

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 will allow long term business sustainability. However marketing needs to be considered at the outset of the origin-based 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, is a good method of reducing the risk of business failure and importantly 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 will be earned for its members and investments 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 of marketing. 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 basis to the GI system, the GI organization, and 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 deals with 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 GI producers coordination. In order to generate governance actions that include all stakeholders of a GI system, a collective organization supporting the GI product at all stages of the system (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 creates interdependence, as a result of the common interest, thus becoming the basis 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 individuals and organizations owning different assets. However, unlike most value chains, all members of the GI production system share a common asset: The GI 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 has effects on each producer.

Joint collective initiatives can increase benefits and reduce 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 the GI product.

The activities that the GI organization can carry out to support the GI system are manifold. The GI organization may ease the reaching of agreements among local producers on questions related to production systems and marketing strategies. Usually, the collective organization manages the control system (directly or indirectly) to guarantee the quality level of the GI products for producers and consumers. Other important and frequent activities are related to the collective promotion of the product on market. In some cases, the collective coordination structure directly manages some production activities, like 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 cost of external certification by economies of scale and management of the relations with the external certifier.
- Facilitate conflict resolution and provide arbitrage 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, information on quality and volumes of the GI product and competitors.

MARKETING

- Increase the bargaining power of local producers in the supply chain. The collective coordination structure might become a place for structured negotiations on quality and price premiums between the different professional categories.
- Elaborate collective marketing strategies although many responsibilities such as sales force, customer relations, price and distribution will remain the responsibility of each producer.
- Develop collective actions to reduce cost (for example market research and information, promotion initiatives in order to gain visibility on 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 the coordination between producers and between different stages in the supply chain, thus improving the efficiency of the value chain and producer competitive position.
- 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 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 product 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 for 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 regulations of the PDO, communication, advertising and managing the internal cohesion of the network. The CIGC covers 95 percent of its operating costs from the sale of its label and by implementing controls. It receives public grants for some research activities, but they only represent 5 percent of the whole budget.

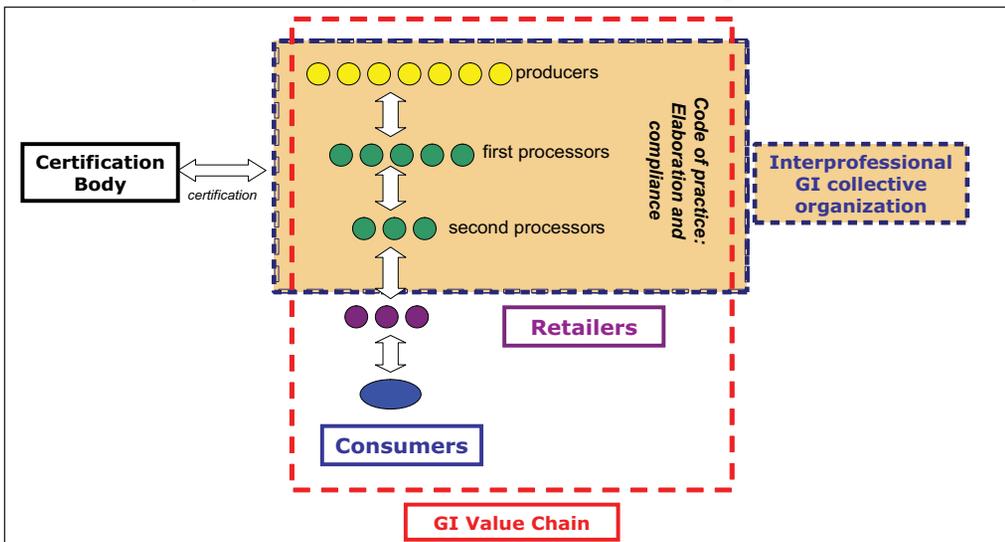


Source: Van de Kop, P. *et al.* 2006

represents all types of actors within the category. Normally, these categories nominate their representatives in 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 are complementary to individual entrepreneurial actions and do not replace them. Nevertheless, 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 rainfalls combined with the know-how of producers make Kampong Speu Palm Sugar particularly tasty, by concentrating aromas. That's why this sugar gained reputation on 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 (or GI management organization). After 5 months of preparation work of the task force, the GI association has been created. Today the GI association is composed of 142 producers and proceeds for 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 and will keep coordinating the GI system when the GI will be 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, other actors involved in the supply chain and all types of actors inside 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 act self-interestedly.
- Transparency and democracy in the decision-making processes, even if it's balanced with the real participation of each actor in the economic activity of the GI system.
- Equitable financial contribution 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 to bigger firms in order to support smaller ones in taking part in the GI organization.

