

# The Role of Place of Origin in Consumer Confidence

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*Summary: In our more and more globalised world, as a consequence of the cessation of commercial obstacles, the consumers are able to find more varied products coming from different countries, and this is exactly the case in the food market as well. Together with this, following the development of science, new technologies appear in food production. But not only the movement of products, but also the movement of information has got liberalised, and it is more and more difficult for costumers to know their ways around it. As a consequence of these, the consumers' sense of insecurity and risk sensitivity increases concerning the food appearing on supply. The food scandals of the last period further diminished consumers' trust, which is due partly to the media and other interest groups. In order to mitigate the risks of food purchase, consumers are searching for authentic information about products. A solution can be the use of trademarks and geographical goods labelling in the case of food.*

*Keywords: food security, geographical product labelling, social arena theory.*

## 1. Introduction

The effects of the most definitive process of our days, globalisation, can be discerned also in food trade. The multinational companies and trade chains appeared also in our country, and they can offer a wide range of products for the consumers in a low price, through the realisation of cost efficient production and distribution.

While closed markets are ceasing to exist, the separation between manufacturer and consumer grows. Because of local separation the process of production gets less and less transparent, the hardly digestible masses of information flow to the consumer, causing a separation in information. (Horváth Á., 2007)

The intensification of food trade, the application of new technologies, the efforts to minimise the costs of food production raise significantly the risk sensitivity of consumers in connection with food. As a consequence of all these, product characteristics based on trust as well as social and welfare goals come to the forefront. Consumers get more and more interested in the transparency of food production and market processes, as well as in providing guarantees concerning the product. (Lehota J., 2001)

According to Farkas (2002) and Bánáti (2004), it is not only global trade and free movement of food, which are responsible for the growth of risk sensitivity in the field of food security, but they can be attributed to several factors as well:

- growth of population density;
- changes in ways of life;
- changes in habits of consumption;
- growing environment pollution;
- growth of international circulation of persons;
- elongation of the chain connecting food production and consumption;
- emergence of large-scale food production;
- application of new technologies containing new dangers;
- increase in number of sensitive (for example elderly) consumer groups.

## 2. Factors Influencing Purchase of Food

“Consumer Behaviour: the sum of all activities of consumers, which aim for the acquisition, usage, evaluation and treatment after usage of products and services, including the decision-making processes before and after the activity.” (Horváth Á., 2007) It includes individual needs, feelings, types of information possessed by the consumers, how they process them, how they evaluate the possible decision-making alternatives, and what the possession of the product means to them. (Bánáti D.– Popp J., 2006)

The factors influencing the choices of purchase of the consumers can be divided into two groups: exogenous (outer) and endogenous (inner) factors. Lehota (2001) grouped the factors influencing food consumption in the following way:

- social factors;
- economic factors;
- biological factors;
- cultural factors; and
- psychological factors.

Psychological factors influence consumer behaviour through the following system of contacts:

Emotion → Motivation → Attitude → Behaviour

*Emotion* is an inner tension of the consumer, of which the consumer is more or less aware (for example, if I worry about my health). *Motivation* is an inner tension of the consumer, which is connected to a certain action. *Attitude* expresses fundamental orientations towards a certain product, service or business. It is the willingness of the consumer to react in a positive or negative way to the stimuli caused by a product. (Lehota J., 2001) Attitude has a direct influence on the consumer decisions, which decisions can reinforce attitude, or can lead to its modification. Attitudes shape the mode how individuals interpret and react to the persons, objects or abstract ideas in their environment. Attitudes are learnt and relatively permanent, thus it is difficult to modify them. (Hofmeister-Tóth Á., 2003)

Behaviour is defined by acquired attitude, opinion and conviction, and it is shaped by environmental influences in the direction of certain groups of people, objects, mechanisms or values. Preferences are also defined by socio-economic situations, education, culture, religion, age, gender, origin, and other external or internal factors. (Bánáti D.– Popp J.,2006)

