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Regional Image and the Promotion of Quality Products

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Regional Image and the Promotion of Quality Products

by

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Abstract

A number of quality products and services, often catering for niche markets, have become associated with certain regions. This geographical association has in some cases been important in influencing the perceptions of consumers, their behaviour and the final demand for the products.

The present paper draws on an extensive survey of almost 750 wine consumers carried out in Greece. The work examines the development and meaning of place and regional images, with a marketing dimension. Regional image is then related to consumer behaviour and the consumption of other regional products and services.

Creating and marketing a regional image is then related to rural development and diversification of economic activities in lagging areas of the E.U. The major conclusion drawn from this work is that marketing and the promotion of 'place images' will eventually become important element in future regional development measures.

JEL Classification: R38, R58, Q13

1. Quality Products and Services

There is not a generally agreed definition of quality products mainly due to the fact that consumer perceptions of what constitutes quality vary for specific products and among individuals, regions and countries (Foster and Macrae, 1992; Sylvander, 1993). Albeit the fuzzy definitions of quality, one should agree that quality characteristics are positional characteristics against the standard or normal product. In other words quality characteristics are those that lye above minimum standards and give a product or service a cutting edge on its normal rivals. Important aspects of the concept of quality are the satisfaction of consumer needs and a consistent level of performance,

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taste and so forth, provided by the product (Vastoia, 1997; Rosen, 1984). A useful approach to the definition of quality products is provided by the Scottish Food Strategy Group (1993) as:

> 'a quality food and drink product is one which is differentiated in a positive manner by reason of one or more of these features from the standard prouct, is recognised as such by the consumer, and can therefore command a market benefit if it is effectively marketed.'

Furthermore, the OECD (1995) attempted to provide a sixfold classification of quality products (3 classes) and services (3 classes) based on a region's utilisation of resources and more specifically, of natural resources, tradition-culture and heritage, environment and amenity. Ilbery and Kneafsey (1998) provide an extensive table of factors or 'indicators' of quality.

The EU introduced in 1992 a Council Regulation (2082/92) on certificates of specific character for agricultural products and foodstuffs. The aim of this Regulation was to develop a Community symbol for the inherent (inspected) characteristics of quality and distinguish them from similar standard products.

Nowadays, the EU maintains a framework for the protection of geographical indications and designations of origin through the PDO (Protected Designation of Origin) and PGI (Protected Designation of Indication) processes, a framework which ensures the production of organic (biological) agricultural products and a mark for agricultural and food products of a special character. The support to regional quality products is directly linked to rural development and is viewed as a major adjustment strategy or a pathway of farm business development adopted by farm households in the less favoured or lagging areas of the EU. More recently, the EU's Committee of the Regions (1996) has urged the European Commission to give particular support, under its structural policy, to the promotion and protection of local products.

2. Regional Image and Place Promotion

Despite the strong interest and support to the production of regional quality products, there are very few attempts to define the terms regional place promotion, regional imagery and place promotion and almost none concerning the effects of such concepts on the demand for regional quality products. Geographers have attempted to define place or regional images as representations, which in turn are understood as signs and symbols invested with particular meanings. Regional images are constructed over time from a variety of sources. Fleming and Roth (1991) have attempted to categorise sources of national images into three groups as: Specific, Generic and Fictitious. Specific images refer to representations of real regional elements (landscapes, architecture, etc.). Generic, refer to representations using elements that are symbolic of particular countries and places (the green fields of Ireland). Finally, in fictitious images, places are associated to subtle images of the future, of legends or of dreams. However, the issue of identifying the sources contributing to the creation of a regional image among consumers residing in the same country is more difficult for a number of reasons. The most important of these relates to the difficulties of establishing distinctiveness through attributes that seem to apply to all rural areas in a country. Of particular relevance to the creation of rural images are trends such as cultural, heritage and tradition, history, green tourism and unique landscapes.

