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Lemon Effect of Green Agricultural Products and Its Marketing Strategy

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Abstract The paper introduces the lemon effect of green agricultural products, analyzes the formation reasons of the lemon effect of green agricultural products and summarizes problems brought by the effect, such as malicious deception and high price. The paper proposes countermeasures to avoid the lemon effect of green agricultural products from a perspective of marketing. The first is to strengthen the quality supervision of green agricultural products, upgrade the quality of products, and build up branded products. The government should foster the main body of the products and guide the main body to realize the importance of brand construction and management. The second is to construct a sales channel system of green agricultural products, making use of the trading center of modern green agricultural products to sell products, developing a long term partnership with processing industries, big supermarket and restaurants, making use of internet and selling products online and offline. The third is to propagate the products. Make a good use of advertisement, personal sales, propagation and public relations to accelerate the healthy development of green agricultural market.

Key words Green agricultural products, Lemon effect, Marketing, Avoid, China

With the upgrading consuming structure of customers and more and more attention to the products safety, the consuming demands of customers to green agricultural products are stronger and stronger. The green agricultural products refer to pollution-free agricultural products which conform to the sustainable principles, produced by the fixed generating ways and affirmed by the special department and allowed to use the green agricultural products signs. Compared with the common agricultural products, the green agricultural products are safer, more nutritional and more efficient in helping consumers to live in a healthier way both physically and mentally. While in the selling process of green agricultural products, there appears lemon effect, which lowers seriously the consumers' confidence in buying green agricultural products and influences the sustainable development of production and marketing of green agricultural products. In order to avoid the lemon effect, establish the consumers' confidence in purchasing the products and assure the sustainable development of green agricultural products, this paper proposes the corresponding countermeasures from a perspective of marketing.

1 The lemon effect of green agricultural products

Lemon effect is an economic term, originated in asymmetric market information, which influences the normal operation of market. Without regard to other cases, consumers who are of higher environmental awareness would be apt to choose the green agricultural products according to their hobbies at a high-

er price, while those who are relatively lower would choose the traditional products which are not friendly to environment, and the price is much lower. Under conditions that the information is asymmetric, for lacking supervision on the quality of the products in market would make consumers doubt about the so called green agricultural products in market.

Usually, the products producer knows quality of the green agricultural products more clearly than the consumers. While the consumers cannot bear some information costs and *etc.*, judging the averaged quality only by experience or observation, so they would be grudging paying a higher price than the averaged one. Therefore, in a centralized market of agricultural products at different levels, the higher quality products would withdraw from the market because the green agricultural products producer would cost a much higher price while finally could not profit enough from the products or even could not cover the costs. And in the market are those lower quality products. When the customers found the quality of the products on sale was falling gradually, the price they would be willing to pay would lower at the same time. And at last, products of slight higher quality would withdraw from the market too, resulting in a vicious circulation of lower quality. In a balanced situation, agricultural products of lower quality or even the bad products appear in the market, in other words, Lemon effect appears. The existence of lemon effect of agricultural products will lower the consumers' expectation to the green agricultural products, resulting in the extinction of products of higher quality and in the market only the common or even the bad products left. Of course, it is difficult to form the green agricultural markets^[1].

2 The causes of lemon effect of green agricultural products and problems aroused

2.1 Causes Some researches show that the main reasons of the consumers not purchasing the green agricultural products are lack of understanding, high priced, sacred kinds and in-credibility^[2]. The mutual adverse selections caused by the asymmetric information between producers and consumers about qualities of products would generate extinction of market of high quality. 47% do not trust the environmental safety instruction of the products. Under this situation, it is difficult to sell the real green agricultural products at an expected higher price, which will influence the efficient operation of green agricultural products.

In general, the costs of green agricultural products are 30% higher than that of common products; some are even reaching 100%. If the costs increased in circulation, then the final price may be 3 times higher than that of the common products. The traditional products markets are wholesale markets and farmers markets which are competition markets completely. Although to some degree it satisfies the consumers with cheapness, because of its simple operation conditions, complex kinds of products, it is hard to assure the quality of products and upgrade price which is harmful to build branded products. The branded market requires products of similar qualities. It is efficient to the trading of same quality; it cannot afford customers with the complete quality information of products when the green agricultural products and the common agricultural products exist at the same time, which will finally lose effectiveness of the market and cannot assure the selling of green agricultural products is at the normal price, and finally the lemon effect of the market appears.

At present, problems of the asymmetric safety information about the green agricultural products are universally existed. And the causes are in the following points, firstly, the producer who master the safety information clearly do not afford the information to customers actively, and the systems which require the producers to disclose the safety information have not been established; secondly, the safety information of agricultural products is extremely timely. Because of the limited technology, at the present in China, it is difficult to supervise the quality of the products systematically and fully and handle the issue timely. Thirdly, the safety information of agricultural products scatters among corresponding management department, lacking integrity and systematization.

