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Country-of-Origin Effect of Georgian Wine on German Wine Consumers

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Abstract

Purpose: The purpose of this study is to identify dimensions of country images of Georgia in terms of benefits sought by German wine consumers of Georgian wine. Four consumers' perceived values – quality, price, social and emotional value – identify the perception of consumers for Georgian wine. This study examines dimensions of Georgia's Country Image measured in terms of benefits sought by consumers.
Design/methodology/approach: A survey was conducted to determine the impact of Georgia's Country Image on the perceptional drivers of consumer preferences for Georgian wine. The Partial-Least-Squares (PLS) Method was applied to examine relationships that may exist between the consumer drivers, preferences for Georgia wine, and dimensions of Georgia's Country Image.
Findings: The economic and political images of Georgia and the images of Georgia as a country noted for its wine-production and tourism were found to be strong and significant predictors of German consumer preferences for wine from Georgia. Linking those dimensions of country image of Georgia to consumers' motivational factors price and quality perception, social acceptance and emotional value related to Georgian wine will help to develop marketing communication strategies for a country umbrella brand "Georgia". This brand should underline the long-standing tradition of viniculture, traditional wine-producing methods, and the indigenous varieties of wine in Georgia.
Practical implications: Practical applications of this study extend beyond the Georgian wine industry and include generalizations for the identification of dimensions of Georgia's Country image to be included in a country umbrella brand "Georgia" for positioning Georgian wine on the German market.

INTRODUCTION

Wine is the most significant agricultural product and the second most important export commodity for Georgia. The wine industry is considered to be a sector with enormous potential for market prospects. After the Russian Embargo in 2006, the penetration of the western European market, particularly in Germany, is of increasing relevance. The archeological findings prove that the wine culture began in Georgia 8000 years ago. This remarkable legacy prompting Georgian culture to be the "cradle of wine civilization" will help to develop an effective marketing communication strategy by recognizing the relationship between a product, its origins, and what consumers value.

Today's wine market offers more high quality wines than ever before. Therefore, wines become interchangeable. Lacking clear differentiation, producers find themselves exposed to fierce price competition (Orth, et al., 2005). In contrast to this is the fact that most of wine's mystique revolves around its origin. Linking this dimension to region equity will help the Georgian wine industry develop a strategy by correlating "Wine and Country" as a country umbrella brand "Georgia" for positioning Georgian wine on the German market. In order to develop the concept of country branding for Georgian wine the current study was conducted to identify dimensions of country images of Georgia in terms of perceived values – quality, price, social and emotional value – by German wine consumers from Georgian wine.

1. THEORETICAL BACKGROUND

1.1. Country-of-Origin: Literature Review

In the international marketing context the COO's role has been widely acknowledged by practitioners as well as academics. Researchers report that consumers rely on the origin of a product to assess its quality (Van Ittersum, et al., 2003), as numerous studies confirmed a significant influence of COO on consumer perception and decision making processes (Verlegh and Steenkamp, 1999). According to Elliot and Cameron (1994), country-of-origin serves as an indicator of quality and is more important in affecting product quality assessment than the other extrinsic information cues. COO is a phenomenon being linked to country image that refers to the consumers' perceptions of products from a particular country (Roth and Romeo, 1992). Therefore, COO Information activates country stereotypes and affects product judgements and decision-making processes (Papadopolous, 1993), reduces compexity of information processing and decision heuristics. In the frame of current study the definition of COO obtains cognitive, affective and normative mechanisms (Obermiller and Spangenberg, 1998). Accordingly, the cognitive dimension emphases the informational value of country image, whereas the affective mechanism focuses on consumers emotional attachement to a COO and the symbolic meaning of a country image. The normative dimension implies consumers' perceived proximity to the values and cultures of the country (Balabinas, et al., 2002). The perceptions of a country's image are often utilized in product evaluation when the consumers are unable to detect the true quality of a country's product. Therefore, they use country image to imply the quality of unknown products. This behavior considers COO to be product related (Roth and Romeo, 1992) which is significant in the study of consumer behavior in wine industries associated to a long history of "strong" countries (Heslop, et al., 2009).

