

Identifying Areas of Information Asymmetry on Foods Labels

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Abstract

The fierce competition in the food market has put forward the discussion on the provision of information to consumers. With the increasing interest in marketed products and services and raised consumer awareness, the cases of asymmetry between the information supplied by companies and the information required by consumers are also on the increase. Among the instruments to limit the negative effects and risks caused by the existence of information asymmetry as an element of the non-verbal communication between producers and consumers, is the product label. The informative function of product labels is conducive to a reduction of market failures and the risks consumers assume with the purchase and use of products. The purpose of this paper is to identify areas of information asymmetry on food labels in the Bulgarian market and to formulate recommendations for improving the degree of information symmetry in B2C communications. The methodology of the study is based on focus group discussions aimed at identifying the imbalance between consumer expectations regarding the information contained on product labels and the one that consumers would like to find on labels. The expected results are to reveal areas of asymmetry on product labels and to make recommendations to companies to overcome information asymmetry.

Key words: information asymmetry, labeling, consumer expectations.

JEL classification: M31.

1. Introduction

Many authors in the field of marketing view information as an essential part of customer relationships and a strategic weapon of companies (Berkowitz, Kerin and Rudelius, 1989). Under the conditions of a highly turbulent and highly competitive environment, information is perceived as a key driver (Philip and Caslione, 2009) for achievement of market success, decreasing the uncertainty and the risks (Smith and Taylor, 2004) in conducting market transactions. Nowadays marketing faces a number of challenges that are the result of the new market space and the information and communication environment. In an information society (Soava and Raduteanu, 2012) and knowledge-based economy (Drucker, 2011) consumers have unlimited sources of information and high expectations of the products and services offered on the market. The growing consumer demands and expectations create conditions for a number of problems faced by marketing specialists such as increasing the effectiveness of marketing communications and overcoming information asymmetry (Tonkova, 2016). The questions concerning the efficient marketing communication and information asymmetry are among the key issues of the information society that Nelson (Nelson, 1970) and a number of authors claim to be inversely related. This statement determines the choice of effective marketing communications as a means of reducing information asymmetry in communication between manufacturers and end-users in the offer of consumer products and services. That claim predetermines the choice of efficient marketing communications as a means of reducing the information asymmetry in the communication between manufacturers and end users in the offer of consumer products and services.

There are three basic components lying at the heart of efficient marketing communications: message, audience and media. The information age influences each of these basic components of efficient communication. This influence is mainly associated with the explosive penetration of information and communication technologies. From a marketing point of view, consumer perceptions are one of the directions in which new market conditions are reflected. The technological invasion observed over the last decades changes the way consumers participate

in the communication process and in particular the way they receive, process and interpret information from the communication messages targeted at them.

2. Marketing communication process

The changes in consumer perceptions, the efforts to decrease the uncertainty and to limit the risks (Murray, 1991) associated with consumer purchasing (Burnett, 2008) decisions are all factors influenced by the information available in the market space that reaches end users through different communication channels and is characterized by a certain level of asymmetry. The inverse relationship between information asymmetry and marketing communications is presented through an adapted model of a marketing communication process. Figure 2 illustrates an adapted model of the communication process, based on the communication models presented by Shannon (1948), Weiner (1948) and Schramm (1955). In the Weiner and Schramm models there is a concept of feedback that attributes, according to Weiner, a component of interaction to the communication process, that is lacking in the Shannon model (Wiener, 1948).

