

# **Sustainable Organic Market Development with International Trade (SOMDwIT)**

## **Literature review**

**Deliverable 2.1. (Review of the relevant literature on consumer perceptions, attitudes and behaviour at the studied and similar markets)**

**&**

**Deliverable 3.1. (Review of the relevant literature on COO effects and contingencies of such effects)**

John Thøgersen\*, Maria Paternoga, Eva Schwendel & Susanne Pedersen

MAPP Centre, Department of Management, Aarhus BSS, Aarhus University,  
Bartholins Allé 10, 8000 Aarhus C, Denmark

\*Corresponding author: John Thøgersen, [jbt@mgmt.au.dk](mailto:jbt@mgmt.au.dk)

**June 30, 2016**

The SOMDwIT project is part of the Organic RDD 2.2 programme, which is coordinated by ICROFS (International Centre for Research in Organic Food Systems). The project is funded by the Green Development and Demonstration Programme under the Danish Ministry for the Environment and Food.

The project runs from 1-1-2016 to 31-12-2017.

Project homepage: [www.icrofs.dk/forskning/dansk-forskning/organic-rdd-22/somdwit/](http://www.icrofs.dk/forskning/dansk-forskning/organic-rdd-22/somdwit/)

## 1. Introduction

The purpose of SOMDwIT WP2 is to explore the influence of “made-in-Denmark” relatively to competing countries of origin on how organic food products are evaluated across quality dimensions that consumers perceive as important (both organic food in general and specific product categories) at important and emerging markets (Germany and France, China and Thailand). The primary research in the project is based on a thorough review of the state-of-the-art regarding organic food consumption and country of origin effects.

Over the last decade, the organic food sector has been one of the fastest growing segments in the global food market (Sahota, 2015). In 2014, global retail sales of organic food and drink amounted to 80 billion US dollars, which is a five-fold increase in turnover since 1999 (Sahota, 2015). The continuous growth of this market is not only reflected in the number of operators and the relative share of agricultural land, but also in the demand for organic food. In many countries, the demand for organic food is growing substantially faster than domestic production and supply. This supply deficit has led to high import shares of many organic food products (Willer & Schaack, 2016). Consequently, domestic consumers are presented with a wide variety of organic products from foreign country-of-origins (COOs), which are all competing for market share in this highly dynamic market.

The relevance of this growth market is also reflected in the increasing body of international research on organic food (Pearson, Henryks, & Jones, 2010). The crucial role of the consumer for this development has given rise to a variety of literature exploring the complexity and diversity of consumer decision-making in regard to organic food (Hughner, McDonagh, Prothero, Shultz, & Stanton, 2007). Another stream of research investigates the role of COO in shaping consumers’ perceptions, preferences and purchase behaviour. As one of the oldest and most widely researched topics in global marketing and consumer behaviour literature, COO research has shed light on a number of contingencies and moderating variables of COO effects (Pharr, 2005; Verlegh & Steenkamp, 1999). Although there are many studies about consumer preferences for organic food and the effects of COO labelling (COOL), publications exploring COOL in the context of organic food are scarce. More specifically, there is a lack of research on how consumers of organic food evaluate imported organic food products. In addition, there are currently no research published on the effect of geographical distance between COO and domestic market on consumers’ evaluation of imported organic foods. This report presents a review of the literatures on consumers’ decision making regarding organic food products and country-of-origin effects with a special focus on literature on country-of-origin effects for organic food products.

## 2. Research on consumers' decision making regarding organic food products<sup>1</sup>

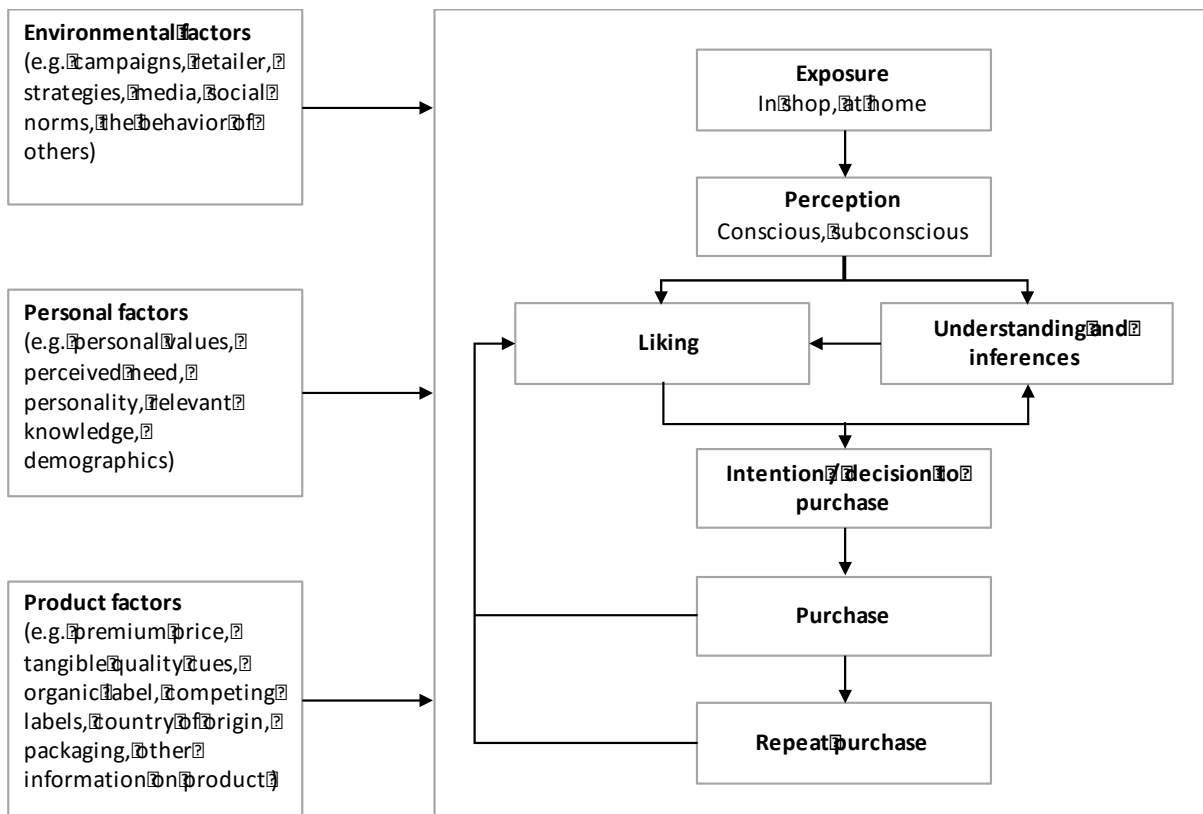
Research on consumer behaviour distinguishes between **high-effort** and **low-effort** decision-making processes (Thøgersen, Haugaard, & Olesen, 2010). Consumers following a high-effort path are assumed to be highly involved in the decision and spend a significant amount of time to elaborate on what is usually highly differentiated product alternatives (Hoyer, MacInnis, & Pieters, 2013). Following such a high-effort path to a decision involves elaborate comprehension processes and inferences. Subsequently, consumers proceed to develop an attitude towards buying a specific product, and a favourable attitude (“liking”) is transformed into actual purchase. If consumer expectations are met, the purchase is repeated in the future (Thøgersen et al., 2010). In comparison, consumers following a low-effort path often rely on tangible and often superficial cues to make the decision (Hoyer et al., 2013). After exposure to the product alternative, they may move directly to the product purchase without further information acquisition or attitude formation. If an attitude is involved, it is primarily based on experience from past purchases. If they are satisfied with the purchase, they are likely to repeat it in the future (Thøgersen et al., 2010). The level of elaboration or effort in the decision-making depends on the consumer's motivation, ability and opportunity to process. If consumers have low motivation to engage in decision-making or lack the ability or opportunity to process incoming information, they will most likely rely on available cues in the situation to arrive at a quick and effortless decision (Hoyer et al., 2013).

