Geographical indications: the aspects of rural development and marketing through the traditional products

Bilge Dogana*, Ummuhan Gokovalib

a*Research Assistant, Mugla University, Mugla 48000, Turkey
bAssociate Professor, Mugla University, Mugla 48000, Turkey

Abstract

A geographical indication (GI), which is one of the intellectual property rights, is a sign used on goods that have a specific geographical origin and possess qualities, reputation or characteristics that are essentially attributable to that origin (WIPO, 2012). In general, GIs draw attention to product quality, local identity and cultural traditions such as Champagne, Cuban Cigars, Roquefort Cheese, Turkish Carpet etc. GIs provide differentiated and high value-added products to local producers in the rural areas while the willingness of the purchasing these kind of traditional products are high. The way of benefit from the marketing power of GIs is an effective registration system and also active marketing process is required to gain a place in domestic and world market. In the context of rural development and marketing, the purpose of this study is to investigate the application of GIs in Turkey along with famous examples around the world and to raise the awareness of the importance of GI for the rural development.

Keywords: Geographical Indications, Rural Development, Marketing

1. Introduction

Increase in international competitiveness with a more globalized world lead each country to struggle with each other to get a big pie from the world market. In doing so, countries differentiate their products and promote the distinctiveness of them. A product, which is originated from a certain region/country and has private characteristic of the region and/or country, is defined as “geographical indications (GI)”. A GI, which is one of the intellectual property rights, is a sign used on goods that have a specific geographical origin and possess qualities, reputation or characteristics that are essentially attributable to that origin (WIPO, 2012). In general, GIs consist of the name of the geographical origin or the name of the production place. GIs draw attention to product quality, local identity and cultural traditions such as Champagne, Cuban Cigars, Roquefort Cheese, Turkish Carpet etc. Many countries use GIs as a marketing tool similar to trademarks.

GIs provide differentiated and high value-added products to the public. These indicators can be used not only for agricultural products but many products if they are attributed to specific region or specific kind of human capital or production process. The effect of GI can be grouped into two categories. On the consumer side, GIs lead to decrease “search costs” of the consumers by sending quality signals and provide consumers to consume high quality

*Bilge Dogan Tel.: +0-252-211-1403
E-mail address: bilge.senturk@mu.edu.tr

© 2012 Published by Elsevier Ltd. Selection and/or peer review under responsibility of Prof. Dr. Hüseyin Arasli
Open access under CC BY-NC-ND license.
Keywords: Geographical Indications, Rural Development, Marketing
products. Studies show that the willingness to purchase these kinds of products with higher prices is greater than other standard products (Combris et al., 1997; Loureiro and McClusky, 2000; Teuber, 2009).

On the producer side, the protection of GIs provides income flow for the producers by encouraging them to continue their production with the standardized quality with established reputation. Considering the fact that GIs are mostly originated from relatively less developed rural areas, protection of GI would benefit directly to the producers of the region by providing income and employment opportunities. Increase in the economic activity of production of products that are protected for GIs further has implications for the rural economy in general such as development of other sectors and increase in employment opportunities. These developments have other benefits as well such as prevention of migration from rural areas to urban areas.

In the context of rural development and marketing, the purpose of this study is to investigate the registered GIs in Turkey along with famous examples around the world emphasizing the importance of GIs for the rural development. In this respect section two summarizes the legal framework for the protection of GI, whereas section three discusses the importance of GIs for rural development. Last section is reserved for the concluding remarks.

2. Legal Framework for the Protection of GIs

The need for legal protection of GIs comes from the unauthorized use of GIs which is detrimental to consumers and legal producers. Protection of products with GI not only benefits consumers and producers but also prevents the product’s name becoming a generic name. The protection of GIs in national level can be provided by trademark laws, laws against unfair competition, consumer protection laws or special laws designed for GI. At the international level, the most comprehensive regulations are “Paris Convention for the Protection of Industrial Property (1883)”, “Madrid Agreement for the Repression of False and Deceptive Indications of Source on Goods (1891)”, “Lisbon Agreement for the Appellations of Origin and their International Registration (1958)”, “TRIPS (1995, Trade-Related Aspects of Intellectual Property Rights within the framework of WTO)” and “The EU Council Regulation on the Protection of Geographical Indications and Designations of Origin (1992)”.

Legal protection for GIs in Turkey was introduced in 1995 under Turkish Patent Institute, by virtue of the Legislative Decree on the Protection of Geographical Indications (Decree No. 555) in accordance with the EU Council of 2081/92. For the purposes of this Decree-Law, GIs are defined as “the indicators which qualify a product that possesses a specific quality, reputation or other characteristics attributable to that place, area, region or country of origin”. GIs in Turkey are divided into two groups as “designation of origin” and geographical indication. The difference between the two is the fact that products protected by “geographical indication” can be produced anywhere as long as at least one of the activities of production, processing or preparation of which take place within the defined boundaries of this place, area or region. Products that are protected by “designation of origin” cannot be produced outside of the defined boundaries of this place, area or region.

