

REGIONAL BRANDING
THE CASE OF EUROPE

Nilay CAMCI

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Regional branding is a powerful tool to convey a certain level of quality and brand image to the customers. The cases of Bordeaux wines and Parma Ham are explained in detail in the following pages which the most prominent products that the consumer assert a certain level of brand associations.

Regional Branding in Wine Industry

Wine being confusing products in consumers' minds because there are many factors that influence the wine choice behavior of customers. Customers look for some clues of quality by examining label, region, and grape variety. The biggest indicator for a quality wine is its label, in other words, brand name.

In terms of wine industry, consumers view brands as an indication of good taste or an attractive lifestyle. The brands in the wine industry are among the ones that long stand over centuries and because of vintage variation (resulting from changing weather conditions) new products have to be "designed" each year. (Charters, 2009)

The French appellation system was established in the 1930s to guarantee wine quality, by definition any wine which was considered to be "quality wine" came from a specific geographic origin.



Source: www.brandchannel.com

Appellations or AOCs

In 1935, French had invented the Appellation d'Origine Contrôlée (AOC) system, which is a guarantee that the products were coming from a designated area and treated in a certain way¹. In the eyes of the customer, AOC is a kind of promise that guarantees a minimum amount of quality.

According to the French scientist Philippe Marchenay, for the wines an AOC gives consumers a guarantee that the thing you are tasting is making use of the *savoir faire* of a particular region².

¹ http://www.brandchannel.com/features_effect.asp?pf_id=279

² Has French Wine Outgrown the AOC? by Joe Ray, www.brandchannel.com

This growing AOC numbers is posing a potential information overload risk. There are 50 AOC for cheeses and 407 for wines³.

Farmer Owned Brands in the Wine Industry

Since wine is made of grapes, an agricultural product in nature, some researchers group wine under the title of Farmer Owned Brands (FOB).

Agricultural products are among the common types of commodity trade and creating value among commodity items are among the most challenging job of a marketer. Some consumers are ready to pay premiums to agricultural products that differentiate themselves among bulk items⁴.

Differentiating agricultural products can be made through creating farmer owned brands (FOB) and ensuring tight supply controls to maintain the brand value in the long run. Supply can be controlled through limiting producer group membership to a particular region and the selection of producer can be based on quality standard or location. But the most useful way to create a supply shortage is through legal regulations to protect the property rights of the brand owners. (Hayes et al., 2003) That is what the EU is doing by protecting region names with international agreements and treaties.

For the case of Bordeaux, the protection of its name dated back to the times of Napoleon III in 1800s when he established the Grand Crus⁵ of the Bordeaux Area. Over time, this system evolved into "registered designations of origins" (AOC in France, DOC in Italy) for wines. The system was extended for other products related to a specific area of production, like Parma Ham (Prosciutto di Parma) and Parmesan Cheese (Parmigiano Reggiano)⁶.

In 1992, through the Common Agricultural Policy of the European Union, a general harmonized framework was established among the member countries. Accordingly, Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) labels were established through regulations of the Council of the European Commission. While PDO

³ Ibid.

⁴ Hayes et al., 2003

⁵ Cru is an untranslatable French word that indicates a specific vineyard, or a portion of it, that has been recognized as having a unique combination of characteristics such as grape variety, soil and exposure to sunlight (Hayes et al., 2003)

⁶ Ibid.

names are assigned to the products that met all the criteria of production, processing and preparation in a specific geographical area, PGIs are assigned to the products that met one of the above mentioned criteria. The purpose of the law is to protect the reputation of the regional foods and eliminate the unfair competition and misleading of consumers by non-genuine products⁷, which may be of inferior quality or of different flavour.

