

## CONSUMER INPUT FOR DESIGNING A RETAIL GRADING SYSTEM\*

The proximity and success of wholesale grades is probably an important factor in leading people to conclude grades would work effectively at retail. Yet some rather startling contrasts occur when the extension of the grading concept is set in the transaction between the retailer and the consumer, rather than in the transactions among middlemen back in the system. Some of these contrasts may be useful in appraising some particular problems associated with getting user input into the process of determining and using retail grades.

**User input has been an important aspect of creating grades and grading programs at the wholesale level. At this level, users are experts, spending their life in the practical or theoretical study of the market transactions under consideration. When public agencies developing grading systems or enforcement procedures need information on any aspect of market behavior, they can simply telephone active traders and ask them.** In addition, the hearing process is an effective way for public agencies to acquire information. Since users are experts and would be directly affected by any program, they are motivated to inform themselves of imminent public decisions about grades and to respond to hearing calls.

**In addition to the availability of expert information and the willingness of experts to respond, the subject matter of importance in transactions among experts is objective facts about the products. Sometimes these objective facts may be difficult to measure, such as color, but even this attribute of some products is quantifiable electronically. Unlike the characteristics of final consumer products—such as style, convenience, and other rather subjective attributes—the expert's primary focus is on objective characteristics of the product.**

**Private product definitions, particularly product brands, have relatively small meaning and importance to transactions among experts. Experts tend to develop and execute transactions on the basis of objective information and product definitions or ratings. Competing private product definers are**

therefore less developed and have less momentum. The formulation of grades simply amounts to the groupings of objective product attributes already understood and used by traders into uniform product definitions. Users are often motivated to cooperate because, being experts, they can perceive advantages in a uniform system to themselves and their trading partners.

### *Special Problems Related to User Inputs for Retail Grades*

In the transaction between the retailer and the final consumer, objective information about product characteristics may be important, but it shares the stage with many other subjective characteristics. The image of a product, as well as its technical characteristics, affects its value. While experts are rationally motivated to give meticulous care to buying products at the lowest price, consumers may be rationally motivated toward very different objectives. Consumers are exposed to thousands of items on a shopping trip. A careful analysis of the best buys would take many minutes and perhaps hours. Even after such analysis, it is questionable whether or not the technically best buy would be sufficiently cheaper than the product purchased by habit to justify such time expenditure. So it may be quite rational for consumers to have a purchase pattern in which consumption habits and spontaneity are more important determinants of choices than analysis of objective facts about products. Also, consumers are accustomed to making product judgments and evaluations based on private communicators such as brand names, and considering a new public system is somewhat foreign to them.

It goes without saying that obtaining user input for defining the most appropriate and functional system of retail grades is very different from the simpler counterpart process for wholesale grades. Consumers are not sufficiently interested or aware to respond in large numbers at hearings, as experts would. They may find it very difficult to answer questions about their attitudes toward or preferences for a retail grading system which is generally unfamiliar to them. This means that, even with special initiative on the part of the public, it may not be easy to accurately reflect con-

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\*This section is based on a paper written for the Office of Technology Assessment by D. I. Padberg entitled "Consumer Input for Consumer Grades and Product Labels," October 1976.

sumers' long-term interest pertaining to retail food grades.

### **Reasonable Expectations for Consumer Surveys**

In our complex society, more and more important determinations are taken by the action of groups and less and less by the action of individuals. As food products have grown in number and changed in character, the primary initiative in the design and selling of a food product is taken by producers or manufacturers. The consumer as an individual reacts passively. In this situation, manufacturers must go to consumers in some survey method and probe the consumers' interests for potential products. The public, in designing grading systems for food products at retail, must similarly go the passive consumer for information useful in designing a functional grading system.

Two types of situations need to be defined in assessing useful output from surveying consumers' views, preferences, and opinions. The first situation is where the consumer is aware of the topic being surveyed and has "performed" views and opinions. In this situation, the survey objectives and methods are relatively simple. Little time is needed in conversing with the consumer as to background or definitions of the topic or product being surveyed. Consumers are frequently and conveniently surveyed in the supermarket with a questionnaire requiring five to ten minutes. Telephone surveys are also quite credible in this situation. Reactions to political candidates or preferences pertaining to known products are examples of situations where this relatively shallow inventory of preformed attitudes and reactions is effective and useful.

In this situation, consumers are not asked to think or analyze. The interview process simply inventories attitudes already developed and formed. In short, surveying preformed attitudes or opinions or preferences is relatively easy, straightforward, and inexpensive.