2.2 Problems aroused

2.2.1 Vicious deception. Now green consumption is hot all over the world, the exploitation of green agricultural products becomes a highly profitable project. Because it is difficult to distinguish whether it is an agricultural product, some unscrupulous traders take the opportunity to forge green agricultural products to deceive consumers, describing their products as the green products which have some green function, or even mark the dangerous products with the green brand and sell out at a higher price of green products. This may harm the benefits of customers, and on the other hand, it lowers people's recog-

nition of green branded products.

2.2.2 High pricing. Pricing too high of green agricultural products harms the economic benefits of customers. Because of the green branded influence, the price of the green agricultural products is more or less higher than that of the common products. It should be reasonable, while some unscrupulous traders colludes with some malls, taking advantages of consumers' unknowing knowledge about the costs and pricing too high to generate a kind of discrimination price. Pricing too high not only harms the consumers' economic benefits directly, but also destroy the development of the green products.

3 Countermeasures and suggestions

3.1 Improve the quality and build the branded green agricultural products The basic way to avoid the *lemon effect* is to improve the quality of the green agricultural products and build the branded green agricultural products. The quality is the guarantee of establishing branded products, which is the important way for customers to differentiate the green products from the common products, establish the confidence in purchasing the better products. So, getting devoid of *lemon effect* should firstly improve the quality of green agricultural products, establish the branded products.

3.1.1 Quality first in establishing branded products. In order to improve the qualities of green agricultural products, all aspects in agricultural production, including before, during and after delivery, should conform to the national and international standards, using efficient, low toxicity and residue, labile pesticides, improve the protection, Improve the control effect, reduce the amount of pesticide application, reduce pesticide residues; Vigorously promote the adoption of agricultural control, physical control, biological control, manual control, nutrition, prevention and ecological control techniques to reduce pesticides on vegetables, food hazards, protection of human health; Master Scientific fertilization, including time, frequency and quantity, improving fertilizer use efficiency and keeping the distance with the branded products.

3.1.2 Fostering the main body of the brand construction, functioning as a guide to strengthen the awareness of brand construction and management. The direct beneficial body is the brand, only the brand itself functions its creativeness, activeness will the construction of the brand have the inner strength. The brand body should be qualified with some conditions, because whether the main body complete or not influences directly the efficiency of brand construction. And the signals measuring perfectness or completeness are scale, organization, industrialization and integrity. Because all of which decide the advantageous place of the main body in investment and operation of brand. While in China, the distinctive features of agricultural products producers are small scaled, low organized, non-enterprise operation, low dependence on market and weak ability to resist risks^[3]. In fact, building a brand requires huge investments as support, no matter the building itself or the mending or operation of a brand. Without huge capital, it is a big problem to industries. At present, some industrialized agricultural

organizations have grown up gradually with the deep development of commercialization of agricultural products. The industrialized agricultural organizations are those ones conforming to industrial operation methods. Although the variety of forms, if they were qualified with legal personality, including scale, organization, industrialization and integrity of the brand body, they would be the main body of brand. The government should formulate policies to support the development of agricultural products processing industries which are large scaled, organized, industrialized and integrated, and pay more attention to guide these industries to foster consciousness of brand register and cultivation, to maintain the brand awareness.

3.2 Constructing the selling channel systems of green agricultural products

3.2.1 Selling products with the help of modern agricultural products trading center. The modern agricultural products trading center should perform its basic functions in terms of trading, storing, distribution and examination of products, adopting modern electronic billing, quality traceability, information dissemination, exhibition, auction and sales functions of docking to realize the modern trading of green agricultural products. The modern agricultural trading center should be provided with a set of testing and detection mechanism, testing vegetable, fruit and pesticide residues, animal meat and feel, common parasites and other conventional physicochemical to ensure consumer the food are safe and green. The modern green agricultural products trading center afford customers with tidy, convenient agricultural products trading platform by adopting modern trading methods, realizing the direct distribution from the center to the terminal by closed supply chain, devoid of circulation steps. It transfers the agricultural products to the large supermarkets, hotels and schools directly, upgrading the circulation efficiency of agricultural products^[4].

3.2.2 Developing a long term partnership with green agricultural processing industries, large supermarket and restaurants. It would be a must to adopt a selling method different from the traditional way if the safety and quality of green agricultural products finally were accepted by consumers. Because it is difficult to differentiate the common agricultural products from the green products from appearance. While the processing industries, supermarkets and restaurants which have systematic management, complete transportation systems and strong controlling power of products demanding and supplying, are able to help customers to distinguish one from the other. The added value would be upgraded if agricultural products were brought to processing industries, supermarkets and restaurants. Its quality may be well embodied, the advantages of brand may be performed, and therefore, the economic efficiency of agricultural products can be improved.

