

INTRODUCTION OF A MANDATORY «ЧЕСТНЫЙ ЗНАК» LABELING SYSTEM WHEN DEALING WITH DAIRY PRODUCTS© **Makhmudov V. V., 2023**

Irkutsk State University, Irkutsk

The author considers the works of foreign and Russian authors, which talk about the attitude of people to labeled products, the possible increase in prices, the change in their preferences and confidence in labeled products, as well as the feasibility of implementing this system in general. The article reveals the negative attitude of the employees and customers of one wholesale company to the introduction of the mandatory labeling system «ЧЕСТНЫЙ ЗНАК». The main conclusions are also made about the changes in the attitude of customers to dairy products and about changes in the work process of employees during the implementation of this innovation.

Keywords: attitude, mandatory labeling system, «ЧЕСТНЫЙ ЗНАК», dairy products

The system of labeling goods in Russia has been used for about 30 years; the initial attempts at labeling were not based on digital technology. The first electronic labeling that allowed to control the turnover and quality of medicines was created in 2015; before that labeling was in the form of excise stamps and holographic stickers (Маркировка, n.d.).

The «ЧЕСТНЫЙ знак» labeling system was initiated by the state authorities, and was primarily introduced for greater transparency in Russian business. It was supposed to prevent companies from trading in the black; namely, it was necessary to stop bypassing the cash register. This initiative was also aimed at increasing the tax collection from the sale of goods. The purpose of this study was to examine how both customers and employees of the companies that produce dairy products evaluate this innovation.

Literature Review

Since the «ЧЕСТНЫЙ ЗНАК» is fairly new in Russia, there are few studies that deal with this topic. So this research might add new data helping understand both positive and negative effects of this system. Let us give an overview of the literature on the issue under study.

Several authors believe that the system will have a positive impact on producers and sellers; Polessky (2019, November 1) and Artemiev (2020, July 15) highlight the reduction of the gray market, which will help eliminate unscrupulous sellers who try to avoid taxes and sell counterfeit goods. This will allow honest companies to take larger market shares, as well logistic solutions in companies will be more efficient, and new tools for digital marketing will appear. Moreover managers will invest more in staff training or in the use of modern technology. More manufacturers will receive new and more complete information about the chain of supply, the final stage of which will be the goods' sale. Belousov notes that the system will optimize business processes in companies, but he mentions some drawbacks as well. In his opinion, it is also possible that companies' costs as well as prices for goods will rise and small and medium-sized businesses will leave the markets (2017, 43). Korsaya agrees with this point of view, adding that a system failure to read barcodes that will result in enormous costs for companies. If earlier sellers could manually type the product code, with the introduction of the system, this can only be done with special equipment, as a result all items that cannot be read will be subject to

write-offs. According to experts' estimates write-offs of goods may amount to more than 5 % of total production, which is about 750 billion rubles (2019, 181).

The new labeling system can be beneficial not only for companies and business as a whole, but there can be positive outcomes for consumers. According to Belousov, consumers can become more confident in the authenticity of products because the number of counterfeit goods in the markets will decrease (2017, 43). However, Korsaya points to losses of buyers due to the fact that all the costs that companies will incur when introducing electronic labeling will actually fall on consumers who will have to pay higher prices for goods (2019, 181).

The Center for the Development of Perspective Technologies points out one more disadvantage: is the new digital labeling system «ЧЕСТНЫЙ ЗНАК» partially replicates the functionality of similar systems «Меркурий» and «ЕГАИС» (CDPT, n.d.).

It is interesting to compare Russian publications on labeling with those of foreign authors. There is considerably more literature on goods labeling in English than in Russian. The discussed themes differs greatly. If our authors focus on positive or negative aspects of labeling, foreign scientists examine what should be included in labels and how they can be clear for consumers and how they can determine their purchasing decisions. Many foreign researchers suggest that labelling is one of the fundamental elements that push consumers to choose a particular product and subsequently repurchase it over another, thereby determining the loyalty that leads to a competitive advantage for companies (Aprile and Annunziata 2006; Mancini et al. 2017). There is also no doubt that proper label production allows for proper promotion of the product both domestically and in relation to exports. Information on the label can also influence consumer preferences, behavior, and willingness to pay for food, especially if this information is provided through certification (Slade et al. 2019; Scozzafava et al. 2020). In particular, the origin of the product, which is generally considered an indicator of quality, is important for consumers (Perito et al. 2019). Label information and format get important, becoming a tool that can influence consumers' food choices (Rihn et al. 2019; Thiene et al. 2018). Besides, the issue of sustainability (environmental, social, and economic) has become very important to consumers, and, therefore, label disclosure associated with it can be an important strategic element (Boncinelli et al.