3. Marketing and Rural Development Aspects of GIs

In a more globalized world, increased pace of international competition brought increased range of product varieties. In response to this, producers try to differentiate their products and try to add value to their products to fight against competition. In this respect, GIs have gained importance in terms of differentiating products among their similar kinds. Parallel to this, GI market has been developing rapidly in recent years around the world.

Effective protection of GI provides benefit to the local producers due to established reputation of these products. Therefore, GIs is a way of marketing strategies like trademarks. While composition of a well-known trademark requires big investment, GI does not; hence GI directly benefits to local small firms where their investment to marketing is too low (Rovamo, 2006). While producers recognize the importance of GI for the provision of value added products, consumers also recognize the benefits of GI as well. Consumer tendency to purchase high quality goods came into prominence due to the recent income growth, increase in education level and consumer awareness.

For example, the sparkling wine produced in the region of Champagne in France is famous with the name of “Champagne” all over the world. But over time, this name has turned into a generic name and all sparkling wine products whether produced in the region of Champagne or not have been called as “Champagne” in other countries. Therefore, by the legal struggle of France, the use of “Champagne” name is now forbidden for the standard sparkling wines except that produced in the Champagne region.
across the world. Accordingly, consumers expect “high quality” not only for foods but also for traditional products. The consumer group which is interested especially in the products with cultural heritage finds these kinds of products more valuable than the other standard ones. GIs, by signaling that the product originated from a specific region with a specific production methods give more satisfaction to consumers (Ilberry and Kneafsey, 1998). In this respect, the protection of GIs become important since they provide product safety for consumers and marketing potentiality to producers and persistent income flows for the rural development. The effect of GI protection can be divided into two groups: GI as a marketing tool and GI as a tool for rural development.

3.1. Marketing and GIs

The products bearing GI are famous for their characteristics and protected under the salient name of the original production region/country. GI registration is a kind of guarantee about the originality of the product and provides quality information about the products for consumers. Under an effective marketing process, GI registration leads a “price premium” owing to the product differentiation by the high reputation of the product. Stigler (1961) points out the role of advertisement and reputation on decreasing search costs in order to avoid the asymmetric information problem. He states that advertisement is a tool which provides product’s information to the buyer and reputation is a guarantee for maintaining product quality. GI, similar to trademarks, lowers transaction cost of consumers by giving information about products.

Further, with the GI, the more price premium can be generated through the high willingness to pay of consumers (Raynaud et al, 2002). Like trademarks, GIs are the most valuable assets for the producers since they provide competition power and have a contribution to maintain this advantage (Agarwal and Barone, 2005). Marketing cost of creating a new trademark is quite high for the producers. However, GIs do not require such a high cost since they have an established and ongoing reputation. They have been already famous for their quality and characteristics and there is no need for an extra cost for marketing. While most of GIs are produced in rural areas, the local producers have an advantage to use these indicators as a marketing tool under lower costs. GIs thus have a direct contribution for the producers.

3.2. Rural Development and GIs

GIs have a profit potential depending on the traditionality and the quality of the products (Belletti, 1999). Producers obtain quality premium due to the reputation of these differentiated products as preferable to the standard ones by the consumers. Product differentiation creates a demand with high willingness to pay, accordingly GIs encourage producers to charge a price premium (Stigler, 1964). Table 1 shows the price differences between selected products before and after GI registration around the world. Change in the prices indicates that premiums increased after registration.

<table>
<thead>
<tr>
<th>Product Name bearing GI</th>
<th>Before Registration</th>
<th>After Registration</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Champagne (France)</td>
<td>$12</td>
<td>$40</td>
<td>233,3</td>
</tr>
<tr>
<td>Antigua Coffee Bean (Guatemala)</td>
<td>$0,5</td>
<td>$1,5</td>
<td>200</td>
</tr>
<tr>
<td>Parma Ham (Italy)</td>
<td>39 liret</td>
<td>42 liret</td>
<td>7,7</td>
</tr>
<tr>
<td>Jamao Coffee (Dominican Republic)</td>
<td>$67</td>
<td>$107</td>
<td>59,7</td>
</tr>
<tr>
<td>“Agave” used in the production of Tequila (Mexico)</td>
<td>-</td>
<td>-</td>
<td>5000</td>
</tr>
</tbody>
</table>

Source: Babcock and Clemens, 2004; Passeri, 2006.

