

Jin and Jeslie (2003) - The effect of information on product quality : evidence from restaurant hygiene grade cards

This article is about the estimating the effects of increased product information on firm's product quality choices with the grade card resulting of hygiene inspections. Because of the new regulation to reveal information to consumers, so, they use covering panel data set with 3 key elements and the variation to prove their research question. They examine the effect of grade cards in different aspect depending on the willingness disclosure the information to their consumers. The restaurant hygiene grade cards can reduce asymmetric information since the restaurants themselves are the one who know the hygiene quality that may affect the consumer demand, price and revenue, correspondingly. Furthermore, grade cards may affect the level of product differentiation in the market and lessen the degree of price competition. However, grade card will advantage as lower price, better food quality or improve hygiene quality only if the consumers do concern about the restaurant hygiene level. After analyzing data, it show minor difference in average hygiene or unbiased on their research purpose and they conclude that hygiene grade cards cause restaurants to increase their hygiene quality level as the consumers do care and change their decisions which causes firms to change and improve their quality. These improvement later affect the reduction in illness with food-related digestive disorders. At last, there is still some small difference between mandatory and voluntary disclosure, the main cause of not revealing hygiene information of voluntary disclosure restaurant is the profitability that may lead a policy-maker to do some facilitate to consumer in this market.