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CONSUMER PROTECTION AND EU FOOD QUALITY
LABELS: CHALLENGES AND OPPORTUNITIES FOR
ITALIAN SMEs

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INTRODUCTION

In the past decades consumers have attached more importance to food related issues such as health, quality, safety, pleasure and ethical issues. The agri-food system in Italy, according to the latest statistics, accounts for 13,5% of the GDP; firms population in 2015 registered a growth of 0,75% with respect to the previous year (ISTAT, 2016). Yet the economic downturn and the international challenges that global market is experiencing have had implications at a micro level: firms are facing difficulties in maintaining their competitive advantage and positioning. There is no empirical evidence between the economic situation and firms' inclination to adopt unfair commercial practices as misleading advertising. However, from our analysis it emerges that sanctions in the agri-food sector increase from year to year. Thus, since 2007 the Italian Competition Authority (ICA) has strongly intervened in the agri-food sector to reduce such inefficiencies.

EU consumer policy strategy carried out specific actions to regulate the food sector. Food origin labeling and misleading claims are the main objects of this research. This research focuses on these aspects so as to highlight the importance of EU quality logos and the Italian system of consumer protection, with a focus on deceptive advertising and unfair commercial practices in the agri-food sector.

Thus, the identified research question are:

- which is the value associated by Swedish and Italian consumers to a specific GI's label, the PGI Maccheroncini di Campofilone?
- what are the elements that affect the efficiency of fines, penalties and restricting intervention tools carried out by ICA and IAP to reduce deceptive and misleading advertising practices?

Concerning methodology, an exploratory research was carried out to investigate the research questions related to GIs value and consumers' food choices. Consumer Ethnocentrism, Country of Origin effect, Food Choice Questionnaire and Willingness-to-pay for GIs were the dimensions examined through our survey.

In order to answer the research question related to the efficiency of fines, information and data have been collected through several sources following Grounded Theory approach. In particular: interviews were organized with key components of ICA, a survey was run among companies in the agrifood sector that received a penalty from ICA or IAP, information was

collected from Consumer Association's websites, Corporates' websites, national print and web media titles, while secondary data were collected from ICA and IAP databases.

This research is divided into three parts. First chapter introduces two important aspects of EU consumer policy, namely EU food quality labels and consumer protection in the European union, with a focus on the Italian system of consumer protection. Chapter two is focused on the exploratory study, carried out in Sweden and in Italy, on the PGI Italian egg pasta. Chapter three highlights the Italian system of consumer protection, analyzing the cases of deceptive advertising and unfair commercial practices that took place in the Italian agri-food sector.

Chapter 1 - Consumer protection and EU quality labels: two aspects of consumer policy in the EU

1.1 Consumer policy strategies in the EU

If consumers are to play a role as fully equal stakeholders in society, they need to understand the interlinkages between their interests and those of others. An awareness of their rights as stakeholders also demands a greater recognition of their responsibilities to the environment and to society at large.

The political currents driving the growth of consumer policy are part of a wider political trend for policies that deliver effective solutions to the problems faced by the general public. Economic developments are also behind the rise of consumer policy. The twin forces of the globalisation of markets and the wide dissemination of new communication and information processing technologies have set in motion significant economic and social changes. They have revolutionised the way markets serve consumers. At the same time, these changes have also transformed consumer expectations. Consumer policy has to adapt to these new developments.

Changes in markets and expectations can be seen in products, services and in marketing. Many of the developments have been beneficial, and have expanded choice to an unprecedented degree. The EU's policies on competition, the internal market and the economic and monetary union have played their part in bringing these benefits to consumers. This has contributed to the steady rise in consumer expectations, but has also brought about new challenges. For these reasons, since 1999, the EU has implemented consumer policy strategies.

The development of consumer policy at the EU level has stemmed from the progressive establishment of the single market, supporting the aims laid out in Articles 169 and 12 of the Treaty, which promote the interests, health, and safety of European consumers. Its overall aim is to equip consumers with the skills and tools to fulfil their role in the modern economy in making markets deliver for them and in ensuring effective protection from the risks and threats which they cannot tackle as individuals. Consumer policy of the European Union aims to maximise consumer participation and trust in the market.

Steps in the implementation of consumer policy strategies are as follows:

- Consumer Policy Action Plan 1999–2001;
- Consumer Policy Strategy 2002–2006;

- Consumer Policy Strategy 2007–2013;
- Consumer Policy Strategy 2014–2020.

The first Consumer Policy Action Plan of 1999 brought out more effective consumer associations and efficient communication between consumers and business. It also provided consumers with better information and education, and a high level of health and safety. Moreover, it paid a lot of attention to the economic interests of EU consumers.

The Consumer Policy Strategy 2002–2006 was focused on three main objectives: a high common level of consumer protection, an effective enforcement of consumer protection rules, and the proper involvement of consumer organisations in EU policies.

In the period 2007–2013, consumer policy was uniquely well placed to help the EU rise to meet the twin challenges of growth and jobs and reconnecting with its citizens. The Commission had three main objectives: to empower EU consumers; to enhance EU consumers' welfare in terms of price, choice, quality, diversity, affordability and safety; and to protect consumers effectively from the serious risks and threats that they cannot tackle as individuals.

The new consumer programme 2014–2020 will continue to build on the 2007–2013 successes. Below is a list a concrete steps that will be carried out over the next few years:

- improving the regulatory framework for product and service safety and enhancing the market surveillance framework;
- reinforcing safety in the food chain;
- improving information and raising awareness of consumer rights and interests among both consumers and traders;
- building knowledge and the capacity for more effective consumer participation in the market;
- effectively enforcing consumer law, focusing on key sectors;
- giving consumers efficient ways to solve disputes;
- adapting consumer law to the digital age;
- promoting sustainable growth and supporting consumer interests in key sectors.

In the current consumer policy strategy there will be also some specific actions regarding the food sector. Following the adoption of the Regulation (EU) No 1169/2011 on the provision of food information to consumers, the Commission will promote the application of the new rules and explore the need for new initiatives. This is particularly relevant to the labelling of food origin and the labelling of alcoholic beverages. Furthermore, the ongoing implementation of Regulation (EC) No 1924/2006 on nutrition and health claims will ensure that all claims

relating to a beneficial nutritional or health effect of foods are based on science and are not misleading for consumers. It will also guarantee the free movement of foodstuffs with nutritional and health claims that comply with this Regulation.

Food origin labeling and misleading claims are the main objects of this research. In the next paragraphs we will focus on these aspects so as to highlight the importance of EU quality logos and the Italian system of consumer protection, with a focus on deceptive advertising and unfair commercial practices in the agri-food sector.

1.2 Food origin labeling: the path towards improving quality in the agri-food sector

A label is intended to help consumers differentiate the labeled product from otherwise similar products. A label calls to consumers' attention the desirable attributes of the product. When a firm labels its product, it assumes that the information it provides is important to consumers and that they will respond by changing their purchase decisions (Golan *et al.*, 2001). But labels are not always truthful. Nowadays, unfortunately, there has been an increasing number of cases of misleading labels and food fraud. According to Shears (2010), food fraud is a new phenomenon and the authenticity of foods and food labels is currently a major concern for many, including scholars, consumers, regulators, and the food industry at all levels of the food spectrum. Understandable concerns about deception, fraud, and confusion have led to increased mistrust and greater government regulation on traceability (Gutman, 1999).

According to Charlebois, consumers are particularly concerned about the safety of food and the accuracy of labels and they need reassurance that the information on food labels truly identifies the products they wish to buy in grocery stores. There is a broad consensus on the interrelation between food purchasing and consumer trust. Consumer trust is necessary for the implementation of a differentiation strategy to be successful and this is usually based on quality attributes. Quality attributes in the food market that consumers are interested in (e.g. country of origin, organic, kosher) are usually credence attributes and cannot be evaluated by a consumer even after consumption. This phenomenon of information asymmetry between consumers and producers could be reduced with the use of food labelling (Jahn *et al.*, 2005).

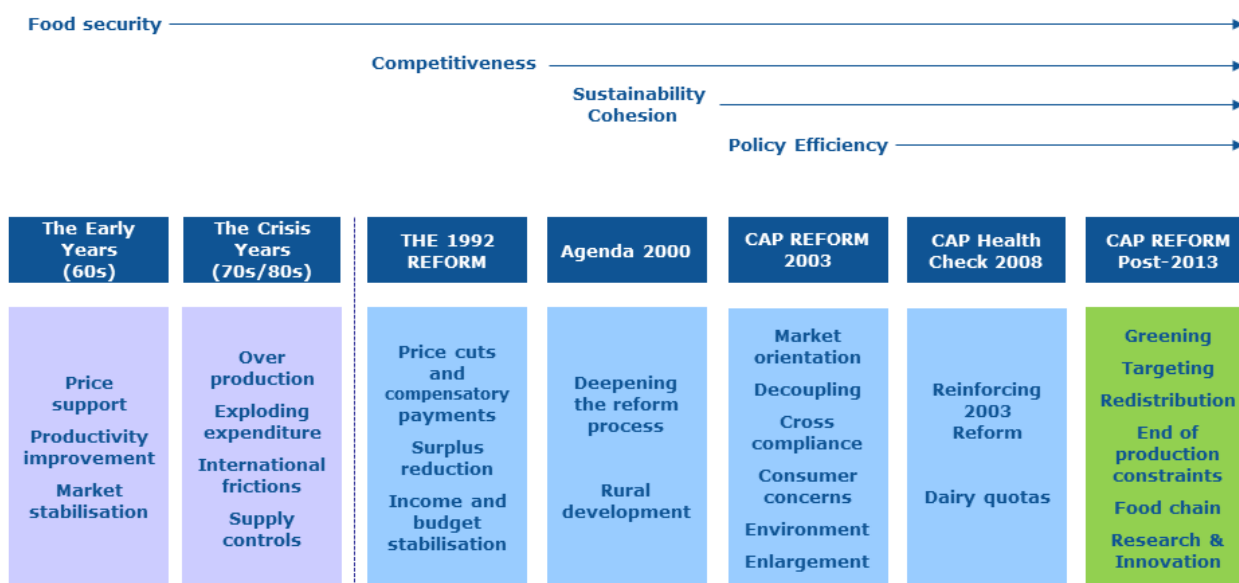
Food quality logos in European Union legislation were introduced by the Common Agricultural Policy (CAP) in the mid-1990s. The Common Agricultural Policy was born in 1957 with the Treaty of Rome and became effective in 1962. The objectives of the CAP were to: (i) increase agricultural productivity; (ii) ensure a fair standard of living for the

agricultural community; (iii) stabilise markets; (iv) provide certainty of food supplies; and (v) ensure that those supplies reached consumers at reasonable prices.

The Common Agricultural Policy, being one of the oldest policies of the European Union, is strongly rooted in the European integration project. Due to the CAP's long history, it is also a policy that has been reformed on many occasions, and in particular during the past decade and a half.

Nowadays the CAP is aimed at helping European farmers meet the need to feed more than 500 million Europeans. Its main objectives are to provide a stable, sustainably produced supply of safe food at affordable prices for consumers, while also ensuring a decent standard of living for 22 million farmers and agricultural workers.

Historical development of the CAP (1962 →)



This Figure summarises the history of the CAP: the early years, the reflection documents and measures taken during the crisis years (the 1970s and the 1980s), the 1992 reform, the Agenda 2000, the 2003 reform, the simplification of the CAP, the 2008 Health Check and the CAP post 2013.

For the aim of this research, it is important to focus on the changes that took place in the mid-1990s, when the CAP focused more on food quality. The policy introduced new measures to support farm investment, training, improved processing and marketing. The first European legislation on organic farming was implemented and many steps were taken to protect traditional and regional foods.

1.2.1 Geographical indications and designations of origin: the development of the legislation

With the term regional foods we refer to specialty goods able to attain the European designation of geographic origin and specificity (origin labeled products). In 1992 two European laws were introduced, Regulation (EEC) No 2081/92 and Regulation (EEC) No 2082 /92, which allow for three kind of labels: PDO (Protected Designation of Origin); PGI (Protected Geographical Indication); DOC and DOCG (controlled origin denomination and guaranteed controlled origin denomination). For the purpose of this research we will focus on the first two labels that are used for a broad range of food products, while the third type is specific to the wine sector.

The definition of regional products is based upon three elements: geographic specificity, historical tradition, cultural and social specificity. The first two are mandatory requirements to attain the label. The first element means the product should have intrinsic features that differentiate it from similar products. These features must depend on a specificity in the production process and/or in the raw agricultural input that can be found only in a well-defined geographic area. Historical tradition refers to the proof of the existence of the product in the past. The last element, cultural and social specificity, means that in the region of origin there is a consensus on the identification and evaluation of specific attributes that differentiate the product.

The two regulations mentioned above concerning respectively the protection of geographical indications and designations of origin and the issuing of certificates of specific character are part of the quality approach of the EU. Regulation (EEC) No 2081/92 introduced two separate classes for protected geographical name: designations of origin, and geographical indications. The protected designation of origin (PDO) is the name of a region, a specific place, or in exceptional cases a country, used to describe an agricultural product or a foodstuff originating in that region, specific place or country, and its quality or characteristics which are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors, and the production, processing and preparation of which take place in the defined geographical area. This regulation makes sure that there is a strict link with the area of origin, through the use of words like "essentially" or "exclusively" as they relate to the product name and its geographical area.

The protected geographical indication (PGI) instead, is the name of a region or a specific place used to describe an agricultural product or foodstuff originating in a given region, specific

place or country, and which possesses a specific quality, reputation or other characteristics inferable in that geographical origin and the production and/or processing and/or preparation of which take place in the defined geographical area.

So, as pointed out by Berizzi (1997), there is a main difference between the PDO and the PGI; that is, for the PGI, it is sufficient that one stage of the manufacture of the product should be closely linked to the geographical environment, although it must still be a product originating in the region whose name it bears, and it must have a reputation that can be attributed to its geographical origin.

Analysing the effect of Regulation (EEC) No 2081/92, Pacciani *et al.* (2001) stated that the recognition path of a PDO/PGI for a typical product often represents the final or intermediate result of the process of valorisation of the product itself. The system designed by this regulation implies the codification of the product through the elaboration of product specifications (code of practice) containing: area of production, characteristics of the production process and of the product itself.

Regarding Regulation (EEC) No 2082/92, Berizzi (1997) highlighted that unlike Regulation (EEC) No 2081/92, it does not confer an exclusive right to use the name of the product, but it reserves the use of the name, with the words "guaranteed traditional speciality" (GTS) and the appropriate community symbol or logo, for products meeting the specifications.

Both of the above were replaced as of 20 March 2006 by Regulation (EEC) No 510/2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, and by Regulation (EEC) No 509/2006 on agricultural products and foodstuffs as traditional specialities guaranteed. The main aim of the two new regulations is to simplify and make more efficient the registration process. Moreover, these two regulations tend to guarantee major consumer protection through wider visibility of the label and the spread of EU symbols.

A further innovation consists of the introduction of a "single document" for the application containing information necessary for registration, information and controls.¹ For the aim of this research it is important to mention Article 13 of Regulation 510/2006 where the Council regulates the protection of PDO and PGI.

A registered PDO or PGI enjoys the broad description of exclusive rights that are provided in Article 13.1. It provides that registered names shall be protected against:

¹ <http://www.ismea.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/1116>

(a) any direct or indirect commercial use of a name registered in respect to products not covered by the registration, in so far as those products are comparable to the products registered under that name, or insofar as using the name exploits the reputation of the protected name;

(b) any misuse, imitation, or evocation, even if the true origin of the product is indicated or if the protected name is translated or accompanied by an expression such as style, type, method, as produced in imitation, or similar;

(c) any other false or misleading indication as to the provenance, origin, nature or essential qualities of the product, on the inner or outer packaging, advertising material or documents relating to the product concerned, and the packing of the product in a container liable to convey a false impression as to its origin;

(d) any other practice liable to mislead the public as to the true origin of the product.

The intention of the legislator with Article 13 is to prevent fraud by increasing protection for PDO and PGI products. According to Evans & Blakeney (2006), this not only prohibits food products from outside the region from using the geographical name but also denies the use of the name for products within the region that do not meet the standards set forth in the application.

The EU Regulation 1151/2012, or Quality Scheme Regulation, replaced both the 2006 GI Regulation and the 2006 Traditional Specialities Regulation, concerning the relevant regulatory schemes (PDO, PGI, TSG). It also added the “Optional Quality Terms”. OQTs are a new quality scheme introduced by the Regulation. Their declared purpose is to “facilitate the communication within the internal market of the value-adding characteristics or attributes of agricultural products”. To be eligible as an OQT a locution must: a) relate to a characteristic of one or more categories of products, or to a farming or processing attribute which applies in specific areas; b) add value to the product as compared to products of a similar type; and c) have a European dimension. The Regulation establishes “Mountain Product” and “Product of Island Farming” as the first OQTs.

Use of the “Mountain Product” and “Product of Island Farming” nomenclature is very important because it allows for the development of quality differentiation strategies within non-homogeneous GIs, where high production costs and low productivity penalise the most disadvantaged areas.