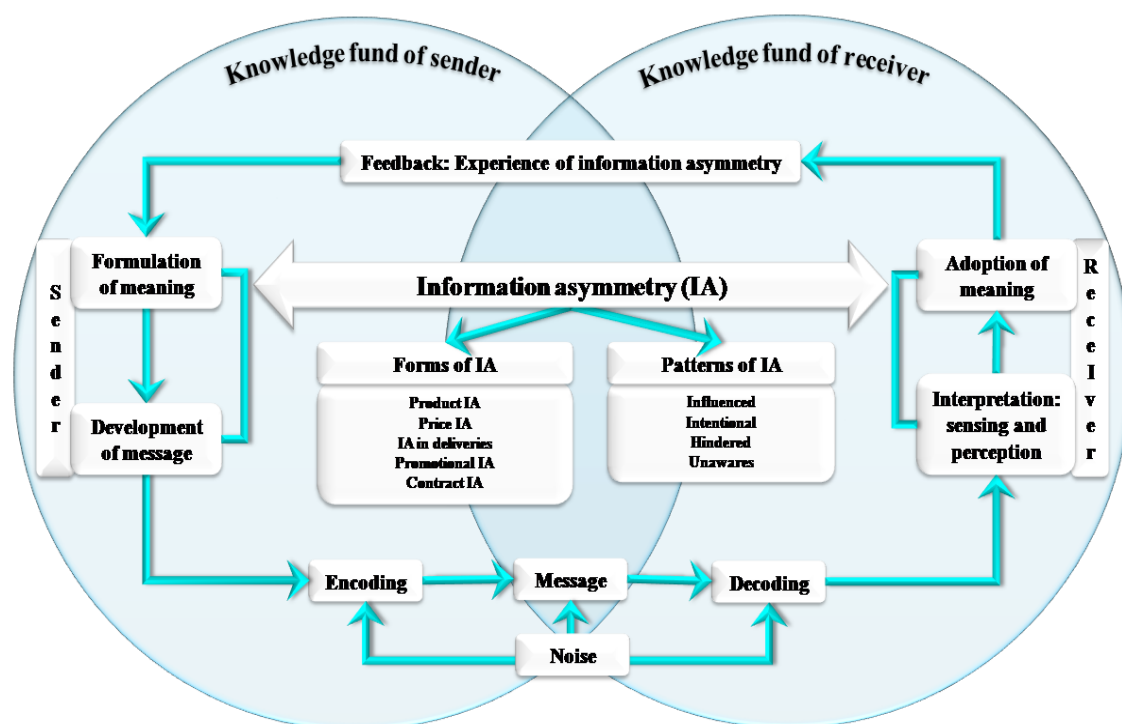


Figure 1. The model of marketing communication process with information asymmetry

Sources: Adapted from models of Shannon, 1948, p. 380; Wiener, 1948, p. 112; Kajtazi, 2010, p. 153

The model presents in an expanded form the process of marketing communications thus illustrating the links between its classical elements: Sender, Encoding, Message, Decoding, Receiver, Noise, Feedback, and the concept of information asymmetry in the communication process. Figure 1 illustrates the classical elements of the communication process that are influenced by the Knowledge funds of the sender and receiver and the forms and models of Information Asymmetry. The purpose of the combined view is to illustrate the two-way influence of the forms and models of information asymmetry on information flows. Under the conditions of digitization of the economy, information asymmetry is considered to be one of the critical problems in the new market space and in particular in marketing that is becoming increasingly noticeable and intensive in the new communication and information market environment (Kajtazi, 2010).

The study in this paper focuses on one of the components of product information asymmetry – the product label.

The choice of the product label as an object of study was dictated by its original functionality as a communication element and information carrier making it a potential carrier of information asymmetry. Information asymmetry manifests itself particularly brightly in situations where the product label acts as the only communication and information channel linking manufacturing companies to end users.

