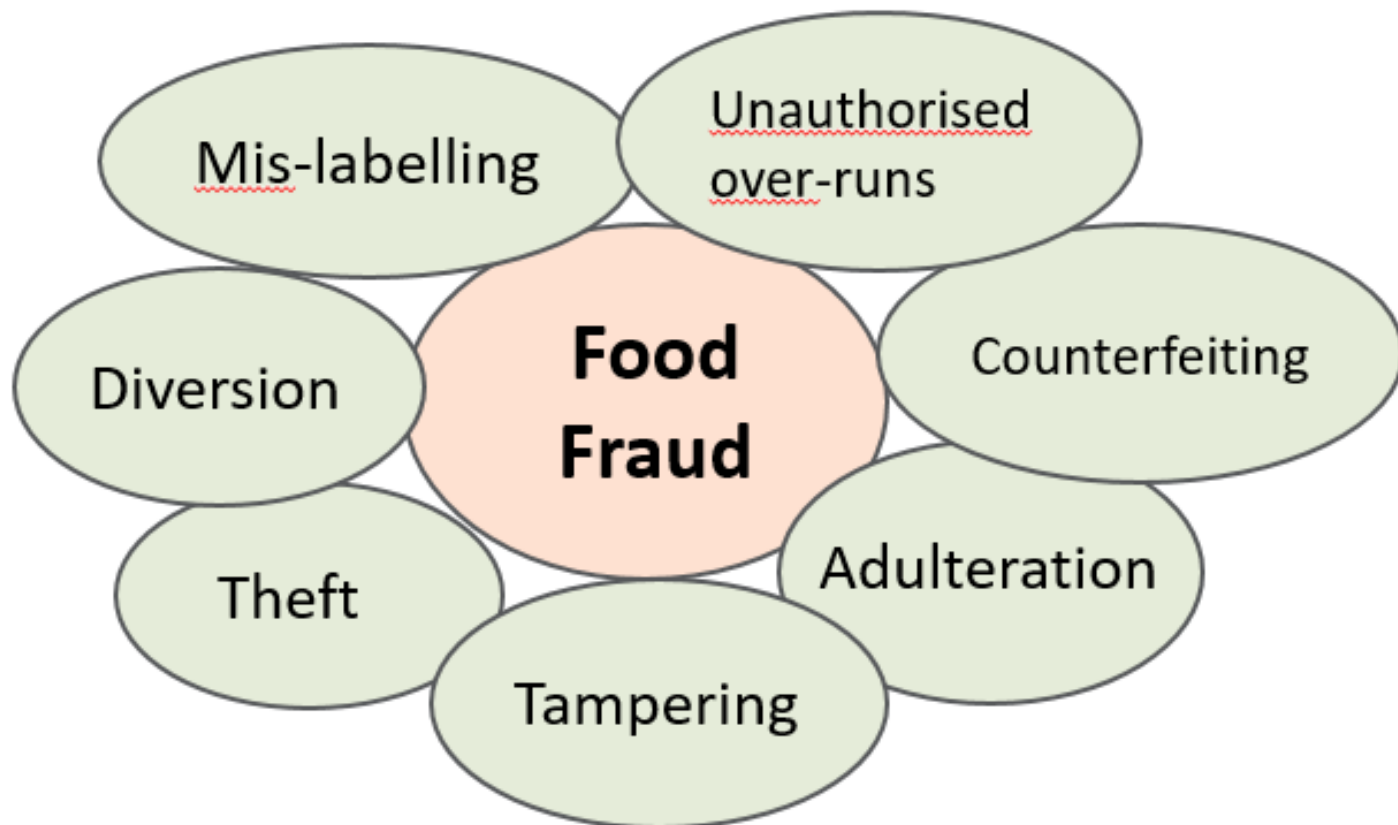


# Understanding Consumer Behaviour to Create Confidence in the Integrity of Your Brands

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# Fraud and Industry Implications

- Average global loss rates fraud = **5.85%**<sup>a</sup>
- UK = **£12 billion** per annum food industry<sup>b</sup>



# The Consumer Perspective

- Recent research on authenticity
- Business implications
- Consumer fraud thought



# Authenticity

**Definition:** when consumers' prior expectations about the nature and self-description of a product have not been deceived.



# Authenticity = non-deception

- food authenticity assumes the absence of ‘food fraud’ which is an intentional act to deceive that is motivated by economic gain (Spink and Moyer, 2011).



