

# Consumer Responses to City-of-Origin vs. Country-of-Origin Cues: Purchase Probability and Willingness-to-Pay

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# **Consumer Responses to City-of-Origin vs. Country-of-Origin Cues: Purchase Probability and Willingness-to-Pay**

## **Abstract**

Despite its practical relevance, research on city-of-origin (CiOO) cues in a product marketing context has been limited. We address this gap by investigating whether consumers' purchase probability and willingness to pay (WTP) differ between brands linked to a city vs. country cue and if such differences can be attributed to differences in perceived product-origin typicality (POT). Two experiments with different products (clothing/cosmetics) and origins (Italy-Milan/France-Paris) were conducted in Germany. Results show that if POT is perceived to be higher for the city than for the country, it leads to an increase in purchase probability in favor of the brand with the CiOO cue; however, WTP remained unaffected by the type of origin cue. Our findings indicate that CiOO cues can impact consumer behavior and even outperform country-of-origin (COO) cues under certain conditions. They should, therefore, be considered in research endeavors focusing on the effects of product origin.

*Keywords: city-of-origin, country-of-origin, perceived origin typicality*

*Track: International Marketing & Marketing in Emerging Countries*

## 1. Introduction

Whether you are walking down a shopping street, flipping through the pages of a magazine, or scrolling through social media platforms, you will most certainly encounter many brands that use *city-of-origin* (CiOO) cues, either integrated into brand names and logos or incorporated into communication efforts. CiOO cues are being used by brands in various product categories, most evidently for clothing (e.g., Prada Milano), watches and jewelry (e.g., IWC Schaffhausen), cosmetics (e.g., L'Oréal Paris) and food & drinks (e.g., Beefeater London).

While it is apparent that CiOO cues are widely present in today's brandscape, research on such in a product management context is very rare with most studies focusing instead on *country-of-origin* (COO) cues.<sup>1</sup> To the best of our knowledge, the only empirical study that has been published on the CiOO concept in this context is Lentz, Holzmüller, and Schirrmann (2006). Their study established that a CiOO effect does indeed exist and works with similar mechanisms as the COO effect. While CiOO and COO cues might appear quite similar, a city is narrower in scale and scope than a country and more attributes can be connected to a country as opposed to a city (Caldwell & Freire, 2004). Therefore, the question arises, if consumer responses to a brand will differ depending on which cue (country or city) is used to convey the brand origin.

In this paper, we seek to throw light on the above question by comparing the effects of CiOO vs. COO cues on a consumer's purchase probability and his/her willingness to pay for a brand. In doing so, we also examine whether any identified differences can be attributed to perceived differences in product-origin typicality.

## 2. Conceptual background and hypotheses

Similar to the motivation behind using COO cues in their branding, “[f]irms may also encourage the association of their products with cities, in order to appropriate values and symbols emanating from the urban identity” (Bellini & Pasquinelli, 2016, p. 6). In the context of our research, COO and CiOO are defined in terms of the perceived brand origin, namely

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<sup>1</sup> CiOO cues are, however, considered in other streams of literature such as city branding (e.g., Bellini & Pasquinelli, 2016; Jansson & Power, 2010) and fashion management (e.g., DeFanti, Bird, and Caldwell, 2013; Lagier & Ranfagni, 2018).

“the country [/city] which a consumer associates a certain product or brand as being its source, regardless of where the product is actually produced” (Jaffe & Nebenzahl, 2006, p. 29).

