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THESES OF Ph.D. DISSERTATION

Application Possibilities and Conditions of Origin and Quality Indications in the Marketing Communication

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Introduction

In our days food market is characterized by vast abundance of goods and a sharp communicational competition. Does the consumer really get everything desired? How could his interest be brushed up yet tapping the wallets? In the consumers’ eyes trademarks and brands are champions No. 1 for quality. Their indirect and strong quality marking power is due jointly to the buyers’ experiences and satisfaction as well as to the penetrating advertisements (VIDA, 1982).

During our work we dealt with the „new” or perhaps more precisely with the newly discovered product distinction possibilities, i.e. designations of origin and quality (e.g. geographical indications, signals of origin, certifying trademarks) all of them supporting quality competition. The designations of origin and quality refer to direct promises but it is the very reason why their exploitation is open even desirable for several producers at the same time.

Three pillars of the new Community quality policy are regulations concerning the protection of geographical indications and designations of origin [Council Regulation (EEC) No. 2081/92*], organic production [Council Regulation (EEC) No. 2092/91] as well as agricultural products and foodstuffs with specific traditional character [Council Regulation (EEC) No. 2082/92**]. Although the operation procedures of the above Regulations and characteristics of the product covered are well defined, our research was not based solely on them. The consumer is able to present opinions relying upon his/her observations and existing experiences that were condensed in line with quality marking practices to be surpassed but now alive.

Designations of origin (country, region, lands, areas) and the geographical product indications (see: Act No. XI/1997) are equally meant to be designations of origin.

From among quality indicators the certifying trademarks for excellent quality as well as the traditional and regional foodstuffs are dealt with in this thesis.

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It is important to acquire wide-ranging and reliable knowledge on the market influencing effects made by the origin and quality indicators (designations) in order to form primarily strategies of small and medium-sized enterprises (SMEs) as well as of community marketing organizations.

Consolidation of the domestic market positions and adaptation to the new consumption trends – e.g. possibilities created by regionalization – are key issues for the development of the Hungarian food economy. Maintenance of the diversity and local peculiarities of our nutrition and their re-interpretation adapted to our changed way of life are so huge source of joy and cultural value that can be competitiveness growing or influencing factors both at entrepreneurial and regional level within a reasonable time. However, this development requires considerable renewal and changes of view both in the demand and the supply side that could be facilitated by the publication of the investigation results making them common properties.

**Antecedents of the work**

There are abundant experiences in the international literature related to the application of the origin and quality indications; as to foodstuffs, only the recent 10–15 years have brought substantial knowledge. Research activities dealing with the economic success of the EU origin protective system or product marketing are very sophisticated with diversified methodologies.

Without aiming at completeness, there are below some research antecedents contributing to laying the foundations and assigning the directions for our investigations:

- In the open market the consumers are increasingly relying on the origin informations (SKAGGS et. al., 1996).
- Domestic products are evaluated more positively by the consumers even they have no rational motivation to do so (e.g., HARRISON and WALKER, 1995).
- Primary addressee of highlighting the regional origin is the domestic consumer. The most principal advantages are freshness, taste and food safety (WIRTHGEN et. al., 1999). Majority of the consumers is willing to pay more for products manufactured in their own regions (GERSCHEAU et al., 2002).
- Trademarks have more influence on the consumers’ decision making as the national or even the regional quality certifying designations (ALVENSLEBEN, 1998).
In accordance with the statements of investigations related to the EU origin protectional system:

- The PDO label has not functioned yet as a direct promoter so its value should be enhanced with communication instruments focusing on the emotional commitment (VAN LANS et. al., 2001).
- At the entrepreneurial application of the distinctive designations two fundamental strategies could be outlined: one built upon the product reputation and strategy of the local/regional quality (PACCIANI et. al., 2001).
- The origin protectional system needs revision: quality description with analytical figures is deficient, emphasis should be laid on the origin strictly requiring traceability (PERI and GAETA, 1999).