# Outcomes of Fraud for Consumers

- Reduced food quality
- Violation of normative practices
- Ill health



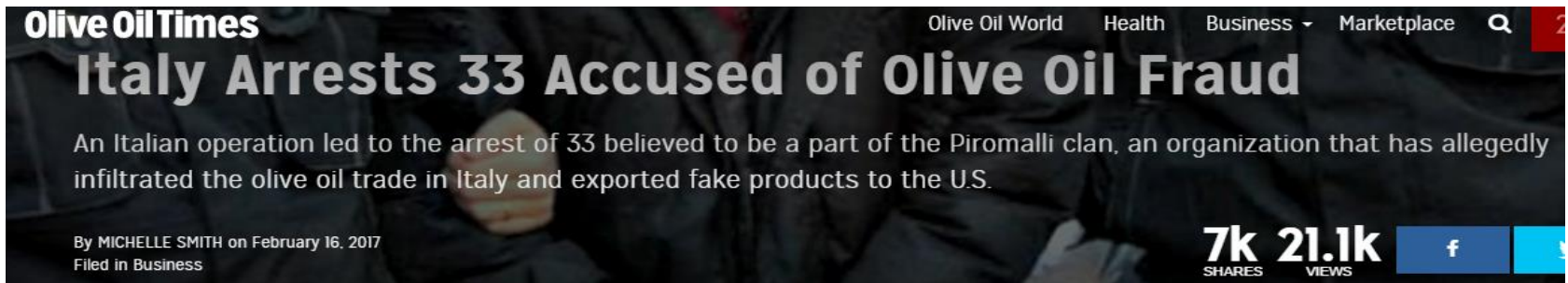
# How can consumers know if they are being defrauded?

- Problem: **information asymmetry**
- producers (or sellers) typically better informed than buyers (requires **trust**)
- Consumers use **authenticity cues**:



# Legislation and Trust

- Legislation provides regulatory environment to support structural trust
  - e.g. Food Safety Act 1990, (UK consumers generally trust supermarket food purchases)
- What happens if regulatory processes are developing and/or not fully trusted?



**Olive Oil Times** Olive Oil World Health Business Marketplace

## Italy Arrests 33 Accused of Olive Oil Fraud

An Italian operation led to the arrest of 33 believed to be a part of the Piroccoli clan, an organization that has allegedly infiltrated the olive oil trade in Italy and exported fake products to the U.S.

By MICHELLE SMITH on February 16, 2017  
Filed in Business

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Ensuring the Integrity of the European food chain

# European Food Authenticity and Chinese Consumers

(Work Package 7)

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# Food Integrity WP7

- Provided opportunity to understand how consumers judge authenticity in absence of trusted regulatory process.



