

# THE COUNTRY-OF-ORIGIN EFFECT AND ITS INFLUENCE ON CONSUMER'S PURCHASING DECISION

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## Abstract

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The aim of this article is to provide the results of research focused on the topic connected with the country of origin effect and its influence on the consumer behaviour of the young consumers called the Generation Y. This research is conducted on the base of the qualitative research methods combining the focus group and group discussion (called focus group discussion). The Generation Y consumers are at these days important part of the consumers – they are forming their opinion and consumer behaviour so the companies can positively influence them. This study contains the results which reflect the opinion of consumers in condition of the Czech Republic in connection with the country of origin effect, consumer ethnocentrism and consumer patriotism and its influence in the wine industry.

Keywords: country-of-origin effect, consumer ethnocentrism, consumer patriotism, wine industry, consumer behaviour, Generation Y

## INTRODUCTION

Today, to buy a bottle of wine means that a consumer makes decision among enormous quantity of products, offered in the market. In spite of the fact that also other food industry categories offer a wide selection of assortment, in case of wine products such choice may include even hundreds of products.

Nevertheless, not only this fact makes the choice made by an average consumer rather difficult. Wine products represent a product category characteristic with strong need for information leading to a particular decision; on the other hand, consumers usually do not have at their disposal such information.

As Heslop, Cray and Armenakyan (2009) state, a consumer usually makes his/her decision about purchase of particular product on the basis of following three aspects: wine brand, country of origin of particular wine and price in relation to quality, appropriateness for purchase and use in various situations.

As the country of wine origin represents one of very significant factors, influencing purchase decision of a consumer affecting his/her selection of wine, such topic should be paid adequate attention.

Thus, submitted paper has summarized data acquired in a pilot study focusing on the effect of country of origin and consumer ethnocentrism in the conditions of the Czech Republic.

The objective of mentioned paper has been to define essential prerequisites and hypotheses related to the behaviour of a Czech wine consumer. Such prerequisites and hypotheses shall further serve as a basis for subsequent research, within framework of which data concerning consumer's behaviour in the wine market shall be analyzed, evaluated and interpreted.

## MATERIALS AND METHODS

Discussed issue may be classified into so-called "soft" sciences. Methods, applied within

the framework of said research, have complied with such characteristic, i.e., qualitative methods.

The first selected approach was represented by focus group (Kaden, R. J., Linda, G., Levinson, J. C., 2009), combined with group discussion (Woodside, 2010). The combination of these two approaches is identified in the scientific literature as the "focus group discussion" (Kaden, R. J., Linda, G., Levinson, J. C., 2009; Woodside, 2010; Zich, Veselá, 2013). The employment of FGD enables to formulate initial pre-requisites and hypotheses, which may be further tested out in subsequent research, to verify them by means of both quantitative and qualitative research methods.

### Focus Group Discussion

Within the framework of focus group discussion respondents were asked 4 questions. 2 of them were formulated as a battery of questions (i.e., respondents expressed their opinions about several sub-questions within one framed question). In these two questions respondents should express their opinion about five chosen countries as countries of origin of wine and about the other aspects which influence their purchase decision. All of these selected countries were countries which produce wine and all of them were European countries. Each country has its typical wine production; France is the biggest wine producer all over the world, The Czech Republic was chosen because this research was conducted with Czech and Slovak consumers. Portugal is also really famous for wine production but it is necessary to point out that it is famous more for production of red wine. The next country was Hungary which is typical producer of sweet wines and the last one was Great Britain because in this country wine consumption and also wine production is growing and wine industry is more and more popular. The range of countries was chosen for one reason – all of these countries are wine producers but it would be interesting to test them as the countries of origin of wine within Czech and Slovak consumers – it means if they perceive these countries as good producers and the country of origin effect influences products made in them in a positive way.

Remaining questions were phrased in such a way that respondents were supposed to indicate their attitude towards particular issue from their individual point of view in the role of a consumer of selected product – wine, using the rating scale of one to ten. These questions were focused on country of origin generally and on the preference of local producers when buying a bottle of wine.

These types of questions aimed to identify the attitude of consumers towards country of origin of a particular product. The task of respondents was to express, using the rating scale of one to ten, whether their decision about their purchase of particular wine was influenced by the country of origin of such wine. Value "one" in the rating scale expressed decisive influence, value "ten"

negligible influence. The objective of the discussion was to analyse gathered data in more detail. All of the answers were recorded and on the base of content analysis of the record the answers given in the tables was determined.

