

Chapter 90

The Region-of-Origin Effect: Implications for Regional Development Policies

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ABSTRACT

The main objective of this chapter was to determine the variables that explain and moderate the intention to purchase regional a specific product, in particular, wine. Some of the selected variables were directly related to regional development. To achieve that goal, and based on the literature review, authors designed a structural model to study the ROO effect in the Spanish wine market. The model proposes direct and indirect effects of the following antecedent variables on the purchase intention: the region's image, the region's image as a producer in this product category, the perceived quality of the region's products, and consumer ethnocentrism. The results of this study contribute to guiding decision-making on the strategies to be implemented by regional public institutions in collaboration with the wine industry, both of them responsible of creating value for the region.

INTRODUCTION

In the purchase of certain categories of food products, especially those in which it is difficult to evaluate their intrinsic attributes (nutritional and organoleptic qualities such as taste, colour or texture), the extrinsic attributes take on great importance in the process of consumer choice (such as brand or functionality and design of packaging). One such extrinsic attribute that can

become a key to this differentiation is the provenance or geographical origin of the product. Such is the importance that this aspect may have in the purchase decision that it has come to be known as the fifth element of the marketing mix (Baker & Currie, 1993).

The terms “made in” effect, “country-of-origin” (COO) effect, “region-of-origin” (ROO) effect, or, in general, “place-of-origin” effect reflect the implications that the geographical

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provenance of the product has for consumers' purchasing decision processes (Bilkey & Ness, 1982; Johansson, 1989), i.e., in such aspects as the perceived quality, preference, or intention to purchase a particular product. Papadopoulos and Heslop (2003) define the "place-of-origin" effect as "a set of strengths and weaknesses linked to the place of origin that add or detract value from the product for consumers". This added value can come from environmental and human factors already existing in the place. It may manifest itself in different ways: through the consumer's perceived quality of the product (Han & Terpstra, 1988; Ahmed & d'Astous, 1992, 1996, 2001, 2007; Verlegh et al., 2005; Veale & Quester, 2009), through their attitudes and preferences (Bigné & Cuenca, 2000; Van Ittersum et al., 2003; Orth et al., 2005; Font i Furnols et al., 2011; Gracia et al., 2011), or through their purchase intention (González & Villanueva, 2001; Cerviño et al., 2005; Montesinos & Currat, 2007; Auger et al., 2010; Godey et al., 2012).

Place-of-origin effect can be analysed either in terms of internal markets (country or region of origin) or in terms of external markets. The former case analyse the influence that the origin has on local customer's purchase behaviour. The latter case analyse the influence of the origin on consumers from other geographical areas and, therefore, on the exports of products from that origin.

In both cases, when origin of the product is a key element in consumers' purchasing decisions, then this attribute becomes a source of competitive advantage for small and regional firms. In other words, this attribute turns into an option to differentiate products from their competitors. In the same way, public organizations may create and promote "metabrands", like Protected Designations of Origin and the "Food Product from ..." brands, that combine quality criteria and place-of-origin. If these collective brands or geographical indications are properly managed, they become an useful tool for regional develop-

ment. Under normal conditions, a larger region of origin effect will increase the production of regional companies and therefore economic activity and job creation in the region. A geographical indication commercially valuable not only will increase product demand in the domestic market, but also will become a tool for accessing to international markets, especially for small producers. In this sense, according to the study of Chever et al. (2012) for the European Commission, the sales of the European Union geographical indications were made in: the country of production (60%), EU countries (20%) and outside the EU (20%). In terms of regional development, we must take into account the indirect effects generated by geographical indications in the sectors of economy that are linked to tourism.

The study carried out by the consultancy Arete for the European Commission (2013) analysed 13 case studies of designations of origin and concluded that:

- In most cases products covered by geographical indications products achieve a price premium over the corresponding standard products.
- A number of elements of added value other than higher gross margins was identified in the case studies: protection of intellectual property rights; improved visibility; access to new markets; better access to promotion funds and investment aid; better support under rural development; positive impacts on the geographical indication area as a whole.

There are also studies on the benefits of these indications of origin in underdeveloped countries. For example, the study carried out by REDD (2013) aims to to assess the potential advantages for the marketing of a commodity as well as indigenous, traditional and local products by geographical indications and origin branding. This study showed that differences exist between

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