# Why China?

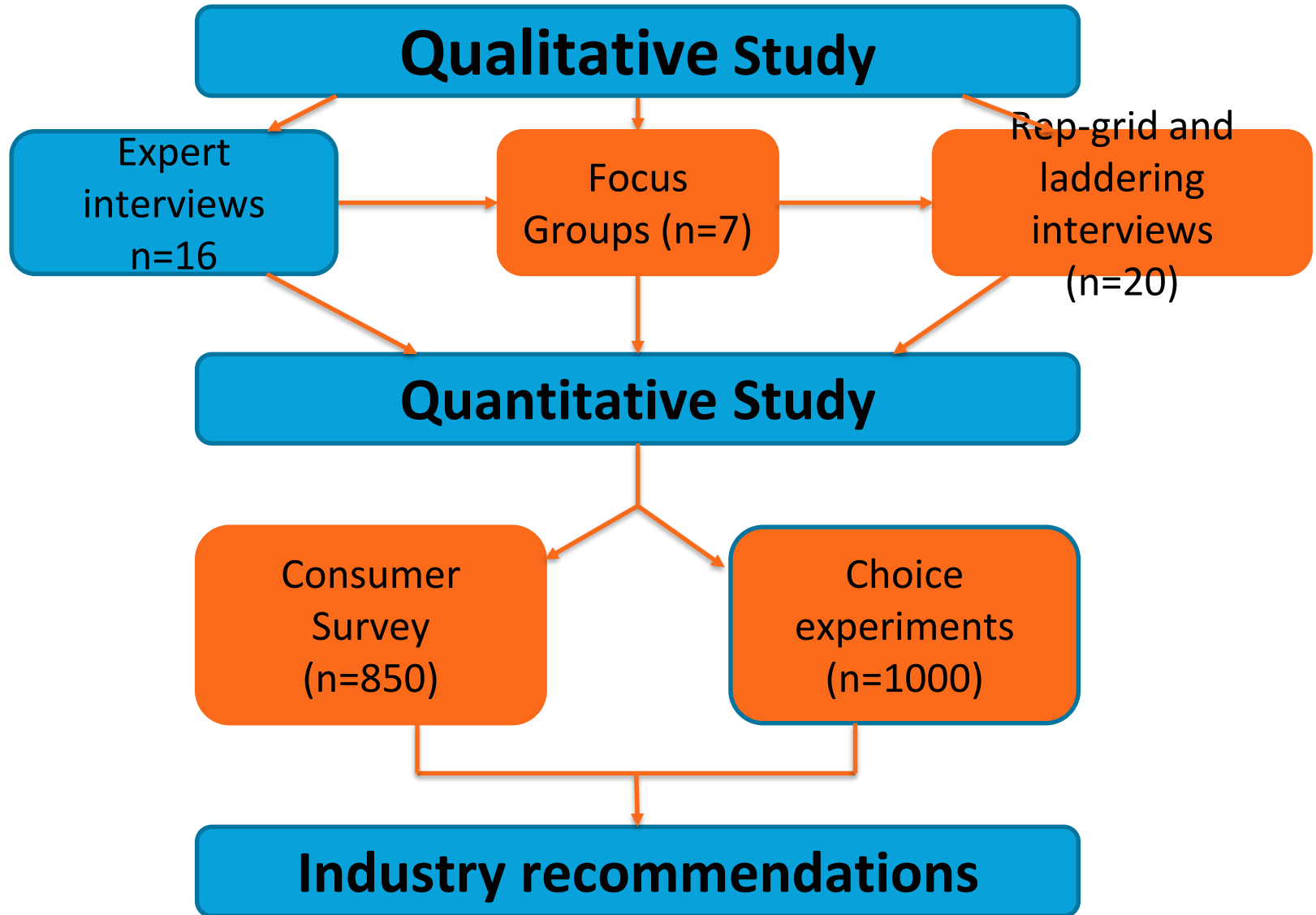
- 3<sup>rd</sup> largest global import market (after EU & US)
- growing market for EU exports, 9.7% of total EU exports in 2014 (€148.1 billion in 2013)
- Increasingly wealthy and urbanised domestic market = market penetration and development opportunities for high value EU food and drink exports(EC, 2014)

(European Commission, 2014)

# EU Product Focus



# Research Design





# Selected Findings


# Perceptions of Health and Safety

Growing	Transport	Product	Packaging	Waste
Contaminated soil/feed	Unsafe transportation methods	Using additives/chemicals	Making false claims	Beyond the sell-by date
Chemicals/Hormones in production		Adding/		Sick animals used in the food chain
GM grown			ot ed	
Taking growing short cuts		Imitation		
		Re-using	Re-using packaging	
		Adding water to increase weight/dilute		

Consumers' perceptions of food authenticity are predominantly related to safety and health



# Barriers to Authentic Food

Regulatory Environment (government)	Industry
<ul style="list-style-type: none"><li>• Perceived lack of:<ul style="list-style-type: none"><li>• Regulation</li><li>• Enforcement</li><li>• Manpower to</li><li>• Punishment</li><li>• Transparency</li><li>• Communication</li></ul></li><li>• Bribery/corruption</li></ul>	<ul style="list-style-type: none"><li>• Perceived lack of:<ul style="list-style-type: none"><li>• Product recall</li><li>• Customer service</li></ul></li></ul>
Reactive rather than proactive	Imitated food
	<ul style="list-style-type: none"><li>• Profit driven</li></ul>
	<ul style="list-style-type: none"><li>• No incentives to improve standards</li></ul>

Consumers' perceptions of food authenticity are undermined by a lack of trust in the regulatory environment and food industry

# Consumer Implications

Health	Emotional response	'Face'	Control
Fear of unknown	Anger, foolishness, anxiety, humiliation, being cheated and deceived	Loss of 'face'	Perceived lack and/or loss of control
Inextricably linked to health	Adulterated IMF un... Ch...	'Gifting' a socially	Inability to judge the authenticity & safety of food
Cumulative impacts for infants and child health	'Strength of emotions and <b>acceptance varies with purchase and/or consumption situation</b>	Exceptions. Scotch whisky, where price and bottle aesthetics important for 'face'	Lack of confidence in their domestic supply chain
	'fake goods' = cultural		


