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Mandatory vs voluntary disclosure: consumer interest in milk's labels

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Abstract

Research Questions and Objectives - The purpose of the research is to evaluate the impact of the declaration of origin of milk on consumer. In execution of Regulation No 1169/2011, the decree No 9/2016 establishes the obligation to declare the country of origin of the milk, following the guidelines given by the D.M. 990 28/03/2017. This indication of origin started to be mandatory on April 2017. In this study, we attempt to determine the consumer's attitude towards this labeling program and to compare the results with his evaluation of information voluntarily provided, such as health disclosure or the production region.

The research questions are: What is the consumer reaction to mandatory and voluntary disclosure of information about the origin of milk? Which are the relevant attributes in these different types of disclosure?

Relevance - The legislation focus on consumer's needs to have more clear information about the food. The origin of food plays an important role on consumer choice. In accordance with the Regulation No 1169/2011 some firms have decided to include the origin of milk before the decree No 9/2016, while others have created a new milk line labeled "100% Italian milk". In this study we aim to determine the effects on the consumer of these mandatory labeling decisions, through an empirical application concerning the origin of milk and its impact on consumer awareness. Furthermore, voluntary disclosure must be taken into account, as it can enhance the firm's position in the market. We also take into consideration a way through which a reduction of information asymmetries is likely to impact the behavior of the consumer, because of its tendency to positively consider information on the milk label. The research aims to analyze the impact these kinds of disclosure on the consumer tendencies, in relation to the firms' choices, considering the effect of information and product quality.

Theoretical Framework and Methodology - After the regulation No 1169/2011 was adopted, product labeling has become a policy tool, particularly with respect on providing health and environmental information, and many scholars have tried to model its dynamics (Caswell and Mojduszka, 1996; Teisl and Roe, 1998;

Lyon and Maxwell, 2007; Blackman, 2008). The origin of products is an important information for the modern consumer, and the participation in voluntary labeling programs provides a variety of benefits to firms, such as public recognition of effective firms' efforts (Khanna 2011). The research aims to analyze the effects of firms' choices and behavior in terms of consumers' reactions. The data collection, through a survey among consumers, allows a logit analysis considering the interest of consumers in mandatory and voluntary disclosure that the questionnaire aims to analyze (Greene, 2011). Furthermore, some information about milk attributes and socio-demographic characteristics are collected, in order to evaluate their relevance on the label chosen by the consumer.

Results - We expect to have results that show differences between the product labeled with the origin of the milk and the product without information about that. We also expect some differences due to voluntary disclosure. The consumer's reaction to information about the origin of milk could demonstrate a preference for national products, in line with the new consumer awareness.

Keywords : Labelling, Information, Ordered Logit

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