In constructing a theoretical background concerning the factors influencing rural image construction, we may utilize the economic theory of consumer behaviour towards quality food. Assuming that the regional image is a product itself, then, we may distinguish between search, experience and credence factors contributing to the creation of a specific regional image by a specific consumer. In this sense we examined whether consumers have formed representations of the region from various sources including experience (from visits or origin from the area) which we assume to be experiental factors, specific elements of the region such as landscapes, culture, heritage, tradition and history. In this sense we construct a threefold typology of consumers including those that base the region's image on personal experiences. Those that base the region's image on specific elements of the region not connected with their own experience of the area and to consumers that create a complex regional image based on the simultaneous representation of elements of the region and experience.

3. The Effect of Regional Imagery on Demand for Regional Quality Products

In their seminal work, Prais and Houthakker (1955) proposed that prices in cross-sectional demand surveys usually reflect 'quality' effects that should be taken into account prior to estimation. Since then, this proposal has created a framework for analysing heterogeneous commodity quantities, and has been used and adapted by various researchers (Cox and Wohlgenant, 1986; Deaton, 1987, 1988; Dong et al., 1998; Nelson, 1991). Heterogeneous commodity quantities is the sum of the physical quantities of elementary goods in a group of commodities.

In microeconomic terms, the household maximises utility by solving the problem:

$$\max\ U\left(x_1,\ldots,x_k\right)$$
$$s.t.\sum_{i=1}^{k} p_i x_i = Y \tag{1}$$

where x_i corresponds to the physical quantity of elementary good i, and p_i is the corresponding exogenous price, typically unobservable in cross-sectional data, $i=1,\ldots,k$. If Q_G is the quantity of composite commodity G and P_G is the corresponding composite commodity price, given the households income Y, then:

$$\max\ U\left(Q_1,\ldots,Q_n\right)$$
$$s.t.\sum_{G=1}^{n} P_G Q_G = Y \tag{2}$$

Following equation (2), the demand function is:

$$Q_G = Q_G\left(P_G, Y\right) \tag{3}$$

The prices of equation (1) can be expressed as:

$$p_i = P_G\, p_i^* \tag{4}$$

if it is assumed that the prices of all goods in commodity G vary proportionally. Dong et al., (1998), derive from the Hicksian composite commodity theorem that:

$$Q_G = \sum_{i \in G} p_i^* x_i \tag{5}$$

Nelson (1991) suggested that quantity-weighted sum of elementary goods base prices representing a measure of average quality within a group, can be constructed:

$$v_G = \sum_{i \in G} (x_i / q_G) p_i^* = (Q_G / q_G) \quad (6)$$

where $q_G = \sum_{i \in G} x_i$. In general, both P_G and Q_G are unobserved but expenditures on commodity G are observed as:

$$E_G = \sum_{i \in G} p_i x_i = \sum_{i \in G} P_G p_i^* x_i = P_G \sum_{i \in G} p_i^* x_i = P_G Q_G \quad (7)$$

Dong et al. (1998) argue that, when physical quantities (q_G) are also observed, a unit value may be calculated as:

$$V_G = E_G / q_G = P_G Q_G / q_G = P_G v_G \quad (8)$$

Equations (7) and (8) lead to the following expenditure function:

$$E_G = f(V_G, Y, Z) \quad (9)$$

where Z represents a vector of household specific characteristics.

4. Data and Econometric Methods

A consumer survey was designed and executed, among others, in the framework of a European research project financed under the FAIR programme. Data for the study were obtained from a survey of consumers in three urban centres of Greece namely, Athens, Patras and Tripoli. Residents in each urban centre were selected as representative of consumers in each region. Data were collected by questionnaires and a face to face interview of respondents with trained personnel. The questionnaire contained both structured and semi-structured parts, in order to allow quantitative and qualitative analysis. A total of 750 questionnaires were collected in all study regions. Two important stages in data collection were the definition of the population and consequently the sample, and the adaptation of the core (common) questionnaire to the Greek situation. In order to cover the highest possible variance in purchasing behaviour we decided to diversify questionnaire collection according to the place of purchase. For the consumer survey concerning wines we collected questionnaires from regular places of purchase such as small and big supermarkets from specialist outlets such as cavas and from restaurant and tavernas.

