

Remuneration: marketing a GI product

The GI system, its organization and its product(s) are dependent on the remuneration stage of the virtuous quality circle: Economic remuneration allows long term business sustainability. However, marketing needs to be considered at the outset of the origin-linked quality virtuous circle. The identification stage of the circle needs to verify carefully if a GI product has market potential and if this potential can be feasibly translated into sales that generate sufficient income and profit to support the entire GI initiative. Once the project has been deemed feasible, then other stages of the virtuous quality circle can be pursued.

Being knowledgeable about markets, marketing channels, consumer demands, selling and competition, in other words marketing, can reduce the risk of business failure and increase chances of generating income and profit for the GI organization and its members. Profits will enable the GI system, its organization and members to survive in the long-term as costs will be covered, remuneration for its members will be earned and investments for the future can be made.

However, marketing of GI products represents a challenge: Marketing must be considered from the point of view of the GI organization (collective marketing), as well as from the point of view of its members (individual marketing). Importantly, marketing carried out needs to be integrated between these two levels. Further quality aspects, territory, social and cultural issues as well as other related economic sectors, such as tourism, also need to be considered in the marketing of GI products. Chapter 3.1 considers the need to provide an organized foundation for the GI system and the GI organization; the importance of appropriate agreements, rules, roles and responsibilities, as well as a structure that governs such an organization. Chapter 3.2 focuses on strategic marketing and marketing planning, while chapter 3.3 focuses on the operational side of the marketing activity.

3.1 Building an organization to manage the geographical indication system

Introduction

The remuneration phase as well as the qualification phase of the virtuous circle require the coordination of GI producers. In order to generate governance actions that include all stakeholders of a GI system. The establishment of a collective organization supporting the GI system at all stages (setting up rules, controlling processes, product commercialization and conflict resolution) is recommended.

Importance of a GI organization

Setting-up collective rules for GIs strengthens the links between local stakeholders, especially when marketing their product. This common interest creates interdependence, and thus become the foundation for collective actions.

To create value for consumers and income for producers, the GI production system, like for most value chains, involves a series of activities undertaken by stakeholders owning different assets. However, unlike most value chains, all members of the GI production system share a common asset: the GI's reputation. This common asset justifies a specific coordination structure, representative of all the members of the GI production system. Indeed, the commercial behaviour of each producer has an effect on the reputation of the GI; as well this collective reputation impacts each producer.

Collective initiatives can increase benefits and reduce the costs of using the GI for marketing the product. All professional categories of the supply chain should agree on giving responsibilities to a common structure in order to contribute to maintaining quality and reputation, and thus, increasing the value of their GI products.

Roles and activities of a GI organization

It is important to take into account that GI producers are often involved in the production and marketing of different products (the GI product as well as others), while the GI organization focuses its marketing on only the GI product.

The activities that the GI organization can carry out to support the GI system are manifold. The GI organization may enable the reaching of agreements among local producers on questions related to production systems and marketing strategies. Usually, the GI organization manages the control system (directly or indirectly) to guarantee the quality level of the GI products for producers and consumers according to the CoP. Other important and frequent activities of the coordination structure are related to the collective market promotion of the product and. In some cases, the organization directly manages some production or other activities such as final processing, and classification or packaging of the product.

BOX 1: EXAMPLES OF ACTIVITIES AND SERVICES THE GI ORGANIZATION MAY PROVIDE

RULES AND CONTROLS

- Set up the local rules (CoP) and adapt them over time.
- Manage an internal control system and reduce the cost of external certification through economies of scale and management of relations with the external certifier.
- Facilitate conflict resolution and arbitrate in case of disputes over the CoP. A legitimate and objective representative commission can decide if practices are compatible or not with the CoP.

PRODUCTION

- Increase the quality of the GI product by providing technical assistance and information, facilitating the introduction of innovations.
- Directly manage some production activities, like final processing and classification or packaging of the product.
- Reduce the individual costs of services that usually are unaffordable for most individual small-scale firms; for example, product research and development, technical advice and information relating to competitors and quality and production volume of the GI product.

MARKETING

- Increase the bargaining power of local producers in the supply chain. The GI organization might become a place for structured negotiations on quality and price premiums among the different professional categories.
- Elaborate collective marketing strategies; although many responsibilities such as customer relations, the sales force, price and distribution will remain the responsibility of each producer.
- Develop collective actions to reduce costs (for example market research and information and promotion initiatives in order to gain visibility in the market).

COORDINATION, REPRESENTATIVITY and SUSTAINABILITY

- Represent the GI system in the dialogue with external actors, in particular with public authorities in charge of GI policies.
- Facilitate access to firms who want to use the GI protection scheme.
- Develop internal trust among producers and processors who share the use of the GI; Provide a forum for discussing problems and opportunities to use the GI;
- Improve coordination between producers and between different stages in the supply chain, thus improving the efficiency of the value chain and the competitive position of producers.
- Make proposals for orienting the evolution of the GI system towards economic, social and environmental sustainability.

The organization structure

The organization should represent all the stakeholders of the GI production system. A formal definition of the organization's structure is necessary and can take different forms; association, consortium, group of representatives of professional categories involved in the production process of the GI product, cooperative or inter-professional organization. The organization in charge of managing the GI system should be the same as the group applying for the GI legal protection and it should incorporate the lessons learned during the GI application phase.

This organization may include stakeholders active at different levels of the GI supply chain: raw material producers, primary processors, secondary processors, and when relevant to the GI system, middlemen or distributors (See figure 1). In principle, the organization should represent all categories included in the CoP, and in a way it

Case Study

Case study 1: An organization supporting a GI product COMTE CHEESE (France)

Created in 1963, the Inter-professional Gruyère and Comté Committee (CIGC) is both the representative of the actors within the supply chain and their intermediary with economic, administrative, political and academic partners. It commercially promotes Comté Cheese, defends the interests of the professional network, organizes cultural events and conducts research. Its activities include marketing management, protection and regulation of the PDO, communications, advertising and managing the internal cohesion of the network. The CIGC covers 95 percent of its operating costs from its activities. It receives public grants for some research activities, but they only represent 5 percent of the organization's budget.

