

# **International Marketing and Trade of Protected Designation of Origin Products**

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# International Marketing and Trade of Protected Designation of Origin Products

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This paper aims to analyse the international marketing and trade strategies implemented by Italian quality food producers with special attention to the export and trade issues for two important Italian PDO products: Prosciutto di Parma PDO and Parmigiano-Reggiano PDO. The international marketing and trade strategies will be analyzed according to the four Ps approach, widely applied in national marketing studies especially for food industrial products (Padberg et al., 1997). In particular, PDO products and other EU quality labelled products, has been analyzed in international trade contexts using other methodologies (such as sector analysis).

The paper reports theories and case studies of the supply chain players strategies, focusing on the rapid change in trading and distribution channels. The future of PDO and PGI products is not only connected to their positioning, promotion and international protection but also to the strategies of the retail leaders and to the overall strategy of the producers, ranging from small to international companies. The latter are more and more present in the market of EU quality labelled product which represents a diversification and a good investment to improve market positioning.

Keywords: PDO products; international marketing; Parmigiano-Reggiano Cheese; Prosciutto di Parma; consolidation in traditional food sector.

## **1. Background**

The PDO/PGI product sector accounts today for about 8% of national consumption of food products. Cheese and prepared meats account for 95% of the value of PDO/PGI (INDICOD and Nomisma, 2005). In terms of export, these products are above the national average of the food industry; 18% of output value compared to 13% average (INDICOD and Nomisma, 2005). Many products that are frequently exported are of high value; they include “Toscano” PGI olive oil (67% product exported), “Pecorino Romano” PDO cheese (63%) or niche products such as “Terre di Siena” PDO olive oil (55%), “Garda” PDO olive oil (50%) and balsamic vinegars (45%) (INDICOD and Nomisma, 2005). The proportion of export within the segment of protected dairy products, shows big differences (Table 1).

Overall, cheese accounted for two thirds of total exports (650 million euros), followed by cured ham at 270 million euros (2005). Almost 70% of the PDO/PGI product exports were delivered to EU markets.

The analysis of agri-food exports to European markets shows that the most fragmented segments (cheese, deli meats and wine) are “weaker” in terms of volume compared to products bearing strong brand labels (tomato conserves, pasta and olive oil.) rather than geographical indications. The same is true for the USA where 70% of imported olive oil is “Italian”, 35% of pasta, 28% of wine, 23% of cheese, 17% of tomato products, while the percentage for deli meats is only 3% (INDICOD and Nomisma, 2005).

As known, the image of Italian products is positive, as proved by the way they are cloned in all corners of the earth. A survey conducted by INDICOD and Nomisma (2005) showed that sales of Italian sounding products on the USA market accounted for ten times the retail value of “real” Italian products and that this level is growing.

Table 1. Production and Export of some Italian PDO cheeses (2005, tonnes)

	Production	Export	Share export / production
Grana Padano PDO	159,607	32,718	20.5
Parmigiano- Reggiano PDO	118,979	17,617	14.8
Gorgonzola PDO	48,480	14,027	28.9
Asiago PDO	23,621	1,444	6.11
Provolone	12,745	3,911	30.7
Valpadana PDO			

Note: Pecorino Romano PDO overall production, which is not shown in the table, is rapidly declining. In 2000 less than 34,000 tonnes were produced. This decrease in output is explained by the pessimistic forecasts for export, partly due to its low competitiveness on the US market, given the unfavourable exchange rate euro/dollar.

Source: our elaborations on Consortia data.

## 2. Objectives

This paper aims to analyse the international marketing and trade strategies implemented by Italian quality food exporters with special attention to the export and trade aspects for two of the most important Italian PDO products.

The study focuses on the rapid change in trading and distribution channel, that will affect the exports of high quality food products, by discussing the international marketing and trade strategies of the quality food exporters.

Italy has increasing difficulties in unravelling the knot of international market competition, due to the size of the export companies which, on the whole, is inadequate as regards to global market standards and due to Italy's distribution system which has failed to expand abroad, leaving the advantage to the foreign chains to take, preferentially, their national products to the countries they set up. However recent market concentration process is rapidly change the competitive arena for main PDO and PGI products.

## 3. Data and methodology

The international marketing and trade strategies of Italian PDO and PGI exporters are analysed considering their marketing mix strategy. As Van der Lans et al. (2001) stated, it is important for PDO and PGI labelling to be effective, to be inserted into an appropriate and well-articulate marketing strategy.

In this paper, the four Ps approach is used to evaluate the selection and development of the *product*, the determination of *price*, the selection and design of distribution channels (*placement*), and all aspects of generating or enhancing demand for the product, including advertising (*promotion*).

Data are collected from internal data of institutional Consortium, companies data (producers and retailers), ISTAT data on trade movements and other quoted sources.

The approach of the marketing mix in studying the strategic position of a product in the marketplace is widely used in the literature of the agri-food product. In particular, some papers apply this methodology, as well as the specification of the four Ps, in analysing the role of the PDO and PGI labelling in the international trade of quality products.

For instance, Magni and Santuccio (1999) give an overview of the possible role and perspectives of the marketing policy for geographical indications in Italy. In this context, the authors show the strength and weak points for the international positioning of such products. The four Ps approach has been used by Bonetti (2004) in analysing the

organisational and branding strategies adopted for traditional Italian production “Mozzarella di Bufala Campana” PDO. Cardinali (1998) gives an example of the marketing mix for the national trade of regional apples (“Mela della Val di Non” PDO) with the collective brand “Melinda”. The strategic position, according to the four Ps scheme, within the national and international market of the main Sicilian wines with Geographical Indications are studied and exposed in the paper by Bellia (2005), while Rossetto (2002) studied the ones from Veneto region. Maretti and Zago (2003) provide some economics of the strategies needed to compete on foreign markets and/or to enter into new markets for wines. In Crescimanno et al. (2002), the trade marketing of organic producers of olive oil is examined with regards to both national and international markets.

Finally, the role of PDO and PGI in the international trade is generally described in Boccaletti (1999), Sodano (2001), Bureau and Valceschini (2003); in these papers, the denomination of origin is mostly considered as a marketing tool per se, without paying particular attention to the marketing policies behind (price, product, distribution, etc.).

Finally, the case of “Prosciutto di Parma” and “Parmigiano-Reggiano” has been studied in previous researches like, for instance, O'Reilly and Haines (2004) and Arfini (1999); however, in these papers, the cases are exposed with reference to the local marketing networks and strategies without a particular attention the foreign channels.