In the field of the food industrial application of the origin and quality indications in Hungary it is GAÁL (1995, 1996, 1997 etc.), whose name can be connected with the pioneer theoretical and practical activities. At the examination of certain issues – without completeness – research conducted by PALLÓNÉ (2003), POPOVICS and GYENGE (2005), SZAKÁLY and SARUDI (2004), NÓTÁRI and HAJDUNÉ (2003), KOVÁCS (2003) could be mentioned.

**Examination objectives:**

Our objective was the examination of questions connected with the application of the origin and quality indications in order to exploit them more efficiently in marketing communication. This very timely topic has no comprehensive research antecedents in Hungary, an examination covering the entire communication chain (consumer, producer, merchant) may bring about adequate results for defining experiences and proposals in order to promote a renewed approach deemed necessary.

**Contents and methodology:**

In the demand (consumers) side the following topics were embraced by our examinations:

- Examination of the national origin image of the domestic foodstuffs
- Examination of the quality indicating capabilities of different labelling elements
- Exploration of the consumers' value and preference systems, within this assessment of the importance of factors referring to quality and origin
Consumers interpretation of foodstuffs with geographical indications
- Interpretation and consumers judgement of the traditional and region-type foodstuffs
- Examination of the consumers attitudes and paying willingness at certain traditional and region-type meat meals and honey

At the consumers we made five primary examinations asking altogether 1954 persons. In line with our expectations the concerned segment was the middle-class in the sense understood in sociological research. From among the attributes of middle-class we had the possibility to take up the educational level during our investigations which were focused on the recognition of the opinion of consumers with higher qualifications.

The following methods were applied: semantic differential, questionnaire assessment, product tasting, conjoint analysis. Data were processed by the SPSS statistical program kit (descriptive statistics, cross-table analysis, cluster analysis, factor analysis, conjoint).

During our investigations in the supply side we examined the following:
- Commercial occurrence rate of products with designations of origin.
- How do the traders evaluate the excellent Hungarian foodstuffs and products with geographical indications.
- Including corporate and other specialists we analyzed the feasibility of the different development trends as well as the main directions of the regional product development and factors influencing regional image.
- Application experiences of the origin protectional system were also summarized.

During our investigations in the supply side assortments of three shops were assessed by direct observation and we made structured deep interviews with 15 shop leaders asking them about the dealers’ reactions to the products with origin and quality indications. In line with the questionnaire assessment related to the development directions the results obtained from 98 respondents were processed (multidimensional scaling, descriptive statistics). Experiences connected with the origin protectional system were explored by structured deep interviews with 11 persons that were evaluated with code tree method.

Investigation results
1. Making comparisons between the country-of-origin image of the Hungarian foodstuffs and those produced in the former EU Member States three clusters were differentiated. 15.6%
of the respondents are committed adherents to the consumption of domestic products; according to the observations of 52.6% the relations are well balanced: once the domestic products, while another time the foreign goods are better; however, 31.8% somewhat prefer import. In addition to the traceability of the manufacturers all clusters consider the better, more preferred taste as the greatest advantage or as the least difference of the domestic products compared to those of the former EU Member States. It was also stated that the age is the best indicator of the judgement of the domestic products. 67% of the third consumer cluster with the attitude „EU is better” were constituted by the younger age-group between 18–34 years while 48% of people saying „domestic is better” were above 45. At this same selection it was also established that from among the examined origin and quality indications it was the independent quality certification that inspired the highest confidence while people put less trust in the state control ticket. The first cluster evaluating domestic products to be clearly better has the greatest confidence in the independent quality certification. It should also be emphasized that the examined origin and quality indications are least important for the third cluster having the lowest loyalty toward the Hungarian products.