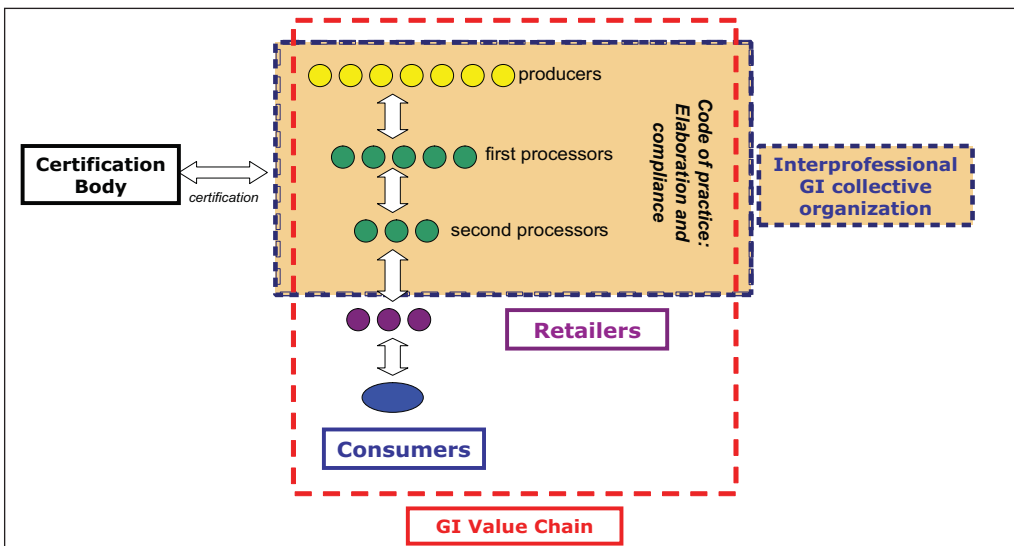


Source: Van de Kop, P. *et al.* 2006

represents all types of actors within the category. Normally, these categories nominate their representatives to the organization.

Producers belonging to the GI value chain delegate certain responsibilities to the collective representative organization, depending on the objectives they have. The collective actions complement individual entrepreneurial actions and do not replace them. All members maintain their financial autonomy, remain owners of their assets, trade with partners of their choice and retain a level of technical freedom within the CoP.

Figure 1: Example of a GI inter professional organization.



Case Study 2: Building a producer organization KAMPONG SPEU PALM SUGAR (Cambodia)



Palm sugar has been produced for a long time in the Kampong Speu province. In this mountain area, sandy soils and low rainfall combined with the know-how of producers concentrate the aroma and make Kampong Speu Palm Sugar particularly tasty. That's why this sugar gained a reputation in the market and encouraged the local producers to organize themselves in order to set up and manage a GI. A task force of 14 members has been set up through an election process comprising representatives of producers and representatives of public and scientific support organizations. Among its missions, this task force was responsible for discussing and drafting the statutes of the future GI association (GI organization). After five months of preparation work, the GI association was created. Today the GI association is composed of 142 producers and is proceeding with official registration of Kampong Speu Palm Sugar as a GI product. The association has led the identification phase, together with supportive actors within a national project, and is now setting up the rules for using the GI by elaborating the CoP and the control plan. It will keep coordinating the GI system once the GI is officially recognized.



Source: Sereyvath P, 2009. and Pilot project for geographical indications in Cambodia - Ministry of Commerce of Cambodia / AFD / GRET / CEDAC / Ecocert

The composition and rules for running a GI organization are very important issues. The following key principles should be taken into account:

- Representativeness in the management board of all categories of firms involved in the GI value chain and of all types of actors within each category (for example artisan and industrial processors, small-scale and large-scale farmers). If a category is insufficiently represented, it might not respect the rules or may act self-interestedly.
- Transparency and democracy in the decision-making processes, taking into account the effective participation of each actor in the economic activity of the GI system.
- Equitable financial contribution of each member to the GI organization, on the basis of correspondence between costs and benefits. It is good practice to differentiate the membership fee (unique and not too expensive) and the payment for services (that should be proportionate). In some situations solidarity principles could apply, asking more from bigger stakeholders in order to support smaller ones taking part in the GI organization.

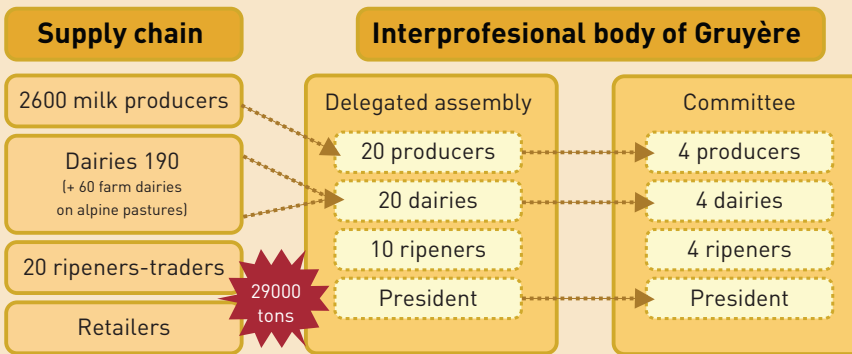


- Participation of the local public administration in the GI organization allows greater coordination with public policies.
- Promotion of communication and networking as important dimensions of the local GI production system organization.

As in any organization, the definition of internal rules (and their constant improvement) should be considered, including conflict resolution mechanisms. The statute should consider good practices, models and legal requirements provided at the national level. It should seek advice from other previously successful organizations in the country and seek support from specialized support agencies with expertise in rural organizations.

Case Study

Case study 3: The organization structure PDO GRUYERE (Switzerland)



Gruyère is one of the most important PDO cheeses in Switzerland. In 1997, three years before obtaining the PDO protection, Gruyère cheese created the inter-professional organization. It groups all firms active in the production of Gruyère cheese, all of whom pay contributions to the structure according to the volumes of milk or cheese they process. The different categories (or sections) have their assemblies consisting of elected delegates. All changes in the CoP and all other important decisions need the approval of each assembly. Each assembly also appoints four representatives to the committee. Wide responsibilities are attributed to the inter-professional organization, covering quality assurance (CoP, internal controls, including organoleptic tests, certification, etc.), image, promotion (including foreign markets), price negotiation and volumes, etc.

Source: SINER-GI. 2006



To be or not to be... part of the GI organization?

Producers located in the GI delimited area and producing the origin-linked product have to decide whether they want to be part of the GI organization, meaning producing and processing in conformity with the GI code of practice and importantly using the GI for marketing the product. Such a decision has many consequences for the producer and the decision depends on the balance of advantages and disadvantages associated with the GI.