### *3.1 The selection and development of the product*

The whole set of decisions relating to selecting a product for export can be considered as the international product policy (Valdani and Bertoli, 2006; Pellicelli 2007). Traditional products themselves are already extremely differentiated by their very nature and thus enjoy competitive advantage, and price positioning absorbs transport costs and potential import barriers.

Competitive pressure may appear between one EU quality labelled product and another, or as is often the case for Italian products, between a protected geographical indication and an imitation. The extent of this depends on how correctly consumers perceive the product.

Through prism or amplification effect, products with guaranteed origin are usually perceived overseas to be at a higher level than they are in the country of origin (Valdani and Bertoli, 2006). One of the causes of the “prism” is the country of origin effect, or consumers’ previous experience of a country’s products and country attributes. This may be direct experience as an immigrant or tourist, or it may stem from interpersonal information or mass communications, or generalised opinions about the country (Valdani and Bertoli, 2006).

It is not by chance that the top export-oriented products (PGI Tuscan olive oil, Pecorino Romano PDO cheese and Terre di Siena PDO olive oil) come from Tuscany which is one of the regions most popular with tourists or from the area of Lake Garda (Garda PDO olive oil). The main consumption areas overseas are traditionally those with a large proportion of Italian immigrants. But today global wide competition means that the country of origin effect is not enough; new requirements of the international consumer have to be taken into account, even for traditional and regional products. In China for example, extra virgin olive oil is promoted as a gastronomic speciality, but operators say that its success depends on its nutritional and health characteristics.

In the eyes of East Asian consumers, Italy represents biodiversity. The most active regions, Emilia Romagna and Lombardy carry out local marketing which means promoting an image of the country, not just organising a stand with regional finance. The two main producer’s consortia of Emilia Romagna Region (Parmigiano-Reggiano and Prosciutto di Parma) decided to focus on this country image when in 2005 they halted EU financed joint promotions with a French cheese, to focus on “Parma” products. The importance of the “country of origin” cue justifies the EU regulations on traceability and labelling.

### *3.1.1 Adaptation and communication of product*

The requirements of different overseas markets has led consortia of various quality labelled products, in their institutional function of promotion, to modify product image or rather enhance the country of origin effect (Jaffe and Nebenzahl, 2001) for the culture or environment of the new market. Important or desirable features in one country are not necessarily effective in another<sup>1</sup>.

Given that intrinsically a traditional product is not easy to adapt, it is the service content rather than the product itself that has to be modified. For instance, the “Grana Padano” PDO cheese is exported in different seasoning patterns according to the destination country to meet consumers’ perception and need.

International promotion of traditional and regional products having a real or potential overseas market has mainly been carried out by institutional bodies such as producer consortia. It has strengthened the country of origin effect by playing on the geographic origins of the product.

Only recently commercial publicity, such as publications, cultural initiatives etc., has been developed to improve the relationship with clients. Commercial advertising by institutions tends to adapt the message taking cultural differences into account. It also depends on finance being available and local regulations on advertising. The EU makes available funding for international promotion of geographical indications, either directly or financing companies or institutions<sup>2</sup>. Another important method of communication overseas are specialised trade fairs, which can be opportunities for sales or method of direct communication to potentially interested operators. They are an efficacious form of communication.

In 2006 Italian companies spent about 7,000 million euros on information, promotion, publicity and support for PDO and PGI products, trade fairs and export in general. The funds came from the EU, government, regional authorities, the National Institution for Foreign Trade (ICE – Istituto nazionale per il Commercio estero), Buonitalia Spa<sup>3</sup> and Chambers of commerce.

There have also been recent initiatives by big Italian companies to consolidate market position overseas. An example is “Italia del Gusto – Taste of Italy”. “Taste of Italy (Great Food Good Living)” is a consortium composed by the most important Italian companies with high quality products in the food sector<sup>4</sup>. This consortium undertakes activities in marketing, promotion and communication on foreign markets to assist the development of international sales for its members. The aim is to spread the taste and the Italian way of eating all over the world with the products of consortium companies. It develops trade marketing and initiatives in the distribution and the Horeca sector<sup>5</sup>. “Taste of Italy” also carries out public relations with the media and other institutions. In particular, it provides advice and opinions in the areas of marketing and global communications, research, events and sales promotions. It also participates in international trade fairs, and it can help create commercial and logistical synergies and partnerships amongst its members.

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<sup>1</sup> Market research is expensive especially on new and distant markets, so that international and local support is essential to overcome the language barrier and other difficulties.

<sup>2</sup> Recent press advertising campaigns in the USA by the Consortia of Prosciutto di Parma and Parmigiano-Reggiano focus on product imitation and use pictures showing “photocopies” or the “DNA” of the products. The EU has spent 4 million euros over three years for this press advertising.

<sup>3</sup> Buonitalia Spa is a private company “for the promotion, valorisation and internationalisation of the Italian food industry, established by the Ministry for Agricultural and Forestry Policies in July 2003”.

<sup>4</sup> Members are Amica Chips, Auricchio, Barilla, Conserve Italia, Cremonini, Granarolo, Ily Caffè, Italia Zuccheri, Noberasco, Orogel, Parmacotto, Parmalat, Parmareggio Unigrana, Pastificio Rana, Regnoli, Riso Gallo, Salov, Sammontana, Acqua San Benedetto e Aia (Gruppo Veronesi).

<sup>5</sup> The Horeca sector includes mainly: hotels, restaurants, cafés, pubs and bars, camping sites, canteens and catering services.

### *3.1.2 Intellectual property rights*

International product policy involves ascertaining the legal system of intellectual property rights, which in some countries may give grounds for uncertainty. This is particularly important for definition, communication and promotion of quality labelled products, which tend to be more complex because of the collective ownership. Indeed, the protection of geographical indications is usually guaranteed by producers' associations or consortia that, in general, are unlikely to register brands or patents overseas.

The protection given to geographical indications at international level is considerably enhanced by the TRIPs (Trade-Related Aspects of Intellectual Property Rights) Agreement. Approved as part of the Final Act of the Uruguay Round, it lays down minimum standards of protection for several categories of intellectual property but the negotiating process has not as yet achieved the hoped-for results. The situation within the EU is of course different; Council Regulations (EC) No 510/2006 and No 509/2006 aim to protect the names of products whose specific character is determined by their geographical origin or by a particular method of production. More information can be found in the literature on the protection at international level of geographical indications (Evans and Blakeney, 2006; Germanò, 2005; Handler, 2006).