2018). In fact, if consumers understand the real cost of food production and value the labor of producers, they may be more inclined to pay a premium price.

To sum up, the literature reviewed on the implementation of the mandatory product labeling system shows that there are many possible positive and negative effects for manufacturers and sellers of products, as well as for buyers. At the moment it is difficult to predict what the real outcome of the introduction of this system will be, so this study can shed light and add practical findings about the topic under study.

Methods

The research was conducted at the company Сибтреппа LLC, which is located in Irkutsk, Russian Federation. The company is engaged in the wholesale of food products, namely dairy produce and canned food.

The study aimed at analyzing consumers', sellers', and manufacturers' evaluation of the labeling system was based on two methods: an oral interview and questionnaires. The oral face-to-face interview was with the CEO and chief accountant of the company, who were asked about the attitude and the changes that have taken place in the company, since the introduction of the new system. This method allowed for a deeper understanding of the topic and obtaining additional information that could not be collected through the questionnaire. Interview questions concerned the company's financial performance, awareness of the

need for the implementation of the labeling system, attitudes toward innovation, and changes in the company.

The second method was the questionnaire; it included both closed and open-ended questions. Closed-ended questions were «yes» and «no» options, while open-ended questions allowed the respondents to give a detailed answer to the questions. There were 2 questionnaires: one for the employees of Сибтреппа LLC, and the other for its customers. The customers who took part in the survey were: final consumers who buy goods in retail stores, and retail chains and stores (the main target audience). There was one survey for these audiences. The questionnaire designed for the company's employees dwelled on the following topics: awareness of the system, initial problems, changes in responsibilities and attitude towards the implementation. The second questionnaire designed for the company's customers asked about the impact of labeling on the purchase, possible price increases and the problem of product substitution, as well as awareness of the labeling system.

Results

This section describes the data collected with help of the interview and the survey of customers and employees of Сибтреппа LLC regarding the implementation of the mandatory labeling system «честный ЗНАК». There were eight employee respondents: six women and two men, representing 57 % of the company's total workforce. Figure 1 summarizes data on the clients' age and income.

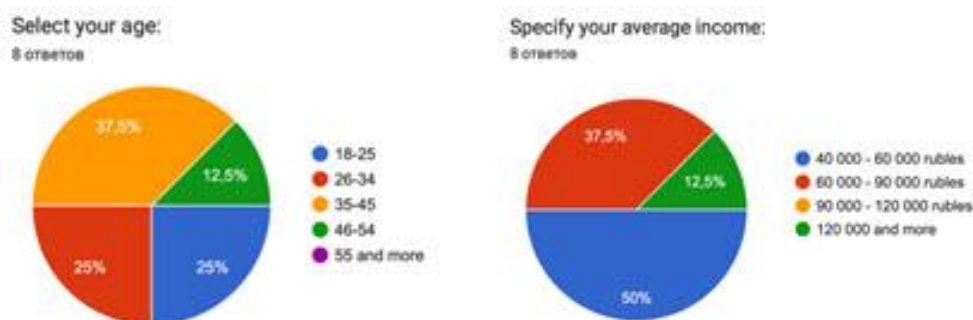


Fig. 1. Age and Median Income

Just over a third of those surveyed were between the ages of 35 and 45, 12.5 % between 46 and 54, while the remaining half were divided between employees aged 18–25 and 26–34. Half of them had incomes between 40 000 and 60 000 rubles, 35 % earned 60 000–9 000 rubles, and one respondent earned more than 120 000 rubles per month. When asked about the awareness of the purpose of introducing mandatory labeling by the state, more than half of the respondents chose business transparency, and four responses each were given to such purposes as accessibility of information to customers and absence of counterfeit goods in stores. Half of the respondents reported having problems with this labeling system on a daily basis, another 25 % said there were problems, but they are rare, and the

