

Annex 8

**Reports WP 4
Germany**

DOLPHINS - WP4 Reports
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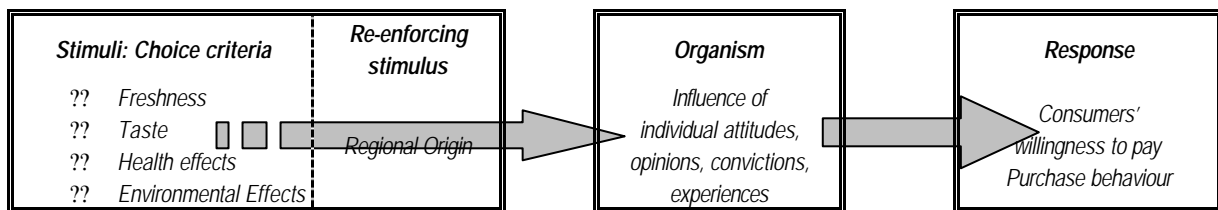
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Explaining Consumer Behaviour towards OLP

"How consumers' behaviour towards OLP can be explained?" According to the results of the paper "Link between OLP and Consumers and Citizens - Report August 2001", established for the DOLPHINS plenary meeting in Florence, and very much relying on the work of VAN ITTERSUM (2001), the following paper tries to show ways to answer our central research question.

The re-enforcing role of Regional Origin in the choice process

The works of WIRTHGEN ET AL. (1999) are based on a variation of the "Stimulus-Organism-Response"-Model:



The regional origin is esteemed not be a choice criteria of similar influence as products' price or intrinsic quality, but as being able to reinforce these criteria, namely freshness and taste, thus encouraging consumers willingness to pay supplements for OLP.

Exemplary hypotheses to be derived from this model:

- ?? H 1: Consumers rank choice criteria's importance higher, when they are combined with labels of regional origin.
- ?? H 2: Consumers of the same attitudinal background react differently on OLP than on identical products without label-of-origin.

Consumer research to verify these hypotheses could be based on the following methodological approaches:

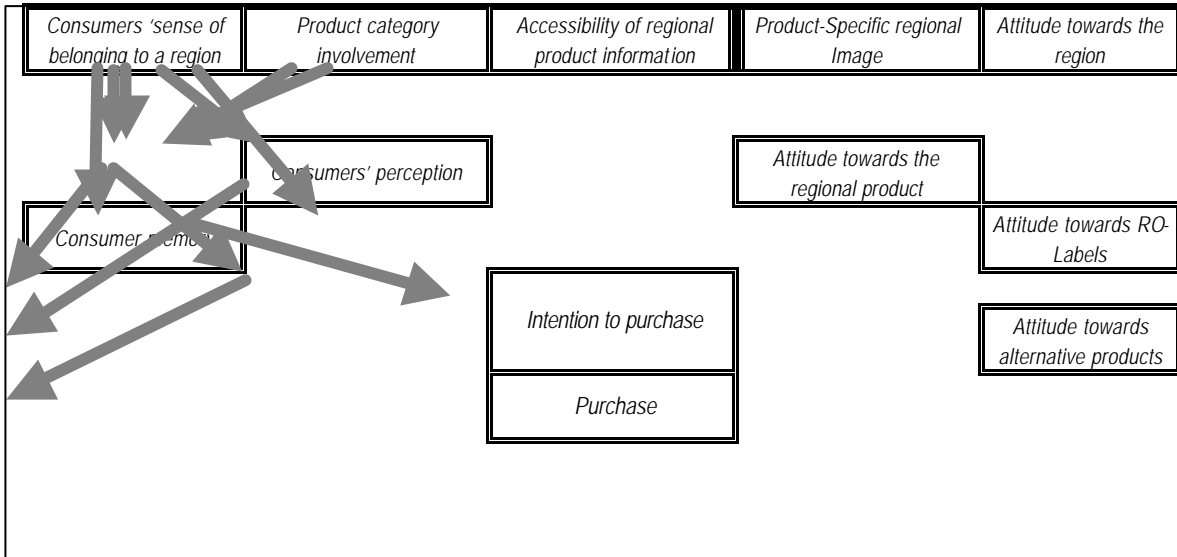
- ?? In personal or telephone interviews, confront consumers with statement batteries on choice criteria's importance and on attitudes. "Measure" the response effect by questioning on consumers' readiness to accept price premiums.
- ?? And / or: Combining the results obtained above with purchase data of a consumer panel (using a scanned data consumer panel in co-operation with food retailers).