3.1

Generally speaking, entering the GI organization means that, while retaining autonomy, the stakeholder contributes to and implements a GI collective strategy by coordinating with other GI stakeholders. In terms of marketing, this means that after assessing the advantages and disadvantages of marketing the product with a GI, the stakeholder decides to combine a collective marketing strategy with his own strategy.

Table 1: Potential advantages and disadvantages of being part of the GI organization

DISADVANTAGES	ADVANTAGES
<ul style="list-style-type: none"> • Firm marketing plan dependent to some extent on the collective marketing plan (strategic and operational). • Some degree of interdependence with other firms using the GI Membership fees for the GI organization. • Possible internal costs for adaptation to formal rules as stated in the GI code of practice. • Certification costs, both paid and not paid, depending on the guarantee system 	<ul style="list-style-type: none"> • Prevent fraud and usurpation by enforcement of the GI code of practice. • Opportunity to enter new market segments and market places. • More visibility of the GI product on the market and increase of sales. • Services offered by the collective organization and at lower cost through economies of scale (see box 1). • Increase of product reputation and value. • Increase in reputation of the firm as a whole (benefits on selling other products of the firm).

PRACTICE

Think about the issues raised in this chapter in relation to your situation.

Answer the following questions

Composition of the GI organization

- Who are the stakeholders in the supply chain of your GI product?
- What are their objectives? Do they agree on these objectives? Which issues are controversial?
- Who leads the chain? Who holds the power in the chain? Are there any bottlenecks in the chain or dominant positions among the actors?
- Does the organization include producers, processors and traders? If not, why?

Statute of the GI organization

- What are the definitions and rules that apply to associations in your country? Are there specific rules concerning inter-professional bodies?
- Are there leaders in the collective organization who could take on the roles of President, Treasurer, Secretary and Controller?
- Are there several sections, according to each type of actor, within the interprofessional association?
- Do the statutes of the GI organization mention any membership fees, service fees, decision-making rules, sanctions or conflict resolution procedures?
- For each main task, (defining the rules, carrying out controls, implementing the internal control system, promoting marketing and resolving conflicts) is there a clear procedure and responsibility?
- Are members elected? Is a secret vote system in place?
- Is there an election rule that ensures at least one experienced leader remains in place after each election?
- Does the GI organization have financial and human resources to carry out these tasks?

List in the table

- 1) What are the main tasks of the GI organization?
- 2) What are the responsibilities and related obligations?
- 3) What are the specific human and financial resources needed by the collective organization?

1) Tasks of the collective organization	2) Responsibility and liability	3) Adequate human and financial resources
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3.2 Actions for strategic marketing

Introduction

Marketing should be considered at the outset of the virtuous quality circle: The identification stage needs to verify if the origin-linked product has market potential and if this potential can be feasibly translated into sales that generate sufficient income to support the entire GI initiative. Marketing is a risky operation; it can lead to an increase or loss of income. Therefore, marketing both at the collective and individual levels, has to be carefully planned and managed. Strategic marketing provides the “road map” for selling the GI product.

Strategic and operational marketing

Marketing encompasses all the tasks that are needed to sell. It is usually written down in terms of a marketing plan. The plan aims is to reach consumers according to market opportunities, taking into account the potential and limitations of the GI product, the production organization and individual producers involved.

The plan is usually divided into two main parts; strategic and operational. The strategic side constitutes the “road map”, which gives direction to the marketing effort and addresses such questions as: Who to sell to? And where to sell? These questions are usually answered by an attentive analysis of consumers, opportunities and threats found in markets and the business environment and the strengths and the weaknesses of the GI organization and its individual members.

The operational side of the plan looks at implementing the strategy and addresses such questions as: How to sell? And when to sell? (This is commonly referred to as the marketing mix (see chapter 3.3). The operational plan simply means organizing the marketing strategy to sell the GI product. For example, will the product be directly sold to consumers via on farm visits, or to wholesalers, exporters and retailers and promoted at food fairs? This part of the plan is primarily about who will do what in terms of making the marketing strategy become real and who will be responsible.

Marketing planning is essential both at the collective level (GI organization) and at the individual level (firm), and a right balance and coherence have to be ensured between them, depending on the concrete situation of the GI system. In some situations, GI firms are well structured and organized and they have clearly defined their marketing strategy. In this case, the GI organization may intervene on specific tasks where it is more effective to work collectively, for example in market analysis. In other situations, especially for small-scale GI producers with limited capacity and resources, the collective organization may define the whole marketing plan by enhancing the participation of all categories of stakeholders in its preparation. In this case, stakeholders should build their marketing plans on the framework of the collective plan.

BOX 2: STRATEGIC AND OPERATIONAL MARKETING FOR GI PRODUCTS IN TUNISIA

Some GI products are being established in Tunisia. Strategic and operational marketing are being developed in order to assess potential markets and possible commercial partnerships:

- The Pomegranate of Gabès is produced in the oasis of Gabès on the coast and enjoys a good reputation, especially in Gulf countries to which they are exported. In order to assess the European export market potential, a commercial partnership with a local exporter led to selling a limited volume of pomegranates in a wholesale market in Rungis (France) with a specific reference to its origin-linked quality. This experience permitted testing of wholesalers' interest, established relationships with traders and checked the guarantee system's efficiency.
- The Black sheep of Thibar is a specific local species historically produced in the region of Beja. In order to assess the feasibility of promoting and selling the origin-linked product on local markets through large-scale distributors and the receptivity of local consumers, the producer association (represented by its president) and a retailer negotiated a specific commercial contract. This included an improved selling price and specific information on the local breed and origin-linked quality within the supermarket.

Source: Technical Cooperation Programme of FAO/ Ministry of Agriculture and Hydraulic Resources of Tunisia

Commonly, relationships between each individual producer and the GI collective organization and other GI producers is a mix of competition and collaboration (co-opetition). This will define how each producer will integrate his or her own marketing strategy with the collective one and how much each will differ from those of other GI members.

Developing a strategic marketing plan

The strategic marketing plan helps define long and short term strategies. It defines market objectives on the basis of potentials, limitations, market characteristics, competitors, etc. For GI organizations to have clear objectives shared among members is a very important aspect. These objectives need to be shared among all members of the GI organization and consensus needs to be achieved

The strategic part of a marketing plan requires two main steps:

- Market analysis: the study of consumer motivations, attitudes, perceptions, willingness and ability to pay, competition, market opportunities, possible commercial partnerships, etc.
- Segmentation, targeting and positioning, are "tools" developed through market analysis and used to develop a marketing strategy.