Questioning, followed by subsequent discussion, was lasting for approximately 80 minutes. Characteristic of respondents from the point of their age, size of group and nationality – see Tab. I. Totally 71 respondents were interviewed in all groups.

I: *Characteristic Composition of Focus Group*

Criterion	Characteristic
Age	19–26
Size of group	14–15
Nationality	Czech, Slovak

Source: Own Results

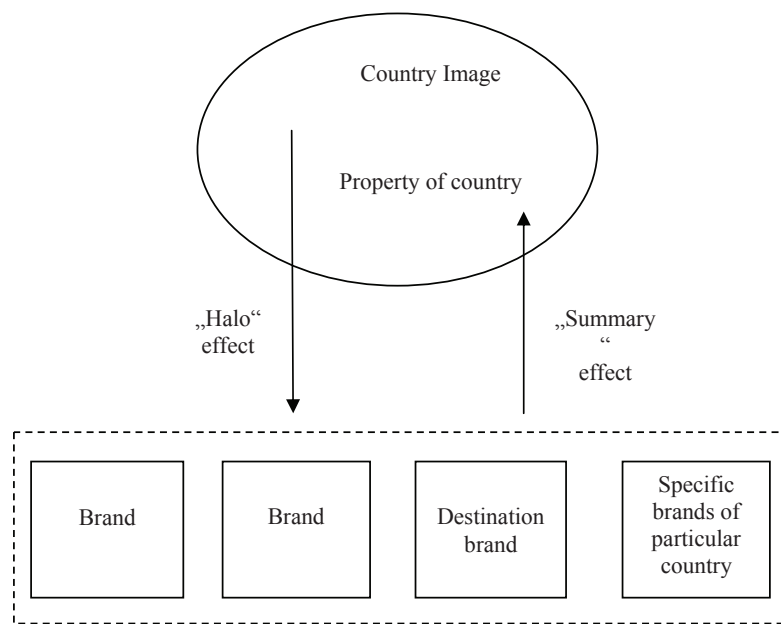
One of the aspects criticized when using qualitative research methods is the representativeness of the sample of respondents as well as the personality characteristics of the respondents (Gibbs, 1997; Kitzinger, 1994; Marvasti, 2004). This research was conducted with few small groups of respondents, the group of young people who are in the process of forming their consumer behaviour, their opinion on the consumption of alcoholic beverages and who are called the Generation Y. These people have their specific characteristics, e. g. year of birth between the years 1977 and 1995 (Bergh and Behrer, 2012; Magistris, Groot, Gracia and Albusu, 2011; Mueller, Remaud and Chabin, 2011). This generation is important for the wine producers and sellers not only because they represent the most promising new wine consumer segments (Fountain and Lamb, 2011; Charters *et al.*, 2011; Agnoli, Begalli and Capitello, 2011), but also their positive disposition towards wine. The sample of respondents for this research was composed with regard to the future research object.

## RESULTS

### Understanding of the Influence of the Country of Product Origin on Consumer Behaviour

At the present time a remarkable effort may be traced to homogenize markets. Consequently, companies can save costs, which, otherwise, such companies would have to spend to adjust marketing mix to foreign markets. Simultaneously, a second aspect is demonstrated – i.e., fostering of national pride of both companies and consumers.

These phenomena are accompanied with an elimination of barriers to entry into other (foreign) markets; consequently, companies can use such markets as places, where their production could be moved. I.e., other savings could be achieved, e.g., cheaper labour force, lower material costs etc. Nevertheless, in connection with such movement



1: "Halo" and "Summary" Effect

Source: According to Iversen and Hem, 2001

companies are under the influence of **country of origin effect** (COO effect), (Chu, Chang, Chen and Wang, 2008) not necessarily only in foreign markets. COO effect may influence competitiveness of producers in their local markets.

The country of origin effect is demonstrated by differing evaluations of the identical product by consumers of various nationalities (Agrawal and Kamakura, 1999; Štrach, 2009). Products are exposed to the influence of said effect and consumer might be interested to know in which country a particular product, which he/she has already bought or would like to buy (Chu, Chang, Chen and Wang, 2008; Zeugner-Roth, Diamantopoulos and Montesinos, 2008; Kunczik, 1997) has been produced.

