

GEOGRAPHICAL INDICATIONS, LOCAL REPUTATIONS AND CONSUMER BEHAVIOUR: THE CASE OF ITALIAN WINES

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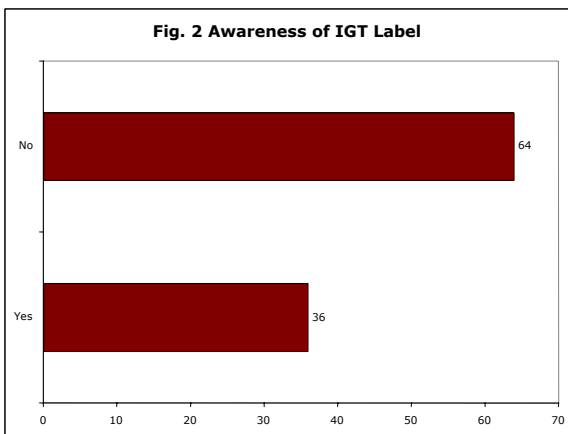
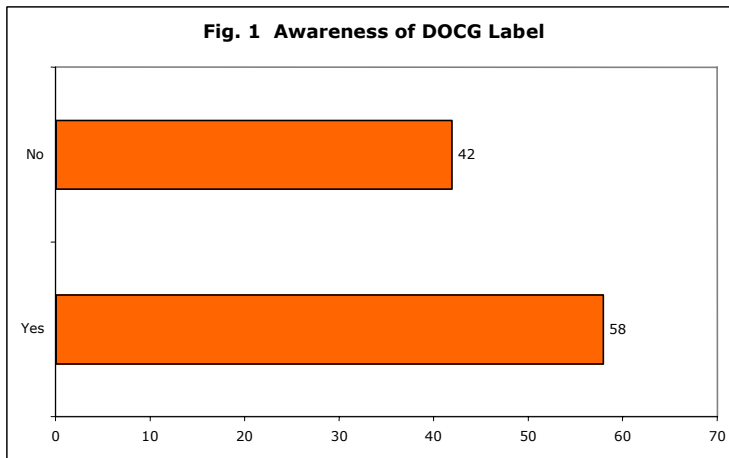
Territorial and quality labels are necessary but not sufficient conditions for a positive market performance of wine denominations. This paper highlights two major problem-areas to consider when promoting wines: consumer aggregates (Indifferent, Oriented toward saving, and Sensitive to issues of quality), and individual preferences. For the indifferent consumers, the strategy should include issues of quality of life, of typicality, and of quality production. Issues relative to the health virtues associated with wine consumption would sensitize consumers receptive to health issues. Consumers concerned with saving open the discussion beyond marketing strategies to include issues of methods and organization of production so to achieve economies of scale. To reach consumers attentive to the geographical origins it is necessary to create a sense of belonging finalized to the identification of the consumer with the typical product of his/her region. To modify consumers' approach toward individual wine denominations, it is necessary to design marketing strategy along the lines of communicative action. Given a regional production model rooted in small and very small wineries, the support of collective subjects such as producers associations or consortiums that are able to move the economic and political levers to implement a promotion on a large scale becomes necessary. The difficulties inherent in such an action are both political and cultural and concern the capacity to create mutual trust among producers and institutions so to coordinate the multiple rationalities that motivate local producers and to involve them in collective actions.

Introduction

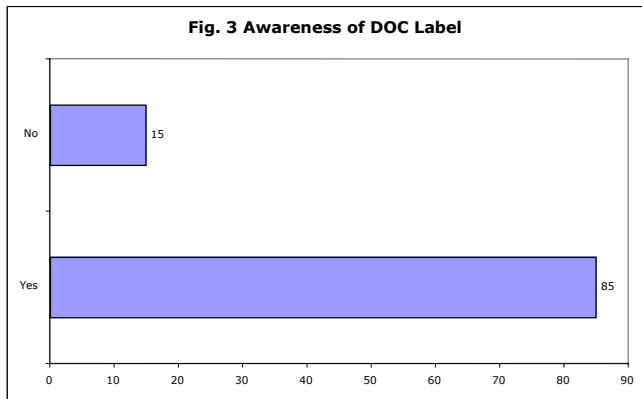
Italians take wine very seriously and just as they eat regionally, they drink regionally. Every Italian region produces good wine (some more than others, of course). To take commercial