Market analysis

Market analysis aims at identifying the business environment and the characteristics of the market, both related to competitors (number, strategies, pricing and quality, distribution, etc.) and to consumers (characteristics, quantities bought, level of income, food habits, gender, age, etc.).

The necessary market data and information can be collected using different tools: formal interviews with buyers, formal surveys of consumers (for example a questionnaire used to interview consumers in a marketplace, case study 4), media or website information. GI organizations are usually at an advantage in market analysis as they have more resources to commit to their market analysis. Members of the GI organization can contribute their market knowledge and their network of social contacts. Internal GI records and accounting system can also be another important source of market information. Moreover, the GI organization can commission an expert or a specialized agency in marketing research and carry out an in-depth market study.

Members of the GI organization can also carry out market analysis. Informal and formal talks with rural traders, wholesalers, retailers and transporters can provide a wealth of market information. Small-scale producers can also carry out consumer surveys with simple questionnaires and organize tasting panels where consumers are asked to sample the GI product and provide their impressions.

Case Study

Case study 4: Market research and consumer surveys TURRIALBA CHEESE (Costa Rica)

In 2006, different studies were undertaken to define the specific quality linked to geographical origin for the Turrialba cheese (interviewing farmers and dairy processors; chemical, physical, microbiological and sensorial analysis of the cheese) and to identify the market potential and consumer demand. The survey on consumer perceptions was conducted with 201 interviews in some shopping areas in order to help define the preferred characteristics of the cheese, its reputation, consumer characteristics and their willingness to pay. The methodology used an open-ended questionnaire to enable consumers to express fully their views on the cheese, visual identification, etc.



The results of the survey provided the following:

- confirmed the image of tradition for the cheese, with specific flavour and texture;
- identified the preferred places of purchase for consumers and;
- consumer awareness and proof of a longstanding reputation: For example 81.6 percent of consumers polled agree on "Queso Turrialba", among different types of white cheese, as very distinct and recognizable.

On this basis, producers defined the marketing plan, in particular the different market channels to be used according to consumer type and location:

- distant urban centres via middlemen;
- shops in the local villages and in nearby cities via local sellers and;
- direct selling to consumers during fairs (in particular the annual event organized by producers in Turrialba) and selling on farm, in relation to the development of tourism and the "route of the Turrialba cheese"

Source: Blanco, M. 2007.



Another common “tool” used for market analysis and assessment is SWOT, (Strengths, Weaknesses, Opportunities and Threats). A SWOT analysis allows the identification and description of the current situation involving a GI product and its organization. It focuses on: Strengths and weaknesses of the GI product as well as the capacity of the GI organization and its members to face those challenges: Opportunities, such as consumer willingness to pay higher prices for GI products: Threats, such as competition: Box 3 below provides a sample SWOT analysis.

BOX 3: EXAMPLE OF A SWOT ANALYSIS FOR WHICH THE STRATEGIC MARKETING IS MANAGED BY THE GI ORGANIZATION: PARMIGIANO REGGIANO (ITALIA).

STRENGTHS	WEAKNESSES
<ol style="list-style-type: none"> 1. High quality standard of the cheese. 2. Reputation of the Consortium label both nationally and internationally. 3. Protection from imitation through PDO recognition and Consortium measures. 4. Product differentiation in terms of presentation and packaging (vacuum packed pieces, snacks and grated cheese). 5. Presence of cooperatives for processing stages. 6. Contribution to rural development 	<ol style="list-style-type: none"> 1. Fragmentation in the production stage (500 dairies and 5 000 farms). 2. Few processors carrying out the ripening phase. 3. Rigidity of dairies producing only one product. 4. Failure of horizontal and vertical integration strategies for controlling excess supply. 5. Failure in communicating quality differences established by the Consortium to consumers 6. Lack of own-brand strategies by producers / wholesalers.
OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> 1. High willingness of consumers to pay. 2. Increasing international popularity of Mediterranean diet and Italian cuisine. 3. Potential international property right protection of specialty products in the current WTO round. 4. Increasing efficiency of the EU legislation in avoiding fraudulent imitation both on the Italian and international markets. 5. Increasing consumer awareness of PDO recognition and PDO product characteristics. 6. Increasing consumer interest in new products (vacuum packed pieces, snacks and grated) 	<ol style="list-style-type: none"> 1. Increasing concentration and bargaining power of modern retailers. 2. Development of private labels at the expense of producer' brands. 3. Persistence of international economic crisis and drop in the consumption of high price products. 4. Increase in food consumption away from home and related substitution with cheaper ready. 5. Better chain organization of competitors in the cheese sector.

Market segmentation: dividing a market into categories

Market segmentation derives from market analysis. It is a process of dividing a particular market into different consumer categories. Each category (or segment) corresponds to a significant group of consumers with homogeneous characteristics in terms of need and behavior associated with relevant criteria for the concerned product. For example, a market can be segmented by age, localization, activity, purchasing power or other factors. The rationale for segmenting markets is that producers, depending on the product characteristics, can identify the most suitable segment(s) for marketing opportunities. In reality, it is difficult to offer a product that addresses the demands of all consumers, irrespective of their location, behavior and purchasing power, while facing the consequent competition from all other producers of the same product category.

Case study 5: Segmentation and targeting COLOMBIAN COFFEE (Colombia)

The National Federation of Colombian Coffee Growers is developing a marketing strategy that aims at achieving the differentiation of Colombian Coffee in different targeted markets.

- On the national market, the National Federation of Colombian coffee growers (FNC) set up a chain of shops specializing in coffee sales to the public, the “Juan Valdez Shops”. Since the opening of the shops in December 2006, 12 million national clients and tourists have already visited them. Juan Valdez shops have also opened in Spain and in the United States, improving international recognition and visibility of Colombian Coffee. The local tourism segment, which is also directly targeted, benefits from the creation of the “Coffee National Park”. Initially developed for the promotion of Colombian coffee’s traditions and culture, the park is today a real asset for the economic development of the area, offering different activities to local consumers (coffee museum, botanical path, attractions).
- For export, the FNC implements a program called “Café Especiales” (Specialty coffees) to take advantage of the various types of coffee that are produced in Colombia, with the objective of differentiating them on the international market. The product range of these “cafés Especiales” is based on characteristics such as sustainability (organic production, social development or preservation of biodiversity), origin (sub-regions within Colombia) and special care in the production process (higher quality). The demand for these kinds of products is improving on the world market and Colombian exports of specialty coffees are increasing, climbing from 200 000 bags in 2002 to 750 000 bags in 2007.

