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Perceptions of European Gatekeepers towards Thai Fruit and Coffee Products with EU Geographical Indication

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Abstract

This study is aimed at exploring perceptions of European gatekeepers towards renowned Thai fruit and coffee products protected by geographical indication (GI) and factors influencing purchasing decision of gatekeepers towards food products imported from Thailand. Sixteen qualitative interviews with distribution channel gatekeepers were administered in Austria, Italy and Switzerland in 2010. The interviewees are food distribution practitioners and experts and are key informants for imported fruits and coffee in Europe and they were asked for an opinion about recognition of Thai GIs in the EU system. Content analysis and concept mapping were used to analyze data. Results show that Thai GIs products might be interesting for European gatekeepers, but the GI attribute alone might not be sufficient to ensure the product is successful. Support of consistent information and promotion campaigns and fulfillment of other gatekeepers' requirements of both products and suppliers are also necessary. Eight major factors have been identified, which influence European gatekeepers' decision to purchase imported food products: quality, price, food safety, environmental aspects, social aspects, business relationship, consumer awareness and preference, and competitors. Results are useful to develop appropriate managerial marketing strategies to introduce these GI products into the EU market.

Keywords: Geographical indications, Thai fruits and coffee, gatekeepers, perception, factors influencing purchasing decision

Introduction

Thailand is one of the main producers of agricultural products and is recognized as a producer of great unique and tasty products (Chomchalow and others 2008). In 2007, Thailand produced 8.95 million metric tons of fruit, which is 1.61% of the world fruit production (FAO 2009). During last few years Thailand has been trying to penetrate the European market, since it is the largest single market with expanding demand for ethnic products and with high premium price for quality produce (GTZ 2010). Thai fruit export is mainly represented by tropical fruit (e.g. longans, mangoesteen, durians, etc.). The value of EU fruit import from Thailand steadily grew during last eight years, from 216.64 million euro in 2002 to 274.65 million euro in 2009, now representing 1.88% of total fruit trade (elaborated from EU Market access database 2010). This is a small share in comparison to other trading partners of the EU. Coffee trade between Thailand and the EU is mainly represented by green bean coffee export to the EU and (semi) finished coffee products import from the EU. Thailand's share of the EU coffee imports ranged only between 0.01-0.26% in the period 2002-2006 (ECF 2009).

Thai government is currently looking for strategies to improve quality standard and differentiation of products so as to enhance the competitiveness of Thai exports, since Thailand cannot compete on price with competitors like China and Vietnam anymore. In addition, there is growing interests in the world market toward quality food products, especially high quality local and traditional food specialties, which may pave the way for specialty products from less developed countries to gain access to lucrative international markets (Canavari and others 2010). As a result, Thai government endorsed policies and regulations - "the Geographical Indication Act of B.E. 2546 (2003)"; and "Thai Geographical Indication Logo Approval B.E. 2008" (Jaovisidha 2003) in order to protect, foster, and promote Thai quality products and culinary recipes. They expected that Geographical Indications (GIs) labels will help consumers to recognize quality of the products by linking them with geographical characteristic and culinary heritage of Thailand. Thus, they aim to enhance the credibility of products, improve market access, promote typical products, and finally lead to sustainable economic and social development in a specific territory (Bramley and Kirsten 2007).

As of June 2010, 35 product names are registered as GIs in Thailand, 29 of which are from Thailand, 5 from the EU and one from Peru. Registration is pending for 34 more products (Department of Intellectual Property 2010). The most represented product categories are: fruit (23%), handicrafts (23%), rice (20%), alcohol (17%), and coffee (6%). Furthermore, during last few years, Thailand applied to register some Thai products under the EU regulation, namely: 'Thung Kula Rong-Hai Thai Hom Mali Rice', 'Doi Chaang Coffee' and 'Doi Tung Coffee' (DOOR database, European Commission 2010). Motivation is the belief that Thai GIs will be perceived as higher quality products and will gain a better position in the EU market if recognized by the EU.

The importance of GI labels in the European market

In the last decades, European consumers became more thoughtful about their purchasing decision, especially about product quality and food safety as well as environmental and social impacts associated with food production and marketing (Bredahl and others 2001). One of the quality cues frequently used in the EU market especially in wine and food products is related to product origin. The EU has decade's long history of GIs labeling and currently two types of GIs are available for food products: protected designation of origin (PDO) and protected geographical indication (PGI). Producers and companies have been using GIs label to signal quality to the consumer and expected that they will perceive GIs as a quality attribute adding value to the product. Several studies in the literature indicated that perceived quality associated with the intrinsic attribute of PDO products have a positive and significant influence on European consumers' buying intentions (Fandos and Flavián 2006) and they are willing to pay higher prices for PGI label in fresh meat (Loureiro and Mc Cluskey 2000). Hence, GIs might signal quality to the consumer and create a sense of affection to consumers, but only when it deals with a high quality product and consumers recognize its superior quality, using GI labels as a brand.