advantage of the attractiveness of local reputations wine merchants label their bottles by indicating the place of origin of their wines. These labels are tantamount to a warranty regarding quality wines. Today, Italian wines belong to one of four legal categories: DOC (Denominazione di Origine Controllata, or Denomination of Controlled Origin), DOCG (Denominazione di Origine Controllata e Garantita, or Denomination of Controlled and Guaranteed Origin), VdT (Vino da Tavola, or Table Wine), or IGT (Identificazione Geografica Tipica, or Typical Geographic Identification)¹.

Although quality labels are universally used, doubts remain as to their effective role in fostering the sale of quality wines (Fig.1-3).



¹ DOC and DOCG are commonly referred to as VQPRD (Vini di Qualità Prodotti in Regioni Determinate, or Quality Wine Produced in Determined Region).



If the role of quality labels on consumer preferences remains dubious, even more questionable is the effect of the territorial name on the label. To address the importance of geographical indication of origins in consumers' preferences we interviewed a sample of about five hundred habitual wine purchasers in the Lazio region, a territory of a longstanding tradition in winemaking and of premium wines. The interviews have been collected in wine shows in the major centres of the Lazio region, and especially in the commune of Rome.

The questionnaire is structured in four groups. Each group correspond to a set of variables:

I Group – Gender, residence, family composition, profession, and income.

II Group – Purchasing channels, reason for purchase.

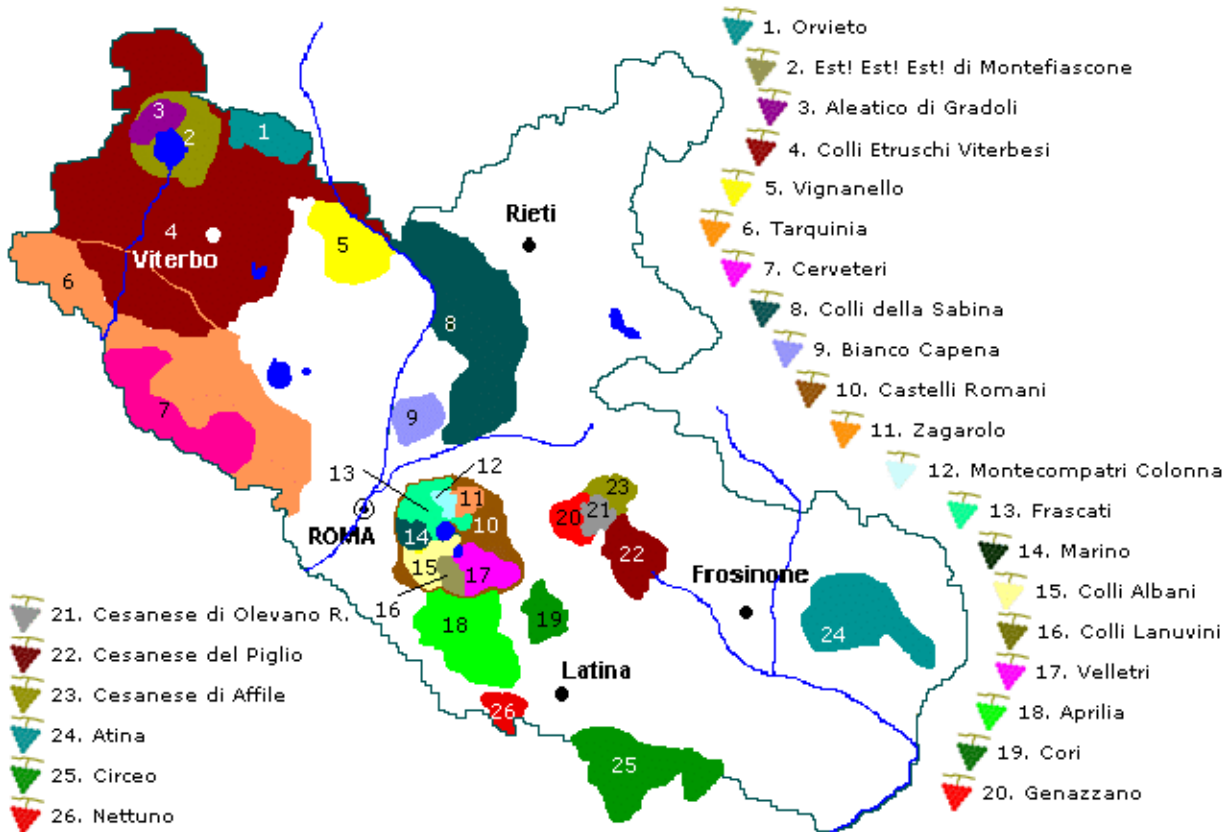
III Group – Knowledge of typical products, knowledge of collective brands, price, and preferences.