Source: Gallego Gómez, J. C. 2007.

COTIJA CHEESE (Mexico)

Producers of “Queso Cotija” have divided the market into different segments:

- Local market: this includes local consumers and consumers who live outside but close to the GI production area. In general, Cotija cheese is well known to rural consumers around the production area and they can recognize the authentic taste.
- Urban consumers: this includes consumers living in urban areas without direct access to the product. In order to reach these consumers, it is necessary to find out about their preferences, purchasing habits (supermarkets or other urban retailers), etc. It is also necessary to fight competition coming from industrialized imitations, as consumers are less educated about the authentic Cotija cheese.
- Nostalgic market: a large amount of the product is sold during the holidays, when migrants from the region come back. The nostalgic market segment involves migrant communities abroad, especially in the United States, where most people emigrated.
- International market: Cotija won an international cheese competition held in Italy in 2006, which triggered interest from consumers internationally. Cotija cheese thus became a source of national pride. This contributed to the increase in product value and of producer self-esteem



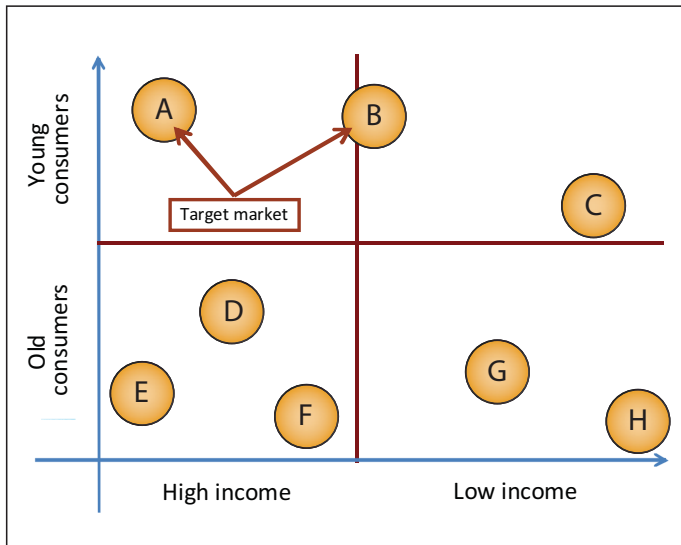
Source: Poméon, T. 2007.

3.2

The constitutional characteristics of the GI product differentiate per se the product, which offers unique quality attributes linked to its origin. It is important to identify and characterize consumer segments able to perceive and value such specific qualities and pay for it. Sub-categories of GI products (depending on quality type or presentation etc.) can address some specific expectations of each consumer segment with a specific quality-price ratio.

Defining and profiling segments should be based on measurable criteria; each group must have comparable characteristics (for example, income and age, See figure 2) and be large enough to guarantee an economic return to producers.

Figure 2: Examples of consumer's segmentation- by income and ages



Targeting: prioritizing

This phase consists of evaluating the various segments identified in the previous stage and selecting the most relevant on which to concentrate marketing efforts at one time. Typically, segments are evaluated based on their: accessibility (Can the GI product access the segment without any major constraints and threats?); reachability (Does the GI product address the segment's expectations with a comparative advantage compared to other products?); profitability (Does the segment have the ability to pay and is it large enough to make it profitable to market the GI product to it?) and feasibility (Can effective marketing programs be designed for attracting and serving the segment and is the segment responsive?).

For each segment considered, appropriate strategies can be defined, taking into consideration the specificity of the GI product. Two pathways can be considered:

- the selective marketing strategy, which consists of adopting a specific strategy for each selected segment depending on its characteristics or;
- the focused or concentrated marketing strategy, which consists of focusing on only one selected segment and concentrating all efforts on it.

Each segment identified as a marketing target will be developed by operational marketing with tools known as the marketing mix: communication, advertising, distribution channels, sales force, etc. (see Chapter 3.3).

Positioning: getting consumers to understand the product

Positioning refers to the consumer perception of the product value relative to concurrent ones. Consumers, depending on their particular characteristics, will classify products in their minds, according to a number of factors; for example, taste, aroma, texture, packaging, labels or emblems. Most commonly, consumers will rank products from best to worst, from cheapest to expensive, etc.

The role of positioning consists of providing an image, an “understanding” of what the GI product is all about so it can benefit from a privileged place in the mind of consumers. Thus the positioning strategy depends on the characteristics and expectations of each target segment.

One essential element for positioning is to associate the GI product with specific values relevant for each consumer segment; for example, tradition, taste, environmental responsibility, social equity, fair distribution of revenues, and so on. In this regard, a logo or labeling referring to the specific quality of a certain GI (common to all products coming from the firms using such a GI) gives the consumer the possibility to recognize and position the related values (terroir, origin, etc.) of the products and prefer them; thus the importance of a collective organization to develop such a strategy (See box 4).

Another action level for consumer awareness can be provided by using a national common logo that can be used for all recognized GI products (See box 5). This is the case, for example, of official quality labels designed by public authorities to certify product conformity as a registered GI.

In order to reach a precise position in the consumers’ mind, the use of a logo can become very relevant as a quality sign. Logos contribute to rank the quality level for consumers and help them recognize and purchase products reducing information asymmetry.

BOX 4: EXAMPLES OF LOGOS FOR VARIOUS GI PRODUCTS



BOX 5: EXAMPLES OF GI PRODUCT CATEGORY LOGOS



PGI PDO
European Community PDO and PDI logos



Common logos for Swiss GI products managed by the Association suisse des AOC-IGP

3.2

Another positioning choice regards the role played by the logo or brand of individual producers. (see chapter 3.3). In some situations producers take advantage and give more emphasis to the firm brand (when the internal concurrence is strong and there is a need for differentiation, or when quality levels inside the GI system are very differentiated). In other situations, producers prefer to give more emphasis to the GI and collective logo.

Another strategy for positioning the GI product is to associate the GI label with another differentiation label such as “fair-trade” or “organic”, or to participate in national or international food fairs in order to obtain formal recognition by professional peers. (See case study 5, Cotija cheese).

PRACTICE

Think about the issues raised in this chapter in relation to your situation..

Answer the following questions

- What are the characteristics of your supply chain?
- What are the characteristics of the market?
- What is the possible objective and strategic vision of your value chain and firm?
- Who are the competitors (products, firms)?
- How can consumers be grouped? Which market segments can be identified? What are their different characteristics and needs? Does your product fit with them?
- What should you communicate to consumers?