remaining quarter didn't face any problems. More than half of the survey participants (62.5 %) mentioned problems with scanning barcodes on goods. Regarding changes in responsibilities when implementing the labeling system, only 50 % of interviewees had changes in their work. All of the employees responding to the survey believed that the implementation of this labeling system had no useful impact on the company. However, only 75 % of respondents pointed that they did not support the implementation of the system, while the remaining 25 % answered in favor of it.

The last question of the survey collected employees' evaluations regarding the implementation of the system «честный ЗНАК»; these data are presented below in figure 2.

How would you rate the implementation of this system as a whole? on a scale from 1 to 10

8 ответов

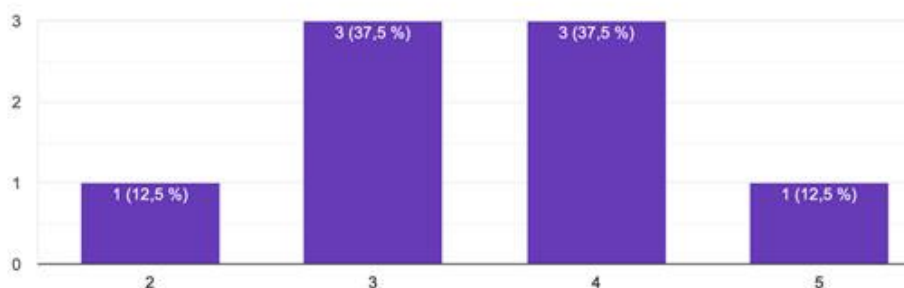


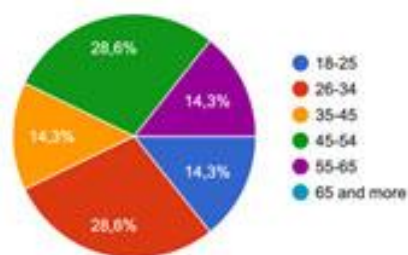
Fig. 2. Employees are dissatisfied with the system

Assessing the implementation of mandatory labeling on a scale of one to ten, 70 % of the respondents gave it a score of three and four out of 10, another quarter of answers were distributed between two and five points, which means that employees do not see the positive impact of implementing this system in the company.

The second questionnaire was created to survey the company's customers in order to get their opinions on the implementation of the system «ЧЕСТНЫЙ знак». It collected responses from seven clients, most of whom were women and only two men. The third figure shows the age of the clients and their income.

Select your age:

7 ответов



Specify your average income:

7 ответов

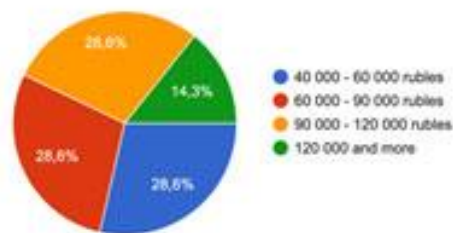


Fig. 3. Age and Median Income

The age range of respondents varied, with two participants each between the ages of 26–34 and 45–54. There was also one representative in each age category from 18 to 25, 35 to 45, and 55 to 65. The average monthly salary of the respondents was also different, six responses were equally divided between categories from 40,000 to 60,000 rubles, from 60,000 to 90,000 rubles, and from 90,000 to 120,000 rubles, while one client earned over 120,000 rubles. More than half of the company's customers reported that product labeling was important to them. However, only 57 % pointed out that product labeling would influence their choice between labeled and unlabeled products. Considering the respondents' confidence in labeled goods, most of the interviewees responded that they had no doubts about the origin of such goods. Four out of seven customers were willing to pay higher price due to labeling. In terms of

the price increase of labeled goods, interviewees were divided: half of them were ready to buy the products at a higher price and the rest planned to look for products with a lower price. Only 28 % of respondents believed that this innovation would be positively evaluated by other customers of the company. Reflecting on the purpose of introducing this labeling sign, respondents gave 13 answers, ten of which were equally divided between such purposes as the absence of counterfeit products in stores and the availability of information about products to customers; the option of business transparency was the least relevant in their opinion.