In the case of organic food, it is usually assumed that consumers are relatively **highly involved** in the purchase decision (Zanoli & Naspetti, 2002). For example, Thøgersen, Haugaard & Olesen (2010) explored consumer responses to ecolabels by means of a mall-intercept survey. They concluded that consumers' decisions to adopt a new ecolabel depended strongly on their motivation and ability. Consumers with high motivation were also highly involved in the purchase of eco-labelled products, which was supported by a higher amount of relevant knowledge acquired to make an informed decision (Thøgersen et al., 2010). Figure 1 presents a decision-making model for organic food, which assumes that organic consumers are relatively highly involved in their purchase decisions, due to high intrinsic motivation. In this framework, consumers are presented as information processors who actively search for products that satisfy their needs (Schiffman, Kanuk, & Hansen, 2008).

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<sup>1</sup> Since a number of thorough reviews of research on consumers' decision making regarding organic food products have been published recently (Aschemann-Witzel & Zielke, 2015; Hemmerling, Hamm, & Spiller, 2015; Rödiger & Hamm, 2015), this review is selective and focused.

**Figure 1:** Decision-making model for organic food (adapted from Grunert & Wills, 2007; Hoyer et al., 2013; Thøgersen & Zhou, 2012)



To fully understand why consumers buy organic food, the basic motivational influence factors need to be investigated. One of the most frequently applied theoretical frameworks to examine the motivation behind the purchase and consumption of organic food is Ajzen’s (1991) Theory of Planned Behavior (TPB). According to the TPB, consumers form attitudes towards a behaviour based on their **perceptions or beliefs** regarding the outcomes of that behaviour. Specifically, they integrate their evaluation of salient aspects of the product and beliefs about the outcome of purchasing it. Attitude formation is assumed to be a highly individual process, which is driven by how individuals select, organize and interpret incoming stimuli in a given situation (Schiffman et al., 2008). Once an attitude is formed, the TPB proposes that attitude together with perceived social pressure and perceived control co-determine consumer intentions, which is the immediate predictor of consumer behaviour or actual purchase (Thøgersen, 2009). In addition, several studies applying the TPB have found a direct effect of perceived control on behaviour after controlling for buying intentions (Aertsens, Verbeke, Mondelaers, & Van Huylenbroeck, 2009; Thøgersen, 2009). This happens when behaviour is correctly perceived as difficult to perform, which means that perceived control becomes a proxy for actual control (Ajzen & Driver, 1991). When consumers engage repeatedly in the same behaviour and gain experience with it, their past behaviour or experience becomes an additional predictor of consumer attitudes, intentions

and behaviour (Thøgersen, 2009). Finally, the entire decision-making process is influenced by a variety of situational, personal and product-related factors, which may exert their impact during different phases of the process (Thøgersen & Zhou, 2012). The most relevant factors found to influence consumer decisions regarding organic food are briefly outlined in the subsequent sections.

## 2.1 Perceptions and inferences about organic food

The Total Food Quality Model proposed by Grunert, Baadsgaard, Larsen, and Madsen (1996) makes several assumptions about consumers' quality perception of food products. It "*views quality as an abstract construct, inferred from informational cues and own experience, which is instrumental for the attainment of purchase motives*" (Brunso, Fjord, & Grunert, 2002, pp. 11-12). Moreover, it distinguishes between expected and experienced quality. Consumers tend to perceive both expected and experienced quality along four major dimensions: *taste and appearance, health, convenience, and process characteristics*. For many consumers, the sensorial experience, reflected in taste, appearance and smell, presents a central dimension in the perception of food quality. Yet, several studies show that other quality dimensions have gained significant importance. In particular, health and the production process have become highly relevant in the eye of the consumer, although both present credence characteristics that cannot easily be verified (Brunso et al., 2002). Therefore, many researchers have started to explore what exactly consumers associate with the quality dimension 'organic' and how this influences their purchase behaviour.

### ***Understanding the term 'organic'***

In order to understand how consumers perceive organic food, research has investigated what consumers associate with the term 'organic'. Research shows that individuals interpret this term in a multitude of ways depending on the context. Many consumers, especially in Europe and North America, have heard of organic food and are aware of its central characteristics, but many are rather unfamiliar with the standards and procedures underlying organic practices. Thus, the purchase of organic food is often based on subjective perceptions and experiences (Harper & Makatouni, 2002; Hughner et al., 2007). The confusion surrounding the term organic is partly grounded in the nature of this quality dimension. 'Organic' is a process-related product attribute, which is a credence characteristic that is difficult for the consumer to verify before, during and after the purchase. Hence, consumers rely on cues such as the organic certification label to make inferences about the quality of organic food products (Loebnitz & Aschemann-Witzel, 2016). Consumers make a variety of inferences from the organic label, also regarding attributes, which have no established relationship to the experienced product quality, including health, nutrition, and sensory properties of the product (Marian & Thøgersen, 2013; Schleenbecker & Hamm, 2013). Yet, these inferences can play a significant role on the

choice of an organic food product that may even override sensorial experiences (Costell, Tarréga, & Bayarri, 2010; Scholderer, Nielsen, Bredahl, Claud-Magnussen, & Lindahl, 2004).