Described effect is a combination of so-called "halo" effect and "summary" effect (see Fig. 1). "Halo" effect says that in spite of the fact that consumer does not have any knowledge or experience with products produced in a particular country, he/she still creates a certain image of the country as the source of such products. On the contrary, "summary" effect is based on the fact that the image of a particular country is created on the basis of experience with products produced in such country, and adopted attitude to such products (Han, 1989; Lu and Heslop, 2008).

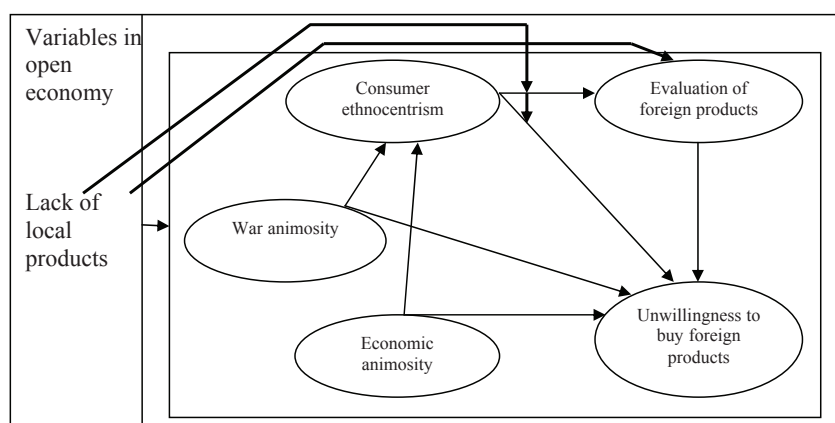
Various studies indicate that the country of origin of particular product can act as a signal of perception of quality of the product, can also influence perceived rate of taken risk connected with such product, its value, and, identically, the probability of its purchase. According to Chattalas, Kramer and Takada (2008) a conceptual framework of the above mentioned effect ranges from the influence of country, in which such product has been produced, up to intangible barriers preventing the entry into new markets in

the form of consumer's prejudices against imported products.

If we talk about the country of origin effect it is necessary to mention other terms which are in connection with influence of the national aspects on consumer behaviour. Consumer purchase decision is affected not only by the national image (in the form of COO effect) but also by the level of consumer ethnocentrism or consumer patriotism. These two terms will be explained in the following text.

### Consumer Ethnocentrism

The rate of ethnocentrism of consumer plays an important role in connection with the enforcement of domestic products in foreign markets. The more consumer is ethnocentric, the more significant is the effect of country of origin as regards the evaluation of particular product, intention to purchase particular product and willingness to purchase foreign products (Světlík, 2011; Štrach, 2009). The rate may be reflected in the trust of consumer and his/her attitudes to the country, which such product comes from (Kunczik, 1997) and the awareness of foreign product can be both, negatively or positively, influenced. Marketers should try to influence either positive or negative attitudes of consumers to products coming from particular country via appeal to their positive ethnocentric attitudes – e.g., giving preference to local production as having better quality, being healthier, more valuable, enabling employment of local inhabitants and, consequently, supporting employment rate in the region and country and facilitating development of national industry (Štrach, 2009, p. 62).



2: Ethnocentrism and Its Influence on Consumer's Purchasing Behaviour

Source: According to Nijssen, Douglas, 2004

Nevertheless, ethnocentrism may be demonstrated also vice versa. Some nations feel hatred of other nations, especially based on historical reasons (Kunczik, 1997). Such phenomenon is then reflected in their purchasing behaviour. E.g., in the period of apartheid many Europeans avoided any purchase of South-African products; identically, we can trace unwillingness of Dutch people to buy German products as the consequence of German occupation during WWII (Huang, Phau and Lin, 2010). Among others, we can mention the existence of anti-Americanism and francophobia (Amine, 2008), i.e., a consistent animosity towards government, history, culture and people coming from the United States of America or France. International marketers decide on strategy on the basis of information on how consumers in the target market will most probably perceive and, subsequently, respond to the country of origin of particular product and information about such product (Kotler, Wong, Saunders and Armstrong, 2007; Světlík, 2012).

