety of food products for gaining a competitive advantage in the market. The importance of quality labels and the information they communicate have increased due to crises and scandals (e.g. BSE - Bovine Spongiform Encephalopathy) which have shaken the European food market over the past years, leading to a decline in consumer confidence in the safety and quality of food products (Grunert, 2005; Jahn et al., 2005).

On the EU level, the European Commission has adopted schemes where quality labels can be awarded to products fulfilling certain conditions. They aim at protecting the names of specific products promoting their unique characteristics involving e.g. certain geographical origins or traditional production know-how. These schemes are: (1) *Protected Designation of Origin* (PDO) covering agricultural and food products which are produced, processed and prepared in a given geographical area using recognised know-how, (2) *Protected Geographical Indication* (PGI) covering agricultural and food products closely linked to the geographical area where at least

one of the stages of production, processing or preparation takes place, and (3) *Traditional Speciality Guaranteed* (TSG) that highlights a traditional food characteristic, either in the composition or means of production (European Commission, 2015).

Protected Designation of Origin and Protected Geographical Indication are summarized as regulatory frameworks for protecting *Geographical Indications*. Following the European Union regulatory scheme, the protection of Geographical Indications is based on collective action, i.e. producers themselves define the rules for the production process, the characteristics of the final product, and the boundaries of the production area, all contained in the product specification that must be submitted to the competent authorities for registration (Quiñones Ruiz, 2018).

Producer groups play a crucial role not only in the registration of Geographical Indications, but also in further developing a product specification over time. By negotiating, re-defining and implementing the production rules codified in the specification, producers collectively manage the common reputation of the Geographical Indications of their product for assuring and maintaining access to value-added markets while avoiding free-riding by others outside the group (Barham, 2003; Biénabe et al., 2013).

In general, the labelling of products may result from legal requirements or from voluntary activities of stakeholders. Labels can be awarded by national certification bodies, government institutions (e.g. Ministry of Agriculture), independent organizations (e.g. association of organic farmers), or by private companies (Frewer and Van Trijp, 2007; Grunert, 2005). In the Czech Republic as an example, a label (KASA) awarded by the Ministry of Agriculture identifies food of highest quality, a label (Regionální potravina) managed by a government institution does focus on geographical origin and traditional production methods, and a label (Product of Organic Farming, Velčovská and Sadílek, 2014) managed by an independent national organization defines products of organic origin. The market relevance of certain label characteristics such as geographical origin has been discussed in literature (Verbeke et al., 2012). Consumers might prefer regional products due to assumptions of a certain product quality, regional loyalty or interest in supporting the local economy. Table 1 presents three groups of food quality labels in the Czech Republic. The first group involves EU quality schemes represented by Geographical Indications (Protected designation of origin and Protected geographical indication). The second group is comprised of national labels that are used by producers in all regions of the Czech Republic, and the third group lists regional labels that are used by producers in particular regions.

Table 1.
Examples and main differences between GIs and national and regional labels in the Czech Republic

EU quality schemes	Voluntary certification schemes	
	National labels	Regional labels
1. Protected designation of origin (PDO)	1. Regionální potravina (Regional Food)	1. Regional product from Šumava
2. Protected geographical indication (PGI)	2. Klasa label 3. Czech Product 4. Czech BIO label 5. Healthy Food	2. Regional product from Vysočina 3. Labels covered by association of regional labels
PDO: Every part of the production, processing and preparation process must take place in the specific region. PGI: For most products, at least one of the stages of production, processing or preparation takes place in the region.	Labels can be awarded by national certification bodies, government institutions (e.g. Ministry of Agriculture), independent organizations (e.g. association of organic farmers), or by private companies.	Specific labels connected with a region. Labels are awarded by local authorities or private companies.

Source: European Commission (2015), Regionální potravina (2018)

Quality labels are aimed at bringing benefits to both, consumers as well as producers. They should help consumers reducing their uncertainty and perceived difficulty in evaluating product quality (Bernués et al., 2003). They can play a significant role in consumers' decision making and

provide a highly prized opportunity to impart information that is supposed to be relevant for their purchasing decisions (Zander et al., 2015) at the moment of food purchase (Verbeke, 2005), purchase decisions which could be confirmed or disconfirmed after the purchase (Saeed and Grunert, 2014). The labels may generate positive associations with a product, facilitate the identification with a product's origin, support consumers in avoiding non-genuine products which might be of inferior quality, or facilitate consumers' choice between alternatives in line with their preferences (Krissoff et al., 2004; Ward et al., 2003).