### *Quality perceptions*

Many studies show that most consumers associate organic food with environmental protection, animal welfare and other social aspects such as local farming and fair trade (Aertsens, Mondelaers, Verbeke, Buysse, & Van Huylenbroeck, 2011; Harper & Makatouni, 2002; Padel & Foster, 2005). Many studies also find that most consumers infer health benefits from the consumption of organic food (Aertsens et al., 2011; Padel & Foster, 2005; Shepherd, Magnusson, & Sjöden, 2005; Thøgersen & Zhou, 2012), probably due to the restrictions on the use of pesticides and chemicals in organic farming. In addition, organic consumers often believe that organic food tastes better than conventional food products (Marian & Thøgersen, 2013; Padel & Foster, 2005; Thøgersen & Zhou, 2012). Moreover, organic food is often believed to be safer, more natural and fresh (Hemmerling et al., 2015; Padel & Foster, 2005). In contrast, the most important barriers to buying organic food are the premium price, lack of availability, inferior visual product quality and presentation, and mistrust in organic claims (Hughner et al., 2007; Padel & Foster, 2005; Thøgersen & Zhou, 2012). These perceptions of organic food are not universal, but very similar in most developed and also in many developing countries (Thøgersen, Barcellos, Perinc, & Zhou, 2015). In order to understand how consumers arrive at these perceptions, the following section briefly outlines relevant underlying cognitive processes.

### *Taste*

Several studies have found that, also in the context of organic food, taste is an important quality dimension. Many consumers associate better taste with organic foods and hence, higher sensory quality, “[...] *even in cases when it has no immediate bearing on the taste of the product*” (Marian & Thøgersen, 2013). Hence, it seems that the organic certification label is sometimes used as an extrinsic cue to infer superior taste qualities (Marian & Thøgersen, 2013). For example, a study found that Danish consumers expected significantly higher eating quality for organic than for conventional pork, but that they barely could taste the difference between the two, in practice (Scholderer et al., 2004). In cases such as this, consumers’ quality expectations can be so strong that they override any differences in experienced quality. Scholderer et al. (2004) explained this ‘halo’ effect with reference to assimilation theory. “*The assimilation theory predicts that regardless of whether positive or negative disconfirmation occurs, any discrepancy between expected and actual liking of a product is assimilated by the consumer and the actual liking moves in the direction of expected liking*” (Costell et al., 2010, p. 47). In the case of organic pork, consumers detected a lower objective eating quality, but assimilated their actual sensory experience, aligning it with their previously formed quality expectations. Thus, it seems

that if the difference between expected and experienced eating quality is not too big, consumers assimilate their evaluation of the taste of organic food towards their high quality expectations. When the organic label is used as cue to infer sensory qualities, it is no longer a credence characteristic, but has evolved partly into an experience characteristic (Scholderer et al., 2004).

### ***Environmental friendliness***

A substantial amount of research has been published on beliefs about organic foods' environmental friendliness. This stream of research suggests that “*consumers buy organic products at least partly for ethical reasons*” (Thøgersen, 2011, p. 1054). Plenty of research concludes that the most important reasons for consumers to buy organic food are private benefits, such as health, better taste and superior quality. Yet, there is no definite evidence that organic foods are in general healthier than their conventional counterparts (Pearson, Henryks, & Jones, 2011). As for taste and superior quality, the results are equally ambiguous as consumer perceptions of quality are highly subjective and vary according to their expectations (Lee, Shimizu, Kniffin, & Wansink, 2013; Marian & Thøgersen, 2013). Therefore, Thøgersen (2011) suggests that consumers adjust their beliefs about private benefits from buying organic food in a positive direction after they have purchased an organic product. He explains this behaviour in terms of Festinger's (1957) cognitive dissonance theory, arguing that the purchase of organic food produce an uneasiness or unpleasant state of arousal, because of the price premium paid for a worthy cause, such as protecting the environment, without knowing for sure whether they actually made any difference through their contribution. In order to reduce this unpleasant state of arousal, consumers may post-rationalize their behaviour by convincing themselves that the purchase of organic food has indeed private benefits for them (Thøgersen, 2011).

### **2.2 Attitude and behaviour towards organic food**

Favourable attitudes towards organic food are strongly linked to consumers' favourable beliefs about the benefits that organic food provides (Hughner et al., 2007; Pearson et al., 2011; Thøgersen, 2009). For example, a study investigating consumer attitudes and behaviour with regard to fresh and processed organic food across eight European countries based on Ajzen's (1991) TPB found that consumers' attitude towards buying organic food are strongly linked to beliefs about organic food being healthier, tastier and environmentally friendlier (Thøgersen, 2009). Many studies find that behavioural intentions are a strong predictor of buying behaviour with regard to organic food (Tarkiainen & Sundqvist, 2005). However, it is also common to find a gap between attitudes and even intentions and behaviour (Aschemann-Witzel & Niebuhr Aagaard, 2014; Pearson et al., 2011). Thøgersen (2009) found that the intention-behaviour relationship with regard to organic food is stronger in European countries with a more compared to countries with a less mature organic market. He attributes this



finding to the fact that it is easier to transform buying intentions into behaviour in a more mature organic market.

### ***Personal values***

Consumers' value priorities influence their decision-making regarding organic food in a number of ways (see Figure 3). Studies have found that consumers' attitudes towards buying organic food are related to their value priorities also after controlling for salient beliefs (Thøgersen, 2009) and that their value priorities also moderate the relationship between consumer attitudes and intentions regarding buying organic food (Zhou, Thøgersen, Ruan, & Huang, 2013). These studies found that most values for buying organic food are what Schwartz (1994) calls 'universalism values' and a range of studies have found that buying sustainable food alternatives, as well as other environment-friendly behaviours, are positively related to these values (Karp, 1996; Stern & Dietz, 1994; Thøgersen, 2011; Thøgersen, Zhou, & Huang, 2015; Thøgersen & Ölander, 2002). Universalism is defined as "*understanding, appreciation, tolerance, and protection for the welfare of all people and for nature*" (Schwartz, 1994, p. 22). Therefore, it is inferred that consumers' motivation to buy organic food at least partly is rooted in concern for the environment and believing that buying organic food is the morally right thing to do (Thøgersen, 2011).

### ***Knowledge***

Another personal factor influencing consumer attitudes and behaviour regarding organic food are consumer knowledge (Thøgersen et al., 2010). Research shows that knowledge about organic food is positively related to attitudes and purchase behaviour. For example, Aertsens et al. (2011) found that "*higher levels of objective and subjective knowledge concerning organic food are positively related to a more positive attitude towards organic food, greater experience of it and a more frequent use of information*" (Aertsens et al., 2011, p. 1353). Yet, objective and subjective knowledge influence different stages in consumers' decision-making process for organic food in substantially different ways. Objective knowledge mostly influences behaviour indirectly through attitudes and motivation. In turn, consumers with a more positive attitude may be inclined to gather further issue-specific knowledge, which again will have a reinforcing effect on attitude. In contrast, subjective knowledge does not only lead to more positive attitudes concerning organic food, but also influences the strength of the attitude and thereby the translation of consumers' attitudes into intention to buy and actual behaviour (Aertsens et al., 2011). Other suggested reasons are weaker attitudes and less trust in organic labels and less developed organic markets (Nuttavuthisit & Thøgersen, 2015; Zhou et al., 2013).