The aim is clear: to provide better opportunities to disadvantaged areas (Mountain or Island), enabling a virtuous circle that allows proper remuneration to production factors and the strengthening of economic, environmental and social sustainability. This last aspect highlights

how the Commission combines protection policies with communication and marketing policies in favour of companies.

According to Evans (2012) the aim is the simplification of the legislation under a single legal instrument with more efficient application procedures and stricter standards of certification and enforcement. Arfini (2013) highlights the major changes produced by the new Regulation. Regarding the distinction between PDO and PGI, EU Regulation No 1151/2012 introduces a small but significant improvement towards the simplification and “clarification” useful for the producers. Regarding the definition of PDO products, in fact the sentence, “the production, processing and preparation of which take place in the defined geographical area”, was replaced by “the production steps of which all take place in the defined geographical area”. In the same way for PGI products, the sentence “the production and/or processing and/or preparation of which take place in the defined geographical area” was replaced by “at least one of the production steps of which takes place in the defined geographical area”. These new definitions do not alter the meaning of how the Commission distinguishes between PDO or PGI products, but they facilitate comprehension for the producers, thereby hopefully, avoiding future mistakes in the application process.

Consequently, consumers will also evaluate more correctly the link between the product and the source area. A further innovative aspect introduced by Regulation No 1151/2012 concerns the requirements for the recognition of PDO and PGI, which is linked to the possibility of equalising the status of PDO with some geographical names, although the raw material for the products comes from a wider zone of the delimited geographical area. The equalisation is permitted as long as the production area of the raw materials is defined and there are the specific conditions for the production of that raw material. Moreover, there should be a specific control system and it must be waiting for the period of recognition of the denomination.

According to Arfini (2013) a further particularly important aspect established by the new regulation is the obligation for member states to protect registered geographical indications (GIs) not in terms of one’s own initiative, but *ex officio*, on the basis of specific action plans (Article 13). This last aspect is of great importance from a theoretical point of view for those countries, such as Italy, which can brag about having the most famous and imitated GIs all over the world. In practice, with more than a thousand denominations distributed among 27 European countries, some doubts are raised by the real possibility to “prevent” and above all to “stop” the illegal use of the denomination in the national territory. A serious and effective comparative action assumes that “authorities”, who must carry out the supervisory action of

all denominations and registered GIs, have a wide awareness (knowledge). For the most famous denominations, this is certainly possible, but for many niche denominations the usurpation risk exposure certainly appears to be high. Lastly, it remains remarkable how the expected "procedures" for the prevention and repression actions can be different between European member states, with a foregone conclusion of the differing efficacy of national "authorities" during the action of control and prevention within Europe. Italy, for example, has entrusted the task of monitoring to the Department of Central Inspectorate for fraud repression and quality safeguarding of agri-food products (ICQFR) which operates in accordance with the disposition of Regulation (EC) No 882/04 and which shows an undeniable knowledge and experience. Unfortunately, frauds in the food field are so many and the work, carried out in collaboration with the Nucleo Antifrodi Carabinieri (NAC), is really impressive. This illustrates the necessary efforts to protect food GIs not only in EU countries with low culture food, but also in Italy.

1.2.2 EU quality logos

The European Union recognises three quality logos attesting to specific traditions and qualities of food, agricultural products and wines, aromatised wines and spirit drinks: protected designation of origin, protected geographical indication and traditional speciality guaranteed. The first two, PDO and PGI, have a specific link to the region where the product comes from, while the TSG logo highlights a traditional production process. Food products are eligible for all three logos: PDO, PGI and TSG. Wine is eligible for PDO and PGI, while spirit drinks and aromatised wines qualify for PGI recognition. *"Through the logos, consumers can easily recognise these traditional quality products and can rely on their authenticity in terms of regional origin or traditional production. Indeed, as well as providing a useful marketing tool in the European Union and on other markets, registration under these schemes provides producers with legal protection against imitation or misuse of the product name"*².

PDO, PGI and TSG foodstuff logos and definitions are as follows:



² http://ec.europa.eu/agriculture/quality/schemes_en

The protected designation of origin (PDO) logo underlines the strongest link to the territory, requiring that all aspects of production, processing and preparation originate from that region.



The protected geographical indication (PGI) logo underlines the local know-how and the close link between a product and the place or region. For registered products, at least one of the stages of production, processing or preparation takes place in the region, but, for example, the ingredients need not necessarily come from that geographical area.



The traditional speciality guaranteed (TSG) logo highlights the traditional production method or composition of a product, handed down from generation to generation, without necessarily being linked to a specific geographical area.

At the end of 2015, 2,890 quality products were registered in the Database Of Origin and Registration (DOOR), 2,871 coming from EU and 19 extra-EU products. The number of food products amounts to 1,311, while 1,579 quality labeled products were related to the wine sector.

1.2.3 Effects of EU quality logos: implications for companies

The aim of this paragraph is to highlight the expected positive and negative effects for the companies regarding the use of PDO, PGI and TSG products. According to the external study "Study on assessing the added value of PDO/PGI products" commissioned by the EU in December 2013, "in most cases GI products achieve a price premium over the corresponding standard products even if extreme variability in the extent of the price premium for GI products was observed". But there is an added value beyond higher gross margins for

producers of GI products. This added value consists of many different aspects. Below we report some of these important aspects that producers must take into account:

- The protection of intellectual property rights. The function of GI protection in this respect is twofold: a) providing the legal framework for reacting effectively against attempts of imitation, misuse, use of “GI-sounding” terms; b) acting as a tool to prevent the aforementioned issues.
- Improved visibility, often deriving from better access from participation in fairs, and consequently, there will be an increase in sales.
- Access to new markets. The GI status was found to have promoted access to new domestic and/or export markets in most cases.
- Better access to promotion funds and investment aid. It means better access to support from co-financed EU programmes and better access to support for promotion and/or investments funded by national or regional governments. Also Becker and Benner (2000) stated that products protected by these EU quality schemes have a privileged position, not only with respect to legal protection, but also with respect to EU financial aid and the eligibility of member state financial aid for the promotion of these products.
- The GI status is able to grant better support to rural development.
- GI could also have a positive impact on the concerned area as a whole, improving the socio-economic environment.
- GIs play an important role in strengthening the organisation and resiliency of the supply chain.
- GI production guarantees a closer focus on product quality. It is a stimulus to adopt the logic of quality assurance and certification procedures.
- GIs act as a promotional effect for tourism activities.

Regarding negative effects, Belletti *et al.* (2007) found that, besides direct certification costs, there are also all the costs firms need to face in order to adapt the whole firm structure, organisation and production process to the contents of the code of rule, but more generally to adapt to a “modern” and codified organisational logic, given that often firms involved in typical products are artisanal and small. The size of these costs depends both on how “strictly” a code has been written when the application for PDO/PGI was presented to the European Commission, and on the structural and organisational characteristics of the firms potentially involved in the production of the PDO/PGI product.

Moreover, it will happen that firms use the PDO/PGI only for part of the whole production and there will be some organisation costs due to the need to keep the production lines separate. This may cause some inefficiencies in managing processes and require dedicated assets (storage structures, plants, transport vehicles, etc.), thus increasing the overall costs. According to Belletti \. (2007) there are also always administrative and bureaucratic costs connected to filling and keeping registers in order to fit the needs of the inspection body—other costs that can be considered “psychological costs”. Other costs can derive from the use of more expensive raw materials.

Lastly, the negative effects beyond the use of PDO, PGI and TSG labels regarding food piracy and fraud that cause economic damage to the whole chain of production are very hard to quantify. The inappropriate use of these logos also has negative consequences on consumers; in fact, from that type of use, fraudulent and deceptive practices arise.

1.3 Unfair commercial practices in the EU

Another important aspect concerning consumer policy is consumer protection. As already mentioned above, agri-food piracy and misleading claims regarding food products have not only damaged producers but also consumers who ignore the counterfeit origin of the products which will not meet consumer expectations. These practices have been critically discussed in the last years since they strengthen mistrust in the food processing industry and consequently lead to a lack of trust in food (Spiller, Zühlsdorf, & Nitzko, 2014).

The survey “Consumer attitudes towards cross-border trade and consumer protection”, coordinated in 2013 by the European Commission, shows that unfair commercial practices are still a significant problem for consumers³. In fact, 44% of consumers said that they came across misleading or deceptive advertisements, statements or offers at least once in the past twelve months. Of those who have encountered misleading or deceptive advertising, nearly a quarter (23%) said that they bought something based on the claims made in the advertisement.

Unfair practices are consistently among the top five sources of complaint received by the European Consumer Centres (ECCs). In the following paragraphs we are going to see how these deceptive practices are treated in the Italian system of consumer protection.

³ Flash Eurobarometer 358(2013)—Consumer attitudes towards cross-border trade and consumer protection: http://ec.europa.eu/public_opinion/flash/fl_358_en.pdf

1.3.1 Commercial practices regulation in Italy

"The subject damaged by antitrust practice is not only the entrepreneur who has been excluded from the market or constrained in his actions by the abuse of dominant position, restrictive agreements and agreed practices, but also the consumers, who are the last link in the distribution chain and that feel affected by the price increase or the quality decrease of goods. The consumer is a market subject on the same level as the commercial entrepreneur and both have an interest in preserving its competitive structure against unfair commercial practices and anti-competitive behaviour" (Scuffi, 2009, p.341).

This is the reason why consumer protection has gradually become a priority target for the European Competition Authorities, because it is consistent with the current European community approach that sees in the legislation not only an instrument of discipline for relations among traders, but also a basic rule for economic relations. According to this view, the consumer must occupy a central position, or at least a role comparable to the business activity. The kind of economy that community treaties have tried to affirm was distant from the commercial conception and was characterised by its intention to realise opposing interests belonging to those who produce and those who buy. In Italy this concept has received influential validation from the work of the united sections of the Supreme Court of Cassation, which have stated that antitrust rules are intended to protect not only companies, but also consumers, who can assert their rights in all sites where legislation is applied⁴.

This legal protection was recently acquired in Italy and derives from a dual intervention plan. On one hand, public enforcement is the public plan for safeguarding the true interest in free competition, which is reserved for the European Commission and National Authorities, and in Italy for the Italian Competition Authority (AGCM), whose penalty-inhibitory activity is under the legal supervision of the Court of Justice and by the administrative court (TAR and the State Council). On the other hand, the plan for private enforcement is entrusted to the ordinary courts which make decisions about negotiations and conduct that could violate national and EU competition rules.

Regarding the specific context of unfair commercial practices, the application has so far been entrusted particularly to the Italian Competition Authority (AGCM) and to the Institute of Self-

⁴ Sentenza del 4 Febbraio 2005, n.2207 che afferma: *"La diversità di ambito e di funzione tra la tutela codicistica della concorrenza sleale e quella innanzi detta della legge antitrust esclude si possa negare la legittimazione all'azione davanti al G.O. ai sensi dell'art. 33, n. 2 della legge n. 287/90, al consumatore, terzo estraneo all'intesa ... la legge antitrust non è la legge degli imprenditori soltanto, ma è la legge dei soggetti del mercato, ovvero di chiunque abbia interesse processualmente rilevante, alla conservazione del suo carattere competitivo al punto da poter allargare uno specifico pregiudizio conseguente alla rottura o alla diminuzione di tale carattere"*.

regulation in Advertising (IAP), although it could also be applied by the ordinary courts, the AGCOM and other private subjects that express different codes of practice from the Institute of Self-regulation in Advertising. Now we will show in detail the roles of the AGCM and of IAP.

1.3.1.1 The role of the Italian Competition Authority

Independent administrative authorities, including the Italian Competition Authority (ICA), arise for very different needs, depending on the circumstances. There is not a model that presides over the establishment of independent authorities, but they are established where needed (D'Alberti, 2010, p. 11).

Independent authorities are administrative organisation models which are characterised by a high level of technical competence and by their independence from political orientation, the market and regulated companies. Specific rules and procedures require a particularly high level of expertise, which should concern not only offices, but also top management.

Independence is imposed or facilitated, depending upon the case, by the European Union in order to obstruct the resistance of governments and of national policies towards the realisation of a common European scheme. This independence must be safeguarded firstly by the political power of the government through the provision of a guarantee system regarding designations, incompatibilities, powers and organisational autonomy. Simultaneously it must be guaranteed against pressure groups and regulated companies by maintaining the public interest as a reference parameter for the institutional mission. A critical variable that could strongly influence the work of an independent authority is represented by funding or rather by the necessary resources to effectively carry out its mandate. To this day there are three modalities of financing: transfers from the government budget, obligatory contributions collected by regulated market participants, and revenues from financial penalties paid by regulated companies. A balanced system that ensures the independence of the authorities should be based on a mixed formula of state funding and self-financing, which is a combination of safeguards against the government policy orientation and regulated market participants as well. Authorities may also count on the autonomous management of expenditures, over which there is the control of Corte dei Conti.

"The administrative fines must always be justified on the basis of technical evaluations, generally impartial, predictable and non-discretionary political, proportionate, transparent in the procedural modalities and always preceded by the opposition with stakeholders. These

are the institutional and functional features that characterise independent authorities" (Catricalà, 2010, p. 21).

The Italian independent administrative authorities involved in safeguarding the consumer against misleading advertising and unfair commercial practices are the Italian communications authority (AGCOM) and the Italian Competition Authority (AGCM). In this research we will analyse the work of the Italian Competition Authority, making their role in consumer protection understandable.

The Italian Competition Authority is an independent administrative authority established by Law no. 287 on 10 October 1990 ("The Competition and Fair Trading Act", hereinafter "the Act"), which introduced antitrust rules in Italy.

Subsequent laws endowed it with additional powers, the most important of which concern the repression of unfair commercial practices, misleading and unlawful comparative advertising and the application of conflict of interest laws to government office holders. At the top of the Authority's organisational structure we can find the board, composed of the president and four members. The rest of the operational structure is divided into directorates, offices, and services and is coordinated by the general secretary. Among the board's responsibilities are political leadership functions, while those related to executive management are the responsibility of the general secretary. Inside the actual organisational structure we can find two main levels which correspond to the diversification between *staff* and *line* roles.

In the top position of the *staff* level, we find the Authority cabinet which represents the president either internally or externally, is headed by the cabinet chief and consists of some offices, including the central directorate for external affairs and institutional relationships. The latter is divided into the press office and the office for relations with public institutions, which helps to improve the Authority's image with respect to public opinion.

Always at the *staff* level are the secretariats of the president, the cabinet members and of the office of the general secretary, the central directorate for legal affairs which provides advice and takes care of controversy, the office of international affairs which maintains relations with international bodies and, lastly, the research office which conducts research activities and carries out the annual report.

The *line* level offices are coordinated by the general secretary and are divided into the three areas of human and material resources, competition protection and consumer protection.

General directorates present at this level are structured into five sectorial directions⁵. Within the direction for consumer protection, the Authority has established the contact centre directorate, to which consumers can report by phone, using a toll-free number, cases of unfair commercial practices and misleading or comparative advertising (Catricalà, 2010, p.18–19).

The Authority has an administrative nature, so its acts are entrusted to the administrative court review and, in particular, to the review of the Regional Administrative Court (Tribunale Amministrativo Regionale, T.A.R.) of Lazio, whose decisions, in turn, according to the usual rules, can be appealed in front of the Council of State.

According to the Council of State's words, the examination of the administrative courts under supervisor authority's provisions is not a full examination; control performed by T.A.R. has the sole aim of verifying the truthfulness of the facts on the basis of the contested measure, the cogency of the contextualisation of indeterminate legal concepts required by the rules, the logical correctness of the comparison among the verified facts, and the rules as contextualised by the Authority.

The work of the T.A.R., however, cannot lead to a replacement of the assessments made by the Authority in respect to the restoration of undefined legal concepts. On the other hand, the choice made by the Italian legislator is attributable to the high technical expertise required in order to properly assess claims related to unfair commercial practices, and misleading and comparative advertising.

Also with regard to the provision of financial penalties, the court has conferred full jurisdiction (powers) to the Authority. The antitrust authority is considered a guarantee institution that expresses the impartiality of the administrative function at a maximum level and is placed in its own institutional framework, which, at the same time, is different from the jurisdiction or classic administration.

1.3.1.2 The role of the Institute of Self-regulation in Advertising

Self-regulation is an expression of the private autonomy with which a class of individuals, or more categories driven by common interests, voluntarily submit themselves to respect the rules of a more or less complex body established on the basis of specific purposes.

The decision of the Italian advertising categories to create a self-regulatory code occurred in 1963 on the occasion of the Seventh National Congress of Advertising. Three years later, in

⁵ Per la tutela del consumatore ci sono le direzioni Energia e Industria, Comunicazioni, Credito, Agroalimentare e Trasporti, Servizi

1966, the Institute of Self-regulation in Advertising (in Italian IAP, Istituto dell'Autodisciplina Pubblicitaria) was born and was composed of the main organisations representing the interests of all subjects involved for various purposes in the advertising sector, with the aim described in Article 1 of the code: "*Marketing communication must be honest, truthful and correct. It must avoid anything likely to discredit it*".