Fig. 2 shows the sources of animosity towards or intolerance of other nations demonstrated in consumer's purchasing behaviour when selecting products produced in these countries. Provided that we have an open economy, then consumer is able to get the lacking required goods from abroad. However, in such case foreign producers must take into account that decision about purchase is also influenced by other factors, such as e.g., hostility as a consequence of war conflicts or intolerance of other economies as such. Both these aspects affect decision-making process and more or less influence the level of ethnocentrism of consumer, which – subsequently – will influence consumer's decision whether to buy particular product or not.

### Consumer Patriotism

Patriotisms, in the original meaning of the word, meant loyalty to church (MacNabb). Consumer patriotism is linked with the expression of love and support to own nation. Concepts of consumer patriotism and ethnocentrism match in this point.

Nevertheless, fundamental difference is reflected in relation of consumers to other nations.

If – in case of ethnocentrism – consumer prefers local production and in a way underestimates foreign production, in case of patriotism in spite of the fact that consumer expresses his/her solidarity with the country in which he/she lives, such fact does not negatively influence his/her attitude to foreign products at any price. However, the fact should be highlighted that mutual relation of such phenomena, though they complement each other, depend on cultural environment and differs in various countries (Vassella, Fountain and Fountain, 2010).

Patriotisms is manifested as an *uncritical patriotism* (its characteristics is shown in the collocation: "My country good or bad") or *constructive patriotism* (solidarity with country characteristic by critical loyalty, putting of questions and criticism as a driving force for positive changes) (Huddy and Khatib, 2007).

### The Country-of-origin Effect and its Influence on Consumer's Purchasing Decision

As already mentioned in the introduction to the paper, certain aspects significantly influencing evaluation of particular bottle of wine can be considered. A brand of wine, country of origin and price are ranked among these aspects. Presented paper deals in more detail with second characteristic; submitted results relate just to the country of origin of wine.

Tab. II shows responses to the first question. In this case the research of foreign authors has been confirmed because Czech and Slovak respondents-consumers have ranked this fact among important parts of their purchasing behaviour – almost all members of focus groups have been highly influenced by the country of origin of wine. Only two respondents have marked this influence as negligible.

The importance of this factor is supported by the fact that more than half of respondents have selected the option with values 1 and 2.

II: *Influence of Country of Origin*

Level of influence	Number of positive answers
High (1–4)	64
Middle (5–7)	5
Low (8–10)	2

Source: Own Results

**Knowledge of the Country of Origin**

The analysis has been completed with the study of influence of effect of particular country of origin.

The research has focused on attitudes of consumers to wines from France, Czech Republic, Portugal, Great Britain and Hungary.

Selection of countries has not been random. The selection has always included one of European countries. Czech Republic has been represented based on two reasons. The first one has been based on the fact that future research shall focus on Czech consumers.

Therefore, starting pre-requisites must be also based on the knowledge of attitude of Czechs to Czech and Moravian wines. The second reason has been based on the boom of wine industry in approximately last twenty years hand in hand with deep-rooted tradition of wine making.

France represents another selected country. Such selection is obvious as France is a winery giant. France is the country with the biggest wine export in the world, French wines are considered as a quality etalon; moreover, it is the country with the longest tradition and the highest prestige enjoyed in the wine industry.

Hungary and Portugal are also countries with well-established tradition in the wine industry, both countries export top quality wines. Nevertheless, neither Hungary nor Portugal disposes of so vast number of varieties and areas, such as e.g. France, Italy or Spain, which represents the largest wine-producing region of the world.

Hungary is a typical producer and exporter of white wines, rather sweeter varieties. In the international range Hungary is known as an exporter of dessert wine Tokay.

Portugal is the world's seventh largest wine region; on the contrary, typical of red grape varieties.

The last selected country is Great Britain. This connection, though can be viewed as illogical and atypical, has been reaching more and more positive responses recently.

As regards particular products the results shown in the Tab. III clearly indicate the connection between the country and wine production. Results may be partially influenced by national composition of respondents.

Research results demonstrate that France has been the best evaluated country, which complies with the above mentioned fact, i.e., French wines are considered to be the best wines in the world.

Czech Republic has reached rather good results, too. Again, more than 50% of respondents have identified the Czech Republic as the producer of quality wines.

Results have not been so explicit in case of Hungary and Portugal. Portugal has been evaluated positively only from the point of red wine varieties, which in the Czech Republic are not as popular as white wine varieties.

