POSSIBLE SOLUTIONS TO DUAL QUALITY OF PRODUCTS IN THE EUROPEAN UNION

Lucia Bartková, Lenka Veselovská, Katarína Zimermanová

Abstract: This paper focuses on the dual quality of daily consumption products sold in the European Union. The views and opinions of Slovak consumers on the existence of the dual quality of products on the European market are analyzed, moreover, their attitudes and personal experiences with this problem in Slovakia and other EU countries, especially in Western Europe are examined. As a conclusion, possible solutions to the problem are identified in order to prevent possible mistakes in purchases and even more importantly, to avoid the existence of dual quality of products produced by the same manufacturer assigned to different markets and selling them as identical - in the same package and without any notice of different composition or content.

Keywords: Dual Quality of Products, Daily Consumption Goods.

JEL Classification: Q18, M38, M31.

Introduction

Identifying new markets where the manufacturers can place their products is a natural activity that leads to expanding sales to markets in other countries. Large producers operating worldwide usually sell their products under the same brand in many countries. The customer assumes that it is the same product, i.e. it has the same composition and quality. However, the practice has provided many examples of different attitudes many big companies. Some of them sell products under the same brand which are of different composition or quality in the Western European countries and in the countries of Central and Eastern Europe. The price is roughly the same, sometimes even higher for the lower quality products offered in Central and Eastern Europe.

The main aim of this research was to examine the views, attitudes and experiences of Slovak consumers with the dual quality of products sold and presented as identical on the markets of the European Union and to identify possible solutions to this international issue.

1 Statement of a problem

1.1 Products of the same brand in different quality on the EU market

In the early stages, the sale of products of the same brand of different quality and of different composition was vastly ignored. Later it was individually exposed by customers based on their own experiences, therefore in the Czech Republic, journalists asked independent laboratories to compare the quality and composition of products sold in the Czech Republic and Western Europe. Tests which achieved similar results were also recently performed in Slovakia: the products sold as identical, i.e. the same brand and the same packaging were of double composition or quality and their worse version were offered on the Czech and Slovak markets (Česká televíze, 2016).
The representatives of the Slovak Republic were the first ones to point out that if a producer sells the same product and does not state on the packaging that the product exported to Slovakia contains more preservatives than the same product assigned for Western Europe, it is a violation of the law. The problem is mainly addressed by the State Food and Veterinary Administration and the Association of Consumers of Slovakia, which initiated the tests.

As early as 2011, the Association of Consumers of Slovakia conducted a test comparing the composition of selected foods produced by multinational companies and sold in Slovak Republic and abroad. The Association bought identical products in Germany, Austria, Poland, the Czech Republic, Bulgaria, Romania, Hungary and Slovakia. Under the professional guarantee of the State Veterinary and Food Administration, food was tested by the accredited laboratories of the State Veterinary and Food Institute of Bratislava and the State Veterinary and Food Institute Dolný Kubín. According to the test results, several food types such as coffee, beverages, chocolate and spices of the same brand sold in Slovakia and abroad may not have the same taste, composition or weight (Sudor, 2012). According to the Association of Consumers of Slovakia, the quality of the same products was generally worse in the "new EU Member States", while on the other hand, the quality of goods purchased in supermarkets in Germany and Austria reached the highest standards.

Another test was made by the Ministry of Agriculture in 2016 (Ministry of Agriculture and Rural Development of the SR, 2017). From 22 foodstuffs bought in the Slovak Republic and in Austria, only 9 products were the same. Comparison of non-alcoholic beverages, spices, tea, milk and meat products had the worst results.

Similar tests were carried out in other countries. There were tested 21 products from five countries – The Czech Republic, Slovakia, Hungary, Germany and Austria in the Czech Republic and only three products were the same (Leinert, 2017). Furthermore, 96 products in Hungary were compared. The State Veterinary and Food Administration did not find a large violation of the law but a significant violation of ethical principles (Ministry of Foreign and European Affairs, 2017). Many of the products tested did not have the same composition as identical sold in the west.