Important dealership companies immediately joined the Institute of Self-regulation in Advertising, like SIPRA and OPUS-Proclama, major media, such as RAI-TV and the Federazione Italiana Editori Giornali, and many user organisations, such as the Utenti Pubblicità Associati and the Federazione professionale della Pubblicità. Over the years there were further subscriptions and currently the Institute of Self-regulation in Advertising can count on the presence of all major organisations, associations and federations of companies, agencies, newspapers, public and private TVs, the Web Operators Federation and also the Advertising- Progress Foundation.

The bodies that have comprised the institute since its inception are the review board and the jury; their members are independent from the world of commercial communications and perform their duties according to their convictions and without representing the interests of any category.

The review board has the following functions: to autonomously submit to the jury any marketing communications that have been reported to it or that it believes to be non-compliant with the provisions of the code safeguarding consumer interests or marketing communication in general; to provide non-binding opinions at the request of the president of the jury; to request amendments to any planned marketing communication that appears to breach the provisions of the code; to issue desist orders, pursuant to Article 39.

The roles of the jury are to examine the commercial communications which are sent by the review board or by companies and to make pronouncements about them in accordance with the code; these are final decisions. The decision consists of an order to cease advertising and if traders do not follow the desist order, it may be accompanied by an order to publish the decision.

The jury and review board can, at any time, ask the marketer to supply documentation in support of the truthfulness of the data, descriptions, statements, illustrations or testimonials used. The jury and review board may avail themselves of experts to evaluate the documentation thus produced. Except for the provisions set out in this code, the jury and review board perform their duties without formality.

Both consumers and consumer associations may resort to the work of the Institute of Self-regulation in Advertising by submitting a report to the review board for those commercial communications considered non-compliant with the self-regulation code; the review board may also act on its own thanks to its direct work in monitoring the advertising system. Companies, instead, may directly appeal to the jury in order to protect their interests.

Review board activities start after the signaling of citizens, associations, one of its members or the IAP Secretariat. Once the case has been examined, it can be archived whether there is an absence of conflicting elements with the code; otherwise the investigation phase is opened.

The review board asks the trader to prove the truthfulness of the message and can ask for a modification if deemed necessary. If the advertiser follows the review board's requests then the procedure is archived, otherwise the procedure goes ahead with the resolution, which may be abbreviated in the case of a clear conflict with the code, or ordinary conflict. In that case, the request is forwarded to the jury. If the examined commercial communications are manifestly in opposition with the self-regulation code, the review board president, using his own provisions, can release an injunction by immediately suspending the advertising campaign.

The review board can also offer prior opinions on communications that are not distributed yet. The verdict can be favourable, favourable with reserve or unfavourable.

The jury decision process can start after a competitor's complaint with ordinary conduct from the review board, or after a trader's opposition towards an injunction issued by the review board. The jury, which is composed of a minimum of three members, nominates a reporting judge and communicates to the interested parties a deadline for the registration of further documents. Moreover, the jury summons the parties within the shortest possible period of time for a closing argument. After the consultation, the jury retires to the council chambers, and promulgates its decision by immediately communicating the ruling to the parties, which may be in line or in conflict with the code. In the latter case, the advertisement is stopped and a synthesis of the decision can be published. The last step consists of the registration of the motivated verdict.

The Institute of Self-Regulation in Advertising is not able to issue pecuniary penalties like the Italian Competition Authority does, although the impact of the cessation of the commercial communication against traders who don't respect the self-regulation code should not be underestimated. Damages resulting from resources spent on the implementation of the campaign, the subsequent damage to the commercial activity and to the brand image are deterrents that should be taken into account by the trader.

The European Union looks favourably on self-regulatory bodies in advertising.

Directive 84/450/EEC on misleading advertising states that *“voluntary monitoring carried out by autonomous organisations to eliminate misleading advertising can eliminate judicial actions or administrative appeals, and therefore must be encouraged”*.

Subsequently, Directive 2005/29/EC on unfair commercial practices states that *“it is opportune to create codes of conduct so that professionals can apply the principles of this directive efficiently in specific economic sectors. The monitoring carried out by those behind these codes on a national or at a European level to eliminate practices of unfair competition can avoid having to take judicial or administrative steps, and thus should be encouraged”*.

1.3.2 The development of commercial practices legislation

The first consumer protection law was introduced with the Treaty of Rome of 1957, which established the European Economic Community. Article 153 of Treaty Establishing the European Community (TEC) says: *“In order to promote the interests of consumers and to ensure a high level of consumer protection, the Union shall contribute to protecting the health, safety and economic interests of consumers, as well as to promoting their right to information, education and to organise themselves in order to safeguard their interests”*.

The European regulatory framework concerning the specific area of misleading advertising, comparative advertising and unfair commercial practices is composed of a series of directives and regulations issued by the mid-eighties:

- Directive 84/450/EEC concerning misleading advertising;
- Directive 97/55/EC amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising;
- Green Paper on consumer protection in the European Union, 2 October 2001;
- Directive 2005/29/EC concerning unfair commercial practices;
- Directive 2006/114/EC concerning misleading and comparative advertising;
- Regulation 2006/04/EC on consumer protection cooperation;
- The communication "Protecting businesses against misleading marketing practices and ensuring effective enforcement", which reviewed Directive 2006/114/EC.
- updated version of Directive 2005/29/EC, “Guidance on the application of the Unfair Commercial Practices Directive”.

These rules introduced by the European Commission and their implementation by member states, have played a decisive role in the evolution process of the discipline regarding

commercial advertising. Directive 2005/29/EC on unfair commercial practices in particular was the one that most influenced changes in consumer protection laws. From this directive and its transposition to Italian legislation derive the cases related to the agri-food sector analysed in chapter 3 of this research.

1.3.3 The Unfair Commercial Practices Directive and its transposition to the Italian system

Directive 2005/29/EC defines what constitutes an unfair, misleading or aggressive marketing practice and clarifies that any commercial claim made by traders in the EU has to be clear, accurate and substantiated. It is a clear example of full harmonisation across member states, with this being regarded as one of the main aspects of the added value of community action (as this was unlikely to be achieved by member states' actions alone).

Moreover, the Unfair Commercial Practices Directive (UCPD) sets out a 'black list' of practices which are to be regarded as unfair and are thus banned.

The 21 September 2007 Legislative Decrees (d. lgs.) No 145/2007 and 146/2007 entered into force, transposing directives 2006/114/EC and 2005/29/EC. The first d. lgs.⁶ were regarding misleading and comparative advertising, more specifically the regulations transposed from Directive 84/450/EC, as amended by 97/55/EC and Article 14 of Directive 2005/29/EC. The d. lgs. No 146/2007⁷ contains instead the implementation provisions of articles 1–13 and 15–17 of Directive 2005/29/EC; it replaces articles 18–27 of d. lgs. No 206/2005, named the "Code of Consumption".

The application of these two d. lgs depends on who the individual is to be protected: if the practice is in regard to business to consumer relations, the regulations on unfair commercial practices must be applied; if it is a matter of business to business relations related to goods or services used in the field of a professional activity, the regulations on misleading advertising must be applied.

This dual track of protection under the new regime of unfair commercial practices and the legislation of unfair competition is not clearly distinct but reciprocally integrated, thereby creating a new regime of unfair competition which is aimed at ensuring that competition

⁶ D.lgs. n.145 del 2 agosto 2007, recante "Attuazione dell'articolo 14 della direttiva 2005/29/Ce che modifica la direttiva 84/450/Cee sulla pubblicità ingannevole".

⁷ D.lgs. n.146 del 2 agosto 2007, recante "Attuazione della direttiva 2005/29/Ce relativa alla pratiche commerciali sleali tra imprese e consumatori nel mercato interno e che modifica le direttive 84/450/Cee, 97/7/Ce, 98/27/Ce, 2002/65/Ce, e il Regolamento (Ce) n. 2006/2004".

takes place in accordance with rules of fairness in the interests of competitors, consumers and the community, using instruments of repression coming from both private law and administrative law (Genovese, 2008, p.23).

According to the Legislative Decree No 146/2007 a commercial practice is unfair if it is contrary to professional diligence and if it is likely to materially distort the economic behavior of the “average consumer” whom it reaches.

The definition of “professional diligence” adopted by the Italian legislator—*“the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or the general principle of good faith in the trader’s field of activity”*—doesn’t match with the definition of the European legislator—*“the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or the general principle of good faith in the trader’s field of activity”*.

Interpreting the Italian law in comparison to the community law, it can be said that the unfair practice is excluded only when it is proved that the trader has complied with the general observation of the principles of fairness and good faith, or with "honest practices" in force in his business sector. It requires, essentially, a qualified professional diligence according to the specific business practice (Leone, 2008, p.258).

Another important element of Legislative Decree No 146/2007 concerns the suitability of the practice to materially distort the economic behaviour of consumers, with whom it put into effect the illicit dangers of unfair practices; moreover, an important evaluation parameter, that is the “average consumer”⁸, has been assigned to the person in charge of the evaluation.

Regarding a "transactional decision" which is distorted by the trader, this is defined as *“any decision taken by a consumer concerning whether, how and on what terms to purchase, make payment in whole or in part for, retain or dispose of a product or to exercise a contractual right in relation to the product, whether the consumer decides to act or to refrain from acting”*. From this definition we get the concept of economic bias to which the consumer can be subjected, even as a mere danger caused by an unfair practice (Leone, 2009, p.259).

Legislative Decree No 146/2007 divides unfair commercial practices into misleading practices and aggressive commercial practices. Misleading practices are defined by the new Article 21 of the "Consumers' Code", while aggressive practices are defined by the new Article

⁸ Secondo il T.A.R. Lazio (Sez.I, 8 Novembre 2006, n. 12120) «il consumatore medio è quel soggetto che, secondo l’ud quod plerumque accidit, è dotato della capacità cognitive e che si identifica nel destinatario mediamente intelligente accorto e informato sui prodotti del settore merceologico di appartenenza, nonché è in grado di orientare il proprio comportamento economico».

24 of the "Consumers' Code". Misleading commercial practices are divided into misleading actions and misleading omissions.

Opposite to Directive 2005/29/EC, the Italian legislator has divided the *black list* into two sections, including commercial practices which are in all circumstances considered misleading inside Article 23 of the "Consumers' Code", and the commercial practices which are in all circumstances considered aggressive inside Article 26. These two categories of unfair commercial practices are, in any case, able to materially distort the economic behaviour of consumers or their aversion to the professional diligence.

Another new scenario of Legislative Decree No 146/2007 concerns the introduction of protection against trader conduct which occurs after the completion of the contractual relationship. Among these commercial practices that cause the consumer to take a transactional decision that he would not have taken otherwise, we find: "*the need for a service, part, replacement or repair*", section 21 letter e) "Consumers' Code"; "*the consumer's rights, including the right to replacement or reimbursement*", section 21 letter g) "Consumers' Code"; "*for products and transactions involving a right of withdrawal or cancellation, the existence of such a right*", section 22 letter e) "Consumers' Code".

An important section available in both Legislative Decrees is "Administrative and judicial protection". The provisions contained therein are aimed at strengthening the Italian Competition Authority's power. According to the Legislative Decrees, the Authority, acting on its own authority, shall prohibit the continuation of any unfair commercial practices and eliminate their effects. This provision in particular represents a turning point and is not seen favourably by some experts; in fact, no European Community directive gives the States the possibility to confer such power on administrative authorities (Vanzetti, 2009, p.141).

The provisions also provide an increased inspection power due to the ability to consult the fiscal police. This unit can assess the value-added tax and the income tax liability (section 27, provision 2, "Consumers' Code")

As always with respect to the Italian Competition Authority, a rise in the maximum extent of the sanctions has been provided in relation to the previous legislation; in particular, all administrative fines range from €5,000 to €500,000⁹. A minimum fine of €50,000 euros is imposed for those practices that may threaten, directly or indirectly, the safety of children or adolescents, and the health and safety of consumers in general.

⁹ Maximum raised to €5.000.000 after Legislative Decree No 95/2012.

If the trader fails to comply with the emergency measures or injunctions or instructions to remove the effects referred to in the commercial practice, a fine ranging from €10,000 to €150,000¹⁰ is imposed. In the event of repeated non-compliance, the Authority may order the trader to suspend trading for a period which shall not be more than thirty days.

¹⁰ Maximum raised to €5.000.000 after Legislative Decree No 95/2012

Chapter 2 – Consumer preferences and Willingness to pay for Italian egg pasta: an exploratory study in Sweden and Italy

2.1 Introduction

In September 2015, Europe had a total of 3,195 products with Geographical Indications, 591 protected designation of origin (PDO), 636 protected geographical indication (PGI) and 50 traditional specialties guaranteed (TSG) related to the food sector. These food products are generally considered qualitatively superior in terms of ingredients, materials and production methods.

The case of pasta is particularly interesting because, differently from other product categories with several PDO and PGI product references, in Europe there are only three dried egg pasta to date: Maccheroncini di Campofilone PGI, Schwäbische Spätzle PGI and Pâtes d'Alsace PGI¹¹. Campofilone is a small village located in the Marche region where the tradition of manual manufacture of egg pasta started in the fifteenth century. Often sold as a premium private label production in many big retailer chains, the award of PGI for Campofilone small companies gives now some new opportunities to compete in international markets.

In fact, after the economic downturns of 2007, domestic consumption of food products plummeted and Italian companies, in particular SMEs, had to concentrate their efforts on exports.

Pasta is one of the most known foodstuffs all over the world, a traditional food linked with Italian culture and lifestyle, and its reputation could be considered as one of the drivers of *Made in Italy*.

The total value of Italian pasta exported all around the world was €1.776.654.000 in 2014. When it comes to dried egg pasta, the total amount exported in 2014 is €155.227.000, thus a niche valuing 1/10 of the whole foreign market.

Dried egg pasta is appreciated in many countries and European Nordic countries, especially Sweden is a potential target market. In 2007 the amount of egg pasta exported to Sweden was €3.481.000, while in 2014 this amount increased by 150% reaching €8.718.000.¹²

¹¹ http://ec.europa.eu/agriculture/quality/door/list.html?recordStart=0&recordPerPage=10&recordEnd=10&sort.milestone=desc&filter.dossierNumber=&filter.comboName=&filterMin.milestone_mask=&filterMin.milestone=&filterMax.milestone_mask=&filterMax.milestone=&filter.country=&filter.category=PDOPGI_CLASS_27&filter.type=PGI&filter.status=REGISTERED

¹² <http://www.ice.gov.it>

According to the 2014 Ernst & Young report on consumer trends in Nordic Countries, food quality and ultimately healthier food options, are singled out by consumers as an emerging trend for the future. Ecological raw ingredients, locally produced food, no additives and minimal impact on the environment are priorities in all Nordic countries, perhaps most prominently in Sweden, where consumers have high awareness and demand.

Furthermore, the results of the 2014 Nordic food survey revealed that both consumer product companies and the retailers agree that food quality, in terms of ingredients, materials, production methods, as well as convenience, in terms of simplicity and ease of use, will be the key trends by 2020. Concerning nutrients, protein has the biggest growth potential in the Nordic region. 23% of the consumers predict that they will eat more proteins.¹³

The Swedish Food Composition Database provides information on the nutritional composition for more than 2000 foods and dishes¹⁴. For each food, data on more than 50 nutrients are presented. It is an initiative by the Swedish National Food Agency. Searching for the word “pasta”, the database realizes 19 different products. Among these products, the highest score in terms of proteins, based on 100gr of product, is “pasta egg noodles”¹⁵, with 14.00 grams.

Thus, being the above-mentioned PGI’s pasta very high in proteins, with an average content of 16gr per 100gr of product, there would be an interesting market potential in Sweden, to be explored by Italian SMEs. This potential would be even more important if we consider that Maccheroncini di Campofilone PGI is produced using 7-10 eggs per 1 Kg of semolina¹⁶, dried Schwäbische Spätzle / Schwäbische Knöpfle PGI is produced using 4-6 eggs per 1 Kg of semolina¹⁷, Pâtes d'Alsace PGI is produced using 7 eggs per 1 Kg of semolina¹⁸.

If proteins can be considered a proxy of healthiness for Swedish consumers, thus communicating their content in combination with origin can be a marketing tool to adopt in Nordic countries.

The objective of this work is three-fold: first, to shed some light on the value associated by Swedish and Italian consumers to a specific GI’s label, the PGI Maccheroncini di Campofilone. Second, to explore whether Consumer Ethnocentrism (CE) as a measure of pro-national orientation moderates consumers value perceptions towards GI foods, namely whether

¹³ Ernst & young report “Nordic food survey 2015, consumer trends”,
[http://www.ey.com/Publication/vwLUAssets/EY_food_Survey_2015/\\$FILE/EY-food-Survey-2015.pdf](http://www.ey.com/Publication/vwLUAssets/EY_food_Survey_2015/$FILE/EY-food-Survey-2015.pdf)

¹⁴ <http://www.livsmedelsverket.se/en/food-and-content/naringsamnen/livsmedelsdatabasen/>

¹⁵ <http://www7.slv.se/SokNaringsinnehall/Home/MyList#>

¹⁶ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:302:0016:0017:IT:PDF>

¹⁷ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:069:0003:0004:IT:PDF>

¹⁸ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2005:047:0006:0010:IT:PDF>

higher Consumer Ethnocentrism would lead to more positive consumers value perceptions in relation to GI foods. Third, to understand which attributes consumers consider more important when buying foodstuff.

