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Designations of origin and organic wines in Italy: Standardisation and differentiation in market dynamics

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Being original and different is the key to success if you are looking to market a product that is not only of undisputed quality, but also one of a kind. In the wine sector, especially in fragmented production realities like Italy, market competitiveness has developed for years by means of collective strategies, as in the case of designations of origin, established in our Country since 1963, seven years before the introduction of VQPRD (QWPSR - Quality Wines Produced in Specified Regions) by the European Community. In the framework of their specific legislation, these "designation of origin", unlike many other foreign geographical indications, were born on the voluntary initiative of producers, with the aim of setting strict rules on both the product and the processing.

These strategies have to date met with considerable success, indeed extending beyond the specific vinicultural sector: in fact, in generating veritable territorial brands, the designations have lent an extraordinary boost to the production areas, attracting new resources and favouring the development of new economic activities, such as tourism, for example. Designations of origin have prompted producers to bet on quality, favouring an expansion of production confines of the sector's firms in terms of both deepening and broadening. In this sense, they have had the extraordinary intuition of anticipating by fifty years the principles of multifunctional diversification that inspire today's agricultural policies on both the national and EU levels.

Recently, though designations have undoubtedly generated positive effects on one hand, exalting a product's specificity by reason of its place of origin, on the other hand, we also note the effects of standardisation that a production code naturally generates among wines belonging to the same designation.

There are many causes for this, the most important of which can be summed up in two fundamental points.

The first aspect that currently increases the negative effects of standardisation over those of differentiation concerns the fact that in time, many winegrowers operating under the same production code, instead of converging towards the same quality segment, have instead followed opposite dynamics. So it is that today within the same designation of origin, basic wines sold at three euros per bottle can coexist alongside ultra-premium wines sold at more than thirty euros per bottle. How can such a broad variability of quality within the same designation be considered normal? What quality does the production code intend to attest, that of the wine sold at three euros or that of the wine sold at 30 euros? These dramatic price differences confuse the consumer, making the designation a characteristic that winegrowers will underscore increasingly less, the higher the quality segment they want their wine to occupy.

The second aspect that in these years has most highlighted the undesired effects tied to standardisation concerns the growing variability of the global markets that every winegrower has to confront. How can a producer adapt to the changes of consumer preferences and/or react to the threats of competitors, if he is subjected to the dictates of a rigid production code? To what extent do the bonds of conformity hinder the demands and opportunities for a product to adapt to the changes of market scenarios? How long will a solid tradition and quality standards stable in time find lastingly loyal consumers?

Faced with the evident opportunities and the drawbacks we have just pointed out, in these past years firms have sought solutions by operating on two fronts: by proposing the revision of production codes, and by imagining strategies capable of differentiating amongst themselves.

Concerning production codes, let us say in extreme synthesis that to date attempts have been made to "reduce the constraints"

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they contain. Several modifications have been proposed and, in some cases, have been adopted concerning the grape varieties used in production. More recently, it has been proposed to make modifications even in the ambit of conformity assessment, limit checks to chemical-physical analyses, and exclude sensorial analyses. Faced with these hypothetical changes to production codes, several actors of the production chain express fear that all of this will lead to the creation of Protected designations of Origin that will wind up all the more resembling Protected Geographical Indications. Other actors, on the contrary, express a more favourable opinion, underlining that these modifications might further bring out the *terroir* and, at the same time, by excluding sensorial analysis, leave more room for the oenologist's "creativity". Regarding these aspects, it is hard to say which position is right. What we can certainly say today is that in many cases, revisions proposing to expand the varieties allowed in a designation do not represent a decision dictated by momentary convenience: they instead constitute an appropriate "correction" of production codes that were originally born with excessively restrictive regulations that in several cases unexplainably excluded autochthonous varieties. The proposed modifications would without a doubt allow firms greater freedom of operation, remaining within the production code. And even more important for a sector like winegrowing that is already burdened with countless technical and financial constraints, these modifications would also offer, in the short term, greater margins to adapt the wine offer to the demands of the market of the moment, and increasingly more often, they would make it possible to remedy extreme seasonal climatic situations.