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

As for 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 national level. It should seek advice from other previous successful organizations in the country, and 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 which 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 the important decisions, need the approval of each assembly. Each assembly also delegates 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), negotiating prices 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-based 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 on the producer and the decision depends on the balance of advantages and disadvantages associated with GI.

Generally speaking, producers have to coordinate with others using the GI by means of the collective organization, while keeping their autonomy. For example in terms of marketing the producer has to evaluate the advantages and disadvantages of marketing the product with and without the GI, in other words, marketing collectively with other producers or marketing as a single entity.

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 • 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 in volume of the GI product sold • services offered by the collective organization and with lower costs by economies of scale (see box 1) • increase the product reputation and selling prices • 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 with your situation.

Answer the 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 or dominant positions among the actors?
- Does the organization include producers, processors and traders? If not, why? Should a producer organization be established first?

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 that could take on the roles of President, Treasurer, Secretary and Controller?
- Are there several sections according to each type of actor, within the inter-professional association?
- Do the statute of the GI organization mention any membership fees, service fees, decision-making rules, sanctions or conflict resolution procedures?
- For each main task, is there a clear procedure and responsibility (defining the rules, carrying out controls, implementing the internal control system, promoting marketing and resolving conflicts)?
- Are members elected? Is a secret vote system in place?
- Is there a rule for partial renewal of elected members so that at least some of the experienced leaders stay in place after one election?
- Does the GI organization have financial and human resources to assume these tasks?

List in the table

- 1) What are the main tasks of the GI organization?
- 2) What are the responsibilities and is there any risk of liability?
- 3) What are the specific human and financial resources needed in the collective organization.

1) Tasks of the collective organization	2) Responsibility and liability	3) Adequate human and financial resources
....

3.2 Actions for strategic marketing

Introduction

Marketing should be considered as the outset of the virtuous quality circle: the identification stage needs to verify if the 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 increase or loss of income. Therefore, marketing, at collective and individual level, has to be carefully planned and managed. Strategic marketing provides the “road map” for selling the GI product.

Strategic and operational marketing

Strategic marketing encompasses all the tasks that are needed to sell. This “road map” is usually written down in terms of a marketing plan. The plan is to reach consumers according to market opportunities, and the potentials and limits of the GI production organization and product, and individual producers involved.

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

The operational side of the plan looks at implementing the strategy and addresses such questions as How to sell? 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. As an example, the GI organization and individual members will sell the product directly to consumers, via on farm visits, and will also sell the GI product to wholesalers, exporters and retailers and will promote it 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.

In terms of the GI organization marketing planning is necessary both at the collective level and at the individual producer level, and a right balance and coherence have to be ensured between them, depending on the concrete situation of the GI system and its members. In some situations individual GI producers are well structured and organized and they have clearly defined their marketing strategy. In this case, the collective 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 low capacities 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, the individual producers should build their marketing plan on the basis of the collective one.

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

Some GI products are being set up in Tunisia for which strategic and operational marketing are being developed. In particular, in the case of pomegranate of Gabès and the Black sheep of Thibar, the market analysis was used to assess and understand market potential and conditions as well as 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 where they are exported. In order to assess the European export market potential, a commercial partnership with a local exporter lead to selling a limited volume of pomegranate in a wholesale market in Rungis, France with a specific reference to its origin-based quality. This experience also permitted to test product conformity that needed to be put in place and establish successful relationships with traders.
- The Black sheep of Thibar is a specific local race, historically produced in the region of Beja. In order to assess the feasibility of promoting and selling the origin-based product on local markets through large-scale distributors and assessing 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 a differentiated presentation of the Black sheep of Thibar in comparison with the non-differentiated related products within the supermarket. This was done primarily by providing information on its origin-based quality.

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 it will differentiate from that 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 having clear objectives 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 consumers' motivations, attitudes, perceptions and willingness and ability to pay, competition, market opportunities, possible commercial partnerships, etc.
- Segmentation, targeting and positioning are "tools" that are used as a result of market analysis 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 (a questionnaire to interview consumers in a market place, see for example case study 4), media or website information. GI Organizations are usually at an advantage in market analysis as they have more resources on which to base 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 individually can also carry out market analysis. Commonly 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 can also provide tasting panels, where consumers are asked to taste the GI product and give their views on it.

