

Non GMO salt? Gluten free orange juice? No hormone-added chicken? Study suggests many consumers willingly overpay even when they learn food label claims are bogus

Previous studies, as well as market sales data, show some consumers are willing to pay a premium for redundant or superfluous food labels that carry no additional information for the informed consumer. Some advocacy groups have argued that the use of such redundant labels is misleading or unethical.

To determine whether premiums for redundant labels stem from misunderstanding or other factors, this study seeks to determine whether greater knowledge of the claims – in the form of expertise in food production and scientific literacy – decreases willingness to pay for redundant labels. We also explore whether de-biasing information influences consumers' valuations of redundant labels. An online survey of 1,122 U.S. consumers elicited preferences for three redundantly labeled products: non-GMO sea salt, gluten-free orange juice, and no-hormone-added chicken breast.

Respondents with farm experience report lower premiums for non-GMO salt and no-hormone-added chicken. Those with higher scientific literacy state lower premiums for gluten-free orange juice. However, after providing information about the redundancy of the claims, less than half of respondents who were initially willing to pay extra for the label are convinced otherwise. Over 30% of respondents counter-intuitively increase their premiums, behavior that is associated with less a priori scientific knowledge. The likelihood of "overpricing" redundant labels is associated with willingness-to-pay premiums for organic food, suggesting at least some of the premium for organic is a result of misinformation.

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The survey reveals heterogeneous responses to text excerpts explaining the labels' redundancy. We find that 39-43% of respondents lower their premiums after viewing information, which is behavior consistent with having been initially misled. A smaller percentage, 14-27%, did not change their premiums beyond our measurement tool's sensitivity buffer of 3 cents. These respondents may have discredited the information for a variety of reasons: distrust in the sources used in the survey, failure to read the information in the interest of time, or misinterpretation of its message

[C]onsumers view food attribute labels as signals of benefits beyond the scope of the claim made. These benefits may include characteristics of the product itself, such as safety, or outcomes of purchase, such as social status. Such perceptions would limit the effectiveness of information about the claim itself to decrease premiums. On the other hand, participants who maintain their initial premiums may have simply already been aware of the facts presented. Indeed, greater objective knowledge about the label increased the likelihood that a respondent did not change her premium.

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Retailers continue to expand their selection of organic, non-GMO, natural, and other alternative foods. As marketers target consumers seeking these attributes, it is likely that such claims will continue to appear in contexts in which they do not provide any new information for knowledgeable consumers. It is thus

important to understand how consumers value these labels; if grocery shoppers are misled by them, they may spend extra money without receiving extra value.

Although the FDA has addressed the relevance of labels that are misleading in context, its new guidelines are non-binding. Some organizations have argued that redundant labels, at least in the case of GMOs, should be prohibited by law. It is unclear whether such laws might run afoul of free speech protections.

Nonetheless, redundant labels may encourage overspending by uninformed consumers. It is tempting to conclude that more consumer education is needed, but as our results show, provision of corrective information is often not enough to eliminate the willingness to pay more for products with redundant claims. Finding ways to provide consumers with food attributes they desire while avoiding misperceptions is a key challenge for regulators and the food sector.

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