As shown in the table, Great Britain, in spite of increasing quality of its wines, has been evaluated rather as a country atypical of wine growing. A consumer does not know what to expect from any wine produced in the Great Britain; consequently, such consumer is not willing to pay higher price.

**Local Patriotism**

Another area, studied by the research, has been the local patriotism or – in other words – preferences of local wine producers. Identical trend has been confirmed as in case of the country of origin (see Tab. IV). Responses of respondents indicate that provided that they buy wine, they prefer local producer.

IV: *Preference of Local Wine Producers*

Level of influence	Number of positive answers
High (1–4)	62
Middle (5–7)	6
Low (8–10)	2

Source: Own Results

**DISCUSSION**

Wine industry has been rising in the Czech Republic. Therefore, the industry should be paid attention not only from the point of production of wine, its classification and quality, but also from the point of wine education in non-winery regions of the Czech Republic, or – as the case may be –

III: *Influence of Country of Origin Effect in relation to the particular country of origin*

Level of influence	Number of positive answers				
	France	Czech Republic	Portugal	Great Britain	Hungary
High (1–4)	68	64	48	9	22
Middle (5–7)	3	7	19	19	29
Low (8–10)	0	0	4	43	20

Source: Own Results



from the point of export possibilities of Czech wine makers.

Presented pilot research, though carried-out with small number of respondents, has collected data reflecting knowledge gathered by foreign research. The impact of effect of country of origin can be indicated as a characteristic feature of purchasing decision of Czech and Slovak consumers.

Furthermore, results show that these consumers demonstrate a certain rate of patriotic behaviour. Should we identify such behaviour as ethnocentric, it would mean that for these consumers foreign production would be perceived as lower quality compared to the local one. Nevertheless, this fact has not been confirmed. On the contrary, respondents – consumers have identified not only domestic, but also foreign production as a quality one.

As already mentioned in the introduction, consumers are mostly influenced by three basic factors – i.e., wine brand, country of origin and price. The price has been one of the factors which respondents have identified as important in subsequent discussion.

Moreover, purchasing decision has reflected the appearance of wine bottle, wine variety, colour, classification into categories according to residual sugar (dry, semi-dry, semi-sweet or sweet wine), special attribute (e.g. late harvest etc.) and in smaller rate special editions of wines (e.g., V.O.C., Terroir Wine etc.).

### Definition of Hypothesis of Research and Research Questions

In principle the fact can be proved that Czech and Slovak consumers show patriotic inclination.

Said fact should bring Czech producers a certain advantage and, moreover, should be incorporated in marketing activities of not only individual producers, but also organizations participating in cohesive promotion of Czech and Moravian wines.

Subsequent research shall be based on the application of both quantitative and qualitative methods, while respecting subsequent hypotheses characterizing the situation in the wine industry:

- Major differences exist in the perception of image of wines in relation to the country of origin, in which the particular wine has been produced.
  - A close relationship between private and public sector is developed as regards the establishment of communication strategies referring to the country of origin of wine.
  - There are limiting factors for using the country of origin effect when entering the foreign markets in the area of wine production.
- The objective of research shall be to gather data necessary to answer the following research questions:
- VO1 – Is the element of the effect of country of origin used in communication with local customers in the conditions of the Czech Republic?
  - VO2 – Can the purchasing behaviour of customer be influenced via the effect of country of origin?
  - VO3 – Is it possible to use the knowledge from the wine industry also in other product categories (in particular food industry)?

## CONCLUSION

In consequence of breaking-down the barriers to the entry to foreign markets attention should be paid to the area of the country of origin of products and their subsequent evaluation by foreign customers. Nevertheless, not only foreign customer is the receiver of a particular product. Therefore, companies – within the framework of their marketing activities – should focus on the promotion of the country of origin also in their local markets. Results of the research indicate that local, i.e., Czech and Slovak consumers, are sensitive to the topics such as preference of local wines and preference of local producers.

Necessity of involvement in these topics is derived from the fact that in spite of the fact that in the local market Czech and Moravian wine producers achieve smaller or bigger successes, Czech Republic is not considered abroad as wine country; therefore, export to foreign markets is rather difficult. Export is connected with higher costs, larger volumes of production must be delivered as well as continuous quality must be maintained.

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