### ***Social norms and control***

According to the TPB, behavioural intentions are not completely determined by the attitude towards the behaviour, but also influenced by subjective norms (i.e. social pressure) and perceived control. For example, it is common to find an effect of subjective norms on consumers' intention to buy organic products after controlling for variations in attitudes (Thøgersen, 2009). Perceived control has been found to be a relatively stronger predictor of consumers' buying intentions and behaviour in countries with a less developed organic market (Thøgersen, 2009; Thøgersen & Zhou, 2012). A direct effect of perceived behavioural control on buying behaviour usually occurs when behaviour is difficult to perform and perceived control reasonably reflects actual control (Ajzen & Driver, 1991). Important behavioural difficulties with regard to organic food in many countries include a lack of availability, high price premiums and lack of credible labelling and certification systems (Nuttavuthisit & Thøgersen, 2015). The most frequently mentioned reasons for the gap between attitudes and behaviour are the premium price, lack of availability and access, and scepticism towards organic food labels (Hughner et al., 2007).

### ***Trust***

Many studies find that “*consumers tend to be sceptical towards green product claims including organic food*” (Nuttavuthisit & Thøgersen, 2015, p. 2). Mistrust in organic labels is fuelled by scandals and inconsistent standards and assessment practices, and may undermine consumer motivation to buy organic food. Hence, consumer trust is a prerequisite for the establishment and growth of organic markets. Nuttavuthisit & Thøgersen (2015) studied the effects of consumer trust on buying organic food in Thailand. They found that mistrust affected Thai consumers' buying behaviour with regard to organic food both directly and indirectly. On the one hand, mistrust makes consumers discount expected benefits from buying organic food, which leads to less favourable attitudes and intentions. On the other hand, mistrust affects purchase behaviour directly after controlling for buying intentions, creating an additional impediment to buy organic food products. Mistrust might not only be directed towards the certification system, but also towards retailers selling organic products under their own retail brand (Nuttavuthisit & Thøgersen, 2015).

In sum, this literature review illustrates that consumer decision-making regarding organic food is complex and not fully understood yet. There are many factors influencing consumers' decision to and actual buying of organic food, often investigated in separated streams of literature. The following section reviews the influence of another heavily researched quality cue (i.e., a specific product factor, cf. Figure 3), namely the country-of-origin.

### 3. Country-of-origin effects

#### 3.1 Relevance and basic constructs

The role of COO in shaping consumers' perceptions, preferences and buying behaviour is one of the oldest and most widely researched topics in the global marketing and consumer behaviour literature (Dekhili & Achabou, 2014; R. A. Peterson & Jolibert, 1995). Usunier (2006) estimated that well over 1,000 studies on COO have been published. The key conclusion of this substantial body of work is that “*a product's country of origin can influence consumers' evaluative judgements of the product*” (Pharr, 2005, p. 34). Inch and Florek (2009) suggest three main reasons to account for COO information on product labels and packaging. First, COO may serve as quality indicator of a product. Second, place references may appeal to consumers, who developed a preference for products from a particular origin based on various psychological concepts like consumer ethnocentrism, self-image and status. Third, a country's positive image may be used to emphasize positive links between the product and its origin. In particular, research has found a higher willingness to buy a product from a specific country if there is a congruence between the product category and the country image (Roth & Romeo, 1992). In addition, the country image associated with a COO has been suggested to provide a source of sustainable competitive advantage through providing a differentiated product offering at export markets (Baker & Ballington, 2002).

Strategies to communicate a company's or a product's COO to customers range from unregulated COO strategies like the use of flags, symbols, typical landscapes or buildings on packaging and in advertisement, to legally regulated strategies like the communication of a 'Made in ...' statement or geographically based quality labels like the European Union's Protected Designation of Origin (PDO) indication (Aichner, 2014). These legally regulated strategies are particularly relevant for food products, since there are mandatory origin-labelling requirements within the EU for selected grocery items such as fruit and vegetables, eggs, and beef (European Commission, 2015). A more recent regulation made the provision of COO information for pork and other types of meat compulsory as of April 2015 (USDA Foreign Agricultural Service, 2014, p. 2). Mandatory COO labels for milk and milk used as ingredient in dairy products have been rejected by the European Commission in 2015 (Dairy Reporter, 2015). For products carrying the European organic label, the origin of the raw materials must be indicated by stating either 'EU Agriculture', 'non-EU Agriculture' or 'EU/non-EU Agriculture'. The former two indications may be replaced or supplemented by a country in case all agricultural raw materials of which the product is composed have been farmed in that country (Regulation (EC) No. 834/2007).

At individual product level, COO has traditionally been defined as “*information pertaining to where a product is made*” (Zhang, 1996, p. 51), as conveyed by the 'Made in ...' or 'Manufactured in ...' labels (Amine, Chao, & Arnold, 2005). However, the emerging of hybrid products has diluted the accuracy and validity of such labels, making it increasingly complex for consumers to comprehend a product's COO. In response to such

developments, a number of recent studies have decomposed the COO construct into e.g. Country-of-Design (COD), Country-of-Assembly (COA), Country-of-Party (COP), Country-of-Brand (COD) in addition to Country-of-Manufacture (COM) (Aichner, 2014; Pharr, 2005). As this decomposition seems to be to a lesser extent relevant to food products, the following definition of COO is applied: COO is “*the country which a consumer associates a certain product or brand as being its source, regardless of where the product is actually produced*” Jaffe and Nebenzahl (2006, p. 29). Furthermore, the COO effect is defined “*as any influence or bias on product evaluation, risk perception, buying intention, etc. resulting from COO information*” (Herz & Diamantopoulos, 2013, p. 400).

In the subsequent sections, research on the cognitive processes underlying the usage of the COO cue in product evaluation is reviewed and then a comprehensive model for COO effects is presented.

### 3.2 Cognitive processes underlying country-of-origin effects

#### ***Cue Utilization Theory***

Traditionally, COO research has mainly studied COO effects from an information processing perspective; that is, the cognitive processes in which consumers use the COO cue to make inferences about quality and other attributes of a product or brand (Chattalas, Kramer, & Takada, 2008; Verlegh & Steenkamp, 1999). More specifically, COO is regarded an extrinsic cue to quality, like e.g. the price, brand and store reputation. Extrinsic cues are not directly detectable in the physical product as opposed to intrinsic cues like e.g. look, smell and taste, which are detectable in the physical product itself (Rao & Monroe, 1989). According to cue utilization theory, consumers rely more heavily on extrinsic cues when intrinsic cues are difficult to judge or assess, or consumer expertise is low (Maheswaran, 1994; Zeithaml, Berry, & Parasuraman, 1988). This is especially the case for low-involvement products, where the costs of searching and evaluating intrinsic cues to aid product evaluation and purchase decisions may exceed the benefits (Zeithaml et al., 1988). Hence, for such low-involvement purchases, consumers’ motivation to engage in analytical information processing is usually low. Instead, they try to form judgements with minimum effort and may make use of the COO cue as cognitive shortcut for doing so (Gürhan-Canli & Maheswaran, 2000b; Petty & Cacioppo, 1986). Consistent with this low-effort hypothesis, research involving multi-cue studies has found that if COO is presented in combination with other extrinsic quality cues, the importance of COO in product evaluation is reduced (Agrawal & Kamakura, 1999; Johansson, Douglas, & Nonaka, 1985). In particular, Inch and Florek (2009, p. 454) argue that “*for frequently purchased necessity goods, like groceries, the influence of COO is expected to be weak as consumers pay less attention to this cue than others such as brand and price*“. Yet, they also note that recent product safety problems have increased the importance consumers attribute to label information at the point of purchase (Inch & Florek, 2009; see also Knight, Holdsworth, & Mather, 2007).