GIs products from third countries in the European market

Many successful cases of GIs products value-enhancement are available in Europe, especially in Southern Mediterranean countries. However, most of these products are produced in small local areas inside Europe, which were already famous among consumers (Barjolle and Sylvander 1999). For Thai GIs products this is not the case, since consumers might not be able to perceive their value because of lack of knowledge, awareness, and familiarity with products (Boccaletti 1999). In addition, successful value-enhancement strategies for GI products do not depend only upon origin but also upon effective value-adding strategies used to promote the product (Bardajı´and others 2009). Vandecandelaere and others (2009) highlighted that third countries that would like to develop fruitful GIs schemes should be aware of a number of requirement to be achieved in advance, such as traceability along the supply chain, responsibility and accountability of producers, processors and marketers, as well as clear and sound marketing strategies.

Issues addressed in this study

Since introduction of Thai GIs into the EU market is still in the initial stage, products have to be chosen by European gatekeepers first. Gatekeepers are food channel members who have the power to select products to be in the market. Even though they are expected to merely select products according to their perception of consumers' demand, in many cases they may also exert a great influence on product ranges in the market due to their power to make food buying decisions on behalf of food importing and distribution companies that supply millions of end consumers (Knight and Gao 2005).

Hence, this research focuses on gatekeepers' perceptions toward Thai GIs fruits and coffee. We aim at gaining deeper understanding of the attitudes of gatekeepers and the possibility to use GI labels to foster the competitiveness of Thai fruits and coffee products in the EU market. This research aims to (1) explore how European gatekeepers perceive GIs Fruit and Coffee products from Thailand, (2) explore potential and barriers for GIs Fruit and Coffee products from Thailand in the European markets and (3) explore the key factors that influence purchasing decision of European gatekeepers.

Materials and Methods

Exploratory research based on qualitative approach is adopted in this study. This approach makes us able to deal with complexity and rich diversities of the gatekeeper perceptions and it gives room to generate hypotheses for further research, although it cannot be generalized to all food chain members and channels (Myers 2009). A semi-structured interview schedule was designed to serve as a non-binding outline of the discussion with respondents, following the three research aims mentioned above. The schedule contains a series of open-ended questions introducing wide topics and inducing the informant to raise salient issues which he or she thinks are important and relevant to the topic of interest during the conversation (Myers 2009).

Selection of respondents

Purposive non stochastic sampling was applied to recruit participants in this study to retrieve information from persons who have knowledge and might be able to highlight the relevant problems or issues on a specific topic (Trochim 2006). In addition, the snow-ball sampling procedure was also applied.

A list of European operators was created on the basis that those listed are expert and professional practitioners in European food distribution (importers, wholesalers, retailers, practitioners and experts) who already have experiences dealing with Thai or Asian products in Europe. We interviewed sixteen out of thirty-five selected contacts – ten in Italy, five in Austria and one in Switzerland.

The characteristics of the interviewed companies were the following: thirteen respondents were importers and distributors of fruit and food products and three respondents were researchers and experts on agri-food marketing and European fruit markets. Among importers and distributors, six companies were fruit and/or vegetable distributors, four companies were specialty shops, and the remaining were representatives of large retail companies. Among researchers and experts, two were specialized in organic products only. Given the limited geographical scope covered by this sample, conclusions and hypotheses drawn by means of this research are most likely to be valid just in the Austrian and Italian situations.

Interview procedure

Sixteen semi-structured interviews were administered during March – June 2010. The semi-structured interview schedule was sent to respondents in advance. Personal interviews duration ranged between 30-60 minutes. They were conducted in English, in Italian and in Thai according to respondent's preference. Thirteen interviews were face-to-face and three interviews were administered by telephone. Interviews were recorded if the respondent agreed upon, and the interviewer took note of important information and observed context-specific elements during the interview. Immediately after the interview was administered, the interviewer prepared a summary report based on notes and on the recorded conversation, when available.

Data analysis

Information from the summary reports, together with available transcription and comments were analysed through a content summarizing procedure, aimed at describing the phenomenon and at presenting the most interesting elements arising from each interview, in order to gain an extensive overview of informants' attitudes toward the topic (Downe-Wamboldt 1992). From the analysis and synthesis of relations among factors affecting purchasing decisions a conceptual map was created, in order to visually describe the concepts mentioned by key informants and connections among them (Novak and Cañas 2008).