An important concept in origin research is product-origin typicality (POT), which captures the degree to which a product is perceived to represent an origin (Tseng & Balabanis, 2011) and is similar to the concepts of product-country match (Roth & Romeo, 1992) and product ethnicity (Usunier & Cestre, 2007). Determinants of typicality include familiarity or perceived knowledge (Malt & Smith, 1982; McCloskey, 1980), frequency of instantiation (Barsalou, 1983; Loken & Ward, 1990) and attribute diagnosticity (Yi & Gray, 1996). CiOO is assumed to be more diagnostic than COO due to its narrower geographical focus (Lentz et al., 2006), thus potentially affecting typicality assessments in certain product categories. For the country-city stimuli sets chosen for our studies (Italy-Milan, France-Paris), the determinants of typicality are assumed to be stronger for the city as opposed to the country stimulus. For example, the frequency of instantiation to the association of clothing with Milan is very high, as over 13000 fashion industry-related companies are situated in Milan, from which around 2700 are in the clothing product category (Statista, 2019); Milan also hosts one of the most influential fashion weeks worldwide (Bradford, 2014). It is thus hypothesized that:

**H1a:** *Clothing products are perceived to represent Milan to a higher degree than Italy.*

**H1b:** *Cosmetics products are perceived to represent Paris to a higher degree than France.*

Several studies have shown that when there is a favorable match between the COO and the product category, the COO effect is stronger and positively influences willingness to buy (e.g., Bernard & Zarrouk-Karoui, 2014; Roth & Romeo, 1992; Usunier & Cestre, 2007). We expect this effect to also apply to CiOO. It is thus expected that:

**H2:** *Consumers' purchase probability for a product increases with higher POT (for both COO and CiOO cues).*

Bearing in mind that a higher POT is expected to be associated with a higher purchase probability (see H2) and that the cities used in our studies are expected to be more typical for the products in question than the respective countries (see H1), we further hypothesize that:

**H3:** *Consumers' purchase probability is higher for a product associated with a CiOO cue than for a product associated with a COO cue.*

Regarding willingness to pay (WTP), this captures “the maximum amount of money a customer is willing to spend for a product or service” (Homburg, Koschate, and Hoyer, 2005, p. 85) and is a “harder” outcome variable than purchase intent. Previous research has revealed

a positive relationship between product ethnicity and WTP when a COO cue is involved (Diamantopoulos, Matarazzo, Montanari, and Petrychenko, 2021). We expect this relationship when CiOO is the relevant cue. It is thus hypothesized that:

**H4:** *Consumers' WTP for a product increases with higher POT (for both COO and CiOO cues).*

Bearing in mind that a higher POT is expected to be associated with a higher WTP (see H4) and recalling that the CiOO cues used in the present study are expected to display a higher POT than the corresponding country cues (see H1), we further hypothesize that:

**H5:** *Consumers' WTP is higher for products associated with a CiOO cue compared to products associated with a COO cue.*

### **3. Methodology**

To test our hypotheses, two separate studies were conducted in Germany, following a between-group experimental design, whereby each participant was randomly allocated to either the COO cue group or CiOO cue group. We selected clothing and cosmetics as the focal product categories since, as already noted in the Introduction section, CiOO cues are widely used by firms in these sectors.

Based on product ethnicity scores (Usunier & Cestre, 2007), we selected Italy as the COO in the clothing product category and France as the COO in the cosmetics category. Regarding city choices, Milan was selected for clothing and Paris for cosmetics as these are the cities most widely mentioned as origins in marketing communications within these product categories. The experiment was run with fictitious brands in order to minimize the potentially confounding effect of brand equity of already established brands (Dimofte, Johansson, and Ronkainen, 2008) and to not provide an actual reference price (Davvetas, Sichtmann, and Diamantopoulos, 2015). Following a similar approach as Diamantopoulos et al. (2021), the neutral brand name C2E was chosen, so as to have as few origin associations as possible (Magnusson, Westjohn, and Zdravkovic, 2011).

Before conducting the main study, a pre-test ( $N = 40$ ) was run in order to test the suitability of the fictitious brand name and the relevant product descriptions. The pre-test results revealed that 92.5% of participants did not recognize the brand C2E. The mean score for brand familiarity on a 7-point Likert scale was 1.4 ( $SD = 0.87$ ), with 1 being "Not at all familiar". Regarding brand associations, 97.5% held no country associations whatsoever with the brand. Finally, both product descriptions were perceived to be highly credible by the pre-

test respondents on a 7-point Likert scale ( $M_{Clothing} = 5.95$ ,  $SD_{Clothing} = 1.43$ ;  $M_{Cosmetics} = 5.55$ ,  $SD_{Cosmetics} = 1.50$ ).