**Useful output from consumer surveys becomes** more difficult, however, when the topic of the inquiry is one about which consumers are generally unfamiliar and therefore about which they have no preformed positions. In this situation, a much more delicate interview process must be followed. First, the consumer has to have the topic introduced. Introducing a new topic to a consumer for which and about which a reaction is to be solicited is precarious. It is most difficult to describe a topic such as retail grades without conveying an emotional approval or disapproval. In terms of consumers' reaction to this introduction of the topic, their

ability to receive and appraise it depends considerably on their previous experience. If similar concepts and activities are within their experience, it will be much easier for them to receive, classify, and react to the topic. On the other hand, consumers who do not find through experience a functional context in which to receive, analyze, and react may be unable to give a useful interpretation. In this latter case, they will be searching most actively for clues from the person introducing the topic on how to evaluate it. The interviewer is trying to be neutral: the interviewee is searching for clues.

In this situation, the interview process may be asking the consumer to do the impossible. Consumers are being asked to give information they do not have. They only have what was given them. If the proposition is presented so it is absolutely sterile of value judgments, they may find it very difficult to analyze and say what their feelings or views are. On the other hand, if the proposition is laden with values, the interviewer is very likely to get back those same values or opinions.

**The implications for the process of obtaining consumer input in the design of Federal retail food grades is clear. Experts have considerable difficulty conceptualizing the operational mechanics and user implications of retail grades. It may be naive to expect that consumers can efficiently and directly advise on how to design such a system that would operate effectively.**

The pivot point of this argument turns on what you expect the consumer knows about the subject of retail food grades specifically or "product information on product labels" generally. Experts who have spent their professional lives dealing with food product characteristics have the tendency to assume: 1) that these characteristics are important to consumers; 2) that consumers in large numbers are concerned and worried about these matters; 3) that consumers have preformed attitudes about the ideal kind of information they want on labels; and 4) that consumers would use such informative labels. After conducting thousands of interviews relating to consumer reactions to unit pricing and nutritional labeling, Padberg feels such "face value" interpretations of the meaning to consumers of informative labels are naive. Informative labels have meaning and usefulness to consumers, but meaning and use are different than experts anticipate.<sup>9</sup>

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<sup>9</sup>R.J. Lanahan, J.A. Thomas, D.A. Taylor, D.L. Call, and D.I. Padberg, *Consumer Reaction to Nutritional Information on Food Product Labels Search*, Vol. 2, No. 15, Cornell University, 1972.

### **What Do Consumers Want?**

In today's affluent society food consumed at home is by and large a maintenance activity, necessary but not the central focus of life. The "good life" involves creative, humanitarian, and other fulfilling activities. From a very young age, we leave the household frequently for extended periods of time to find these activities. Consumers want (and are willing to pay for) many kinds of professionals to do the work of preparing food for consumption inside or outside the household. They are even willing to pay professionals to suggest things for them to buy. Consumers want to react rather than to plan.

Consumers want to purchase food quickly and have assurances that this maintaining substance is safe, wholesome, nutritious, and economical. While consumers do not want to analyze product quality definitions or ingredient labels as a part of the purchase decision, they want to feel that someone is accountable for the nutrition of the product they will offer their family. In other words, they want to be able to hold the food distribution system accountable. Accountability used to be a personal matter in the small business world of the past, where the grocer, local butcher, or baker was also a neighbor. The gigantic modern firms shipping food all over the country and around the world are extremely impersonal. The impersonal nature is not a particular problem because consumers have their own hierarchy of preferences for personal interaction. The grocer may not be high on this list. Nonetheless, the consumer still wants accountability.

The important function of informative labels and public initiative in defining products is essentially twofold. To the consumer it means accountability. It means that someone, including public

representatives as well as private firms, is paying attention to important matters such as nutrition and safety, etc. To manufacturers its meaning is much more complicated and comprehensive. Nutritional labels, for example, stimulated manufacturers to a great deal more nutritional sensitivity than they had previously. It provided a basis of comparing their product values which did not previously exist, and they were most sensitive to it. That comparison became not the sole element but another important element in their competitive rivalry with other food manufacturers. Even though individual consumers may not use this information routinely as a point of purchase aid, consumer groups may give careful surveillance to nutritional quality in general and specific terms. So, in this case as usual, the important actions and determinations are the results of initiatives of groups rather than individuals. The individual sees it as a symbol that this issue is being addressed. The initiative, action, and changes result from interactions of various groups-competing firms, consumer groups, or governmental agencies.

In summary, individual consumers desire accountability from the food distribution system, but it may be naive to expect consumers to have input into the design of a retail grading system for food. Useful input into the design of the mechanics or implications of various retail grade schemes is not likely to come from individual consumers, since consumers would be asked to give feelings and information about their desires which they do not possess. Although individual consumers **may not possess** strong opinions concerning the specifics of retail grades, a more general desire for accountability of the system exists among consumers. A retail grade system could be a part of the accountability which consumers desire.