The experience of the "Prosciutto di Parma" Consortium in the US market is an example of intellectual property rights protection "problems". The brand was purchased by the Consortium on the US market while on Canadian, Japanese and Mexican markets this was not possible and trademark remain owned by local firms. Italian companies may not therefore sell prosciutto di Parma ham under the name "prosciutto di Parma" in Canada. The geographical indications are not guaranteed in spite of Art. 22 of TRIP. In Japan the trademark Parma was accepted for a Canadian company but not for Prosciutto di Parma, because it was considered generic. Mexico does not accept the registration of Prosciutto di Parma as a trademark because Parma is already a registered trademark; but in this case the authorities allow both products to be sold on the market.

In practice, promotion by group of producers (consortia or producers' associations) is carried out on markets where there are imitation products only where legal protection is guaranteed. As long as legal protection is assured, it is possible to implement effectively promotion and communication; where it is absent or pending, only private brands are protected and promoted.

In the case of products with geographical indications strongly imitated abroad, the international protection is so important to become the fifth P!

### *3.2 Price policy*

Price has critical role in defining the international marketing policy. Several variables prevent producers from formulating a true pricing policy for quality labelled products, especially in the long and fragmented chains. The increasing number of channels, the changing role of intermediaries and modern distribution leaves little margin for manoeuvre by producers. The more fragmented and distant from end markets is the production, the more critical these aspects may become.

The analysis of "Parmigiano-Reggiano" cheese market shows that retail price trends are not correlated so much with production costs, but with more important factors such as distribution costs (Mora and Arfini, 1997) and, for overseas markets, the exchange rates, import duties and taxes. The growth of large scale modern distribution will further reduce producers' control over the price variable. Supermarket price policies will probably make product positioning more transparent than it is today, and the product will finally be positioned and perceived in the same way as it is in the origin country.

On the other hand, in order to reduce the effects of product imitation, producers and their associations are trying to maintain high levels of differentiation with particular attention to

“speciality” distribution channels such as high class restaurants, delicatessens etc. which assure higher selling prices.

### 3.3 Placement: selection and design of international distribution channels

A survey performed on a sample of 800 firms accounting for 15% of total turnover in the food industry, reveals that different channels are used for overseas markets and that the same company often uses multi-channel distribution (INDICOD and Nomisma, 2005).

Table 2. Channels to overseas markets

	First answer (%)	Multiple reply (%)
Foreign importers	45.6	60.8
Foreign distributors	14.0	38.5
Import-export companies	4.0	14.5
Trading companies	2.9	5.5
Other traders	5.0	12.1
Branches	2.4	5.5
Own sales network overseas	12.3	21.1
Direct sales to overseas supermarkets	5.9	15.7
E-commerce	1.2	2.4
Total	100.0	

Source: INDICOD and Nomisma, 2005.

The most frequent channels are importers (Table 2), overseas distributors and a sales network overseas. Follow the direct sale to overseas supermarket chains (6% of respondents) and traditional import–export companies (4%). 15% of respondents (Multiple reply) intend to strengthen the channel of direct selling to overseas supermarkets. Importers are the most frequent channel chosen to export PDO and PGI products towards US and Northern European markets. In the US market, New York is the main destination for many reasons: for its geographical and cultural closeness to Italy, for the higher standard of living compared to the rest of the country and for the logistic advantages since the main importers are located along the East coast.

Traditionally, the export of a quality product starts with an importer who distributes the product to top quality restaurants. It then moved to specialised retail and, finally, to modern distribution. This process is typical for traditional products with smaller producers, or for new markets. On consolidated or larger markets, producers tend to set up overseas branches or invest directly in local production<sup>6</sup>. They may also have direct contact with the supermarkets, although specialised importers may have stronger competitive advantage.

Choosing suppliers, language translations and, often, merchandising are all services offered to the distributor by the importer; in this way transaction and commercial costs, quality risks connected to the product are lower for the supply chain, at least in the initial stages.

According to National Association for the Speciality Food Trade<sup>7</sup>, the key factors in overseas supermarket buyer decisions are in order of importance: standardized product quality, consumer demand for product category, newness, (certified) reliability of producer, price, ethnic characteristics of shoppers, investment in promotions and advertising, exclusive rights. Trade marketing and very different actions from entering and staying in traditional channels is essential for firms selling to overseas supermarkets.

<sup>6</sup> There are many direct investments overseas outside the EU in the sectors of cured pork and packaging.

<sup>7</sup> *The National Association for the Specialty Food Trade* is a not-for-profit business trade association established in 1952 to foster trade, commerce and interest in the specialty food industry. The NASFT is an international organization composed of domestic and foreign manufacturers, importers, distributors, brokers, retailers, restaurateurs, caterers and others in the specialty foods business. The organization has more than 2,300 current member companies throughout the U.S. and overseas.

From the commercial point of view, the Italian quality labelled products have shown a wide range of operational solutions. For hard grated cheeses, only the company Zanetti (22% of total export of hard cheeses) have direct export agencies in USA, Germany and France; in general, the other exporters have foreign agents. Auricchio, leader in provolone cheese, exports to 50 countries worldwide, historically to countries with a large number of Italian emigrants and descendants; exports account for 20% of turnover which was 104 million euros in 2004. The most important destination is North America; Auricchio has an exclusive distributor, The Ambriola Company, with a network covering all channels in USA and Canada. Another example is the company IGOR. IGOR Srl accounted, in 2004, for more than 30% of the national market of Gorgonzola cheese, the 35% of which was exported especially through modern retail (2005 turnover was 66 million euros).

International clients include the retailers chains Carrefour, Auchan, Metro, Marks & Spencer, Wal Mart, Aldi, Lidl, Rewe, Penny Mark, Netto and Kaufland<sup>8</sup>.

Due to the territorial link of PDO and PGI products, international investments cover traditional products not protected by European quality regulations; indeed, direct overseas investments are frequent in the un-protected deli meat sector and packaging.

Direct investment and trading agreements in agriculture and food are very low compare to the total Italian figures (2% in 2005), although there have been recent promising developments in the cured pork sector on Asian markets. Grandi Salumifici Italiani for example accounted for 15% of the total export of cured pork in 2005. It is present in China in a joint venture with an important Chinese company (third largest world player), by controlling Shanghai Yihua Food Co and with four facilities for production and curing of traditional Italian deli products. Grandi Salumifici Italiani (GSI) has a trading company as a sales and distribution platform in the main chains across Asia. GSI has made also direct investment in Brazil producing quality brands such as Casa Modena and Senfter as well as a more competitive one, Sino Sul.