For producers, quality labels can provide legal protection against imitation, allow product differentiation, provide competitive advantage, help utilizing a certified quality in product promotion, increase familiarity of customers with the product and support realizing a premium price for the product (O'Connor and Company, 2005; Velčovská and Marhounová, 2005). In addition they can also help increase customers' confidence, build customer loyalty and, as a result, increase sales.

However, in markets with many quality labels in use, producers and consumers might perceive food quality labelling confusing and consumers might not even know what the labels mean. This may result in a situation where labelling which is meant to serving the increased interest of consumers in food quality and in consequence the sales interests of producers does not meet expectations. This has been demonstrated for the Czech food market where about forty quality labels are in use (Horáček, 2015). A consumer survey in 2014 by STEM/MARK (Klánová, 2014) revealed low awareness of quality labels combined with a lack of information and low credibility of labels. It is evident that with the high and for consumers confusing number of food quality labels in the Czech food products market the value of labelling for producers may be challenged. This will be dealt with in the following chapters using the regional label *Regionální potravina* (Regional Food, RP) as an example.

2.2 The Czech republic *Regionální potravina* (Regional Food) policy

The *Regionální potravina* label is used to mark foods which are produced within a certain region of the Czech Republic (CR) and are typical for that region. Between 2010 and 2011, the label's strategic management was secured by the Czech Ministry of Agriculture. In 2012, some activities were transferred to the Czech State Agricultural Intervention Fund, which since that time has been responsible for promoting and administering the label. It is a label which aims to support high quality, tasty, traditional, and speciality foods produced by local small and medium-sized producers using ingredients from regional production. It is further claimed that the short distribution path from producers to consumers assures freshness and the protection of a food's flavor. Producers receive a label through regional competitions. These competitions are active in all regions of the CR (except Prague).

The labeled products are subject to strict European and national requirements and to great scrutiny by inspection authorities assuring consumers that the quality guarantees can be kept. Conformance to label requirements relies on the monitoring activity of an independent outside auditor (Catska and Corbett, 2014). By October 2018, 869 products have been awarded labels in the regions (Regional Food, 2018). The number of products certified with the Regional Food label by product category is shown in Table 2.

Generally, there are similar shares of each product category, just cheeses (including curd cheese) and durable meat products have a share lower than 10%.

A communication campaign with the slogan "The Best of our Region" was run in 2012 and 2013 aiming at increasing awareness of the *Regionální potravina* label amongst consumers. It also intended to support the development of regions and to emphasise the positive environmental effects of regional food.

Table 2.

The number of products and producers certified with the Regional Food label by product category (October 2018)

Product category	Certified products (n = 869)
Pastry	12,7%
Alcoholic and non-alcoholic beverages	12,4%
Others	12,4%
Meat products	12,1%
Dairy products	11,4%
Fruit and vegetable	11,4%
Confectionery products	10,6%
Cheeses (including curd cheese)	9,6%
Durable meat products	7,5%

Source: Authors' calculation

3 Data and methodology

3.1 Study background

In the past, the major initiatives in promoting and analyzing the Regionální potravina label dealt with the acceptance and perception of consumers. What is missing, however, is information about food producers' opinion on the food quality label and their perception of benefits or problems connected with its use. This initiated our study where we posed the initial hypothesis as

H1: By receiving the Regionální potravina label, producers have increased sales, but only slightly (up to 15%).

H2: Producers believe that if consumers knew that some products have the Regionální potravina label, then they prioritised them over similar products without a quality label.

3.2 Survey participation

A survey was conducted in January and February 2017 through phone interviews with food producers in the Czech Republic who have a label *Regional Food* for at least one of their products. The sample included 208 of the 400 producers, with 119 from the region Bohemia and 89 from Moravia dealing with dairy, meat, and bakery products as well as with fruits and vegetables (see table 3).

Table 3.

Structure of the sample (in %)

Production	Number of producers	
	Bohemia (n = 119)	Moravia (n = 89)
Dairy products	40	20
Meat products	30	20
Bakery products	25	25
Fruit and vegetable (fresh or conserved)	5	5
Others	15	20

Source: Authors' calculation

In both regions almost half of the respondents (48%) had one product registered. The remaining respondents had registered 2 (21%), 3 (17%) or 4 (14%) products. The reasons behind participation in the program differed widely (table 4).

Table 4.