Considering that products that can be protected by GI are usually produced in rural areas, GI protection provides income flows to these areas by creating employment opportunities. These kinds of products don’t require neither any advanced technological infrastructure, nor big investment for the marketing. Hence without undertaking big

---

‡ Asymmetric information problem arises when the real information of product quality is only at producers. In that case, consumer could reach this information by only searching or experiencing or never.
costs, local producers increase their income and create employment. Further, local producers have an advantage to supply their products to the last consumers directly. For the agricultural products, Moran (1993) points out that these local GI producers gain more profit than the other producers which sell their products to the large firms instead of the last consumers directly.

Traditional products symbolize the local characteristic of a region through the harmonisation of natural resources and the cultural methods and they are perceived as nostalgic and interesting products. As a traditional product group, GIs highlight the geographical name of the product as an effective tool for attracting consumers’ attention into the local identity. This would lead to increase in tourism activities in rural areas. The study by Callois (2004) finds out strong evidence for the contribution of GIs on rural development through the quality indicators. After an increase in the sale of Argan Oil produced in Souss-Massa-Draa Region of Morocco in national and international markets, economic activities are also accelerated by the increase in the other product sales and tourism activities in that region (Reviron et al, 2009). Hence effective protection of GIs lead not only to increase the recognition of the production place but also create some external benefits such as increase in economic activity of other sectors that have backward and forward linkages with the GI products. For example increase in tourism activity due to recognized GI not only benefits to the producer but also creates income and employment opportunities to other sectors such as hotel services for accommodation, gift shops and restaurants.

Protection of GI markets also helps to sustain economic activities and settlement in rural areas and increase the life standards of rurals (Correa, 2002). GI protection of a specific product by creating positive externality to that sector as well as other sectors in terms of income and employment generation have a potential effect of the prevention of migration from rural areas to urban areas. Thus GI protection not only contributes the rural sustainable economy but also protects the cultural heritage as well.

Turkey has become more conscious about the protection of GIs, but protection of GIs is not at a desired potential level. Table 2 shows the distribution of GIs by product groups in Turkey. According to table, total registered GI number is 151. If one compares this number with that of France (France has 508 registered GIs under the Lisbon System), one can conclude that the registration in Turkey is so low despite the fact that Turkey has a wide variety of climate and cultural heritage. Turkey is still not a member of Lisbon System and also does not make sufficient effort to apply for the EU registration system. These problems cause ineffective protection of Turkish products at the international level which causes other countries to capture the advantage from the Turkish-originated products.

<table>
<thead>
<tr>
<th>Product Group</th>
<th>Quantity</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Agricultural Products</td>
<td>102</td>
<td>67,6</td>
</tr>
<tr>
<td>Handy-Crafts</td>
<td>40</td>
<td>26,4</td>
</tr>
<tr>
<td>Animals</td>
<td>5</td>
<td>3,3</td>
</tr>
<tr>
<td>Natural and Mining Goods</td>
<td>4</td>
<td>2,7</td>
</tr>
<tr>
<td>Total</td>
<td>151</td>
<td>100</td>
</tr>
</tbody>
</table>


4. Concluding Remarks

GIs establish a connection between the product and the name of geographical region where the product is originated. Hence, these indicators are an effective marketing tool for attracting consumers’ attention into the geographical regions. These geographical regions are mostly consisted of rural areas and GIs provide crucial opportunities for rural development. Protection of GIs could help to sustain economic activities and settlement in rural areas and increase the life standards of the residents. Rural population is the prime beneficiaries of these kinds of products in terms of income and employment generation. Moreover, under an effective protection and marketing

§ For example, China had been capturing the economic benefits of Turkish Hereke Carpet for many years by using the name of Turkish Carpet with imitated products; (Turkish) Delight has been registered under Greek name; Erzincan Tulum Cheese was sold in the European markets by Greece and Spain.
process, the economic activities in rural areas could increase further not only by the growth of GI production but also by developments in the other sectors as well.

While it is hard to obtain a competitive advantage based on technology in rural areas and that advertisement costs are high for the local producers, GIs provide important alternative advantages for the rural development by sending direct signal to the consumer that the product is originated from a specific region with a certain quality not requiring big investments on technology and advertisement. On the consumer side, protection of GIs decreases search cost and asymmetric information of the consumers and provides “premium prices” for the product due to higher willingness of payment of the consumers.

Comparing with the other developed and developing countries, the GI protection of Turkey at national and international level is quite low, which means that Turkey does not accrue all the potential benefits from the protection of GIs. Many studies around the world show that the protection of GIs leads to increase in prices, marketing power, employment and income. Hence, Turkey should take the issue of the protection of GIs into its political agenda as a marketing, income and employment generation strategy which at the end as a rural development strategy.

References