#### *4. Trends in international large scale distribution*

PDO and PGI international distribution is more complex than simple product placement. Current trends in international distribution (Fornari, 2005), and their impact on producers, selection and design of distribution channels are summarised below.

##### *1. Segmentation of private label supply*

In 2006 in the UK retailers private labels market share (in value) for grocery products were about 42%, in Germany 35%, in Spain 26%, in France 25%, in the Netherlands 21%, while in Italy it accounted 12,5% (Giacomini, 2007).

The market share in value of the private labels in the European supermarket chains shows the following figures: Aldi (D, 95%), Tesco (UK, 42%), Carrefour (F, 30%), Casino (F, 25%), Intermarchè (F, 25%), Ahold (NL, 22%), Auchan (F, 21%), Rewe (D, 20%), Metro (D, 12%) (Giacomini, 2007).

##### *2. Internationalisation of private label management*

Retailers operating on different international markets tend to select co-packers on a world-wide basis and stipulate transversal supply contracts for private label products for all markets. Today this is happening for those quality products where the firm has critical mass. There are often "category management" projects involving fancy food or gourmet with these suppliers. This allows to lower transaction costs and improve quality standards<sup>9</sup>.

##### *3. Internationalisation of distribution*

Many large retail companies perform a large share of their business in food and non-food outside their country of origin (cross-border distribution).

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<sup>8</sup> Strategic assets of IGOR Srl range from great attention to health and hygiene standards, high levels of product standardisation and process and product innovation leading to variety and completeness of product range.

<sup>9</sup> This trend is forcing many producers to adopt BRC or IFS standard certification. This is a further barrier to entry and leads to exporter companies becoming more specialised.

#### 4.1 Effect on PDO products

The factors considered to explain the trends in international distribution, have important effects on national and international end markets for PDO and PGI labelled products.

##### *Internationalisation of distribution*

The last considered factor was the internationalisation of distribution; this issue is interesting for export products made in Italy, which are sold from long term in overseas markets and promoted as “Italian” or “traditional.” This can enlarge end markets and also have positive effects in terms of “product transparency.”

An example of this approach comes from Carrefour, which “company vision” includes enhancement of local tradition and develops own brand lines of regional products of small and medium enterprises. In Italy Carrefour promotes the brand “Terre d’Italia” (see table 3), in France “Souvenirs du Terroir”, “Reflets de France”, “Destination Saveurs”<sup>10</sup>, etc., and in Spain “De Nuestra Tierra”. In Switzerland and other countries “national” product lines enrich other own brand lines such as “Filiere Qualità Carrefour” (“Filières Qualité”<sup>11</sup>), which is present in all countries. In this way Italian products are exported to Japan, Switzerland, Belgium, Argentina and Columbia and, with special promotions, to France and Spain.

##### *Internationalisation of private labels management*

Today, co-packers range from specialised transnational companies to local producers for particular specialities. The relative absence of industrial brands has helped retailers to develop autonomously their private label in EU quality labels business. The absence of big companies in the sector and known brands, sometimes leads supermarkets to create upwards vertical integration of quality products marketing; this allows the retailer to control and lead the whole supply chain. In the case of Carrefour, for example, buyers of retailer’s own quality brand in France frequently bypass traditional intermediaries allowing a direct contact between producers and supermarket. In other countries, however, products were bought through more traditional channels such as importers, wholesalers and trading companies. In some cases, there might be an horizontal partnership with cooperation agreements; this is the case of the agreement between Conad and Leclerc, which commits the former to share its know-how in selecting producers of Italian products, particularly traditional foods.

##### *Segmentation of own brand supply*

International large scale retailers have felt the need to escape from price pressure by adding their own brand to the assortment of products offered. Today’s fourth generation own brands correspond to the development of a different own brand for each segment, from the lowest to premium price. Intense horizontal competition has led modern distribution chains to attempt gaining the competitive edge by means of two strategies (Fornari, 2005):

- by selling products able to generate higher profitability compared to the leading brand names;
- by generating consumer loyalty to the point of sale.

The large scale retailers have recently developed their own umbrella labels for a range of products including fresh food (fruit, vegetable and beef) with a specific quality and safety content, and for traditional and organic products.

In some cases, the retailer acts in a vertically cooperative way, by cooperating with the other players along the food-chain (in particular industry), but also horizontally, cooperating with other retailers (competitors), acting in Europe or on global markets.

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<sup>10</sup> This line was recently replaced by *Traiteur Charcuterie*.

<sup>11</sup> The values associated to this product line are: taste, food safety, continuity (development lasting over time), authenticity (enhancement of local products), price/quality ratio. For example, in Switzerland, Gorgonzola, Parmigiano-Reggiano and Prosciutto di Parma are sold through the “Filières Qualité” line.

Examples of horizontal cooperation are the development of food safety standards and, more recently, integrated traceability systems, with the example of the international Global Food Safety Initiative and the national action of INDICOD-ECR<sup>12</sup>. Other vertical cooperative strategies have been developed throughout the supply chain (with agricultural producers, processors, transporters, and so on), allowing retailers to gain a greater market strength. The main examples are the retailers' brands for EU quality labelled products (premium price products), for organic foods, for baby food, for allergen free line, as well as for other voluntary certifications. These are quality chains which confirm the high positioning of private label in consumer perception, increasing profits and market share. For commercial brand products this means increasing competition and intensifying promotions. But for EU quality labelled products the general absence of commercial brands means less competition, even though it does not stop the continuous drop of producers' contractual power.

Table 3. Retailers' quality product lines in Italy

Chain	Line	Description
SMA Auchan – “I sapori delle regioni”		Original and quality regional products at medium-low prices. Packaging shows the supplier name, method and place of production for purposes of transparency. More than 120 products are included in the line.
Carrefour - “Terre d’Italia”		It was introduced in 2000 and is now present in all Italian Carrefour stores. More than 160 products are included, authenticity deriving from suppliers selected from different Italian regions and regional foods, some of which are PDO / PGI labelled.
Conad – “Sapori e dintorni Conad”		This product line offers a wide range of quality products (over 100) based on strong gastronomic traditions: cheeses, preserves, pasta, biscuits and cakes, deli meats and oil. The line is constantly developed.
Coop – “Fior Fiore Coop”		128 quality products representing the best of Italian gastronomic tradition are included in this line. PDO labelled cheeses in the line include Parmigiano-Reggiano 30 months seasoned.
CRAI – “Piaceri Italiani”		The line includes products obtained through regional and traditional methods guaranteed by PDO and PGI labelling and other certifications. Cheeses include Parmigiano-Reggiano PDO “Selezione di Montagna” (Mountain selection).
SISA		Some product lines has been developed with regional indications and imaginative names. Today there is the brand “I sapori dell’antica locanda” (Old Inn flavours) for deli meats and “Antiche bontà di Sardegna” (Traditional goodness from Sardinia).
Esselunga – “Naturama”		Naturama is a brand owned by Esselunga which includes various deli meats, as well as “Prosciutto di Parma” PDO. Key benefits offered under the scheme are full traceability, animal welfare provision, conformity to PDO guidelines and further inspection by Esselunga veterinary staff, careful processing of pork in selected curing houses. Moreover, the Esselunga line for organic product (Esselunga Bio) includes “Parmigiano-Reggiano” PDO produced from organically farmed milk in the area defined by the product specification.