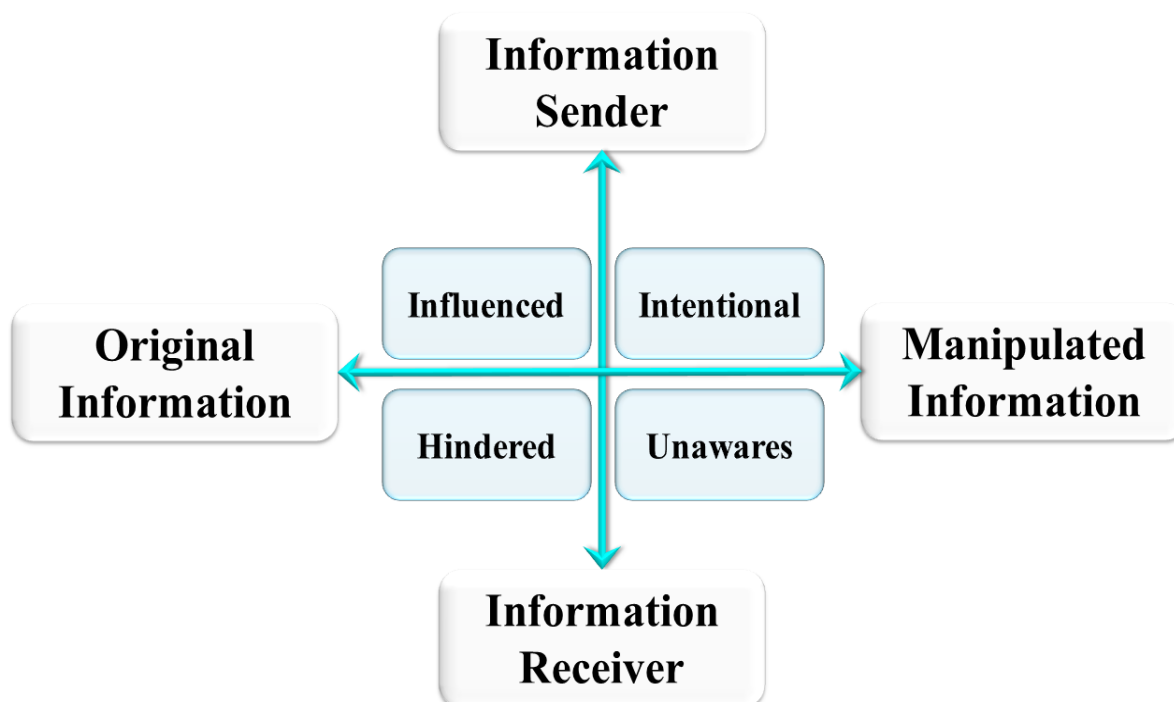


Figure 2. Patterns with information asymmetry

Sources: Adapted from model of Kajtazi, 2010, p. 153

Kajtazi identifies the four recurring patterns (Figure 2) that aggravate the problems arising from the presence of information asymmetry in the communication between companies and end users. The identified models: Influenced, Hindered, Intentional, Unawares (Kajtazi, 2010) are presented in this paper in relation to the identification of the areas of information asymmetry on product labels.

3. Labeling

According to Perreault and McCarthy (2002) product packaging links a product to the rest of the marketing strategy and in many cases provides a higher promotional effect than the effect that could be achieved by advertisements because packaging is often the first contact between a consumer and a product (Perreault and McCarthy, 2002). The product label is, by its very nature, an integral part of product packaging (Kerin and Hartley, 2017) and is seen as a means of raising the awareness of and the interest in the products (MacLaughlan, 2014) as well as the level of product knowledge (Hirschman and Wallendorf, 1982). The product label is a powerful marketing tool (Lusky, 2014) the main role of which, in terms of marketing, is to lure new consumers to use a company's products (The National Provisioner, 2014). Kotler and Armstrong (2012) outline some key functions of product labels, including identifying a product or a brand, describing important product information and creating customer relationships (Kotler and Armstrong, 2012). Packaging and labeling are an essential part of any marketing strategy; they add value for customers and represent an important competitive advantage for

companies (Kerin and Hartley, 2017). Product labeling is also related with the issue of socially responsible information disclosure and companies' responsible business behavior as a whole (Serafimova, 2016). Kerin and Hartley (2017) point to three key benefits that are linked and largely achieved by packaging and labeling processes. The three key benefits are communication benefits, functional benefits and perceptual benefits (Kerin and Hartley, 2017). The communication benefits of packaging and labeling are related, broadly speaking, to the communication function of product labels, i.e. the quality and type of information shared with end users through the verbal and non-verbal means of communication used by marketing in the development of powerful and functional product packages and labels. The functional benefits of packaging and labeling relate to the storage, convenience and protection of products as well as to the preservation of the product quality. The last type of key benefits pointed by Kerin and Hartley (2017) are called perceptual benefits. This type of benefits includes the overall design (shape, colour, graphics, symbols, text, fonts, etc.) of product packaging and labels. The perceptual benefits relate to the ability of packaging and labels to influence the process of product positioning and building brand equity (Kerin and Hartley, 2017).