So why not modify production codes even more resolutely? Why not abandon once and for all everything in them that determines constraints? The danger we would risk acting too hastily is that of following fashion too closely, and incurring two very dangerous effects:

- the first could be that of resembling my direct competitors who, like me, intend to satisfy the same target;
- the second and perhaps even more dangerous effect is that of making products destined to have an increasingly shorter life cycle, and this fact, for a sector like that of winegrowing, would represent a lethal danger, if we consider the considerable investments behind every decision in production orientation.

The necessity for greater differentiation among firms was targeted by investing in the growth of one's own brand and, at the same time, expanding the assortment of wines offered.

Emblematic in the history of Italian wines is the case of the first "Super Tuscans": since 1970 a few companies, capable of making autonomous and serious investments on the level of brand equity, showed that in some cases, the opportunity to penetrate new markets could result from creating "new products", having the courage to totally abandon the canons of a production code. It was again in the wake of this experience that in 1992 Protected Geographical Indications were formally defined by European Economic Community to distinguish, with more emphasis, these production excellences from the common wines to which they formerly belonged.

Compared to the past, today we can affirm that the importance of having a strong company brand is an aspiration widespread among the firms of the sector and no longer the prerogative of the larger and innovative firms. In this new business culture, the firms have understood that the most promising opportunities of differentiation are no longer to be sought relying on the characteristics of experience alone – moreover already widely developed – but also investing in characteristics of credence, starting precisely from the brand, and in other elements, especially on the emotional level. For this reason, firms have understood that in order to define such a complex product, it is important to operate following a precise marketing strategy, often even made to measure for the individual product, as they fall shy of the corporate level.

Recently, even technical innovations are inspired by these principles, and various novelties aim explicitly at striking the imagination of consumers more than at guaranteeing an effective improvement of the product: there are those who contrive night-time harvests, or age wine in terracotta containers instead of the usual wooden barrels, or have even devised techniques to age bottled sparkling wines on the seabed. All of these innovations indicate the efforts firms are making to reach the market with increasingly more original products that they can tell tales about and that make them unique in their category.

Browsing through the recent trends of differentiation, the phenomenon that is certainly most affecting the entire winegrowing sector can be identified in the enormous growth of organic productions, as well as in the emergence of the phenomenon of "natural wines". Currently, the organic sector in Italy has reached an importance, with respect to total food sales, close to 4% and this already significant value takes on even greater significance when compared to the 0.6% that was recorded in 2000. By now, one Italian family out of five habitually consumes organic products, wine included.

This important success of organic wines (+ 5% of sales for indoor consumptions via modern retail trading in 2017 alone) must be attributed both to important technological goals met and a certain development of demand. On the technological level, it is an undisputed fact that only recently has the winegrowing sector created a organic production of high quality. This also explains the relative delay with which organic wines have entered the organic market. In fact, while for many food categories such as fruit and vegetables, the defects associated with an originally perfectible organic production technique represented the almost evident proof that the product was "genuine", for wines the defects resulting from the first attempts at organic production did not have an "alibi", and discouraged even the bravest and most tolerant consumers.

In addition to being attributed to a growth in quality, the success of organic wines is also tied to the great success of demand. In this regard, it is important to consider that the growing attention of consumers towards organic wines must be interpreted considering it the consequence of a generational change and not of a change in the preferences of the same individuals. In other words, the growing preferences for organic wines are not so much due to traditional consumers who have changed wine preferences, as they are to the new

generations that today confront this market. The revolution under way is certainly not headed by the Baby Boomers or by the Silent Generation: the new market trends are instead being set by Generation X and the Millennial Generation where the most consistent part of demand is concentrated. For these generations, the purpose of food is no longer to satisfy a physiological need, but instead becomes a means by which they can achieve and maintain, as long as possible, a certain physical and psychological wellbeing, which is indispensable to be able to have a satisfactory lifestyle. For these generations, purchasing behaviour represents a veritable language through which they can express their personality: from this viewpoint, organic products, wine included, become the means by which they can realise their lifestyle, as they can also satisfy existential needs tied to the sense of belonging and social success, taking part in an increasingly more widespread “eco-friendly” culture.

