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Consumers' buying intention and willingness to pay for PDO and PGI products in large retail chains. Results from a direct survey in Italy

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***Abstract* – PDO/PGI are rapidly entering the Italian market of large retail chains. PDO/PGI products suffer from the low awareness of this labeling scheme among consumers. In this background, the aim of this paper is to analyze howdifferent levels of knowledge of PDO and PGI marks affect consumer behaviour, with particular reference to his buying intention (BI) and willingness to pay (WTP) within large scale distribution. The hypotheses of the research framework were identified through the analysis of the results of the scarce existing literature on PDO/PGI consumer behaviour. The hypotheses have then been tested on a sample of 250 consumers, through a direct survey carried out in 2015 in Central Italy, within two major Italian retailing companies: COOP and Esselunga. The empirical analysis confirms the poor knowledge of consumers of EU PDO/PGIs. The level of information affects consumers' BI and WTP a premium price for PDO/PGI products, which increases though not significantly when consumers have knowledge of the certification labelling scheme.**
***Keywords* - PDO/PGI, buying intention, willingness to pay**

THE INFLUENCE OF PDO/PGIS ON CONSUMER'S BUYING INTENTION AND WILLINGNESS TO PAY

The importance of certified products is growing worldwide, as demonstrated by recent empirical surveys. In 2013 theturnover of the sector was estimated in 6,6 billions euros at production level in Italy, and a consumer value of 13,2 billions euros of which 8,9 marketed in Italy (Ismea, 2014).

Certification systems represent a chance for farmers to improve their competitiveness on the market. From this point of view PDO/PGI marks are used to differentiate the production and create value through the reference to the origin, thus representing a quality guarantee for consumers. In addition PDO/PGI certifications reduce the time consumers have to spend to search information as *experience attributes* are transformed into *search attributes*. In this way consumers may solve the information asymmetry problems about the origin of the product and its characteristics (Dimara, Skuras, 2005).

Many authors found that the quality perceived and associated by consumers to an origin-linked intrinsic attributes has a significant and positive influence on their Buying Intention (BI). The buying intention can be defined as a future projection of consumer behaviour in his shopping process (Fandos, Flaviàn, 2006).

Others also proved that GIs increase consumers' Willingness To Pay (WTP) thanks to the guarantee the GI assures(Deselnicuetalii, 2013). Both BI and WTP are linked to the knowledge level of consumers of the PDO/PGI certification system on one side and of the different products covered by the PDO/PGI scheme on the other side(Profeta et alii, 2012).

Unfortunately PDO/PGIsare often subjected to misunderstandings and generalizations that don't let them work efficiently as a quality indicator. This situation is caused by a sporadic and confuse information among consumers. Actually despite a recognition of an added value to origin products consumers are not always able to identify and distinguish them on the market.

RESEARCH QUESTIONS AND METHODOLOGY

The aims of the present research work are:
- to demonstrate the poor information among consumers about the PDO/PGI certification system, in terms of EU logo and its discipline (presence of code of rules and characteristics of the legal protection) and in terms of capacity to identifyproducts covered by this labelling scheme.
- to highlight the effect of consumers' knowledge on their BI and WTP.

The hypotheses have been tested on a random sample of 250 consumers through a direct survey in two major Italian retailing companies: Esselunga and Coop.

The questionnaire was semi-structured with closed and open questions in order to maximize the amount of information. As for the socio-economic characteristics of the sample: out of the 250 interviewees 137 were women and 113 are men; 124 consumers belonged to the 18-35 age level, 96 to the 36-60 age interval and 30 consumers were more than 60 years old. The respondents mainly had amonthly family income of more than € 2,500. 112 respondents had a university degree and 95 have a high school diploma.

RESULTS AND DISCUSSION

The knowledge of the EU certification labels has been analysed through two items: the meaning of PDO and PGI labelling scheme and the ability of the consumer to list some examples of PDO/PGI products. The empirical analysis confirmed how GIs are often subject to misunderstandings and misinterpretations and how Italian consumers are substantially not able to state a definition of EU PDO/PGIs.

In fact, only 24% of the sample was able to define what EU designations of origin are in a complete and correct way; many consumers associated PDO/PGIs logos meanings to different certification schemes (organic, fair trade, etc), or when asked to indicate the

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name of a PDO/PGI product tried to limit the margin of error mentioning only some product categories (cheese, cold cuts, fruits).