Source: our internal data, 2007.

The Carrefour's initiative “Terre d’Italia”, the first quality product line developed in year 2000 by a retailer in Italy, was imitated by other supermarket chains. Esselunga initiatives was to propose weekly gastronomic specialities from different regions; Coop Italia's “In viaggio tra i sapori d’Italia” or MDO's “Scopri i sapori d’Italia”. After this starting period, the largest supermarkets adopted strategies like Carrefour, with lines based on traditional

<sup>12</sup> The reader may find further information in the web sites <http://www.indicod-ecr.it/index.php>. and [http://www.ciesnet.com/2-wwedo/2.2-programmes/2.2.foodsafety\\_gfsi.asp](http://www.ciesnet.com/2-wwedo/2.2-programmes/2.2.foodsafety_gfsi.asp).

and regional products (table 3). In this way the retailer's own name appeared alongside the consortium or producers' association name guaranteeing the respect of production standards and the complete consumer protection.

Coopernic was the first attempt at a European level to join cooperative such as Conad, Leclerc, leader in France, Coop Suisse, the second Swiss group, Rewe, number two in Germany and Colruyt, third in Belgium. Coopernic is thus overall the largest European distributor with over 90 billion euros total sales in 17 countries. It aims to gain more contractual power and to develop private label products. Early declarations by its members say that each partner will retain its own logo and private labels, but will also become leading seller for some product categories. Conad in its international alliance with Leclerc has thus created a centre for synergic product management. An example is Conad's range of quality products, "Sapori e Dintorni". The line accounts overall for about 10% of the portfolio of own brands, with a constantly increasing turnover since its launch in 2001 (Cristini, 2006). Conad own branded products account for about 17% of the overall turnover (Cristini, 2006). In the French Leclerc supermarkets about 54 Conad labelled products are offered (Cristini, 2006) and, during the last three years, promotions entitled "Vive l'Italie" have been developed involving mainly the "Sapori & Dintorni Conad" line. In 2004, Conad signed another agreement with Rewe, the German cooperative group active in Italy through Billa and Standa supermarkets. This will offer new opportunities for Italian producers. Smaller but dynamic chains have recently started internationalising. One example is SISA, which offers Italian and other foreign quality labelled products, especially Greek. Overseas SISA Hellas and Sisa Malta supermarkets sell SISA branded products made in Italy.

#### *Co-marketing and Co-promotion*

Retailers' strategy of developing brands in order to achieve competitive differentiation may also lead to lower transaction costs and long term advantages with producers and their associations or Consortia. This happens in particular for communications, when co-marketing takes place with Consortia, and for price and product policy, in this case with producer and trading companies. Consortia or producers' associations managing PDO and PGI labelled products, consider certain types of intervention particularly important: institutional promotion and communication of labels, protection of denominations on international markets, chain agreements and sales contracts with supermarkets, catering firms and restaurants.

An example of this strategy comes from the promotions run by the Parmigiano-Reggiano Consortium across Spain in 2005, that involved 75 "El Cortes Inglés" supermarkets and hypermarkets, and 125 Carrefour stores. At the same time, the Consortium has supported also Italian restaurants belonging to the association Arris Gourmet of Barcellona and other more specific initiatives for catering and restaurants in Poland and the UK.

Viceversa, Conad in developing the line "Sapori e Dintorni" cooperates closely with suppliers to maximise the efficacy of often joint marketing. Through the supplier, Conad contacts the producers' association or Consortium which may be involved in order to sell out a particular local product.

Finally, in 2006, many joint promotions were made on the Russian market by the Consortia of "Prosciutto di Parma" and "Parmigiano-Reggiano" with international chains such as Auchan and Metro, as well as local chains.

## **5. Case studies: Products and Players**

This section will focus on the supply chain structure and export channel and actors for two PDO products: Parmigiano-Reggiano and Prosciutto di Parma<sup>13</sup>. Given the internal market

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<sup>13</sup> In this sections different sources were used: institutional data published in the websites of Parmigiano-Reggiano and Prosciutto di Parma Consortia, companies data collected trough direct interviews with representatives of

difficulties perceived in the last few years, export has become more and more important for these products and it is believed to be even more important in the next future. However export depends on different factors such as hygienic and sanitary regulations, trade marks rules, tariff and quota existence and general market conditions (exchange rate, country risk, financial availability, ecc.).

### 5.1 *Parmigiano-Reggiano PDO*

The production structure of Parmigiano-Reggiano cheese is based on a networks of farms located in the production area<sup>14</sup>.

Table 4. Parmigiano-Reggiano in figures (2006)

12 months of minimum ageing
16 litres to make 1kg of cheese
20-24 average ageing of the wheels (in months)
38 average weight of a wheel (in kg)
461 number of dairies
600 litres to make one wheel
4.750 producers of milk
251.000 cows
3,089,837 number of wheels produced in the 2006
800 million euros value of production in 2006

Source: *Parmigiano-Reggiano Consortium website*.

