

Consumers want ingredient details, study shows

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When a food label reads "Partially hydrogenated oils," consumers want all the gory details – even the stuff about "bad cholesterol" and "heart disease" – a Cornell study of shopping behavior has found.

The laboratory study of 351 pretend shoppers found consumers willing to pay a premium when a product label says "Free of ..." something, such as [genetically modified ingredients](#) – but only if the package includes "negative" information on whatever the product is "free of."

When the label reads "Contains genetically modified ingredients," say researchers at Cornell's Dyson School of Applied Economics and Management, consumers pay two-thirds less (or decline to buy the product altogether), regardless of supplementary information on the package.

"What did surprise us was the effect of supplementary information," said Harry M. Kaiser, a Dyson School professor whose field of study includes product labeling. "Even seemingly negative information was valued over just the label itself, which might be due to what is called 'uncertainty adversity.'"

When provided more information about ingredients, consumers are more confident about their decisions and value the product more, Kaiser said.

Published as "Consumer Response to 'Contains' and 'Free of' Labeling" in the journal, *Applied Economic Perspectives and Policy* (35:3), the

Cornell study might interest CEOs of food-processing companies, government policy makers and American consumers alike.

European Union countries already require labeling of genetically modified ingredients and certain other materials and processes. A Washington State ballot initiative, requiring labeling of genetically modified ingredients is drawing the attention of other states and federal regulators.

In the Cornell study, participants were given \$25 to bid on snack foods of their choice, such as gummy bears, string cheese or cookies. Labels either read "Contains..." or "Free of..." certain chemicals or production processes.

"Free of..." snacks were valued higher if accompanied by negative information, and some "Contains..." labels scared away shoppers.

Until, that is, they noticed supplementary information on packaging. That factual information (such as, "Some research has suggested that artificial dye called Red No. 40 leads to behavioral changes in children diagnosed with ADHD") changed some minds and affected shopper behavior.

Kaiser offers a possible explanation: "Maybe the people saw 'growth hormones cause reproductive disorders in cows' and figured: 'Cow health is not my problem; hand over the string cheese!' But clearly people want to know more."

If mandatory labeling is adopted in the U.S., the researchers concluded, "providing additional information about what the product contains will significantly lessen negative impact on demand."

More information: Jura Liaukonyte, Nadia A. Streletskaya, Harry M.

Kaiser, and Bradley J. Rickard, "Consumer Response to 'Contains' and 'Free of' Labeling: Evidence from Lab Experiments," *Appl. Econ. Perspect. Pol.* 2013 35: 476-507:
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