The questionnaire was divided in four main parts. In part 1 we asked questions related to the consumer's perceptions of quality and attempted to identify their attitudes towards the meaning of quality for the surveyed products and the factors contributing to purchase or not of the specific products. In the Greek questionnaire and in this part we added a question aiming to measure the willingness to pay for the products specific properties. We thus are able to perform a formal willingness to pay analysis for origin goods and for organically produced goods. In part 2 we contained questions concerning the consumer's perceptions of regional quality products and the consumer's buying behaviour. In the Greek version of the questionnaire we paid particular attention in collecting the quantities purchased and corresponding prices paid for the different quality and non-quality products bought by consumers. Thus, we are able to construct a formal demand analysis and examine the effects of prices on buying behaviour and also examine the effects of the prices of the corresponding non-quality products on the buying behaviour of the quality products. In part 3 we examined the consumer's perceptions of regional imagery and examined the consumer's knowledge of other quality products and regions of the European Union. The consumer's regional image was examined by asking respondents to mark what do they recall as an image of

the area from which they drink a specific wine. They were presented with a number of regional elements (landscape, history, tradition and culture, personal memories) and were free to choose one or more of the elements they recall or denote one that, in their own opinion was not included in the list of regional elements. Thus, we had the opportunity to construct a number of binary variables denoting the presence or not of a regional element in the respondents image for the region from which the product he/she consumes originates. Finally, in part 4 of the questionnaire we collected data relevant to the consumer's individual characteristics that may assist us explain purchasing behaviour. In particular we recorded data related to the consumer's economic, social and demographic characteristics and data related to his/her hobbies, tastes and preferences. This procedure resulted to 744 usable questionnaires of which, 441 concerned with quality wine consumers.

The expenditures on quality wine purchase defined by equation (7) are observed only if the corresponding consumer buys quality wine. For econometric purposes we start by defining a selection criterion function as:

$$I_i^* = b_3^{'} X - e_i \tag{10}$$

where the indicator I_i^*, is not observed, but all we know is whether $I_i^* > 0$ or $I_i^* \leq 0$, or, in other words, what we observe is the dummy variable I which equals 1 when the consumer buys quality wine and equals 0 otherwise:

$$\begin{aligned} &I = 1 \text{ if } I^* > 0 \\ &I = 0 \text{ otherwise} \end{aligned} \tag{11}$$

The expenditure equation in (9) is then:

$$\left.\begin{aligned} E_G &= b_2^{'} Z + aV_G + u_1 \\ V_G &= b_3^{'} W + u_2 \end{aligned}\right\} \text{if } I^* = b_3^{'} X + e_i > 0 \tag{12}$$

where Z is a vector of household specific characteristics and regional images, and W is a sub-vector of Z and X is a vector of household characteristics assumed to influence choice of quality wine consumption. The model defined in equation (12) is a simultaneous equation model with selectivity criterion of the probit type. A two-stage estimation of the system presented in (12) has been provided by Lee et al. (1980).

5. Results and Discussion

The variable names and descriptive statistics for the variables used in the probit (10) and the simultaneous expenditure and price equations (12) are shown in table 1. Table 2 shows the results of fitting the probit selection equation. The overall fit is satisfactory and correctly predicts 64% of cases. Results indicate that the probability of consuming quality wine increases with income and is higher for single households. The probability of consuming quality wine decreases in older ages, females and consumers originating (not residing) from rural areas. The results of fitting the simultaneous equations in (12) are shown in table 3. Expenditures on quality wine are positively but not statistically significantly influenced by income. The unit price value significantly influences expenditures. The coefficient indicates that there is a positive relationship between quality and expenditure. Furthermore the statistically significant coefficient of the selection variable lambda, indicates that expenditure on quality wine is subject of a selection procedure. From the other variables considered, family size and rural

origination of the household's head are key negative factors in the expenditure equation.