2. Investigating the self-assertion of the origin and quality indications among other viewpoints that influence buying we established that the influence of the quality certifying sign in summary just exceeds the medium level (3.65), that of the manufacturing country is average (3.2) and the producing region has the least impact (2.36). We separated three consumer clusters (rationally contemplating quality focused – 20%; externally guided decision maker – 30%; price conscious – 50%). It is the rationally contemplating quality focused consumer who shows the highest interest and buying readiness toward products bearing domestic designations of origin. They require higher reliability as to quality certification and control; for the externally guided consumers advertisements and behaviour of the opinion leaders are decisive in this context, too.

3. During the consumer interpretations of foodstuffs with designations referring to a geographical location (e.g. goat’s-milk cheese of Mátraalja):
   - it was most frequently presumed that the geographical location refers to the manufacturer’s settlement;
   - the more educated people and the women could identify themselves better with the positive associations of ideas than persons with lower qualifications;
- in line with the age grows the number of people with positive associations.

Based on the joint occurrence of the offered associations four detection patterns were disclosed (traditional foodstuffs; foodstuffs of special quality that can be connected with geographical locations; product of a manufacturer operating in the given region; fantasy name only).

Considering all this it can be established that the present-day application practices of the designations of origin do not support satisfactorily consumer orientation.

4. The consumers tightly connect three notions with the traditional and region-type foodstuffs: traditional way of preparation (69.3% – quality dimension), historical character – my grandparents had already known it as well (63.1% – time dimension) and the geographical site where it is most famous (59.7% – place dimension). Looking at the attitude toward these products we stated that the consumer population above 45 years of age was mostly interested in getting familiarized with the regional products. With a view to the future of the origin and quality indications it is a favourable examination result that behind stressing the regional differences the consumers unanimously presume excessive quality. It was established by cluster analysis that people preferring products manufactured near to their native place and residence (i.e. the so-called value preserving consumers – 41% of the respondent) are more open to recognize the values of other regions and they can also specify their expectations related to the traditional products more precisely.

5. Investigating the attitude and willingness to pay related to the traditional and regional meat products the following conclusions can be drawn as regards the consumers’ judgement and reception the salami and sausage preparations and meals made of liver:

- Attitude connected with the regional meat products is positive, influencing also the consumers’ inclination to try new assortments fortunately.

- When making decisions the men less rely on nutritional viewpoints and they test new flavours with more pleasure.

- People with higher qualifications have the most positive attitude.

- Based on exclusively sensory advantages consumers are ready to pay not more than 10–15% additional price.

- In the well-informed cluster preferring diversity (37.2%) the higher consumption culture, susceptibility to test novelties as well as the greater readiness to pay are present together.
In the cluster with tempered consumption to be trained (30.1%) the youngest age group (18–24 years of age) is above the average of the sample. In this group also the consumption culture, knowledge connected with the products as well as paying willingness are more moderate.

6. Concerning our honey examinations we have drawn the following conclusions:

- Based upon the sensory popularity three clusters were separated. The group open to the diversified flavours (40% of the respondents with a typical consumer above 45 being educated inhabitant of Budapest) has the optimal consumer attitude considering informations and habits related to honey eating but in case of paying readiness there is no significant difference among the clusters. In a consumer segment consisting of primarily young people preference of the forest honey surpassed that of acacia honey.
  - The lower age runs together with higher paying readiness.
  - We were the first researchers in Hungary to examine with conjoint analysis the influence exerted by the designations of origin on the consumers’ buying decisions. On the basis of the individual partial usefulness three clusters could be separated. It was established that place of origin of the acacia honey had no importance for the 40.9% of the consumers while 33.5% preferred honey originating from the Great Hungarian Plain („Alföld”) and 25.6% from Nyírség (the northeast part of Alföld). Importance of the buying place goes ahead of origin: consumers do shopping from reliable relatives or through their old acquaintances with most pleasure.