The issue was addressed in 2015 by 10 politicians representing Slovakia, Croatia, Slovenia, Romania, Hungary, Malta and Italy. They called on the European Commission to stop consumer discrimination and to prevent them from supplying lesser-quality goods to Eastern Europe (Nagyová, 2015).

The European Commission first recommended leaving the solution to individual countries. However, the representatives of the countries were concerned, in addition to expressing their discontent with the fact that the producers divide consumers into first category consumers and second category consumers, they also pointed to the danger of product confusion and their potential negative impact, on the health of the population (Chavas, 2017; King et al., 2017; Santeramo et al., 2018; Stratton et al., 2015).

When it comes to classifying different product quality from the same manufacturers offered on different markets as identical products, i.e. under the same brand and in the same packaging, this problem can consider at several levels: ethics, legislation, ethics and legislation, economics, others.
1.2 National legislation

If we look for solutions in current legislation, for example, the Commercial Code talks about unfair competition. For unfair competition, the law regards: deceptive advertising, misleading labelling of goods and services, the risk of confusion, stealing of the business’ image, products or services of another competitor, bribery, breach of business secrets, and the threat to consumer health and the environment.

However, the risk of confusion and parasitic reputation concerns different products and different manufacturers. In the case of the same producer, it is not, in our opinion, appropriate to apply this approach. However, we believe that this may involve misleading labelling of goods and services, not only in relation to Slovak consumers but in relation to any consumer. Products with a different quality in expectation of a "standard European" quality can be bought by Western European customers in Slovakia, expecting the quality they are getting used to in the given product. And we can definitely call it unethical. Even though the packaging contains the different composition, the consumer who buys the product anywhere in Europe and does not read the details on the packaging, assumes that the composition is the same and may feel mislead.

Different types of products marketed as identical may also endanger the health of consumers, in terms of allergens. Consumers who are accustomed to a particular product and their composition on their domestic market may, in the expectation of the same composition (of the same quality), cause themselves health damage when buying a product abroad. Compositions on the packaging of frequently purchased products are not usually being explored by customers.

1.3 European legislation

The European Commission has issued a regulation on novel foods and novel food ingredients (Boer, Bast, 2018) and on providing food information. In 2005, the Unfair Commercial Practices Directive (Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005, "Unfair Commercial Practices Directive") became into force. In its appendix No. 1 are mentioned those practices which are considered unfair in each case. The list lacks the practice of unethical labelling of the same manufacturer's products even though the composition or quality is not the same.

Furthermore, the Slovak seminar on dual quality of products in Brussels also welcomed representatives from the sector of producers. Some manufacturers denied the duality of the products they offered and voiced doubts about the correctness of the test methods used (Director of the European Brands Association). Other manufacturers have acknowledged the difference and claimed that reasons behind this issue lie in customers’ interests in other tastes or other laundry washing habits. But especially food manufacturers and handlers are responsible for food safety and health of consumers (Zanin et al., 2017) so they should accept their responsibility.

At present, the European Commission is negotiating with representatives of Central and Eastern European countries, as well as with manufacturers. Experts should work on an identical methodology for comparing product quality and composition. Sixteen countries in the European Union may soon be involved in testing.
2 Methods

In order to achieve the aim of this paper, a primary research was conducted during a period from January 2018 until mid March 2018. The sample file consisted of 123 women and 79 men. The largest group of respondents was between 16 to 35 years old and with secondary education. The survey was conducted through a questionnaire which contained 21 questions, five of which were sociological, 7 closed and 9 semi-closed questions.