The origin of milk for the production of Parmigiano-Reggiano covers the provinces of Parma, Reggio Emilia, Modena and parts of Bologna and Mantova; the first four provinces are in Emilia-Romagna region, while Mantova is in Lombardy. Thus, the link between the production zone of Parmigiano-Reggiano and the source of raw material is very strong in Emilia-Romagna region; about 80% of the milk produced in Emilia Romagna and 18% of the overall Italian milk is processed into Parmigiano-Reggiano (CLAL website, 2007); in the mentioned four provinces (representing 80% of the farms and cows of the region) almost the whole milk production is directed to Parmigiano-Reggiano cheese making. Recent studies pointed out remarkable processes of reorganisation, with a progressive concentration of cows in the largest farms especially in plain areas. The average productivity per dairy expressed in tons of processed milk moved from 699 tons of milk in 1970, to 2,713 in 1998 and to 3,824 tons of milk in 2005 (Montanari and De Roest, 2006). The overall number of dairies in the last fifty years has diminished by 28.5% passing from 733 in 1993 to 524 in 2003 and to 461 in 2006. Despite the great decrease in the number of dairies recorded (at least of 20 dairies/year), the Parmigiano-Reggiano production increased according to a constantly growing trend (CLAL website, 2007). The decrease has affected both dairies in the plains and those in the mountains in a very similar way, even if the most remarkable concentration, over 42%, has involved cooperative dairies, the number of which diminished to 384 units in 2003 with respect to the 606 existing ten years before (Montanari e De Roest, 2006). During the last decades, cooperatives have been the fundamental organizational structure of Parmigiano-Reggiano production and even today the cooperative model still prevails with respect to the private one; however, the trend shows a progressive erosion of the cooperative dairies production share and an increase in private production.

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Consortia and other supply chain operators. Other specific sources, such as the CLAL company website and Montanari and De Roest 2006 paper, are specified in the text.

<sup>14</sup> National Law of 10 April 1954, n.125 on “Tutela delle denominazioni di origine e tipiche dei formaggi” (G.U. n. 99, 30 April 1954).

If we consider the strategies of the cheese dairies up to now, their main efforts have been the re-organization to a bigger scale; however, the most common dimension is still small, especially if compared to the producers of Grana Padano cheese.

The most part of Parmigiano-Reggiano is distributed through a “long channel”; with the intermediation of the wholesaler-ripeners between cheese dairy and distribution channel (retailers or traditional shops). A small quota is sold in farm shops annexed to the cheese dairies (direct channel). In this way, the ripening stage of a great part of the production is mostly entrusted to farms external to the processing and of quite different types. They range from wholesalers who ripen the product directly before selling it, to the complex structures of consortia associating dairy cooperatives. The latter, through the link between production and ripening, aim to avoid or at least reduce the price speculations, that cause the cyclical crises typical of Parmigiano-Reggiano market. In 1995, 80% of the production of Parmigiano-Reggiano was seasoned in “private” structures, while today cooperative system presents the most important seasoning and trading player on the market (Unigrana Spa). This represents an example of vertical integration. Apart from cooperatives, there are more than 200 wholesalers, but 1/4 of them controlled 90% of the private companies market share.

In 2006 the export of Parmigiano-Reggiano (and those of the main competitor, Grana Padano) has increased by 4.5% compared to year 2005 (CLAL website, 2007). The growth within the EU was less important compared to the rest of the world (respectively 2.2% and 7.7%). The exports decrease in the two main outlet markets, France (-9.1%) and Germany (-3.1%), has been more than compensated by the increase in the other EU countries, such as United Kingdom, Austria and Greece. On the other way, as also shown in table 5, exports are increasing rapidly towards the other extra-EU destinations, especially in North America (+11% in the United States and +4.5% in Canada).

Table 5. Export of Parmigiano-Reggiano and Grana Padano (tons, 2001-2005).

	2001	2002	2003	2004	2005
Volume	35,444	38,736	43,594	46,423	50,335
Value*	276,712	301,037	348,941	388,063	385,083
EUROPE	24,513	26,733	30,174	32,207	34,876
France	3,503	4,189	5,510	4,366	5,030
Belgium, Luxemburg	1,314	1,562	1,818	1,764	1,604
Germany	5,754	6,604	7,229	8,205	9,688
United Kingdom	2,808	2,916	2,942	3,675	4,026
Danmark	442	492	588	764	856
Sweden	403	531	639	677	774
Switzerland	6,550	5,600	6,141	5,753	5,298
Austria	976	1,268	1,432	1,428	1,438
Spain	938	1,288	1,385	1,976	2,017
Greece	748	943	947	1,281	1,379
AFRICA	98	119	94	161	210
U.S.A.	6,128	6,600	8,328	8,232	9,164
Canada	1,547	1,779	1,647	1,727	2,102
Brasil	147	198	69	108	95
ASIA	1,594	1,812	1,997	2,354	2,297
Japan	1,346	1,477	1,595	1,857	1,617
Australia	973	1,076	892	1,146	1,195

\* Million euros

Source: *Parmigiano-Reggiano Consortium website*

The main channel is represented by agents or importing societies in consolidated markets, or trading companies, importer and broker in new and far markets.

The old way to open a new market passed from contact with restaurants, gourmet shops and after retailer (usually large scale ones). Now the strategies changed and for new market the contact with restaurant and international retailer is simultaneous (Berti et al., 2005).

The first important thing to point out is that the two PDO hard cheeses are increasingly marketed together because wholesalers are widening their product portfolio and diversifying their supply in order to offer retailers a more complete cheese product mix.

They implemented also a set of product differentiation strategies (different ages, improving packaging, snacks, grated, etc.), as well as specific retail strategies selling differentiated product in different retail channels, regions and countries. The packed products are normally branded (in total 40% of the production) and the quota of private label is increasingly high in this segment.

The main players are private companies or cooperative groups (table 6). On the one hand, the process has been characterized by the enlargement of the corporate structure and vertical integration in the great cooperative groups while, on the other hand, the growth by horizontal integration (with partial diversification) and vertical integration (in particular for seasoning and packaging) has been applied by the big companies producing Grana Padano which, as known, are characterized by a less fragmented and more marketing-oriented industrial structure (Menozzi, 2005).

Table 6. Eexport of Grana Padano, Parmigiano-Reggiano and other hard cheeses (cow milk) in value (million euros) and quantity (tons), 2004 data

Company	Export in value	%	Export in quantity	%
Zanetti Spa	98.0	19.6	15,200	22.4
Agriform	25.5	5.1	3,482	5.1
Consorzio Latterie Virgilio	19.9	4.0	2,350	3.5
Colla	17.4	3.5	2,042	3.0
Unigrana <sup>15</sup>	16.2	3.2	1,859	2.7
Saviola	14.2	2.8	2,100	3.1
Ambrosi	14.0	2.8	2,000	2.9
Parmareggio	13.3	2.7	1,080	1.6
Casearia Brazzale	12.5	2.5	2,196	3.2
Nuova Sala <sup>16</sup>	12.3	2.5	2,000	2.9
Zarpellon	10.5	2.1	1,470	2.2
<i>Others</i>	<i>247.4</i>	<i>49.4</i>	<i>31,292</i>	<i>46.1</i>
<b>Total</b>	<b>501.2</b>	<b>100.0</b>	<b>67,850</b>	<b>100.0</b>

Source: European Commission, Directorate-General JRC (2006).

