Annex 10

Reports WP 4
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DOLPHINS - WP4 Reports
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Explaining OLPs Behaviour

1. What kinds of factors most influence or explain the OLPs usage and consumption?

The search for food quality and safety identifies a general direction towards which the consumer moves, and which is realised through the consumption of health and well-being food models.

For Italian consumers, there seems to be a widespread need for food that present a significance and intrinsic value. OLPs and in general typical products respond to this type of orientation, thanks to their strong characterisation (technical, organoleptic, historical, cultural, social).
One of the factors from which seems to depend the importance of the mark of origin is the demographic dimension of the place of residence.

The processes of urbanisation and globalisation have distanced many consumers from the traditional products and from the agricultural world. In particular, people who live in big cities, depending on the results of many researches, seem to need more formal guaranties.
On the contrary, in the small towns and in the rural areas, consumers most rely on their own experience, independently of the official guaranty.

The second group sometimes does not trust in official guaranties, perceived as a way to obtain higher prices and however considerable EU loans.

Very important, to explain OLPs usage, is also the trend towards the logic of food behaviour as a way to become different: at increasing of this trend, the consumer try to escape standard attributes which relate to the industrial food production.

The big producers seem to be aware of this trend and they are trying to satisfy needs more and more customarized, at least by appearances, as to offer one-to-one proposal, that is possible following client relation carefully through e-commerce.

Another aspect influencing consumption of OLPs can be seen in the growing mobility of many consumers, who visit, for business o for free time, places where they are giving the chance to appreciate OLPs so to look for them again in the future.

2. Rational and emotional spheres

A strategy to undertake is that of assuring consumers regarding the product with a denomination of origin without, however, expecting them to become experts on the technical aspects.

In fact, how can a consumer be willing to pay a premium price for the strengthening of quality control if he is not familiar with the mark that guarantees such improvement?
Several studies highlighted the existence of serious problems of knowledge and information.

Therefore, it is necessary to re-establish cultural premises and knowledge, as the typical products require consumers who are more aware and better informed.

Improving consumer awareness of the PDO/PGI systems may influence in a positive way the performances of protected regional

products, that now are hindered by this lack of awareness and understanding their performance significantly.
The available researches show that, if a consumer is aware of the meaning of PDO or PGI, he/she tends to give a significant amount of trust and importance to this factor, when he/she decides the food purchases.

An increase of awareness about OLPs will be a positive factor, able to gain a bigger share in the food market; in the meantime, we can not forget that an increase of information needs to be linked with a communication strategy related to consumer perception in the emotional sphere.
If not, we risk to create a relationships between consumers and OLPs too technical and bureaucratic, which is not suitable for Italians, accustomed to give a significant amount of trust to the sensory aspect when they decide the food purchase and consumption.

3. The price

What about the price of OLPs and the consequences on the volumes of consumption? Certainly, the price is an important factor of decision for the most part of consumers, and the price issue is thus not as secondary as it might appear.
Higher value is attributed to OLPs, but also higher prices, sometimes perceived as consequence of speculative behaviour.

Two thirds of the consumers state their willingness to pay a higher price in order to have greater guarantees and for protected regional products. But it has been shown that consumers tend to exaggerate in their responses to direct questions, some caution with these conclusions should be taken. It is simply a statement of willingness to spend.

However, there are marked differences of attitude related to categories of distinct products; for example, this willingness seems to be much higher for wines, cured meats and cheeses, than for fresh produce and other product categories. This is not due to the fact that there is not a tendency to seek out this prerequisite in those categories, but more because there is less awareness of the meaning of typical food.
On the other hand, the willingness is transformed into a habitual purchasing choice only for a part of the consumers, while for others it remains an occasional behaviour.

4. How to classify the different contests of OLPs usage

Researchers involving in this theme could suggest a list of possible methods to classified OLP behaviour according to the different situations of consumption.

Among the parameters most useful, there are: the place of consumption (at home or outside), the time available for the food consumption, the alternative between daily and occasional consumption.

Based on these assumptions, we could get different types of maps. For example, in the “daily-outside” quadrant, the consumer has a very little or no power of decision because the person who makes the purchasing choice is above all the restaurateur, according to the price. In the future, however, we expect the consumer will have more power to decide on this point.

Even in the “occasional–outside” quadrant, the restaurateur has a strong contractual power, but his purchasing choices are most influenced by the interest of consumers to typical products.