Three variables representing rural image formation are statistically significant and influence the expenditure equation. The dummy variable indicating whether the consumer formulates a regional image based on the region's heritage, culture and local traditions has a statistically significant positive coefficient. This implies that, all other variables held constant, consumers having such a regional image, spend more on quality wine than other consumers. The dummy variable indicating whether the consumer formulates a regional image based on elements of the region's landscapes has a statistically significant negative coefficient. The dummy variable indicating whether consumers formulate regional images based on personal experiences from the region also shows a negative statistically significant relationship to wine quality expenditures. Of course, one could proceed further and estimate conditional and conditional elasticities of the regional image variables.

Table 1. Variable Definition and Descriptive Statistics

Variable Names	Definitions	Mean
AGE	Age of household's head in years	36.90
EDUC	Dummy variable, 1 if respondent has finished high school	0.72
MARITAL	Dummy variable, 1 if respondent is not married	0.51
FSIZE	Family size (including parents, children and other dependent members)	2.00
SEX	Dummy variable, 1 if respondent is female	0.53
RURAL	Dummy variable, 1 if respondent comes from a rural area	0.41
INCOME	Respondent's income in million Greek Drachmas	5.10
HERITAGE	Dummy variable, 1 if respondents regional image is based on elements of heritage, culture and tradition	0.37
LANDSCAPE	Dummy variable, 1 if respondents regional image is based on elements of landscape	0.39
EXPERIENCE	Dummy variable, 1 if respondents regional image is based on personal experience from the area	0.60
UNITPRICE	Unit price of quality wine (Total expenditure divided by quantity) in Greek drachmas	3502.95
EXPEND	Total expenditure for quality wine in Greek drachmas	
JOURNAL	Dummy variable, 1 if respondent receives information on quality wine from newspaper and magazine articles	0.43

INFORMAT	Dummy variable, 1 if respondent receives information on quality wine from friends and other personal communication	0.62

However, our study is only indicative of the trends in the sample and does not aim to form a representative study of consumers to be examined in a formal demand study.

Table 2. Results of the Probit Equation (10)

Variable Name	Model Estimates	
	Coefficient	Asymptotic t-ratio
Constant	0.259	1.099
AGE	-0.012	-2.404
MARITAL	0.231	1.981
SEX	-0.239	-2.441
RURAL	-0.144	-1.436
INCOME	0.097	5.169
Log-L	-476.9	
Log-$L_{(0)}$		-502.8
Chi-squared$_{(5)}$		51.8
% Cases Correctly Predicted		64.1

Table 3. Results of Simultaneous Expenditure and Unit Price Equations (12)

Variable Name	Parameter Estimates	
	Coefficient	Asymptotic t-ratio
<u>Expenditure Equation</u>		
Constant	-13207.365	-2.380
FSIZE	-1172.75	-2.411
RURAL	-4393.244	-4.059
INCOME	284.102	1.180
HERITAGE	3482.132	4.084
LANDSCAPE	-1635.078	-1.963
EXPERIENCE	-2209.564	-2.685
UNITPRICE	6.688	5.150
Lamda	8522.746	1.899
Goodness of fit measure (R^2)		0.282
<u>Unit Price Equation</u>		
Constant	3025.828	6.160
FSIZE	74.429	1.043
SEX	-163.286	-1.037
RURAL	-300.629	-2.084
INCOME	35.240	1.016
JOURNAL	407.763	3.092
INFORMAT	388.173	3.033
Goodness of fit measure (R^2)		0.099

Several researchers have noted that one potential development strategy for marginal rural areas lies in the arena of quality food markets (Ventura and Meulen, 1994; Gilg and Battershill, 1998; Ilbery and Kneafsey, 1998). Furthermore, one possible strategy within the broader market of quality foods would be to promote specialty food products, which have a distinct local and/or regional identity. In this way, the promotion of regional food can be achieved through the commodification of local culture and the promotion of regional images. In this study we found that linking products to 'cultural markers' or local images such as landscapes, cultural traditions and heritage, enhances the product's value because consumers come to identify certain regions with certain products. It has been suggested that in fixing local food products to territory, presents the potential for the locality to retain more of the economic benefit, whilst at the same time retaining some control over the type of economic activity that occurs (Ray, 1998).

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