Australian Agricultural & Resource Economics Society Conference

February 5-8th 2008

Beyond Credence: Emerging Consumer Trends in International Markets

Bron Cuthbertson
Nicki Marks
Agribusiness Group
Victorian Department of Primary Industries

DEPARTMENT OF
PRIMARY INDUSTRIES

BEYOND CREDENCE?

EMERGING CONSUMER TRENDS IN INTERNATIONAL MARKETS

OUR RURAL LANDSCAPE
SUSTAINABLE DEVELOPMENT THROUGH INNOVATION

Victoria
The Place To Be

Published by the Victorian Government Department of Primary Industries
Melbourne, May 2007
Also published on www.dpi.vic.gov.au/agribusiness

Authorised by the Victorian Government, GPO Box 4440, Melbourne.

ISBN 978-1-74199-134-5

For more information visit the website at www.dpi.vic.gov.au
Or contact the DPI Customer Service Centre 136 186.

Produced by: Agribusiness Group
Department of Primary Industries
1 Spring Street
PO Box 4440
Melbourne
Victoria 3001

Authors: Bron Cuthbertson and Nicki Marks, Agribusiness Group, DPI
Contact:: agribusiness.group@dpi.vic.gov.au

Printed by: Kwik Kopy Printing, 45 Exhibition St, Melbourne

EXECUTIVE SUMMARY

This report presents the findings of DPI's research into the emerging trends that may be called 'credence' in international consumer markets. There will always be a place for low priced food products in almost every market, however value can be created by differentiated products, and credence is increasingly being recognised as a source of differentiation.

Credence qualities cannot be evaluated in normal use. Instead the assessment of their value requires information sought through the search and experience of a product (Darbi & Karni, 1973).

Recognising that different markets respond differently to credence attributes, this research found that the drivers for trends and conditions under which they develop remain largely the same from market to market, suggesting that companies that stay abreast of these factors are more likely to be well placed to respond to demand for credence into the future.

Several key trends have tipped (i.e. moved into the mainstream) in the past 18 months. These trends will continue to grow.

"Health and wellness foods" will have a high to very high impact in the medium term, both through increased consumer demand and through public interest in company's responsibility towards promoting good health.

Environmentally sustainable supply chains are growing in value and scope. This is driven by consumers' increasing environmental awareness and the changing environment where the operations of the food industry are coming under increased scrutiny.

Ethical food production is also on the agenda for some consumers; where they see a problem so that they will buy a solution. This relates strongly to 'fair trade' and animal welfare issues.

At the heart of these trends is the evolution of Corporate Social Responsibility from a 'fringe' activity to a core part of many large companies' strategies.

Food safety was found to be a critical factor to control, rather than a trend, given that breaches or perceived breaches in food safety could have disastrous effects for companies.

Finally, the extent to which producers can make substantiated and true claims about the attributes of their products are a key condition for the growth of the credence market.

TABLE OF CONTENTS

INTRODUCTION

Around the world, consumers are paying more attention to the food they eat, the value they get from it, and what it does for them and for the world around them. Food attributes that offer value to the consumer through good health, environmental stewardship, and ethical treatment of people and animals are becoming more mainstream.

Related to this rise in consumer interest is a rise in corporate interest – Corporate Social Responsibility is driving many changes in the way that food supply chains operate. This is particularly apparent in the healthiness of food, the sustainability of food production, processing and transportation, and the ethical treatment of supply chain participants.

This research builds on and extends the work of a previous DPI/ORL research project entitled *'Beyond Price and Quality: Understanding credence attributes of food products in Victoria's priority markets'* (hereafter referred to as *Beyond Price and Quality*). That project examined the importance that consumers placed on several non-functional attributes of food, namely food safety, cleanliness, environmental responsibility, animal welfare and ethical production methods, and was based on interviews with food industry participants in 21 markets.

This report goes beyond credence. It has broadened the scope of that initial work to include foods that embody health and wellness as an important and growing segment in many markets, and examines some attributes, such as product packaging, that are not strictly intangible.

The objectives of this research were twofold – first, to develop and pilot a methodology for collecting and interpreting data about credence trends, and secondly, to report the trends that have been identified.

The results section of this report is divided into three sections – the first outlines the trends that have emerged from the data, the second discusses the likely social, economic and environmental drivers of these trends, and the third discusses the conditions that exist or need to exist for products to successfully meet these trends.

Essentially, credence attributes work because they embody a value to the consumer that goes beyond satisfying hunger, allowing consumers to vote as shoppers at a time when they are feeling increasingly divorced from the food production system.

KEY FINDINGS

"If you want to differentiate you need to go credence" – Retailer, Australia

1. Whilst there will always be a place for low priced food products in almost all markets, value can be created by differentiated products, and credence is increasingly being recognised as a source of differentiation.

2. Different markets respond differently to credence attributes, but the drivers and conditions remain largely the same across the surveyed markets, suggesting that companies that stay abreast of these factors are more likely to be well placed to respond to demand for credence attributes into the future.

3. 'Health and wellness foods' are deemed likely to have a high to very high impact on respondents' areas of operation in the medium term, both through increased consumer demand and through public interest in the responsibility of companies' towards promoting good health.

4. Environmentally sustainable supply chains are noticeably growing in value and scope, a movement driven by two factors. Firstly: consumers' own increasing environmental awareness and secondly, the changing stakeholder environment where the operations of the food industry are coming under increased scrutiny.

5. Respondents' perception of consumer concern around ethical food production was that consumers buy fair-trade products when they feel it is benefiting a community. They need to see a problem before they will buy a solution. This is also relates to animal welfare issues.

6. Food safety was not top of mind for respondents when discussing credence trends. Rather, food safety was discussed as a critical factor to control, given that breaches or perceived breaches in food safety could have disastrous effects for companies.

7. The extent to which producers can make substantiated and true claims about the attributes of their products are a key condition for the growth of the credence market.

8. The consumer must believe that the product is addressing some need or gap that exists. Branding for branding's sake will not increase the value of the product.

METHODOLOGY

This project was conducted using a two step, iterative process. The first part of the process involved a 'Delphi' methodology, a consensus methodology where the individual views of a group of participants are gathered and fed back to the group for comment. Fifty international participants from the food industry, academia and government were identified and invited to participate in an online questionnaire. The results of the questionnaire were compiled and sent back to the respondents for their comments.

The second part of the process involved 30 in-depth interviews with similar participants, with some overlap between the Delphi group and the in-depth participants. Initial interviews were conducted prior to the Delphi study to inform the questionnaire. Subsequent interviews explored the ideas that were raised in the Delphi process to add richness to the data collected and to provide context. Participants were approached based on referral to maximise their suitability to the research.

Participants from the United Kingdom and Japan were selected for in-depth interviews as these markets were viewed as markets that respond rapidly to new trends. However, in order to gauge the relative level of interest in credence around the world interviews were also conducted in the USA, Australia, China, Canada, South Korea, Norway, and Vietnam.

As well, environmental scanning of relevant literature, media and web content over an 18 month period underpinned conclusions from the raw data.

The questions asked in both the online questionnaire and the in-depth interviews focused on the trends that participants saw emerging, the drivers for these trends, and the conditions or capabilities that were in place that encouraged or enabled these trends to develop.