In the “daily–at home” quadrant, it is quite difficult to find the sociological and cultural context appropriate to OLPs because these consumers usually spend short time on food.
In the last quadrant “occasional–at home”, we find the slow-food area, where the typicalness plays the main role.

The OLPs Offering: Identity, Symbols and Benefits

The symbolic or intangible benefits and the tangible or physical benefits

As for every kind of food product, especially the typology of products essentially based on cultural and emotional attributes, as for OLPs, there are numerous and different benefits.

The interpretations of the meaning attributed to typicalness are very different. In particular, the symbolical benefits play the leading role.

An important value is the association of the idea of typical product with the territory. Some of the benefits are in fact the consequence of the link between OLPs and territorial identification (location and place of origin).

This idea can evoke, according to the single personality of the consumer, home-sickness for places and towns visited, feeling of identification in the culture of other places, lovely perception of being more informed and aware, assurance about the place of origin of the product.

Previous researches stated that Italian consumers most appreciate their own products, especially if they come from the same region where they live. That means not only more guarantees for the quality and the genuineness, but patriotic feeling too: the typical product is perceived as something to preserve. On the contrary, import-product is often perceived in negative way because of the storage process and the lack of controls.
Synthesising, from the consumer's point of view, the product origin has a blend of an element of reassurance (both affective and rational) and an element of culture/tradition/nature.

Another kind of benefit, is connected with the production process of the typical products: to the direct question on what characterises a typical product, many consumers say "made with handicraft methods". Handicraft methods evoke a good feeling for the personal labour of handicraftsman (which is very different from mass-production of manufacturing industry), a sensation to become different from the other consumers (as to be the sole receiver of the product); for this reason, the consumer is grateful to show this uniqueness.

Most of the consumers are aware that handicraft process may comport a different productions, but they do not mind about that; indeed, a standardized product is synonym of mass-production according to these consumers.

We can not disregard nostalgic feelings both for the past (usually memories make them better) and for products based on traditional recipes, in connection with handicraft methods.

With regards the last aspect, a considerable number of consumers do not agree that OLPs can assure them that they are made with the same process in the past.

About what characterises a typical product, almost the 50-60% of the consumers speak of natural food (without preservatives or chemicals) and however of a high quality level, a guaranty, sureness.

This perception is connected with the idea of well-being, the certainty of good working of controls (above the parties) and the observance of the rules.

As regards the future, a phenomenon with a strong impact will be the use of the guarantee of origin within the sphere of traceability systems.

Regarding to the quality of the OLP products, there are different opinions. According to a considerable number of consumers, the quality of many products without PDO/PGI labels is not inferior to the quality of the corresponding typology of typical branding products. OLPs could have an important plus: a quality control system performed by sanitary body, certified companies, etc.

Based on the above mentioned benefits, we could get many maps where to put specific groups of consumers.

A proposed segmentation of consumers is based on two parameters: the tendency to prefer products characterised by a precise geographical origin; the propensity towards craft products.

The "origin-non craft" quadrant is oriented towards the industrial firms that promote themselves as small businesses, developing local cultures and adapting them to current tastes.

The "non origin-craft" quadrant is composed of consumers inclined towards brands characterised by a certain level of tradition, but not localised.

The "place-craft" quadrant is dominated by PDO products; the respective consumer looks for the consortium trademarks, certified origins, and food traditions.

How many OLPs?

Regarding to the value which may be attached to OLPs, referring to the territory and to the production process, a group of consumers would prefer an increase of typical products, so to gather a lot of precise information and to get more knowledge about the place of origin, productive peculiarity, etc.

We have to consider that, when we speak about the place of origin, the consumer normally thinks about the place where the main phase of production takes place and he is not very interested in the other processes, before and after to the production (e.g. breeding and ripening relating to the production of salami).

Other consumers seem to prefer few and selected OLPs, so to avoid disorientation and difficulties connected to understanding capacity of a wide range of information for lacking of free time (the knowledge about the delimitation of production area becomes more and more indeterminate as we go away further and further from that area).

Limitations and weaknesses of OLPs

The main weaknesses of OLPs according to the consumers are the following:

- Sometimes they are difficult to find out; especially for people who live in big cities, changing the usual shops just to find them, is a real problem
- They require consumers who are more aware on food culture and better informed
- They can result as “binding” products
- Generally, they are not very well-known respect of products of industry, which are more popular thanks to advertising campaign
- Consumer does not always trust to them: doubts arise about the efficiency of controls, the task of the controllers and the real beneficiary of the typicalness label: is it above all an advantage for the consumer (guarantee) or for the producer (protection)?