1.2. Country-of-Origin and Wine decision making process

The special nature of wine, the diversity of informational cues, the marketplace structure and the symbolic meaning of wine make consumers feel uncertain in quality evaluation and purchase decision making processes (Heslop, et al., 2009). Under such conditions of high uncertainty the COO has been found to be a key element in affecting decision-making processes (Chaney, 2002), where the wine consumers are likely to rely on COO as an extrinsic information cue to evaluate the quality of the wine (Lockshin and Rhodus, 1993). Schamel (2006) and Orth, et al. (2005) reported that the consumers' perception regarding price is significantly

impacted by the COO of wine. The perceptions of different wine regions extend beyond the price and quality to also include the affective side of decision processes (Von Alvensleben, 2000; Sheth, et al., 1991). Orth, et al. (2005) suggested in their study that the motivational factors of social, emotional, environmental, and human value, besides quality and price, were found to be significant predictors of consumer preferences for wine from different countries. The current study examines first the impact of the country image of Georgia on the consumers' perceptions of Georgian wine. This project is both innovative and exploratory in nature as the relationship between the country image of Georgia and consumer perceptions of Georgian wine has never been examined.

1.3. Development of hypotheses

Several studies have found effects of country image on consumer perceptions and buying intentions (Peterson and Jolibert, 1995). Country image is created by such dimensions as the economic and political situation or background, the history and traditions, culture, mentality and nature of the country (Nagashima, 1970). Accordingly, product country-images, which are mental representations of country's people, products, culture and national symbols, effect the evaluations of products (Verlegh and Steenkamp, 1999). Therefore, the consumers link country image to nation and to feelings of status or social acceptance associated with the possession of products from certain countries (Batra, et al., 1999). Based on these notions the following hypothesis can be postulated to the country image of Georgia and its wine:
H1-4: The economic image and political image of Georgia, as well as the image of Georgia as a country noted for its wine-production and tourism significantly impact the motivational drivers sought by consumers a) perception of quality, b) perception of price, c) emotional and d) social value of Georgian wine.

In addition to the intrinsic quality of the product, the social value and prestige benefits of the product also shape the perceptions of the quality and price of the product (Nieschlag, et al., 2002). The interpretation of how quality is evaluated tends to focus on the cognitive processes used by the consumer in response to a product, especially a "quasi-asthetic" product such as wine, including sensory and affective features of the product (Charters and Pettigrew, 2006). The Georgian wine produced from indigenous grape varieties and traditional production methods can be perceived as a wine of premium features, which arouse the "social quality" of wine (Schneider, 1996). Otherwise, the flavor features of (Georgian) wine derived from the indigenous grape varieties can interfere with positive emotional feelings (Schuster, 1994), which impact product evaluation, and hence behavioral intention to purchase the wine. Based on the notions discussed above, more specifically, the following hypothesis are proposed:
H5-6: The perception of the quality and the price of Georgian wine significantly impact the motivational drivers sought by consumers that is a) emotional and b) social values of Georgian wine.

Only a few studies have measured the perceived value of a product using a multi-dimensional measure of value (Sweeney and Soutar, 2001; Gill, et al., 2007), and have found that different dimensions of value impacted behavioral intentions of consumers. In light of the empirical evidence into the relationship between customers' perceived value and behavioral intentions this study proposes the following hypothesis relating to Georgian wine:
H7: The motivational drivers sought by consumers a) perception of quality, b) perception of price, c) emotional, and d) social values of Georgian wine significantly impact behavioral intentions to purchase Georgian wine.

2. DATA AND EMPIRICAL METHODS

2.1. Data collection

This study was conducted with a Web-based survey. Due to low product awareness of Georgian wine the survey focused on wine connoisseurs. Accordingly, the link for the online survey was employed on the wine specific web-sides such as: www.weinakademie.de, www.Wein-Inside.de, www.wein-plus.de, www.weinundmarkt.de. The potential respondents were also conducted from their respective social networks of these web-sides' providers. 600 respondents participated in the survey, a total of 394 (response rate = 66%) useable online responses were returned. Data was collected from 13th January 2010 to 15th March 2010. 72.7% of the respondents were men and 26.8% women. In terms of age, 34.6% of the respondents were 20-35 years of age, 44.6% are 36-54 years, and 22.8% are older than 55 years.

2.2. Method

The dimensions of Georgia's country image, behavioral intentions regarding Georgian wine and the perceived values of Georgian wine were all measured using a seven-point Likert scale, ranging from strongly disagree (1) to strongly agree (7). Georgia's country image was operationalised by nine items adapted from Möller (1997) with regard to special dimensions to describe the image of Georgia. Four consumer motivational factors – quality, price, social and emotional value – were derived from Orth et al. (2005) as well as Sweeney and Soutar (2001) to identify consumer perceptions of Georgian wine.

The structural equation modeling (PLS) was applied to estimate the theoretical model using the software application SmartPLS. PLS is a combination of least squares algorithms and canonical correlation, and regression analysis (Henseler, et al., 2009). PLS modeling delivers the relationship between the latent variables scores, which are measured by one or several manifest variables. The PLS model is applied in this study in order to estimate the theoretical model that examines the relationships between the preferences for wine from Georgia, and dimensions of Georgia's Country Image and perceived values and behavioral intentions for Georgian wine.