The company's customers were also asked what they would like to get out of the product if it was labeled, and their answers are shown in Figure 4 below.

What do you expect a product to be; when it is labeled?

7 ответов

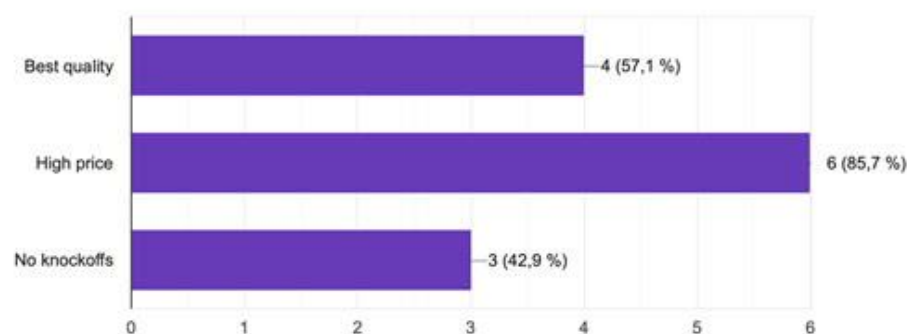


Fig. 4. Customers expect for a price increase

More than half of the respondents expected the price increase, four and three responses were given to better quality products and no knockoffs, respectively. Regarding the question about the approval of the implementation of this labeling system, more than 50 % of respondents answered that they supported this innovation.

Discussion

The purpose of this study was to obtain assessment data from the customers and employees of Sibterra LLC, regarding the implementation of the mandatory labeling system «честный ЗНАК». This system has existed for several years, but only since September 2022 companies dealing with dairy products have been obliged to use it.

Let us discuss the results presented above. More than half of the respondents believed that the purpose of implementing this labeling system is business transparency. This answer is caused by a common understanding that in Russia people prefer to pay the minimum amount of taxes from their business activities, as they believe that the amount of tax payments will not particularly increase their pensions and, as a consequence, it is better to save money by avoiding taxes and selling in the black, than to be an honest taxpayer and conduct all their operations as required. The federal budget loses billions of rubles and it tries to avoid it with measures to control people's incomes and their business activity. The opinion of workers coincides with the opinion of Internet users, who discuss the reasons for the introduction of this labeling system on various forums. In particular, most of the respondents have problems with this system; they also stated that the barcodes on products may not be read by certain equipment. As stated above, Korsaya partly predicted this problem in her work (2019, 181).

All employees of the company believed that they do not consider the introduction of mandatory labeling of goods useful for business. This is most likely due to the general opinion that it will cause, first of all, an increase in costs for producers of dairy products, who will be forced to buy special machines for labeling products. Secondly, stores that sell these products will have to spend money to buy software to work with this labeling system. All this as a consequence will affect the growth of the final cost of these food products. This problem was also mentioned in Korsaya's publication (2019, 181).

Evaluating the labeling sign, all the employees assessed this innovation negatively. Let us compare these data with

those of the customers. A little more than half of the respondents said that the label on the product will affect their choice. Moreover, the respondents considered that quality labels signs give them greater confidence in the origin of products. It should be noted, though, that customers are divided in their opinions regarding this labeling system. Some believe that its implementation is not so important and that it's possible to increase their confidence in the quality of goods and their origin in other ways, while others, on the contrary, believe that this label is necessary and will be useful for consumers.

More than half of the respondents are ready for an increase in product prices due to this innovation. However, when asked «Would you continue to buy the same products if the prices went up?», customers were divided. Some people said they would continue to buy higher-priced products; others pointed out that they would buy cheaper products, and only a few said they would look for substitute products. This difference in customer opinions is most likely due to their lack of understanding of exactly how much prices will increase, and whether they will be able to maintain the same standard of living in the future.