Results

Perception of European gatekeepers toward Thai GI fruit and coffee products

It appeared that European consumers and gatekeepers are aware of the GIs concept mainly as it relates to local or European products, since GIs products strongly link to territory and traditional local culture. European consumers have already developed positive perceptions toward these products and the GIs label can therefore be used as a differentiation tool. However, when dealing with Thai GIs products, respondents made many and various comments.

Most of the gatekeepers thought that the GIs label may not be able to add value to Thai fruit and coffee products because consumers do not have enough information about or experience with these products:
"This business is too small in quantity. For me, you have to work with quality – freshness, information. Because for me, in my opinion, when you have many fruits, you use PGI to differentiate. This is small market, so it cannot be differentiated."(Importer and Distributor in Italy)

On the contrary, other gatekeepers maintain that the use of a well-known quality label such as European public brands for GIs could represent an advantage for Thai GIs products because of confidence and trust that European consumers ascribe to them:
"If you have an origin certification of the product, it could be a way to enforce the knowledge, the national of the product. For the European market, I think it could be interesting, if you have this kind of certification between the European and Thai at the same level of quality assurance, origin and traceability and so on. I think that it could be a possibility especially for fruits." (Marketing researcher in Italy)

Some gatekeepers and marketing researchers thought that the GIs label might be useful as a mediator of trust to assure the quality and food safety of Thai products:
"Certainly, PGI would help us to have warranties and also suppliers. They would enter more easily the market. It would be an advantage for consumers, too." (Importer and Distributor in Italy)

Although GIs certification is not a food safety guarantee, they argued that it could be seen as such in the eyes of the public. This is due to the fact that gatekeepers and consumers tend to be more sensitive to imported food than domestic products, due to food scares and general unfamiliarity; hence, they tend to look for any sort of certification and may regard this as a sign of food safety and quality. Gatekeepers also mentioned that traceability systems are crucial for products entering the EU market.

One respondent opined that GIs label would not be useful for Thai products because he gave more value on his quality private brand than to GIs certification. This inferred that GIs label, which is one of many quality labels, might be a competitor of quality private brands (retailer brand); hence, large retailers might have less of an inclination to stock products with other quality labels in their stores. This could be especially true for coffee, but it might not be the case for Thai fruits since they are basically totally different from fruits produced in the EU.

Opportunities and Challenges of Thai Geographical Indications products

Information and promotion campaigns are necessary to support Thai GIs product registration efforts, since European consumers and gatekeepers are unfamiliar with these products and cannot distinguish the differences between them and other similar products in terms of quality and taste.

The interviewees underlined the following conditions required for Thai GIs products to be successful in the European market: (1) products must be a specialty fruit with outstanding quality, (2) exporters should provide correct information or story behind products about landscape, production area, production and work condition and (3) food safety certification according to the EU regulation must be provided.

Some of the interviewees suggested that *Organic* and *Fair Trade* labels used in combination with the Thai GIs label might be useful to enhance the competitiveness of products, although this could be costly and difficult to achieve. Furthermore, usefulness of combining GIs labels with other quality labels relies upon clear consumer understanding of the separate value of product attributes communicated by each label. It is also important to synchronize the Thai GIs label with the European one (mutual recognition) to maintain consistency in labeling.

Another challenge for Thai GIs products mentioned by gatekeepers is consumer's attachment to own local food and culinary tradition. This is especially relevant in Mediterranean countries like Italy, where a well defined and renowned national food culture dominates and, as a consequence, a limited demand for foreign products arises.

Factors influencing purchasing decisions of European gatekeepers

Eight major factors appear to influence European gatekeepers' decisions to purchase imported food products: quality, price, food safety, environmental aspect, social aspect, business relationship, consumer awareness and preference, and competitors. These factors are illustrated in the conceptual map analyzing gatekeepers views (Figure 1). However, it seems that the elements of trust and reliability are the most prominent ones with regard to decision to import food products. In light of this, country image might influence the psychic distance between customers and exporters. Additionally, cultural distance may hinder the successful market penetration of Thai products, as they may be perceived by European consumers as simply too strange, alien and unfamiliar to be desirable.