**Tab. 1: Structure of base file based on respondent’s gender**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of people</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>62 217</td>
<td>59.99%</td>
</tr>
<tr>
<td>Male</td>
<td>41 480</td>
<td>40.01%</td>
</tr>
<tr>
<td>Total</td>
<td>103 697</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: (Own elaboration based on data from the Statistical bureau of the Slovak Republic, 2018)

To verify the representativeness of the sample we used Chi-square test. The decisive criterion was set to verify if our sample file is representative based on the gender of respondents. We set the null hypothesis which assumes that the sample is representative. The alternative hypothesis is an assumption of non – representativeness of the sample. From the mathematician point of view the hypothesis are formulated as:

\[
H_0 = F(x) = G(x); \quad H_1 = F(x) \neq G(x)
\]

Statistics testing in SPSS software is based on formula A.1 previously used by Maloney and Byard (2013); Veselovská et al. (2014); Závadský, Hiadlovský (2014):

\[
X^2 = \sum_{i=1}^{r} \frac{(n_i - m_i)^2}{m_i} \approx X^2
\]

where:

- X2 - is Pearson statistics,
- r - is line,
- n - is overall frequency in the base set,
- m - is measured frequency.

The base file consists of all people living in Poprad region in 2017, who are older than 15 years old. The calculated X2 is at the level 3,077 which indicates that the results of this test prove that our sample is representative.

Three main were formulated in order to further explore opinions and experiences of people with dual quality of products:

Hypothesis H1: We assume that, there more than 50% of people have negative feelings towards practice of dual quality of products.

Hypothesis H2: We assume that, there is a positive dependence between the opinion on who should be responsible for solving the problem of dual quality of products and education level of people.

Hypothesis H3: We assume that, there more than 80% of people are interested in being informed about dual quality of products.
Furthermore, a descriptive statistics was used in order to analyze the information. Several issues were also examined in terms of special relationships between factors. Particular correlation coefficients were calculated according to Equation 2 (Maloney, Byard, 2013). In order to verify the hypothesis H2 we used Pearson correlation test.

\[ r = r_{xy} = \frac{\sum_{i=1}^{n} (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum_{i=1}^{n} (x_i - \bar{x})^2 \sum_{i=1}^{n} (y_i - \bar{y})^2}} \]  

(2)

where:

\[ x_i, y_i – \text{are defined as a value of } i\text{-element belonging to dataset } \{x_1, \ldots, x_n\}, \]

\[ \bar{x} = \frac{1}{n} \sum_{i=1}^{n} x_i \] - the sample mean and analogously for \( \bar{y} \).

We used binomial test to verify hypotheses H1 and H3. Values were calculated according to the Equation 3 (Maloney, Byard, 2013):

\[ b(x; n, P) = nC_x * P^x * (1 - P)^{n-x} \]  

(3)

where:

\( b = \text{binomial probability}, \)

\( x = \text{total number of “successes” (pass or fail, heads or tails etc.),} \)

\( P = \text{probability of a success on an individual trial}, \)

\( n = \text{number of trials}. \)

3 Problem solving

The results of our research show that 87% of respondents have already heard about the problem of dual quality of goods of the same brand in the EU. They mainly heard about the problem with meat and meat products, sweets and detergents. We learned that 66% of respondents learned about this issue from the media, 58% had their own experience and 42% had acquaintance with such experience. In terms of personal experience, respondents (or their acquaintances) encountered a dual quality problem with detergents, sweets and meat and meat products. For these goods, they also consider this problem to be the most serious, however, it would require further research in order to find out the reasons behind.

Up to 88% of respondents are bothered by such practice and only 1% of them stated that they do not care. We looked into how the gender affects this issue and it was discovered that it has no affect on attitude towards this practice (correlation coefficient at the level -0.081 with statistical significance at the 5% level), therefore we can conclude that the dual quality of products interests men and women equally. Furthermore, we provide evidence of the attitude towards the issue of dual quality of products (Tab. 2). We tested the hypothesis H1 in order to examine the level of negative feelings towards this practice. We assumed that there more than 50% of people have negative feelings towards practice of dual quality of products. This hypothesis was confirmed by binomial test. Therefore, we can assume that the majority of people feel effected by this malpractice.
We also examined the assumption that there are products of which the dual quality the customers are more aware (Tab. 3). Our results indicate that women are slightly more aware of dual quality of various products such as meat, fish, milk, sweets, cosmetics, cleaning and washing products and clothes. On the other hand men show higher awareness when it comes to all types beverages.

