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Food System Research Collaborative

at the University of Vermont Center for Rural Studies

Place-Based Marketing Opportunities for Vermont

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ABSTRACT

Vermont is widely recognized as a national leader in the place-based marketing of the state's food products. This has been accomplished through the work of Vermont farmers and producers, and the support and programs of the Vermont Agency of Agriculture, Food and Markets and a variety of nonprofit organizations. Together, these groups have been able to take advantage of the connection made by many consumers between Vermont products and the idea of quality. This connection has often enabled Vermont products to command a price premium, both in markets within the state and in other areas of the country.

Preliminary market research suggests that consumers in two northeastern U.S. markets may be interested in a Geographic Indicator label to identify Vermont products and that feelings of connectedness with Vermont and Vermont food products exists outside of the state

This paper addresses four objectives for place-based marketing in Vermont: The market definition, the market potential, product attributes and authentication, and the potential impact of place-based marketing on the Vermont brand.



KEY FINDINGS

- There is a demand, both in Vermont and the among specific segments of the population in several northeastern metro areas, for a labeling system to help consumers find certain Vermont foods.
- Consumers would like to see this labeling system run by an independent, third-party certification committee and a group of farmers and producers.
- Consumers are willing to pay a premium for food products that have characteristics that are important to them.

Introduction

Vermont is widely recognized as a national leader in the place-based marketing of the state's food products. This has been accomplished through the work of Vermont farmers and producers, and the support and programs of the Vermont Agency of Agriculture, Food and Markets (VAAF) and a variety of nonprofit organizations. Together, these groups have been able to take advantage of the connection made by many consumers between Vermont products and the idea of "quality." This connection has often enabled "Vermont products" to command a price premium, both in markets within the state and in other areas of the country. Until now, Vermont has pursued a generalized state marketing campaign rather than focusing on the "rootedness" of certain products (Giovannucci et al., 2010). Preliminary market research conducted by the University of Vermont (UVM) Center for Rural Studies (CRS) suggests that consumers in two northeastern U.S. markets may be interested in a Geographic Indicator (GI)

label to identify Vermont products and that feelings of connectedness with Vermont and Vermont food products exists outside of the state (CRS, 2010).

Increasingly, place-based marketing is gaining popularity in other states (Patterson et al., 2003). It will benefit Vermont to explore new marketing and labeling strategies, including Protected Geographic Indicators (PGI) and Protected Designation of Origin (PDO) certifications similar to France's Appellation d'Origine Contrôlée (AOC), Italy's Denominazione di Origine Controllata (DOC), and Quebec's Appellations Réservées (AR). The GI labeling system goes beyond the buy local movement by including product and process, as well as place, in its definitions (Ilerby et al., 2005). GI labeling systems have been found to enable product differentiation for consumers, the result of which is to lower consumers' sensitivity to the price of products they feel loyalty towards (Porter, 1979). In 2008, Country of Origin Labeling

(COOL) legislation allowed for local products to be differentiated from non-local products by requiring producers to list country of origin on food product packaging (Giovannucci et al., 2010). Whereas COOL legislation put the burden of labeling on non-local producers; the GI system places it on local producers (Giovannucci et al., 2010; Trubek & Bowen, 2008).

The French AOC system goes beyond labeling and marketing; the Institut National des Appellations d'Origine (INAO) that regulates the label only grants designation to producer groups with written missions, demonstrated democratic structure within the producer group, and producer groups must provide the impetus to establish the designation (Trubek & Bowen, 2008). This system has a built in quality control mechanism, ensuring that only producer groups with a proven history of high organization and functionality, with clear motivation and universal buy-in are qualified to be considered. This model shows one example of the balance between governmental oversight and producer autonomy that produces a claim that consumers trust and support. The establishment of a GI system in Vermont will require attention both to consumer trust as well as the regulatory structure and power balance between government and producers.