It must be acknowledged that this research has a strong bias towards developed countries and trends emerging from those countries. This has been a function of most food trends around credence attributes emanating from developed countries where relatively high incomes coupled with the abundance of food provide the opportunity for consumers to be more discerning about their food choices.

This report views the Australian domestic market as one market for Victoria producers. Therefore the discussion focuses on opportunities in global markets for Victorian agri-food products. At the same time, the trends can be applied to the Australian domestic market.

1. TRENDS

This section explores key trends that emerged from the research. These trends fall into three distinct but related categories – health and wellbeing foods, environmentally responsible foods, and ethically produced foods. These themes figured strongly in respondents' comments as trends that have developed fairly recently and will continue to grow.

The results for this section come from both the Delphi study and the face-to-face interviews conducted before and after the Delphi study was conducted.

1.1 TRENDS IN HEALTH AND WELLNESS FOOD

Wellness is first and foremost a choice to assume responsibility for the quality of your life. It begins with a conscious decision to shape a healthy lifestyle. – Don Ardell, Ph.D., University at Buffalo

"...health has become a key indicator for retailers in the way they are perceived by consumers, not only in terms of obesity and health but their overall Corporate Social Responsibility performance. It is also top of the agenda in terms of public health and policy makers." – Delphi respondent

"Wellbeing is not a well developed idea in consumers' minds, although it seems to be part of a worldwide trend."– Trade representative, Australia

Key finding

The majority of Delphi participants responded that 'health and wellness foods' were likely to have a high to very high impact on their area of operation in the medium term. This belief was reinforced by comments from the in depth interviews.

The major trends identified in this category were: increasing healthiness in convenience foods, healthier foods that are 'better for you', (that is reduced fat, salt, sugar or additives), wholesome foods, 'Superfoods', foods with added functional elements and organic foods.

While this market trend has existed for some time, the trend has evolved to mean more than the individual's health and wellbeing. Consumers who are interested in their own health and wellbeing are also becoming interested in that of the planet.

"The broadening of the wellbeing concept we believe is the important point. In the past wellbeing was basically associated with 'the self' – my wellbeing. Wellbeing now and in the future will embrace 'me' and the environment." – Food industry analyst, Canada

1.1.1 Convenience & Taste

"Convenience – it will grow but it will get healthier. For one thing. It will be less about microwaveable food and more about ready to cook. It feels healthier. Chilled ready to cook is huge; it's fresher and has better ingredients." – Retailer, UK

Several respondents noted that if perceived preferences for credence attributes were to be ranked, satisfaction in taste and convenience would come before credence attributes, that is, consumers perceive value in both good taste and ease of use. At its heart, convenience in food products works because these products embody a service for the consumer – time, ease of use, accessibility.

'Meal solutions', as they are known in food industry circles, encapsulate the drive towards convenience in food offerings. Traditionally, convenient food has been perceived as a less healthy alternative, however readily observable evidence indicates that the two trends are converging. Pre-cut salads, par-cooked vegetables and grains, and an explosion in convenient dairy products all signify this trend (Euromonitor, 2006).

According to a number of respondents, the research indicates that while consumers are interested in buying food that has credence attributes, in the health and wellness market food that tastes good and is convenient to use is a precondition. This includes products that are healthy, easy to prepare and accessible to busy consumers.

The research suggests that as markets mature, functional foods grow in line with Maslow's Hierarchy of Needs (1943). Maslow describes how people's needs move from basic hunger satiety through several stages to self-actualisation as their wealth increases. This model is highly relevant to food preferences. As consumers age and become wealthier, their desire to express themselves through their food choices can be seen as a process of self-development. Consumers may move from satisfying basic hunger to making ethical food purchases to release some higher personal ideal.

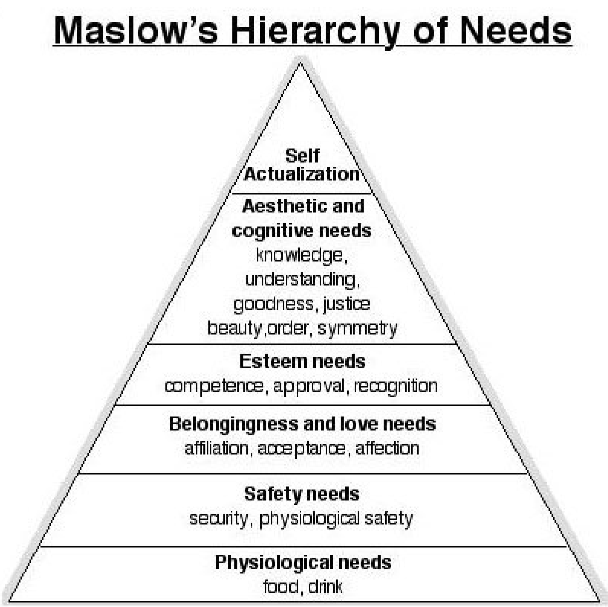

Figure 1: Maslow's Hierarchy of Needs, after Maslow (1943)

1.1.2 Wholesome Foods, ‘Better for you’ Foods, Superfoods

Within the health and wellbeing trend there are a number of product categories that appeal to the market in different ways.

The most ‘basic’ of these is the trend to wholesome or whole foods – a direct reaction to science based modifications to food and more broadly to the industrialisation of the food chain. These are the foods that sit at the bottom of the dietician’s food pyramid. Trust in these foods is also perceived to be higher as the food remains in its original state – there is no need to check the label.

“Prepared foods will have to contain stuff that you’d have in your cupboard” – Food supplier, UK

Respondents in the US and Australia mentioned the growth of retailers who specialise in ‘whole foods’ as evidence of the growing interest in this category. Indeed, ‘Whole Foods Market’ in the US has used this phrase within their title to try and capture this market, and aligned it with environmental and social good messages. This phenomenon is discussed in greater depth in the ‘Drivers’ section of this report.

‘Better for you’ foods are those that have had fat, sugar or other elements removed from them in order to make them healthier. Respondents from several countries commented that the trend to removing fat and sugar (creating ‘diet’ products) had been in evidence for a number of years.

“Americans don’t eat food. It’s all low fat, low sugar and the taste is terrible.” – Dietician, US

“We see that low calorific foods will be one of the most important consumer trends due to the large market segment for an ageing population as well as an increased number of consumers who are concerned about their health” – Food distributor, Japan

‘Superfoods’ are foods that have valuable properties which science identifies such as anti-oxidants, as distinct from many ‘functional’ foods which may have attributes added to them. They are often whole and natural foods such as broccoli, blueberries or watercress.

The interest in ‘Superfoods’ as distinct from functional foods is enhanced by media interest in novel products. Observation shows that industries have become adept at quickly turning a recently discovered ‘super’ functional attribute into a point of difference – one UK supermarket has distinctive 'Superfood' labels for products.

Box 1: Traffic lights – an easy way for consumers to assess health attributes? The UK Food Standards Agency advocates a voluntary code of food labelling that displays levels of fat, salt and sugar as being either red, amber or green – the thinking being that consumers should eat more 'green' foods and fewer 'red' foods.

