Food Retailing, Quality Signals and the Customer Defence[1]

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Abstract.

Issues related to safety and quality are becoming core elements of the strategy approach of large scale retailers to the consumer. Due to scares caused by sanitary problems and by public restrictions to GM food, we can clearly notice a private certification from retailers. There are evidences in the food distribution systems in France, Great Britain and Brazil which show the weakness of the governmental agencies structures and the lack of reliability in government regulators, allowing the corporate retailers to undertake the “consumer voice” role.

Introduction

The quality is presented in social conventions resulting from historical and cultural processes. The biologic need to eat is conditioned by the social development that defines tastes, aspects, odors and the meals timing (Mennell, 1996). So we deal with food, the quality concept is relative and it obeys signs code that is more sophisticated as much as the society is developed.

The signs can be of two kinds. We have the explicit signs established through norms end standards agreed among producers consumers and regulatory agencies. Those work as conventions and are recognized through seals, label, stamps and other mechanisms, which allow us to certify the “agreed quality”. On the other hand, there is a perceived quality, which isn’t explicit, but it is beyond the agreed norms and standards. The perceived quality works as a hidden code, which involves social groups consuming at certain complicity.

In modern supermarket, the consumer chooses among different packaging trusting the labels. There is no way to verify the quality except the one guaranteed by the traditional mechanisms. However, even taking into consideration the explicit signs, there is always an interpretation margin about what is implicit in the product and its renowned quality. That is applied to the product origin, certifying body, packaging type etc.

The brand is a finished example obtained through reputation from the producer and the merchant sides. It is an implicit sign of quality and since vigorous consumers groups support that, it is also a private attempt to transform objective attributes of a certain product, which are perceived strictly by the consumer, into quality signs. In other words the brand represents an attempt to transform the implicit quality into an explicit one.

Credibility of a food quality is linked to two conditions: pertinence and coherence (Valceschini, 1998). We have the existence of some litigation that can regulate a restricted field of agri-food productive activity among organizations, and that shows the pertinence of its actions. Also we have the coherence, which is represented in organizations that minimize the hazard of an adverse selection by the consumers.

The Public Certification Crisis

Due to market saturation, which happened with the income increase in the developed countries and in urban areas of the third world, diversification and differentiated quality standards increased. For a high income consumer who has no time to search the explicit guarantee in products the certainty that the elements of quality really correspond to what was established are most valuable.

On the other hand, with unequipped public agencies in order to define the requisites of quality and also with the incapability to control the products and segments in the food sector, the "agreed quality" mechanism could fail. That's the case of the most complex food as the organic, non transgenics and other products free of contamination. In these cases the quality is not perceived and the consumer would depend on the brand and labels that certify the quality with reputation.

The French case can help us understand the problem of quality certification at the present time. The French legislation considers some products as being of a non-obligatory, relative or specific certified quality according to its local or regional characteristics. The first regulation came up in 1919. In 1935, that system had its own management structure with rules and a behavior code involving wines and waters. That system was called *Appelation d'Origine Controlé* (AOC)[2] .

In 1955, the system reached the cheese producers. In 1960, a new combination was created also with the own coordinated rules by the processors called *Label Rouge* that represent high quality products[3]. After that, there are the dietetic products (1966), biologic (1981), of the mountain region (1988). According to Sylvander (1995:178), to some products as the case of *fermiers*, the specifications are properly used without having any texts or regulations and knowing that the acceptance by the consumer is very good.

If we analyse the French and the European agricultural policy in the last 30 years; we notice that certification and specialization are no more specific and auxiliary but the basis of this policy[4].

Contrary to the Mediterranean Europe, there are no concerns in the U.S. about the quality certification. Producers and government believe that the consumer can verify by themselves the best products. According to Barkema *et al*. (1991), this preference is shifting the agriculture from an open system of production and supply to contracting. As the consumption becomes more and more segmented and the system can't prove the reputation for small isolated producers, the consumer shifts back to brands and controller firms (Goodman 1999).

