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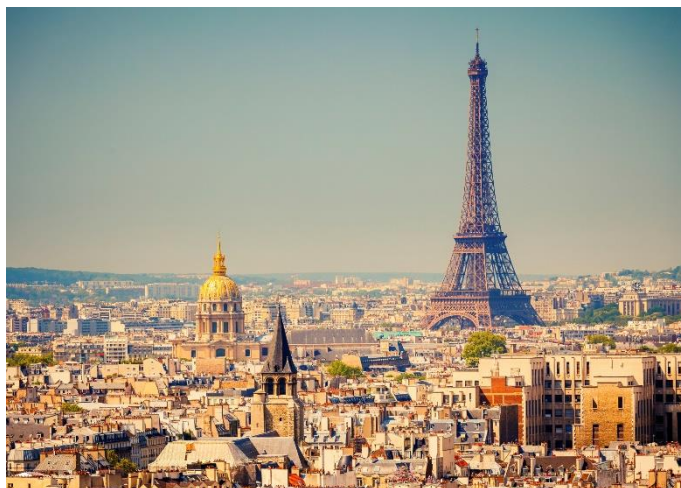
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Origin labelled products in global markets: some research issues

Luis Miguel Albisu¹

¹ Agricultural Economics Unit - Agrofood Research Service - Aragon Government, Zaragoza, Spain

lmalbisu@cita-aragon.es

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Final lecture

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Luis Miguel ALBISU

*Agricultural Economics Unit - Agrofood Research Service - Aragón Government
Zaragoza, Spain*

INTRODUCTION

Origin labelled products attracts a great attention in the market as well as among marketing scholars and researchers. It is rather astonishing that this kind of products concentrates so much interest in global markets. Maybe both developments could fit together and globalisation has also generated a special interest for typical and regional products. Consumers require quality but this magic word is a rather complex task to accomplish. Supposedly, origin labelled products are closely linked to quality. Also consumers pay a high attention to safety issues and traceability will be highly appreciated to know where in the supply chain might have occurred a mistake.

This short paper attempts to create awareness about some research issues, which could be of interest to origin labelled products. The way it is structured is the following: a first section dealing with some remarks about global markets ; the second section covers special features that are of interest for origin labelled products ; finally, research issues are presented and a short explanation why they should be considered is presented.

1. GLOBAL MARKETS

Globalisation is one of those words, which nowadays, has become fashionable and is constantly used in the

media. It is difficult to understand really all the components, which are behind that word. However, it seems unavoidable to analyse it in the new emerging international scenario. It affects severely any kind of business regardless its size and focus.

Commonly, there is a tendency to think only about the economic factors affecting globalisation but there are many other components, which are related to food habits and influences. Among many other factors, human beings moving around the world are of a great significance for food consumption. They participate in new eating ways and become familiarised with different eating cultures as well as they carry their own ways of understanding food. Food markets are considerably less global than industrial markets because the present differentiated cultural patterns around the world.

A constant tendency towards greater firms integration is no exception for the food industry as in any other sector of the economy. In this common environment, multinationals have an important role to play. They are the leading players and their brands are their passports to enter and to conquer many markets. Nevertheless, they differentiate their global brands from their regional brands that have a much more limited geographic coverage. The world is too big, even for the most important multinationals, and they reach strategic alliances to

consolidate or share their worldwide power. Origin labelled products is usually produced by firms, which have to face globalisation trends.

The distribution chains have concentrated more power in their hands than the agro-food industries. They dominate the supply chain and they constantly fight to get more consumers and to achieve their loyalty. Their job is not easy because developed economic markets are characterised by their saturation. Consumers have more than what they want; so, markets are saturated. Agro-food firms fight to have a proper space for their products in the distribution shelves. Distribution chains are constantly offering new services and special offers to preserve consumers' loyalty. In this competitive scenario, innovation is a requirement and food products diversity highly appreciated by consumers.

Consumers buy food products but their decisions suppose the interaction of many considerations. Basically, a food product starts with a certain amount of raw materials. Producers have a tendency to evaluate only this part of the product thinking that it is the key factor. But almost any food product has an industrial transformation either in the basic raw material or in the packaging, which goes together with the raw material. Consumers buy a remarkable number of services, which are included in the food product and it is an important part of the final price. The image or the perception that a consumer has about a food product is a component to be considered and to be analysed, which also is going to influence the final price and consumer buying decision.