2.3. Measurement Model Evaluation

On assessing the empirical results of the study, the loading of all items on their factors exhibit very high values above 0.8, which ensures indicator reliability (Fornell and Larcker, 1981). The PLS model estimation reveals that all model constructs exhibit satisfactory internal consistency. Composite reliability (CR) value ranges above 0.8 and the Cronbach's Alpha (CRA) above 0.7 (Bagozzi and Yi, 1988). In support of discriminant validity (AVE), each of the latent variables meets the requirements of the Fornell and Larcker (1981) criterion with respect to all constructs in this study. The AVE of each latent variable is higher 0.5 (Chin, 1998). The percentages of explained variance ($R^{2)}$ for the endogenous latent variables – emotional value, perceived quality and social value – are 0.71, 0.57, and 0.60, thus exhibiting highly satisfactory R^2 respectively. The constructs purchase behavior (0.45) and the perceived price (0.35) show moderate value of less than 0.33 (Chin, 1998). The predictive validity (Q^2) of the exogenous latent variables – economic image, political image, and the image of Georgia as a tourist destination – range significantly above zero (0.52, 0.56 and 0.49), thus indicating the exogenous' constructs' high predictive power. The Q^2 value of the image of Georgia as a wine-producing country is below zero and therefore reveals a lack of predictive relevance for the endogenous constructs.

2.4. Testing the Hypotheses

Another important analysis concerns the significance of assumed relationships between the latent constructs. In order to evaluate the significance of the path coefficients, *t* values were calculated using bootstrapping with 395 subsamples (Henseler, et al., 2009). The path estimates are provided in Table 1.

Hypothesis 1 postulates that the economic image dimension of Georgia significantly affects perception of quality and price, emotional and social value of Georgian wine. The impact of

economic image of Georgia on the dimensions of price, quality, and emotional value is not significant. The only path for which the hypothesis found support is from the economic image of Georgia to the social acceptance of Georgian wine (p<0.01).

Hypothesis 2 investigates the significant effect of political image of Georgia on the consumer drivers of Georgian wine. The empirical results indicate the significant impact of political image of Georgia on the perception of quality (ß=0.17, p<0.05) and on the perception of price (ß=0.22, p<0.01) of Georgian wine, whereas the political image of Georgia insignificantly affects the emotional and social value of Georgian Wine.

Hypothesis 3 postulates that the benefit sought of Georgian wine is significantly impacted by the image of Georgia as wine-producing country. The empirical results of the study indicate the significant impact of the image of Georgia as wine-producing country on the perception of quality of Georgian wine (ß=0.27, p<0.1). The image dimension of Georgia mentioned above effects emotional and social value of Georgian wine insignificantly. However, the hypothesis that the image of Georgia as a wine-producing country relates to the perception of price could not be supported.

The assumed correlation that the image of Georgia as a tourist destination significantly influences the perception of quality and price, emotional, and social value of Georgian wine as outlined in Hypothesis 4, however, finds full support in the study. The dimension of image of Georgia mentioned above has significant effects on all drivers of Georgian wine.

Hypotheses 5-6 postulate that the perceptions of quality and the price of Georgian wine have significant effects on emotions and social acceptance of Georgian wine. The results provide full support for H5 that the perception of quality significantly influences the emotional (ß=0.83, p<0.1) and social value of Georgian wine (ß=0.70, p<0.1), whereas the perception of price shows no impact on emotions and social acceptance of Georgian wine.

Hypothesis 7 postulates that four dimensions of consumer drivers – perception of quality and price, emotional and social value of Georgian Wine – have significant effects on behavioral intentions for Georgian Wine. The impact of perception of quality (p<0.1) and social value (p<0.01) of Georgian wine on behavioral intentions for Georgian Wine is significant. Emotional value related to Georgian wine insignificantly affects behavioral intentions. There is no support for a correlation between the perception of price and the behavioral intentions for Georgian Wine.

Table 1. Structural Parameter Estimates

	Determinants	Paths	Estimates (t-Values)
H_1	The economic image of Georgia	Perception of quality	0.07ns (1.08)
		Perception of price	-0.02ns. (0.27)
		Emotional value	0.11ns. (1.29)
		Social value of Georgian Wine	0.29*** (2.61)
H_2	The political image of Georgia	Perception of quality	0.17** (2.03)
		Perception of price	0.22* (1.91)
		Emotional value	-0.12ns. (1.63)
		Social value of Georgian Wine	-0.02ns. (0.37)
H_3	The image of Georgia as wine-producing country	Perception of quality	0.27*** (2.85)
		Perception of price	0.08ns. (0.94)
		Emotional values	0.15ns. (1.54)
		Social value of Georgian Wine	0.12ns. (1.12)
H_4	The image of Georgia as tourist destination	Perception of quality	0.38*** (3.38)
		Perception of price	0.40** (2.55)
		Emotional value	0.42*** (3.31)
		Social value of Georgian Wine	0.22* (1.65)