List in the tables

A. The following issues for your product (*the statements are only examples*):

1) Product characteristics and potentials	Ex: Intrinsic quality features (aroma, flavour, taste) Extrinsic quality features (maturing period, services level)
2) Market segmentation	Ex: Service criteria - Price/quality ratio criteria - Quality level criteria - Etc.
3) Targeting	Ex: Wealthy consumers -Local consumers -Fair - trade consumers - Etc.
4) Positioning	Ex: Respect for the traditions and rules of productions - High quality and high price - Medium quality and high services - Etc.
5) Which message to communicate and how	Ex: Country of Origin - Method of production - Specific intrinsic features - Sustainable aspects - Composition and social features of the supply chain

B. For your product and your firm’s characteristics, prepare a SWOT analysis for your target market (*the statements below are only examples*):

Strengths	<ul style="list-style-type: none"> - Good image and reputation of the GI product - Strong cohesion between actors along the chain - High social involvement of the local population - Sustainable return from the process - High capability to solve internal problems by GI producers association - Etc.
Weaknesses	<ul style="list-style-type: none"> - Low financial capability - Low capability to invest and to innovate - Low scholastic level of stakeholders - Marketing power concentration in some stakeholder in the chain - Etc.
Opportunities	<ul style="list-style-type: none"> - High consumer interest for GI products in fair trade channel - High willingness to pay for high quality GI products - Increasing consumers interest for GI products with high level of services included
Threats	<ul style="list-style-type: none"> - Sanitary regulation - Unfair competition in foreign countries - Presence of strong competitors in the same target market - Logistical problems as a result of small quantity produced - Non homogeneous quality - Etc.

3.3 The marketing mix (operational marketing)

Introduction

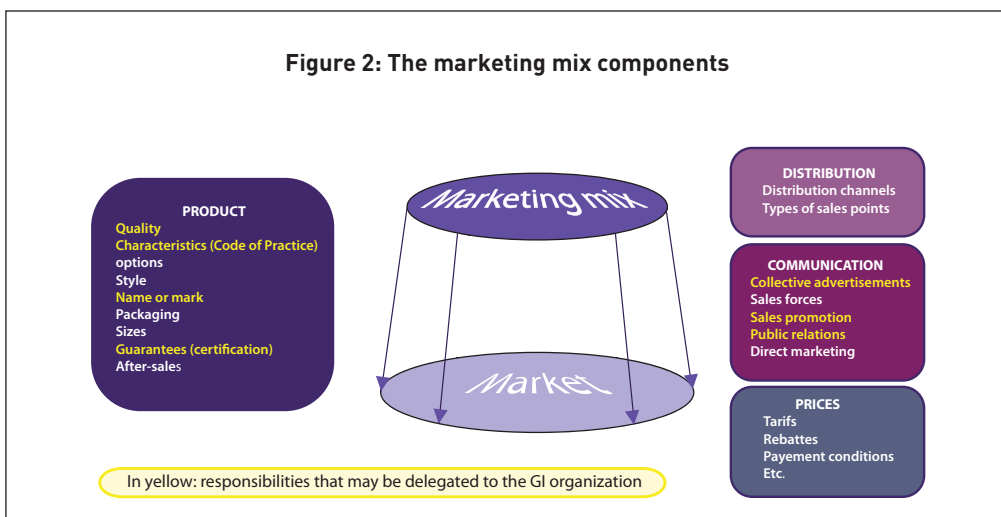
Once the strategic marketing plan is defined, stakeholders, individually and within the GI organization, have to make it operational by taking into account the GI Code of Practice. The marketing mix provides tools for decision-making during implementation of the marketing plan, taking into account such things as the optimal price, the market channel(s), the communication actions and costs.

What is marketing mix?

The marketing mix consists of establishing the means to achieve the operational objectives in each market selected by the GI organization and its members, by combining four operating factors: Product, Price, Place, and Promotion (conceptual framework of the “4Ps”).

Operational marketing activities are usually generated by individual actors. Indeed, GI organizations are often more dedicated to the definition of product characteristics and communication. But this is not a rule; The collective organization could also take decisions or give advice on product presentation, price and sale location and also be involved in other marketing aspects of the GI product.

Figure 2: The marketing mix components



3.3

Product

In addition to the specific characteristics described in the CoP, other product characteristics can be considered in marketing the GI product. The marketing mix helps to assess important assets, especially in relation with the three following categories:

1. The *attributes* of the product

The attributes refer to the tangible and intangible characteristics intrinsic to the product (color, flavor, aroma, taste, etc.), or associated with the degree of processing, the presentation or the packaging (for example coffee can be sold as beans or as powder; fruit can be fresh or dried). Some innovations to adapt the attributes to the modern means of consumption are always possible and not contradictory with traditional production and processing practices as defined in the CoP, provided that they are in line with the image of the GI product (see case study 9).

2. The *brand* of the producing firms

On labeling, in addition to the GI and product designation, usually can be found: the collective logo associated with the GI, managed by the GI organization: it allows consumers to identify easily the GI product and when it is referred to a verification/certification system, it guarantees product conformity and the level of quality.

A firm brand: It allows consumers to recognize the specific firm producing the GI product. This brand may be associated with a specific quality-price ratio.

A brand is an important asset to build the reputation and image of the firm, but often small-scale producers can't afford the cost of an individual brand. In this case, a collective brand related to the GI, and owned by the GI organization, will be the identifier.

Case Study

Case study 9: New attributes for longer conservation and types of logos**PARMA HAM PDO (Italy)**

The Prosciutto di Parma PDO has two logos on each leg: the collective brand of the Parma Ham GI organization and the individual brand of the producing firm. Now the Parma ham can be sold sliced in modern distribution channels and is presented in a special vacuum package. On this modern package, the collective brand of Parma ham is inserted in a big black triangle easily recognizable by consumers and identified as a guarantee of the specific quality linked to the Parma region.