On the basis of the different levels of knowledge of the EU certification labels we have identified 6 types of consumers and have tagged them with a specific name. The categories have been identified through a matrix where two main variables are taken into consideration: the knowledge of the PDO/PGI definition and the capacity to associate the PDO/PGI to the name of a labelled product.

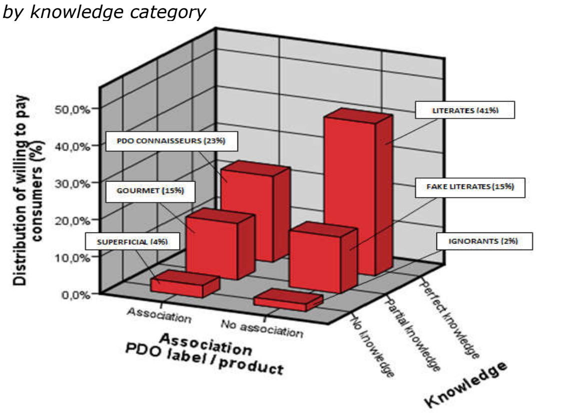
Table 1 Categorisation of consumers by knowledge of EU PDO/PGIs

		PDO/PGIMEANING		
		No knowledge	*Partialknowledge*	*Perfect knowledge*
CAPACITY TO ASSOCIATE THE PDO/PGI TO A LABELLED PRODUCT	*No association*	**IGNORANTS** *(13%)*	**FAKE LITERATES** *(12%)*	**LITERATES** *(35%)*
	Association	**SUPERFICIALLY INFORMED** *(5%)*	**GOURMET** *(11%)*	**CONNAISSEURS** *(24%)*

Source: our elaboration on direct survey

The survey showed how the level of knowledge can affect consumers' BI and WTP. In particular, 60% of the respondents were willing to buy and pay more for a PDO/PGI product. They were mainly represented by those who have a strong knowledge of EU quality certification, that is Literates (41%) and *Connaisseurs* (23%). On the contrary, the highest percentage of consumers unwilling to buy and pay a premium price for PDO/PGI products was represented by the group "Ignorants" (31%).

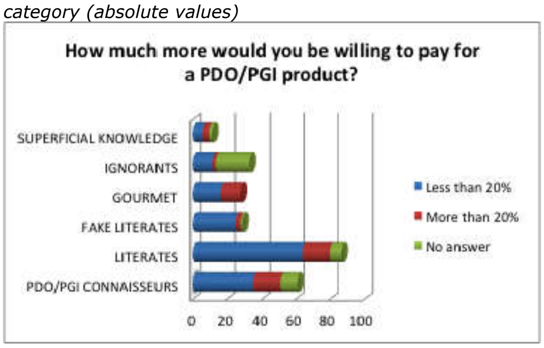
Figure1 – Consumers willingness to pay for a PDO/PGI product by knowledge category



Source: our elaboration on direct survey

The quantification of the premium price also confirms the influence of consumers' knowledge and awareness on their willingness to pay for a PDO/PGI product. Fig.2 shows that more than 50% of each group, except the "Ignorants" (where blank answers prevail), would not pay more than 20% of the initial price for a PDO/PGI product. The highest percentage of consumers who affirmed that they would be willing to pay more than 20% belongs to the "gourmet" group, followed by "PDO connaisseurs" and "the literates".

Figure2 - Premium price for a PDO/PGI product by knowledge category (absolute values)



Source: our elaboration on direct survey

CONCLUSIONS

The empirical analysis confirms the poor and very differentiated knowledge of consumers of EU PDO/PGIs. Consumers' awareness strongly affects their BI and WTP a premium price for PDO/PGI products. Nonetheless only 20,8% of the consumers would be willing to pay more than 20% of the price of a similar product without PDO/PGI. This ratio goes up to 39,3% for gourmet consumers.

The study sheds light on the importance of taking sound action towards retailers in terms of in store marketing (in store communication, layout, pricing and use of private labels) and for collective (Consortia and producers' Associations) and public policy action to raise consumers awareness about the meaning of the PDO and PGI labelling scheme, thus leading to a higher acceptance of their price differential and increase their consumption.

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