This approach to health labelling has sparked considerable debate among UK retailers, consumer groups and the food industry generally. Some retailers prefer a 'percentage daily intake' labelling system; others are supportive of the traffic lights system.

The most significant point of this debate has been the amount of interest and response it has drawn from both consumers and the industry. It highlights the increasing interest in healthy food products in this market.

"The important thing about the debate on the traffic light system is not which scheme is the best, but that it has created interest. People are talking about it. It's part of the public debate on nutrition" – NGO, UK

1.1.3 Functionality and Food Technology - Science Driven Goodness

In 1993, the then Australia National Food Authority defined functional foods as:"*...similar in appearance to conventional foods and intended to be consumed as part of a normal diet, but modified to serve physiological roles beyond the provision of simple nutrient requirements"*

"There will be fads ... but the underlying trend is still there, people are going to be looking for health in foods no question." -Healthcare professional, Japan.

Foods with functional attributes have experienced significant growth in developed countries over the past decade. As good health rides high on the consumer agenda, foods that offer specific benefits are well placed to take advantage of the market.

According to Euromonitor, per capita spending on functional foods is led by Japan, followed by several western European countries and the USA. Total spending is also led by Japan, with the USA a close second. China and the UK are also significant markets for functional foods (Euromonitor, 2006).

"People are now using functional food to maintain a healthy lifestyle, they see a connection there." - NGO, UK

The rapidly ageing Japanese population has stimulated growth of a strong market for such dedicated wellness products as Nutraceuticals, functional foods, and specific health claims for existing foods (Superfoods) which is further developed than in many Western countries.

Conversely, in some western markets, some respondents considered there to be the beginnings of a backlash to functional foods in preference for wholefoods.

"3-4 years ago functionality was big, but now consumer feedback indicates they don't really like 'playing around with food." - Supermarket executive, UK

"Consumers want holistic health - emotional, social as well as physical. Functional foods don't really fit this paradigm." - Retailer, Australia

Functionality in foods will continue to be of interest for health conscious consumers; however there is a cautionary note that with the continued rise in 'whole' foods, some consumers in western markets may reject foods perceived to be engineered for functionality.

As with all high profile trends, there is a certain 'faddish' nature to some products related to health claims. Ability to substantiate benefits and appeal to consumers' own instincts for healthiness is key. The underlying and ongoing trend for foods associated with good health and preventative healthcare is expected to continue.

1.1.4 The Organic Market

Organic: produced by specific management practices which take care of the environment and soil. Synthetic chemicals such as pesticides and herbicides are not permitted (Lea, 2005).

Respondents from the UK food industry believe that there are several distinct drivers for consumers to purchase organic food products. Whilst the organic movement is widely believed to have started from a desire for environmentally responsible food, many consumers are now purchasing because they perceive organics are better for them as well. This, along with the perception that organic products are good quality, has propelled organics into the mainstream market supported by large retailers seeking new and differentiated products.

Several empirical studies into consumer preferences for organics support the shift from environmental to health motivators (see, for example, McEachern and McClean, Lea and Worsley).

"Research in this area [organics] is needed... the organic movement is doing it for the environment, but consumers are buying for health reasons." – NGO, UK

One respondent voiced the opinion that consumers also buy organic products as luxury items, most notably at Christmas when sales increase considerably.

"Some shoppers are 'show boaters'. What's the point of buying everything organic if you can't brag about it? They wish to appear as though they're buying into these things." – Food executive, UK

Interviews with industry participants indicated that the organic sector is still growing and is expected to continue to do so. For example, Wal-mart in the US and a major retailer in the UK have both committed resources to developing the market for organics within their supply chains and sourcing larger quantities of organic products.

The organic market forms a significant component of the health & wellness market. According to Euromonitor, in the UK alone, the growth in retail sales for organic products was over 31% between 2002 and 2005 (Euromonitor, 2005). The average UK consumer is increasingly aware of the benefits ascribed to organic produce.

A similar trend is evident in Australia where retail sales of organic products have expanded from around A$28m in 1990 to around A$250m in 2003 (Lea, 2005). Australian supermarket chains have also become involved with organics. For example, Coles has over 150 organic lines, an increase from 12 just two years ago (Lea, 2005).

In Japan the organics market has a slightly different emphasis, where growing consumer concern over food safety continues to fuel the growth of Japan's organic food market. Highly publicised outbreaks of Bovine Spongiform Encephalopathy (BSE), Avian Flu and Foot and Mouth Disease have contributed to increasing consumer demand for product traceability and a shift towards organics. This shift has seen sustained growth of 15.7% over the 2001–2005 period (Datamonitor, 2005).

According to Datamonitor, Japan's market for organic products is expected to continue to grow and is likely to reach A$6.5bn by end of 2010, maintaining its position as the largest organics market in the Asia-Pacific region (Datamonitor, 2005).

1.2 TRENDS IN SUSTAINABLY PRODUCED FOOD

'Environmentally sustainable' was rated by respondents to the Delphi survey as having a 'medium to high impact' on the future of their area of work.

Key finding

Comments from the Delphi study suggested that environmentally sustainable supply chains are becoming increasingly important, and that the concept is driven by two factors. These were consumers' own increasing environmental awareness and the 'authorising environment' where the operations of the food industry would come under increased scrutiny.

Food products that are 'green' – that is produced in an environmentally responsible way – have been available for some time in specialty stores, and more recently, on the shelves of supermarkets that have responded to the increase in consumer interest in environmental issues. The research done by *Beyond Price and Quality* into this area found that the majority of food industry participants surveyed felt that 'green' food would grow in importance for consumers into the future (DPI, 2004).

In the current research, overall 'green' issues mentioned either prompted or unprompted by respondents included 'food miles', 'carbon neutrality', 'local sourcing', 'packaging (over-packaging or compostability)', 'organic' and 'sustainable sourcing'. These are explored below.

1.2.1 Sustainable Product Sourcing

Sustainable product sourcing (particularly of fisheries products) was noted as an issue for retailers, noticeably in Japan, the UK and the USA. The Marine Stewardship Council's accreditation is widely accepted as the standard for sustainable sourcing of fisheries products.

"One of the key drivers of consumer behaviour is environmental issues. The decline of natural resources, especially marine resources due to over fishing is an issue of concern" – Retailer, Japan

Figure 2: Marine Stewardship Council logo from: http://www.msc.org/

At least one major supermarket chain in Japan has instituted a marine stewardship label. Aeon is Japan's largest food retail company, and markets seafood under the 'Umi-no-Eco' (ecology of the ocean) label, which is certified by the international Marine Stewardship council (USDA, 2006).

Box 2: Sustainable wood products – a non food item under the sustainable spotlight

Sustainable sourcing of wood and paper products is also on the agenda for food companies, particularly in Japan, a significant consumer of paper products:

"We use a specific type of paper which is produced from wood chips waste in order to protect green environment." – Distributor, Japan

"People are starting to ask questions – woodchip buyers have started to ask that suppliers source their chips from 'renewable sources'" – Food industry analyst, Japan

One UK supermarket respondent confirmed they also procure wood products from sustainable sources, as do many of their competitors. As with fisheries products, most wood products sourced by this retailer conform to externally audited programs such as the Forest Stewardship Council.