The opposition between the French model and the North American one becomes evident in the public incapability to analyse and coordinate all policies that permit the traceability of animal products. For example, during many years, the French authorities optimize the identification

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[2] In order to be recognized the AOC products have to be deeply and historically connected to "old practices, loyal and constants" be notorious and pass through many proceedings involving interprofessional unions and government agencies (see Sylvander, 1995)

[3] Regulated in 1965.

[4] Nowadays, the products known as a specific quality, represent 10% of agri-food market involving in its production 15% and 25% of the French farmers.

system with the animal production traceability. This system served as a basis for the European norm. But later, we noticed that it had low efficiency in an non-borders territory considering different cultural habits.

Some cases illustrate the government organisms weakness in certifying and supervising what the consumer is getting as food. In the 1990´s the consumer had three panic problems, knowing that two of them were caused by contamination. We are referring to a) dioxin identification found in animal food and milk; b) mad cow disease with transmission known as Cretzfeldt- Jacob disease to humans and, c) the non–evaluated effects of grains consumption and grains derivative of GMO (Genetically Modified Organisms).

The new consumer is increasingly influencing the food system by selection or rejection of food considered healthy or hazardous. Often as the case of the European consumer, organic food demand is associated to worries not only with environment but also with social justice issues. The European consumer is supposed to live a fourth wave of consumerism with a good influence over the production and the international commerce (Browne *et al.*, 2000). Large scale retailer's organizations, acting as intermediaries between the production and consumption, are very sensible to consumers' preferences.

Marsden *et al*. noticed a pendulum movement in which the deregulation in food markets and the disappearance of representation organs of corporate type were gradually occupied by large-scale retailer's organizations. According to the authors, "retailers, given their pivotal position in supplying choices, and enhanced degrees of freedom conferred on them by government, become acutely important for the legitimization of the State and, more specifically, for the management of the food system on behalf of the State and the consumer interest" (2000:38).

Another hypothesis that explains this movement of power substitution of the State regulation referring to quality comes from the change of food habits. The raise in consumers income and the transitions to more sophisticated consumption have reduced the demand for undifferentiated products. That's how, labeling and the defining characteristics of quality are directly linked to the retail market of food meanwhile the responsibility of the State is reduced to a secondary plan.

However, it is misleading to appoint the advance in certification by supermarkets, distributors and restaurants chains only as a result of the lack of government attainment. This happened in countries whose the State presence in certification is also important. That is the case of France. France has a large set of certification apparatus for food quality (Maze and Vacelschini, 1998). The French system was reproduced in the European regulation of 1992 where geographic indication of origin was taken into consideration and the production specificity as well (European Commission, 1996). Even though the legislation is expansive, we notice that at present all European countries are reviewing their policies in order to redefine the role of the public competence and the generalization of new conceptual instruments of the control and the quality management (Maze *et al*., 1996:218).

The private certification and distribution

Knowing that France has improved referring to quality signs, the consumer has well received the supermarket's private certification. Carrefour for example, started a program of certification in 1991 with the name *Filière Qualité* and nowadays the French chain has partnerships with a lot of producers (agriculture, cattle, and fish) and many independent supermarkets.[5] The control and regulation of partners, familiar producers and the certification are put into action by a committee with the participation of the producers and consumers. In 1999, Carrefour eliminated the GMO products under its own brand. Its system of traceability was proved in October 2000 when they verified that s*teak hachés* originating from Soviba Slaughters, were suspect to contain meat from an animal with BSE. By the distributor labeling, it was possible to locate all lots of 39 stores that have received them and order to withdraw them immediately. Since then, Carrefour started a process of implementation of its own chain of meat production under its label.

This same structure was used in order to accomplish the determinations referring to GMO. In France, there is a heavy control over these issues: the GM crops have restrictions and the importation, nevertheless allowed since 1996 is now practically closed. For industrialized products, there is a specific legislation forcing differentiated labels containing more than 1 % of GM ingredients. The GMO ingredients depend on authorizations by governmental labs. However, health and moral hazards have removed the French consumer from these products.