Approved PDO and PGI in European Union*

E.U. Country	PDO	PGI	Total	%
Austria	8	4	12	2
Belgium	2	2	4	1
Denmark	0	3	3	1
Finland	1	0	1	0
France	63	67	130	22
Germany	37	26	63	11
Greece	59	19	78	13
Ireland	1	2	3	1
Italy	79	39	118	20
Luxembourg	2	2	4	1
Portugal	51	29	80	13
Spain	42	25	67	11
Sweden	0	2	2	0
The Netherlands	5	0	5	1
United Kingdom	13	12	25	4

**as of August 2002*

Source: Hayes et al., 2003

These protective measures are posing a risk to block the long running WTO Doha round of trade talks⁸. The Doha talks include drawing up a register of wines and spirits where regional names, those of drinks specifically linked to one country, as with the case of wine brands of EU, would be protected. But WTO objects that case because this system doesn't allow the registration of non-European products. Since the trade talks are related to opening up markets, EU is not willing to make such a compromise by not having any gain on the regional branding issue.

⁷ Geographical Indications and the challenges for ACP countries, April 2005,

<http://agritrade.cta.int/en/content/view/full/1794>

⁸ CHAMPAGNE Regional branding may derail trade talks The Advertiser (Australia), April 19, 2008

Regional Branding- Cases

Bordeaux Wines

A great deal of France's dominance in the wine industry comes from the distinct characteristics of its terroir. Terroir, a French term used for wine, tea and coffee to denote the specific characteristics of the geography bestowed upon particular varieties, is the most common attribute of the success of French wines in the industry. That's why a lot of articles were written on the role of geology and climate in the process of making French wines. Terroir has become a buzz word in English language wine literature. (Wilson, 1998). In addition to the physical attributes, there are also mental aspects related with the term "Terroir".

Bordeaux has been the unofficial capital of wines of finest quality and keep this reputation unchallenged for centuries. Bordeaux is comprised of 57 appellations or APCs⁹.

Parma Ham

Parma Ham (Prosciutto di Parma), which is a successful EU FOB, is a dry cured ham produced in the Parma region of Italy. The EU awarded PDO to the region in 1996, making it among the first products to achieve such a designation. This is a brand owned by a group of ham processors rather than hog farmers since the processors maintain control over the production process. (Hayes et al., 2003) Although the region gained PDO in 1996, the efforts to make the region as a trademark dates back to 1963. In order to protect the interests of producers, stockbreeders and traders in the production process of Parma Ham, a consortium was set in 1963 and recognized by the Italian Ministerial Decree in 1978. The role of this consortium was set to monitor the geographical indication Prosciutto di Parma as a trademark. This law even has specific criteria on the methods of breeding, slaughtering and preserving¹⁰.

⁹ Grossman, 2007

¹⁰ TED Case Studies, <http://www1.american.edu/TED/parma.htm>

Brand Name Associations and Consumers Perception of Quality¹¹

The impact of country origin on products is much of a concern of academia than brands. Certain countries are linked with particular types of products and also their related quality and reliability features. These linkage has been exploited by marketers for so long that in time the perceived origin turned out to be completely different than the reality. The authors emphasize the result of surveys revealing that consumers value brand associations more than the actual place of the manufacture and as an example of this phenomenon, they cite that 66% of the people surveyed viewed Volkswagen Fox as German although it is being manufactured in Brazil. Such a finding reveals that the actual place of production is not that much important and what marketers should focus on is the consumer perceptions of brands. Marketers should find the right place of origin for the products where the country of origin (COO) associations are positive and use some branding techniques like devising foreign sounding brand names. If there are some negative or no COO associations, authors suggest decoupling the brand name from its COO associations or place it into a neutral or different association. The tactics to utilize for creating brand associations are summarized as placing the brand in a different cultural context, adopting a neutral standpoint or even continuing the current COO associations. What is important for a marketer is to focus on brand associations rather than the actual place of manufacturing.

Conclusion

Regional brand names are the most influencing brand names in terms of consumer perception of quality and designation of a regional brand is a joint effort of all the players of the market and the legal protection of the brand is among the responsibilities of regulators.

¹¹ Mrugank and Lavack, 2003

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