Products potentially competing or conflicting

The promotion of a product is based primarily on differentiation with respect to the competition. For many OLPs, this strategy must be undertaken more incisively than it is today.

If the prices of many OLPs are strongly affected by production oscillations and the market trends of competing products, this is precisely due to the fact that a solid differentiation has not yet been created at a significant level.

What are the main competing products of OLPs?

First, industrial products which evoke places, nature, handicraft methods and for that reason are brought into the area of typical products.

Consumers frequently interpret certain industrial products as typical or having origin marks, while in fact only the marketing policy and the contents of advertising campaigns are oriented in this direction.

Second, the handicraft products, often personally guarantee, tied to a certain territory and to the tradition of certain areas, but which don’t present formal credentials and aren’t covered by denomination, defined by EU regulations.

This situation creates confusion and the possibility of commercial practices that may be "misleading" to the consumer.

The modern distribution, as well, is going to reach an important role of guarantee for quality and typicalness of food products and nowadays is able to promote as typical products even those are not covered by a formal denomination.

Different levels and kinds of labelling

The PDO mark is decidedly less well-known than the DOC in Italy. For some consumers it seems to be an imitation. The PGI mark is completely unknown to almost all consumers.

Therefore, as a criterion of choice the PDO mark hasn't a high importance, not due to a limited importance attributed to origin but to a lack of familiarity with the PDO mark itself.

Some researches has recently been effected with an important goal: to understand how consumers is perceiving the transition from the traditional origin labels (DOC -Denomination of Origin Controlled) to the PDO/PGI labels.

The first results seem to show that PDO and PGI are labels finalised to protect the consumer, but above all the producer (who remains in a "protected" area from competitors), while DOC is a brand that guarantees the consumer.

Another problem that the PDO and PGI labels have to face is the good image of many Consortiums active in Italy; many consumers see the mark of these organisations as synonymous with quality, natural methods, health and tradition, and therefore look for it at the moment of purchasing. In this situation, the presence of the PDO mark could be almost superfluous.

The mark of the Consortium, then, often supersedes the PDO mark as a guarantee of quality, and the Consortium mark is the main criterion of choice, independently of whether or not the product is PDO.

How will Consortiums give hospitality to PDO/PGI labels and above all add value PDO/PGI labels among consumers?

The guarantors

As guarantor of OLPs, a part of consumers prefer a far institution (EU), to whom consumers award more reliability and less chance to be corrupt by producers. This opinion is dominant in the big cities, where people feel more pro-European than elsewhere.

On the contrary, other consumers prefer a guarantee of OLPs closer to the consumers themselves, as the local government, that, just because is so closer, better knowns products and situations and is able to execute the most appropriate strategy. The local government receive trust above all by the consumers who live in rural areas or in little towns.

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Marketing recommendations

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This document exposes some recommendations both for EU and for single consortiums or producers' associations, referring to marketing strategies for OLPs and specifically for the PDO/PGI designations.

Obviously, these are first drafts of recommendations, destined to be modified and refined taking into account the results of specific researches (see other WP4 points of analysis) and the bonds and objective limitations of these product sectors. The analysis of these bonds and limitations will come out of WP1, WP2 and WP3 work.

The internal analysis

A knowledge of bonds and limitations, will explain what is possible and what isn't possible, among the strategies of marketing.

For example, the production fragmentation makes the minimum successful level difficult to reach relating to strategies of information and communication. It also reduce the bargaining power of producers and their control of markets and productions

Other examples of limitations are the long reaction times of producers, due to production peculiarities, a strong individualism, the raw materials variability, etc.

<u>The typicalness potential</u>

Besides studying limitations, an important step is the analysis of strong points and weak points, and among them the inquiry on typicalness potential.

This phase of analysis will state how easy will be for the consumer to perceive a certain product as a typical product.