Perhaps the most significant difference between the well-established ecological and cultural regions of France's AOC system and the potential place-based initiatives in Vermont is the celebration of individualism and diversity in American tastes. For example, Marin County, California celebrates the many cheeses made in their region as evidence of the rich biodiversity there; claiming that the cheese reflects both the quality and the diversity of the region (Paxson, 2010). This is similar to the spirit of individualism that Vermont producers have expressed at the Taste of Place Working Sessions, facilitated by the VAAF and CRS.

The diversity offered by producers may be seen as a challenge in establishing a regional standard or singular rooted product,

Many consumers believe that it is important to emphasize the flavors of a product that reflect the natural environment of the region where it was produced.

but might also be well suited to the greater variety of tastes preferred by American consumers (as compared to Europeans). An attitudinal study of Europeans and Americans showed that country of origin more than any other demographic factor determined respondents' preference for diversity of food choices; Americans were found to expect a large number of choices at an upscale restaurant, respondents from the five European countries expected limited choice in the same scenario (Rozin et al., 2006). The implication for Vermont producers is that GI labeling does not have to be a limitation or result in reduced variety and diversity of agricultural products produced in the state, choice as well as quality is valued by the American consumer.

As "values-based" labels, GIs explicitly connect local and global components, allowing for local control over production while allowing access to regional, national, and global markets (Trubek & Bowen, 2008). The challenges for Vermont are to identify consumers interested in the special qualities and tastes of Vermont products and to understand consumer perceptions and expectations of these products. There are dual motives behind such GI programs: territorial development and protection of environment and historic process (Selfa & Qazi, 2005). One previous study suggests that consumers have a concept of local that is closer to home (between 25 and 100 miles) than that of retailers who are more likely to consider local as "grown in my state" or in the region (Giovannucci et al., 2010).

The consumer's perception of local is important because it has been tied to consumers' need for and reliance upon labels, trademarks, and brands; historically, as food shoppers' awareness of local producers declined shoppers became more dependent on packaged and branded foods as a means of conveying trust (Giovannucci et al., 2010). A GI labeling scheme can take advantage of this tendency by properly identifying local or regional specialty products with a label (a familiar medium to convey trust to consumers) conveying the unique and high quality of Vermont food

products (Giovannucci et al., 2010).

Producer collaboration is essential for a meaningful terroir labeling system in Vermont. Certain standards will have to be set in regards to technique used in producing agricultural goods with distinct characteristics imbued in each bite by both traditional methods as well as the ecological setting. Exploration of the spatial structure GIs is needed because monitoring and measuring impacts of the program and other data collection is complicated by the fact that GI boundaries do not coincide with political boundaries in existence in the US, making US census data and data collected by the National Agricultural Statistics Service (NASS) nearly impossible to use with GIs (Barham, 2010). In addition to defining the spatial protocol for the GI system, the state and producer groups will have to work together to construct protocols for displaying of difference and consider the cultural, scientific, and legal implications (Josling, 2006). In the case of Concord Grapes, produced in a swath of land near Lake Erie that spans both Pennsylvania and New York, producers worked with university extensions in both states to establish an "Agricultural Heritage Area" (Hilchey, 2009). The producer group had to work creatively within existing political boundaries (i.e. towns, states, and counties) to establish funding and support for the program (Hilchey, 2009).

Vermont has seen its own case study of producer collaboration; the experience of Vermont Shepherd cheese makers' cooperative sheds insight on the challenges of a terroir-based cooperative approach to artisanal cheese in the context of American, and specifically Vermont, culture. Like the Concord Grapes, this case also raises important questions about the role of government support as well as guild structure, specifically how the added value is distributed among cheesemakers and producers of raw product (Paxson, 2010).