In eating to stay well, it is particularly interesting to reflect on the fact that the consumer expresses a growing appreciation for food products not for what they contain, but instead for what they do not contain: the “without” category of products – without palm oil, without lactose, without gluten, without salt, without fat, without sulphites, etc. – is winning increasingly more important commercial ground. This aspect is very important because it shows that consumers, though inspired by a more complex behavioural model (from the satisfaction of a physiological need to an existential realisation is certainly no little difference), in the moment they choose the product on the shelf, they are rewarding the immediacy and simplicity with which it is proposed. In other words, though there is no lack of successful products publicised using rational information based on well-expressed messages about a food's nutritional contents and functional properties, the “without” message is naturally closer to the demands for a communication that today must adapt to a marked contraction in terms of time and space and, unfortunately, of consumers capable of understanding longer and more complex messages.

The existing phenomenon records a double-digit increase in the demand for organic products and not only for food products, but also for cosmetics, which shows that personal care has become a central theme and that consumers identify the organic product as ideal to satisfy their personal wellbeing.

The most important aspect to consider, however, is that among the drivers that orient the demand for wines and, in general, for all food products, the “organic” characteristic is always closely associated with the product's origin: the consumer who chooses “organic” always manifests a marked preference for the “local product”, and finds an even greater guarantee in this characteristic both in terms of food safety and of environmental and social sustainability.

This aspect is of fundamental importance and permits us to hypothesise that the development of organic production lines in the area of wines will not conflict with the designations of origin, but will instead find in them an important ally. It cannot be excluded, however, that as organic wines win more ground, the need for less restrictive production codes can emerge even more. This necessity has already in part become evident, considering that parallel to the diffusion of organic wines, we are also witnessing a growing interest for “natural wines”: with

these wines, the search for a product that is “born of the territory” reaches its climax. Created under conditions of the utmost sustainability, these wines aspire to express the effective vocations of the place of production to the utmost, making the image of the winegrower forcefully emerge as associated with the crafts dimension of the firm he directs. The phenomenon is still a matter of narrow market niches, but it must be observed with great attention, especially because it again proposes a direct relationship of trust between consumer and producer beyond all forms of certified guarantee.

It is my opinion that the growth of market shares of organic and natural wines can greatly contribute to the sector's success, guaranteeing new opportunities of differentiation and growth of quality of the entire sector without conflicting with the designations of origin. The success of these new product typologies will particularly turn to the account of the Italian winegrowing reality, considering that it will offer important opportunities for growth also for the small brands and for the less diffused species of grapes. The sales figures of large-scale retailing in Italy of these past years confirm these facts with shelves carrying a constantly growing assortment of labels with a numerically greater presence of small firms and autochthonous vine species. This means that the consumer associates the “healthy” characteristic of an organic wine with small brands and lesser-known vine species: “small is beautiful” seems to be a very important slogan for this segment, and it seems equally clear that the certification of an organic product does not replace but instead adds to the designation of origin.

It is hard to say whether the success of organic wines is due to a passing fad: sooner or later, this explosive growth may slacken off or run up against a setback, especially if we start reflecting on the all but ecological effects that could paradoxically be set off with the diffusion of grape production using organic farming, and this starting from the use of copper is a problem that is already emerging.

What these disparate strategies of differentiation certainly point out, from the search for less restrictive production codes to the spreading of organic and natural wines, is the fact that winegrowers have understood that perfection, especially when inspired by a single best way that perhaps also conforms to the best technologies and the most authoritative opinions of the moment, produces monotony and boredom. These sentiments are a far cry from a demand that in the ambit of wines is strongly stimulated by curiosity and the desire to always experiment something new.

That said, we can reasonably think that the right “recipe” is the one that favours originality to the utmost, in any event preventing the market from being invaded and ruined by “reckless alchemists”: designations of origin will have to find a point of balance, continuing to guarantee the standards that create the product's identity and recognisability without mortifying, however, the creativity of the individual and the emergence of these important new trends of consumption.

Conflict of interest

None.