T-test for statements about reasons to obtain a label Regional Food (n = 208)

	Totally agree	Rather agree	Neither agree, nor disagree	Rather disagree	Totally disagree	Mean	sig.	t-value
Make myself visible	76	53	34	19	26	2.36	.00	53.09
Sales support	101	41	31	29	6	2.03	.00	15.43
Presentation of a product's quality	97	53	26	24	8	2.00	.00	13.36
Prestige	63	58	40	32	15	2.41	.00	12.21
Invitation by contest's organizers	45	49	46	46	22	2.76	.00	45.19
Recommendation of friends	50	40	61	26	31	2.75	.00	33.98
Possibility to gain a positive ranking for grants	31	28	99	26	24	2.92	.00	25.46

Source: Authors' calculation

Using t-test, it was investigated how the respondents promoting the Regionální potravina label evaluated the statements. Significance level is lower than $\alpha = 0.05$ for all the statements (results are displayed assuming equal variances. Producers who have acquired the Regionální potravina quality label for some of their products show very similar mean response values to the statements. Based on a five-point scale (1 – totally agree, 5 – totally disagree) the means varied between 2.00 and 2.92. Producers rather agree with all statements without significant differences between answers and with only 15 – 32% of producers responding to statements with “rather disagree” or “totally disagree”.

Using Pearson's correlation analysis, it was investigated if there was a linear relationship between statements (table A1 in the appendix). Correlations were found between seven pairs of statements: 1) “RP support sales” and “RP make myself visible” (sig. = 0.001), 2) “RP presents a product's quality” and “RP make myself visible” (sig. = 0.001), 3) “RP increases prestige” and “RP make myself visible” (sig. = 0.000), 4) “RP was recommended by friends” and “RP make myself visible” (sig. = 0.001), 5) “RP presents a product's quality” and “RP support sales” (sig. = 0.001), 6) “RP increases prestige” and “RP support sales” (sig. = 0.000), and finally 7) “RP supports the possibility to gain a positive ranking for grants” and “RP was recommended by friends” (sig. = 0.000).

The information collection included reasons behind the label application, differences in sales before and after label use, expectations of customers, support campaign recognition, sales area, advantages of the label and requested government support. The data set was analyzed using the SPSS statistical analysis tool including descriptive statistics, correlation analysis, t-test and chi-square.

4 Analysis

In analyzing the hypothesis H1 (“By receiving the Regionální potravina label, producers have increased sales, but only slightly”) the results for the two regions differ (figure 1).

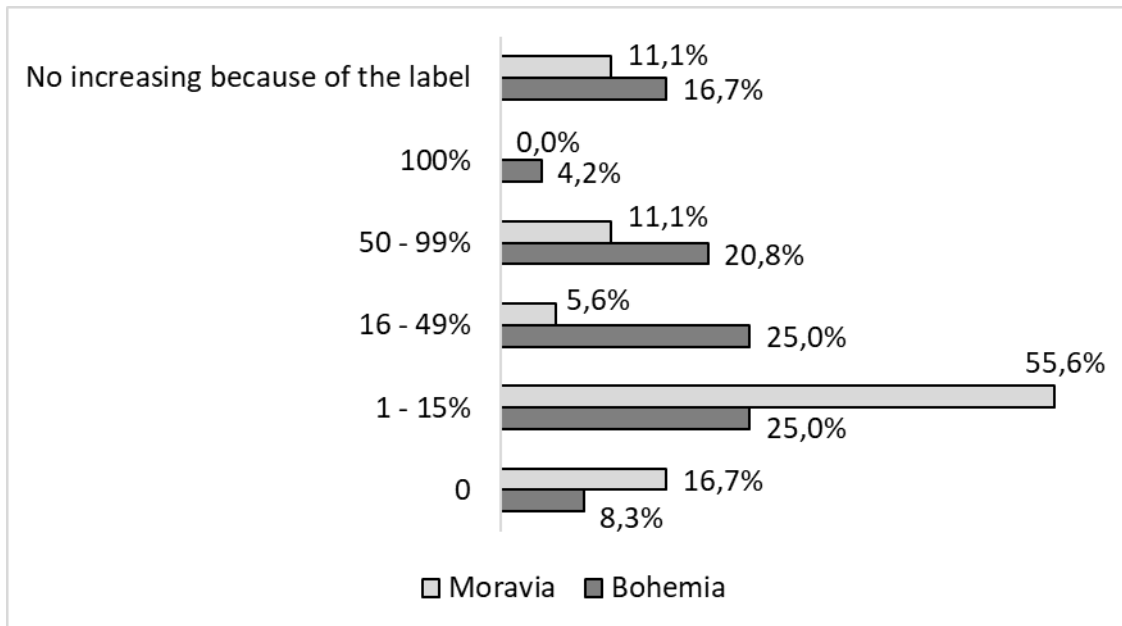


Figure 2. Increasing of sales due to label Regional Food since label acquiring

The data show that the use of the label is linked to an increase in sales by a great majority of producers. However, the hypothesis could be confirmed for the region Moravia but had to be rejected for region Bohemia, where sales had increased on a larger scale. One possible explanation for these regional differences could be differences in income and unemployment. However, after a correlation analysis in SPSS, neither different income levels nor employment levels could be confirmed as reasons behind the differences in results. In a comparison of average wages in the two regions and the reported differences in sales due to the use of the Regionální potravina label, the Pearson correlation coefficient - 0.15 shows a very weak negative linear correlation (this applies at a significance level of sig. = 0.05).