IV Group – Association of local wines to the territory of production.

Using cluster analysis and multiple correspondences we have analyzed the information so obtained. Cluster analysis permits to create homogeneous aggregates in relation to consumption patterns. Multiple correspondences reveal the principal consumption patterns from a set of initial variables.

Before presenting the results of the research, we will briefly introduce the Lazio region in relation to its winemaking tradition and typical wines.

The Geography of Lazio Wines



The Lazio region is intrinsically linked to white wines and the other golden-hued blanch typical of the Castelli Romani east of Rome. Traditionally these wines are mouth filling, though not so sweet as to overwhelm the flavour of food. They are easy, everyday wines not designed to last long or travel far. Recent improvements in technology, including new methods of filtration, have transformed them into crisp, dry, and more durable wines that producers are beginning to export.

In ancient time, red varietals such as Falernum and Caecubum were grown along the southern coast. Today even if whites still accounts for the majority of Lazio's wine production, reds

are coming back and Cabernet Sauvignon and Merlot are convincing ever more consumers of the region's vast potential.

The region vineyards cover 4,837 hectares and the yearly wine production is about 4,359,313 gallons of which 66% are white, and 34% red. Cabernet and Merlot are the stars among the reds proving that the fortunes of premium wine production in Latium are not entirely white. Although the regional boundaries touch all five of Italy's central regions, Lazio's geography shares traits more with the Campania region in the south. Like Campania, Lazio has volcanic soils and a mild climate held in by the Apennine Mountains on the east. Lazio's winemakers however, have an easier geography to work with as they plant vines on much gentler slopes. Vineyards sprawl over plains and gently rolling hills and are exposed to a climate that, like that of Campania, varies from hot and dry along the coast to cool and damp in the interior.