Source: Giacomini C. et al (2008)

3. Packaging and labelling

The packaging and labeling contributes to value creation. Packaging can increase the level of services provided with the product. In particular, it can preserve intrinsic qualities of the product, protect it while in transport, or be used as an appealing “advertisement” for consumers. Labeling provides important information about product characteristics (composition, nutritional facts, description of how to use the product), about specificity related to the GI. In terms of quality and origin, when the GI logo is affixed to the product, the label guarantees the existence of a verification/certification system (see examples box 4 and 5 in chapter 3.2). Information can also be given that reinforces the image of the GI attributes; for example information, on the specificity of the production process and on natural resources used in it, the know-how, the link with the culture of the production area, etc. A label can also suggest possible utilization of the product in culinary preparations by “non-expert” consumers; for example, providing traditional recipes, suggestions for conservation, and so on. This can facilitate usage by consumers and increase opportunities to buy and consume the product.

By means of an appropriate design of the brand and proper packaging and labeling it is possible to create several product lines originating from the same GI product in order to address the consumer’s needs for a more choices, especially in terms of “services” included with the product.

Price

Price is a direct determinant of profits (or losses) in relation to sales. Price also determines, to some degree, the type of customer and competition the organization will attract. An error in pricing the GI product may limit the benefits from GI activities.

Case Study

Case study 10: Quality differentiation, price and labelling PARMIGIANO REGGIANO CHEESE (Italy)

Parmigiano Reggiano cheese maturation time spans from 18 to 30 months, according to the CoP. In order to make the different sub-categories identifiable to consumers and allow them to pay the appropriate value with respect to the quality and the aging period, the Consortia has developed three different quality signs signifying the maturation period of the cheese.

RED STAMP: “Cheese which matured for 18 months, has a somewhat distinctive milk base, with vegetable notes such as grass, cooked vegetables and at times flowers and fruits”. Its price is the basic one for this product.

SILVER STAMP: “Cheese which matured for 22 months, with more distinctive flavor with notes of melted butter, fresh fruit and citrus fruits as well as overtones of dried fruit. It has a balanced mild yet full-flavored taste, with a crumbly, grainy texture”. Its price is intermediary.

GOLD STAMP: “Cheese which matured for more than 30 months (extra-strong), has the highest nutritional value, has a drier, crumblier and grainier texture. It has a strong flavor and notes redolent of spices and dried fruit prevail”. The price of this cheese is the highest one.



Source: www.parmigiano-reggiano.it

3.3

Costs for producing and marketing the GI product will put a “floor” on the price that can be charged. Under this floor, prices charged will result in a loss, as money received will be below the cost of producing and marketing the GI product. Consumer demand will attach a “ceiling” to the price. If the price is above what consumers are willing to pay for a quality level, they will see the product as too expensive and look for something similar that is less expensive.

Pricing the GI product correctly is not easy. It is necessary to take into account the pricing objectives of members of the organization, price competition and consumer preferences in order to place the product price between its price floor and price ceiling.

In order to attract consumers, the best relationship between price and quality level in comparison to other products of the same category should be proposed. Thus, it is important to clearly evidence the specific attributes of the GI product in order to differentiate to the greatest extent possible the product from the consumer point of view and provide a justification for the consumer to pay a higher price.

Place

The choice of the place is complex, and concerns the selection of the distribution channel(s), the geographical location to sell the product and through whom the GI product will be sold (for example a wholesaler, a retailer, an exporter, etc.).

Normally, distant markets offer a potential (in particular in developed countries) because consumers value and are willing to pay higher for products perceived as “niche” and “gourmand”. But increasing the physical distance between production and consumption areas also increases costs and cultural differences.

For the distribution of GI products, three main channels could be considered, depending on GI characteristics and target market desires:

- traditional distribution and local direct selling;
- large-scale distribution;
- innovative distribution.



Feria plays an important role in promoting the products

Traditional distribution and local direct selling

Local consumers are usually extremely attached to traditional markets and direct selling, but this may present advantages and disadvantages. Generally, one positive element is that local sellers already know the GI characteristics, as well consumer habits and they often have a direct relationship with them. However, the volume capacity and the visibility of these channels are limited, as well as the possibility of increasing the price level. Moreover, local traders may be reluctant to use new selling or marketing techniques. Local markets are an adequate channel for small-scale GIs, where producers can sell small quantities taking advantage of interpersonal relationships. This aspect can reduce gaps as a result of the low marketing capacity of producers. At the same time, traditional shops are interested in GI products as they offer the possibility to differentiate their product assortments from those of large-scale retailers.

Case Study

Case study 11: Accessing a new niche market LIMON OF PICA (Chile)

At the Pica Oasis in Atacama, Chile, in the driest desert of the world, a special kind of lemon tree is grown. The fruit of the lemon tree is well-known for its unique scent and its high juice content, and it is a prized product for use in spirits such as Pisco Sour. A group of local producers have sought to obtain a Designation of Origin for the Lemon of Pica in order to protect its valuable reputation and encourage production, as well as to seek out new markets for the product. In 2007, during the



Selection of the limon of pica for restaurant and hotels markets

process of obtaining a Denomination of Origin, producers explored a new marketing channel, direct sales in Santiago de Chile, in order to reach high-value niche markets with better prices: restaurants, hotels, bars, etc. Each week, the



Local market benefiting from tourism

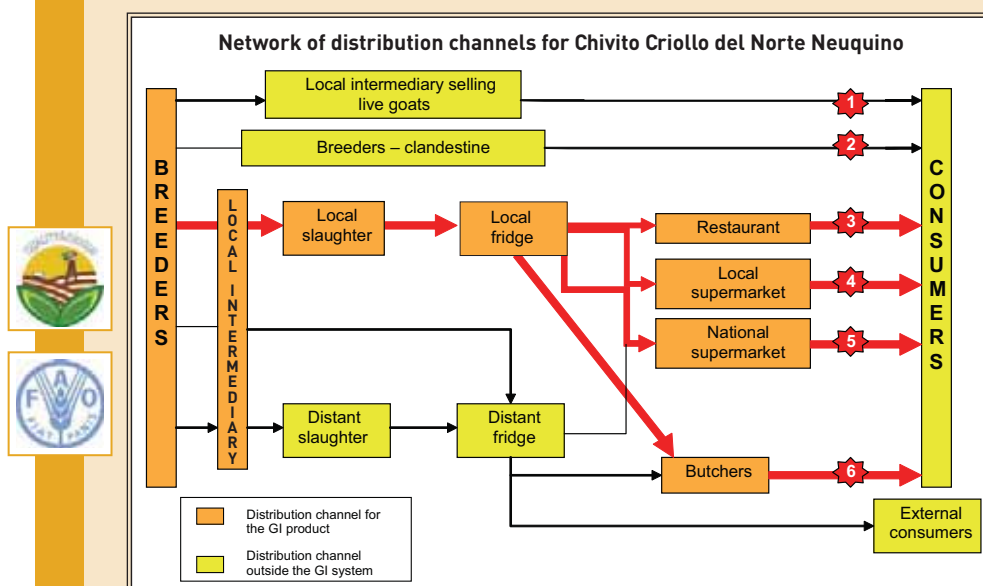
cooperative of producers organized through its Marketing Unit the lemon selection, packaging and transport to bars and restaurants of the capital. This channel allowed them to obtain much better prices, 50 percent more than on markets handled by intermediaries and in which they compete with similar but imported products from Bolivia and Peru.