The role of Regional Origin among other criteria and influences

Many authors suggest competition and reciprocal influences of regional origin and other extrinsic and intrinsic quality criteria (BALLING, 1995, 2000; SCHAER, SIRIEIX (1999); VAN ITTERSUM, 2001).

Indirect explanation models

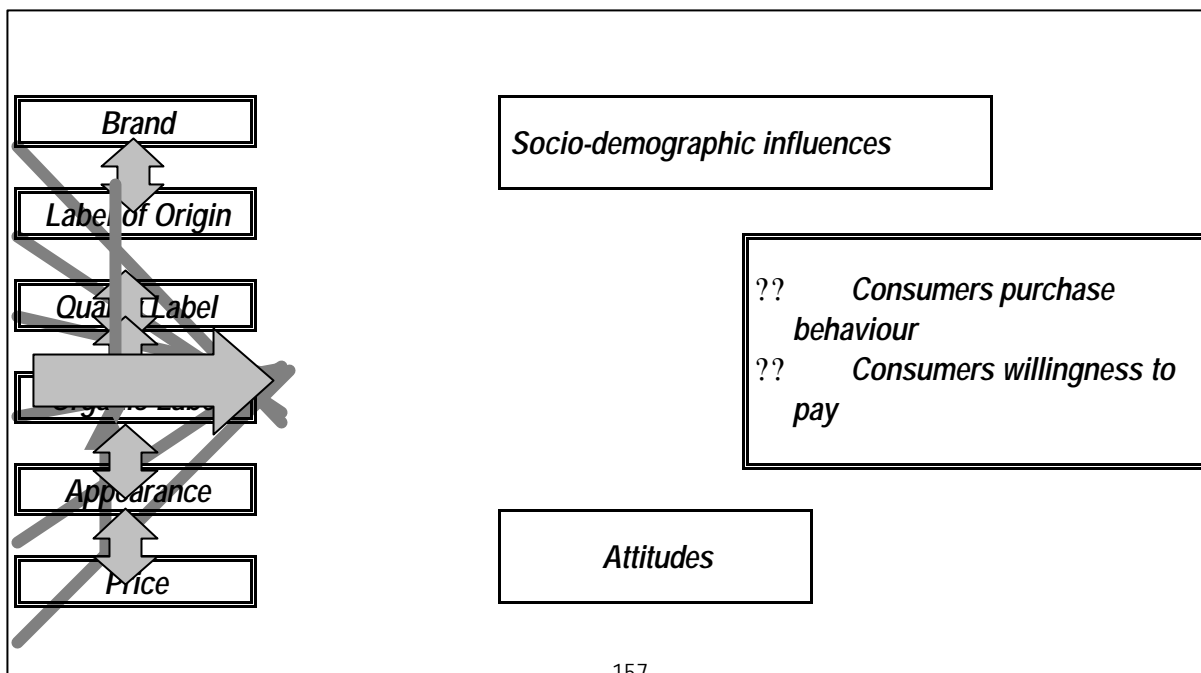
More complex models stake the following influences:



Accordingly, regional origin exerts its influence on two different ways: via consumers' perception and memory (where it depends an involvement, identity and information) and via consumers' attitudes (depending on the regions' and the products images). Once the product purchased, the consumption experience will influence perception and memory on the one hand and attitudes on the other hand.

Direct explanation models

Other models see direct impacts on purchase behaviour, trying to respect competition and interference between different influences.



Hypotheses to be derived

The central hypotheses of the complex models dressed above:

H1: The accessibility of information on regional origin influences positively the consumers' perception of the products.

H2: A highly estimated brand name has more weight in the buying decision than a label, even if the latter is highly estimated too.

H3: Consumers' attitude towards the region of origin is positively correlated to the consumer's attitude towards the product (and vice versa)

H4: Consumers' perception of a Region-of-Origin-Label is positively correlated with the purchase frequency / WTP of the labelled product

H5: In the case of multi-labelled products, each label has less weight in the consumers' purchase decision, relative to its importance on single-labelled products.

Methodological approaches

Most of the hypotheses could be tested by interviewing, using Likert's statement technique, analysing could be done by factor analysis. To measure the attractiveness of different quality cues, the method of "Multi-Item-Profiles" could be used: interviewees are invited to judge upon different criteria belonging to the same product, by varying products and criteria, their relative weight can be estimated.

The best method for measuring the weight of the different factors of influence seems to be conjoint measurement. The principal steps of such a survey could be:

?? Deciding upon a set the factors of influence to include in the survey

?? Represent these factors on pictures, photos, fake products or computer simulations

?? The representations show the different factors one by one and in a series of different combinations

?? The interviewees are to choose the combination of factors that reflects best their expectations of an "attractive product".