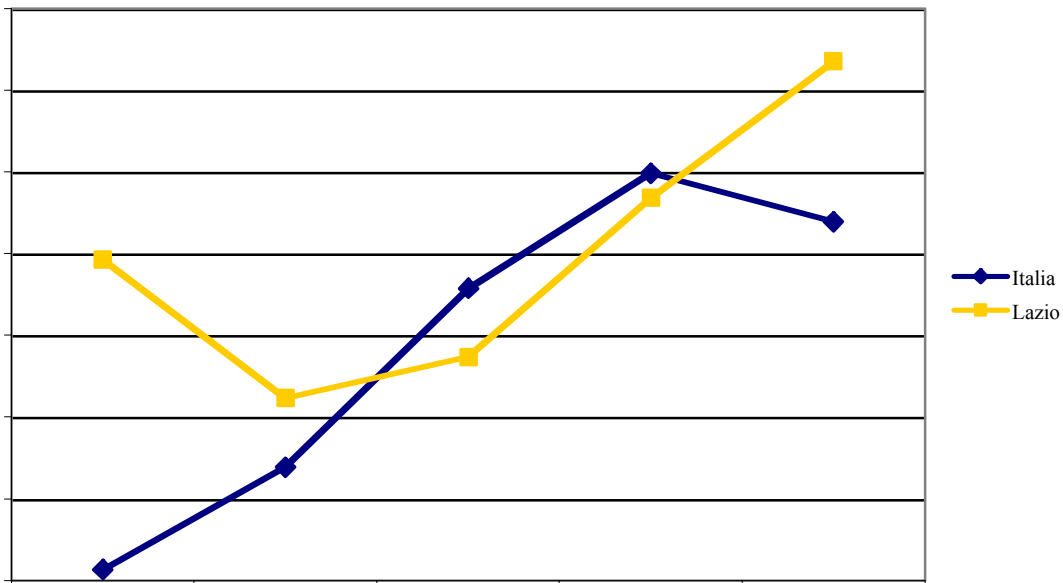
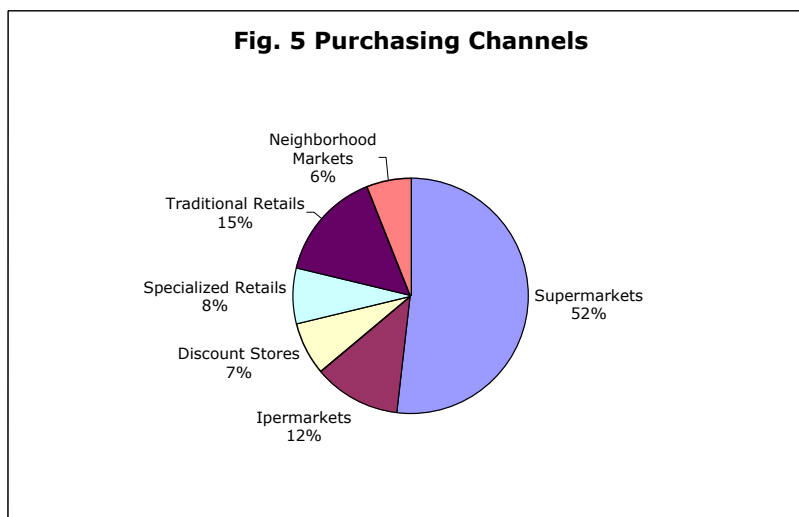


Fig. 4. Consumption trends of typical wines in Italy and Lazio

Consumption Dynamics of Typical Wines

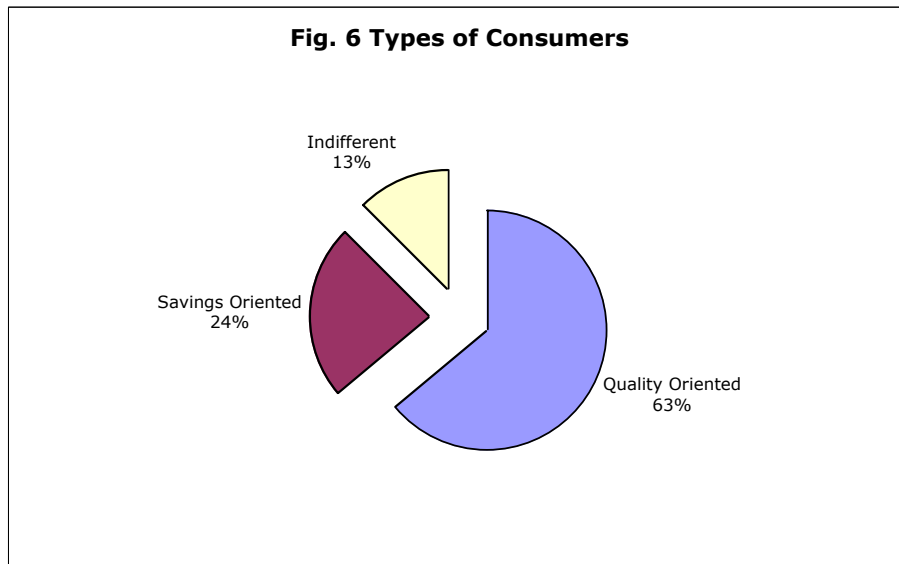
The analysis of consumption dynamics in the 1999-2003 period underlines a growing attention toward quality wines by the part of the Italian consumer. The substitution of generic wine with typical wines is a consolidated phenomenon in the country as a whole, and the Lazio region in particular (Fig. 4). In order to refine the understanding of consumer toward quality wines we have undertaken an analysis of 461 individuals who have declared to be habitual purchaser of wine. The sample is over-representative of Rome's metropolitan area with a slight majority of men over women. Average family size is about 3-4 components with an annual income of about E 15,000-30,000. About thirty percent of the sample falls into the categories of youth and mature whereas less relevant are the extreme age categories.