In Great Britain, the development of neo-liberal State brought the institutional conditions for the restructuring of food distribution, characterized today by the concentration and by acting in scale economies. In 1990, the Food Policy Act and in 1992, the Health of Nation White Paper redefined the regulatory role of the state in the British food system. The major part of this regulatory role was delivered to distributors. Actually, distributors are constituted of agents of legal determinations and the state became dependent on the micro-regulatory action to distributors. The macroeconomic deregulation offered to distributors the opportunity to develop microstructures of regulation with which guaranteed its power of market and above all the legitimacy against the crises successive related to food consumption.

Health scares caused by BSE and other diseases as *salmonella* and *E. Coli* increased the consumers' worries about food production and processing in Britain. Right after that, GMO became also suspicious to consumer's organizations, scientists, British newspapers and even Prince Charles. British Medical Association invited the consumers to eliminate the GMO and distributors included the GMO in their quality control systems. Table 1 presents some actions put by French and British distributors aiming to increase the trust of the consumer referring to their products.

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[5] The *Filière Qualité* management is complicated and starts with specific instructions of how to produce and what intakes to use (through *Cahiers des Charges* or *Cahiers de Qualité*)

Table 1
French and British Distributors Actions with Respect to Meat Quality and GMO

Distributor	Action relative to meat	Action relative to GMO	Labeling Policy
Auchan (F)		GM free on their own brand. Intend to eliminate GM from the additives	Some information to consumer
Carrefour (F)	Traceability	Guaranteed by traceability. Grain Suppliers GM free from Brazil.	Filière Qualité Certificate
Leclerc (F)	Traceability	Guaranteed by traceability	Marque Repère Brand
M & S (F)	Take out all meat from animal feed with GM crops	All own brand products are GM free	
Monoprix (F)		Some products “bio” GM free	
Système U (F)		All own brand products are GM free	
Asda / WalMart (GB)	Does not sell anymore beef or milk of animal feed with GM feed	Removed GM ingredients from own-label foods. Links with Brazilian soya growers, UK distributors and laboratories to create a quality network.	
CWS/Co-op (GB)	Planning to eliminate all beef of animal feed with GMO as soon as possible	Some of their products contain GMO	
Iceland (GB)	Use only meat of animals feed with vegetal and fish and free of hormones. Does not use viscera or the like.	Withdrew since 1998 all GMO of its products. Investments to support farmers to develop environmentally responsible practices	
Marks & Spencer (GB)	Traceability on production of bovine meat sold in its outlets under its brand. Planning to eliminate all meat of animal fed with GMO.	Eliminated all the GM ingredients of its own products.	Labels over 100 products containing GM derivatives
Safeway (GB)	Consortium with Sainsbury, Marks & Spencer and Northern Foods to eliminate feed with GMO		Labels all its own products containing GM derivatives
Sainsbury (GB)	Contract with a specialized agents, Anglo Beef Producers to produce in an exclusive farm, the “traditional beef” is feed in the last 60 days with non GM feed	Eliminated all GM ingredients of its products of its brand. Efforts to establish reliable sources of non-GM. Is reported to have bought sites on Caribbean islands ton guarantee its organic supplies	Products, which contain GM crop derivatives, aren’t labeled.
Somerfield (GB)	Allows GM-feed meat	Maintain the consumers informed. Support a moratorium of production of GM food as from a governmental initiative	
Tesco (GB)	Does not sell anymore meat or milk of animals fed with GM feed		Identify products, which contain GM ingredients.

Sources: The Guardian, various issues from 1999 to 2001 and the Guardian, Special Report. The GM Debate
Greenpeace, 2000 www.greenpeace.org and
Libération, 2000: Dossier OGM.

In Brazil, where the system of sanitary control is unequipped and the legislation to control the GMO is not in force yet, the situation is not different. The law, that establishes the norms for the use of the genetic engineering and the trading of GMO, has been in force since January 1995. However, the directives for labeling of these products are still under discussion and after that they depend on the Ministry of Justice approval. After this phase the government has to decide how to control the commerce.

Regarding the other sanitary uncertainties as the mad cow disease, until the moment there is no public discussion on their risks in Brazilian society. This seems to be a distant theme to Brazilian consumers due to characteristics of their production and the few cattle imports from Europe. On the other hand the governmental indecision about the future of GMO mobilizes the public opinion and the environmental groups who organized protests. This includes the blockage of ships loaded with supposed GM corn imported from Argentina or Canada.