Maheswaran (1994) suggests that COO affects the evaluative judgements of a product through a stereotyping process, which consumers employ to predict the likelihood that a product from a particular origin has certain features. Ahmed et al. (2004) propose three ways how this stereotyping processing affects product evaluation. First, if consumers have prior perceptions of the general quality of products from a particular COO, the COO cue can be employed as signal to infer evaluations of other cues and thus, the overall product. Second, as mentioned before, COO can be used as independent cue in combination with other cues. Third, COO can function as heuristic to simplify the production evaluation process if consumers disregard other available cues.

### ***The Halo effect and the summary construct***

A broad stream of research suggests that COO may affect product evaluation and subsequent intentions and behaviours not only directly, but also indirectly through beliefs (Erickson, Johansson, & Chao, 1984; Han, 1989; Hong & Wyer, 1989). Thus, two distinct effects or functions derived from COO information can be identified. First, if consumers are not familiar with a product, the country image associated with a COO can act as ‘halo’ from which consumers infer product attributes. That is, the country image triggers positive or negative feelings and this so-called ‘halo effect’ indirectly affects overall product evaluation through beliefs. Alternatively, as consumers become familiar with a country’s products, the ‘summary construct’ sets in and directly affects product evaluation. In this case, country image may become a construct that summarizes consumers' beliefs about product attributes (Han, 1989; Hong & Wyer, 1989).

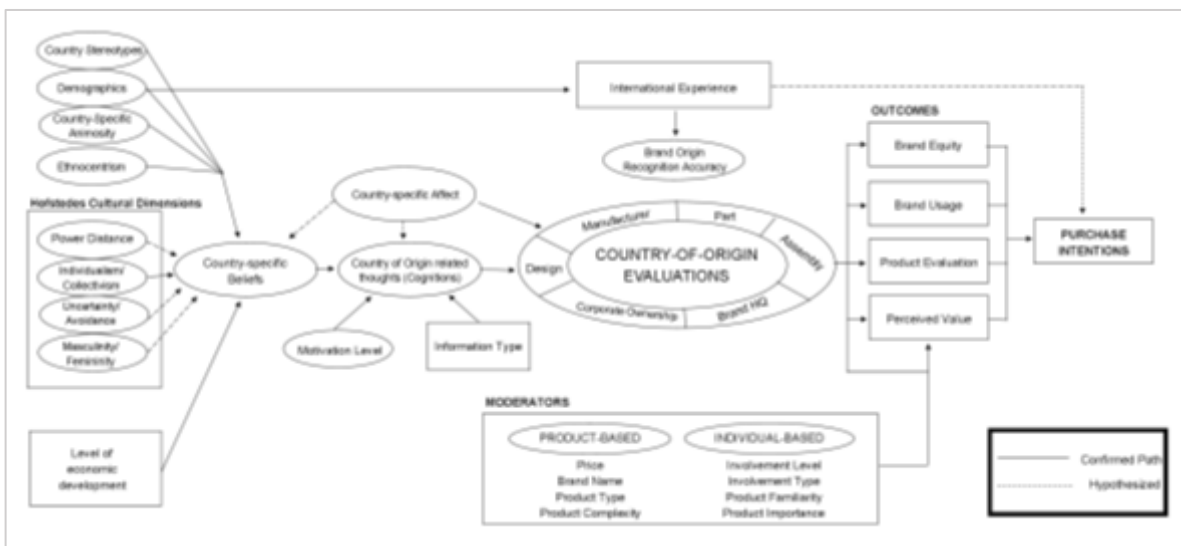
### **3.3 A comprehensive model of country-of-origin influence**

COO research has shed light on a number of conceptual foundations and moderating variables of COO effects. Pharr (2005) synthesized these empirical findings into a comprehensive model of COO influence (see Figure 2). Pharr’s classification of antecedents, moderators and COO effects is taken as point of departure to explain the key variables and present recent empirical findings.

The model depicts COO evaluations as subject to a number of antecedents that can be classified into ‘endogenous’ and ‘exogenous’ sources to explain where COO evaluations originate. As Pharr (2005, p. 35) notes, “*studies of endogenous sources emphasize measureable traits within consumers such as values or psychographic dimensions to explain variance in COO evaluations*”. These culturally-derived factors impact COO evaluations indirectly through their effects on country-specific beliefs. In contrast, studies of exogenous factors, are concerned with the structural dimensions of a particular country. Moreover, the model accounts for evidence that COO evaluations may not only emerge from country-specific beliefs or cognitions, but also from country-specific affect (Gürhan-Canli & Maheswaran, 2000b); that is, emotions and feelings towards a country. Furthermore, COO influence is suggested to be moderated by a number of product-related and

individual consumer factors. Summarizing evidence on outcomes of COO evaluations, Pharr (2005, p. 39) concludes that “*COO evaluations have little or no direct influence on purchase intentions*”. Rather, a number of holistic brand constructs, such as brand image or brand equity, were found to mediate COO effects on product evaluations and ultimately purchase intentions.

**Figure 2:** A comprehensive model of country-of-origin influence: Antecedents, moderators, and outcomes (Pharr, 2005)



### *Antecedents of country-of-origin effects*

One endogenous COO antecedent mentioned in the literature is country-specific **animosity**, defined as “*anger related to previous or ongoing political, economic, or diplomatic events*” (Xie, Gao, Swisher, & Zhao, 2015, p. 182). Employing structural equation modelling, Klein, Ettenson, and Morris (1998) demonstrate a significant, direct effect of country-specific animosity on consumers’ willingness to buy foreign products.

One of the most researched antecedents is consumers’ **ethnocentrism** (Chattalas et al., 2008). Shimp and Sharma (1987, p. 280), define consumer ethnocentrism as “*the beliefs held by [...] consumers about the appropriateness, indeed morality, of purchasing foreign-made products*”. Highly ethnocentric consumers systematically prefer domestic over imported products as the purchase of the latter may be perceived as unpatriotic or socially undesirable, e.g. due to adverse effects on domestic economy (Ahmed et al., 2004; Shimp & Sharma, 1987). Thus, if ethnocentrism is high, the attention to the COO cue and subsequently the effect of COO on product evaluations is increased (Balabanis & Diamantopoulos, 2004; Chattalas et al., 2008).