H_5	The perception of quality of Georgian wine	Emotional value	0.83*** (8.38)
		Social value of Georgian Wine	0.70*** (5.27)
H_6	The perception of price of Georgian wine	Emotional value	-0.03ns. (0.51)
		Social value of Georgian Wine	-0.04ns. (0.63)
H_7	Perception of quality	Behavioral intentions for Georgian wine	0.56*** (4.21)
	Perception of price		0.09ns. (0.74)
	Emotional value		0.15ns. (0.97)
	Social value of Georgian Wine		0.16* (1.67)

***p<0.1 ; **p<0.05; *p<0.01

3. DISCUSSION AND IMPLICATIONS

Due to low product awareness of Georgian wine the study was conducted with wine specific web-sides in order to reach respondents with an affinity for Georgian wine. In view of this, it is reasonable to assume that the most of the respondents are wine connoisseurs who use the wine web-sides being employed for the online survey of the study. This could be a major limitation of the study, as it doesn't allow generalizing the results to the German wine consumers.

The main purpose of this study was to consider a multi-dimensional view of Georgia as a brand by looking at various aspects of the Country Image of Georgia as an economic and political image, and the image of Georgia as a country noted for its wine-production and tourism. The central organizing concept is 'country equity' or the value that may be embedded in perceptions of German wine consumers about Georgia and the ways in which these perceptions may be used to advance the interests of the Georgian wine industry. Country brands have "built-in equity" that consumers develop over their lifetimes (Papadopoulos and Heslop, 2002). Therefore, the term "country equity", refers to the emotional and social values resulting from consumers' association of a country image. Thus, the country image is responsible for associations that may add to or subtract from the perceptions of a product (Kotler and Gertner, 2002).

This study examined the influence of dimensions of the country image of Georgia on consumer preferences sought in wine from Georgia. The developed model of the study distinguishes among the four dimensions of the country image of Georgia – economic and political, and image of Georgia as a country noted for its wine-production and tourism – and tests their respective influences on perception of quality and price, as well as the emotional and social value of Georgian wine by using a PLS estimation. The empirical results of the study show that the economic image of Georgia has a substantial effect on social value of Georgian wine, whereas the political image of Georgia strongly affects on the perception of quality and price of Georgian wine. These results support the findings by Heslop, et al. (1993) that political situation of the country influences on product evaluation. The products from developed and democratic countries are perceived to be of better quality. The samples of the study are mostly wine connoisseurs who know Georgia as a traditional wine-producing country with interesting nature and ancient culture; therefore, their emotional and social values are not impacted by the political and economical image of the country because they cannot organize these image dimensions along with the country-associated characteristics in their perception. The image of Georgia as a wine-producing country was proved to have the strongest impact on perceived quality and to be influential for emotional and social values of Georgian wine. These results concur with Verlegh and Steenkamp (1999), postulating that product country image are mental representations of country's people, products, cultural and national values, which effect on the evaluation of product and are associated with emotional feelings and social values of the product (Batra, et al., 1999). The image of Georgia as tourist destination has substantial impact on all drivers of consumer preferences. The findings of the study support those of Schrader (2008) that the perceived quality affects the emotional and social benefits of wine.

Five dimensions of wine region equity could be identified as drivers of consumer preferences for wine from Georgia. Insight into the importance of respective dimensions allows the Georgian wine industry to design place-based umbrella brands by selecting and communicating functional, price, social and emotional values. The brand element, such as a region of origin, can contribute to a brand's equity through building awareness and unique brand associations (Tustin, et al., 2001). This brand should underline the long-time tradition of viniculture, traditional wine-producing methods, and the indigenous varieties of wine in Georgia. These unique features included in a country umbrella brand "Georgia" should be used to support the brand's advantages over competitors from a consumer perspective, and they in turn support the key benefits that the brand offers its market. The "unitary image" built around a carefully decided central concept can play a major role in expressing country brands' personality that will be attractive to its target markets (Papadopoulos and Heslop, 2002). It means that country of origin can act as a brand element which will enable Georgian wine producers to evaluate the competitive position of Georgia, considering uniqueness and superiority (Orth, et al., 2005). In conclusion, for more effective country branding the Georgian wine companies with public support should concert marketing efforts – market research, advertising, promotion and public relations – in order to establish the uniqueness and the historical background of Georgian wine.

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