7. By means of the multidimensional scaling method and based on the results obtained from our 98 respondents coming in a critical number from the small and medium-sized entrepreneurs and asked about their opinions on the successfullness of the various development trends it was established that they see the break-out possibilities unanimously in the specialities (traditional, functional and bioproducts). Main characteristics of the differentiating product strategy laying emphasis on specialities are freedom from additives, excellent sensory quality, production of labour-intensive goods as well as exploiting the local resources when manufacturing functional products. As an antipode to this tendency the production of GM products can be considered. Another axis in grouping the development tendencies can be the system of regionality–globality arguments. On this axis, however, there are smaller distances: the main limits can be fixed between the specialities and the GM products.
In this same examination series during the assessment of factors impeding innovation we established that the non-adequate level of advertising and market manipulation was observed to be an impediment of medium importance (3.81) while the lack of capital was deemed as the greatest obstacle (4.25). Evaluating factors of the successful regional product development the peculiar tastes (3.98) and the attractive presentation (3.85) were highlighted by those interviewed. From among the reputation factors the trade-name (3.52) and the popularity of the regions (3.61) have more substantial effect on the successful product development as the certifying trademark (3.43). As to the factors forming region image the role played by the media was thought to be the most decisive (4.3) while the influencing effect of aspects connected with the respondents' activities (e.g. chambers – 3.70) was the least important.

**New scientific results**

1. In a comparative analysis between the country-of-origin image of the Hungarian foodstuffs and those produced in the former EU Member States we proved that the age is the best indicator of judging domestic goods. While the age group above 45 is committed to the Hungarian products, population between 18–34 thinks the foreign goods better.

2. Influence of the quality certifying designation on the buyers’ decisions in total is somewhat above the average, the manufacturing country is medium while that of the manufacturing region is the lowest.

3. In case of foodstuffs bearing denominations that refer to a geographical place we pointed out that they are not uniformly interpreted by the consumers but product detection can be described with four patterns. People with higher qualifications could better identify themselves with more favourable associations of ideas.

4. Consumers above 45 years of age are the most open to recognize regional products. People preferring products manufactured near their native place and residence are more open to recognize the values of other regions as well.

5. With the combination of various investigation methods we demonstrated that the higher consumption culture, susceptibility to try novelties and the higher willingness to pay are correlative phenomena. When examining meat products we revealed that considering
exclusively sensory advantages the consumers are willing to pay 10–15% extra price at most.

6. We were the first researchers in Hungary to examine with conjoint analysis the effect of the designations of origin made on consumers’ decisions. As a result we established that in case of acacia honey the place of buying is a more important product characteristic than the place of origin.

7. Based on our survey of producers we stated that the small and medium-sized enterprises want acquire competitive edge mainly by producing goods of special quality. By means of the multidimensional scaling we have made the possible development directions ahead of food industrial enterprises and their interrelationships transparent and seizable also visually.

Conclusions and proposals

Although not can be considered as representative, our consumers surveys outlined in many respects congruent, one another reciprocally strengthening patterns on the behaviour of the more educated consumers representing a significant proportion in the samples. This is why our results and conclusions can provide guidance for the everyday marketing practices.

Although with a significant delay but the same differentiation and segmentation processes are taking place at the Hungarian consumers than in the economically developed Western European countries. The transformation has not yet been complete at all but the Hungarian consumer is also a decision maker with several points of view where the different quality dimensions would play growing part.

We have also demonstrated this "delay" in several concrete manifestation of the attitude toward products with origin and quality indications.

During our investigations in general approximately 30–40% of the respondents presented favourable attitude toward the products bearing distinctive origin or quality indications.

In addition, it should be stressed from the consumers side that people above 45 years of age show the greatest loyalty toward the domestic products and also they are the most representative leaders of the consumer segments with highest commitment and most positive attitude toward the regional products in our examinations. Among consumers with higher
education we also experienced in total higher knowledge level and openness related to the application of origin and quality indications.

Age group above 45 with higher education makes up decisively the opinion leading middle-class segment that could be specified as the primary target group for products with origin and quality indications.

The consumer segment consisting of mainly young people between 18–34 preferred food quality in the former EU Member States to that in Hungary. Also regarding nutrition habits this age group is less linked to the traditions. It means that special attention should be paid to the young consumers by targeted communication to get them familiarized with and accepted the product advantages of the domestic, regional and traditional goods. If this age group is neglected the Hungarian food industry would face market loss. As to the communications aimed at young people it is especially important to re-interpret the traditions, making them fashionable and adjusting them into the modern way of life.

