Learning the value of Eco-Labels:

The role of information in sustainable decisions*

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Abstract

The European Union aims to become carbon-neutral by 2050. One of their new policies is to develop a sustainability rating to promote more sustainable consumption. However, how these ratings will affect consumers' decisions is unknown. We design an incentivized experiment in which participants make multiple decisions between two artificial products that vary in price, quality, and sustainability. The quality and sustainability levels of the products are presented in ratings, and we test the impact of different underlying rating systems in different treatment groups. In the middle of the experiment, some groups learn that both ratings increase linearly, while other groups learn that a linear increase underlies one rating while a convex increase underlies the other rating. This information treatment allows us to explore how different types of ratings affect the decision. In addition to the choice data, we also record the information search (i.e. visual attention) to better understand individual differences in the participants' decision processes. We find that if the consumers have no further information about the rating, consumers treat quality and sustainability ratings similarly, but when we incorporate the attention data, we find distinctive patterns of how quality and sustainability are approached. Moreover, after participants learn more about the ratings, their behaviour further differs between the ratings. When some sustainability products are less valuable, participants shift to both lower- and higher-sustainability products. In contrast, when the quality of a product becomes unappealing, we only observe shifts towards high-quality products. We conclude that ratings informing regarding their own benefits, i.e. quality, might be treated differently from ratings regarding sustainability, and thus need to be carefully explained/designed to promote more sustainable consumption.

Keywords: Attention, Sustainability ratings, conjoint analysis, information treatments, Mouselab-Web

JEL Codes: D81, D83, D87, D91.

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