Retailers in these mature markets (Japan, UK, USA) have begun to absorb messages about sustainable sourcing and have altered their sourcing strategies accordingly.

1.2.2 'Carbon neutrality' and response to climate change

"Suppliers need to be on top of the 'carbon issue' to meet supermarket requirements along the whole chain." – Fresh food supplier, UK

Response to climate change was cited as an emerging trend for the food industry, particularly in the UK.

The recent rise in public interest in climate change and its potential impact on the planet has prompted a focus on carbon emissions created by all manner of human activities, including food production.

This interest was expressed by respondents using a range of phrases including so-called 'food miles', local sourcing of products and carbon footprint accounting.

"Product sourcing is definitely under the spotlight – suppliers need to provide a 'footprint'." – Supplier, UK

"Ten years ago retailers were promoting food as 'flown for freshness'. Not now … Despite its profile, most food isn't air freighted." – Supplier, UK

Box 3: Food miles – an appropriate measure?

Food miles, a phrase coined by UK Professor Tim Lang in the early 1990s, is used to illustrate the emissions created by shipping food products around the globe. The term is easy to understand and has received wide press coverage in the UK.

However, it is important to note that the concept of 'food miles' is not necessarily the most effective message about responding to climate change in many markets, as the distance and mode of transport makes up only part of the total carbon emissions that are generated in food production. In isolation, food miles are not a reliable measure of environmental impact (DEFRA, 2006).

While there is an appreciable impact on retail/customer requirements due to climate change in the UK, there is less clarity about the actual impact of climate change on consumer attitudes and behaviour.

"I think to date the public debate has been extremely superficial and it will be interesting to assess consumer opinion if there is a more informed debate, for example a move away from a simplistic discussion on food miles." – Delphi participant, UK

In Japan, climate change was cited by several food industry respondents as an issue that will be important in the future. As with the UK and US markets, good Corporate Social Responsibility (CSR) was cited as the primary driver for companies to address the issue. Most respondents indicated that it was not an issue that directly influences consumer behaviour in that market yet.

"We need to pay more attention to emission gas generated from vehicles used for product distribution... to look into improvements to reduce impact on the environment would be our challenge in the future." – Food distributor, Japan

"Global warming and subsequent abnormal weather patterns are creating tremendous anxieties for the future of agriculture and dairy farming" – Food service company, Japan (from promotional literature supplied by respondent)

That products must travel long distances to get to Japan is a given for most consumers in Japan, which, along with the UK is a net importer of food. However, the Japanese are aware of climate change issues, not least because the Kyoto Protocol was signed in their country.

'Food miles' is not a concept with much traction among the Japanese respondents. All Japanese respondents felt 'food miles' was either not an issue for consumers or their business, or that it was related to freshness and logistical concerns rather than environmental concerns.

"We believe that this [food miles] won't be a factor that influences consumers manner [behaviour] but this might cause either little or large concern with consumers in regard to freshness, cost of food materials or global environmental issues" – Manufacturer, Japan

This finding does not mean that Japanese businesses are unresponsive to climate change; rather it reflects cultural differences in the way climate change issues are discussed.

Respondents from the US and other markets were generally more circumspect on climate change as an immediate issue in food markets, commenting that it will increase in importance in the future.

"Global warming concerns are high on the political and social agenda in Norway." – Retailer, Norway

"Global warming, concern about greenhouse gases, and the burning of fossil fuels and use of 'petro-chemicals' – people/businesses 'who get it' are looking for alternatives: a 'low carbon future" – Supplier, USA

These findings suggest that climate change is on the agenda in developed countries but that public reaction has not yet spilled over into consumption behaviour. Despite this, retailer response to climate change is affecting the supply chain in some markets by obliging suppliers to examine their carbon emissions and in some cases, reduce them.

UK retailers, while not necessarily any more sophisticated in terms of understanding of issues, are further advanced along the path of implementing proactive plans to offset possible future regulatory or consumer reactions to climate change. It is an issue that requires monitoring.

1.2.3 Packaging

The relationship between food packaging and the marketing of environmentally responsible food is complicated by the associated rise in demand for convenience in food products. Excess packaging is being targeted as an issue in several markets in response to concerns about the environment. Although packaging is a tangible, functional attribute, it has been included here to demonstrate the appeal of environmentally friendly products.

"Organic food needs to be pre-packaged for branding purposes – there's an opportunity for novel packaging such as biodegradable packaging" – Retailer, Australia

"Least amount, fewest materials is our goal" – Retailer, UK

In the UK, much fresh fruit and vegetable products are pre-packaged and sold on the basis of pack volume, rather than weight. Signs are showing that the trend towards pre-packaging of fresh produce in UK supermarkets may be under review with at least one major retailer 'trialling' unpackaged fruit and vegetables in store in February, 2007 (The Independent, Feb 1, 2007).

In the Japanese market, presentation is very important. Packaging forms an important part of this presentation, particularly in the sizeable gift market. Therefore, some respondents in Japan felt that packaging issues related to innovation in form and function, rather than reduction.

"[Packaging] is important. However, if we use too much packaging, the product can lose its natural image" – Retailer, Japan

Despite this, the Japanese have long had a strong interest in recycling and waste reduction, driven in part by the high population density in Japan.

In the US, the world's largest retailer, Wal-mart, has made a commitment to reducing packaging by 5% by 2013. A 'packing scorecard' has been devised to help suppliers meet the target based on indicators such as carbon dioxide emissions, packaging to product ratios, recycled content and transportation costs (Packaging World, 2007).

Less packaging or innovative packaging such as using biodegradable materials looks to be the way of the future for 'green' products. Even products that do not embody environmental credence characteristics are likely to be affected if customer requirements for packaging reduction are implemented.

1.2.4 Local Sourcing

Consumer desire for food that is produced locally is cited by respondents as being a new trend, related to the perceived carbon emissions associated with food transport (see section on climate change), as well as a desire to support local communities and for reasons of perceived food freshness and quality.

"True 'local' consumers act out of concern for local industries and communities" – Food industry analyst, UK

"In Japan, it is common sense to value artisan ingredients… we carry them not only because the products are popular and we can make large profits, but also to contribute to the community and protect their traditions. We notice that the community responds to this type of corporate citizenship" – Retailer, Japan

Demand for locally sourced product has seen several retailers in the UK adopt regional sourcing strategies where they actively solicit 'local' food companies to supply them with products. Despite the inherent tensions that local sourcing poses for companies geared towards global supply chains and consolidated distribution, this trend has shown traction, as long as it is economically sustainable for companies and consumers.

At its heart, desire for locally sourced food is not a simple attribute like carbon neutrality or animal welfare. Instead, it embodies a wish to preserve a way of life that is perceived to be disappearing in the face of the competitive global supply chains, a desire for fresh, quality products, and for the reduction of carbon emissions from transportation. Consumers may be attracted to one or all of these attributes.

1.3 TRENDS IN ETHICALLY PRODUCED FOOD

In this analysis, animal welfare is assumed to be a subset of 'ethical' food, partly because that how it was perceived by respondents, and partly because of the terminology generally used to describe good animal welfare treatment – namely 'ethical treatment of animals'.