Closely linked to the preference for domestic products, cross-countries studies have demonstrated the antecedent role of **cultural orientation** of a country in explaining variances in COO effects (Heslop & Papadopoulos, 1993; Narayana, 1981). Testing American versus Japanese consumers, Gürhan-Canli and Maheswaran (2000a) found that collectivist cultures demonstrate a tendency to consistently favour a domestic over a foreign product, regardless of its superiority. In contrast, respondents from a more individualistic culture, such as the United States, evaluated an American product only more favourable, if it was indeed superior to competition.

Similar patterns emerge from a country's **level of economic development** as exogenous antecedent. Numerous studies showed that consumers living in developed countries clearly favour domestic over foreign products. The opposite is sometimes found in developing countries (Agbonifoh & Elimimian, 1999; Mohamad, Ahmed, Honeycutt Jr, & Tyebkhan, 2000; Upadhyay & Singh, 2006). For example, Okechuku (1994) found that consumers in the United States, Canada, Germany and the Netherlands evaluated domestically manufactured electronic products most favourably, followed by products made in other developed countries and lastly products from less developed countries. Also, contrary to some earlier findings, Hsieh (2004, p. 276) concludes that *“in less developed countries consumers preference for automobiles that originate from developed countries does not always override their ethnocentric tendencies”*.

In addition to the mentioned antecedents underlying a preference for domestic products, Hsieh (2004) investigated the role of **geographical closeness** in COO evaluation of automobiles. He demonstrated that consumers are not only more likely to accept domestic products, but also products that originate from the same geographic trading bloc. In general, consumers from European countries showed a relatively stronger acceptance of European origin. North American respondents tended to favour US cars and Asians showed – with the exception of South Korea and Thailand – a preference for Japanese origin. In particular, Germans preferred Germany, Italy and France as COO over the United States and Japan. Similarly, Rosenbloom and Haefner (2009) found that COO co-varies with the notion of brand trust, with both variables being dependent on the geographical region. Both COO and brand trust were found to exist on a micro and meso (regional) level. In other words, when respondents were asked to choose the one country where their most trusted brands came from, they chose brands they perceived to have an origin close to where they lived (micro level), or in the region where they lived (meso). The authors regarded the broader regions of ‘United States’, ‘Eastern Europe’ and ‘South Asia’ as meso level. With regard to the food sector, most studies confirm that consumers generally prefer domestic products (Krystallis & Chryssochoidis, 2009; Loureiro & Umberger, 2003; H. H. Peterson, Bernard, Fox, & Peterson, 2013), although results are not always explicitly linked to consumer ethnocentrism or to the more recent term ‘domestic country bias’ (Balabanis & Diamantopoulos, 2004).

It is increasingly acknowledged that COO is not merely a cognitive cue, but *“also encompasses symbolic and emotional components”* (Pharr, 2005, p. 36). In this context, **country stereotypes** have received considerable

attention. Herz and Diamantopoulos (2013, p. 402) define them as “*stored beliefs about characteristics of a specific country which are socially shared*”. These stereotypical beliefs are formed through direct experience with relevant national groups (holidays, encounters with foreigners) or indirectly via art, education or media exposure (Verlegh & Steenkamp, 1999). Usunier (2007, p. 38) notes that “*country familiarity related to visits in foreign countries does not always lead to more favorable attitudes toward countries and their products*”. However, unfamiliar countries are generally expected to be associated with neutral or lower attributions (Chattalas et al., 2008). Country stereotypes are thought to evoke an associative network of cognitive, normative and affective connotations (Chattalas et al., 2008; Obermiller & Spangenberg, 1989). As cognitive process, stereotyping works as heuristic to make inferences about product quality. As a normative process, consumers may link socially desirable behavioural norms to COO cues, such as the earlier mentioned feeling that it is immoral to purchase non-domestic products. Finally, as an affective process, the COO cue “*links the product to positive and/or negative emotional associations with particular nations*” (Chattalas et al., 2008, p. 58). In her model, Pharr (2005) describes such an emotional association as country-specific affect, which can have a direct influence on COO evaluations. Chattalas et al. (2008) developed a conceptual framework for the impact of *national stereotypes* on COO effects that suggests a similar distinction. Based on the stereotype content model (Fiske, Cuddy, Glick, & Xu, 2002; Fiske, Xu, Cuddy, & Glick, 1999), they decomposed national stereotypes into two continuous dimensions of perceived competence and perceived warmth. Although these dimensions are regarded as independent, the authors suggest that national stereotypes are often a mixture of both with one dimension being dominant (e.g. a stereotype that combines higher warmth with lower competence). It has been suggested that “*perceived warmth may represent the more affective dimensions of consumers attitudes towards a nation’s people and its products, whereas perceived competence may represent the more cognitive component*” (Chattalas et al., 2008, p. 59). The authors suggest that both dimensions have effects on product evaluations: Positive national stereotypes – being composed of both warmth and competence - will lead to positive evaluations of the products associated with a country, while negative stereotypes will have the opposite effect.

Another construct related to country stereotypes are the stereotypical associations consumers make between countries and generic products, so-called ‘product-country matches’ (Roth & Romeo, 1992). Usunier (2007) employs the term ‘**product ethnicity**’ to describe the degree of such a product-country or country-product match. He emphasizes that “*though closely related, product ethnicity is not the COO image of products*” (Usunier, 2007, p. 36) in that such matches contain no evaluative dimension, but are merely associations. Product ethnicity reflects two complementary forms of categorization – the products that are perceived typical for a country and the countries that are associated as origin of a certain product. Products can be associated with one particular COO (e.g., Russia as origin of Vodka), with several origins (German, Japanese and French cars) or with no specific country. Associations may emerge from consumers’ perception of a country’s traditional manufacturing know-how, its location, its climate or its natural resources and varies between



consumers from different countries. The authors confirmed the predictive validity of the product ethnicity construct by showing that consumers are more likely to buy products that exhibit a congruence between product ethnicity and COO (Usunier, 2007). Of special interest are the matches between particular focus products and countries: Based on survey data collected in Canada, France, Germany, Great Britain, and Tunisia, cheese was strongly associated with France (and vice versa) and to somewhat lesser degrees with the Netherlands and Switzerland (and vice versa). Yogurt was found to have a relatively low global product ethnicity with product-country/country-product ethnicity scores dispersed over several countries (Usunier, 2007). However, these results have to be interpreted with caution as the study does not report findings for the sample countries separately.