According to half of the respondents, national institutions (e.g. national trade inspections, national testing centers, etc.) should address this problem. According to 46%, the European Commission should address the solution. Our results indicate that there is no significant dependence between the opinion on who should be responsible for solving the problem of dual quality of products and education level of people, since the correlation coefficient for these two factors is at level -0.04. This was however, our
assumption in hypothesis H2, which could not be confirmed by Pearson correlation test. There is however, a medium direct dependence between the opinion on who should be responsible for solving the problem of dual quality of products and size of place of residence (0.193), which indicates that people living in smaller townships are more nationally oriented in this issue and people living in larger cities believe this problem should be solved on higher levels of government such as the European union.

4 Discussion

The dual quality of products marketed in the European Union's single market is a current problem with great importance caused by producers by supplying lower quality products to Central and Eastern Europe in the same package as higher quality products for consumers in Western Europe. The price difference is often minimal, even though the price for the consumer in Central and Eastern Europe is sometimes even higher for the same product in the same package. The problem mainly concerns products such as food and detergents. Even though it is a serious problem, there is lack of surveys within this topic. We provide primary survey, but we don’t have any other to compare it with.

Several surveys on similar topics have recently been conducted. According to our research, most respondents are bothered by goods imported into our country in other, generally lower quality than in Western countries. As a result of GfK Slovakia's research, Slovak consumers prefer a higher quality of food to a lower price. Already in 2008, 1000 participants were surveyed out of which most respondents stated the quality and freshness of food as decisive factors when purchasing food products (GfK, 2008). Further research on a sample of 1000 respondents in 2015 also suggested that consumers prefer the freshness and quality of products when purchasing food (GfK, 2015). In 2016 the Post bank analysed buying behaviour of Slovak consumers (Kušnírová, 2016). The results they achieved from their analysis indicate that Slovak consumers are interested in high quality foodstuffs and in Western regions of Slovakia they are willing to pay even higher price for them. The same opinion concerns buying sport shoes and equipment. According to the test performed by Czech agriculture and food inspection authority, Czech consumers are also bothered by dual quality of food products (Šefrová, 2016). Based on the comparison of research results, we can conclude that importing products of lower quality is not correct and does not suit Central and Eastern countries consumers.

Another research was conducted by GfK in March 2017. According to the results, up to 16% of respondents buy products abroad because they consider foreign products to be superior (GfK, 2017). Our research shows that up to 52% of respondents have their own experience of dual quality food, and 37% of respondents are familiar with such experience. This comparison shows that the citizens of Slovakia are aware of this problem and try to solve it by purchasing goods directly abroad or by purchasing such goods from people who import it for resale here.

In the opinion of almost half of respondents in our study, the European Commission should address the issue of dual quality of food. However, according to available information sources, this problem has long been avoided and claimed to be a problem for individual countries (Čimová, 2017). Until September 2017, Jean-Claude Juncker admitted that no EU consumers should be considered "second-rate consumers" and that consumers in the SR, CR, and Hungary deserve the same quality as
consumers in Western Europe (European Commission, 2017). However, a legislative solution to this problem at the European level would take at least two to three years.

According to our respondents, the issue of dual quality of goods is both ethical and legislative. However, according to available sources, manufacturers do not admit that this would be a legislative problem (Nagyová, 2015). They state the information on the composition of the goods can be found on its packaging, so no law is violated. The fact that consumers become accustomed to a certain quality in Western countries and do not read all of the inscriptions provided on the packages in other countries is seen by manufacturers as a problem of consumers and their habits and tastes which does not allow the existence of the ethical dimension of the whole problem.

In united Europe, consumers should not be broadly divided into Western European consumers who are assigned high-quality goods and consumers in Central and Eastern Europe which are provided with lower-quality products. In order to prevent the negative consequences of such behaviour, manufacturers need to adopt legislative measures to ensure that the products of the same producer in the same packaging intended for different markets are clearly distinguished so that the consumer can identify them immediately. At the same time, it is imperative that product quality is regularly monitored and that the results of surveys should be available to consumers in the media or in the reports of the relevant institutions.