3. Methodology for identifying areas of information asymmetry on foods labels

This study represents a second stage of a study of information symmetry/asymmetry in marketing, part of own dissertation research. The forms of information asymmetry of B2C markets in Bulgaria were identified during the first stage of the study. The main forms of information asymmetry were analyzed and systemized into five groups as a result of own study of official data of the Commission for Consumer Protection (The Commission for Consumer Protection is a specialized state authority enforcing the legislation on consumer protection in Bulgaria. It carries out activities related to effective market supervision, termination of unfair trade practices, increasing consumer awareness, etc. by implementing national and European policies on consumer protection) for January 2017 concerning cases in which administrative enforcement orders were issued. The following main forms were identified: product, price, contract, promotional and distribution information asymmetry. The results of the content analysis show that approximately half of the practices (43%) refer to product information asymmetry, that is provision of incomplete or misleading information about composition, instructions for use, properties, characteristics, functions, storage conditions, manufacturer/importer name and other information subject to legal requirements to be present on the product label or as a supplementary leaflet accompanying the goods or as a description of the goods in e-commerce. The purpose of the presented retrospective of previous own research is to disclose the reason for aiming the research interest at identifying areas of information asymmetry on the labels of food products.

The methodology for identifying areas of information asymmetry on food labels is based on a qualitative survey of a primary database. The data is collected through discussions in focus groups. Some leading motives for selecting a specific qualitative research method are the greater objectiveness of the collected information, the properties of the group environment to stimulate the creativity of the respondents and the provision of an opportunity for expression of opinions (McDaniel and Gates, 2015). The use of a formulative research approach is justified by the need to identify the key areas of information asymmetry on food labels that mediate the process of communication between producer companies and end users. The research interest in investigating the areas of information asymmetry on product labels is the result of the findings in the first stage of the overall dissertation study where 43% of all cases with administrative enforcement orders issued by the Commission for Consumer Protection were related to product information asymmetry. The results confirm the opinion (Perreault, Cannon and McCarthy, 2015) that the information on product labels is often incomplete or misleading for end users (Perreault, Cannon, and McCarthy, 2015).

Non-target non-random samples (among the respondents) were used in the selection of participants for the group discussions. The selection of the sample model is related, on the one hand, to the formulative nature of this study, and is aimed, on the other hand, at collecting information for the purpose of proper formulation of research problems and hypotheses that would underlie a forthcoming descriptive study, which is a logical next stage in the overall dissertation thesis, part of which is the present study.

Two discussions were held in mini groups consisting of 6 people. The discussions were held at home in order to predispose the respondents to discuss freely issues related to the product information that reaches them through product labels. Interesting and new aspects related to the studied problem – information asymmetry in the communication between manufacturing companies and end users – emerged in the course of the discussions in focus groups.

4. Results and discussion

A qualitative research method – focus group discussions – was applied in order to identify the key areas of information asymmetry on product labels. The study involved 12 people divided in two groups. At the beginning of each discussion the participants were acquainted with the purpose of the study and with the technological process and the duration of the discussions. The participants in the focus groups discussed a set of questions the answers to which reveal the key areas of information asymmetry identified by end users. The topics discussed included sharing of opinions and supporting them with personal examples related to the topic. The questions asked in the focus groups covered topics, some of which are listed below.

- ✓ What information do end users look for on product labels? What information do they expect to find on food product labels?
- ✓ What are the main information attributes that respondents take into account when buying food products?
- ✓ Does product information on product labels affect consumer purchasing decisions? Which factors influence consumer purchasing behaviour?
- ✓ What situations of information imbalance have the participants encountered?

The qualitative primary data collected during the two group discussions were processed by the method of content analysis and the following results were summarized outlining some new strands differing from the areas of information asymmetry on food labels which are no less curious and are of interest to the author's overall thesis dissertation. Let us go back to the purpose of this study which is to identify areas of information asymmetry on food labels. For the purpose of the study it is necessary to answer a number of basic questions and depending on the answers to these questions the areas of information asymmetry will be identified.

First of all, answers should be given to the following questions: "Do end users read the information on food labels?", "Do they understand the information that they read?" and "What type of information do they look for and/or expect to find on product labels?".