Regarding habits of purchase (Fig.5), seventy one percent purchase their food at discount stores but, differently from other products purchased systematically in discount stores, wine costumers orient themselves toward specialized detail stores (8 %).



Identification of Homogeneous Groups of Consumers

Multiple correspondences have suggested three main classes of analysis relative to three major consumer groups (Fig. 6).



Indifferent (12%).

This groups is made of families of 2-3 with average economic means that, even if they perceive a positive relation between quality and price, their main objectives are saving and practicality. Their favourite channels are supermarkets. This group perceives the meaning of quality as important but is generally unaware of brand typologies.

Quality Oriented (64%)

This group is made of consumers between 35 and 55 years old, with a medium-high annual income. They buy according to quality and show a sophisticated knowledge of the different meanings and nuances of quality. The propensity to pay for quality products is medium-high. They use supermarkets but a high quota of products is also purchased in specialized retail stores. The characteristics of this group shows a polarizing trend among wine consumers characterized on

the one hand by a conscious approach to quality and, on the other, by an orientation toward saving.

Savings Oriented (23.5%)

Older individuals with families of one or two, on fixed income or low income (> E 15,000) characterize this particular group. Their favourite purchasing channel is traditional retail. This group is most attentive to issues of saving rather than quality or typicality. The knowledge of quality and typicality is the lowest among the three groups.

The survey has revealed a non-uniformity of behavior among consumers. Such diversity varies according to a series of preferences, from strictly economic ones (savings), to cultural (information asymmetry) which eventually can compromise commercial initiatives organized by associations of wine producers who may bet on developing territorial brands to increase their production and their presence on the market.

A further understanding of consumer behavior derives from the test of behavior regarding individual vine denominations and territorial origins.

The Roots of Consumer Behavior

As Cantarelli (2001) points out: “food choices have roots in the heads not in the stomach.” Using multivariate analysis, we have created three main spheres that have a bearing in consumers’ choices. The three essential spheres are:

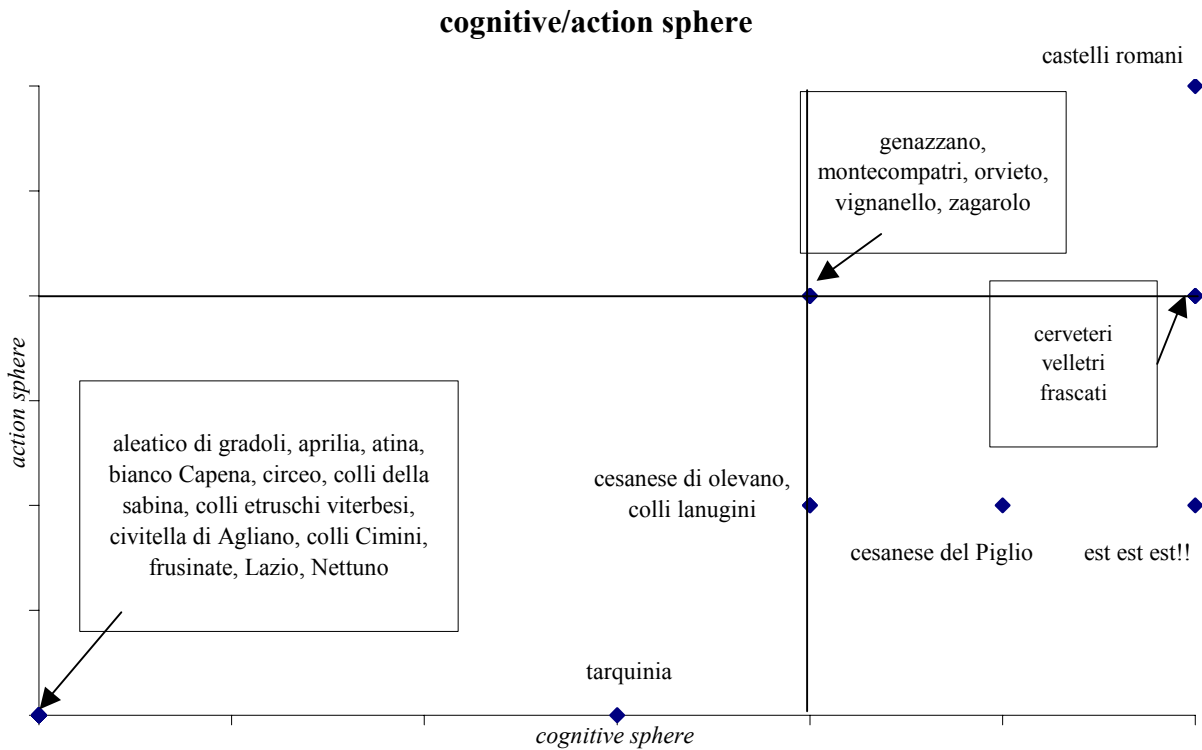
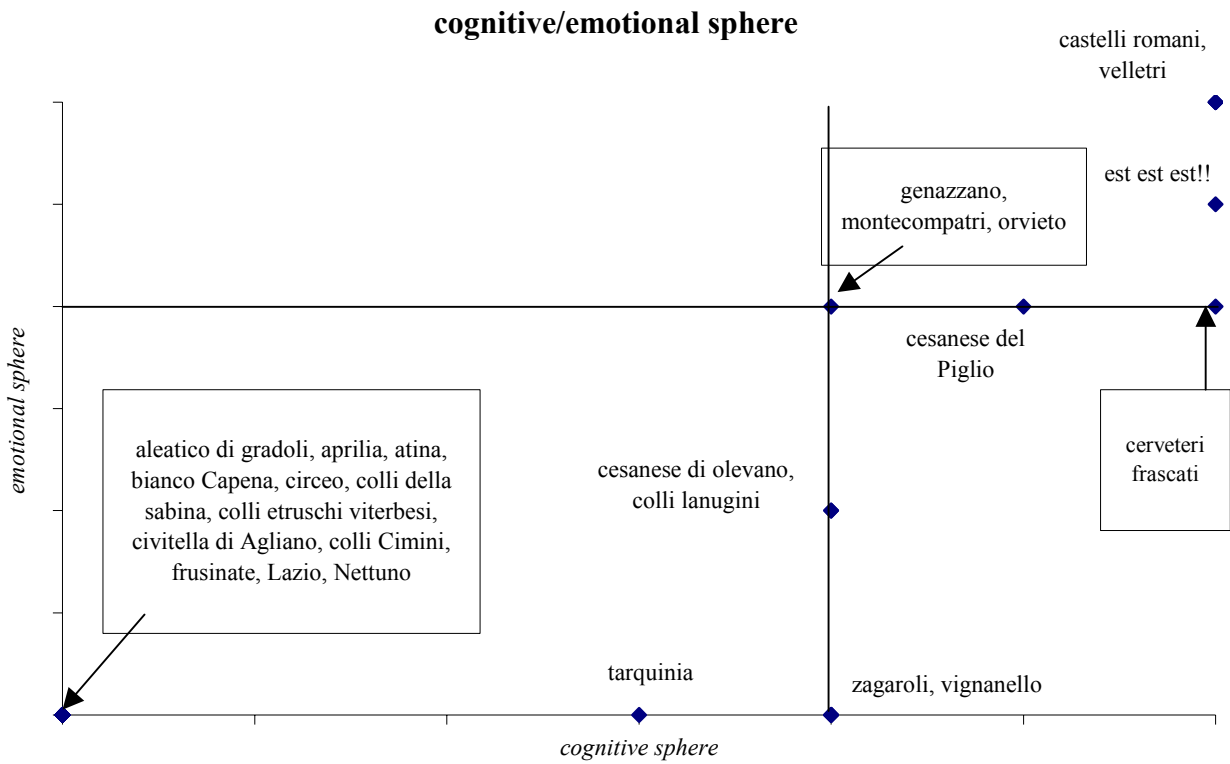
Cognitive (relative to the knowledge of a specific wine)

Emotional (concerning the satisfaction of the consumer with the product and in particular if the wine is perceived as part of the local tradition)

Action (regarding the decision to purchase a product, and in particular if wine was part of the food basket of the consumer).