Similarly to 'green' food, products that carry credence attributes that mark them as being produced or sold 'ethically' will appeal to a segment of the consumer market. Such 'ethical' foods may be sold under a fair trading scheme, or may have animal welfare implications.

The Delphi study did not reveal a strong perception for or against 'ethically' produced food in participants' estimation of the impact the issue would have on their area of work. Respondents were generally polarised in their preferences between 'high future impact' and 'low future impact'. This may reflect the highly segmented nature of the ethical food market as some products lend themselves more readily to 'ethical' status than others do – (usually those that are produced under circumstances that consumers perceive as less ethical – for example, prone to worker exploitation).

Comments from the respondents to the Delphi study illustrated this polarisation somewhat – ethical foods appeal to consumers' altruistic tendencies – the self-actualisation found at the top of Maslow's hierarchy of needs (Maslow, 1943).

Key finding

Respondents' perception of consumer concern around ethical food production was that consumers need to see a problem before they will buy a solution. This relates strongly to 'fair trade' and animal welfare issues.

1.3.1 Ethically traded and 'Fairtrade' Food

"Fairtrade" is a trademark of the Fairtrade Labelling Organisations International (IFO), which ensures products have been sourced 'for a fair price'. It is used internationally.

'Fairtrade' is a trademark, however many companies, particularly retailers, also promote their fair buying policies, without explicit reference to the brand. This report treats both trademarked 'Fairtrade' products and products that are traded for a fair price but that do not carry the brand under the category of 'ethically traded'.

The rise of ethically traded products has been observed in several markets over the past few years. Despite this, ethically traded products are still confined to a relatively small range of horticulture products in most retail outlets – the most visible being chocolate, tea and coffee.

"Fairtrade is another major credence attribute – particularly in the coffee and tea categories" – Retailer, USA

The sector is noteworthy for its recent growth as 'Fairtrade' labelled goods have grown at around 50% per year between 2001 and 2005 (Lewis, 2006). It is still a small segment, but like organic, its rapid growth has prompted interest throughout the industry.

"Fairtrade is a growing area; it's smaller than organic, though. Definitely still a 'high end' trend" – Supplier, UK

Ethically traded goods are being marketed by retailers to communicate their Corporate Social Responsibility (CSR is the integration of environmental, social and economic considerations into business strategies and practices) either through exclusively stocking a 'Fairtrade' product, or by offering a Fairtrade option within product categories.

"Major companies have started to use fair trade products. The reason for this is not because of increased awareness by consumers, but through a sense of corporate social responsibility/obligation." – Food media, Japan

Either way, consumers of ethically traded products are also looking for value – the products tend to have a price premium so quality must be maintained. This is particularly important in Japan, where consumers have a very strong interest in product quality.

"When we enter into a contract that allows a company to produce our private brand products, we make sure the factory doesn't employ any children. We are trying to implement the SA 8000 [International social accountability standard] for our private brand products." – Retailer, Japan

As ethically trade products are, by definition, aimed at increasing the income of farmers in less developed countries, there is little scope for producers in developed countries to directly access this market. However the rise of fair trade signals a wider shift in consumer consciousness about the ethical implications of buying cheap products from sources that may be treating their producers poorly.

1.3.2 Animal welfare

Good animal welfare practices are generally desirable to consumers but not top of mind for many when they are making their purchase decisions, according to respondents. Very few participants in the Delphi study commented on animal welfare as a key trend in their industry.

It is difficult to add value to a product through good animal welfare credentials, particularly if that product is competing with products that do not make claims about good animal welfare practices. At least one UK supermarket is eliminating this problem by exclusively sourcing eggs from certified free range sources.

Respondents in the UK believed that legislation is driving good animal welfare practices more than consumers at present – partly because respondents felt UK consumers believe that animal products were produced to a high standard of animal welfare already.

"The UK is a nation of animal lovers, but also a nation that doesn't really understand farming." – Supplier, UK

In Japan, respondents believed animal welfare attitudes were related to product quality, safety and Biosecurity, as well as ethical concerns.

"We think we should be aware of animal welfare. For example for BSE, when we value health of livestock as a first priority, problems should not occur" – Food service company, Japan

Some Japanese respondents also noted over-fishing in the context of animal welfare. Over-fishing is seen as a significant threat to the Japanese diet.

Special interest groups can influence the importance of animal welfare on the media's – and therefore the public – agenda. Poor animal welfare practices may become a public relations issue for companies if consumers are convinced their practices are unsatisfactory. As with general ethical business principles, having robust animal welfare systems is practical assurance against adverse consumer reaction.

2. DRIVERS OF THE TRENDS

Trends towards credence products are driven by a set of social, economic and cultural changes that influence consumer attitudes and decisions. Delphi study participants and in-depth interviewees were asked to identify the factors driving the trends discussed. The results are as follows.

2.1 CORPORATE SOCIAL RESPONSIBILITY (CSR)

"With magnitude comes responsibility" – Retailer, Australia

Corporate Social Responsibility (CSR): the integration of environmental, social and economic considerations into business strategies and practices.

A strong message arising from this research is the role of the retailer or other consumer proximal supply chain participants close to the consumer in influencing the attributes of products that are sold. This is particularly evident in developed markets such as the UK, USA and Japan, but not confined to them.

The rise of CSR in the food industry as both an industry standard and a point of differentiation for particular firms have seen credence attributes becoming more important.

Almost all supermarkets operating in these markets not only publish their CSR reports alongside their annual reports, but also publicise their 'good deeds' regularly through media releases and in-store information.

The increasingly active role that retailers play as 'gatekeepers' for products with credence, health or convenience attributes is extremely important when considering demand for these products in global markets. If retailers are not interested in a product, consumers have very little opportunity to access that product within traditional markets.

Why is CSR important to suppliers? When customers (particularly retailers) base their activities, in particular their sourcing strategies, on CSR principles, suppliers are often required to prove that they meet the particular CSR standards of their customers. For example – a decision by a major retailer to stock product with biodegradable packaging will require the store's suppliers to change their packaging inputs and processes.

"[Our customer] wanted biodegradable packaging so we trialled cardboard and bio-plastic on our products" – Supplier, UK

CSR is also driven by the wishes of investors. Several retailers in the UK and USA have a professed 'ethical' investment strategy and it is suggested that companies that are privately owned can more easily implement CSR activities than publicly listed firms, as they are not answerable to shareholders. However, the growth in interest in CSR has led some companies to adopt it as a strategy to appeal to investors.

"We have an Environment Steering Group, chaired by our Chief Financial Officer, that looks at food miles, sustainability, energy usage of the company, etc" – Retailer, UK

Key finding

Observation suggests that new 'credence' players have emerged that have led the trend with CSR built into their very foundations, and this trend has been followed by larger, less agile companies in pursuit of market share.

2.1.1 The importance of CSR to credence products

Artisan foods: products that are produced in a traditional way, often by small operators. There is no clear definition regulating the use of the term but it is used widely to describe foods that are not mass produced.

