The Ethically Driven Consumer: What Does Food Traceability Mean? (Part Two)

Do consumers really want to see photos of the cows that went into their burger? Probably not.

In the second part of this series, Des Bowler and Sarah Bowler explore consumer traceability drivers, and what this means to the food retailer, manufactures and farmers.

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Consumers have many different drivers that impact their purchasing behaviour. At the most fundamental level consumers expect that food is safe and most consumers assume it is the responsibility of government to ensure this safety. Traceability is considered by many consumers as a 'given' in part of ensuring food safety. This is largely based on a level of trust that consumers have in their government and the various food safety systems to protect them. When a food incident occurs, that trust can take a big hit. After the initial outcry, often the response by government, retailers and industry bodies is to raise the traceability flag and wave it about. So does this result in any long term changes to consumer behaviour?

The ethically driven consumer

As a society we are moving away from the high volume low cost food production model we historically followed, where the idea was to make food that was safe and cheap enough for everyone to buy. This model was necessary 100 years ago when we were working towards food availability that was safe and at an affordable price.

Through the later half of the last century and early this century globalisation and food choices became abundant and consumer purchases were driven by price and quality, including branding. If you could afford high quality products, you purchased them, if not you purchased budget products.

More recently personal values, principals and ethics are increasingly driving purchasing decisions. These individual values, principals or ethics include growing, production, processing and food claims related to health, nutrition, GMO status, growing or raising, religion (Halal and kosher), environmental, animal welfare, sustainability, region (local, region, state, country or trading block), fair trade, ingredients, branding and others. These collectively can be referred to as 'emotive' claims or drivers.

Today's consumers will pick up a product and turn it over and read the claims on the product. If the product meets their personal values, principals and ethics, as well as being within their budget, they'll buy that product.

The idea of consumer purchasing decisions being driven by personal values, principals and ethics (emotive drivers) should in no way be considered bad or negative. Consumers should always have the freedom to make purchasing decisions based on their individual preferences. The emotively driven consumer is the next evolutionary step in consumer behaviour.

The growth of social media has provided a global platform for individuals to raise questions about food that resonates with likeminded individuals to create a collective voice. Retailers, industry and governments are trying to respond to the social media voices that are becoming louder. Brand

owners want their respective product to be the one that is praised on social media, where demand is being driven by the many voices.

The results of the emotive drivers and the need to stand out from the crowd are smaller product volumes and a high amount of branding showing a range of emotive claims. Where once a manufacturer may have had a few brands for differentiation, today they may have many, each trying to appeal to a group of consumers with specific set of personal values, ethics and price range.

Traceability is an underpinning technology

Traceability along the food supply chain is an underpinning tool for emotive product claims, truth in labelling as well as recall and other commercial activities, much like the humble bar code that is scanned at the point of sale. Consumers don't think twice about the barcode, they don't care how it works, they have no knowledge of the systems and technology that allow it to function. They only care when it does not scan. Consumers only need to care about traceability when something goes wrong. Traceability is a process for providing food supply chain transparency to consumers.

If a food can't be traced, it is hard to have confidence that the food is organic, GMO free, free range, sustainably farmed, grown in a specific region or district, grass feed, etc. Food traceability, supply chain transparency and truth in labelling are all closely related in the eyes of the consumer.

A lot of contradicting information is available about consumer demands for traceability. Some reports show a high percentage of consumers demanding various emotive claims for food products including unrealistic traceability demands. Do consumers really want to see photos on their phones of all the cows that went into the burger they're eating? Probably not. A more realistic measure of consumer behaviour is what shoppers actually buy in supermarkets. At one end of the meat section is the high value, organic, free range, sustainably farmed and fully traceable meat, and at the other is the budget unbranded meat.

It is important to be able to see through the hype related to the many different and competing drivers for food traceability and emotive claims. Enter any grocery store in Australia and you'll see most of the space is taken up by budget or everyday quality meat products, rather than products that have a large number of emotive claims. However, if we take this information to indicate consumers demand, we may be misled. It is important to measure how often this high value product is marked down for a quick sale as it approaches end of shelf life dates. Marked down products are an indication the store is over ordering products and this occurs when demand is driven by perception not true demand. Consumers will purchase high quality product when it is heavily discounted. The option to have a $65/kilo steak tonight because it is half price today is very tempting. Poor understanding of real consumer demand where high value products are regularly heavily discounted will result in an increase in average prices in the long term. This is because the higher value products that can demonstrate meeting all the emotive claims cost more to source, process and package. This means that the average cost of production across all products must be higher.

The point is not to diminish the rights of consumers to purchase food that meets their expectation for emotive claims. If consumers want free range, organic, GMO free, grass feed, sustainably farmed product and are willing to pay a premium for that product, it should be available to them. What is

important is to know the real demands for traceability and emotive product claims. It is necessary to implement programs and systems along a food supply chain based on actual demand rather than hype.