This potential is deeply connected to several factors, and above all:

- quality: if the product is really perceivable as different from competitors, referring to the organoleptic items (taste, flavour, etc.), the potential will be higher
- safety, confidence: if the product is believable as healthy and safe food, the potential will be higher
- territory and its culture: if the region is clearly and positively perceived, if it fosters a nostalgic feeling in the tourist (and his/her desire of reviving the area), if it is defined by a self identification feeling in the inhabitants, the potential will be higher
- tradition: if the product is deep-rooted in the cultural set-up and in the handicrafts, with human agency, the potential will be higher, based also on a nostalgic feeling for the past
- unicity: if the product is difficult to find out, and it is perceived as a choice of differentiation from other consumers, the potential will be higher

From the analysis of the spontaneous typicalness potential, the necessity/opportunity to implement marketing strategies and to stimulate a higher level of typicality perceivable will come out.

The aim of this analysis is to state and to measure how much a strategy of differentiation will be possible or difficult, and finally to reach a higher level of differentiation.

A differentiated product favours the reduction of intensity of competition, a lower bargaining power of clients, a protection from substitutive goods.

The study of the competition

An important phase of research is however the identification of a map of competition, and the understanding of peculiarities, weakness and strength of the competitors.

In a first draft, and at a general level, we could now identify two main categories of competitors of OLPs:

- ✍✍ large industrial productions which evoke places, nature, handicraft methods
- ✍✍ handicraft products personally guaranteed by the producers, and tied to a territory and its traditions

Referring to the five main items of typicalness potential, we could draw the following competition map, built on the probable perception of many consumers (the map, however, must be verified with researches ad hoc on consumers):

	quality	safety	territory	tradition	unicity
industrial production	X	XX	XX	X	X
handicraft products	XX	XX	XX	XXX	XXX

The segmentation of the market

Another step is to face the problems relating the segmentation of the market, and all the decisions about positioning, essential phase for the decisions about marketing mix (communications, distribution, and so on).

For example, a map of segmentation with the five main factors, above recalled, could be the following (to verify with detailed researches on consumers and on single products):

	Items mainly sought by consumers:				
	quality	safety	territory	tradition	unicity
Consumption circumstances					
Consumption at home in a weekday, in a normal situation	XX	XXX	XX	X	X
Consumption at home in a festivity, in a special occasion	XXX	XX	XX	XX	XX
Consumption out of home in a weekday, in a normal situation	XX	XXX	X	X	-
Consumption out of home in a festivity, in a special occasion	XXX	X	XXX	XX	XX

Other criteria of segmentation could be related to the intensity of the search for food facilities, or to the kind of the distribution channel: the traditional retail, the modern retail, the single caterer, the firm of catering on a large scale, the food industry.

The marketing mix

Product

First of all, the preliminary step of a marketing mix planning is the solution of the knotty problems related to clearness of recognizability and easy identification of the products.

Frequently, OLPs don't benefit by a clear brand strategy, the labels on the same products are sometimes conflicting and difficult to memorize.

Two important questions to face are:

1. What's the right number of PDO and PGI brands for the EU politics strategy? A large number of PDO/PGI products could stimulate a more precise information to consumer, but a confusion in his/her perception and a difficult distinction between the several brands, too; we could take into account the possibility to set up some umbrella brands and the specifications under them, but it could be dangerous for the identity of the brands.

2. The second question is: what amount of production is correct, considering that some difficulties to find the product, for consumers, could reduce the level of service, but could also add value to the emotional perception?

Communication

Every strategy has to start from the consideration of strong points and weak points of the product it's promoting.

In general, the emotional elements are often leading in the behaviour of consumer, above all for typical products. So, a communication strategy cannot forget that complicated and too technological ways of communication appear cold and far from the emotional sphere.

For example, Internet could be an effective system to reach far consumers, and a group of firms with typical products can carry out communications and promotion via Internet, but just for some targets of consumers and however partnered with classic strategies.

Distribution

The decisions about distribution strategies must derive above all from the results on segmentation.

An important resolution is related to the behaviour towards the modern chain of distribution. In the opinion of some producers, the large-scale retail trade is a leading partner in the trade exchanges of PDO/PGI products. On the contrary, other operators think that the right commercial channel are the traditional ones. According to their advice, the large-scale trade could reduce the degree of image, referring especially to the emotional constituents of consumers behaviour.

Obviously, if the modern trade is chosen, the firm or the consortium must be able to offer the whole package of required services (for example, supply continuity, punctual and frequent deliveries, etc.).

Price

Now, in many OLP sectors, the producers undergo the price, because of their low bargaining power. In the future, the price has to be fixed by the producers themselves, taking into account the consistency with other items of marketing mix.

For this purpose, offices of commercial coordinating among producers of OLPs will be very useful.