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 potentials and consumer demand.

The survey on consumers' perceptions was conducted with 201 interviews in some shopping areas in order to help define the preferred characteristics of the cheese, its reputation, consumers' 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
 - consumers' 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 near by cities via local sellers
 - 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 the SWOT tool (Strengths, Weaknesses, Opportunities and Threats). A SWOT analysis allows the identification and description of the current situation of a GI product and GI organization, focusing on their strengths and weaknesses and on the opportunities and threats that can be found in the market. The analysis simply looks at the market opportunities, such as consumers willing to pay higher prices for GI products, the threats that can be found in the market, such as competition, and the strengths and weaknesses of the GI product as well as the GI organization and its individual members in facing up to such opportunities and threats. 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: PARMEGGIANO REGIANO (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 speciality 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 for 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 producers' brands 3. Persistence of national 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 grated cheeses 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 categories. Each category (or segment) corresponds to a significant group of consumers with homogeneous characteristics. For example a market can be segmented by age, in its simplest form: A young consumer segment; a middle-aged consumer segment and an old age consumer segment. The rationale for segmenting markets is that producers, depending on the product characteristics, can identify the most suitable segment(s) for marketing their products. In reality, it is difficult to offer a product that addresses the demands of all consumers, wherever their location, their behaviours and their purchasing power, and to face 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 the Colombian Coffee in different targeted markets.

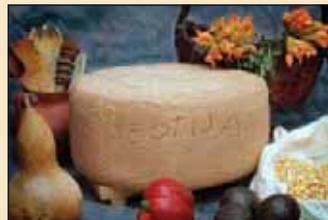
- On the national market, the National Federation of Colombian coffee growers (FNC) is setting up a chain of shops specialized in coffee sale to the public, the “Juan Valdez Shops”. Since the opening of the shops in December 2006, 12 millions national clients and tourists have already visited them. Juan Valdez shops have also opened in Spain and in the United States, improving the international recognition and visibility of Colombian Coffee. The local tourism segment, which is also directly targeted, largely 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” (Speciality 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 sustainability (organic production, social development or preservation of the biodiversity), particular origin (sub-regions within Colombia) and particular care in the production process (higher quality). The demand for these kinds of products is improving on the world market, and the Colombian exports of speciality coffees are increasing, going 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 that 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 industrialised 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 the 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 of producers’ self-esteem and their product value.

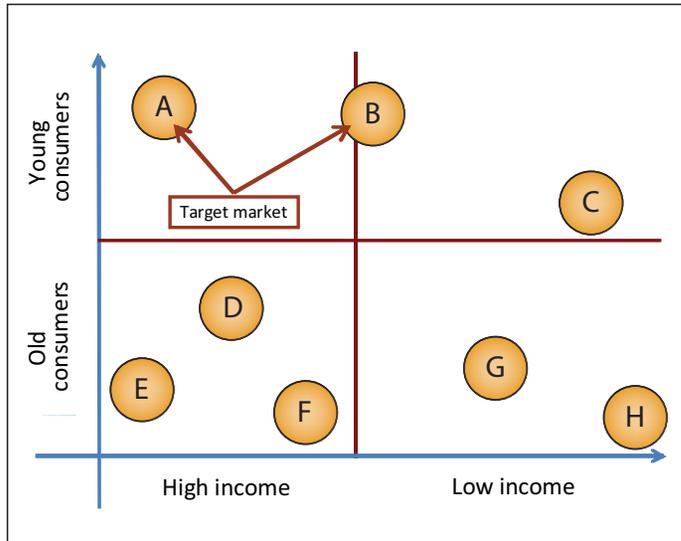


Source: Poméon, T. 2007.

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 segment of consumers, 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 selecting and evaluating the various segments identified in the previous stage. Typically segments are evaluated on their: accessibility (Can the GI product access the segment without any major constraints and threats?); reachability (Can the GI product be distributed to the segment at a profit?); profitability (Does the segment have the ability to pay and is it large enough to make it profitable for the GI product to be sold in?); feasible (effective marketing programmes can be designed for attracting and serving the segment and the segment is responsive).

