Chapter 2

Territorial-Based Marketing Strategies for Typical Agro-Food Products:
Issues and Perspectives

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ABSTRACT

Geographical brands are one of the most relevant competitive levers in the agro-food industry, given the predominance of small and medium enterprises, with corporate brand salience closely linked to the origin of the business, the inputs, and the production process. They are one of the most significant attributes affecting the product evaluation by the consumer. This chapter aims to contribute to the understanding of the effects of geographical indications on demand side and on supply side. It summarizes the main findings highlighted by scholars about the impact of geographical indications on consumers' choice and on business and territorial strategies. It also examines the interconnections between geographical indications, agro-food products, and territorial reputation by analyzing four case studies. Best practices are linked to the communication of intangible elements related to the typical product, such as credibility, authenticity, warranty, and preservation of social and economic values.

INTRODUCTION

Given the nowadays market size, accessibility and globalization, businesses need to bring out their identity even through the lever of product origin to gain in competitiveness. Similarly, during the decision-making process consumers seek information about origin to assess product quality and to pursue their own consumption motivations (Aiello et al., 2009).

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These aspects are much more significant in agribusiness than in other industries because the product characteristics are closely related to its origin from the viewpoint of the natural resources and the human *savoir faire*. The increased openness to new markets has forced many agro-food businesses to enhance their market positioning through the territorial anchorage.

The geographical boundaries that create distinctiveness for food products are often narrower than the country or region. Therefore, geographical brands (from COO label, to appellations of origin up to the indication of a local area of production) and their combination with corporate brands are one of the most relevant competitive advantages between countries, regions and companies. Local consumers are often the target market of the typical products, for which the designation of origin helps to strengthen consumer loyalty, to certify the origin and to preserve the product characteristics over time.

Since 1992, several food products in Europe have obtained legal protection and certification of production origin and process through the EU schemes of Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) and Traditional Speciality Guaranteed (TSG) based on the Reg. EEC No. 2081/1992 and 2082/1992 repealed by Reg. EC No. 509/2006 and 510/2006 and by Reg. EC No. 1151/2012 in force nowadays. Recently, the Commission Delegated Regulation (EU) No. 664/2014 of 18 December 2013, the Commission Implementing Regulation (EU) No. 668/2014 of 13 June 2014 and the Commission Delegated Regulation (EU) No. 665/2014 of 11 March 2014 have implemented: the establishment of the Union symbols for PDOs, PGIs and TSGs, the Regulation (EU) No. 1151/2012 and the conditions to use the optional quality term 'mountain product'.

According to data available on DOOR Database (2014), about 1,200 PDOs and PGIs, and only about forty TSGs were registered in June 2014. France, Italy and Spain hold more than half of these products. Cheese, fruit and vegetable, oil and meat are the product types with the highest number of PDOs/PGIs. Wines with geographical indication are listed in the E-Bacchus Database (2014). France, Italy and Spain are the most relevant suppliers. Since 2009, the European regulation (Reg. EC No. 1493/1999) has included these wines within the same PDO/PGI categories of the other food products. In this way, a bundle of European typical wine and food products has been set up.

This wide supply results from the product specialization of European businesses based on the specificity of the natural and human resources. Problems arise in relation to the recognition in the market and the knowledge of consumers about the link between product, quality and origin. This link is easier to transmit to local consumers than to consumers outside the origin area (van der Lans, van Ittersum, De Cicco, & Loseby, 2001). Scholars agree that in the agro-food sector the indication of origin provides both the producers and the consumers with benefits, because it increases the visibility and recognition of the product on the market. Furthermore, it improves the information degree: the uncertainty and the risk perception of the consumer decrease, pulling the little-known producers on the market.

According to the data available on the European Union (2014), PDO and PGI products sales accounted for about 16 billion Euros in 2010 (latest available data), mostly in the domestic market (78%). Despite the unfavorable economic cycle in the period 2005-2010, sales have grown at an average annual rate of 3.8%. The turnover is focused on five product types, and cheeses have a dominant role (Figure 1).

Few countries generate most of the value (Figure 2). Italy concentrates almost two-fifths of the value, generated by cheeses and meat products for about 90%. Italy produces some of the most well-known designations of origin in the world, with high production volumes (i.e. Grana Padano PDO, Parmigiano Reggiano PDO, Prosciutto di Parma