The traceability requirements for one food product are not the same as another food product. The level, complexity and cost should be matched to the expectations and demands of the consumer. All food must have some level of identification, systems and processes for traceability. The question is what level and complexity is right for a given food product.

Traceability for consumers is not a technology question

Over the last 25 years there have been many programs and projects come into existence to meet consumer traceability expectations and demands. Some have come and gone. Others continue to operate but have not been able to obtain the huge traceability market that we continue to hear is being demanded by consumers.

In the early 2000s there was a meat substitute scandal exposed in Japan. High value Japanese grown beef was being substituted with imported beef. Consumers were outraged, confidence in beef fell, industry and government had to respond. The government implemented a program where all retail packs of Japanese grown beef cuts must show a website address and a unique traceability number. When the program was launched the number of hits was large, within 2 years the number of searches fell of a very low level. In 2019 the system is still working and available for use. So why don't consumers use the system? Because consumers consider traceability inherent in the product, they trust the government to ensure there is truth in labelling, the food is safe and the claims are substantiated.

Every year there are news articles about the latest technology to finally overcome the traceability crisis. It seems we are all doomed to failure as these headlines have happened for 25 years, but still consumers are told that we have a traceability crisis. In 2018 and 2019 blockchain is the new shiny bauble for traceability systems. The media presents article after article about blockchain and how it will solve all the food traceability problems of the world, and that the large food corporations are spending big on blockchain. This level of hype is almost word for word the same as it was 15 years ago when RFID was rolled out. The media claimed RFID was technology that would revolutionise consumer traceability. Every product would have a unique RFID embed in the product or packaging; every product could be traced from origin through to consumer. The headlines at the time claimed the big corporation were spending huge sums of money implementing RFID through their supply chains. Traceability had finally arrived to save the consumer. Since then RFID has found its niche delivering the right amount of traceability for the right price for the right products. It did not solve the consumer traceability crisis, neither will blockchain.

What happens when it all goes wrong?

Most consumers do not realise that every day there are food recalls. There are many reasons for these recalls. Sometimes the recall is for labelling errors, other times it is due to a potential food safety risk. Even a very small risk can trigger a recall.

Every year or so there is a high profile food recall. The US romaine lettuce recall (late 2018/ early 2019) was a very high profile event in the US. The size and complexity of the romaine lettuce supply

chain highlighted the difficulty with traceability and recalls. The CDC identified and confirmed the source within 2 days of the commencing investigation. However, the product had already been distributed and much of the product had been purchased by consumers. For commodity food recalls, such as romaine lettuce, retailers remove all product from the shelves. Governments may also get involved with media releases urging consumers to return all product. The issue they are managing is not traceability but consumer confidence. Consumers don't want to take the risk that the product they purchased is unsafe.

Every time there is a major recall of a commodity food product the situation plays out the same way. The process is driven by managing consumer confidence. For government and retailers, the idea of 'acting fast and hard will win the day' always works. This approach will best manage the food safety risk. People can't get sick if all of the type of food product that is directly or indirectly implicated is removed from retail shelves and consumers are told to not eat the product. Social media will report all sorts of information some of which will be distorted and inaccurate fuelling the damage to consumer confidence. The commercial risk is to the supply chain all the way back to the producers or growers. Once consumer confidence in a food product has been damaged the demand for the product may take a very long time to recover. At best traceability systems may help limit the damage, but it won't stop the 'act fast and hard' response of retailers and government.

The message here is that for branded products that have appropriate and robust traceability systems the brand damage will be minimal – as long as they can rapidly manage a recall with minimum effort, minimum recall size, quick response and positive confirmation of the recall outcome. Commodity foods with large supply chains and wide distribution will get some minimal benefit from an appropriate and robust traceability system. However, the shelves will still be emptied and consumers demand will take a long time to recover.

In a Nutshell

Consumers see traceability as a given to underpin food safety, to provide supply chain transparency, ensuring truth in labelling and validation of emotive claims. Consumers don't generally 'use' traceability, but when things go wrong, they expect traceability is in place and there to protect them.

Branded food products can obtain considerable benefit from appropriate traceability system applicable for the type of food product and the complexity of the supply chain. The traceability benefits include some level of product differentiation by underpinning product claims as well as recall management.

When something goes wrong with commodity food products, retailers and government 'act fast and hard' removing all possible implicated products from the shelves. Sometimes related but nonimplicated product gets caught in rush. In these circumstances traceability systems provide minimal benefits, at best they may help limit the extend of the damaged to consumer confidence.

There is no silver bullet to meet consumer traceability expectations. The latest shiny technology won't fix the 'consumer traceability crisis'. But they do make headlines when something goes wrong.

Understand what is driving the consumer related to your food product, map the whole supply chain and focus on appropriate traceability solutions that will provide the level of transparency the consumers really want.