For this reason, in the next paragraph a literature review on Ethnocentrism, Country of Origin effect and EU Quality Labels is outlined. Section 3 discusses material and methods. The results are presented in section 4 and then are discussed in section 5. In section 6 conclusions are drawn.

2.2 Literature review and hypotheses

During the last years, Country Of Origin effect, Ethnocentrism in the field of food consumption and Geographical Indications role to influence consumer behavior, have been investigated by many scholars.

2.2.1 Country Of Origin

The Country of Origin (COO) effect on buyer perceptions and evaluations has been a widely studied phenomenon in the international business, marketing, and consumer behavior literature. Systematic research on the COO effect began with the publication of Schooler's (1965) seminal article in the Journal of Marketing Research "Product Bias in the Central American Common Market" (Peterson & Jolibert, 1995), underlining that significant differences were found in the evaluation of products, that were identical in all attributes except in country name shown on the label.

Subsequently Obermiller and Spangenberg (1989) developed a framework that distinguishes between cognitive, affective and normative processing of the country-of-origin cue. These three processes are not separate and independent determinants of preferences and behaviors. They are constantly interacting.

Country-of-origin research has mainly studied the use of country of origin as a cognitive cue, an informational stimulus about or relating to a product that is used by consumers to infer beliefs regarding product attributes such as quality (Bilkey & Nes, 1982; Steenkamp, 1990). On the other hand, Fournier (1998) found that country of origin relates a product to national identities, which can result in a strong emotional attachment to certain brands and products. She describes the case of a second-generation Italian-American woman who is strongly attached to Italian products, especially considering food-related items. For this lady, "Italy" has very strong emotional and symbolic connotations. Thus, Botschen and Hemettsberger

(1998) reported that consumers link country of origin not only to product quality, but also to feelings of national pride and memories of past vacations.

Because purchasing a country's product is a way of supporting its economy, the purchase of products from countries that engage in objectionable activities can be regarded as an a-moral action. A salient norm that relates to country of origin is the norm to buy domestic. Shimp & Sharma (1987) theorized that many consumers consider morally appropriate to buy products that are manufactured or grown in their own country (Verlegh & Steenkamp, 1999).

As pointed out by Lewis & Grebitus (2016), regarding the specific context of food products, research has shown that COO can have a variable impact on consumers' purchasing behavior. Moreover, some researchers found that COO is not among the primary cues used by consumers when making purchasing decisions. For example, Insch and Jackson (2013) asked individuals in New Zealand what they considered when selecting a food item from a trolley. While about 40% considered price and taste and about 18% mentioned health and quality, only 3.5% said COO. Meanwhile, other studies have found that COO labels on foods such as meat and olive oil can increase consumers' willingness to pay for the foods.

Many studies investigated the impact of geographical indications on consumers' perception and behavior. For the purpose of this research we have collected information that is connected with consumers' buying behavior and willingness to pay.

Dransfield *et al.* (2005) has demonstrated in a variety of contexts that consumers are willing to pay more for domestic than imported food. For example, consumers from France, Denmark, Sweden, and the UK offered about 5% more for pork with domestic labels. Other international studies have demonstrated that consumers are usually willing to pay a premium price for domestic and local food (Cicia & Colantuoni, 2010; Ehmke, 2006; Lusk *et al.*, 2006; Roosen, Lusk, & Fox, 2003; Verlegh & Steenkamp, 1999).

An argument for choosing national products is the fact that consumers perceive these as fresher, tastier and with a general higher quality (Chambers *et al.*, 2007).

Drawing on this literature on Country Of Origin we formulate the first hypothesis:

H1A Swedish consumers are disposed to spend more for domestic pasta than Italian pasta.

H1B Swedish consumers are disposed to spend more for domestic pasta than for pasta without Country Of Origin.

H1C Italian consumers are disposed to spend more for domestic pasta than for pasta without Country Of Origin.

2.2.2 Consumer Ethnocentrism

Previous studies has linked the country of origin effect to levels of consumer ethnocentrism. Consumer ethnocentrism focuses on the responsibility and morality of purchasing foreign-made products and the loyalty of consumers to products manufactured in their home country (Shimp and Sharma, 1987). Consumer ethnocentrism, according to Lusk *et al.* (2006), “relates to how individual’s buying habits are influenced by loyalties toward their own countries and/or antipathy toward other countries” (Lewis & Grebitus, 2016).

COO has been investigated in its strict connection with the use of GI labelling, such as the European Designation of Origin Labels (i.e. PDO/PGI/TSG), which ensures that the customers are aware of the product’s origin. These labels can useful tools for decision-making during the purchasing process (Chrysochou *et al.*, 2012; Fotopoulos and Krystallis, 2003; Krystallis *et al.*, 2009).

One of our aims is to focus on the normative side and use the consumer ethnocentrism (CE) as a way to explain the COO effect. The Consumer Ethnocentrism Tendencies Scale (CETSCALE) developed by Shimp and Sharma (1987) is one of the most widely used scale to measure the consumer ethnocentrism.

In their article, Shimp and Sharma (1987) established that consumer ethnocentrism is the application of the ethnocentric construct in the economic environment and has inherited the main premises and properties of ethnocentrism. It is defined as a “trait-like property of an individual’s personality” and encompasses “the beliefs held by the consumers about appropriateness, indeed morality, of purchasing foreign-made products”.

The first work introducing the ethnocentrism concept was that of Sumner (1906), where it was considered as a general construct reflecting the view of things in which one’s own group is the center of everything, and all others are scaled and rated with reference to it.

Sharma *et al.* (1995) and Rawwas and Rajendran (1996) demonstrated that Consumer ethnocentrism may lead to overestimation of specific attributes and overall quality of domestic products and to an underestimation of that of foreign products. However, according to Watson and Wright (2000), these attitudes may connote consumer behaviors but they are not equivalent to them, since the latter are product-specific. Shimp and Sharma (1987) postulated that CE can provide an explanation as to why consumers prefer domestic over foreign products even when there is no obvious reason for such a preference. It has been found that the level of CE varies among product categories. Sharma *et al.* (1995, in Piron, 2000), indicated that the less important a product category the greater the ethnocentric

tendencies and behavior exhibited by consumers. Also, Javalgi *et al.* (2005) found that the impact of CE in purchasing intention of a particular product is moderate when this product is perceived as absolutely necessary. Moreover, the impact of CE depends on the level of development of consumers' home country. According to Wang and Chen (2004), consumers from a developed country tend to appreciate more favorably domestic products over imported ones, hence resulting to an increase of the impact of Consumer ethnocentrism on buying the former and rejecting the latter. The reverse has been observed in developing countries, where consumers perceive foreign products (especially those originating in prestigious countries) as superior compared to their domestic counterparts (Chrysochoidis *et al.* 2007).

Concerning socio-demographic variables, background literature does not always agree. Schooler (1971) and Tongberg (1972) found that older people tended to evaluate foreign products higher than younger people did, whilst Wang (1978) and Chrysochoidis *et al.* (2006) found no such effect. Schooler (1971), Anderson and Cunningham (1972), Dornoff *et al.* (1974), Wang (1978) and Chrysochoidis *et al.* (2006) found that people with more education tended to rate foreign products more highly than people with limited education did, even if Tongberg (1972) found no such relationship. Wang (1978) found that higher income people tended to have a more favorable acceptance of foreign products in general than lower income people did. In general, older individuals tend to be more ethnocentric and opposed to foreign imports (McLain & Sternquist, 1992; Vida & Fairhurst, 1999). Females tend to be more ethnocentric than males (Vida & Fairhurst, 1999; Sharma *et al.* 1995). As individuals have more education and higher incomes, they are less ethnocentric (Sharma *et al.* 1995).

Perrea *et al.* (2015) explored whether Consumer Ethnocentrism (CE) as a measure of pro national orientation moderates Customer Value perceptions towards GI foods, namely whether higher CE would lead to more positive CV perceptions in relation to GI foods. Customer Value towards GI foods is the trade-off between perceived gains and losses from the consumer point of view. Results indicate that ethnocentric attitude as an expression of consumers' pro-national orientation seems able to impact (i.e. moderate). On the other hand, consumers with moderate ethnocentric attitudes hold in association with own-country GI food products stronger perceptions about their (higher) price, and the (higher) risks of disconfirmed taste and consumption.

Van Ittersum *et al.* (2007) found that, if consumers are convinced that through a certification scheme (the PGI) the local economy and the local culture can be supported, the protection can result in a higher willingness to pay.

As pointed out by Lewis & Grebitus (2016), several previous studies have examined the relationship between COO and consumer ethnocentrism (Balabanis & Diamantopoulos, 2004; Cilingir & Basfirinci, 2014; Schnettler, Miranda, Lobos, Sepulveda, & Denegri, 2011). Umberger, Feuz, Calkins, and Stiz (2003) discovered that consumers' strong desire to support U.S. producers was a reason consumers preferred products labeled with COO information. Hustvedt, Carroll, and Bernard (2013) used consumer ethnocentrism to explain U.S. consumers' willingness to pay for wool from Australia, the United States, and specific U.S. states. Orth and Firbasova (2003) discovered that consumer ethnocentrism was a strong and significant predictor of Czech consumers' preference for Czech-made yogurt. Qing, Lobo, and Chongguang (2012) found that consumer ethnocentrism impacted Chinese consumers' purchase attitudes toward fresh domestic fruit. Juric and Worsley (1998) found that ethnocentrism, income, education, age, sex, and consumers' interest in foreign cultures were the main factors that influenced New Zealand consumers' perception of food product attributes.

Analogously, we can hypothesize that:

H1A Older consumers are expected to show high ethnocentric attitude in their evaluations of food products.

H1B People with low educational level are expected to show high ethnocentric attitude in their evaluations food products.

H1C People with higher incomes are expected to be less ethnocentric.

H1D High ethnocentric consumers are more willing to pay for Geographical Indication foods

H1E High ethnocentric Swedish consumers will prefer domestic pasta

2.2.3 Food Choice factors

Grunert (2005) gave a definition of food quality, saying that from a consumer perspective, it is mostly composed of experience qualities like taste and convenience supplemented by credence qualities like origin, production method, and healthfulness. Since these qualities are unknown before purchase, the consumers need some quality cues as guidance to form expectations about the quality of a product (Steenkamp, 1990). The way in which quality labels affect consumers' perceptions will depend on both consumer and product characteristics. Consumers may differ in terms of motivation and previous knowledge, and they may also differ in other attitudinal and demographics characteristics that affect the

process. The effect of quality labels may also differ depending on the type of product (Grunert & Aachmann, 2015).

In their article Grunert & Aachmann (2015) analyzed the results of sixteen studies dealing with awareness of the quality labels. The degree of awareness found, differs widely between different studies. The study in which it was found a deep awareness of PGI quality label was Verbeke *et al.* (2012), where it reaches the 36%. This study was conducted in six countries: Belgium, France, Italy, Norway, Poland, Spain. In one pan-European study carried out in all 27 EU countries (London Economics, 2008), the awareness was generally low (4% for PGI), with an exception among Greek consumers (54% awareness for PGI). Moreover, the authors analyzed research investigating the relation between quality labels and willingness to pay. They observed that several studies employing conjoint analysis or direct questioning methods generally find that consumers are willing to pay a premium price for quality labeled products. Two important inferential beliefs, generally considered to be the core evaluative dimensions, used by the consumer to infer quality in food purchasing are 'pleasure in consuming' (Thomson *et al.*, 1994) and 'good for health' (Fischler, 2001).

Regarding the typical food products, taste is usually claimed as a crucial explanatory factor of consumers' preferences and behavior (Vanhonacker *et al.*, 2010; Platania and Privitera, 2006).

Van Ittersum *et al.* (2007) affirmed the regional certification label guaranteeing authenticity of a product and not an imitation, is supposed to influence consumers in their purchasing behavior through two different dimensions. The first one is the quality warranty dimension, which represents consumers' belief about the ability of the label to guarantee a higher quality level. The second is an economic support dimension, which positively relate to consumers' willingness to buy and pay for the protected regional product. Moreover he stated protecting regional products and marketing them with regional certification labels may be beneficial for SMEs producing and marketing regional products.

Teuber (2011) affirms that the most important factor determining the success of a PDO/PGI product is the perceived higher quality compared with non-protected products. Furthermore, that quality in relation to regionally denominated foods is closely related to other socially constructed concepts such as "authenticity", "healthy" and "tradition".

Almli *et al.* (2011) studied the image of traditional food at pan-European and national levels in six countries: Belgium, France, Italy, Norway, Poland and Spain. They have conducted a consumer survey about traditional food products (TFP). The respondents indicated their personal general opinion and feelings about TFP and characterized TFP according to 15

intrinsic and extrinsic product attributes. Attributes contribute significantly to a positive general image of TFP when the pan-European sample is studied as a whole: special taste, good appearance, consistent quality, healthy, safe, high nutritional value, difficult to prepare and low availability.

Bryła examined consumer attitudes, preferences and behaviours regarding origin food in Poland carrying out a survey in a representative sample of 1000 Polish consumers. According to the respondents, the characteristics differentiating origin food from conventional food include links with tradition as well as sensory and health properties.

The perceived authenticity of origin products depends to the largest extent on such factors as: natural taste, product quality, sale in the region of origin and labelling. The most important determinants of origin food selection include: traditional recipe, taste, and product uniqueness.

Tsakiridou *et al.* (2009) have investigated consumer preferences for organic and Traditional Specialty Guaranteed (TSG) food products, examining potential factors that affect the willingness to pay a premium to purchase these specific quality food products. Majority of the respondents were buyers of organic and TSG products and appear to be willing to pay a premium up to two euros per kilo to buy either organic or TSG food products. Factors that most influence consumers' WTP a price premium to buy these specific products are personal beliefs about production techniques, health, environmental, and quality attributes.

Pieniak *et al.* (2009) explored the association between traditional food consumption and motives for food choice in six European countries (Belgium, France, Italy, Norway, Poland and Spain). Price is generally recognised as an important factor influencing food choice in general (Furst, Connors, Bisogni, Sobal, & Falk, 1996; Jomori, Proenca, & Calvo, 2008; Steptoe *et al.*, 1995), but in this study the importance of price when buying daily meals wasn't significantly associated with both general attitude toward traditional food and traditional food consumption. The most important factor related to traditional food consumption behavior was familiarity. It means that people who attached more importance to familiar products are more likely to choose a traditional food product. This result validates one of the important elements of the definition of traditional foods, specifically the fact that it concerns products that are frequently consumed and whose consumption habit is transferred from one generation to the other (Guerrero *et al.*, 2009).

Hersleth *et al.* (2012) explored consumers' motives for food choice using the Food Choice Questionnaire. The most important factor for consumers' food choice revealed in this survey was Sensory appeal (pleasant texture, smell nice, looks nice, tastes well). This supports the

results from earlier focus groups, specifically that the sensory characteristics are important for lamb meat consumers and makes this to a conscious choice. Moreover, the following factors were highly important for both Norwegian consumers and Italian consumers: Health, Convenience and Natural content. Focusing on the Italian consumers, they scored significantly higher than the Norwegian consumers for all factors except Sensory appeal. Authors' explanation is that the following factors are more important for Italian consumers than Norwegian consumers; Health, Convenience, Natural content, Price, Familiarity, Ethical concern and Ethnocentrism (means 3,95 vs 5,24).

Markovina *et al.* (2015) explored the validity and reliability of the Food Choice Questionnaire (FCQ) across 9 European countries (Germany, Greece, Ireland, Poland, Portugal, Spain, the Netherlands, the UK and Norway). There was highly significant agreement in the relative importance of food choice factors between countries. Price was ranked as most important food choice factor in five countries (Spain, Greece, Ireland, Portugal and the Netherlands), sensory appeal was ranked first for three countries (Norway, Germany and the UK) while natural content was ranked as the most important factor in Poland. Familiarity and ethical concern were consistently ranked as least important in all countries.

Perrea *et al.* (2015) found the main GI relevant purchasing reasons stated are 'healthy diet' (70.9% of the sample) and 'tasting new flavours' (57.3% of the sample), indicating GI consumers' beliefs of healthiness and tastiness vis-à-vis GI foods.

Consequently, we formulate the following hypothesis:

H3A In accordance with Hersleth et al. (2012) and Markovina et al. (2015), the most important factor for consumers' food choice revealed in this survey is Sensory appeal.

H3B In accordance with Hersleth et al. (2012), factors like Health, Convenience, Price, Familiarity, Ethical concern and Ethnocentrism are significant for Italian consumers.

