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Warning Labels Better Than a Fat Tax, Study Shows

ScienceDaily (Apr. 7, 2011) Warning labels on junk food would be more effective than a "fat" tax for deterring overweight people from making unhealthy purchases, a new University of Alberta study has found.

A survey of 364 shoppers in random Alberta grocery stores showed that while price alone wouldn't deter people from reaching for junk food, shoppers -- including those with the heaviest body mass index -- did heed a label that warned of high fat content and included a note that the item was being taxed because of it.

The study asked shoppers to choose between high-fat and healthier snacks in the 50 cent to \$2 range. Some of the items came with a hypothetical warning label. The responses were analyzed, and showed three groups of consumers. While two of the groups were already sensitive to either price or less healthy snacks and tended to avoid them, one of the groups -- the one with the highest body weight -- seemed deterred only by the warning label.

"The consumers who heeded the label didn't care about the price, but responded to the warning and were much less likely to buy the snack," said Sean Cash, an adjunct professor of rural economy at the U of A, who led the study.

The researchers theorize that warning labels pack a bigger behavioural punch because they are far more noticeable than the price differences that would result from snack taxes. Therefore, including warning labels on unhealthy

foods would be a better option than a fat tax, which has already been implemented in varying degrees in the United States, and is being considered for Canada.

"Based on the reaction of shoppers, a tax seems to be the least effective for the people you want to reach most," Cash noted. "If you want to use the tax to change the habits of consumers, it won't be effective. A nickel here and there in tax isn't going to change behaviour in a big way."

Instead, people will likely get around the tax by buying in bulk to save money, he added. "For instance, buying less soda pop is a rational response to a tax, but so is buying cheaper soda. A perverse outcome can actually happen."

The study was published in the latest edition of *The Journal of Consumer Affairs*, and was funded by the Social Sciences and Humanities Research Council of Canada, the Canada Foundation for Innovation and Agriculture and Agri-Food Canada.

Journal Reference: 1. Ryan D. Lacadilao, Sean B. Cash, Wiktor L. Adamowicz. Heterogeneous Consumer Responses to Snack Food Taxes and Warning Labels. *Journal of Consumer Affairs*, 2011; 45 (1): 108 DOI: 10.1111/j.1745-6606.2010.01194.x