There are some situations where inauthentic food is 'tolerated' or 'accepted'

# Authenticity is context dependent

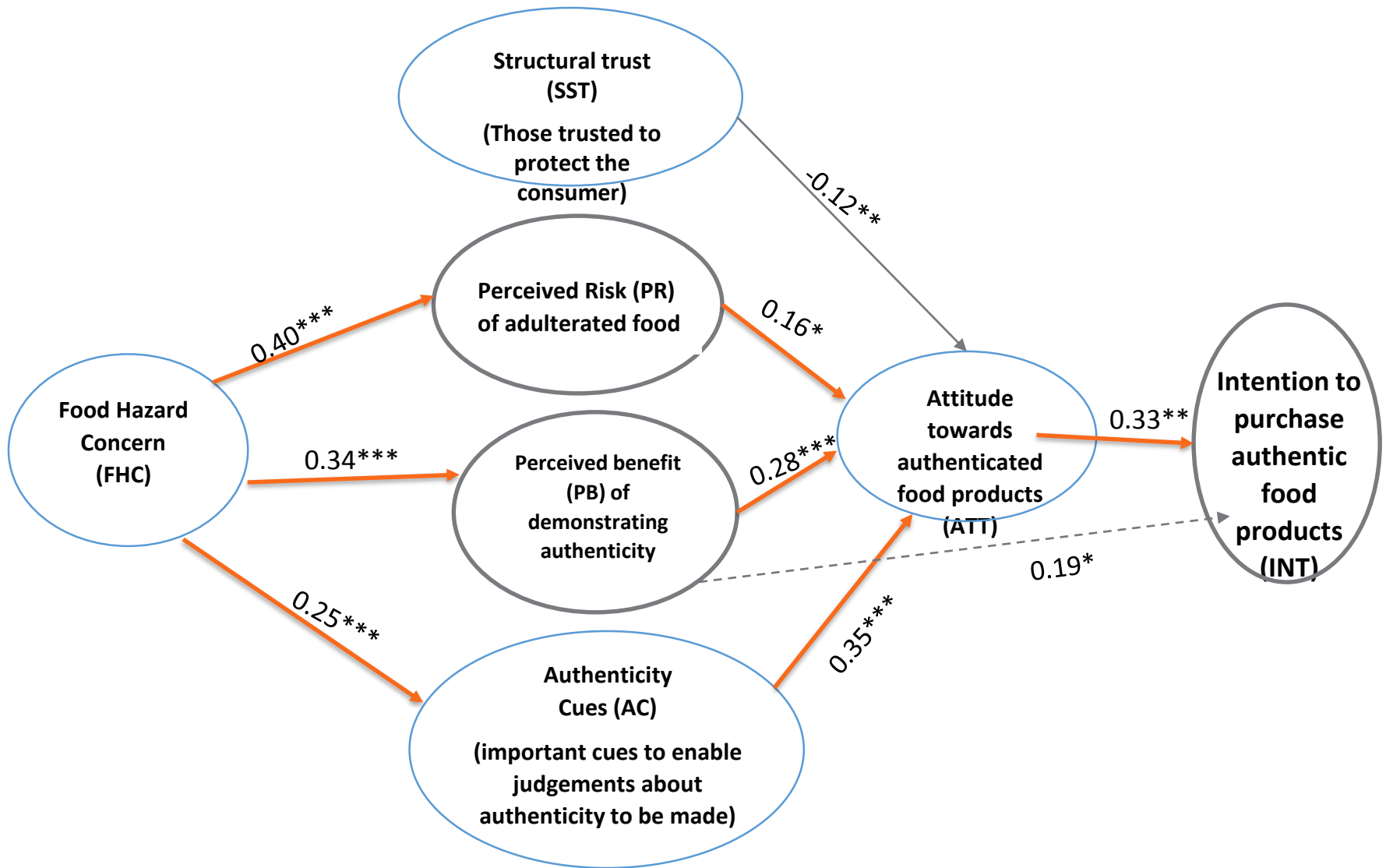
- Consumption situation
- Cultural differences