Even though the collected data are limited in the number of surveyed customers and employees of the company, they can still shed light on imperfections of the new system and can help improve it in the future. More time and experience are necessary to evaluate it more objectively. Also it might be useful to study the companies' financial documents to look more deeply of the company's financial flows will change, how much the price of products will increase, if at all, what the company's costs will amount to, if sales will increase, and so on.

Conclusion

Overall, employees of companies engaged in the wholesale trade of dairy products and customers of such companies are not particularly pleased with the introduction of the labeling sign. Because the system has just been implemented and when working with it, employees have challenges, customers also have problems scanning barcodes when buying products. Moreover, this system, whose purpose was to clean the stores from counterfeit goods, seems to have little effect on the choice of customers; many customers will continue to buy the products that they always buy. That is, their preferences and choices will not change after the introduction of the labeling

system, but its implementation will increase the price of goods.

This study might be useful to managers of companies dealing with this innovation. They will be able to trace trends in the thoughts, desires and preferences of both their employees and customers, which will allow them to make timely decisions necessary for the company and possibly not only reduce losses associated with the labeling system, but also from increase the profits from its implementation, and make it more beneficial for their business, staff, and customers. ■

1. Aprile, M. C., & Annunziata, A. (2006). Informazione, etichettatura e comportamento del consumatore: un'analisi sull'uso delle etichette alimentari. *Economia agro-alimentare*.

2. Boncinelli, F., Gerini, F., Neri, B., & Casini, L. (2018). Consumer willingness to pay for non-mandatory indication of the fish catch zone. *Agribusiness*, 34(4), 728-741.

3. Mancini, P., Marchini, A., & Simeone, M. (2017). Which are the sustainable attributes affecting the real consumption behaviour? *Consumer understanding and choices*. *British Food Journal*, 119(8), 1839-1853.

4. Perito, M. A., Sacchetti, G., Di Mattia, C. D., Chiodo, E., Pittia, P., Saguy, I. S., & Cohen, E. (2019). Buy local! Familiarity and preferences for extra virgin olive oil of Italian consumers. *Journal of Food Products Marketing*, 25(4), 462-477.

5. Rihn, A., Wei, X., & Khachatryan, H. (2019). Text vs. logo: Does eco-label format influence consumers' visual attention and willingness-to-pay for fruit plants? An experimental auction approach. *Journal of Behavioral and Experimental Economics*, 82, 101452.

6. Scozzafava, G., Gerini, F., Boncinelli, F., Contini, C., Marone, E., & Casini, L. (2020). Organic milk preference: is it a matter of information?. *Appetite*, 144, 104477.

7. Slade, P., Michler, J. D., & Josephson, A. (2019). Foreign geographical indications, consumer preferences, and the domestic market for cheese. *Applied Economic Perspectives and Policy*, 41(3), 370-390.

8. Thiene, M., Scarpa, R., Longo, A., & Hutchinson, W. G. (2018). Types of front of pack food labels: Do obese consumers care? Evidence from Northern Ireland. *Food Policy*, 80, 84-102.

9. Артемьев, Т. (2020, July 15). Маркировка 2020: простыми словами о сложных вопросах. Retrieved October 1, 2022, from

10. https://newretail.ru/business/markirovka_2020_prostymi_slovami_o_slozhnykh_voprosakh5541/

11. Белоусов, Ю, Корпусова, А. 2017 «Инновационная экономика и общество», pp. 41-46

12. Корсая, Д. 2019 «Цифровая экономика Российской Федерации: особенности внедрения национальной маркировки товаров», *Экономика и предпринимательство*, pp. 180-183

13. Маркировка. (n.d.). История маркировки. Retrieved October 2, 2022, from https://markerovka.ru/state/history_markirovki.html

14. Полесский, И. (2019, November 1). 10 неочевидных плюсов обязательной маркировки. Retrieved October 1, 2022, from

15. <https://lanit.ru/press/smi/10-neochevidnykh-plyusov-obyazatelnoy-markirovki/>

16. ЦРПТ. (n.d.). Затраты на маркировку одной единицы продукции составят от 0,1 до 4 копеек: итоговые документы. Retrieved October 5, 2022, from https://xn80ajghhoc2aj1c8b.xnp1ai/info/smi_o_nas/tsrptzatratay-markirovku-odnoyedinitisyproduktsii-sostavyatot01do4kopeek/

СПИСОК ЛИТЕРАТУРЫ:

Aprile, M. C., & Annunziata, A. (2006). Informazione, etichettatura e comportamento del consumatore: un'analisi sull'uso delle etichette alimentari. *Economia agro-alimentare*.

