Geographical Indication, consumers preferences and firm strategies

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Main key drivers from the presentations ...

- About the definition of quality for GIs:
  - Which theoretical approach to manage quality in case of GI products?
  - Who should define quality and which are the main implications?
  - Does a relationship between quality and territory of origin exist?
- The legitimacy of GIs;
- The role of Consortia;
- Industrial brand Vs Collective Brand;
- The consumers response and related strategy;
Many categories of products with a geographical indication as identifier of quality

- Trademark Products, Certified TMP, Protected Designations of Origin, Protected Geographical Indications, GIs in general (product + identifier);
- Geographical Organic products;
- Geographical Fair trade product;
- Geographical Farmhouse products;
- Geographical handcraft products (ex « Slow food »);
- Direct sales and « local » products;
- Etc..
Many categories of products with a geographical indication as identifier of quality

- Origin Products
- GI Products
- Recognized GI Products

(source; Siner-GI)
GI product as a GI system

(source: Barjolle and Sylvander, 2000)
GI product as a GI system

Product specificity
• Tangible characteristics for which one is different from other products;
• It is perceived different from consumers;
• Their production technology have to be different from other products competitors, recall the territory and their tipicity.

Collective construction and management of the product
• The definition of the quality and the production technique must be defined collectively in order to avoid exclusion / inclusion behavior and unfair competition between actors.

Legitimacy
• Public (or intermediate) bodies activities are finalized to increase trust in the product and in its quality level (trust goods).
The meaning of quality and tipicity

Quality for GIs (a part from WTO definition)

- Is **extrinsic attribute** (linked to the reputation and not to the flavor);
- Is defined in the **code of practice (public and collective)**;
- Is linked to **the environment** and to the **natural and human factor of a given region**;

Tipicity has a double meanings

- **Horizontal**: the good is both specific (different) and unique and therefore relates to a given region (typical of ...);
- **Vertical**: empathizing its determinants, i.e. the combination of natural and human production factors that go into making it (**concept of Terroir**).
Focusing of Quality

- While for Standard products (SP) quality is exogenously defined by relationship between actors (mainly driven by marketing strategies), for Specific Quality products (SQP) as GIs, quality is endogenously defined as the result of socio-economic adjustments between actors. Those actors may reach a good co-ordination on markets by using the same convention of quality.

- Quality can be considered as built up simultaneously within two processes.
  - Quality is an issue of a learning process and a negotiation between partners on the market;
  - Quality supposes a global agreement between institutions, which are produced by the actor's strategies and co-ordinations.
Economic actors must have the same idea on quality in order to be able to produce and exchange goods on the markets. Boltanski -Thevenot (1991) have proposed six different ways of coordination available for the actors:

- **Interpersonal links**: actors know and trust each others about the product qualities ("domestic" or "interpersonal" convention);
- **Reputation**: actors take into account the reputation of the best known firms (opinion convention);
- **Standards**: actors assess quality by reference of technical defined and implemented standards (industrial convention);
- **Innovation**: actors refer to innovation rate to judge quality (inspiration convention);
- **Society**: actors assess quality in reference to the links with civic interests (civic convention);
- **Market**: actors are able to judge by themselves the product and refer to price (market convention).
Definition of rule and implication for quality

Quality definition for Coppa di Piacenza PDO

Maturing period in months

Weight of fresh meat cut

PDO
Definition of rule and implication for the participation at the system

The definition of the rules including the delimitation of the territory has implication on quality but also to the participations of economic actors to the GIs system (*Me too strategy*).

The case of Parma Ham PDO

- Area of Parma Ham production
- Area of pig production and slaughters
Who should define the rules?

Rules should set up collectively in order to avoid the “erosion” of the reputation.

The presence of the territory in the name of the products, as distinctive quality sign, makes easier the adoption of unfair behavior by some firms reducing more and more the reputation of the system.

*Governance* and *control activity* became important an appropriate, *finalized to the respect of the rules and the quality standards by all the actors*. This action has also the objective to increase the trust and to legitimate all the actors involved in the chain.
Who should define the rules?