With regard to cognitive antecedents, Gürhan-Canli and Maheswaran (2000b) demonstrate the effect of **motivation level, information processing goals** and **product information** on COO evaluations through their impact on COO-related thoughts. In particular, they emphasize “*the central role of motivational intensity and direction in moderating the effect of information type on country-of-origin evaluations*” (Gürhan-Canli & Maheswaran, 2000b, p. 96). When participants were instructed to evaluate a product’s COO under low motivation conditions, individuals focused on COO information. However, if their processing goals directed attention away from COO cues or under high motivation, subjects were less likely to base product judgments on COO information.

### ***Moderators of country-of-origin effects***

Within the broad body of COO research, a considerable amount of studies has tested potential moderators that may attenuate the effect of COO on product evaluation and purchase intention, some of which have been mentioned already. Some studies found the relative impact of the COO cue on overall product evaluation or purchase intention to be reduced when assessed alongside other quality cues like **price** and **brand name** (Agrawal & Kamakura, 1999; Ahmed et al., 2004). To give an example, various studies showed that a highly regarded brand name can alleviate negative COO effects due to a poor country image (Cordell, 1993; Erickson et al., 1984). In an empirical study involving Canadian participants, Hui and Zhou (2002) found purchase intentions to be directly influenced by price and brand name, but not by COO. Instead, COO influenced purchase intention indirectly through product evaluation and perceived product value. However, contrary to earlier mentioned findings, the authors found that the effects of brand name and COO on overall product evaluation were similarly strong. The latter findings are supported by Teas and Agarwal (2000), who found that price, brand name, store name and COO each significantly influenced perceived product quality, which in turn affected perceived value. In an attempt to integrate the inconclusive findings on the importance of COO, Pharr (2005, p. 37) argues that “*inconsistent cue pairs between price, brand, and COO have led to past*

*equivocal results when examining multiple cue influences and that, when consistent multiple cues are present, their influence is interactive rather than singular“.*

Most scholars seem to agree that COO effects vary considerably depending on the **product type** under consideration (Kaynak & Cavusgil, 1983; Piron, 2000; Roth & Romeo, 1992). In addition, Lin and Kao (2004) suggest, based on a review of previous research, that the effect of COO on brand equity is moderated by **product complexity**, as well as some individual-consumer variables, such as **product familiarity** and **product importance**. In addition, Ahmed and d’Astous (2008) found that the level of product-country familiarity explains variance in COO evaluations. However, existing research is inconclusive regarding the directionality of the relationship (Usunier, 2007). On the one hand, several authors support the view that product familiarity and consumer knowledge reduces the usage of COO cues (Eroglu & Machleit, 1989; Swinder & Rao, 1997). This implies that expert consumers use other product attributes for their product evaluation, while consumers that are unfamiliar with the product category are more likely to rely on the COO cue (Maheswaran, 1994). On the other hand, some authors suggest a positive relationship between the level of product familiarity and the use of the COO cue (Johansson et al., 1985; Johansson & Nebenzahl, 1986). As demonstrated by Roth and Romeo (1992) and Usunier (2007), consumers develop increasingly rich country images and product-country associations, the more familiar they are with a particular foreign product. This level of subjective knowledge is expected to positively affect the usage of COO information.

A number of studies investigated how consumers’ **involvement** moderate the effects of COO on product evaluation. In general, the use of COO cues for product evaluation is expected to be more pronounced for high involvement products (Li & Wyer Jr, 1994). However, Ahmed et al. (2004) found that COO plays a role in the evaluation of low-involvement products, such as coffee and bread. Consistent with previous research, this influence is less pronounced than that of brand and price, though. Particularly, for coffee brand was found to be the most important cue, followed by price and ultimately COO. For bread, the brand was again the most influential extrinsic cue, this time followed by COO and price. The authors conclude that “*consumers’ purchase decisions are influenced more by the brand than by the COO of a food product*” (Ahmed et al., 2004, p. 114). Of special interest is also their finding that country quality perceptions vary across product categories. In an attempt to test how a negative country image can be diluted by a renowned brand name, they find that despite its perceived negative COO, coffee from Colombia was most preferred. In line with earlier mentioned research (Roth & Romeo, 1992; Usunier, 2007), this shows how a product-country match can significantly influence product evaluations and that a negative country image may not necessarily affect all products from this origin.

### ***Resulting country-of-origin effects***

Recently, a number of scholars have questioned the importance of COO as extrinsic cue in consumer decision-making. As Usunier (2007, p. 42) notes, “*there is now a body of evidence showing that consumers may not attach as much importance as previously believed to COO for purchase intentions and actual buying behaviour*”. These reservations are based on three findings. First, consumers may consider a product’s COO not important or worth retaining in memory (Samiee, Shimp, & Sharma, 2005). Second, even if they know the origin of a product, consumers are found to lack the intention to use this information in their product judgements. Liefeld (2004) showed that when intercepted at the cash register, of those consumers that were aware of the COO of the products they just bought, only 2.2% indicated that this knowledge might possibly have played a role in their product choice. Ultimately, and maybe most importantly, several researchers (Balabanis & Diamantopoulos, 2008; Hennebichler, 2007; Liefeld, 2004) found that the actual knowledge and accuracy of a product’s COO under non-laboratory conditions is universally low. Intercepting Canadian and American shoppers at the cash register showed that more than 93% of the respondents were unable to correctly name the COO of a product they had just bought (Liefeld, 2004). Similarly, Samiee et al. (2005) found that respondents often just inferred a COO by associating the brand with a certain language. In light of such evidence, various authors suggest that the experimental nature of some studies might have inflated the influence of COO cues on product perceptions (Akaah & Yaprak, 1993; Samiee, 2010; Samiee et al., 2005) as “*the effect of extrinsic cues, such as COO, is enlarged when subjects are prompted to evaluate particular cues*” (Hsieh, 2004, p. 5).

In response to this line of research, recent publications have “*started to challenge the assumption that COO cue usage is solely a conscious and controlled process by showing that such usage can occur unconsciously and automatically*” (Herz & Diamantopoulos, 2013, p. 400). These researchers critique the dominant paradigm in COO research that assumes that the COO cue is processed in a deliberate, cognitively controlled manner. Extending previous research by Liu and Johnson (2005) on an ‘automatic’ COO effect, Herz and Diamantopoulos (2013) found that the mere presence of COO information may spontaneously activate country stereotypes, which in turn influence brand assessments and brand-related behaviour regardless of intention. In particular, they found in a low involvement product category setting (fruit juice) that, if the activated country stereotype (functional vs. emotional) matches the communication format employed in advertising (again functional vs. emotional), it can have a positive impact on purchase intention and lead to favourable word-of-mouth. On the other hand, mismatches can evoke adverse effects.