According to Farina and Reardon (2000) the speed of the market overture in Brazil and the constitution of Mercosur commercial agreement didn't permit to establish and harmonize the public certifications and classifications for foods. In Brazil and in other Mercosur countries as well the governments failed and that made the agro-industry and reprocessing companies to establish and adapt its own standards of quality.

They are many proposals being discussed in the government related to GMO, and they vary from a tolerance of 5 % in GM ingredients till simple releases. In November 1999, The Ministry of Justice underwent to Public Consultation a proposal about the GMO labeling. Advancing the governmental decision, the Congress has already approved a law that constrains to an environmental charge for all producers who decide cultivate GM seeds. At the same time many Brazilian states and municipalities started to issue independent laws that oblige every product with GMO distributed in their territory to show a specific label.

Considering that the Brazilian economy is open for imports and that the agro-industry uses GM foodstuffs, there is no way to avoid the adverse selection for the consumer. It is important to notice that Argentina released the production and the trading of GM products and that Brazil is the main importer of Argentinean corn and wheat.

Recently, Pão de Açúcar, the second largest chain of distribution in the Brazilian ranking, started to ban the GM products. From Pão de Açúcar initiative, consumers represented by their organizations and the NGO Greenpeace started to test and control products and this action overflow to several Brazilian large retail chains. This model established by Pão de Açúcar come closer to the institution of *Filière Qualité* by the French Carrefour. The Brazilian chain is positioned as the consumer voice, leadership that can be followed by the other organizations.

By the way, the Brazilian supermarket chain Carrefour, the first in the national ranking, does not present the same preoccupation known by the competitors and nor by the French headquarters. The Brazilian branch of Carrefour withdrew the supposed GM food only after a complaint made by consumer's representations. Carrefour policy in Brazil only keeps a seal of “Guarantee of Origin” in all its “in nature” products, certifying its origin and the follow up of its production.

Consequences Over the Food System

The predominance of gigantic retail organizations, working with high range of products of their own brand, explains the economical meaning of the quality strategy: they could have huge losses if an accident arrives. This demand of quality is also a differentiation strategy in the extremely competitive market of the food distribution.

The distributors are not restricted to individual actions but they organize themselves in consortiums and associations in order to have a higher power of negotiation with the suppliers of food and raw materials. In 1999, a consortium was created of seven European supermarkets networks in order to get non-GM foodstuffs[6]. The success of these actions is shown through many European food processors that announced not to use anymore GMO in their products. A research with 94 companies made in 1999, revealed that more than 50% of the companies have modified the product composition in order to avoid the GM labeling in France. Most of the companies had certification from their suppliers, 14 of which were capable to present the documentation over traceability and 19 got analyses certificates[7].

The actions taken by the consumers and their organizations related to a better quality, together with the regulation private actions of the distributors and the food processors made political pressures over the public regulation. Many governmental measures about GMO were taken due to these pressures in the E.U. and in Brazil as well.

Conclusions

The private certification has been developed faster than the public one due to its voluntary character. However, since most of the consumers start to demand quality assurance (guarantee) rejecting the GMO or controlling the meat provenance, the governmental instances directly worried about the public opinion, are obliged to regulate the issue firmly.

The retailing industry has its central position in the food system due to its capability to respond immediately to consumers' preferences, supported by the information technology. When the distributors decide to label the products with GMO or eliminate the ingredients of their own brands this action has cascading effects over the food industry, grain traders, producers and agricultural intakes producers. On the other hand, the globalization phenomenon is verified also in the consumers' movements. Consumer actions contribute for similar attitudes in different regions considering the increasingly internationalization of food retailing.

[6] Marks & Spencer (GB), Carrefour (F), Effelunga (IT), Migros (Switzerland), Delhaize (BE) and Superquinn (Ireland).

[7] Commission of the European Communities, Directorate-General for Agriculture, Economic impacts of GM crops on the Agri-Food Sector. A first review, Brussels, 2000

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