The balance among the different interest groups within the supply chain by an appropriate governance action is an important factor in facilitating the decision-making process. It is possible distinguish between:

• **the initiator** (in some case public bodies), who was the first to spot the opening, to obtain legal protection, and/or to see the need for better differentiation of the product on a collective basis;

• the **inter-professional body**, that is the applicant group (in the sense of Regulation 510/06) seeking legal protection for the product under the PDO / PGI schemes;

• the **channel captain**, the economic leader in the supply chain.
Who should define the rules?

There are three different levels of governance with different implication for the territory, the sector, the firms and ... market strategies:

**territorial governance**, when priority is given to the involvement of local actors with the safeguard and enhancement of the area becoming central, and it is common that local firms and institutions make formal and informal agreements;

**sector governance**, when priority is given to actors involvement in the supply chain, with firms and institutions from the same sector making formal and informal agreements;

**corporate governance**, when priority is given only to some links involved in the supply chain or to a single company that negotiates with institutions (Sylvander, 2004).
The rules of PDO Consortia

Law no. 128 of 24 April 1998 (and following modifications in the Community Law of 1999, no.526)

The Consortia can:

• **define programs aimed at the improvement of the quality** of products in terms of sanitary safety, chemical, physical, organoleptic and nutritional characteristics of the product;

• collaborate in the supervision and safeguarding of the PDO, PGI **from unfair competition**;

• **promote proposals** and carry out consultations tasks related to the product concerned.
The rules of PDO Consortia

Reg. EC 510/2006 – Applicants

Only a group shall be entitled to apply for registration. ‘Group’ means any association, irrespective of its legal form or composition, of producers or processors working with the same agricultural product or foodstuff. In Italy, most of the associations are Consortia.

Who are the bodies verifying compliance with the provisions of the specification?
Art.10 of Reg. 2081/92 and art. 14 of Reg. 2082/92 establishes that Member states must set up control structures with the task of guaranteeing that agricultural and food products in possession of protected designation or an attestation of specificity meet with the regulatory provisions. These Articles also request that, starting from the 1 January 1998, the designated control authorities meet the conditions outlined in EN standard 45011.
The rules of PDO Consortia – some examples

1. Consorzio del Prosciutto di Parma

2. PARMIGIANO REGGIANO
The rules of PDO Consortia – some examples
The rules of PDO Consortia – some examples

65% of the value of PDOs and PGIs on the market is given by four products: Parmigiano-Reggiano, Prosciutto di Parma, Prosciutto di San Daniele e Grana Padano

The reputation of 4 products has been built up by the Consortia which have worked on product reputation through the collective brand for decades.

These Consortia have developed a collective management of the products through:

1. reputation of the product assured by quality controls made by the Consortia themselves;
2. the legitimacy by public Institutions which uncharged the Consortia with quality controls;
3. promotion and protection from frauds and imitations.
Most of the Consortia founded after 1992 didn’t have the possibility of building up the collective management of the products, mainly because they do not control the quality of the products.

The success of these products strongly depends from pre-existing industrial brands;

PDO and PGI add value to the products only under the strong reputation of a brand.
Who is responsible of marketing strategies?

Consortia Vs Firms

<table>
<thead>
<tr>
<th>Strategic MKTG</th>
<th>Marketing Mix</th>
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<tbody>
<tr>
<td>Consortia (if strong)</td>
<td>Product = Consortia</td>
</tr>
<tr>
<td>Firm (is strong)</td>
<td>Price = Firm</td>
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Publicity = Consortia
Placement = Firm
The rules of PDO Consortia

Two more examples:

Melinda and Marlene are brands owned by Consorzio Melinda and Consorzio VOG.

They first implemented a collective management of the products and only recently applied for the designation and the indication of origin.
Industrial brand Vs Collective Brand

Why a PDO policy in an international group?

Three main reasons

- A family company: our Boss loves cheeses and wants to have the best cheese board in the world.
- PDO cheeses are prestigious cheeses and Lactalis, as a world leader for cheeses, has to master all the cheeses technologies, including the most traditional range of European cheeses.
- PDO cheeses have a strong growth in France, and the concept begins to be known abroad: a strong trend for a link to the territory.