For each segment that is seen as feasible, 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 in adopting a specific strategy for each selected segment depending on its characteristics;
- the focused or concentrated marketing strategy consists in focusing on only one selected segment and concentrating all efforts on it.

Each segment identified as a marketing target should 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 consists of providing “understanding” of what the GI product is all about to consumers. Consumers, depending on their particular characteristics will classify products in their minds, according to a number of factors, for example, taste, aroma, scent, feel, texture, packaging, labels, emblems, etc. Most commonly consumers will rank products, from best to worst, from cheapest to expensive, etc.

The role of positioning for a GI product and its organization is to imprint in consumers’ minds the GI product and its particular qualities, relative to other products. Thus the positioning strategy depends on the characteristics and expectations of each target segment.

One essential aspect for positioning is to associate in the consumers’ minds the GI product with specific values relevant for each consumer segment, for example, tradition, taste, environmental concern, social equity and fair distribution of revenues, and so on. Common logos on labelling for the GI products give the consumers the possibility to recognize them, thus the importance of a collective organization to develop such a strategy (See box 4).

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.

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



3.2

Another positioning choice regards the role that individual producers give to their own firm logo or firm name called a brand (see chapter 3.3). In some situations producers take advantage and give more evidence to the firm brand (when the internal concurrence is strong and there is a need for internal differentiation, or when quality levels inside the GI system are very differentiated), in other situations producers give evidence only to the collective brand.

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 international food fairs in order to obtain formal recognition by the peers of the profession (see case study 5, Cotija cheese).

PRACTICE

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

Answer the 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 the 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 the 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, prepare a SWOT analysis for your target market and for your firm characteristics (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 scholarstic 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 - Logistic problems as a result of small quantity produced - Non homogeneous quality - Etc.

3.3 The marketing mix (operational marketing)

Introduction

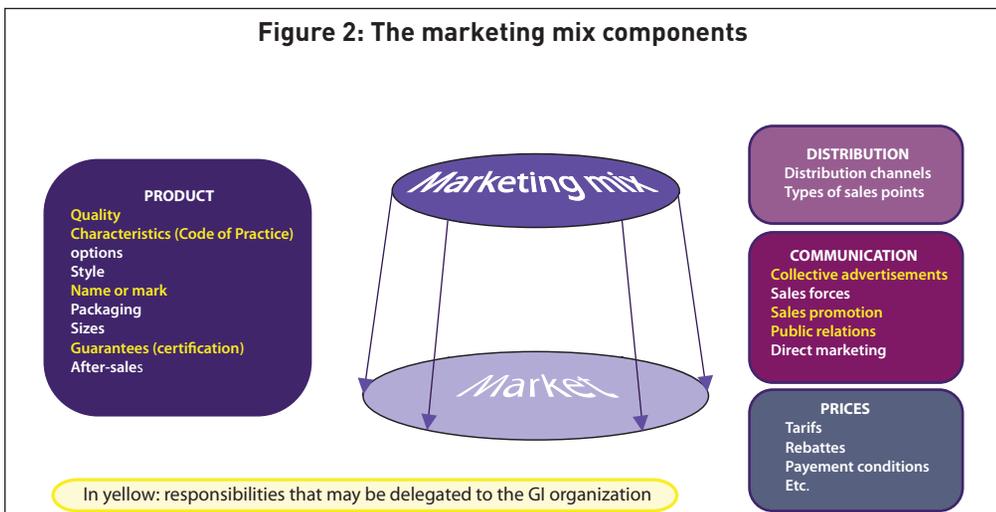
Once the strategic marketing plan is defined, producers at the collective and individual levels, have to make it operational taking into account the GI Code of Practice. The marketing mix provides tools for decision-making in implementation of the marketing plan, taking into account such things as the optimal price, the market channel(s), the communication actions and their costs.

What is marketing mix?

The term marketing mix and the framework of the “4Ps” of the marketing mix, encompasses the combination of four operating factors: Product, Price, Place, and Promotion. These should facilitate the achievement of the targets selected by the GI organization and its members.

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 the product presentation, price and selling place and also be involved in other marketing aspects of the GI product.

Figure 2: The marketing mix components



Product

GI products possess common characteristics described in the CoP, but additional characteristics can be considered. The marketing mix help to assess important assets with regard to the market, in particular 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 (colour, flavour, aroma, taste etc.), or associated to 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 way of consumption (see case study 9) are always possible and not contradictory with some traditional production and process practices defined in the CoP, provided that they are in line with the image of the GI product.