### **3. Consumer Judgement of Food Quality and Food Security**

According to an international definition, *quality* is a sum of characteristics and features of a product or service, which can satisfy the needs of the consumer. In the case of food quality we can speak about the quality of the product and of the production. Product quality is built on product characteristics, which define the expendability of the product. Quality characteristics can be connected to the physical, chemical and biological state of the product. Quality contains not only objective quality components, but from the part of the consumer also subjective elements influence the judgement of product quality. (Horváth Á. et al., 1999)

#### Food Security

Food quality serves the protection of consumer interests, while food security serves the protection of consumers' health. Food security is "a characteristic of food, which guarantees that it does not endanger the life or health of its consumers, or it does not cause harm to them in any other ways." Thus "food security guarantees that during the whole process of production, manufacturing and trading the food does not endanger the health of the consumers, if they use it according to its defined aim." (Bánáti D.– Popp J., 2006)

According to Lehota (2001) the consumer risks influencing the judgement of security can be grouped in the following way:

- physical risk (for example health risks);
- functional risk;
- financial risk;
- social risk;
- psychological risk,
- time risk.

In a broader understanding, apart from excluding health risks, food security includes the implementation of the principle of awareness, protection against the deception of consumer, freedom of choice, as well as satisfaction of consumer expectations concerning the quality of the product and production. Security is a minimal requirement, which has to be guaranteed for the consumers, since they are unable to recognise or control for example whether the food contains

biological or chemical contamination. With the spread of new technologies in food industry new health risks also appeared, and through the development of research methods such materials can be detected, which were previously unknown. Food scandals also increased the risk sensitivity of consumers. (Bánáti D.– Popp J., 2006)

As a consequence of all these, from among the motivations of food consumption, health and security motivations come to the forefront; and at the same time new factors influencing consumption appeared, all of which are connected to quality requirements. We can list among these health awareness, opposition to genetically modified organisms (GMO), demand for informative labelling, comfort and premium products, preference for organic food, importance of geographical origin, and demand for food security. (Orbáné Nagy M., 2003)

The risk perception of consumers, and the ways of reducing risks have been studied since the 1960ies. Raymond Bauer pointed out that because of their limited rationality consumers do not intend to maximalise their profit, but to minimalise the perceived risks. (Fürediné Kovács A., 2006)

Risks can be mitigated by official means to regulate and control food on the one hand, and by the continuous increase of consumer knowledge on the other. The preparation of consumers based on substantive information plays a great role in consumer judgement of food security risks. Information plays a very important role in the process of decision-making, since it provides a basis for the evaluation of product characteristics. People usually search for information in line with their behaviour, and avoid information contradicting it, in order to support their already made decisions, or reinforce their behaviours. After food scandals consumers return to their old habits soon. The reason for this is the endeavour to reach inner harmony. After an initial shock there comes a phase of denial, which results in a return to the previous stable state.

As a consequence of all these, continuous information and training is needed in order to channel the behaviour of consumers into an appropriate direction. (Bánáti D.– Popp J., 2006)

#### **4. The Role of Media in Forming Consumer Trust**

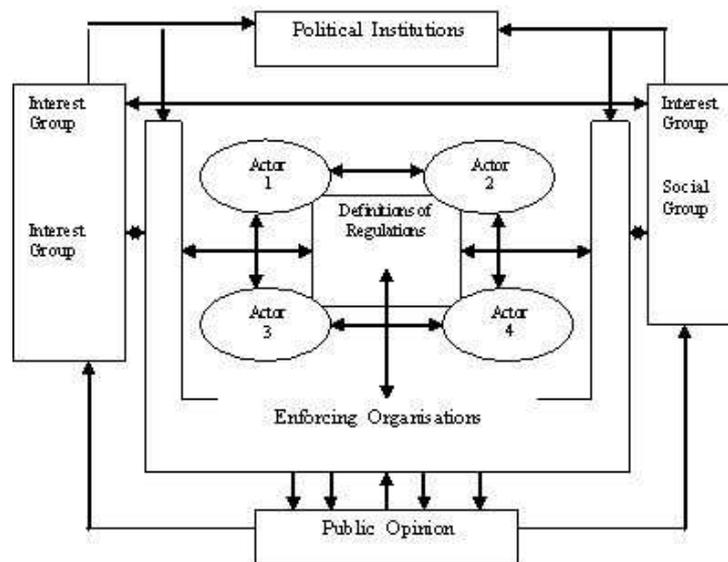
Today's consumers are less and less able to see through food production. As a consequence of their ignorance, consumers are easy to mislead. Because of media sensationalism, certain problems get exaggerated, while others are neglected or misinterpreted. Apart from this, contradicting risk analyses also contribute to a sense of consumer insecurity. Potential and real dangers are not always clearly