In sum, COO is a complex construct and its effects are contingent on a number of antecedents and moderated by both individual-based and product factors. Generally, studies find no or only a weak direct effect on purchase intentions. Rather, most of the influence of COO is indirect, through product evaluations, perceived product value, brand equity or brand image (Hui & Zhou, 2002; R. A. Peterson & Jolibert, 1995; Pharr, 2005; Verlegh & Steenkamp, 1999).

#### 4. Country-of-origin effects for organic food products

Despite the growing importance of imported products in many organic food markets, only few studies have investigated the combined effect of COO and organic labels (Dekhili & Achabou, 2014; Xie et al., 2015). Organic labels and COO may both be used as cues to food quality and safety. In addition to earlier mentioned antecedents and moderating variables, COO indicators may influence product evaluations and consumer behaviour through trust in and knowledge about the certification processes and agencies in a particular COO (Xie et al., 2015).

Based on evidence that countries have different ecological images, Dekhili and Achabou (2014) explored whether a COO's ecological image affects the evaluation of an eco-labelled product. Different ecological images may derive from varying degrees of environmental and social efforts and unequal requirements for the same label in different countries (Lozano, Blanco, & Rey-Maqueira, 2010). A sample of French consumers was presented with washing-up liquids in a blind assessment, including the ecolabel, and in a situation revealing the information about the ecolabel and the COO. Results showed that, even if products exhibited the same eco-quality, mentioning Spain as a COO with a negative ecological image led to a significant decrease in purchase intention. This was reflected in a 9% lower willingness to pay. However, the indication of Switzerland as a country associated with a favourable ecological image did not have significant effects on either of the outcome variables. Moreover, the authors found familiarity with ecological products and trust in the country of production to significantly affect the evaluation of eco-labelled products.

Within the scarce stream of research on COO effects for organic products, studies seem to mainly focus on understanding and comparing preferences for domestic versus imported organic foods, often employing willingness to pay as measure of such evaluations. First, results seem to confirm that a domestic country bias is also – maybe even especially – evident for the case of organic food products. Dransfield et al. (2005) found that, based on a mixed sample of French, Danish, Swedish and British consumers, the vast majority preferred organic pork originating from their home country over an imported product. Out of those making consistent choices with regard to the origin label, over 90% preferred their own country's origin. Furthermore, labels concerning the origin and the system of production (raised outside vs. raised inside) had a significant effect not only on appreciation, but also on the price offered. In a choice experiment conducted in the Eastern part of the United States, Xie et al. (2015) confirm such domestic origin preferences in the case of organic broccoli. With regard to the imported organic alternatives, consumers preferred fresh broccoli imported from Canada, followed by Mexico and last China. Again, respondents were willing to pay a significant price premium for domestically produced organic broccoli over any imported alternative, with higher premiums when comparing US to Mexican or Chinese products. Furthermore, the authors tested whether providing consumers with information about the Equal Organic Standard Rule, that is the fact that “*any product certified by a USDA-*

*accredited certifying agent must comply with all US organic standards, no matter where it is produced*" (Xie et al., 2015, p. 182), reduced consumers' concerns about imported food products. Findings suggest that adding such information can indeed mildly increase consumers' valuation and willingness to pay for some COO (i.e., Chinese) products, but not for others (i.e., Mexican and Canadian). Overall, even after adding information about the certification standards for imported organic products, none of the imported alternatives could compete with domestic organic broccolis.

In a study of the German market, Schröck (2014) employs a hedonic price analysis to assess consumers' valuation of organic, country and geographical indications (GIs) on cheese products. In general, the average accepted price premium for organic versus conventional cheese was 25%. GIs did not seem to increase product valuation, only achieving small price premiums between 0.9% and 2.0%, limited to super- and hypermarkets. In discount stores, the effect of GI labels on price was even negative. Interestingly, cheeses from abroad were found to achieve significantly higher price premiums, between 23% and 43%, compared to domestic products. Prices are especially high for countries associated with a high competence in cheese production and cheese specialities, such as Ireland, Belgium, France, Spain and Switzerland.

Although these findings point towards low appreciation of geographical or even regional labels regulated by the European Union, there is increasing evidence for regional preferences of food products. Because the distances and import shares of many food products have grown bigger, consumers increasingly question production practices and reorient themselves towards more sustainable food alternatives (Feldmann & Hamm, 2015). Organic is considered such a sustainable food alternative, but the globalization or so-called conventionalization of the organic food market worldwide has given rise to yet another trend. In order to avoid long distances of imported food products, many consumers start demanding locally produced food, local having emerged as an important quality indicator (Hempel & Hamm, 2016).

Adams and Salois (2010) explored the parallel development of these overlapping trends and found that consumers have developed more positive attitudes towards local food and in many cases even prefer local over organically produced food products. A recent study showed that in Germany, Austria and Switzerland more than 80% of consumers purchase local food several times a month, and 92% of all respondents state that they prefer local over organically produced food (Hempel & Hamm, 2016). Consumers most frequently associate local food with superior product quality, health, food safety, care for the environment, animal welfare and support of the local economy. Moreover, consumers also express greater trust in locally produced food and higher willingness to pay. Important moderators between consumers' attitudes and their actual behaviour are availability, convenience, price, seasonal variety, and the influence of specific product types associated with local food. Especially, the latter two may have a strong impact on consumers' purchase behaviour. Several studies revealed that consumers associate certain products such as vegetables, meat or dairy products with domestic production, which positively influences their attitudes and local food consumption. In addition,

consumer perceptions are strongly influenced by the fit between products and their seasonality. Hence, consumers perceive local food more favourably if it is produced in the ‘right’ season, which leads to more positive attitudes and higher intention to purchase locally produced food (Feldmann & Hamm, 2015).

The overlap in the perceptions and determinants of organic and local food products has given rise to a variety of studies investigating whether these two trends complement or compete with each other (Hempel & Hamm, 2016). Hempel and Hamm (2016) conclude that there are a number of consumers who favour the combination of local and organic food production. Organic-minded consumers in their study had a relatively high preference for food products being produced as close as possible to their home. They found that organic-minded consumers had a higher willingness to pay for an organic food coming from Germany than a locally grown product. However, they had a higher willingness to pay for a local food than for an organic product from a neighbouring or non-EU country. These findings indicate that organic-minded consumers consider both product attributes and may make trade-offs between origin and production method depending on the situation.

## 5. Conclusion

This review of the literature on consumer decision making and the country-of-origin effects for organic food products has confirmed the statement that “*there are many studies about consumer preferences for organic foods or COOL, but few have studied the interaction between these two attributes*” (Xie et al., 2015, p. 182). Within this scarce stream of research, studies have focused mainly on demonstrating preferences for domestic over imported organic foods, but studies comparing and understanding consumers’ evaluation of organic products from different foreign COOs have remained limited. The aim of the SOMDwIT project is therefore to fill this gap in current research by investigating COO effects in the context of organic food among consumers on important and emerging markets for Danish export of organic foods.



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