We have divided the analysis into two different phases. In the first phase, we have crossed the cognitive sphere with the emotional sphere whereas in the second we have crossed the cognitive with the action sphere. The result is an articulation of different situations, each with its own specific problems and opportunities.

Fig.7 – Regional wines and behavioural spheres



The majority of consumers identify the area known as Castelli Romani the legitimate heir of the regional wine tradition. In particular “Castelli Romani,” and “Velletri” are the denominations most known among the public followed by “Cerveteri”, “Est! Est! Est!” and “Frascati.” Particularly interesting is the denomination “Cesanese del Piglio,” which embodies a regional identity even if the area of production, the town of Frosinone, is relatively far from the metropolitan market.

Consumers consider quality wines such as “Cesanese di Olevano,” Colli Lanuvini,” “Tarquinia,” integral to the local tradition but, apparently, they purchase them for no particular reasons. Of utmost importance for the topic of the research is the high number of wine denominations for which the cognitive, emotional, and choice spheres remain inexistent.

The analysis has shown the existence of products that are best defined as *Ambassadors for the Territory*. These are wines characterized by a high degree of visibility and notoriety among a wide spectrum of consumers. This is so because of a finely tuned organization of production and marketing and also by the easiness to find the product in the market.

Another interesting observation is relative to the fact that to a high cognitive dimension not always corresponds a positive perception of the territorial origins of wine. Furthermore, to a positive perception of the denomination may correspond a negative action sphere and, ultimately we may have the worst case scenario where the emotional and choice spheres are both negative. Low cognition levels can be due to the ignorance of the denomination by the part of the consumer. It is reasonable to assume that this situation may result from the fact that being specific to certain geographical areas, the recognition of a specific denomination will be higher when the areas of production are closer to the area of consumption. From these initial data, it is reasonable to assume that to each dimension is associated a different communication typology.

Conclusion

Our survey has shown the complexity of consumer behaviour regarding regional wines even when “labeled.” This fact underlines a common impression, that is, obtaining a territorial label of typicality is a necessary but not sufficient for a positive market performance.

The survey has also highlighted two big problem-areas: the first is relative the necessity to tailor marketing strategies according to the three large consumer aggregates (Indifferent, Oriented toward saving, and Sensitive to issues of quality), and to their behavioural in relation to each denomination.

For the indifferent consumers, the strategy should include issues of quality of life, of typicality, and of quality production. Issues relative to the health virtues associated with wine consumption would sensitize consumers receptive to health issues.

Consumers concerned with saving open the discussion beyond marketing strategies to include issues of methods and organization of production. In Italy, territorial systems specialized in typical production in general, and in wine in particular, are diffused on the territory and the productive structure lacks vertical integration. Given the high product substitutability among wines an efficient action should promote the consolidation of these territorial structures, particularly the levels of associationism among local producers to achieve economies of scale.

To reach consumers attentive to the geographical origins it is necessary to favour the process of “closing” toward regionally produced wine denominations. In other words, we consider the creation of a sense of belonging through communication campaigns and of marketing finalized to the identification of the consumer with the typical product of his/her region of fundamental importance.

Regarding consumers' approach toward individual wine denominations, it is necessary to design a marketing strategy along the lines of behavioural spheres. The analysis of market behaviour bring us to the issue of product visibility and thus to a communicative action. Given the productive model rooted in small and very small productive units, the likelihood to undertake a campaign based on the action of the individual producer is remote. It is necessary instead the support of a collective subjects such as producers association or consortiums that are able to move the economic and political levers necessary to the promotion of local wines. It is clear that the difficulties inherent in such an action are both political and cultural and concern the capacity to create diffused mutual trust among producers and institutions so to coordinate the multiple rationalities that motivate local producers and to involve them in collective actions.

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