2. The *brand of the producing firms*

The firm brand allows consumers to identify the GI product itself and then recognize a specific producer for a GI product. In addition to the GI on labelling (the use of the GI name in the product designation), usually can be found on the label:

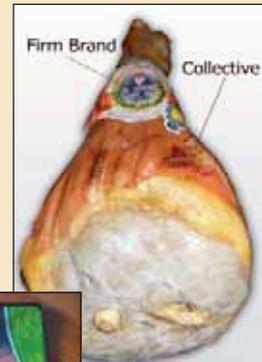
- a firm brand is designed to link the products to a specific quality-price ratio.
- a collective brand, managed by the GI organization, is designed to identify easily the GI product and guarantee the respect of the rules and the quality level to consumers.

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 9: New attributes for longer conservation and types of logos

PARMA HAM PDO (Italy)

The Prosciutto di Parma PDO have 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 Parma region.



Source: Giacomini C. et al (2008)

3. Packaging and labelling

The packaging and labelling contributes to the value creation. Packaging can increase the level of services provided with the product, in particular it can be used as an appealing 'advertisement' for the GI product and can also protect the product while in transport and in keeping the product fresh (see case study 9). Labelling provides information about the product characteristics (in general: composition, nutritional facts, description of how to use the product) and is an important tool to provide guarantee and information related to the GI, for example with a specific or common logo (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 giving traditional recipes, suggestion for conservation, and so on. This can facilitate the use for consumers and increase occasions to use and to buy the product.

By means of an appropriate design of the brand, packaging and labelling it is possible to create several product lines originating from the same GI product. Indeed, consumers increasingly need a more varied choice in terms of intrinsic characteristics and of "services" included in the product, according to their knowledge of the GI product and their willingness to pay.

Price

Price is a direct determinant of profits (or losses). Price also determines, to some degree, the type of customer and competition the organization will attract and an error in pricing the GI product can nullify all other 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 in respect to the quality and the aging period, the Consortia has developed three different quality signs signalling the maturing period of the cheese and justifying the higher prices.

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 flavour with notes of melted butter, fresh fruit and citrus fruits as well as overtones of dried fruit. It has a balanced mild yet full-flavoured 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 flavour 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” to 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 put a “ceiling” to the price. If the price is over and above what consumers are willing to demand in terms of quantity and price, consumers will see the product as too expensive. If this is the case, competitive GI products will attract consumers.

Competitive prices, consumer preferences, and GI organization and individual members pricing objectives will give an indication of where the price should be between the price floor and price ceiling. Pricing the GI product correctly is not easy and has to be carefully analysed and considered.

In order to attract consumers, the relationship between price and quality level, in comparison to other GI products and non-GI products of the same categories should be considered. Competitors tend to take advantage of an insufficient quality differentiation from the consumer point of view. Therefore, more information on the specific attributes of the product is provided, more justification is given for the consumers to pay a higher price.

Place

Place is related to the selection of the distribution channel(s) and of the geographical market. The choice of the geographical location to sell the product is a complex one. This also has to be considered with who will actually sell the GI product, for example a wholesaler, a retailer, an exporter, etc.

Normally, distant markets offer a potential (in particular in developed countries) where a good willingness to pay for products perceived as “niche” and “gourmand” are present and consumers value and have the ability to pay for higher than normal prices. But increasing the physical distance between production and consumption areas increases also 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 direct selling
- Large-Scale Distribution
- Innovative distribution



Feria plays an important role in promoting the products

Traditional distribution and direct selling

Local consumers are usually extremely attached to traditional markets and direct selling, but these may present advantages and disadvantages. Generally, one positive element is that local sellers already know the GI characteristics, as well consumers' 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 to increase the price level. Moreover, local traders may be reluctant to use new selling or marketing techniques. Traditional distribution is 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 for 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 process



Selection of the limon of pica for restaurant and hotels markets

of obtaining a Denomination of Origin, producers explored a new marketing channel through direct sales in Santiago de Chile, in order to reach high-value niche markets with better prices: restaurants, hotels, bars, etc. Each week, the 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 on which they compete with similar but imported products from Bolivia and Peru.