3.2.3 Establishing direct marketing stores. In the community where citizens are clustered, open direct marketing stores, taking advantages of safety, good quality and convenience to enlarge sales. The agricultural products of the stores should be the best not only in quality, but also should be unique in designation of package, brand and quantity, which should be differ-

ent from others, showing the distinctive advantages comparing with other similar products. Brand stores can display the certification of the quality inspection by authorities and relevant documents for consumers' researches.

3.2.4 Developing online marketing. Establish the special website of green agricultural products, marketing via the Internet. Online marketing is the most practical and possible routine to realize agricultural brand globalization. Industries may build their web sites, or publish supplying information on relative agricultural web sites regularly, carrying out activities such as online display, online payment, and internet security and information inquiry to improve the efficiency of trades and upgrade brand awareness.

3.3 Doing well in the promotion of green farm products

The promotion strategies of green agricultural products include mainly 4 parts: advertisement, personal promotion, sales promotion and public relations. Because green farm products are life consumption, having a wider marketing arrange; and green products are in the introduction process to market, the aim of promotion is to make more and more consumers aware. So, pull promotion strategy can be adopted with advertisement dominated while sales promotion subordinate. This strategy requires the industry attract customers with non-personnel promotion to stimulate demands of products, and finally enlarge sales.

3.3.1 Advertisement. TV advertisement, outdoor (advertising signs, bus advertisement) advisement should be adopted primarily to introduce the features, dispositions of green farm products. This kind of advertising strategy is beneficial to accelerate the broadcast of marketing information, which is able to guide, stimulate and create demands, making customers improve consumption awareness and levels and playing an important part in green agricultural products promotion.

3.3.2 Personal selling. Personal selling pulls the consumers and industries much closer. And the person embodies industries from all aspects, bringing about certain influence to industries, images and products. So, industries should conduct green training to the personnel in the promotion process, making the personnel capable of describing clearly the advantages of products and benefits of the products brought to purchasers, putting more emphasis on environmental protection, connecting products, industries and environment protection organically.

3.3.3 Selling promotion. There are many kinds of selling promotions, such as awarded sales, gift samples, coupons issue and so on. At present, consumers know a little about green farm products, therefore, during promotion, industries should pay more attention to the fresh points of promotion, making use of holding training course and experiencing promotion to promote sales. By selling promotion, propagate and introduce green farm products to consumers directly, explain the green functions of products, stimulate the purchasing desires of consumers, encourage consumers to buy green farm products, help them to build confidence in purchasing green farm products.

3.3.4 Public relations. The public relation is the important
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the extensive irrigation to intensive irrigation, then large amounts of agricultural water will be saved. The spreading of agricultural technologies needs the guidance of government, so the government should train the villagers, arrange agricultural technical staff to go to villages to guide the villagers and apply other ways to ensure the efficiency of these technologies.

3.6 The urbanization should be accelerated and the industrialization of villages and towns should be vigorously promoted Cities are the places with the highest efficiency of fully display the functions of resources, so for the economically underdeveloped areas, speeding up the path of urbanization is an effective way of realizing the coordinated development of rural environment and economy. Under the construction of new village, the main way of realizing urbanization is strengthening the construction of small and medium cities and towns. The villages can conduct the concentration of population through strengthening the construction of urbanization, which is convenient for the concentrated disposition of rubbish and helpful for the centralization of production factors to fully display their functions. Relative to the rural areas in the economically underdeveloped areas, speeding up the path of industrialization is an important way for promoting the economic development in this region. However in the process of industrialization, the impacts of environmental factors must be paid attention to. The program must be planned well and the admittance of enterprises should be strictly planned. Only these enterprises with high added value, advanced technology and which can greatly stimulate the development of the local economy and do not cause negative influences, can be allowed to enter. Only by this way, the quality of environment could be maintained at the same time of

improving the development of local economy.

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broadcasting way in helping industries establish green images of green farms products, which plays an important part in cultivating green consumption awareness and accelerating the sales of green farms products which cannot be replaced by the traditional promotion activities. It helps industries widely to broadcast the green information to more detailed markets where the advertisement cannot reach to benefit industries in competition. There are many ways to build good relations, for example, getting involved in poverty alleviation, supporting, and disaster aiding non-profitable social activities. Through the activities of industries and contacting with the public widely, the industries should tell the green contributions and the values created by the industries to the public, establish the green industrial images, and earn the goodwill of the public to build a wide social base of green farm products sales and accelerate the healthy development of green farm products market.

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