The first ten exporters of hard “grana” cheese count less than 50% of the overall figure (table 6). The data are aggregated (Grana Padano, Parmigiano-Reggiano plus other hard cheeses), and it has to be considered that the first two players, Zanetti and Agriform, are specialized in Grana Padano, Consorzio Latterie Virgilio associates dairies facilities producing both PDOs, Colla produces Grana Padano and commercializes Parmigiano-Reggiano with its own brand or with retailer and catering brands. The first player uniquely specialized in Parmigiano-Reggiano is Unigrana Spa.

<sup>15</sup> Unigrana Spa and Parmareggio are companies belonged by the Granterre Group.

<sup>16</sup> This company, for instance, is certificated according the international standard BRC, that means it operates strictly connected with British retailers.

Zanetti Spa is specialized in the production of Grana Padano and maturing of Grana Padano, Parmigiano-Reggiano and other traditional Italian cheeses. It sells its products on the domestic market and abroad, both in wheels, pre-packed portions and grated. It produces every year about 130.000 wheels seasons 410.000 wheels of Grana Padano. It's a very diversified and innovative firm, with facilities for portioning and grating. It exports in Europe, Japan, USA, Australia, Canada, China and South Africa. With more than 50% of external trade turnover, Zanetti represents the biggest hard cheeses exporter.

In association with ten member cooperative dairies, Agriform has been producing, maturing and selling quality cheeses since 1980. In 2004 Agriform had a turnover of over 76 million euros, 35% of which was made abroad (Mora, 2005). The main destination countries were Germany, USA, Australia, Canada, France and United Kingdom. About 75% of the overall turnover comes from Grana Padano sells (300,000 wheels sold in 2004). With more than 1.500 breeders associates, its overall production reaches every year about 220,000 wheels produced, making Agriform the main producer in the Grana Padano Consortium (Mora, 2005).

The company "Consorzio Latterie Sociali Mantovane Virgilio" is a second degree cooperative founded in 1966, accounting today 110 associated companies (producers of Grana Padano and Parmigiano-Reggiano), grouping together over 2.500 breeders. The company works in the dairy - cheese and meat sectors. In the dairy sector it produces milk, butter, cooking cream, mascarpone cream and quality cheeses such as Parmigiano-Reggiano PDO, Grana Padano PDO and Provolone<sup>17</sup>. Virgilio belongs to the business group Virgilio-Ghinzelli which controls Bertana Spa, Brendolan Prosciutti Spa and Castelcarni Spa too. The overall turnover in 2006 amounts at 340 million euros, and 620 million euros considering the whole group. The company is the head of a group which includes facilities involved in the pork meat sector. The vertical integration of cutters in companies within the group, leads to the marketing of fresh meat and most prestigious Italian PDO deli meats. The group is the Italian leader in the pork slaughter sector accounting approximately 20% of the national production of heavy pig, assigned to the deli meats and fresh meat production (including the recent PDO label "Gran Suino Padano"). The group works in the deli meats sector with a company that is part of Brendolan spa, producing four PDOs: "Prosciutto di San Daniele", "Prosciutto di Parma", "Prosciutto di Carpegna", "Prosciutto Veneto".

The Granterre Consortium was founded in 1959. It guarantees full control over the supply chain, from livestock to market. The Group includes Parmareggio Spa, which processes 170.000 quintals of milk to product Parmigiano-Reggiano cheese; 3.600 heads of livestock divided into four farms and 76 cheese factories represent approximately 1,600 farms; Unigrana started its activity in 1991 as a trading company of the cooperative Granterre Consortium. Unigrana holds the leadership in Europe in the Parmigiano-Reggiano market and is among the first operators non manufacturers for Grana Padano. Other industrial activities are butter production, pig breeding, warehousing, ripening and packaging of cheese.

Among the other important companies, Dalter has to be mentioned, with over the 50% of turnover made abroad (exports). Some companies (i.e. Ambrosi and Boni) have branches in EU countries such as France, or are connected with local importers.

## 5.2 Prosciutto di Parma PDO

The cured ham market includes the seven recognized PDO hams as well as the unbranded product, the raw material of which can be both Italian or foreign. The Prosciutto di Parma is the most important product in this market: it represents the 40% of the overall ham production in Italy and the 75% of the PDO ham production. About 82% of the entire

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<sup>17</sup> This is the second company with regards to total sale of Grana Padano PDO and the 8<sup>th</sup> company with regards to total sale of Parmigiano-Reggiano PDO in value.

Prosciutto di Parma production is sold in the Italian market (7.7 million hams, total value at the consumption stage 1.8 billion euros), while the remaining quota (18%), is exported (1.6 million hams) (ASS.I.C.A., 2006).

Table 7. Prosciutto di Parma in figures (2006)

Production: 171 companies (so called “prosciuttifici”)
9,839,000 hams produced in 2005
5,386 pig breeding farms in 10 Italian regions
139 slaughterhouses
3,000 workers directly involved in the production
500 workers indirectly involved
885 million euros the wholesale market value
1,800 million euros the consumer market value
Market: national 82%; foreign 18%
1,800,000 hams exported in 2005 (+ 8.2% compared to 2004)
8.6 million pre-sliced packets (173,000 hams) sold in Italy (+19.5% from 2004)
23.1 million pre-sliced packets (463,000 hams) exported (+15.7% from 2004)

Source: *Prosciutto di Parma Consortium website.*

The companies producing Prosciutto di Parma were 201 in 1993 and 171 in 2005, according to Consortium data. It’s important to point out that 60% are joint-stock companies (Spa and Srl). According to the Consortium data, the Prosciutto di Parma is exported in over 60 countries, with more than 1.8 million hams exported every year. Normally on the whole 170 firms, only 70 are exporters, of which 40 habitual exporters.

The European Union is the principal market, accounting for approximately 74% of the total exports. The three leading non-EU destinations of Prosciutto di Parma PDO are the United States, Japan and Canada. The Consortium has recently opened new markets in Singapore, New Zealand, Lithuania, South Korea and Australia.

The pre-sliced Prosciutto di Parma is the packaging format with the best growing rate; it almost doubled its export quota in the last five years, representing now the 20% of total exports (20 million packets produced in 15 authorized laboratory of slicing and packing). In 2006, for example, the sliced Parma ham registered +33.2% in Italy and +27.6% abroad.