2.2.4 Awareness of and willingness-to-pay for GIs

In her study Carpenter (Carpenter *et al.* 2008) tested the impact of PGI label on French consumers, controlling their reaction to four different presentations of two products: without a specific label, with a simple regional label, with both a regional label and the PGI label, and finally, with the previous two labels along with an explanation of the nature of the PGI label. It was found that the impact on overall quality and purchase intention emerged only when the relatively unrecognized PGI label was explained to consumers.

Fotopoulos & Krystallis (2001) investigated the WTP for the PDO Peza olive oil and found that consumers are willing to pay a premium price for a PDO olive oil. Premium price that is much more higher if they provide an explanation of the PDO label.

Fotopoulos & Krystallis (2003) also studied the case of the PDO Zagora apples in the Greek market and stated when consumers are provided with information regarding the PDO scheme, they seem to adopt a positive point of view vis-a-vis the label, in fact, on average, 87.8 per cent of the sample agree with a series of positive effects of the PDO label.

For these reasons we hypothesize:

H4A PGI label, when is understood by the consumer, enhances the willingness to pay a premium price.

Cernea (2011) analysed Danish consumers' willingness to pay for domestic PGI labeled cheese products. She found out the most important variables that enhance the WTP of Danish consumers are age, education and income. She also pointed out that WTP for traditional PGI cheese depends on the quality perceptions they have about the PGI cheese.

Several studies have shown a positive relationship between age and the likelihood of purchasing national brands (versus generic brands) and high quality products (e.g., Granzin and Schjelderup 1980, McEnally and Hawes 1984, Quagraine *et al.* 1998).

Vlontzos & Duquenne, (2014) found the most influential factors purchasing olive oil, amongst others being examined, are the age, the educational level, and the placement of residents in olive oil producing zones.

Many studies examining the relationship between the size of household and the purchase of brands or high quality products find a negative relationship (e.g., McEnally and Hawes' 1984, Kinnucan and Clary 1995, Quagraine *et al.* 1998).

Consumers tend to have a higher preference for products from their own region (Van Ittersum 1999). According to Dekhili & d'Hauteville (2009) and to Van Ittersum *et al.* (2013) the concept of region of origin acts as a quality cue on certain food markets. Lorenz *et al.* (2015) found that the preference and the purchase of regional pork in the German Federal State North-Rhine Westphalia is to a great extent determined by the construct Personal Norms/Affective Attitudes which has the largest direct impact on consumers' purchase intention.

Van Ittersum *et al.* (2000) suggested that gender may well relate to differences in the likelihood of purchasing high quality regional products. In fact Sheth *et al.* (1999) report that for food, differences between males and females are present in health-oriented perceptions of

foods and beverages. Females, for instance, tend to purchase fresh vegetables more because they perceive it to be healthier than canned vegetables. Bellizzi *et al.* (1981) refer to a study showing that males tend to perceive generic products more favourable than females. Kinnucan and Clary (1995) show that females tend to purchase high quality cheeses more often than males do.

Thus, we hypothesize:

H4B willingness to pay has a positive relationship with the age of the consumer.

H4C Consumers living in Marche region are more willing to pay a premium price for PGI pasta from Campofilone than consumers living outside the region of origin of the product.

Several studies investigated the consumers' willingness to pay a premium price for a Geographical Indication's Product.

Sanjuán *et al.* (2012) investigated the Willingness to pay for direct market of beef in two Spanish and two French regions located on both sides of the Pyrenees. The estimation of WTP reveals that the largest price premium is triggered by those consumers mainly motivated by the search of private benefits, such as freshness and the guaranty of the production process.

Urbano *et al.* (2008) analysed the willingness to pay more for beans from La Bañeza-León. The survey was conducted in the cities of León and Ponferrada. They found half of the consumers (48.3%) were willing to pay more, 39.3% of consumers up to 10% more, 8.7% of consumers up to 20% more, and only 0.3% of consumers up to 30% more. It was also detected that consumers willing to pay more for PGI products were 36 to 45 years old.

Fotopoulos & Krystallis (2003) investigated the case of the "PDO Zagora" apples in the Greek market and found that consumers view positively PDO labels for which they are willing to pay a premium price, higher than that for a commercial indication.

Van Ittersum *et al.* (2007) found that consumers have a favourable image of regional certification labels, which significantly influences their willingness to buy and pay for protected regional products, through consumers' quality perceptions and relative attitude towards the protected regional product.

Perrea *et al.* (2015) investigated Consumer Value (CV) perceptions towards certified own-country GI food products in the form of trade-offs between perceived Values (i.e. gains) and perceived Costs (i.e. losses) from the consumption of such products. They found that the vast majority of their sample was willing to pay a +10% premium above standard price to purchase GI foods.

In light of the above-mentioned literature we formulate our last hypotheses:

H4D Italian consumers are willing to pay a premium price for PGI Italian pasta compared to pasta coming from Italy without such recognition.

H4E Swedish consumers are willing to pay a premium price for PGI Swedish pasta compared to pasta coming from Sweden without such recognition.

2.3 Materials and Methods

An exploratory research was carried out in Sweden, in summer 2015, and in Italy in summer 2016.

2.3.1 Product analysed and background context

Campofilone is a medieval village located on a hill in the lower Valle dell'Aso valley at an altitude of 210 m above sea level. An agricultural centre, it is located amidst very picturesque scenery ranging from the white, snow-capped peaks of the Parco dei Monti Sibillini mountain park to the green hills to the azure Adriatic Sea. The area has a particularly good climate, as its proximity to the sea is such that the breeze makes the climate very pleasant by mitigating the coolness caused by altitude. 'Maccheroncini di Campofilone' differs decidedly from other types of pasta owing to the thinness of the dough sheet and the very finely cut strands of pasta. These characteristics give the product a very short cooking time of one minute in boiling water or directly in the sauce without the need for pre-boiling. Another fundamental characteristic demonstrating the uniqueness of 'Maccheroncini di Campofilone' is the percentage of egg used in the dough, which is markedly higher than that used in other types of pasta. Between 7 and 10 eggs are used per kilogram of durum wheat semolina or common wheat flour, or at least 33 % if expressed in percentage terms. This percentage and the slow drying process make for a very high-yielding product: while 250 g of generic pasta corresponds to two generous helpings, the same quantity of 'Maccheroncini di Campofilone' gives four helpings. Because it is high yielding, 'Maccheroncini di Campofilone' can absorb more sauce than other types of pasta (EC No: IT-PGI-0005-0886-27.07.2011).

2.3.2 Data collection

In Sweden, a questionnaire was developed and completed through personal interviews to 190 respondents. Data collection lasted one month (from 15th of July to 14th of August 2015) and took place in Gothenburg. A convenience sample was created through a random collection on

a Ferry Boat. In Italy a survey was implemented through an online panel of 485 consumers (183 of them were from Marche Region, the region of origin of Maccheroncini PGI).

In both countries, in order to target questions to a specific audience, we used a screening question, asking the surveyed if they have bought or eaten any Italian food during the previous three months.

Overall, the final number of valid questionnaires was 672.

2.3.3 Questionnaire design

The questionnaire consisted of 4 parts. In section 1 we used ten items from the originally 17-item CETSCALE, developed by Shimp and Sharma (1987), to measure the ethnocentrism. Respondents were asked to evaluate ten statements using a seven-point Likert scale, where 1 stands for “strongly disagree” and 7 for “strongly agree”.

In section 2 we have investigated consumer preferences when buying food. The evaluation criteria were derived from the Food Choice Questionnaire (FCQ) (Step toe *et al.*, 1995), which concerned the overall evaluation criteria that consumers bear in mind when purchasing food products. To understand which are the most important features we used a simplified version of the Food Choice Questionnaire (FCQ). Originally consisting of 36 items divided into 9 factors we decided to keep 15 items excluding categories like weight control and natural content. We decided to keep the more significant items of FCQ because not all questions included in the list by Step toe *et al.* (1995) were relevant for the purpose of this study. Respondents were asked to evaluate these 15 items using a seven-point Likert scale, where 1 stands for “not at all important” and 7 for “extremely important”.

Section 3 presented a specific question on the knowledge of the PGI certification and investigated the consumer willingness to pay: we illustrated the PGI logo asking them if they had seen it before and if they knew its meaning. Thus, we tested their willingness to pay for a specific product: dried egg pasta.

We gave respondents the price of dried egg pasta, made in an unspecified country in EU, sold in super and hypermarkets. Afterwards, to understand the importance for them of a specific country of origin and a quality label certification like PGI related to dried egg pasta, we asked the amount of money they would have been willing to spend for: 1 kg dried egg pasta made in Sweden, 1 kg dried egg pasta made in Sweden with PGI, 1 kg dried egg pasta made in Italy, 1 kg dried egg pasta made in Italy with PGI.

In section 4 we collected socio-demographic data as well as specific economic data regarding the amount of money they spend on food each week.

2.3.4 Data Analysis

The data set was analysed using the IBM software SPSS®, version 21. Means of two or more groups were compared using ANOVA tables, taking into account only reliable results (p-value<0.05). Pearson Correlations were also used to properly check the correlation between variables.

2.4 Results

Our sample is composed by 672 total valid interviewees, 320 female, 352 male.

We have collected 190 questionnaire in Sweden, 302 in Italy except Marche and 183 in Marche region (Italy).

| | Age | see PGI | meaning PGI | household income (€) | household size | weekly food expenditure (€) |
|--------|-------------|------------|-------------|----------------------|----------------|-----------------------------|
| Sweden | 50,8 | 15% | 0,11 | 4596,62 | 2,49 | 140,98 |
| Italy | 49,5 | 71% | 0,7 | 2544,79 | 2,86 | 98,75 |
| Marche | 44,1 | 77% | 0,7 | 2643,4 | 3,14 | 105,76 |

Table 1

Table 1 shows the means of some important variables we have taken into account.

The Swedish sample is the older one with an average age of 50 years old, very close to Italian one which is 49,5. In Marche region the average age of respondents is 44 years old.

It should be noted the awareness level of PGI logo. 11% of Swedes know its meaning, while in Italy the awareness is higher, with 70%.

Concerning demographic characteristics of the sample it is worth to underline the differences between samples at country level: Swedish sample is richer, families are smaller compared to Italy, but tend to spend more for foods on a weekly base.

An important outcome for the aim of this research, which is not represented on Table 1, is that in all of three samples, interviewees can be considered frequent shopper, in details: that is 53,3% Swedes; 63,9% Italians and 67,8% Marche people do more than half of the food shopping.

2.4.1 Country Of Origin

In our questionnaire we assumed that average market price of 1kg dried egg pasta is 30 SEK (3€).

From the table we observe no relevant difference between preference for Italian or Swedish egg pasta among the Swedish sample.

Moreover, Swedish consumers are disposed to spend 1€ more for 1kg of domestic pasta than for a pasta without COO.

| | 1 Kg made in Swe | 1 Kg Swe PGI | 1 Kg made in Ita | 1 Kg Ita PGI |
|------------------|---------------------|-----------------|---------------------|-----------------|
| Mean | 4 | 4,27 | 3,97 | 4,28 |
| N | 156 | 150 | 152 | 150 |
| Std deviation | 1,102 | 1,276 | 1,119 | 1,257 |

Table 2

H1A Swedish consumers are disposed to spend more for domestic pasta than Italian pasta. NOT SIGNIFICANT, REJECTED.

H1B Swedish consumers are disposed to spend more for domestic pasta than for pasta without Country Of Origin. CONFIRMED.

Like for the Swedish sample, we assumed that average market price of 1kg dried egg pasta in Italy is 3€. Italian sample is disposed to spend on average 0,46€ more to buy 1kg of domestic dried egg pasta than for a pasta without COO.

| | 1 Kg made in Ita | 1 Kg Ita PGI | 1 Kg Ita PGI Campofilone |
|------------------|---------------------|-----------------|-----------------------------|
| Mean | 3,46 | 3,85 | 4,13 |
| N | 481 | 481 | 476 |
| Std deviation | 1,48 | 1,76 | 2,08 |

Table 3

H1C Italian consumers are disposed to spend more for domestic pasta than for pasta without Country Of Origin. CONFIRMED.

2.4.2 Ethnocentrism

Results show that Italians are much more ethnocentric than Swedes.

Ethnocentricity variable is calculated as the mean value among our 10 Item Consumer Ethnocentrism Tendencies Scale.

| COUNTRY | ETHNOCENTRICITY |
|---------|-----------------|
| Sweden | 3,03 |
| Italy | 4,91 |
| Marche | 4,95 |

Table 4

We didn't find correlation between age of the consumers and the ethnocentricity. We have also selected the 25% older consumers in the sample but the result was not sufficient to confirm our hypothesis.

| ANOVA Table | df | F | Sig. |
|----------------|-----|-------|-------|
| age * | | | |
| ETNOCENTRICITY | 60 | 1,117 | 0,262 |
| | 591 | | |
| | 651 | | |
| agegroup * | | | |
| ETNOCENTRICITY | 60 | 1,271 | 0,089 |
| | 591 | | |
| | 651 | | |

Table 5

H2A Older consumers are expected to show high ethnocentric attitude in their evaluations of food products. REJECTED.

In according line with Sharma *et al.*, we have found that ethnocentrism is lower in consumers with high education level of the consumers. People with low educational level tend to be more ethnocentric. In detail:

| EDUCATION | ETNOCENTRICITY | N | Std. Deviation |
|-------------------------|----------------|-----|----------------|
| no formal education | 5.3182 | 11 | 155.166 |
| primary school | 4.9560 | 75 | 152.681 |
| lower secondary school | 4.6911 | 270 | 137.460 |
| higher secondary school | 4.3488 | 80 | 150.063 |
| tertiary education | 3.8450 | 171 | 155.806 |
| university degree | 4.0250 | 44 | 137.539 |
| Total | 4.4229 | 651 | 151.447 |

Table 6

H2B People with low educational level are expected to show high ethnocentric attitude in their evaluations food products. CONFIRMED.

Quite significant relation was found analysing consumers' income and ethnocentricity. Even this result is in line with Sharma *et al.* (1995).

| | | INCOME | ETNOCENTRICITY |
|----------------|---------------------|----------------|----------------|
| INCOME | Pearson correlation | 1 | -,200** |
| | Sig. (2-tailed) | | 0 |
| | N | 615 | 602 |
| ETNOCENTRICITY | Pearson correlation | -,200** | 1 |
| | Sig. (2-tailed) | 0 | |
| | N | 602 | 659 |

Table 7

| ANOVA Table | df | F | Sig. |
|----------------|-----|-------|--------------|
| INCOME * | | | |
| ETNOCENTRICITY | 60 | 1,521 | 0,009 |
| | 541 | | |
| | 601 | | |

Table 8

H2C People with higher incomes are expected to be less ethnocentric. CONFIRMED.

We checked if high ethnocentric people (25% of the sample) would have spent more for PGI egg pasta.

This is true for PGI egg pasta from Campofilone (+0.37€, Table 9) even if we didn't find a strong significance with the ANOVA table (Table 10).

| ethnogroup | | Swe PGI | Ita PGI | Ita PGI Campofilone |
|------------|--------------------|---------|---------|------------------------|
| 0 | Media | 4,31 | 3,92 | 3,9905 |
| | N | 138 | 460 | 322 |
| | Deviazione std. | 1,275 | 1,65 | 2,0491 |
| 1 | Media | 4,1 | 3,97 | 4,3638 |
| | N | 5 | 159 | 149 |
| | Deviazione std. | 1,308 | 1,695 | 2,11281 |

Table 9

| ANOVA Table | <i>df</i> | <i>F</i> | <i>Sig.</i> |
|---|-----------|----------|--------------|
| <i>Swe PGI * ethnogroup</i> | 1 | 0,12 | 0,73 |
| | 141 | | |
| | 142 | | |
| <i>Ita PGI * ethnogroup</i> | 1 | 0,101 | 0,75 |
| | 617 | | |
| | 618 | | |
| <i>Ita PGI Campofilone * ethnogroup</i> | 1 | 3,313 | 0,069 |
| | 469 | | |
| | 470 | | |

Table 10

*H2D High ethnocentric consumers are more willing to pay for Geographical Indication foods.
REJECTED.*

Our results suggest that low ethnocentric Swedes are willing to pay a price slightly higher for pasta made in Italy and high ethnocentric Swedes are disposed to pay an higher amount of money for pasta made in Sweden than for pasta come from Italy (Table 11). However, the correlation was not significant (Table 12).

| SWE_ethnogroup | | made in Swe | made in Ita |
|-------------------|---------------|-------------|-------------|
| 0 | Mean | 3,99 | 4,09 |
| low ethnocentric | N | 109 | 107 |
| | Std deviation | 1,188 | 1,185 |
| | 1 | Mean | 4,1 |
| high ethnocentric | N | 40 | 38 |
| | Std deviation | 0,851 | 0,922 |
| | Total | Mean | 4,02 |
| | N | 149 | 145 |
| | Std deviation | 1,106 | 1,131 |

Table 11

| ANOVA Table | df | F | Sig. |
|----------------|-----|-------|-------|
| made in Swe * | 1 | 0,275 | 0,601 |
| SWE_ethnogroup | 147 | | |
| | 148 | | |
| made in Ita * | 1 | 3,064 | 0,082 |
| SWE_ethnogroup | 143 | | |
| | 144 | | |

Table 12

H2E High ethnocentric Swedish consumers will prefer domestic pasta. REJECTED.