This method is difficult to implement on large samples, as it needs, in most cases, personal interviewing. Considering the fact, that the "conjoint" part of the questionnaire should be complemented with questions on attitudes and socio-demographic data, the interviews might be lengthy. Nonetheless, an innovative use of computer-assisted interviewing, offering an interactive questionnaire (distributed by email or consultable on a web site) seems to be promising.

Literature:

BALLING, R. (1995): Der Herkunftsaspekt als Erfolgsfaktor für das Lebensmittelmarketing. Ber.Ldw. (Berichte über Landwirtschaft) 73, p. 83-106; BALLING, R. (2000): Ergebnisse von Verbraucherbefragungen zur Bedeutung der regionalen Herkunft bei Lebensmitteln. In: WERNER, W.; BÖTTCHER, J.; ISERMEYER, F.; KALM, E.; OTTE, A. (Hrsg.): Regionale Marketing-Konzeption im Agribusiness: Theoretischer Ansatz und empirische Überlegungen, Frankfurt, S. 19-37; SIRIEIX, L. and B. SCHAER (1999): Les produits biologiques locaux: quels perspectives? In : Lagrange, L. (Ed. 1999): Signes officiels de qualité et développement agricole. Clermont-Ferrand, Frankreich, S. 241-246; VAN ITTERSUM, K. (2001) , The Role of origin in Consumer Decision-Making and Food Choice. Wageningen.

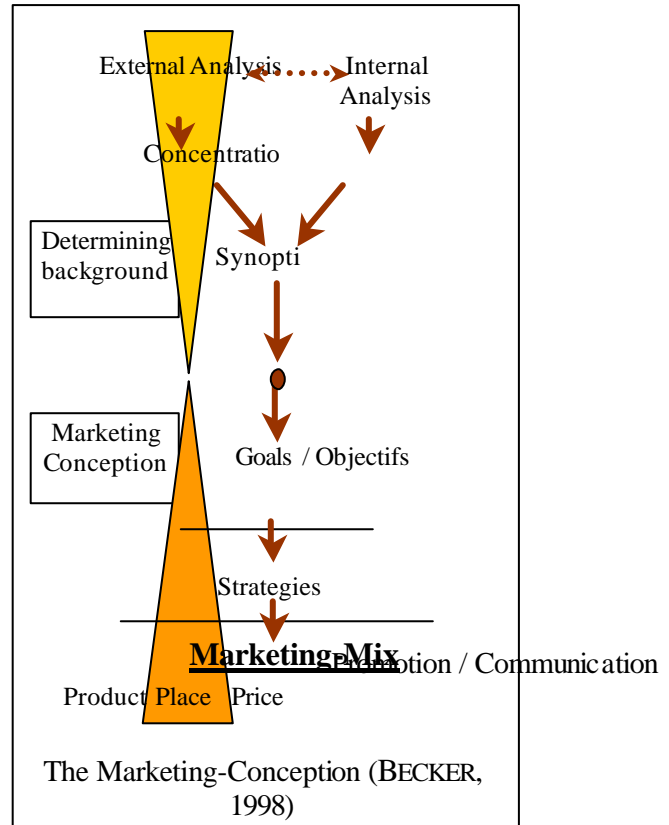
Communicating regional origin

Starting from general marketing theory and trying to transfer concepts of ecological marketing, this paper tries to develop communication guidelines for regional products.

Communication's role in the marketing-conception

From a marketing point of view, communication is one of the four main policy instruments of the marketing-mix. It is thus an outcome of the marketing-conception, reflecting its goals and strategies. The marketing conception itself results out of a systematic analysis of the enterprise and its environment. BESCH and THIEDIG (2001) showed, that the application of single-enterprise marketing theory on regional products can contribute to a better understanding and clearer structuring of regional marketing projects.

As well, VAN ITTERSUM (2001) in his summary of his consumer-study on regional products, follows the structure of the marketing-conception. Both authors see the principal obstacle for the establishment of an efficient marketing concept in the fact, that regional products are, in most cases, produced by a multitude of small end medium enterprises, whose individual goals and strategies are difficult to harmonize. The basis for a conclusive communication for regional products is, thus, an at least minimal consensus of the producers on market development strategies and on products' quality standards, packaging and distribution. Applying for an PDO-PGI – Label can positively stimulate the co-operative structures of a group of producers and therefore facilitate the common communication for the products (comp. SYLVANDER, BARJOLLE, 1999).