Boncinelli, F., Gerini, F., Neri, B., & Casini, L. (2018). Consumer willingness to pay for non-mandatory indication of the fish catch zone. *Agribusiness*, 34(4), 728-741.

<https://lanit.ru/press/smi/10-neochevidnykh-plyusov-obyazatelnoy-markirovki/>

https://newretail.ru/business/markirovka_2020_prostymi_slovami_o_slozhnykh_voprosakh5541/

Mancini, P., Marchini, A., & Simeone, M. (2017). Which are the sustainable attributes affecting the real consumption behaviour? *Consumer understanding and choices*. *British Food Journal*, 119(8), 1839-1853.

Perito, M. A., Sacchetti, G., Di Mattia, C. D., Chiodo, E., Pittia, P., Saguy, I. S., & Cohen, E. (2019). Buy local! Familiarity and preferences for extra virgin olive oil of Italian consumers. *Journal of Food Products Marketing*, 25(4), 462-477.

Rihn, A., Wei, X., & Khachatryan, H. (2019). Text vs. logo: Does eco-label format influence consumers' visual attention and willingness-to-pay for fruit plants? An experimental auction approach. *Journal of Behavioral and Experimental Economics*, 82, 101452.

Scozzafava, G., Gerini, F., Boncinelli, F., Contini, C., Marone, E., & Casini, L. (2020). Organic milk preference: is it a matter of information?. *Appetite*, 144, 104477.

Slade, P., Michler, J. D., & Josephson, A. (2019). Foreign geographical indications, consumer preferences, and the domestic market for cheese. *Applied Economic Perspectives and Policy*, 41(3), 370-390.

Thiene, M., Scarpa, R., Longo, A., & Hutchinson, W. G. (2018). Types of front of pack food labels: Do obese consumers care? Evidence from Northern Ireland. *Food Policy*, 80, 84-102.

Артемьев, Т. (2020, July 15). Маркировка 2020: простыми словами о сложных вопросах. Retrieved October 1, 2022, from

Белоусов, Ю, Корпусова, А. 2017 «Инновационная экономика и общество», pp. 41-46

Корсая, Д. 2019 «Цифровая экономика Российской Федерации: особенности внедрения национальной маркировки товаров», *Экономика и предпринимательство*, pp. 180-183

Маркировка. (n.d.). История маркировки. Retrieved October 2, 2022, from https://markerovka.ru/state/history_markirovki.html

Полесский, И. (2019, November 1). 10 неочевидных плюсов обязательной маркировки. Retrieved October 1, 2022, from

ЦРПТ. (n.d.). Затраты на маркировку одной единицы продукции составят от 0,1 до 4 копеек: итоговые документы. Retrieved October 5, 2022, from https://xn80ajghhoc2aj1c8b.xnp1ai/info/smi_o_nas/tsrptzatratay-markirovku-odnoyedinitisyproduktsii-sostavyatot01do4kopeek/

Внедрение системы обязательной маркировки «Честный знак» при работе с молочными продуктами

© Махмудов В., 2023

Автор рассматривает работы зарубежных и российских авторов, в которых говорится об отношении людей к маркированной продукции, о возможном повышении цен, об изменении их предпочтений и уверенности в маркированных продуктах, а также о целесообразности внедрения этой системы в целом. В статье выявлено негативное отношение

работников и клиентов одной из оптовых компаний к внедрению системы обязательной маркировки «честный ЗНАК». Также сделаны основные выводы касательно изменений в отношении клиентов к молочным продуктам и касательно изменений в процессе работы у работников при внедрении данного нововведения, а также сделаны предложения касательно того, как оно может изменить отрасль молочной продукции в скоро будущем.

Ключевые слова: отношение, маркированные продукты, система обязательной маркировки «честный ЗНАК», молочные продукты