# Risk Relieving Strategies

Information seeking	Heuristics	Acquisition source	Domestically situated practices
Previous personal experience	Price	Through trusted retailers	Actions taken by consumers at home to ensure the authenticity and safety of food
word of mouth	<div style="border: 2px solid red; padding: 10px; text-align: center;"> <p>Consumers rely on 'authenticity cues' to help determine a food's integrity</p> </div>		
media reporting	QR codes	friends and family	
	Barcodes	personal travel	
	Country of origin	importing	
	Import stickers		

# Structural Equation Model



# Summary Findings

- **Weaker levels of Structural Trust are associated with a stronger attitude towards purchasing authenticated food and drinks**
- **Demonstrating the authenticity of food and drink products had a positive effect on both attitude and intention to purchase authenticated food and drink products.**
- **Authenticity cues had a positive effect on people's attitudes towards purchasing authenticate food and drinks and an indirect effect through attitude on intention to purchase.**

# Authenticity Cues in Choice Experiments

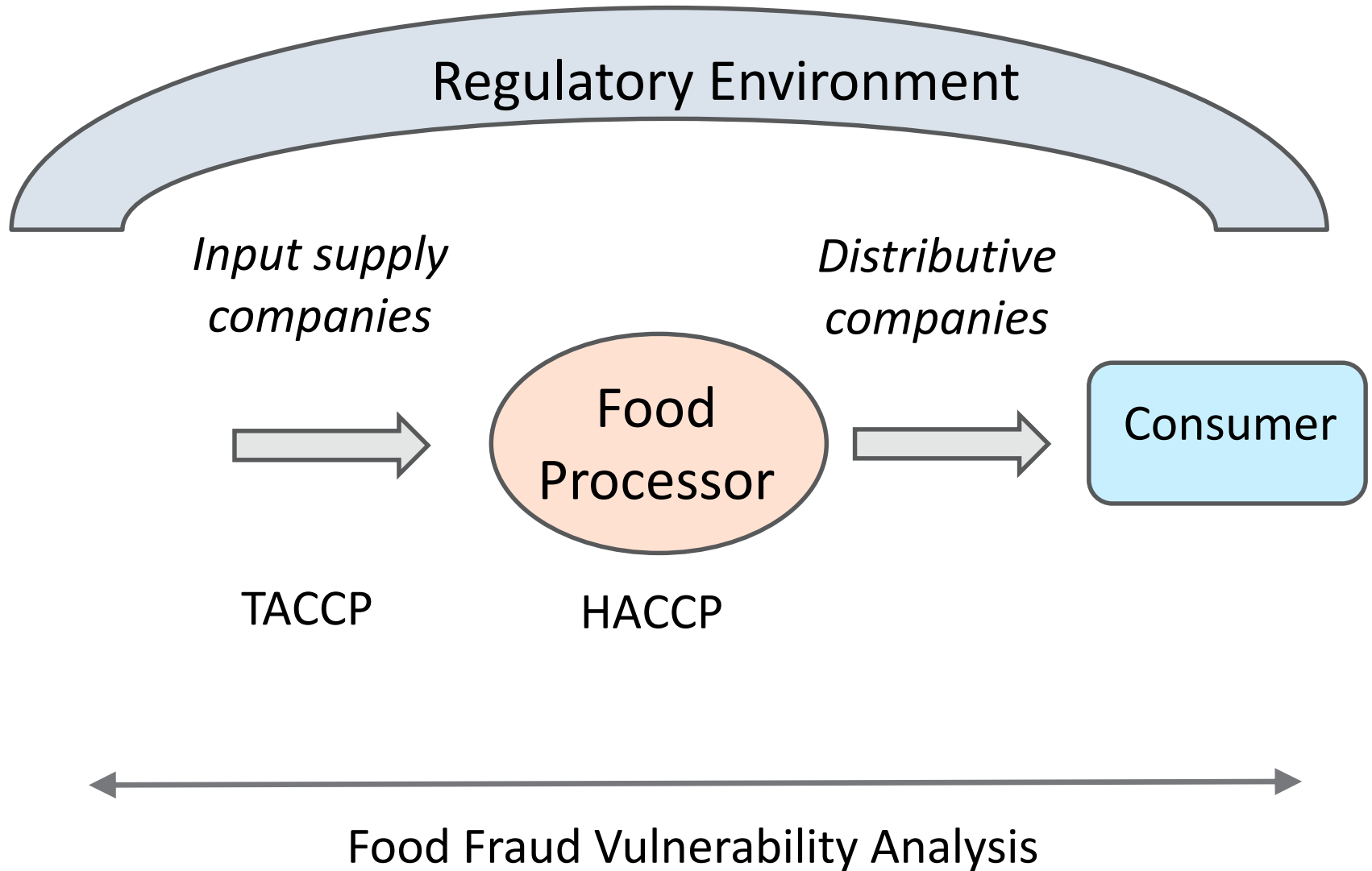
Cue	Description
 A square hologram sticker with a colorful, iridescent background. The text 'GENUINE AUTHENTIC PRODUCT' is printed in green and red, with 'holograms.cn' in smaller text below.	Hologram sticker
 Two images: on the left, a circular metal mesh lid; on the right, a bowl of yellow liquid with a small white object floating on top.	Security packaging
 An illustration of a hand holding a smartphone, scanning a QR code on a surface.	QR code
 A circular logo with a red border and a yellow center. The text 'PRODUCT DESIGNATION OF ORIGIN' is written around the inner edge.	PDO
 A circular logo with a green border and a white center. The text 'ORGANIC' is written at the bottom, and Chinese characters are at the top.	Chinese National Organic Product Standard