Communicating ecological products

There's very few sources on communication for regional products. Thus, it will be tried to transfer recommendations put forward by HOPFENBECK (1994) for the communication for ecological products (the "4 C"):

<u>C</u> ompetence	Line out the enterprises' competence in its activity field and in the environmental topics evoked
<u>C</u> redibility	Coherency between the different elements not only of the communication plan but as well of the entire marketing-strategy
<u>C</u> ommitment	Prove one's readiness to abandon an ecologically good solution for a even better one. Underline the own ecological policy is wide ahead of legal standards
<u>C</u> o-operation	Engage suppliers and retailers to join into the own environmental policy. Communicate this co-operation together.

Communicating regional products

Suggestions on communication regional origin where put forward by BESCH and HAUSLADEN (2001). They postulate to focus on the link between the product and its region of origin, in order to enhance the relation between the consumer, the product and the region. Following more or less the "AIDA"-concept (**A**ttention - **I**nterest - **D**esire - **A**ction, KOSCHNIK, 1984), VAN ITTERSUM (2001) proposes first to awake consumers' awareness of the regional product, respecting the involvement towards the region and the product. Then emphasizing on the products' high quality and its competence to contribute to the social and economic development of the region is recommended, in order to incite consumers' interest and desire for the product. An attempt to sum up communication guidelines for regional products was made by SCHAER (2001) in analogy to the "4 C" of HOPFENBECK (1994):

R ooting	Line out the products traditional, historical, social and economical roots in its region
R esponsibility	Communicate the producers engagement for their region and for their products quality
R eciprocity	Underline the vertical and reciprocal dependencies of producers, retailers and consumers
R einforcement	Tighten the links: consumer \approx product \approx region

Literature:

BESCH, M. and H. HAUSLADEN (2001) Vers la compétitivité régionale: Le marketing pour de projets coopératives locaux. Lecture held at the ENSA of Montpellier in April 2001. Becker, J. (1998) Marketing-Konzeption. 6th. Ed. Munich BESCH M. and F. THIEDIG (2001): Le potentiel des »Dénominations d'origine « en Allemagne et en Bavière. Lecture held at the ENSA of Montpellier in April 2001. HOPFENBECK, W. (1994): Umweltorientiertes Management und Marketing" Konzepte - Instrumente - Praxisbeispiele. Landsberg. KOSCHNIK, W. J. (1984) Standard Dictionary of Advertising Mass Media and Marketing. New York SCHAER, B: Comportement des consommateurs envers les produits régionaux. Lecture held at the « 1^{er} états généraux des produits régionaux" at Castelnaudary (France), August 2001. Sylvnder, B. and D, Barjolle: Some Factors if Succes of Origin Labelled products. Lecture held at the EAAER, LE Mans, October 1999 VAN ITTERSUM, K. (2001) , The Role of origin in Consumer Decision-Making and Food Choice. Wageningen.

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Marketing for Origin Linked Products

Modern understanding of marketing goes far beyond selling or merchandising of products. According to the definitions put forward by Kotler (1992, p. 16) or Bidlingmaier (quoted in Besch, 1999, p 31), marketing is a market-centred management approach that tries to align the whole enterprise with market and consumer needs. Becker (Becker 1998, p.3) calls marketing a "listen to the consumer approach" of management.

Do OLP fit into the pattern of modern marketing conception?

Marketing conceptions usually consist of four principal elements: the **analysis** of the enterprise and its environment, on which the fixing of **objectives** is based. The objectives are translated into **strategies** that are, in turn, being implemented by the measures defined in the **marketing mix**.

Marketing-Conception	Contents	Example
Analysis	Determines the enterprise's place in it's environment	Competition analysis, strengths / weaknesses
Objectives / goals	Result of analysis, fix the enterprise's policy	"Being market leader in 2002"
Strategies	"The ways in which goals will be reached"	Market segmentation: e.g. luxury goods Diversification / Innovation
Marketing-Mix	"Tools" : Product-, Price-, Promotion-, Distribution-Policy	High priced products in special stores

Source:

Enterprises affirming their products origin mostly follow two – interfering - intentions:

1. The affirmation of a product's origin is done for communication / publicity goals in order to enhance consumer preference for the product
2. The affirmation of a product's origin is done in order to reduce competition: competitors of other regions shall be excluded or weakened.

As far as these measures are taken on a private and individual enterprise level, the affirmation / labelling of origin is just a normal element of the marketing mix, that follows (or should follow) consumer interests and reflects the attractiveness of certain product/origin combinations. The enterprise remains fully responsible and free in decision making on products, distribution, and communication.