Source: Vandecandelaere, E. 2007.

Case study 12: Selecting the distribution channels CHIVITO CRIOLLO DEL NORTE NEUQUINO (Argentina)

The distribution network for marketing the kid meat in Neuquen has different channels, many which are still informal. In the case of the GI "Chivito Criollo del Norte Neuquino", only some of them will be accepted following a collective marketing strategy that includes a verification system to guarantee the conformity to the CoP. For the GI, slaughtering has to take place at the local slaughterhouse within the region. Therefore, a specific distribution channel is associated with the POD (Channels 3, 4, 5 and 6). This means that products sold through the informal channels 1 and 2 would be considered outside the GI system and should not bear the label "Chivito Criollo del Norte Neuquino", which ensures the quality of the product.



Source: Pérez Centeno, M. 2007.

Large-Scale Distribution

Large-scale distribution is one of the most important channels for the agrifood sector in developed countries and is a growing sector in many countries. The advantages include the possibility of trading a high volume of products and adopting marketing strategies focusing on firm brands. A risk is that retailers may retain most of the bargaining power and access to consumer information. Moreover, it may be difficult or expensive for a GI product to find space and visibility in the assortment. Producers need to guarantee consistency and conformity in supply, provide adequate product volume and obtain a good price for the GI product they will sell to large-scale retailers. Large-scale distribution is recommended for large-scale GIs that have already adopted marketing strategies and marketing tools to attract new consumers.

Innovative distribution

Innovative distribution is rapidly growing and includes such things as e-commerce, trade fairs, agritourism markets, fair-trade purchasing groups, community-supported agriculture, etc. It is becoming more and more important these days to address social expectations for closer relationships between producers and consumers and lessened environmental impacts as a result of production and marketing practices. Innovative distribution is an important new possibility for GI producers. A key issue for the GI system is the ability to create and maintain stable relationships with the networks involved in sustainable trade, so that they can provide technical assistance and a stable price.

Promotion

Promotion is an important aspect of the marketing mix. It is crucial to keep in constant communication with both current and potential consumers and provide information about the specific quality and characteristics of the GI product in order to increase consumer willingness to purchase and pay.

Promotion is also one of the most costly elements of the marketing mix. The GI organization has an important role to play in this aspect, both because of the cost of the promotional activities, and because of the importance of the collective dimension of the GI reputation.

Therefore, as far as the GI reputation is concerned, the promotion strategy and the communication activities should be managed at the collective level, in order to reduce costs by sharing them between all the local producers involved. Individual promotion is also necessary to communicate values and information related to an individual firm.

The implementation of a promotion plan should answer the four questions related to the marketing plan:

- **Who is communicating?** Generally, GI communication campaigns reflect the objectives of the GI organization and its members.
- **Towards whom is the communication directed? Who is the recipient?** The aim of the communication is to create a direct link between the producer and the consumer. Therefore, the main target is the end user. Other important targets are the marketing channel actors, such as wholesalers, retailers, restaurants or agritourism actors.
- **What is communicated? What is the message to be transmitted?** The specific quality linked to geographical origin is an important asset to highlight and explain in the message because it is at the heart of the differentiation and the consumer recognition and willingness to pay motive. An informative type of communication can be used to explain what a GI means in general, what are the unique features of the product, its tradition, its bond with the territory and with its history and how to present the typical product using traditional and creative methods, etc.
- **How should the communication be achieved?** Various communication tools are available: newspapers, magazines, the internet, billboards and radio and television. Local, national or international fairs and tourism activities are very relevant events for communicating GI product characteristics and uniqueness.

The more collective the resources, the more effective the promotion campaign for the collective reputation will be. Public institutions, if allowed could also offer some funding in order to promote specific GI products.

Case study 13: Examples of collective advertising tools PARMIGIANO-REGGIANO CHEESE (Italy)



COOKING AND SERVING ADVICE FOR CONSUMERS

18 month maturation:

Ideally, it is diced and served with aperitifs, and in particular dry white wines, or as an accompaniment to fresh fruit such as pears and green apples.

22 month maturation:

It is an ideal accompaniment to quite firmly structured red wines and excellent when served as Parmesan petals in fruit salad drizzled with Balsamic vinegar.

30 month maturation:

For such a distinctive cheese, full-bodied, firmly structured red wines, white dessert wines from partially dried grapes and sipping wines are ideal.

RECIPES ON LINE



PARTNERS OF ITALIAN FOOTBALL TEAM



Source: Arfini et al (2006)
www.parmigiano-reggiano.it

PRACTICE

Think about the issues raised in this chapter in relation to your situation.

Answer the following questions

Product

- What are the main attributes and characteristics of your product?
- What are the main innovations and techniques with respect to the past in the production process?
- Does your product present some additional characteristics compared to the minimum standard level as defined in the CoP?
- Is the association of the firm brand with the collective GI logo useful?
- Is the association of the companies brand with the collective brand useful?
- Which are the main product innovations that may increase the level of service to consumers?
- Is the packaging suitable for marketing your product in related channels?
- Is the labelling appropriate and giving all the information consumers need?
- Which logo can help increase the level of information to consumers with respect to GI quality?

Price

- What is the price of your competitors?
- At which price should you sell your products?
- Can you make discounts? Under which conditions?

Place

- What are the advantages and the disadvantages of possible trade channels?
- What is the more functional and effective trade channel for your product?
- Which network or chain should you activate in order to reach this trade channel?

Promotion / Communication

- What are the values you want to communicate to consumers?
- Is your communication strategy adapted to the image of the product?
- What are the links between private advertising and collective promotion?
- Which media do you have to use to communicate with customers?

List in the table:

The following issues for your product (*the elements below are only examples*):

1) Product characteristics	2) Price	3) Placement	4) Promotion
GI Coffee toasted in vacuum packaging	High price with respect to branded mass coffee	Fair trade shops	Communication with web site and brochures