distinguished in the media, so it is difficult for average consumers to judge the risk level in a realistic way. In developed countries consumers are more and more marked by an increase in customer awareness. According to surveys, however, while consumers react in a very vivid way to the food security problems discussed in the media, at the same time they are not aware of basic hygienic facts. For this phenomenon the media is probably to blame, since it is not newsworthy if a family gets ill, while a mass illness caused by food certainly is. (Bánáti D.– Popp J., 2006)

The spread of information dealing with food security has important bearings on society. The two currently most popular theories concerning the spread of risk information in society are the following: the theory of societal risk enforcement, and the social arena theory.

According to the theory of *societal risk enforcement*, there are groups wedged in the spreading of information concerning food risk, which enforce a communitarian perception of risk, and through this the risk perception of an individual is enforced too. Such groups are the media or professional interest groups. (Lehota J., 2001)

The *social arena* theory is built on the relationships and conflicts between the actors of society, through which the confronting interest groups wish to influence decision-makers, politics, as well as public relations. Interest groups and organisations (managing and governmental organisations, legal and judicial organisations, universities, research institutes, and mass media) wish to influence certain consequences.



**Diagram 1.**

**Model of Social Arena (Lehota J, 2001)**

The characteristics of communitarian risk perception, according to Lehota (2001), are the following:

- Individuals' processing of risk information depends on their social group, and the roles they play there.
- Consumers aspire after absolute security (zero tolerance).
- Advantages and risks are split unevenly among various social groups and strata.
- Evaluation of hardly comparable risks (for example, economic and ethical).
- Endurance or cessation of alternative possibilities of choice as opposed to a new technology.
- Differences of opinion among researchers and scientists.
- The media and activist groups are interested in enlarging risk perception.

With the help of social arena theory the debated topics of nutrition, the spread of new technologies, food scandals, as well as consumer rights and information concerning food can be evaluated. (Lehota, 2001)

According to surveys dealing with Magyar (Hungarian) consumers' risk perception concerning food security, a great proportion of consumers consider the situation of food security solicitous, and thus they would be willing to pay more for secure food. Their opinion is even more unfavourable concerning the situation of the coverage of risk security. The majority opined that it is difficult to orientate themselves on this topic. Respondents especially of low qualifications opined that they are unable to handle the masses of information flowing towards them, and they are unable to decide, what secure food exactly means in practice. In spite of all these, respondents would like to see fully comprehensive information on a product, even if they are unable to interpret it. (Lakner Z. – Bánáti D. – Szabó E. – Kasza Gy, 2003)

## **5. Trademark and Labelling**

Labelling of food is an element of communications concerning food security. Even though consumers do not know the background information needed for interpretation, the different markings on the food labels are important for Hungarian customers, and it is especially true for the middle-aged customers with high qualifications. It is a generally observable tendency that because of the frequent food scandals consumers value more the place of origin, and trademarks and labelling testifying that.