The sample for the main study was acquired through the crowdsourcing platform *Clickworker* ([www.clickworker.de](http://www.clickworker.de)); respondents were paid a fee (0.80€ for 5 minutes) for the completion of an online questionnaire developed using *SoSci Survey* software. The final sample for the clothing product group was 189 cases in total, of which 89 cases (55.1% male,  $M_{Age}=41.73$ ,  $SD_{Age}=13.40$ ) were randomly allocated to the country cue group (Italy) and 100 cases (57.0% male,  $M_{Age}=37.74$ ,  $SD_{Age}=11.53$ ) to the city cue group (Milan). The cosmetics group comprised 242 cases in total, of which 120 cases (50.0% female,  $M_{Age}=37.52$ ,  $SD_{Age}=12.33$ ) were randomly allocated to the country cue group (France) and 122 cases (60.7% female,  $M_{Age}=39.34$ ,  $SD_{Age}=12.19$ ) to the city cue group (Paris). All respondents were German citizens.

Following exposure to the experimental stimuli, respondents were asked to answer a single-item question on purchase probability adapted from Juster (1966), ranging from “0% - Would definitely not buy” to “100% - Would definitely buy”. Respondents then answered the four questions of the price sensitivity meter (PSM) by van Westendorp (1976) using the scale of Ceylana, Koseb, and Aydin (2014). The mean of the “expensive” and “too expensive” stated prices was then used as an estimate of respondents’ WTP as recommended by Diamantopoulos et al. (2021). Next, participants were asked to complete established scales capturing POT (Halkias & Diamantopoulos, 2020, based on Spielmann, 2016;  $\alpha_{Clothing}=.94$ ,  $\alpha_{Cosmetics}=.94$ ) and several control variables: price sensitivity (Wakefield & Inman, 2003;  $\alpha_{Clothing}=.75$ ,  $\alpha_{Cosmetics}=.76$ ), product category involvement (Koschate-Fischer, Diamantopoulos, and Oldenkotte, 2012, based on Mittal & Lee, 1988;  $\alpha_{Clothing}=.90$ ,  $\alpha_{Cosmetics}=.93$ ) and origin familiarity (Halkias & Diamantopoulos, 2020, based on Schlosser, 2006;  $\alpha_{Clothing}=.96$ ,  $\alpha_{Cosmetics}=.96$ ). Finally, respondents answered a set of standard demographic questions.

#### 4. Analysis and results

In the clothing study, and in support of H1a, the results revealed that POT was significantly higher for Milan ( $M = 3.72$ ,  $SD = 1.60$ ) than for Italy ( $M = 3.19$ ,  $SD = 1.53$ ) ( $t(187) = 2.29$ ,  $p = .023$ ). In the cosmetics study, however, POT did not differ significantly between France ( $M = 4.29$ ,  $SD = 1.66$ ) and Paris ( $M = 4.07$ ,  $SD = 1.62$ ) ( $t(240) = 1.05$ ,  $p = .294$ ), thus offering no support for H1b.

For testing of H2, correlation analyses and ANCOVAs were carried out. In the clothing study, purchase probability significantly positively correlated with POT in both the country cue ( $r(87) = .355, p = .001$ ) and city cue groups ( $r(98) = .213, p = .033$ ). Additionally, in an ANCOVA with purchase probability as the dependent variable, origin group as the independent variable and POT as the covariate, POT significantly affected purchase probability ( $F(1, 186) = 15.49, p < .001$ ). In the cosmetics study, POT was also positively correlated with purchase probability in both the country cue group ( $r(118) = .281, p = .002$ ) and city cue group ( $r(120) = .275, p = .002$ ). This was further confirmed in an ANCOVA, which showed a significant effect of POT on purchase probability ( $F(1, 239) = 19.93, p < .001$ ). Therefore, H2 is supported in both studies.