When demonstrating and communicating advantages of the excellent or Hungarian products it is worth to build marketing communication messages on the better taste evaluation of the domestic products as well as to further strengthen the already existing attitudes.

Furthermore, in case of price differences higher than 10–15% for the more efficient marketing communication it seems to be necessary the reliable, credible and exciting presentation of the product advantages in order to support consumers’ decisions.

Also in line with our examinations the more differentiated knowledge related to the regional origin, preparation, utilization possibilities etc. of the products trigger higher commitment and more favourable attitude. Among others, all this could be well monitored in the different consumers reception of the traditional meat and honey products with regional character. In each product group divergent chances should be calculated for the assertion and recognition of the product advantages that can only be disclosed by market research. Promotion of the nutrition culture, communication and popularization of the relevant knowledge connecting it with the healthy nutrition and maintainable development could be realized only through the entire social communication but within this the community marketing organization represents a communication strategy and philosophy being critical part of it.
Considerable part of our examinations was carried out before the EU access that changed the market situation in many respect intensifying competition and making the consumers more exposed. Today products with origin and quality indications have just practically emerged in the market so they cannot be distinguished strikingly from the abundance of assortment. For transforming the possibilities into market success the representative consumers investigations providing basic research are indispensable.

Not the missing consumers receptiveness is perceived to be the largest impediment inhibiting advancement in the field of products with origin and quality indications but the lack of cooperating and individual initiatives from the the entrepreneurs’ side. During our indicatory examinations we acquired several experiences showing toward the same direction in this side. Also research connected with the operation of the origin protectional system pointed out that lack of cooperative readiness is a decisive impeding factor. From our questionnaire survey on forming the regional image the following conclusions can be drawn: the entrepreneurs’ vision is totally free even today of the community attitude preventing recognition that the natural and social resources of the regions should be developed jointly by all the interested parties to the advantage and progress of people living and working there. Aiming at a strong brand name opposite to the certifying trademark also demonstrates that the entrepreneurs prefer seeking for the individual self-asserting possibilities.

In our opinion this view is hindering practical development similarly to the lack of capital being the most significant impeding factor named by the stakeholders. This development should be facilitated through setting up a consultation system, supporting the establishment of model workshops serving also as references, extension of the activities of the Producers’ Sales Co-operatives (TÉSZs) into marketing orientation as well as through making easier the creation of joint trademark communities and marketing organizations developed on regional or sectoral basis.

Nutrition is the field of our life where traditions and regoinal differences play an outstanding role. Domestic flavours represent value for all of us creating at the same time cohesion among people who like the same flavours and odours having similar habits. Maintenance and cultivation of this culture adapting it to our streamlined way of life is a challenge that influences our well-being and contributes to the development of a social medium where we can feel home.
It means that preservation and cultivation of the nutrition culture are substantial not only for the role played in the competition but they have greater importance than earlier also because of building the national identity awareness contributing to the good social conditions. This aspect has to be manifested also at planning the community marketing activities.

In order to provide adequate basis for the establishment of community marketing activities we think that the preparation of a study is the most important task summarizing market data, tendencies and possibilities in the field of the origin and quality indications, laying the foundation of a strategy.

Some further relevant tasks in the field of research and development:
- Exploring interrelations between the consumers’ scale of values, attitude toward origin and quality indications as well as their behaviour.
- Contribution to the development of the regional image by highlighting the local divergencies and peculiarities in the food treasury (HÍR collection) and by transforming them into communication messages.
- Knowledge transfer through the consultation system in order to eliminate the existing shortages in view and education.
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Publications in the subject of this thesis (2000 – 2006)

Publications in periodica (related to the thesis):


Proceedings (Hungarian full paper):


Proceedings (abstract)


**Passage in a book:**