# Choice Experiment Findings

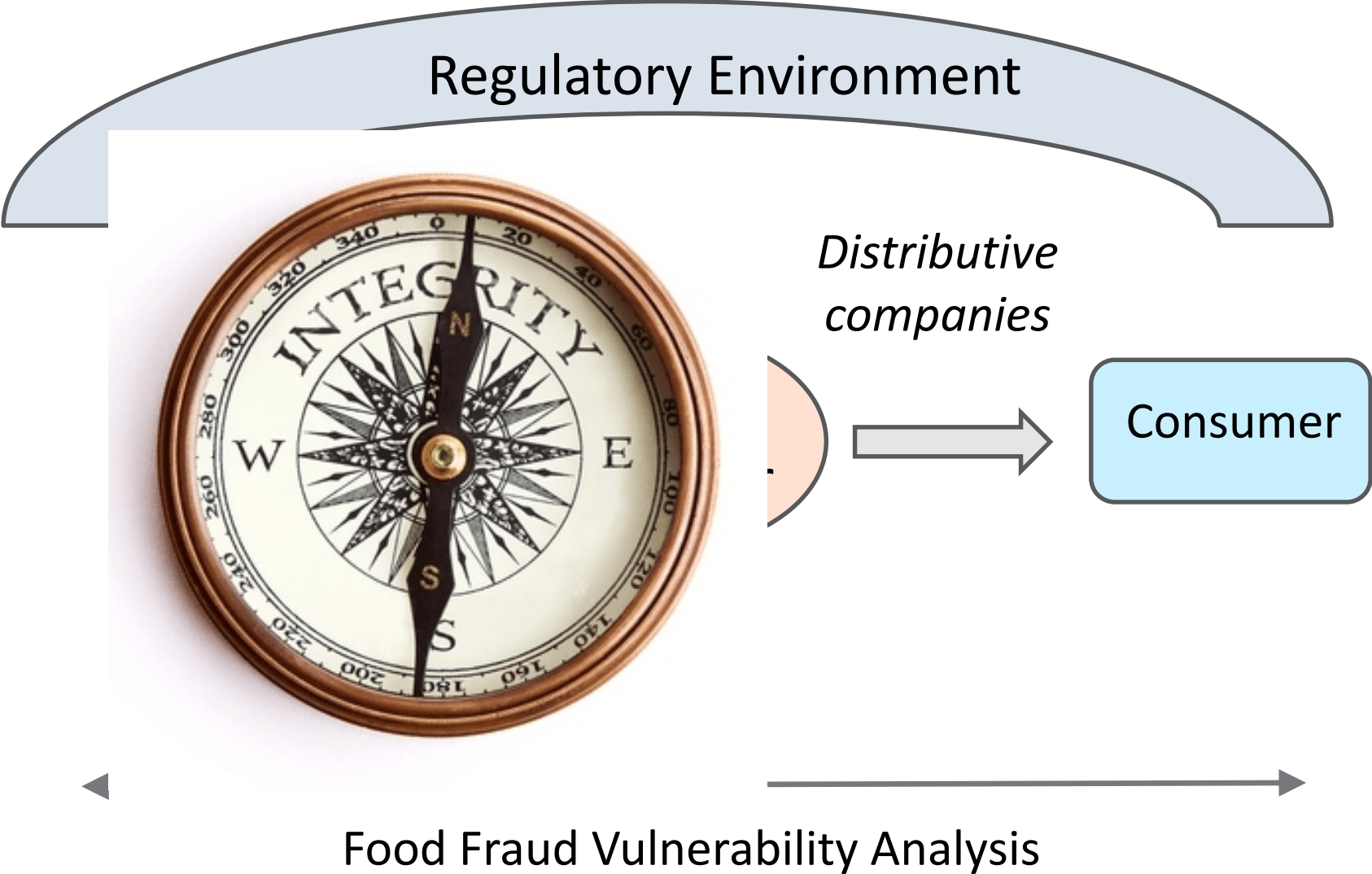
- **High trust** in advice from **friends and family**, consumer organizations and medical doctors.
- Low trust in government and media.
- Some **indifference to country of origin** but some countries (e.g. Germany) have a high reputation independent of product
- **Security packaging** and **quick response codes** were more trusted than hologram stickers
- The importance of different authenticity signs for the buying decision was **product dependant**.