**Conclusion**

Addressing this issue has long been a challenge for individual countries and therefore they struggle to move it to a European level. On the other hand, the European Commission is against that and prefers to keep the responsibility at national levels. There is a clear need for the two levels to work together to create a legislative and ethical framework in which the national institutions of the individual countries communicate with the people and educate them in this area.

There are several proposals to solve this problem. Some concern the manufacturers themselves and their labelling of dual quality goods. Others focus on legislative adjustments, whether at national or European level. Other suggestions concern information sharing and consumer education in this area. For some suggestions, we also asked respondents, and their preferences are also provided in terms of individual proposals.

One possible solution to this problem could be a directive created ideally at European level on unfair commercial practices. This directive should be complemented by statements that will sufficiently and clearly treat equally designated products of the same producer as unfair practices in a manner that could mislead the consumer. This would eliminate the problem completely on both legislative and ethical levels. Several respondents in our research have stated that the only possible solution for them exists in the hands of manufacturers: to stop producing and distributing dual quality goods. According to them, the existence of several versions of the same product of different quality, different prices for different countries are inadmissible. It is a question of how this solution would be considered by manufacturers and whether such a directive could be enforced at all. Particular attention should be paid to food
and its composition, as the different composition of the food can lead to health damage, for example due to allergies (Davis, Kelso, 2018).

Based on the results of the research, it is advisable to eliminate the risk of purchasing a dual quality product for the consumers through a sufficiently distinctive indication of the difference on the product packaging directly by its manufacturer. Up to 81% of respondents consider it appropriate to distinguish different quality products from different packaging and different prices. This recommendation should be supported by European Union legislation as it provides a single united market. The solution would be to use different packages for different quality goods. Products that are superior may have a distinctive "original" on the front of the packaging at the product name. Products of lower quality should also be marked equally as "second quality" or "modified composition". At the same time, a lower quality product needs to be distinguished by a lower price. Another solution would be to ensure that goods produced and sold in a uniform quality in all countries are labelled with a single label, e.g. European Commission Label (Řeháková, 2017).

Hypothesis H3 focused on people’s interest to be informed about this issue. We learned that up to 94% of respondents are interested in being informed about dual quality of goods. Furthermore, using the binomial test we managed to confirm this finding and with it also the related hypothesis. Most of the respondents would prefer to be informed about this issue through the media. It is also appropriate to inform consumers via periodical reports from either the Ministry of Agriculture and Rural Development of the Slovak Republic or the Slovak Trade Inspection, which could become the basis of information for journalists who serve as mediators for local consumers.

Our proposal is also to organize a campaign under the aegis of the European Commission and national ministries to educate and inform consumers on this issue as well as on how to protect and defend against unfair practices by manufacturers.

Another option to keep consumers informed is to create a website that would be dedicated to this issue. This solution would be preferred by 21% of respondents. Already in 2017, Czech Commissioner Věra Jourova and the Slovak Minister of Agriculture Gabriela Matečná proposed a website project as a joint effort by the V4 countries, Slovenia, Croatia, Bulgaria and Romania (Česká televize, 2017). The Slovak Republic was to be responsible for it. Although the site was to be created in the fall of 2017, it is still has not come to exist.

Up to 80% of respondents expressed willingness to inform other consumers of identified cases of dual quality. Furthermore, the dependence between gender and willingness to inform others was examined. The correlation coefficient for this relationship was only 0.082, which does not indicate any significant dependence. Men and women are equally willing to provide information about their personal experiences with dual quality of products.

Most respondents (45%) would prefer a dedicated website as a reliable information source. This portal would provide an option to directly enter information, photos, etc. after registration. Another 40% would be willing to share information on social networks where they could also directly insert information on a special profile. The correlation coefficient is at the level -0.240, which indicates that there is an indirect
medium correlation between age of respondents and preferred type of information sharing medium.

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