One of the reasons that food companies choose to undertake CSR activities and promote them to consumers is to position themselves as responsible and ethical, thus encouraging consumers to feel comfortable about shopping in their stores. Some retailers have credence related CSR built into their offer, and others have adopted these strategies in order to bolster their credibility in the face of increasing competition.

The US is home to several retail chains that use credence claims as their main point of difference to achieve competitive advantage, at least in the short to medium term. These companies stock products with various credence attributes, mainly organic, but also 'natural' (a term that is almost unique to the US market and that is considered to be effective in communicating natural but not organically accredited process attributes), fair trade, local-sourced, provenance based and artisan. Many products represent more than one of these attributes to bolster their appeal to the segment.

These stores also embody a kind of social responsibility that appeals to their target market segment, thus giving them a strongly differentiated position. It gives them an edge in appeal to the segment of consumers who regularly buy fresh, organic or natural foods and who are willing to pay for premium quality and ethically produced goods.

"Rather than specific claims – such as organics – the real claim is more that we have a total production system that is sustainable and cares for the environment" – Retailer, US

When consumers choose to enter one of these ‘credence’ stores, they have already decided to buy credence products, and are aware they will probably pay more for them. As one respondent put it:

“The consumer needs to have made up their mind [to purchase credence products] before they even enter the store” – Industry analyst, UK

The largest of these US ‘credence retailers’ is Whole Foods Market, which has experienced a growth rate in sales of 20% per annum from 2000 to 2005 (Planet Retail 2006). This growth rate has been reflected among similar retailers in this market segment. This high growth has attracted the attention of the rest of the food retail industry.

Whole Foods Market and its ilk are niche operators, with the former holding around 1% of the total US retail market (Planet Retail, 2006). But the impact they have had on the sector in the US is appreciable. A respondent from Canada noted how retail giant Wal-mart has responded to the trend – it now not only stocks organic as mainstream products, but is working closely with suppliers to reduce carbon emissions and their environmental footprint, a move consistent with large retailers in the UK and, in a smaller way, Australia.

In the UK, similar movements are evident among leading food retailers. The CSR credentials of retailers are increasingly in the public spotlight through both their own promotional activities and through the scrutiny of the media, and there are signs that consumers are becoming more discriminating in this regard.

“Consumers are beginning to question ‘price’ as a measure of value – ‘how can they sell two chickens for 5 pounds?” – Food industry analyst, UK

The UK retail environment is considered to be an extremely competitive and sophisticated one (USDA, 2000). Food retail chains (or ‘multiples’) continually compete for market share and employ a range of strategies to entice loyalty from consumers.

Box 4: Marks & Spencer launches 'Plan A'- £200m 'eco-plan'

Except from media release, 16th February 2007

"M&S announces 'Plan A', a business wide – £200m 'eco-plan' which will have an impact on every part of M&S operations over the next five years. The 100-point plan means that by 2012 M&S will:

- Become carbon neutral
- Extend sustainable sourcing
- Set new standards in ethical trading
- Help customers and employees live a healthier lifestyle
- Send no waste to landfill

Our customers, employees and shareholders now expect us to take bold steps and do business differently and responsibly. We believe a responsible business can be a profitable business. We are calling this plan A because there is no plan B."

Some retailers in the UK have targeted the higher end of the spectrum with 'premium' products for decades and have marketed themselves on the basis of their CSR credentials for that time. For these retailers, credence offerings such as environmental sustainability and ethical sourcing can be seen as a natural progression.

More recently, retailers are tending to focus less on competitive price-leadership and more on value-added propositions in order to escape the deflationary pressure that has eventuated from ongoing low price competition.

Key finding

Whilst there will always be a place for low price food retail in almost all markets, value can be readily created by differentiated products, and credence is increasingly being recognised as a source of differentiation.

"This [adding value through credence] is a boon for retailers and manufacturers who want to get out of price wars – they can develop products to meet this demand with higher margins. It's reflected in both environmental and ethical food products" – Industry Analyst, UK

In the Japanese market, DPI's Beyond Price and Quality research identified that ethical business practices are of paramount importance. This requirement extends to CSR, where environmental and ethical practices are increasingly used as public relations tools.

"[Some Japanese retailers] use CSR for differentiation, raising favourable public image. Either way, this issue is of benefit for Australian exporters

because of the clean and green image. Some corporations work in CSR to avoid the corporate image of profit-first principal" – Food media, Japan

2.2 AN AGEING POPULATION

"Food and health is also about longevity. Those with the most discretionary income are those who are a bit older and are concerned about the quality of their life in the 'senior' years." – Delphi Participant

"70% of the total costs of your health care for your whole life come after you turn 60."– Healthcare professional, Japan

Several in-depth interviewees commented on the impact an ageing population is having in demand for new products in a range of food markets. This is nowhere more obvious than in the health and wellness market.

As the 'Baby Boomer' generation approaches retirement age, its members are becoming increasingly aware of their health and mortality. This has created a large market with strong demand for products that satisfy the desire for a long, healthy life and that fit into ageing people's lifestyles.

2.3 OBESITY

"Obesity is a huge public health issue. Today's teenagers are slated to be the first generation not to outlive their parents." – Food Scientist, Australia

Food industry pundits in the UK consider obesity (particularly in children) to be a major driver for the health and wellness trend. Manufacturers have taken the initiative by being proactive in the call to remove trans fats from their ingredients list. UK retailers are using the '5 a day' message, initially driven by government, to promote fresh and processed fruit and vegetable consumption. According to the World Health Organisation, obesity is also a concern in the USA, Australia and Japan, although it was not raised as an issue by respondents (WHO, 2007).

Trans fatty acids – also known as trans fats – are formed when liquid vegetable oils are partially hydrogenated or 'hardened' for use as spreads such as margarine, cooking fats for deep-frying and shortening for baking.

"Jamie Oliver's school dinners had an immense impact on the landscape here. Public opinion was shifted and policy changes followed. Government (advisers, scientists) had been trying to do this kind of thing for years but it needed public will." – NGO, UK

"Obesity and health, linking the two is an opportunity for the fresh produce category as people should eat more fresh fruit and veg." – Retailer, Australia

"The true cost of obesity and its burden on the nation may start to get more public and government attention."– Delphi participant

2.4 CONSUMERS' ENVIRONMENTAL ATTITUDES

"One of the key drivers of consumer behaviour is environmental issues" – Retailer, Japan

The definitions of 'green' are variable but generally appear to focus on process attributes – concerned with the process of production – and thus require the consumer to give credence to the attribute.

Interview respondents felt that 'green' food was a growing area in all the markets considered. This is in line with the findings from *Beyond Price and Quality* in 2004.

"…the environment is a big issue [in the UK] but there is little hard data on purchase behaviour"' – Fresh food producer, UK

Consumer interest in green food is driven by perceived problems with environmental management. In developed markets especially, media scrutiny of environmental issues has grown intense.

"Environmental sustainability has reached a 'tipping point' where it is everywhere. Guilt is driving a lot of the [consumer] interest and retailers are responding as they would with any other trend" – Food industry analyst, UK

This research suggests that much of the move towards environmental sustainability and ethical sourcing is driven by social and political events and agendas. Retailers are responding to this changed situation by implementing environmentally responsible CSR plans.