In addition to business owners, artisan



producers are also active community members, rural entrepreneurs, ecological stewards, sustainable developers, local citizens, and conscientious farmers (Paxson, 2010). By calling attention to the full spectrum of community, cultural, and environmental influences of Vermont farmers, experiments with terroir present an opportunity to carve out new geographical, cultural, and environmental territories or reconfigure those already in existence. Viewing artisan producers' work through the lens of terroir presents a framework in which to negotiate rural values and sustainable agriculture with commercial values needed to make the work financially viable (Paxson, 2010). The potential economic, cultural, and ecological impacts of a place-based labeling designation motivated an investigation by VAAFAM.

The goals of this project are articulated in the four project objectives and the list of major research questions defined by VAAFAM at the beginning of the project, which are as follows:

1. Market definition.
2. Market potential for place-based Vermont products
3. Understanding of product attributes and authentication.
4. Potential impact on current Vermont brand.

Methods

The methods used in this study were developed in collaboration by the VAAFAM, the Taste of Place Advisory Board (TOPAB), the Center for Rural Studies (CRS) and faculty in Community Development and Applied Economics Department (CDAE) at the University of Vermont (UVM). A self-administered, cross-sectional survey design using a stratified, random sample was selected for this study. The population of interest was the primary shoppers for households in the Philadelphia, New York, and Boston metropolitan areas and the state of Vermont. These specific metro areas were selected for the study, because they were identified as having the three highest

levels of visitation to the state of Vermont, according to the Vermont Department of Tourism (2010). The sampling frame and a simple random sample for each of the four areas were obtained from InfoUSA's DirectoriesUSA contact list.

Results

Results of the study are based on the 438 respondents from outside Vermont and 250 in-state responses for a total of 688 responses. Based on a group of this size, the results for all respondents have a margin of error of plus or minus 5 percent at a 99 percent confidence interval. The results for Vermont alone have a margin of error of approximately plus or minus 5.0 percent at a 95 percent confidence interval, while the results for the metro areas have a margin of error of approximately plus or minus 5.25 percent at a 90 percent confidence interval.

This builds on the work of Timmons et al. (2008). Of those who responded to the survey, 87 percent of Vermont respondents and 81 percent of out of state respondents were interested in the Taste of Place (TOP) concept. One must consider that 3 percent of the metropolitan area persons who were initially sent a survey responded that they were interested in TOP. This translates approximately 271,000 households in these three northeast metro areas. Of these households, 44,500 represent "new" customers for the state's food products. That is, households who have not stated they have purchased Vermont products in the past.

The next step in the project was to determine which characteristics would be most appealing to potential consumers, how much consumers might be willing to pay for these characteristics, and how TOP should be "certified." Finally, if Vermont pursued TOP designations, would the now profitable Vermont brand be diluted?

Table 1 shows the characteristics that consumers would be interested in and the premium they report they would pay for that characteristic. Note that there are significant differences between the Vermont and out of state sample with regard to several characteristics. Based on the results any

brand name commands about a 30 percent premium. When interpreting the value of Vermont based characteristics, it is wise to subtract this 30 percent. The out of state sample appears willing to pay more than the Vermont sample for several characteristics.

It is also clear from the results that consumers do not want a State governmental agency to oversee a certification process that would oversee TOP characteristics. Table 2 shows these results.

There is an indication that a GI system may strengthen the Vermont brand, particularly in the metro areas. Among consumers in the metro areas, 46.6 percent believe that emphasizing “flavors that reflect the natural

environment of the region where it was produced” is most important, while another 43.7 percent believed that focusing on “traditional growing and production techniques” is most important, only 9.7 percent said that identifying a food as being from Vermont is most important. Hence, a system that further links the Vermont brand to concepts of “traditional techniques” and “flavors that reflect the natural environment of the region where they were produced” should have a beneficial impact. Approximately half of the Vermont respondents stated that the identification of a product as being from

In Vermont, at least 17.1 percent of households are interested in the concept of a GI label, which translates to minimum of 41,000 households