# Implications for Industry...



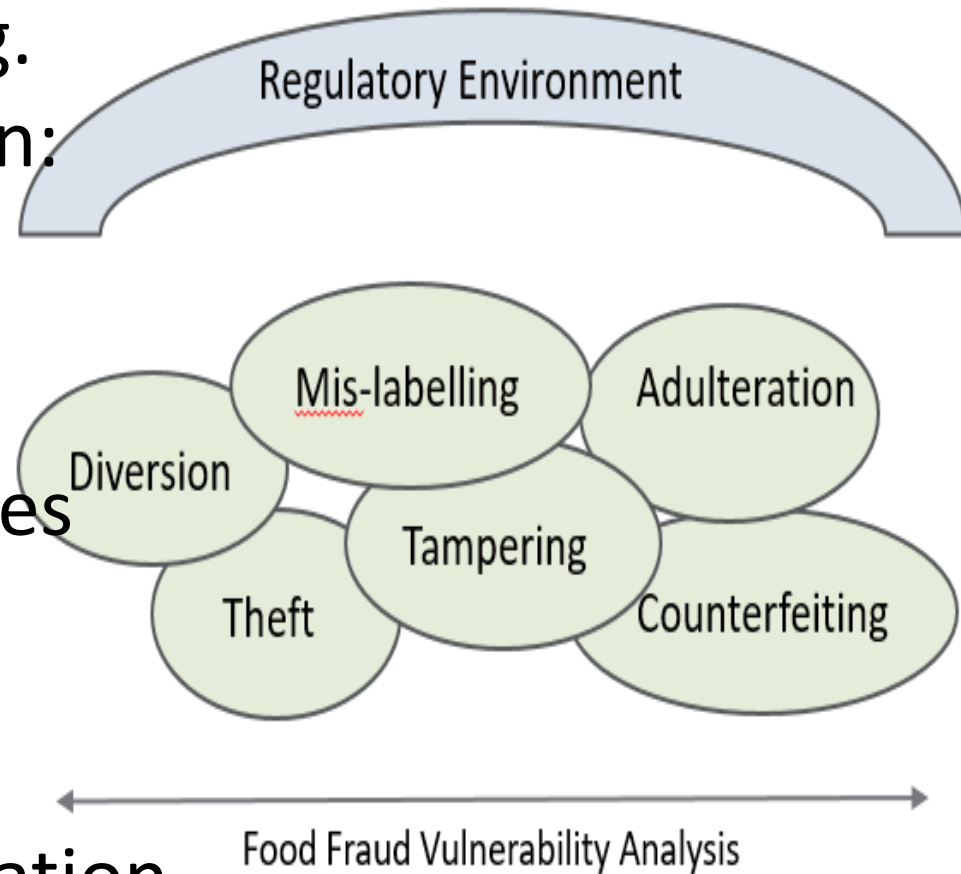
# Implications for Industry...