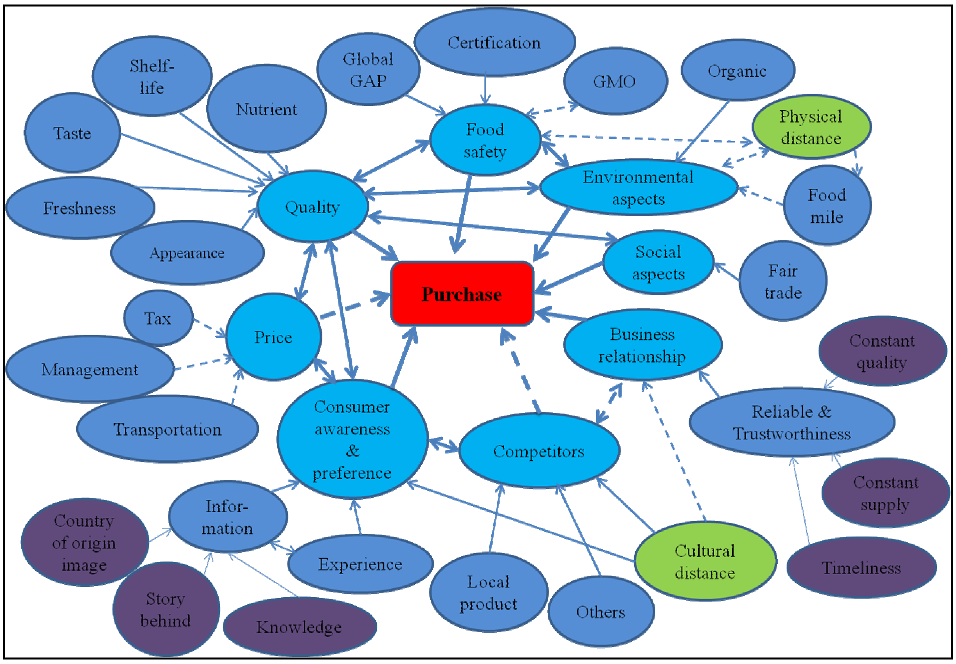

Figure 1 Factors influencing imported food products purchasing decision of the EU gatekeepers. Solid arrow represents positive effect and Hollow arrow represents inhibitory effect

Suggested distribution channels for Thai GIs products

There were three potential channels suggested by gatekeepers: specialty shops, large retailers, and restaurants/SPAs. They explained that specialty shops are a good distribution channel because they are run by experts with experience with similar products. These experts can be a better vehicle of information on products and methods of preparation and consumption to consumers. Limitations of this channel include the fact that it will be only a niche market, however, the consumers in this channels tend to have a larger intention to purchase these products than other channels. Large national and international retailers are thought to be a promising channel for Thai GIs products, since it can move high volumes of products, has wider access to mass consumers, and employs better marketing strategies. However, producers and operators interested in distributing products through this channel may face difficulties in maintaining bargaining power, since premium prices and stricter regulations are required. Thai restaurants and spas were mentioned as channels to display and perhaps provide a first impression of Thai products to European consumers. Agri-tourism markets were also mentioned as an innovative channel by one respondent.

Suggested marketing strategies for Thai GIs products

Gatekeepers suggested some potential marketing strategies to introduce Thai GIs products: spread of information through public relations and communication initiatives; show-casing the region of the products and telling the story behind them; assuring product safety and guaranteeing quality; demonstrating products and letting consumers try them; developing joint export platform for Thai cuisine and fruits; starting with pilot products which are typical, high quality, and without environmental and social problems; differentiating Thai GIs products from other products by quality, healthiness, and packaging; offering promotion to gatekeepers; and selecting the proper distributors to channel Thai GIs products. Learning lessons from the outcomes of marketing strategies used by both success and failure cases in the EU market, could also be beneficial.

Discussion

According to European gatekeepers Thai GIs products might be interesting, but the GI attribute alone cannot enhance competitiveness of Thai GIs fruits and coffee. Other attributes of products and suppliers, such as quality, price, food safety, environmental aspect, social aspect, business relationship, consumer awareness and preference, and competitors, also have an impact on purchasing decision of the gatekeeper. All respondents highlighted that information and communication are crucial issues for Thai GIs products. This conforms with the study of Boccaletti (1999) that GIs products from abroad should have good communication, quality indication that this product has traditional characteristics, and other relevant characteristics to consumers' requirement. The originality of a typical local area can lead to a differentiation of the product only if consumers recognize its value. This highlights that niche marketing through origin-labeling may require an extensive awareness campaign so as to capture the benefits associated with differentiation of products (Bramley and others 2009).

The study outcomes suggest that GIs seem to act more as a mediator of trust in the ability to assure quality and safety of Thai food products, rather than as an attribute able to enhance the product image *per se*. This is consistent with Knight and others (2007) who found that country of origin is related to confidence and trust of products rather than to country image itself.

Nevertheless, GIs label might be useful as an attribute to foster the perceived quality of Thai GIs products, both as an intrinsic and an extrinsic cue. This may transform credence quality attributes of products into search attributes (Fandos and Flavián 2006). Furthermore, the respondents also insisted that Thai operators and producers should improve quality control and traceability system in order to maintain high quality of products, which will lead to differentiation of products and better market access later. Therefore, high and consistent quality standard, well-known products and consumers' knowledge are essential properties for GIs products to be successful.

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