"[Environmental sustainability] is increasingly important, particularly over the last year and increasingly going forward. It is currently the key element in competition between the major food retailers." – Delphi participant, UK

2.5 TECHNOLOGICAL INNOVATION

"Innovation comes through process attributes, not through sensory attributes." – Food retailer, UK

Technological innovation in the food industry is also responsible for a rise in foods with functional attributes. For example, microwave technology stimulated a whole new cooking style and revolutionised the market for frozen pre-cooked meals that are simply defrosted and eaten.

A significant proportion of contemporary food retail floor space is devoted to chilled, ready to eat meal 'solutions'. The segment has grown by 4% per year in the USA and Japan and 6% per year in the UK over the past 5 years (Euromonitor, 2007). The increased ability to purchase convenient, healthy, tasty products is a direct result of technological advances in food preparation, food safety management and logistics.

"Prepared fruit is huge. Our customer sells more prepared melon than unprepared (at a mark up!)." – Food supplier, UK

2.6 MEDIA AND THE PUBLIC AGENDA

"It's on the news every night." – Supplier, UK

Globally, the media has an enormous influence on consumer purchase decisions on a daily basis, either through direct advertising, or indirectly through news reporting and lifestyle media. Australian, UK and Japanese interviewees noted the impact of the media on their consumer markets, particularly with regard to health attributes of food.

"The role of the media is particularly clear in Japan. In one example a recent program on TV gave some false information about the health benefits of natto paste. Consumption exploded and the product sold out in supermarkets in one night following the program's airing." – Food supplier, Japan

An interview conducted with a media representative highlighted the positive role that the media can have in promoting the healthy food message to consumers. It was suggested that an education process was necessary and that this should start with school age children.

"We need to educate consumers around food basics in freshness and usage." – Food journalist, Australia

Government policy also drives interest in health attributes to an extent. Nowhere is this more overt than in the UK. The UK Government is driven by large scale social policy, particularly in public procurement and the recent, well publicised drive towards healthier school meals.

The media also plays a role in public awareness of environmental attributes.

"Studies like 'weight of packaging' (published by a UK newspaper) – supermarkets don't like that kind of negative publicity" –Supplier, UK

"[What's driving the 'green trend'?] Government legislation, much of which is influenced by NGOs, media and newspaper columnists. But, people are becoming wary of claims" – NGO, UK

What this demonstrates is not that the media doesn't have an influence on consumer attitudes; but that the influence is complex and environmental preferences are often bound up with other demands, such as quality or healthfulness.

Government agenda, legislation and regulation may also influence consumer concerns with regard to the environment. Whilst comparable data from other countries was not found, several UK respondents made mention of new or even anticipated legislation from the national government or the European Union designed to protect the environment or consumers. Public figures, keen to stamp their environmental credentials, have also influenced the debate.

"Environmental responsibility is driven primarily by legislation. Without it, companies wouldn't do it unless there's a competitive advantage. They can't afford it." – Supplier, UK

3. CONDITIONS

The following section outlines major factors that are impacting on credence trends – not as the drivers of trends, but rather as pre-existing conditions that are required for trends to continue to grow.

3.1 FOOD SAFETY

Beyond Price and Quality found that food companies generally placed more importance on food safety than they felt their consumers did, and furthermore, took their commitment to food safety very seriously (DPI 2004). Thus, this research assumed that consumer demand for food safety is an area that is well understood by the food industry as a condition for doing business.

Beyond Price and Quality also found that the terms 'safe food' and 'clean food' were perceived to be commensurate or interchangeable in many markets. Therefore this research has not attempted to distinguish between the two in data collection (DPI, 2004).

"Food safety messages have gotten through to the consumer and they're now interested in more 'exciting' things. The Avian Influenza outbreak here at present is a case in point – people aren't all that concerned (although they're not buying turkey)." – Fresh food supplier, UK

Key finding

Food safety was therefore not top of mind for respondents when discussing credence trends. However, several did mention food safety as an important area to maintain control over and that breaches or perceived breaches of food safety could have disastrous effects for companies.

In Japan, *Anzen* and *Anshin* or 'safety and peace of mind', are very important to consumers and respondents felt that food companies must remain vigilant.

A Chinese respondent commented that food safety, along with quality and healthfulness, was a key determinant of consumer behaviour, and that media exposure of food safety breaches has contributed to consumer awareness of food safety issues.

"The public didn't realise how dangerous their food consumption was until several incidents were exposed by the media. This includes problems such as pesticide residues in vegetables and fruit… People are pickier now" – Food industry association, China

3.2 WHERE DID IT COME FROM AND HOW DID IT GET HERE? TRACEABILITY IN ACTION

"Track and trace is still a huge area that needs work across all industries. It will underpin all the credence and other claims made about products." – Delphi participant

The expanded 'credence' offering made by many products, particularly in mature markets, has only increased the importance for traceability in the supply chain. Traceability systems and tools are necessary for successful 'credence' product offerings.

Once seen as a differentiator between premium products in information-hungry markets such as Japan, product traceability has now become essential in any market where products that make claims such as provenance, organic, fair-trade or other credence attributes are available.

"Traceback systems are critical to substantiating provenance and keeping markets open" – Food industry analyst, Australia

"There has been a true revisiting of food safety. Traceability is now seen as a benefit to producers, rather than just another business cost" – Retailer, Australia

Traceability systems do not only relate to food safety, but are also a means of substantiating quality and credence attributes.

Traceability systems are not homogeneous and can look very different to one another (DPI, 2007). From highly mechanised, bar coded and electronically integrated systems to more simple systems based on good supply chain relationships and communication, the primary reason for traceability systems is to ensure that product quality and integrity is maintained. This purpose fits neatly into the premise of credence attributes, which rely on the consumer trusting that the supply chain can assure the credentials of the products they buy.

Despite the high priority placed on traceability systems, some respondents felt that the systems in place do not currently live up to expectations.

"Actual implementation does not happen so often (35%) even though it attracts consumers' attention. Major companies have started to use traceability but medium and small companies… do not implement often." – Food industry media, Japan

3.3 TRUST

"Consumers want details, they want assurance." – Food industry analyst, UK

At the heart of marketing credence attributes is the importance of trust – both between the consumer and the supply chain, and within the supply chain itself. Whilst the latter is an issue that individual supply chains must manage within their own frameworks, the issue of consumer trust can be explored as a condition for consumption of products with credence attributes more generally.

Closely aligned with CSR – consumer trust can be engendered both through the promotion of socially responsible activities and through the implementation of accreditation and trace-back schemes for products.

"Trust has always been a major factor in food brands (Heinz baby food, for example), but retailers such as Whole Foods have expanded the notion of trust. Trust now embraces labour utilisation, fair trade, for example, and fairness" – Food industry analyst, Canada

"We always try to act ethically …but need to rely heavily on manufacturers in terms of product information and declaration for compliance. Therefore, strong cooperation and building trust relationship with manufacturers would be important to our business." – Distributor, Japan

The expansion of trust from the product to the company, as noted above, does not remove the rest of the supply chain from the equation. However, companies that are expanding their 'own product' line – most large retailers in the UK, USA, Australia and Japan, not to mention their subsidiaries across Asia and other regions – are assuming a greater role in product integrity than they have previously.