2.4.3 Food Choice Factors

TAB 13. Food Choice Questionnaire and Consumer Ethnocentrism Tendencies scale

| Nr | Factor | Statement | Sweden | Italy | Marche Region | TOT |
|--------|-----------------|---|-------------|-------------|---------------|-------------|
| FCQ 1 | Health | Is nutritious | 5,94 | 5,77 | 5,81 | |
| FCQ 6 | Health | Is high in protein | 4,32 | 5,02 | 5,04 | |
| | | MEANS | 5,13 | 5,39 | 5,42 | 5,33 |
| FCQ 2 | Sensory Appeal | Smells nice | 5,55 | 5,85 | 5,44 | |
| FCQ 7 | Sensory Appeal | Looks nice | 5,24 | 5,59 | 5,37 | |
| FCQ 11 | Sensory Appeal | Has a pleasant texture | 5,19 | 5,75 | 5,39 | |
| FCQ 15 | Sensory Appeal | Tastes good | 6,44 | 6,28 | 6,25 | |
| | | MEANS | 5,60 | 5,87 | 5,61 | 5,72 |
| FCQ 3 | Mood | Helps me relax | 4,6 | 5,18 | 4,98 | |
| FCQ 9 | Mood | Makes me feel good | 5,87 | 6,04 | 5,64 | |
| | | MEANS | 5,22 | 5,61 | 5,31 | 5,42 |
| FCQ 4 | Convenience | Is easy to prepare | 4,1 | 5,5 | 5,08 | |
| FCQ 10 | Convenience | Is easily available in shops and supermarkets | 4,95 | 5,8 | 5,32 | |
| FCQ 14 | Convenience | Takes no time to prepare | 3,84 | 5,01 | 4,63 | |
| | | MEANS | 4,30 | 5,44 | 5,01 | 5,01 |
| FCQ 5 | Price | Is not expensive | 3,86 | 5,57 | 5,02 | |
| FCQ 13 | Price | Is good value for money | 5,44 | 6,1 | 6,02 | |
| | | MEANS | 4,64 | 5,83 | 5,52 | 5,42 |
| FCQ 8 | Familiarity | Is familiar | 4,01 | 5,52 | 4,91 | 4,95 |
| FCQ 12 | Ethical Concern | Comes from countries I approve of politically | 4,43 | 5,35 | 5,25 | 5,07 |
| CE 1 | CETscale | Only those products that are unavailable in | 3,52 | 5,11 | 5,31 | |

| | | | | | |
|------|----------|---|------|------|------|
| | | Sweden/Italy should be imported. | | | |
| CE 2 | CETscale | Swedish/Italian products, first, last and foremost. | 4,61 | 5,93 | 5,88 |
| CE 3 | CETscale | Purchasing foreign-made products is anti-Swedish/Italian. | 2,03 | 3,87 | 3,78 |
| CE 4 | CETscale | It is not right to purchase foreign-made products, because it puts Swedish/Italians out of jobs. | 2,6 | 4,41 | 4,62 |
| CE 5 | CETscale | A real Swedish/Italian should always buy Swedish/Italian-made products. | 2,41 | 4,88 | 5,03 |
| CE 6 | CETscale | We should purchase products manufactured in Sweden/Italy instead of letting other countries get rich out of us. | 2,86 | 5,27 | 4,98 |
| CE 7 | CETscale | Swedish/Italians should not buy foreign products, because this hurts Swedish/Italian business and cause unemployment. | 2,5 | 4,73 | 4,76 |
| CE 8 | CETscale | It may cost me in the long-run but I prefer to support Swedish/Italian products. | 4,33 | 5,37 | 5,54 |
| CE 9 | CETscale | We should buy from foreign countries only those products that we cannot obtain within our own | 3,34 | 5,22 | 5,26 |

| | | | | | |
|-------|----------|--|-----|------|-----|
| | | country. | | | |
| CE 10 | CETscale | Swedish/Italian consumers who purchase products made in other countries are responsible for putting their fellow Swedish/Italians out of work. | 2,2 | 4,27 | 4,4 |

Table 13

Table 13 shows the mean scores for each of the 25 items in the questionnaire, and the mean score for each of the factors in Sweden, Italy and Marche region.

Results from t-tests showed that Italian consumers scored higher than Swedish consumers for all factors. The differences were most evident for Convenience (1.14), Price (1.19), Familiarity (1.51), Ethical concern (0.92). Lastly, we found the biggest difference for Ethnocentrism (1.88).

According to Hersleth *et al.* (2012) the most important food choice factor for both Swedes (5.60) and Italians (5.87) was Sensory appeal with the following elements: pleasant texture, smell nice, looks nice, tastes well. Moreover, another highly important factor for both Swedish consumers and Italian consumers was Health (5.13 Swe, 5.39 Ita). This factor confirms our premise that Swedish consumers pay lot of attention to elements like proteins and nutrients. Other important factors (>5) for Italians are Convenience, Price, Familiarity, Ethical concern and Ethnocentrism.

These findings confirm our hypothesis H3E and H3F.

H3A In accordance with Hersleth et al. (2012) and Markovina et al. (2015), the most important factor for consumers' food choice revealed in this survey is Sensory appeal. CONFIRMED.

H3B In accordance with Hersleth et al. (2012), factors like Health, Convenience, Price, Familiarity, Ethical concern and Ethnocentrism are significant for Italian consumers. CONFIRMED.

Our results are in line with many studies on traditional food products where “taste” is considered a crucial variable for consumers’ food choices (Vanhonacker *et al.*, 2010; Platania

and Privitera, 2006; Almlí *et al.*, 2011; Bryła, 2015), and in some cases it will lead consumers to pay a premium price (Perrea *et al.*, 2015).

Another important dimension that came out from our research and which is in line with many studies, is “health” (Fischler, 2001; Teuber, 2011; Tsakiridou *et al.*, 2009; Almlí *et al.*, 2011; Perrea *et al.*, 2015).

The importance of appearance, in our questionnaire investigated as “looks nice”, was pointed out also by Almlí *et al.* (2011) and Hersleth *et al.* (2012).

Price, which is generally recognised as an important factor influencing food choice in general (Furst, Connors, Bisogni, Sobal, & Falk, 1996; Jomori, Proenca, & Calvo, 2008; Steptoe *et al.*, 1995) seems to be a very important factor for Italians (5,83) and mildly important for Swedish (4,64).

2.4.4 Awareness of and willingness-to-pay for GIs

Our sample shown high level of awareness of PGI logo. 70% of Italian consumer are aware of this logo, while 11% of Swedish consumers know its meaning. According to EU publication “Special Eurobarometer 440: Europeans, Agriculture and the CAP”¹⁹, in 2015 in Italy only 29% of the consumers were aware of the PGI logo. The awareness was much lower in Sweden where it reached 8%.

Considering the whole sample, consumers with high awareness of PGI logo are those with higher willingness to pay a premium price, only for pasta from Campofilone PGI (+0.46€, Table 14).

| meaning | | Swe PGI | Ita PGI | Ita PGI |
|------------|---------------|---------|---------|---------------|
| PGI | | | | Campofilone |
| no | Mean | 4,26 | 3,96 | 3,7799 |
| | N | 130 | 271 | 137 |
| | Std deviation | 1,335 | 1,69 | 1,80627 |
| yes | Mean | 4,28 | 3,94 | 4,2737 |
| | N | 19 | 359 | 339 |
| | Std deviation | 0,806 | 1,646 | 2,17008 |

Table 14

¹⁹ https://data.europa.eu/euodp/en/data/dataset/S2087_84_2_440_ENG

| ANOVA Table | df | F | Sig. |
|--|-----|-------|--------------|
| Swe PGI * meaning PGI | 1 | 0,003 | 0,955 |
| | 147 | | |
| | 148 | | |
| Ita PGI * meaning PGI | 1 | 0,041 | 0,839 |
| | 628 | | |
| | 629 | | |
| Ita PGI Campofilone * meaning PGI | 1 | 5,541 | 0,019 |
| | 474 | | |
| | 475 | | |

Table 15

In light of the above mentioned, our *H4A* “PGI label, when is understood by the consumer, enhances the willingness to pay a premium price” is PARTIALLY CONFIRMED.

Our findings show a barely significant relation between age and willingness to pay for Ita PGI and Ita PGI Campofilone.

| ANOVA Table | df | F | Sig. |
|------------------------------|-----|-------|--------------|
| Swe PGI * age | 58 | 1,248 | 0,171 |
| | 89 | | |
| | 147 | | |
| Ita PGI * age | 64 | 1,409 | 0,024 |
| | 564 | | |
| | 628 | | |
| Ita PGI Campofilone * age | 59 | 1,44 | 0,023 |
| | 416 | | |
| | 475 | | |

Table 16

For this reason our hypothesis H4B “willingness to pay has a positive relationship with the age of the consumer” is *REJECTED*.

Our results suggest that consumers from the region of origin (Marche) are willing to pay a premium price for PGI pasta from Campofilone. On average they are willing to pay 1.23€ more compared with Italian consumers (Table 17).

| Country | Mean | N | Std deviation. |
|---------|-------------|-----|----------------|
| ITALY | 3,66 | 294 | 1,88723 |
| MARCHE | 4,89 | 182 | 2,16025 |
| Total | 4,13 | 476 | 2,08212 |

Table 17

| ANOVA Table | df | F | Sig. |
|-------------------------------------|-----|--------|------|
| Ita PGI Campofilone * country | 1 | 42,926 | 0 |
| | 474 | | |

Table 18

H4C Consumers living in Marche region are more willing to pay a premium price for PGI pasta from Campofilone than consumers living outside the region of origin of the product. **CONFIRMED.**

Both Italian and Swedish consumers confer value to the PGI label.

Swedish are willing to pay on average +6,75% more for a Swedish PGI pasta compared to a Swedish pasta without such recognition. Italians as well are willing to pay on average +11,27% more for an Italian PGI pasta compared to an Italian pasta without such recognition.

| | made in Swe | Swe PGI |
|---------------|----------------|---------|
| Mean | 4 | 4,27 |
| N | 156 | 150 |
| Std deviation | 1,102 | 1,276 |

Table 19

| | made in Ita | Ita PGI |
|---------------|-------------|---------|
| Mean | 3,46 | 3,85 |
| N | 481 | 481 |
| Std deviation | 1,487 | 1,76 |

Table 20

For these reasons H4D and H4E are confirmed.

H4D Italian consumers are willing to pay a premium price for PGI Italian pasta compared to pasta coming from Italy without such recognition. CONFIRMED.

H4E Swedish consumers are willing to pay a premium price for PGI Swedish pasta compared to pasta coming from Sweden without such recognition. CONFIRMED.

2.5 Discussion

Hersleth *et al.* (2012) explored consumers' motives for food choice, regarding ethnocentrism they found that Italian consumers were much more ethnocentric than Norwegian (5.24 vs 3.95). Even if we check differences within Italian and Swedish our results are very similar (4.91 vs 3.03).

In according with Wang (1978) and Chrysochoidis *et al.* (2006) we found no relation between age and ethnocentricity.

Our results are also in line with Schooler (1971), Anderson and Cunningham (1972), Dornoff *et al.* (1974), Wang (1978) and Chrysochoidis *et al.* (2006), in fact educated people tend to be less ethnocentric.

Not surprisingly, we have found that higher income people tended to have a more favorable acceptance of foreign products (Sharma *et al.*, 1995; Wang, 1978).

We checked if high ethnocentric people (25% of the sample) would have spent more for PGI egg pasta. No correlation was found with PGI Swedish pasta nor PGI Italian pasta. But this was true for PGI egg pasta from Campofilone (+9.27%, +0.37€), even if we didn't find a strong correlation. This result could be seen in line with Perrea *et al.* (2015), to whom higher Consumer Ethnocentrism would lead to more positive consumer perception in relation to GI foods.

An important outcome of this study is that low ethnocentric Swedish are willing to pay a price slightly higher for pasta made in Italy and high ethnocentric Swedish are disposed to pay an higher amount of money for pasta made in Sweden than for pasta from Italy.

Results from our Swedish sample confirm what has been demonstrated by Dransfield *et al.* (2005) Cicia & Colantuoni (2010), Ehmke (2006), Lusk *et al.* (2006), Roosen, Lusk, & Fox (2003), Verlegh & Steenkamp (1999), that Swedish consumers are disposed to spend more for domestic pasta than for pasta without Country Of Origin (+1€, +25%).

It was surprising that Swedish sample tend to evaluate Swedish pasta the same as the Italian pasta (tab 3). An explanation of these two results could be, as pointed out by Chambers *et al.* (2007), that consumers perceive national products as fresher, tastier and with a general higher quality.

Similar result came out from the Italian sample, in fact Italians are willing to spend more for domestic pasta than for pasta without Country Of Origin (+0.46€, +15.3%).

It should be noted that the value given by the Italian sample to pasta from Campofilone PGI is 19.36% (+0.67€) higher compared to Italian pasta without PGI and 7,27% (0,28€) higher compared to a PGI Italian Pasta.

In according with Markovina *et al.* (2015) price (5.42) and sensory appeal (5.72) were the most important food choice factors considering the whole sample. At the same time, Familiarity and Ethical concern are ranked as least important like in all the other countries.

We also would like to highlight two factors, one for Sweden and one for Italy. Health represents for the Swedish sample an important factor (5.13) and confirms our premise that Swedish consumers pay lot of attention to elements like proteins and nutrients. Price, instead,

is much more important for Italians than for Swedish (5.83 Vs 4.64), this could reflect the economical situation of the Countries.

Analogously to Hersleth *et al.* (2012), Vanhonacker *et al.* (2010), Platania and Privitera (2006), Almli *et al.* (2011), Bryła (2015) we noted that taste has an important role in consumers food choices: the mean for Swedish sample was 6.44, for Italians reached 6.28.

We have found an item of Mood factor, "Make me feel good", that is considered very important for both Swedes and Italians, respectively 5.87 and 6.04.

Further research should take into account the specific factor of Mood, since it seems to be not negligible for consumers.

We have found an high awareness of PGI logo among our Italian sample, more than double compared to the "Special Eurobarometer 440: Europeans, Agriculture and the CAP" of 2015, where it reached 29%. The awareness of our Swedish sample instead, was a bit higher (11%) but in line with the above mentioned study where it reached the 8%.

In our study we have used the awareness of PGI logo to see if there is a positive correlation with willingness to pay. We have found that exist a correlation between awareness and WTP for pasta from Campofilone PGI.

Our result partially confirm the findings of Carpenter *et al.* (2008) and Fotopoulos & Krystallis (2001, 2003), according to which when the PGI label is understood by the consumer enhances the willingness to pay a premium price.

Like many other studies Cernea (2011), Vlontzos & Duquenne, (2014), Granzin and Schjelderup (1980), McEnally and Hawes (1984), Quagraine *et al.* (1998), we have found a correlation between age and willingness to pay of the consumers.

In according with Van Ittersum (1999), it has been found that consumers from the region of origin (Marche) are willing to pay a premium price for PGI pasta from Campofilone. On average they are willing to pay 1.23€ more (+33.61%) compared with Italian consumers.

Regarding GI's value, our findings are in line with Sanjuán *et al.* (2012), Urbano *et al.* (2008), Fotopoulos & Krystallis (2003), Van Ittersum *et al.* (2007), Perrea *et al.* (2015). Both Swedes and Italians would pay a premium price to buy a PGI pasta from their own country compared with a local pasta without such recognition. Swedish are willing to pay +6,75% more, while Italians would pay +11,27%.

2.6 Conclusions and managerial implications

The objective of this work is three-fold: first, to shed light on the value associated by consumers to a specific GI's label, the PGI Maccheroncini di Campofilone. Second, to explore whether Consumer Ethnocentrism (CE) as a measure of pro-national orientation moderates consumers value perceptions towards GI foods, namely whether higher Consumer Ethnocentrism would lead to more positive consumers value perceptions in relation to GI foods, and vice versa. Third, to understand which attributes consumers consider more important when buying foodstuff.

Our study confirm that consumer attribute a considerable value to PGI pasta from Campofilone and PGI from their own country. In particular we have shown that consumers from Marche region are willing to pay 1.23€ more (+33.61%) compared to Italian consumers. Moreover, Swedish and Italians would pay more for a PGI pasta coming from their Nation compared to a local pasta without the Geographical Indication.

We checked if highly ethnocentric people (25% of the sample) would have spent more for PGI egg pasta, finding a correlation only for PGI egg pasta from Campofilone, not for PGI from Sweden nor Italy.

In line with other similar surveys, Italian consumers are highly ethnocentric (see Hersleth *et al.*, 2012).