(from IAMA, 2007)
Industrial brand Vs Collective Brand

PDO & Brand in Roquefort

- Outside France, PDO Roquefort is well known, even if it is often used not for the right product (Roquefort dressing)
- Because Roquefort is a very old traditional cheese, and has been promoted since a long time, the name is easier to promote
- PDO is stronger than brand outside France, but brand helps to promote the product, it gives a supplementary status to the PDO.
- Societe becomes the symbol for Roquefort in many markets, and is mainly sold in pre-packed forms.
- With the commercial strength of the group (wide range of cheeses), it is possible

(from IAMA, 2007)
Industrial brand Vs Collective Brand

PDO & Brand in Roquefort

The brand Société is not a very strong brand “per se”, but is helped by the renown of the product and linked with it.

What are the values of Roquefort?
- Tradition, Knowledge, Taste, Territory,

What are the values of Société?
- Tradition, Skills, Quality, Convenience

Values are the same
They are perfectly complementary

(from IAMA, 2007)
Industrial brand Vs Collective Brand

Président and Comté

- The success is immediate: good reception from the distribution and strong sales
- Double-digit growth since 2000
- Président is now leader in pre-packed Comté
- Our facility has not the capacity to supply the level of sales: we have to buy cheeses from competitors
- The Président brand is able to give a reinsurance to the consumer who does not know the Comté cheese. Our sales are mainly outside the traditional zones
- We have enlarged the sales throughout France and begin to export
- A traditional cheese as Comté is supported by a strong brand out of its region
- In that case, we need a strong and well-known brand

(from IAMA, 2007)
Industrial brand Vs Collective Brand

PDO & brands: a general law?

- In any case: mastering quality and specificity of the product: each PDO has its own tradition and cultural approach.
- We have to deal with: it’s not only marketing!
- “Big” PDO are well-known world-wide: Parmiggiano, Roquefort, Gorgonzola, Grana, Pecorino, Comté (most Italian)
- For these products, brands are complementary and useful in the case of pre-packed cheeses

(from IAMA, 2007)
Industrial brand Vs Collective Brand

And smaller PDOs?

- For these products, the case is quite different
- More space for local brands: more significant and well-known for local consumers.
- Difficult to promote a national (or international) brand: confusion of image
- Small quantities make difficulties for advertising to obtain a share of voice
- Small factories have high costs
- Leave the floor for private labels from distributors which find a legitimacy in the label
- But stronger support from local authorities

(from IAMA, 2007)
Industrial brand Vs Collective Brand

How to Recognize Authentic Products

The D.O.P. seal (on the right) certifies authenticity of a product; more specifically, certifies the authenticity of the product being entirely produced in a specific geographic area. The seal is confirmation that, in the case of extra virgin olive oil, for example, olives have grown, been pressed, and bottled in a small, very specific area that yields olive oil with a distinct character.

While the D.O.P. seal certifies authenticity and geographic origin, it does not necessarily guarantee top quality. In fact, quality can actually range quite considerably among D.O.P. certified products. Academia Barilla therefore takes on the task of selecting only the absolute best among the D.O.P. certified oils, seeking out products that have superb flavor and faithfully represent the distinct characteristics of a region.

On the crust of Academia Barilla’s authentic Parmigiano-Reggiano D.O.P., you should find impressed the words “Parmigiano-Reggiano”. These should be clearly visible even on smaller wedges. If the marking has been cancelled or branded over with X signs, the product does not meet the consortium standards and cannot be called or sold as Parmigiano-Reggiano. Academia Barilla only selects the finest made authentic Parmigiano-Reggiano, that has been D.O.P. certified.
Industrial brand Vs Collective Brand

Actors in the management of typical products reputation

Brand promotion

Quality signs (DOP IGP)

Definition of intrinsic quality of the product and organization of the supply

CONSORCIA

PRODUCERS ASSOCIATIONS
The consumers response and related strategy

A Cognitive marketing approach?

To inform consumers on the global characteristics of the product (intrinsic and extrinsic: quality + history + territory + human factors) allows to:

• Reduce the information asymmetry with the consumers;
• Increase the cultural dimension of the products;
• Generate an “atmosphere” between human factor and typical product;
• Generate a “qualitative plus” creating the difference with other standard product;
• Increase costumers fidelity.
Concluding thoughts

Geographical Indication are very rich and complex products that require competences and regulation for respecting local environment, producers and consumers;

It is very easy that Geographic indication become “banal products” and, as consequence, they reduce their value (not only under economic point of view);

Geographical indication and AOC require a particular attention and knowledge by consumers;

Geographical indication are much more than a simple good product created by a good marketing manager... as Mr Rolland (Mondovinofilm.com)