But, when an enterprise opts for official labels, like AOP or IGP, the enterprise's marketing scope might be restricted in many respects. For example:

- ✂ Official labels are only attached to groups of enterprises. Group marketing differs in many ways from individual marketing.
- ✂ Namely the enterprise's product policy scope is limited: raw materials, processing, packaging become subjects of the AOP / IGP rules.
- ✂ Also, strategic options such as innovation and diversification are limited.

Thus, a remarkable inversion of the marketing approach can happen: the decision to take up a new communication element (labels are just part of the promotion in the marketing-mix) can lead to a bottom-up revision of the entire conception.

In return, the enterprise gets the advantages of a quasi-monopolistic market position.

And the consumer in all this?

According to marketing theory, consumer needs are the starting point of all enterprise decision making. It seems as if in OLP the striving for official labelling is rather driven by the wish to obtain a monopoly / oligopoly, and less by the intention to fulfil consumers needs.

In a food market that is becoming more and more complex, consumers tend to get lost amidst all of the labels and indications. This endangers the acquisition potential of OLP because of the effect of "over-segmentation".

Policy implications

National and European policy has, by different laws, strongly influenced the marketing of OLP, mainly for two purposes:

- ✂ Shield the consumer from being misled
- ✂ Protect certain parts of the agro-alimentary industry from competition

For the further development of the markets for OLP focusing on the first aspect (consumer protection) seems primordial. For the regulations on AOP / IGP this might implicate:

- ✂ The obligation to do consumer surveys on the acceptance / relevance of OLP products that apply for protection
- ✂ Guidelines for the communication on OLP
- ✂ Clearer labelling and information (the actual EU-labels for AOP, IGP, Traditional / typical Products and for Organic Produce look very much alike).

More generally spoken, an alignment of OLP legislation with actual understanding of marketing might enhance effectiveness.

Literature

- Kotler, Ph. (1992): Marketing-Management. 7. Auflage. Stuttgart
 Becker, J. (1998): Marketing-Konzeption. 6. Auflage. München.
 Besch, M. (1999): Grundlagen der Marktlehre. Vorlesungsskript. Weihenstephan.

Future research for Origin Linked Products

Actual trends in nutrition behaviour and food consumption are somewhat contradictory. For example, natural and health food is gaining popularity as the same time as highly processed convenience food. Traditional and / or regional specialities seem to be as attractive as elaborated functional food. "Fair Trade" motivations become more important, as well as food safety concerns, concerns about environment, and for animal welfare. How do OLP fit into these trends? According to which signals and what information do consumers choose products?

The discussions in WP 4 brought about a series of hypotheses that are to be tested in future consumer research:

Motivations, attitudes, driving forces

- H1: Consumers buy OLP for taste / organoleptic reasons.
 H2: ...for food safety reasons.
 H3: ...for health reasons.
 H4: Consumers buy OLP in order to contribute to nature preservation.
 H5: ...in order to maintain traditions / culture.
 H6: ...in order to support farmers / rural industries.
 H7: Consumers buy OLP out of an identification need with the region the products come from.
 H8: In their own region, OLP are consumed for other reasons than out of their own regions.

Information / Communication / Labeling

- H9: The accessibility of information on regional origin influences positively the consumers' perception of the products.
 H10: A highly estimated brand name has more weight in the buying decision than an OLP label, even if the latter is highly estimated too.
 H11: Consumer's attitude towards the region of origin is positively correlated to the consumer's attitude towards the product (and vice versa).
 H12: Consumer's perception of a Region-of-Origin-Label is positively correlated with the purchase frequency / willingness-to-pay of the labelled product.
 H13: In the case of multi-labelled products, each label has less weight in the consumers' purchase decision, relative to its importance on single-labelled products.

Consumers of OLP

H14: In their own region, OLP are consumed by other socio-demographic groups than out of their own regions.

H15: OLP, organic food, health food and functional food are attracting the same socio-demographic group of consumers.

Methods

Future research methods should be capable of addressing these two requests:

1. They should provide information not only about the consumers attitudes and motives (there's already quite a lot of information on this), but as well as on their behaviour.
2. They should provide information on interference effects between the multitude of labels and denominations on the food market.

In order to fulfil the first request, observation / experiment methods should be combined with interviewing. For example: a consumer panel is first inquired about attitudes, behaviour and socio-demographic data and then, in the second step, its' buying behaviour is observed (the scanned consumer panel).

The second request can be met by using conjoint measurement on a set of different combinations of food choice criteria.

A research project consisting of these methodical elements could be carried out

- ~~///~~ in different European countries and regions,
- ~~///~~ on different OLP, using separated samples in the OLP's region of origin and in other regions.