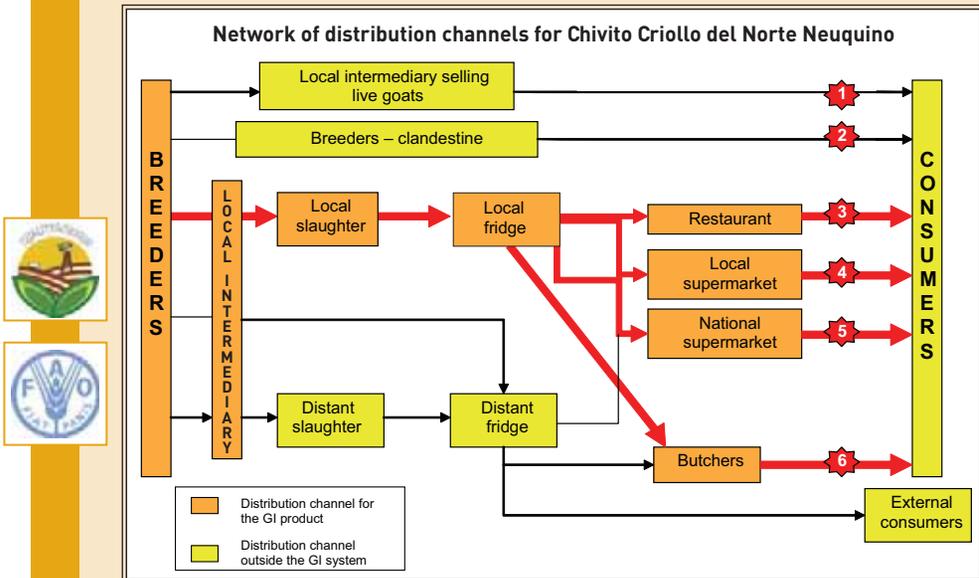
Local market benefiting from tourism

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 of 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 code of practice. 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 developing countries. The advantages include: the possibility to trade a high volume of products and to adopt 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 volume of supply and need to 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 concerns such aspects 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 lower environmental impacts as a result of production and marketing practices. Innovative distribution is an important new possibility for GI producers. A key factor is linked to the ability to create and maintain stable relationships with the representatives of networks providing them with the proper quality level, technical assistance and a stable price.

Promotion

Promotion is an important aspect of the marketing mix : it is crucial to keep 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 consumers' 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.

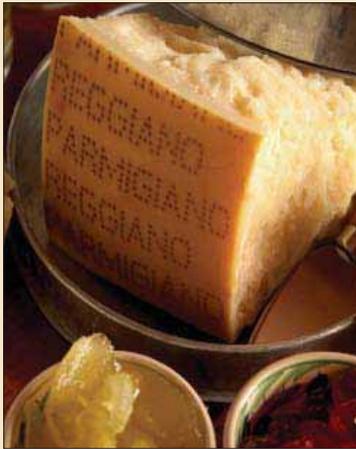
Therefore, as far as the GI reputation is concerned, the definition of the promotion strategy and the communication activities should be managed at the collective level, in order to reduce costs by sharing them between all the local producers involved. Individual promotion is also necessary to communicate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

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

- **Who is communicating?** Generally, the 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 basis 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 aspects, etc.
- **How should the communication be achieved?** Various communication tools are available: print, magazines, internet, billboards, radio and television. Local, national or international fairs, tourism activities are very relevant events for communicating GI product uniqueness.

The more collective the resources are, the more effective the promotion campaign will be. Governments, if it is in their policies, 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.

PARTNERS OF ITALIAN FOOTBALL TEAM



Source: Arfini et al (2006)

RECIPES ON LINE



PRACTICE

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

Answer the questions

Product

- What are the main attributes and characteristics of your product?
- What are the main innovations with respect to the past in the production process and techniques?
- What are the differences with the minimum standard level defined in the CoP?
- Is your brand company appropriate for recognizing the GI products?
- Is the association of the companies brand with the collective brand useful?
- Which are the main product innovations that may increase the level of services to the consumers?
- Is the packaging suitable for marketing your product in the related channel?
- Is the labelling appropriate for giving all the information consumers need?
- Which logo can help increase the level of information to the consumers with respect to the GI quality?

Price

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

Place

- Which are the advantages and the disadvantages of possible trade channel?
- Which 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 the 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 respect to branded mass coffee	Fair trade shops	Communication with web site and brochures