During the discussions it was found that most of the participants read the information that is on the product labels. To the next question whether they understand the information they read slightly more than half of the respondents replied that they have difficulty understanding the whole information provided on labels. The other half was divided almost symmetrically between the two polar positions: those who understand and who do not understand the information they read.

The types of information that end users want and expect to find on product labels need to be established in order to identify the areas of information asymmetry. The results were summarized and systematized in Table 1.

No	Types of information on food labels	Key areas with predominant information asymmetry	Key areas with predominant information symmetry
1.	Expiry date	✓	
2.	Ingredients	✓	
3.	Nutrition facts	✓	
4.	Instructions for use/Method of preparation		✓
5.	Country of origin		✓
6.	Net amount	✓	
7.	Producer		✓
8.	Product name/Trade mark	✓	

Table 1. Type of information sought by end users

The summarized results highlight the first three types of information that engages the attention of a major part of the participants to the discussions: expiry date, ingredients and nutrition facts. They play a significant role in the decision-making process to purchase a particular type of food at a point of sale.

To fulfil their main functions, product labels should inform end users about the main product attributes, influence their decisions to purchase a particular product at the points of sale and increasingly serve as a communications medium and an intermediary that provides the first contact between end users and the producers. The following key areas of information asymmetry were found on the food labels in the Bulgarian market during the discussions and after summarizing the results:

- Expiry date
- Ingredients
- Nutrition facts
- Net amount
- Product name/Trade mark

Besides the identified areas of information asymmetry, both groups were asked the following question at the end of the discussions: “Would you like to add anything else related to the topic?”. Some interesting opinions emerged as a result of the discussions within this final question. For example, most of the respondents united around the view that end users pay more attention to the information presented on food labels when their diet affects their health, eating habits, perceived level of risk and so on. The discussions revealed an opportunity for a future study of information asymmetry at two levels:

- Information asymmetry at the level of ‘producer – end user’;
- Information asymmetry at the level of ‘trader/intermediary – end user’.

If we have to comment on the established levels of information asymmetry in the context of identifying asymmetry areas at the level of ‘producer – end user’ they are mentioned above and those at the level of ‘trader – end user’ are related to the deliberate manipulation of information in two of the areas: net quantity and expiry date. Outside the scope of the product label information, the participants commented on information asymmetry concerning the price-to-quantity aspect. The discussion of this topic confirms the results obtained in a previous survey of the forms of information asymmetry where the price information asymmetry comes second after the product information asymmetry, which was a precondition for this study. The opinions expressed by the participants in the focus group discussions enhance the research interest of the author and will be explored in depth in the future projects of the researcher.

5. Conclusions

The new market environment creates favourable conditions for establishing information as a

strategic weapon and a key driver for market success by reducing the uncertainty and the risks faced by the end users, in this case, of food industry products. The information communicated to end users on product labels can lead to diametrical results for companies. For example, if the information is delivered in a manner appropriate to the target audience that meets consumer expectations, it leads to positive business results. The positive outcome is supported by the ability of information to have impact on the reduction of risks and the sense of insecurity in end users in the processes of communication and making a decision to purchase a specific product.

The identified areas of information asymmetry on food labels in the Bulgarian market allow for specific and targeted measures to achieve information symmetry in the communication between the mentioned groups of market participants. This study reveals the areas of information asymmetry on product labels in the food industry. The specific recommendations and efforts to reduce the information asymmetry should be directed at using different communication channels to raise the level of consumer knowledge combined with maintaining continuous contact with and direct feedback from the end users in order to reduce the sense of uncertainty, to decrease the risks and to increase the levels of consumer satisfaction and trust in a company's products. The efficient implementation of an adequate combination of communication tools is motivated by the continuous development and penetration of information and communication technologies in all spheres of life, which necessitates constant adaptation of companies to the highly turbulent not only competitive but also technological and communication market environment.

The results of the study confirmed already known aspects and revealed new aspects of the studied market defect – information asymmetry. The whole study represents a further stage of a comprehensive dissertation research and will be used to refine future research questions and hypotheses in order to study the multifaceted manifestations of information asymmetry within the scope of various marketing processes as well as the links to the individual elements of the marketing mix.

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