The communication of advantages and positive characteristics of a product for a customer is possible by any elements of the marketing-mix. But a trademark system can offer more authentic information for the customer, which:

- is based on exactly defined system of requirements;
- the fulfilment of requirements is guaranteed by an independent controlling organisation;
- the controlling organisation is owned by the state, or is under regulatory control; and
- the fact of control is certified by a label, trademark or logo clearly distinguishable. (Bánáti D.– Popp J., 2006)

Since food security is more and more a competition factor in the market, more and more trademark systems are introduced. Geographical goods labelling, and labels of origin also belong here. The food quality politics of the European Union (EU) applies a unified regulation for the application of trademarks. According to this,

“ecological products”, products of “traditional and special” characteristics, and products of “protected designation of origin” (PDO) can be discerned. (Pallóné Kisérdi I., 2007)

The regulation of the European Union (EU) defines products of protected designation of origin (PDO) and protected geographical indication (PGI) in the following way:

- Protected Designation of Origin (PDO) means „the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff: originating in that region, specific place or country; the quality or characteristics of which are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors; and the production, processing and preparation of which take place in the defined geographical area.” (Tattay L., 2001)
- Protected Geographical Indication (PGI) means „the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff: originating in that region, specific place or country; which possesses a specific quality, reputation or other characteristics attributable to that geographical origin; and the production and/or processing and/or preparation of which take place in the defined geographical area.” (Tattay L., 2001)

Protected designation of origin (PDO) and protected geographical indication (PGI) can be called together *geographical goods labelling*. Who complies with the description of the product, and produces the product in the given geographical area, and indicates the registered product name, is allowed to use the communitarian name and the symbol on the product.

The use of distinctive symbols and labels can mean a comparative advantage in comparison with other manufacturers, who do not use the given technology, or do not function in the given territory. Apart from this, geographical goods labelling can function as indirect quality indications for consumers, and thus they are able to identify and distinguish the high quality of a product, serving as compasses for decision-making. (Szabó E. – Lakner Z., 1999)

As different trends of consumer behaviour appeared, we can encounter various product preferences from the parts of the consumers. Some consumers are interested in traditional products, which can be connected to a given country or region.

Consumers in some countries (especially in Western Europe) are willing to pay more for domestic or regional products than for cheaper import products with the

same measurable parameters, because domestic products mean a higher quality for them. This quality comes from a value-oriented conception. According to a survey conducted in Switzerland, the quality of domestic products was considered better than foreign products by 62 % of consumers, and 59 % of them trusted domestic organic products. 59 % of costumers checked the place of origin on the label, and 63 % of them bought a product originating from the Swiss region. They considered the most important the place of origin in case of meat (71 %), while they paid less attention to this in case of vegetables (47 %), fruits (40 %), and eggs (15 %). (Bánáti D. – Popp J., 2006)

In Hungary customers are most of all sensitive to prices. But according to a survey conducted among Magyar (Hungarian) costumers, for the more secure food and of better quality, which offers additional services, customers are able and willing to pay a higher price. This survey dealt with the judgement of security of foreign products. When evaluating the answers, it became clear that as far as import food is concerned, consumers still manifest insecurity. (Lakner Z. – Bánáti D.– Szabó E.– Kasza Gy., 2003)

### **Conclusions and Recommendations**

As a consequence of the territorial and informational separation in our days, consumers can less and less see through the process, in which food gets from the manufacturer to the shelves of the shops. This together with the more and more frequent occurrence of food scandals increases the risk sensitivity of consumers. Communication and the frequently contradicting news of media and interest groups frequently increase the sense of insecurity of consumers. A search for authentic information concerning food is able to provide a chance for the costumers striving for mitigating the risk connected to food purchase. A part of communication concerning food security is the use of trademarks and geographical goods labelling. Geographical goods labelling is a way of differentiating products based on geography, which can mean an advantage in competition for certain companies, among the more and more unified product characteristics. The appearance of these on products can help costumers in their search for trustworthy products. One of its reasons is that consumers deem products from their own regions more secure. On the other hand, the trust of costumers is increased by such trademarks and labelling, which are based on a clearly defined trademark system, where the fulfilment of requirements is guaranteed by an independent controlling organisation. But for this there would be a need to increase customer knowledge with the help of authentic information concerning the content of the given trademarks and geographical goods labelling.

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