Table 1. Willingness to pay for product attributes

Attribute	Average (Mean) Percent Premium	
	Vermont	Metro Areas
A brand name that I know	27.9	30.3
Produced locally	43.3	44.9
Only available at a certain time of year	44.0	47.2
Grown on a family farm	47.4	48.4
Imported from a country known for high quality food ***	24.2	36.8
Certified organic ***	31.5	38.3
Consistent in flavor from one batch to the next	34.7	38.0
Made in Vermont ***	46.6	35.3
A new product that I’m curious about trying	35.1	38.1
Helping to preserve open farmland	45.3	46.4
Made by a cooperative group of farmers	44.2	44.9
Made on a farm where the farmer and workers make a fair wage	47.5	49.1
Made using environmentally friendly methods	46.6	50.2
Has unique flavors that reflect the region where it was made ***	42.1	48.4
Made using traditional production methods *	35.5	40.0

Note. Based on the findings from the Pearson’s Chi2 tests, there were statistically significant differences between the Vermont and northeast metropolitan areas where indicated by * = .100, ** = .050, and *** = .010.

Vermont was most important.

Key Findings

1. **Market Potential.** There is a demand, both in Vermont and the among specific segments of the population in several northeastern metro areas, for a labeling system to help consumers find certain Vermont foods that are (a) produced using traditional techniques, (b) have flavors that reflect the natural environment of the region where they are produced, and (c) clearly identified as being from Vermont;
2. **Authentication.** Consumers would like to see this labeling system run by an independent, third-party certification committee and a

group of farmers and producers. Consumers do not want to see this system being run by a state government agency;

3. **Premium.** Consumers are willing to pay an average premium of up to 52.0 percent in Vermont and 59.6 percent in the metro areas for food products that have two or more of the characteristics that are important to them. In Vermont, characteristics that indicate that a food product was grown on a family farms and that farmer and farm workers get a fair wage commanded the highest premium, followed by the identification of a product as being “made in Vermont.” In the metro areas, the characteristics that garnered the highest premiums were the following: made

Table 2. Who should be responsible for running a labeling system?

Response	Percent	
	Vermont	Metro Areas
Group of farmers and producers	28.7	25.1
Independent, third-party certification committee	30.3	30.8
State government agency	9.3	8.9
All three options combined (group of farmers and producers; independent, third-party certification committee; and state government agency)	2.1	1.6
Group of farmers and producers & independent, third-party certification committee	3.2	6.1
Group of farmers and producers & state government agency	1.6	2.4
Independent, third-party certification committee & state government agency	0.5	0.4
<i>Miscellaneous</i>	2.3	2.4
I’m not sure	22.0	22.3
Total	100.0 (n=432)	1. (n=247)

using environmentally friendly methods, fair wages for farmers and farm workers, and the GI concept of a food having unique flavors that reflect the region where it was made. In fact, in the metro areas, “made in Vermont” on its own resulted in the second lowest premium. Thus, any additional connections between the Vermont characteristics and the other characteristics should result in a strengthening of the Vermont brand. If “made in Vermont” alone results in an average premium of 35.3 percent in the metro areas, and the average maximum payment in those areas is 59.6 percent, hypothetically, furthering the connection between Vermont products to other attributes, like the ones described above, through a GI label should help Vermont products command a higher premium;

4. **Attributes.** In addition to the attributes that commanded the highest premiums,

consumers said that they highly valued the production-related attributes (a) preserving open farmland, (b) locally produced, and (c) made by a cooperative of farmers, and the experience-related attributes (a) freshness, (b) quality, (c) taste, and (d) flavor ;

5. **Impact of the Vermont Brand.** There is no indication among consumers that a GI system would negatively impact the Vermont brand, as long as the connection to Vermont remains noted.

Overall, these findings seem to suggest that the development of a labeling system to help consumers find foods that are (a) produced using traditional techniques, (b) have flavors that reflect the natural environment of the region where they are produced, and (c) clearly identified as being from Vermont is something that a large number of consumers in Vermont and in certain metro areas would like to see.

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