An independent-samples *t*-test was performed to test H3. In the clothing group, it resulted in a significantly different purchase probability for the product with the city cue ( $M = 41.36, SD = 27.35$ ) as opposed to the product with the country cue ( $M = 32.82, SD = 26.49$ ) ( $t(187) = 2.18, p = .031$ ). In the cosmetics study, the *t*-test found no significant difference between the purchase probability means of the country cue group ( $M = 51.79, SD = 23.82$ ) and the city cue group ( $M = 51.12, SD = 25.82$ ) ( $t(240) = 0.21, p = .833$ ). Thus, H3 is supported in the clothing study but not the cosmetics study.

To test H4, correlation analysis was carried out. In the clothing study, WTP was only significantly positively correlated with POT in the city cue group ( $r(98) = .233, p = .026$ ) and the same applies to the cosmetics study ( $r(116) = .181, p = .049$ ). Therefore, in both studies, H4 finds support only when a CiOO cue is associated with a product.

Finally, regarding H5, in the clothing study, WTP did not differ significantly between the country cue group ( $M = 52.68, SD = 24.70$ ) and the city cue group ( $M = 53.50, SD = 28.92$ ) ( $t(187) = 0.251, p = .835$ ). Similarly, in the cosmetics study, no difference was found for WTP between France ( $M = 12.53, SD = 7.84$ ) and Paris ( $M = 14.00, SD = 8.61$ ) ( $t(236) = 1.37, p = .172$ ). Therefore, H5 is not supported in either study.

## **5. Discussion and conclusion**

Our study extends the research of Lentz et al. (2006) which, to the best of our knowledge, is the only study directly investigating CiOO in a product marketing context. Our results show that a CiOO can differ significantly from its corresponding COO in terms of POT but that this depends on the product category. A stronger POT of the CiOO can, in turn, translate into a higher purchase intention for brands that communicate the city cue as opposed

to the country cue as the brand origin. Our findings thus contribute to previous literature that observed a relationship between product-*country* typicality and purchase intentions (e.g., Bernard & Zarrouk-Karoui, 2014; Diamantopoulos, Schlegelmilch, and Palihawadana, 2011) by also establishing such a relationship in a CiOO context. In contrast, no notable differences in WTP were observed between CiOO cues and COO cues. This implies that a favorable CiOO as opposed to a favorable COO can improve the chances that someone buys the product but does not translate into a willingness to pay more for it. It is noteworthy, however, that WTP increases with POT when a city cue is associated with the product but not when a country cue is involved.

As CiOO cues are frequently used in practice, our findings have managerial implications as well. When trying to decide between including a city cue and country cue in brand communications, it is advisable to investigate the POT for each origin. Only when the city is found to outperform the country in terms of POT, can benefits be reaped in terms of increased purchase probability. Specifically, according to the present study, highlighting Milan as opposed to Italy as an origin for clothing brands (assuming, of course, that there is this option) may indeed result in a higher purchase probability. However, for cosmetics brands, Paris was not found to outperform France as a brand origin in terms of POT and thus both origins represent a viable option. Overall, the relative effectiveness of CiOO vs. COO cues seems to be highly product-category specific and impacts more the likelihood of purchasing rather than the WTP.

In light of the above and bearing in mind that CiOO research in a product marketing context is quite an underexplored field, future research should focus on identifying the conditions under which emphasizing a city vs. country cue is likely to result in more (less) favorable consumer responses. For example, what are the factors leading to a higher POT for CiOO vs. COO (or vice-versa)? Why is WTP insensitive to the type of cue used, irrespective of POT? What is the potential benefit of highlighting CiOO for a brand vs. not mentioning *any* kind of origin at all? Would mentioning both the CiOO *and* the COO in marketing communications (i.e., a possible ‘overkill’) result in more positive consumer responses than mentioning only one of them? These and other similar questions are currently left unanswered, and it is hoped that the insights furnished by the current study will encourage their future investigation.



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