When comparing levels of unemployment and difference in sales, an even smaller negative linear association was seen (-0.05 at a significance level of sig. = 0.05). One can therefore conclude that neither average wages nor unemployment level have an impact on increased sales.

Another reason might be a better dissemination of positive references on the specific producers from Bohemia and their products amongst local consumers.

Table 6.

Do customers prefer food products with Regionální potravina label?

	Number of producers	
	Bohemia (n = 119)	Moravia (n = 89)
Yes	25	25
No	20	35
I am not able to evaluate it	50	30

Source: Authors' calculation

Compared to products from Bohemia, where only 17 % think that the RP quality label does not have a major impact on consumers' decision-making, almost 40 % of producers from Moravia take this position, believing that quality, taste and how a product is presented are more important to customers than a quality label. It should be noted, however, that almost half of producers from Bohemia were undecided and more than half (62 %) of producers from both regions were unable to say whether a quality label had any positive impact on customers' purchasing behaviour.

In analyzing hypothesis H2 ("Producers believe that if consumers know that some of their products have the Regionální potravina label, then they prioritise them over similar products

without a quality label") the hypothesis could not be confirmed or rejected. Most producers were unable to determine whether this was true. They did not know whether increased sales, if such an increase had been seen, were the result of acquiring the label or rather the result of positive reviews and good work. Only 23 % of the surveyed producers from Bohemia and Moravia thought increased sales were a direct result of the label. As such a clear conclusion cannot be determined.

Limitations in the awareness of the labels with consumers corresponds to some extent with limitations of producers in the awareness of promotional government campaigns. This stresses a communication deficiency which contributes to the label's limitations in impact.

Regarding two promotional campaigns of the Ministry of Agriculture, 71 % of producers from Bohemia were at least aware of the campaign, while more than half of the producers from Moravia were not. As sale increases in Bohemia were lower than in Moravia, one could either doubt the relevance of the government campaigns or assume that the effects of the campaigns were more distinctive with consumers than with producers. This asks for a further analysis as limitations in producer awareness limit possible synchronizations between government and producer initiatives.

5 Discussion and conclusion

Experts for quality labels and food producers agree that the number of food quality labels is too high and confusing to consumers. The question is whether quality labels can provide some benefits to food producers even if consumers are unfamiliar with them. In our research, a sample of 208 Czech food producers who use the regional food label Regionální potravina (Regional Food) were interviewed. The study aimed at analysing their attitudes towards this label, their experiences with it, and the identification of benefits arising from its use.

Altogether producers thought that the use of the label contributed to some increase in sales (hypothesis 1) but were not sure if consumers faced with a competing product would select the labelled product in their purchase decision (hypothesis 2). Increase in sales is also influenced by several external factors (situation on the market and general situation in the Czech economy). This stresses the need and possibility for improvements. It is worthwhile to keep the label but one needs to improve its visibility by better marketing support and the preparation of marketing strategies targeted at Regionální potravina.

Producers see the greatest shortcomings in the level of awareness of local foods with the label amongst the public. They assume that visibility could be effectively increased through advertising in the media at a nationwide level, not just a regional level, and through a greater engagement of regional authorities in promoting the labelled products through more frequent and more visible promotional local events. In addition, producers ask for more assistance in securing new distribution channels especially in public procurement involving e.g. government institutions, schools, or hospitals.

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Appendix

Table A1.

Correlation analysis of dependencies between producers' statements about Regionální potravina label

		RP make myself visible	RP support sales	RP presents products' quality	Invited for RP by contest's organizers	Invited for RP by contest's organizers	RP was recommended by friends
RP support sales	R	0.386 ^a	1				
	sig.	0.001	-	1			
RP presents products' quality	R	0.621 ^a	0.693 ^a	-			
	sig.	0.001	0.001				
RP increases prestige	R	0.548	0.597 ^a		1		
	sig.	0.000	0.000		-		
Invited for RP by contest's organizers	R	0.059	0.0235			1	
	sig.	0.648	0.236			-	
RP was recommended by friends	R	0.586 ^a	0.484	0.074	-0.342		1
	sig.	0.001	0.143	0.294	0.293		-
RP is possibility to gain a positive ranking for grant	R	0.146	0.214	0.095	0.265	0.081	0.364 ^a
	sig.	0.379	0.245	0.445	0.214	0.658	0.000

Note: ^a Correlation is significant at the 0.01 level (2-tailed). Source: Authors' calculation