3.4 ACCREDITATION

Similar to traceability, the ability to place an accredited label or logo on a product allows producers to make claims about the attributes of their products. Although not directly addressed in the research, some respondents mentioned accreditation as a useful way for producers to capture value and increase market share.

'Competitive advantage based on our 'image' is on shaky ground. There needs to be an internationally recognised standard for environmental attributes' – Industry analyst, Australia

Box 5: The Lion Marque – where accreditation gets results

The British egg industry's Lion Marque is an example of where an assurance scheme, designed primarily to reassure customers of food safety, has led to increased sales.

Re-launched in 1998 in response to public concern about salmonella contamination in eggs, only eggs from chickens vaccinated against *Salmonella enteritidis* could carry the brand. The brand was launched after market research indicated that health issues were high on consumers' agenda (particularly parents') (Parker, 2002). The industry also invested significantly in marketing the brand, to which the industry association attributes a large measure of its success.

"*It [the Lion marque] is the best recognised food assurance logo in the UK." – Fresh food supplier, UK*

3.5 PLANNING HORIZONS IN THE SUPPLY CHAIN AND INNOVATION

"Simply getting reliable product on the shelf every day, and managing the major execution issues such as discounting and wastage, is our main preoccupation." – Retailer, South Korea

Retailers encounter a number of competing pressures in their daily operations. On the one hand, strategy is developed over a long planning horizon (five years) and implemented over time. On the other hand, supply limitations and other unforseen events may create short term responses that impact on strategic thinking at a managerial level.

Despite this, some respondents said that important decisions made by retailers and suppliers were sometimes in direct response to consumer interest in particular attributes or brands, rather than as part of a long term strategy. This is important as it highlights the difficulty some retailers' face in driving innovation within their business.

Some respondents felt that supply chain partners encouraged them to innovate and that this relationship was an important part of these innovations.

"We tend to rely on supplier innovation for specific product innovation. Suppliers know that they will have a receptive audience for such new product ideas." – Retailer, USA

Good relationships with downstream partners were mentioned by several suppliers as being conducive to process and product innovation, where supply chain partners trusted one another to grow value for the whole chain.

"We have grown rapidly as our major customer has expanded – we have a very good relationship with them … Innovation is a huge part of our business. We try and stay ahead of the consumer [through research and partnering with customers]." – Food supplier, UK

3.6 LABELLING AND BRANDING

"Labelling is a key issue. Yes, consumers desire 'healthier living' products, however fat free etc. labelling is misleading and they think they are making healthier choices when in fact they may not be!" – Delphi participant

Key finding

Truth in labelling and the extent to which producers can make claims about the attributes of their products is a key condition for the growth of the credence market.

The readiness of consumers to trust producers is critical to the success of credence products, and the information made available to them, both in its content and trustworthiness, plays a large part in that communication.

"Truth in labelling is key."– Food writer, Australia

According to the Hartman Group (a US based consulting company specialising in health and wellness, the role of branding has not yet played a significant role in the evolution of the consumer of health and wellness products. This is because the wellness category is a newly emerging category and brands have yet to establish significant traction (Hartman, 2007).

Currently 'the brand' has the biggest influence when consumers first look to purchase a product and their preference will be for familiar brands.

Branded products that carry credence attributes often have to imbue their product with the credence message. An alternative to this is to carry a label or brand that represents the public interest.

Figure 3: Freedom food logo (2007) from http://www.rspca.org.uk/

Companies' using the logos of accreditation bodies can market their products based on the credentials of the label. Freedom Foods, a labelling scheme set up by Britain's RSPCA in 1994 has experienced high levels of growth as consumers have taken the trusted organisation's assurances of high animal welfare standards. The scheme undertakes marketing and product promotion on behalf of the products it certifies to increase exposure and maximise value for the producers (RSPCA, 2007).

There was some divergence in opinion from respondents regarding labelling that displays quality assurance. Whilst some felt that more labelling was better others felt that where consumers are confident in an attribute such as food safety, spelling it out on the label does not add value.

"QA – the consumer just wants it to be simple!" – Government representative, Australia

Key finding

This highlights one of the most important issues for credence attributes – the consumer must believe that the product is addressing some need or gap that exists. Branding for branding's sake will not increase the value of the product.

"Our capacity to communicate the claim to fit the belief of the consumer is critical." – Government representative, Australia

REFERENCES

Bowman, R (2006), 'Wellness' market – scoping study. Bowman Richards and Associates for Department of Primary Industries (unpublished).

Darby, M.R.; Karni, E., Free Competition and the Optimal Amount of Fraud, Journal of Law and Economics, Vol. 16, No. 1. (Apr., 1973), pp. 67-88.

Datamonitor (2005), in Bowman, R (2006), 'Wellness' market – scoping study. Bowman Richards and Associates for Department of Primary Industries (unpublished).

DPI (2004), 'Beyond Price and Quality: Understanding credence attributes of food products in Victoria's priory markets.' Department of Primary Industries, Melbourne, Australia

DPI (2007), 'Traceability in the red meat industry: A literature review.' Department of Primary Industries, Victoria (unpublished)

DEFRA (2005), The validity of food miles as an indicator of sustainable development. Department of Environment, Food and Rural Affairs, UK

Euromonitor (2006, 2006a, 2007) Various Reports Euromonitor International http://www.euromonitor.com

Hartman Group http://www.hartman-group.com/

Hickman, M (2007) 'Asda to remove packaging from fruit and veg' The Independent, (1/2/2007) London UK
http://news.independent.co.uk/environment/article2237674.ece

Lea, E (2005) 'Food, health, the environment and consumers' dietary choices' Nutrition and Dietetics, Volume 62

Lewis (2006) Global market review of the whole, natural, organic and ethical food markets – forecasts to 2012 Aroq Limited, Bromsgrove, UK

Maslow, A. H. (1943). A Theory of Human Motivation, Psychological Review, 50, 370-96.

McEachern, M and McClean, p (2002) 'Organic purchasing motivations and attitudes: Are they ethical?' International Journal of Consumer Studies, Volume 26, Number 2

Parker, D (2002) 'Challenges to the UK poultry industry: the consumers' demands, legislative changes and the industries' response.' Poultry Industry Services Workshop 2002 Banff, Canada

Planet Retail (2006) 'Wal-Mart vs. Whole Foods: America's Future?' Planet Retail Bulletin Issue 171

Planet Retail (2006a) 'Organic Foods: Commoditising the niche' Planet Retail Bulletin, issue 180

RSPCA (2007) 'Freedom Food - Consumer' http://www.rspca.org.uk/servlet/Satellite?pagename=RSPCA/RSPCARedirect&pg=Consumersection, UK

Schlosser, E. (200) Fast Food Nation: The dark side of the All-American meal, Penguin Books

USDA (2006) 'Japan - Market Development Report Food business line periodical press translations' United States Department of Agriculture, Tokyo, Japan

USDA (2000) 'Retail Food Sector - UK' United States Department of Agriculture, London, UK

WHO (2007) Fact Sheet - Obesity and Overweight World Health Organisation, http://www.who.int/en/