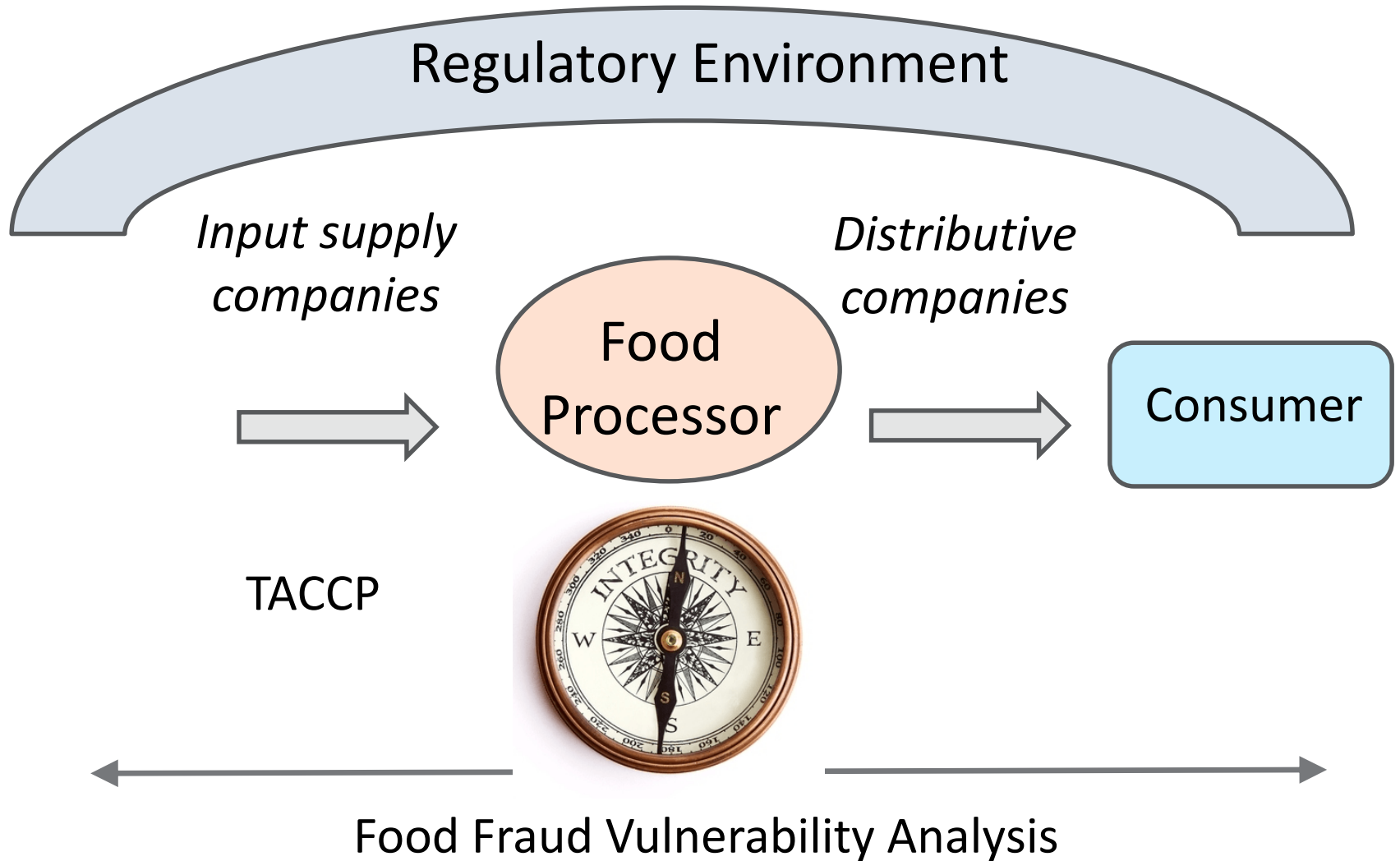
# (EU) Exports = Distribution

Supply chain control e.g. closed-loop supply chain:

- Registrations
- Brand authenticity cues
- Networking (e.g. TAs)
- Surveillance
- Consumer communication



# What about EU brands produced in China?...



# Food Fraud Thoughts...

- Understand consumer attitudes and perceptions to brand
- Consider authenticity cues to support consumer choice
- Consider how to communicate with consumers

# References

- a. Gee, J. and Daly, E (2017) Maximising fraud and maximising value in the UK food and drink sector 2017. <https://www.croweclarkwhitehill.co.uk/wp-content/uploads/sites/2/2017/05/crowe-minimising-fraud-maximising-value-food-drink-sector.pdf>
- b. Gee, J. and Buttin, M. (2017) The financial cost of fraud <https://www.croweclarkwhitehill.co.uk/wp-content/uploads/sites/2/2017/02/crowe-the-financial-cost-of-fraud-2017.pdf>
- c. Spink J, Moyer DC. Defining the public health threat of food fraud. Journal of Food Science. 2011;76(9):R157-R63.