In agreement with Hooghe *et al.* (2006, 2007), data analysis indicates that the sample of Swedish interviewed is not ethnocentric.

Lastly, our results show which are the most important attributes for consumers when buying foodstuff. Using the Food Choice Questionnaire we have found the most important factor for both Swedish and Italian consumers is sensory appeal.

Swedish consumers are very concerned about healthy foods, while Italians give more importance to Price factor.

Surprisingly Mood was important for the whole sample. Further researches should be oriented to investigate relationships between food characteristics and mood.

In light of the above results there are some implication for SMEs.

Quality is a wider concept, does not refers only to Country of Origin or Consumer Ethnocentricity. In fact the use of Food Choice Questionnaire suggests that sensory appeal has an important role in consumers choices.

However, both the PGI and the Country of Origin effect are key functions in guiding the choice of a consumer towards a product.

According to the literature, protein has the biggest growth potential in the Nordic region.

Results suggest that proteins can be considered a proxy of healthiness for Swedish consumers, thus SMEs should take this aspect into account for their marketing campaigns; protein content in combination with the PGI logo could be a decisive marketing tool to adopt in Nordic countries. Moreover, in this specific case of egg made pasta, Swedish consumers do not consider Made in Italy an essential feature that guide their purchase intention. The assumption that the value of Italian pasta is higher than other countries cannot be given for granted.

This research has certain limitations. First, it is an exploratory research. Second, it has been used descriptive statistics. In further researches additional emphasis should be given by multivariate analysis. Third, methodological problem in the choice of willingness-to-pay question. Exist different methods to elicit the WTP, using one single question could produce a bias, because it is not compatible with a real purchase and consumption setting.

Chapter 3 - Deceptive advertising and unfair commercial practices in the Italian agrifood sector.

Chapter 2 is structured as it follows. Section 2 highlights the methodology used to investigate our research topic. Section 3 shows the Italian context of Consumer Protection. Thus, we present our data and information analysis and then we provide a discussion in order to answer the research question. Conclusion points out further research questions.

3.1 Introduction

The agrifood system in Italy, according to the latest statistics, accounts for 13,5% of the GDP; firms population in 2015 registered a growth of 0,75% with respect to the previous year (ISTAT, 2016). Yet the economic downturn and the international challenges that global market is experiencing have had implications at a micro level: firms are facing difficulties in maintaining their competitive advantage and positioning. According to Nomisma (2014), among the critical issues affecting the productive context, the small size of the businesses followed by a level of concentration in the distribution phase that is not yet in line with what is seen in other European Countries, are main problems reducing the opportunities for achieving economies of scale; moreover, contrary to what is perceived within the collective imagination, a substantial share of Italian food depends on supplies of important primary agricultural products (such as cereals, soybeans, beef and pork, milk) from abroad. Infrastructural deficits, the high costs of the “system” and the strategies adopted by firms to reduce the costs of productive factors, have reshaped the competitive environment and ask firms to employ an adequate set of competences and resources capable to maintain a competitive advantage.

There is no empirical evidence between the economic situation and firms’ inclination to adopt unfair commercial practices as misleading advertising.

From our analysis it emerges that sanctions in the agrifood sector constantly increased in the period 2007-2013, except for 2012, growing from €524.000 in 2007 to €1.890.000 in 2013 (+260%).

Thus, since 2007 the Italian Competition Authority (ICA) has strongly intervened in the agrifood sector to reduce such inefficiencies: according to the data collected on its website, sanctions and fines in this sector have represented from 17% to 45% of all the interventions on yearly basis. Moreover the Institute of Self-regulation in Advertising or IAP (in Italian

“Istituto per l’Autodisciplina Pubblicitaria”) has been called to intervene in the sector several times as well.

Thus this research, by following the principles of grounded theory, wants to promote a discussion on the following research question: what are the elements that affect the efficiency of fines, penalties and restricting intervention tools carried out by ICA and IAP to reduce deceptive and misleading advertising practices?

The insights emerging from this study regard not only multinational corporations, for whom a penalty of thousands euros would compromise the corporate image rather than operational activities, but also many Italian SMEs who instead perceive an ICA intervention as a serious and concrete threat for the prosecution of the business.

3.2 Methodology

This case study follows the insights emerging from Charmaz, 2006 with regards to Grounded theory. Grounded theory can be successfully employed for formulating new hypothesis from emerging data; in research designing the principles proposed by Eisenhardt (2002), Charmaz (2006), Dunne (2011) have been followed, performing a literature review with a twofold aim: on one side emerging insights were employed for framing the context and on the other they have been used for supporting emerging hypothesis.

According to the literature (Corbin & Strauss; 2008; Charmaz, 2006; Denzin & Lincoln, 1994) information and data have been collected through several sources.

Interviews have been organized with key components of ICA; secondary data have been collected in order to outline ICA interventions in the agrifood business. Thus, a survey has been run among companies in the agrifood sector that received a penalty from ICA or IAP during the period 2007-2012, collecting all relevant information about every single measure regarding the food sector, such as company name, product category, media used for the campaign, law violated by the campaign, amount of fines.

Moreover, using LexisNexis Academic archival database (LexisNexis, 2016), an online resource allowing the content of local, national and international print and online media titles to be searched, a sampling strategy has been developed. The focus is on national Italian print and web media titles (Wells and Caraher, 2014) looking for comments and interviews released by managers and owners under investigation.

Finally, corporate websites of the companies involved by IAP and ICA provisions and sanctions were investigated to check for official positions and press releases, as well as consumers’ associations websites, blogs and social media, in order to understand how these

players were affected by these measures in terms of changes in marketing or strategies. The steps of this work are shown in figure 1.

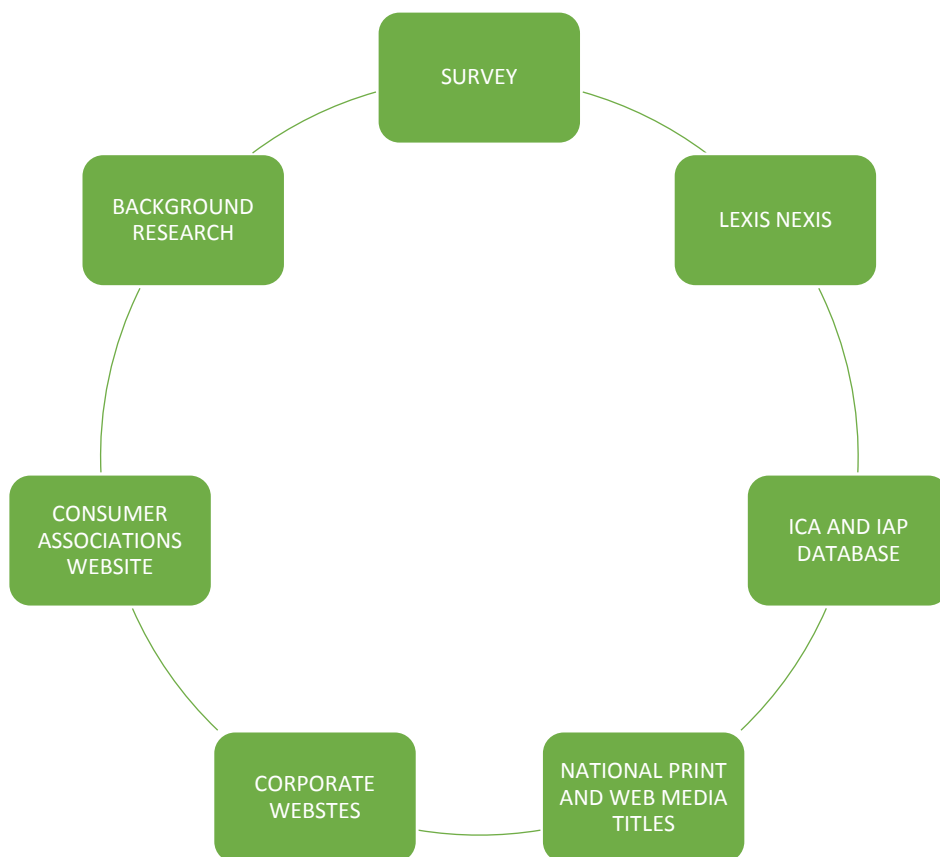


FIGURE 1

Primary data have been collected through a survey. Firstly we have asked, by a phone call, for the person who faced the ICA or IAP decision, after we have sent an email to the contact provided. Aim of the survey was try to understand if the company adopted any changes in their communication activities or in other business activities.

Secondary data have been collected and employed in findings interpretation; thus, literature reviews have been carried out in order to explore the following issues: the Italian system designed to ensure consumers' rights preservation; the motivations behind firm's choice of adopting unfair commercial practices; the impact of misleading practices on firm's strategy; and the impact and efficacy of fines.

3.3 Background context: the Italian system to preserve and guarantee consumers' rights

The relevance of the phenomenon has stimulated the interest of Institutions both at national and European level. The role of national organizations and Authorities is to provide a support and regulate specific aspects of the wider problem of unfair commercial practices whilst European Commission's aim is to harmonize consumer regulations among the European countries.

In Italy a set of laws has been introduced in the food industry in order to preserve and guarantee consumers' safety and choice' options. As it emerges from Fig1, Institute of Self-regulation in Advertising or IAP (in Italian "Istituto per l'Autodisciplina Pubblicitaria") and ICA (in Italian AGCM – Autorità Garante per la Concorrenza ed il Mercato) are the main actors designated to monitoring consumers' safety and rights.

Moreover, background research²⁰ highlights the mediation role played by consumers' associations (such as Acu, Codacons, Altroconsumo, Cittadinanza Attiva, Assoutenti, Adiconsum, among others) for informing and educating consumers, not only about their rights and the risks arising from unfair practices, but also about the system of tools and organizations that are made available.

The system of relations between consumers, firms and institutions in Italy can be represented as in FIGURE 2

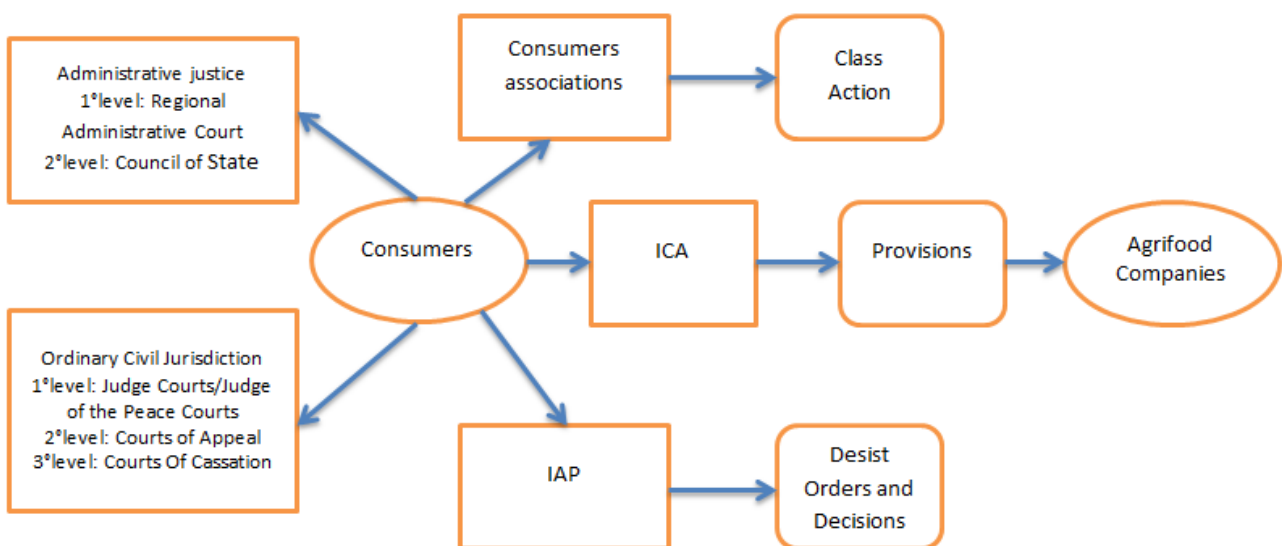


FIGURE 2

²⁰ Ministry of Economic Development. <http://www.sviluppoeconomico.gov.it/index.php/it/cittadino-e-consumatori/associazioni-dei-consumatori/cncu>

The Italian Competition Authority (Autorità Garante della Concorrenza e del Mercato) was established in Italy by Law no. 287 of 1990. It is an independent body since decisions are based on the competition law without interference by the Government. Having as aim the citizens' welfare, the Authority enforces rules against anticompetitive agreements among undertakings, abuses of dominant position as well as concentrations (e.g., mergers and acquisitions, joint ventures) which may create or strengthen dominant positions detrimental to competition. The Italian Competition Authority is also in charge of several other competencies, including protecting consumers from misleading advertising, comparative advertising which may bring discredit on competitors' products or cause confusion, as well as unfair commercial practices among undertakings (from AGCM website: <http://www.agcm.it/en/>).

Therefore, ICA has evolved over the time since its establishment: the boundaries of its activity have been reframed in accordance to EC directives and to the changes occurring in the Italian Law System.

Since 1992, the Italian Competition Authority (ICA) has been granted the power to repress misleading advertising spread out by any means: TV, newspapers, leaflets, posters, telemarketing. Since 2000 it has also begun to assess also the comparative advertising. In 2007, following to the transposition of the EC Directive no. 29/2005 into the Italian law system (through the Consumer Code), ICA's competences in the consumer protection field have been broadened to the unfair commercial practices made by undertakings with detriment of consumers. ICA defines sanctions under the control of the Administrative Justice: Regional Administrative Court and Council of State. The changes in the regulatory system introduced in 2007 by D. Lgs n. 145/2007 and n. 146/2007 have defined the boundaries of the problems of misleading advertising and unfair commercial practices. The Authority was, therefore, reinforced in its role and competences since newer and stricter fines have been introduced.

If an undertaking try to distort the economic choices of a consumer by, for instance, omitting relevant information, spreading out untruthful information or even using forms of undue influence, the ICA may act, also via interim measure, and impose fines which, since August 2012, could range up to 5 million euro (previously, the maximum was 500.000,00 euro). Differently from the field of competition, the Authority, so far, has not published guidelines or other documentation relating to the quantification of the sanctions. Even regarding the imposition of a maximum amount, there is no analogy with the legislation on competition, since it is not required the 10% of company revenue. However our key informant tells us that

ICA take this parameter into account. Furthermore he says that in the next future the Authority will formulate guidelines also for the sector of Consumer Protection. In addition to the pecuniary sanction exists a damage related to the brand image of the company. All the measures in fact are published on ICA Bulletin available on its website. Most important cases are also widespread with a press release. Brand image damages remain difficult to quantify, but it is normal that are big companies and multinationals to take it into account.

In 2012 ICA's protection against unfair commercial practices was extended also to the so-called "micro-firms" (that is entities, companies or associations with less than 10 employees and an annual turnover that does not exceed 2 million euro). This innovation was introduced for two reasons. On one side it is necessary to fight Micro companies operating as a Index Group based on a coordinated strategy where each company has its own role and the companies advertise the opportunity to join a network through which small business and micro-enterprises could operate as a centre for the sale of a range of services using misleading advertising and unfair commercial practices²¹. On the other side this regulation is useful for many Micro companies which are damaged by other companies' misleading advertising and unfair commercial practices. Micro companies can report these activities to ICA. This method is effective and doesn't presuppose the costs related to an ordinary lawsuit. ICA is not entitled to refund the Micro company for the abuse received, that is a competence of ordinary court.

Moreover, ICA was granted the enforcement of unfair contractual terms rules with reference to contractual forms or general contractual conditions drafted by sellers or suppliers and used with consumers. In this respect, ICA can either start an inquiry aimed at evaluating the unfair nature of contractual terms (*ex officio* or following to a complaint) or it can make an assessment under a specific request by a seller/supplier (the so-called "interpello").

In 2014 ICA's areas of intervention were further extended to regulated markets; Antitrust can take decisions in these specific markets in accordance to the Authority for regulations. Thus, as it has been recently admitted by ICA (OECD, 2014), its sphere of competence on consumer protection has been enlarged in scope and effectiveness; thus, ICA had to face several incremental changes and transformed itself into a multi-function agency.

IAP specifically focuses on misleading advertising. EC directives (no.450/84) highlight the role covered by autonomous organization when contrasting misleading advertising, since

²¹ <http://www.agcm.it/en/newsroom/press-releases/2093-ps3216-services-to-micro-enterprises-antitrust-sanctions-companies-forming-part-of-index-group-for-misleading-advertising-and-unfair-commercial-practices-fines-totalling-324000.html>

they can “eliminate judicial actions or administrative appeals, and therefore (they) must be encouraged.” (<http://www.iap.it/about/mission/?lang=en>).

In 2005 EC, given the growing phenomenon of misleading practices, highlights the opportunity “to create codes of conduct so that professionals can apply the principles of this directive efficiently in specific economic sectors. The monitoring carried out by those behind these codes at a national or European level to eliminate practices of unfair competition can avoid having to take judicial or administrative steps, and thus should be encouraged.” (Directive no. 29/05).

