Learning the value of Eco-Labels:

The role of information in sustainable decisions*

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Abstract

Sustainability ratings, such as EU energy ratings, provide consumers with credible and understandable information on product sustainability. Evidence from both the appliances and the housing markets shows that consumers not only use sustainability ratings for assessing the environmental impact of their choices, but also to be informed about private benefits such as reductions in future energy costs. These results question the potential effectiveness of sustainability ratings for other products, such as food or cleaning products, where the link between environmental and private benefits is less clear. In two incentivized experiments (N=749), we study how consumers use sustainability ratings when these labels are not associated with the products' quality. Participants made multiple choices between two products based on their quality and sustainability, which were presented in separate ratings, alongside the products' prices. In the middle of the experiment, we provide clear information regarding the attributes driving the quality and sustainability ratings. We vary the information provided across treatment conditions, making in some conditions certain products less appealing due to one specific attribute. We compare two treatments, where either the products are less appealing due to their quality or sustainability. The treatment comparison allows us to analyze to what extent participants use each type of new information provided. We use process-tracing methods to track the participants' attention and analyze potential heterogeneous usage of the information. Our findings indicate that while participants consider all attributes in their choices, they weigh quality more than sustainability on average. When provided with new negative information regarding one of the ratings, participants use the information differently depending on whether it regards quality or sustainability. Specifically, when a product's sustainability rating yields less than expected, participants choose products with both lower and higher ratings. When the quality of a product is less than expected, participants shift only towards higher quality products. Analyzing participants' attention patterns reveals significant heterogeneity in preferences, with greater variance observed in preferences for sustainability compared to quality.

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