2. FOOD ORIGIN LABELLED PRODUCTS

There is a growing interest for this kind of products. They have been developed mainly in the Mediterranean countries but it is common to find that awareness in many other European countries. They are fully linked to tradition but quality specifications and control is part of the entire package sold to consumers. There is a strong legal recognition and the European Union has already incorporated in its legislation. This decision has spread their interest in many countries.

A great number of features characterise origin labelled products. For instance: they come from limited geographic areas ; usually, their market share is small in comparison to other well-established food products in the market ; consumers do not have a widespread knowledge

of them, except in the nearby areas where they are produced ; they tend to have loose connections with the modern distribution systems ; small and medium-sized enterprises are the common size and they make usually slow adaptations to the changing market place environment.

3. SOME RESEARCH ISSUES

In this section, 10 research issues have been selected. They might not be the most important but they cover a wide range of problems and many of them have a relationship with actual market developments. They are the following:

3.1. How to find a balance in the use of traditional raw materials and the need of launching innovative products

Origin labelled products rely on tradition as an important asset. But there is a constant contradiction between tradition and innovation. Modern markets require constant innovation; nevertheless, consumers also appreciate tradition. The correct combination is a difficult formula to find but it is a necessary exercise to make. There is not a standard compromise and each region should find its own way.

3.2. Traditional versus new technological methods

This is an extension of the previous issue but in this case it is more related to the technical process. Traditional methods encounter serious difficulties to pass strict quality controls. Food safety requires better technical controls in the entire productive system and there are many enterprises, which are not prepared for this test. Origin labelled products are forced to find their own way, not introducing fully standardised technical processes but at the same time incorporating high technology.

3.3. How to approach mass marketing chains

Most of the origin labelled products are commercialised through traditional channels. This is an important commercial outlet but they cannot avoid other channels of distribution. Most of the people involved in producing that sort of products do not have a professional idea about how to approach and negotiate with mass marketing chains. It requires specific techniques and searching

capabilities to accomplish logistic platforms, contract requirements, personal trust developments, etc.

3.4. Building image as a part of the product

Producers of origin labelled food products have always had a great concern for technical specifications. Special emphasis has been given to organoleptic characteristics but they do not value marketing techniques. Communication is poorly handled and not enough money is provided to advertising and promotion. There is a need to have professionals dealing with this issue, in order to establish the correct techniques and to clarify the medium and long-term objectives.

3.5. Alliances among regional products

Most of the products under consideration have a limited market. They can be quite strong in limited geographic areas but have difficulties to expand to other territories. Large firms have learnt how to make alliances to cover bigger markets. Small and medium-sized enterprises have to search new alliances among firms dealing with equal or different products in far away markets. It requires a new philosophy and ways to develop jointly their commercial expansion. New rules have to be investigated and applied for origin labelled products.

3.6. Searching for the right mix between collaboration and competition

Firms dealing with origin labelled products commonly collaborate among themselves. It is a need for them as they usually belong to a group that has certain shared rules. Nevertheless, their similar products also compete in the market or their financial needs might also compete as they have a limited number of institutions to apply. Strategic decisions have to be made in order to find a correct combination between competition and collaboration.

3.7. Social communication should be reinforced

Too often, the importance of origin labelled products is linked to the regional economic development, especially

the significance that the agro-food industry might have on territories far from urban areas. Social aspects, though, are not sufficiently emphasised. Regional consumers feel identified with products coming from their areas and local producers get a special recognition because their products have the regional brand.

3.8. Consumers should be analysed

Productive areas disregard the other end of the food chain. There is a special pride to think that the best products come from their productive areas. There is no concern for consumers' reaction and for the reason of many market failures. It involves the transformation from a productive to a marketing approach. Searching for market segments requires knowledge about consumers in different markets. Too simple extrapolations could be misleading. Market research might be of limited scope but still of a great use.

3.9. How to incorporate new quality requirements : ISO norms, traceability, etc.

Food safety is of a great concern for consumers. Quality controls are becoming more standardised and a common practice among agro-food firms. Origin labelled food producers should take advantage of recent quality control trends. It might not be so difficult to incorporate them but it is also necessary to communicate to consumers on how it is done. Traceability is considered as an important device to detect failures and it could be implemented quite easily for origin labelled products.

3.10. From local to national and international markets

Globalisation does not imply to be in large areas of the world. Nevertheless, it requires a different mentality with respect to international markets. Searching for market segments implies that producers and transformers have to move from local markets, to national and international markets. Origin labelled food products might find fewer difficulties entering new international markets than fighting for a greater market share in their established markets.