The Italian sector of deli meats is characterised by a substantial fragmentation that embraces both production, with many small and medium local firms next to few big multi-specialist national groups, and distribution, where the traditional channel still retains the upper hand. The market conditions have forced leading companies to diversified the product portfolio with quality products and through technological innovation, targeting goods with a higher service content.

All big producers are exporters, mainly direct to foreign big retailer, while some of the medium-size producers export preferentially with specialised operators. All the leaders of the pig meat market are operating in the Prosciutto di Parma district. These groups, usually completed vertically integrated from rearing to cutting and slicing, have in their product mix many EU quality labels as well as substitute products of Prosciutto di Parma, such as unbranded ham or other deli meats.

In the case of deli meat market the growth process is complex. On the one hand, it is characterized by a strong chain integration process from slaughterhouses merging processing/seasoning plants<sup>18</sup>; on the other hand, it shows an horizontal integration and diversification from companies operating in other food sectors<sup>19</sup>.

<sup>18</sup> An example is given by the “Industrie di Macellazione Marino Ghinzelli Spa” which has controlling interests in Brendolan Prosciutti, Macellerie Bertana Spa and Castelcarni Spa (a firm specialized in the processed meat products, generally sold to large scale retailers). Brendolan operates in the markets of Prosciutto di Parma PDO, Prosciutto di San Daniele PDO and Prosciutto Veneto-Berico Euganeo PDO. It has the only plant producing

At the moment there are strong interests from large industrial groups for local production firms and a growing interest of foreign capital for Italian leading brands.

“Brand industries” account for 1/3 of the total Italian ham market (PDO and not); these are multi-specialist companies, usually with foreign branches, direct investments and joint ventures with local leaders in Europe and overseas (USA, Japan, China). They are specialized on convenience foods and are able to supply international retailers.

The deli meats market in 2005 is shown in table 8. Unfortunately, it was not possible to consider only PDO cured ham market share and export data. Apart from Galbani, all the other companies operate in the production and trade, both national and international, of Prosciutto di Parma and other important PDO products.

Table 8. Players in the deli products segment.

Company	Turnover 2005 (million euros)	Deli meats market share (estimation on volume, 2005)
Grandi Salumifici Italiani	434	6
Cesare Fiorucci	375 (consolidated)	5.1
Gruppo Galbani Spa	1,125 (consolidated)	3.3
Fratelli Beretta	335	3.3
Rovagnati	200	2.7
Ferrarini	250	2.4
Gruppo Veronesi	1,700 (consolidated) 570 (deli products)	3.6
Citterio	350	1.4

Source: our elaborations

Recent market operations modified the competitive arena. In 2005, the leader has become “Grandi Salumifici Italiani Spa”, including Unibon Salumi (selling brand “Casa Modena” and “Unibon”) and Senfter. The group acts as a big cooperative pig meat plant controlling all the supply chain, and as a company specialized in the quality deli products.

Fiorucci is still the leader brand of Italian deli products in the world market. It operates mostly with the retail and food service sector. The turnover made abroad is one fourth of the total one. It has eight plants, seven of which in Italy and one in the US. The 55% of its capital is owned by the fund Vestar Capital Partners. Fiorucci family owns 25% of the company capital.

The Beretta Group is third in the Italian deli products market, but leader in the take away retail market. It has 13 plants in Italy and one in New Jersey (USA) specialized in deli meats and used as the company’s logistic centre for the North America.

Rovagnati was founded in 1941 as a food distribution company; in 1967, it began producing cooked hams becoming the sector leader in the 90’s. In 1994, Rovagnati continued its industrial growth with the acquisition of a company specialized in the production of Mortadella di Bologna IGP. In addition, with the set up of a new production plant, has recently entered in the Prosciutto di Parma PDO production.

The agro-industrial group Ferrarini is very diversified one. Indeed, it includes Ferrarini Spa, specialized in the Prosciutto di Parma PDO production, Fattorie Ferrarini Srl, specialized in the Parmigiano-Reggiano PDO cheese and wine production, and Vismara Spa operating in other deli meats segments.

The Veronesi Group is the fourth Italian agro-food group, with a turnover of 1.7 billion euros (2006), 94 million of which made abroad. AIA-Veronesi Group has recently

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Prosciutto di Carpegna PDO. It is a leader in the Italian PDO ham market with a production of about seven million kilograms produced in its six production sites.

<sup>19</sup> The Cremonini Group, leader of the beef market, is also operating in the deli products market using the brand “Montana”. Its 2005 turnover was 153.3 million euros, with 16% made abroad.

rationalized its activity transferring to Negroni Spa the management of the most important deli products brands, representing 300 million euros turnover: Negroni, Montorsi, Fini Salumi and Daniel. The Group has more than 1.000 employees, six plants in Italy and several sales offices in France, Germany, Switzerland and USA.

Citterio, has eight plants in Italy plus a facility in the United States. It operates in other European countries such as Switzerland and France with sales offices and direct sales organization. It is also present in other countries with area managers, key accounts and distributors.

## **7. Final remarks**

Some final conclusions can be drawn regarding the marketing and positioning of PDO and PGI products. First of all, the necessity of quality standardization will be more and more stressed in the future especially for those exporters connected with international large scale retailers. This does not mean that the same standardized quality must be sold worldwide, since consumers from different countries have heterogeneous perceptions about the same product; thus, product quality have to be segmented according to the final market, as well as the service content.

Another central aspect regarding the EU quality labelled products' future worldwide diffusion is the protection at international level, as it will be designed within the WTO context. This factor may be defined, given its importance for EU geographical indications export, the "fifth P" of producers' marketing mix.

The development of producers associations (second level cooperatives or consortia) acting as trading companies, autonomous with respect to large scale retailers and foreign importers, may represent a success factor in the definition of the distribution strategies.

Promotion and communication campaigns will depend on the other marketing mix's Ps, in particular on the product protection level in the targeted country. Moreover, promotion strategies defined in collaboration and synergy with other PDOs and PGIs producers will likely be more efficient and effective if able to improve the overall country image.

Finally, in the price definition the role of the different supply chain stages have necessarily to be recognized, especially if both farmers and producers are involved in the respect of stricter specifications rules defined for exported products. The price positioning, in particular within international large scale retailers, will have to consider the higher product quality differentiation, trying to prevent risky price competition.

The future of the EU quality labelled products is not only connected to their positioning, promotion and international protection but also to the strategies of the retail leaders and to the overall strategy of the brand industry. The latter is more and more present in these that once were defined as "niche markets", while now represent a diversification and a good investment to improve company's market positioning.

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