The Marketing Implications of Value Chain Governance Strategies of Wine Products Using Geographical Indications (GIs) in Italy and UK

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ABSTRACT

Value chain governance (VCG) strategies have important marketing implications for specific wine and agri-food products that used GIs in Italy and UK. There are many challenges surrounding the prevailing trend or movement towards the adoption of exclusive quality standards and distinctions in the global supply chains of agri-food products, including wines to support the conception of traceability and safety assurances. This article aimed to reviewing previous research that could be relevant to the analysis of governance mechanisms in supply chains related to GIs for these products. The study analyzed how other researchers coped with these research issues. The survey was qualitative in nature, and recapped selected case studies from Italy and UK, regarding the VCG of wine and food products GIs. Therefore, the findings were limited only to the impact of VCG, wine and food production in these areas and could not be generalized beyond them. The article contributes in advancing knowledge and transferring it from existing situations in developed countries or markets to the developing ones.

KEYWORDS

Agri-Food, Geographical Indications (GIs), Italy, Marketing, Strategies, United Kingdom “UK” (England and Wales), Value Chain Governance (VCG), Wines

INTRODUCTION

Value chain governance (VCG) designs possess vital business suggestions to any stakeholder involved with specific references to the product and industry types, which means that the more people, transactions, interactions, ideas, or activities are involved the more growth and returns are realised; as well as opportunities that arise along the whole value chain spectrum (Humphrey and Schmitz, 2001). However, the undisputed issues that the global value chains of agricultural products cannot ignore in general are traceability and safety assurances. These issues create outstanding challenges that relate to a shift towards the adoption of exclusive quality standards and product distributions, which still need to be addressed (Clement-Lopez et al, 2014).

This movement towards the adoption of exclusive quality standards and product destinations does not, however, fully consider small-scale farmers in global agri-food chains, and also hinders them to access global markets in terms of exports and imports as far as terms and conditions relating to barriers to entry in global trading are concerned (Bitzer, Obi and Ndou, 2016). On the other hand,
recent evidence shows that, even in some other developed countries that have adopted this notion (of quality standards) within their domestic trading boundaries, they experienced concerns regarding their retailers’ requests for unachievable perfection on the production and provision of agri-food products; which results in food wastage along the supply chain (Goldenberg, 2016).

According to Hammervoll (2011), value is created through the establishment of cooperative connections amongst organizations, which offers essential advantages to all partners involved, due to their sharing of expertise, information, and creativity management. However, there is limited knowledge regarding how value formation must be governed. Humphrey and Schmitz (2001), further investigate as to why firms will tend to set and impose restrictions along the chain. It is important to understand how this concept functions and why it matters in the global supply chain spectrum, for example, in order to control and assist in challenges facing the industry in relation to agri-food safety, traceability, food wastage and child labor issues. This may have direct and indirect impact on the value chain, and stakeholders since retailers who control supply chains mostly have no direct possession of production and manufacturing facilities, and rather take ownership only when goods are in their possession (USAID Microlinks, 2016). Lee, Gereffi and Beauvais (2012) maintain that there is a need for the development of adequate agri-food quality standards and destinations in order to adhere to the strict public food regulations, cutting down costs and lowering the degree of uncertainties along these complex supply chains to address such major challenges.

Fung (2013) indicates that supply chains differ when it comes to their distinctiveness, when it comes to facing different tests, and when it comes to needing different operating as well as policy requirements. Nevertheless, their similarity revolves around their reliance on the transmission of intelligence and data through the use of Internet, information and technological advancements. This not only enhances or changes the firm’s business models or nature but also advances the characters of typical consumers; who may turn out to be informative and tech-savvy; thanks to the power of information and knowing exactly what they need, how it must be and where to get or out-source it (Cimino and Marcelloni, 2010). Fung (2013) further adds that these technological advancements improve the environment, but turns it into a more complicated one.

Geographical Indications (GIs) are names or symbols used on agricultural products to denote their geographic origins and qualities, and even the reputation associated with those origins. In this case, quality is linked to the authentic geographical place of production. Moreover, GIs have been fostered as powerful devices that enhance value as well as rural economic development (Canavari et al, 2017). Therefore, due to the nature of the problem under study, the governance of GIs is viewed as a significant model that can be used in addressing the issues of traceability and safety, and how value can be created, transferred and distributed along the supply chain (Giovannucci, 2007; and Rosa, 2015). This study is primarily interested in exploring agri-food products and wine and food GIs’ marketing opportunities, as a strategic differentiation or branding phenomena, especially for some of these products which have a longer shelf-life, such as wines and cheeses; and the fact that they have already been determined and certified for being of great quality from their production lines or consortia (Giovannucci et al, 2009).

The study also examines how value chain governance functions in terms of policies, control, administration, relationships, trust, power-sharing or relations, and the management of all internal and external activities that occur along the chain (Gereffi, Humphrey and Sturgeon, 2003). Most importantly how the value is created and transferred, which is viewed as an underlying foundation of marketing discipline in this study (Canavari et al, 2017).

Therefore, since food and wine products (GIs) are already of certified quality, this study investigates the most appropriate value chain governance models and structures; how to enhance the conventional ones to serve these products and ultimately benefit everyone in the chain. The paper consists of a comparison study between two regions, Italy and the UK (England and Wales). Italy has a long history regarding these products as well as their management, plus it is a major wine producing country, while the UK (specifically England and Wales, as there is no significant wine production in
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