Based on Europe’s endorsement of this practice, in Italy, the Consumer Code has a standard that formally recognizes the existence of voluntary, autonomous self-regulatory bodies. Furthermore, this norm allows for the possibility to ask to suspend proceedings before authorities pending the ruling of the self-regulatory body.

In the field of commercial communications, IAP is just one of the possible means for self-regulation. Because of its history, its representativeness and its efficiency, it offers itself as a sort of “necessary community” made up of all of those various people who are interested in monitoring commercial communications. Thus, it has become a “natural” interlocutor for Italy’s Antitrust Authority.

State judicial bodies have also recognized the value of Italian advertising self-regulation. For example, a ruling from the Court of Appeal referred to rules in IAP’s Code and specifically the value of parameters for propriety and a professional code of conduct, which can adapt the principle of professional ethics to the evolution of the needs of business.

In addition to this formal recognition of self-regulation at national and European level, there is an agreement between the Ministry for Equal Opportunities and the Institute for Advertising Self-Regulation concerning commercial communications with gender-based content.

It clearly emerges IAP’s role in consumer’s protection: it not only ensures advertisement transparency, but its interventions are rapid and effective. Differently from ICA, IAP can’t impose fines, but its investigation process is very fast; in fact the simplest cases only require a few days, while more complex cases are usually resolved in 8-12 working days. The Institute not only works to withdraw advertisements that do not follow rules, but it is also an important instrument of prevention. Moreover, the self-regulatory system is free of cost and easy for citizens to be requested. IAP’s Self-Regulatory Code is addressed to advertisers, agencies, consultants, media, sales houses and all those who might accept the Code within their contracts.

3.4 Data Analysis

In the field research phase, we have initially contacted 90 companies operating in the agrifood sector during 2012. After a first contact we have carried out two recalling to fifteen days' distance.

Data have been collected through a survey. For preparing the survey a research has been performed in order to find out insights from the literature. Outcomes have emerged from the European DG Competition Stakeholder Survey (2014); the observations drawn from interviewees have helped to highlight critical issues to be investigated by the survey, and during the interview, too.

In order to establish a direct contact with the companies we have firstly asked, by a phone call, for the person who faced the ICA or IAP decision and then we have sent an email to the contact provided. We have then combined the information gained through the survey with data available from third sources.

Results are displayed in Table 21

Table 21 (attachments)

From the Analysis of data it emerges that Antitrust measures produce a greater effect on SMEs rather than big companies and multinationals. It is true that multinationals' brand image will be damaged, but the bigger risk regards SMEs that can be put on the brink of bankruptcy.

Companies 1, 5, 7, 8, 9, 10 have changed their marketing campaigns after Antitrust or IAP intervention.

In particular company 1, after €5.000 ICA sanction, created a new label to prevent confusion among consumers.

Company 5 admitted "to be inaccurate", it immediately change the communication and starts to operate following IAP recommendations.

Company 7 affirmed "Consumption of alcoholic beverages in Italy, is strongly thwarted, as a consequence of some notorious cases of abuse that have been instrumentally used against our sector", eventually, company changed the claim for the next advertising campaigns due to the IAP intervention.

Company 8 justified Jury's Decision saying "It was an outsourcing marketing communication. After Jury's decision we paid more attention to this specific service", and immediately suspended the advertising campaign.

Company 9 complained about the intervention: "We didn't agree with the Jury's Decision, but we respect it. We made some changes in our creativity claims but it's not due to the IAP decision", however company suspended the advertising campaign.

Company 10 affirmed "We have taken note of IAP injunction. Although we have a different opinion, we decided not to use the same creativity in the next poster campaign".

In some particular product category no changes occurred. It is the case of food supplements. It can be said that among those interviewed food supplement companies often use hit and run strategies that motivates their decision not to change their promotion. In particular, Company 4 and 6 were sanctioned by IAP. Company 4 affirmed "we didn't change our way of promoting goods", while Company 6 said "IAP injunctions refer to single campaigns, on which any company can make its objections".

There are, in fact, companies that decide to insist on promoting their goods in the same way, undergoing the ICA fine; from the table it emerges that Company 2 did not bring any communication changes. A Manager of External Affairs stated: "We believe we have acted in a legal way, but we were obliged to interrupt the advertising campaign. Anyway we didn't change our next marketing communications because of this fine". From this sentence, it emerges that many companies, especially medium size enterprises and multinationals, when launching their advertising campaign are aware about the fact that they will be fined by the Authority, but apparently the increasing of sales volume justifies the amount of fines.

When observing the length of ICA intervention we see that companies react in different ways. Small companies, like Company 1, immediately changed their operate, introducing major communication changes and following ICA's guidelines, also for future steps. Large companies and multinationals, company 2 in our case, adopt no communication changes for their future campaigns and are reluctant to introduce quick changes to their operate.

However, most of the times the Authority is able to avoid the repeating of violations, but cannot immediately stop an advertising campaign in progress because the measures usually take months to be completed. As opposed to the IAP, where the more complex cases are usually resolved in 8-12 working days.

Managers and entrepreneurs have been asked if they have adopted any changes in their business activity. The majority have only modified the observed advertising campaign, saying they will follow Authority guidelines for future marketing activities. Company 3, 4, 5, 6, 7, 8, 9

did not adopt any changes. Company 2 and 10 did not answer the question. Company 1 introduced major changes in its business activities. They changed packaging and label of the product. Moreover they have started to pay greater attention to the raw materials, which are 100% Italian and carefully selected.

3.5 Discussion

From the analysis of the information and data collected some reflections can be drawn. Our discussion will explore two main and general issues: the relationship between competitive advantage and misleading practices and the adequateness of fines. The first issue basically explores what contributes to make misleading practices a profitable practice. The second issue explores the impact of fines and their efficacy.

3.5.1 Unfair practices and competitive advantage

Why a company decides to implement unfair commercial practices in its communication activities? The answer is simple: to gain profit and to improve its competitive advantage

The characteristics of the competitive environment can influence firm's decision to adopt unfair marketing practices. When examining the data about the economic situation, it emerges that Europe is experiencing a deep financial and economic crisis (see for indicators and detailed information the reports available from: http://ec.europa.eu/economy_finance/crisis/index_en.htm); this has affected firms and it requires companies to adapt to the changes in competitive patterns.

Firms must possess an adequate set of resources (both material and immaterial) for facing the economic and financial crisis that is affecting Eurozone: some companies can see in questionable business practices a lever for achieving a competitive advantage and provide a solution for some of their problems. Scholars (Porter, 1990, 2011; Glaister, 1991) underline the linkage between the features of a national advantage and firms competitive success in global industries; by following emerging insights (Porter, 2011), it can be said that the advent of the Eurozone crisis negatively influenced, in many cases, national capacity to sustain firms' competitive advantage. Therefore, companies have sought other ways for maintaining or improving their market positioning.

Another reason is that companies feel the urgency of shortening the length of time usually required for building a consolidated relationship with customers. To build customer relationship through product quality or service would require more time – and investments –

than using unfair commercial practices. Misleading commercial practices can persuade consumers to take a “transactional decision”. In the long run the precarious consent of the customer will get eroded, mainly because consumers get aware of firm’s manipulative intentions.

Furthermore, integrity principles are a key component in strategic planning (Hosmer, 1994) whose lack weakens the entire value of a company strategy: stakeholders’ negotiation is a pillar of strategic management and planning process (Freeman, 1984); thus when relationships are based upon misleading or unfair principles the whole strategic construct is jeopardized.

Ethical issues and moral integrity can pay in the long run (Lantos, 1999); scholars have underlined how deceptive advertising can negatively affect consumers’ responses to newer promotional and commercial initiatives undertaken by the same company or third parties (Darke & Ritchie, 2015).

Background research also underlines that when consumers get aware of the manipulative intent of companies, they can develop a suspicious attitude (Kirmani & Zhu, 2007). When consumer perceives deception, corporate credibility plummets; furthermore, consumers develop negative feelings towards the company (Newell *et al.*, 2015).

The work by Morales (2005) highlights that persuasion has a negative impact on consumers’ perception of products; on the contrary, consumers feel gratitude and a willingness to pay a premium price for those companies who spend efforts in promotion and communication.

Companies who adopt misleading advertising in many cases underestimate the negative effect that they can have on their performance. Thus, the case of Vibram’s barefoot running shoes, has opened a wide debate among academicians on the damage that misleading advertising can bring to companies (Calo, 2015). It can be said that the adoption of unfair commercial practices can be conceived as a short term solution.

The adoption of unfair practices if on one hand appears as a solution in the short run, on the other it opens to a multitude of wicked problems that companies must face in a long time range.

First of all, firms must recover the relationship with the customer and invest on promoting a profitable and long lasting relationship; secondly companies must improve their set of competences and capabilities for facing market challenges. Firms who have to deal with Antitrust fines run the risk of facing a crisis. A crisis is the perception of an unpredictable event that threatens the expectancies of stakeholders and can seriously hinder an organization’s performance and generate negative outcomes (Coombs, 2007).

Therefore, crisis management is the framework used to prevent and lessen a crisis before it ruins the reputation of an organization. Coombs (2007) defines crisis management as “a process designed to prevent or lessen the damage a crisis can inflict to an organization and its stakeholders”. In order to anticipate and plan for a crisis, organizations need to have a pre-crisis plan already established. This requires company to define a set of competences, resources and capabilities for managing a crisis into its three main stages: pre-crisis, crisis response and post-crisis.

From our analysis it emerges that sanctions grew by 260% in the period 2007-2013; this confirms that unfair practices are still diffused. The question is: what makes this kind of behavior profitable for firms? There are many factors that emerge from our field research.

A first factor is the dynamics of information. When the company is put under investigation by Antitrust, the news is provided by the Agency; sentences are published on sources that, unless they regard big or established brands, are not usually accessed by the majority of consumers.

From the literature it emerges that media in food fraud cases (Cavicchi & Santini, 2011) have an impact in the short term; under this perspective, firms usually focus their investments in managing communication during the toughest phase of the process.

From the data it also emerges that many of the companies have not felt the urgency for changing their communication campaign. Our findings suggest that, according to Heath (2006), Italian companies prefer to remain in the shadow and do not emphasize the ICA or IAP decision on their website nor social media. We didn't find any company article on LEXIS NEXIS nor in Il Sole 24 ore database trying to justify the sanction received.

As a result, the amount of investment required for managing information and marketing and improving corporate image after a fine is reduced.

A second issue deals with the length of time needed for an intervention: the average number of months for an ICA procedure is 7.

When the procedure is completed, the company has exploited the competitive advantage it has already gained in terms of profits. The longer it takes to get a sanction, the more a company can get profits from misleading practices. If the economic benefit at the end of the procedure is particularly high, the fine is inadequate. As a result, fines, as it emerges from our analysis, do not seem to have negative outcomes for the turnover, especially for Big Companies.

3.5.2 Efficacy and limits of Fines

The literature on violation and fines provides interesting insights for examining the object under investigation. In order to understand the mechanism that regulates interventions and fines, a focus on the vision of the Authority and its approach to interventions must be carried out. Useful insights emerge from the work by Ginsburg and Wright (2010) who provides an overview of Antitrust sanctions worldwide: existing differences and approaches among countries make it harder to compare regimes of sanctions and their effectiveness.

The basic principles that inspire the vision of AGCM have been depicted in 2012 by the AGCM General Secretary Alberto Pera: the components of an effective antitrust enforcement should be composed by a “negative” general prevention, on the basis of deterrence, aimed at avoiding future criminal activity, and a “positive” general prevention, based on the development of a competition culture in which anticompetitive conducts are considered socially reprehensible.²²

Deterrence through the use of fines can work if, and only if, from the perspective of the company contemplating whether or not to commit a violation, the expected fine exceeds the expected gain from the violation. The work by Ginsburg and Wright (2010) shows the ongoing debate and it proposes hypothesis based on the inclusion of different actors in the process of defining the optimal degree of sanctions. The expected fine equals the nominal amount of the fine discounted by the probability that a fine is effectively imposed (Wils, 2006).

Thus, a distinction among violations must be stressed: firstly, there is a wide difference within the category of violations; secondly some types of violations are more easily detectable than others.

The effects of a fine reception also differ among firms, and this issue should be taken into account. Most of the research in the field has examined the role of Antitrust in preventing cartels (Muzata & Mnisi, 2005; Motta, 2007; OECD 2002); from the literature it emerges the general belief that high fines can have a negative impact on firms. In a work published in 2007, Motta underlines that several issues must be taken into account when establishing the impact of fines on firms’ activity, and in particular: “(i) legal and consulting costs for antitrust purposes, (ii) a firm giving up profitable projects either because management is distracted by the antitrust investigations and/or because, in the case of large fines, the firm will have lower retained earnings and cash: in imperfect financial markets, lower assets will limit the firm’s

²² “Antitrust fines, alternative measures and compliance”, Treviso Antitrust conference 17-18 Maggio 2012

ability to obtain credit, (iii) the firm may be hurt by the negative publicity following an antitrust investigation”.

Thus, it is reasonable to assume that firms might differ in their approach to fines and sanctions; as it emerges from the literature (Blair and Sokol, 2014), some firms show a stronger orientation towards establishing collaborative behaviors with Authorities than others.

Furthermore, it can be said that experience in the business plays a key role in shaping the attitude towards authorities: some companies may better succeed in avoiding apprehension than others because of their gained experience²³. The probability of actually being fined obviously also depends on the competition authorities' enforcement priorities and their available resources.

For these reasons, Wils (2006) says that the optimal fine should exceed the expected gain from the violation, multiplied by the inverse of the probability of detection.

Thus fines have a dual role: on one side they are a tool for preventing violations (Wils, 2006), and on the other they represent a mean for protecting consumers and preserving, as Scuffi (2009) says, “the competitive structure of the market against unfair commercial practices and anti-competitive behaviors”.

Fines can be also employed to shape corporate culture: they have a deterrent effect, since they create a credible threat of being prosecuted and fined; and a moral effect (Wils, 2006). Fines also represent a pressure for reshaping firms' strategy.

Under this perspective, consumer protection has gradually become a priority objective of the European competition authorities. Since 2005 – due to a judgment of the united section of the supreme court (n.2207/02.04.2005) – antitrust set of rules must protect both companies and consumers.

We have already explored the relationship between the adoption of misleading practices and competitive advantage in the previous paragraph; it has emerged that the length of the process can influence the perception of the economic impact that arises from misleading advertising. From our analysis further elements arise.

The issue of efficacy in fines should also be considered by a twofold approach: the adequate amount of fine; and the effectiveness of fine applicability.

Once the fine is defined, the challenge is to make it applicable; some firms have gained experience in avoiding apprehension. This “skill” represents an incentive for firms who decide

to adopt misleading practices. From the analysis of cases in the food supplement sector, it emerges the case of a company that was pursued by IAP in the period 2007-2008 but didn't receive any sanction from ICA. The main reason was that the company desisted on going on with the marketing campaign, accepting the verdict of the Institute. In this way this company took an advantage in terms of time. After few months they started new campaigns, using similar violations but again, when the IAP delivered its judgment, the company interrupted the unfair practice. This company received a Jury decision, n. 102/2007 and twelve Review Board decisions: n. 57/2007, n. 66/2007, n. 77/2007, n. 87/2007, n. 98/2007, n. 114/2007, n. 115/2007, n. 16/2008, n. 20/2008, n. 23/2008, n. 27/2008, n. 37/2008. According to the information we have collected, it can be said that companies have gained a deep knowledge of the mechanisms that regulate interventions and can systematically operate for avoiding apprehension. The set of knowledge that limits the applicability of sanctions progressively become more accessible and there is the risk that firms imitate what has been done by companies who have received IAP judgement.

The framework that emerges is that the system of fines can loose of efficacy when firms pursue adaptive behaviors that can limit the impact of the Antitrust system.

3.6 Conclusions

This study has the merit of introducing a newer perspective, that focuses on managerial issues, to the analysis carried out in the field of Antitrust research; the importance of employing tools of analysis from different areas in this specific research issue has been deeply investigated by Sullivan (2002).

There is a wide debate about the optimal level of sanctions that must be set in dealing with unfair commercial practices: in fact, there are many issues that must be considered simultaneously when setting fines. There is no doubt that the impact that fees might have in terms of affected commerce or firms' turnover influence national fining policy (Bageri *et al.* 2012); furthermore, risk aversion and neutrality among managers influence deterrence orientation (Bageri *et al.*, 2012).

Thus the risk perception of adopting unfair practices is strictly related to the probability of being caught, that, as outlined by Suurnakki (2012) is influenced by the ex officio investigation and by the probability that someone else applies for leniency. According to this, it clearly emerges the critical role played by consumers associations whose aims are to inform about rights and to support citizens.

Some authors underline how managing antitrust risk can be considered as a key competence among firms (Darji *et al.*, 2014); this reinforces the need for introducing a newer perspective when evaluating efficacy of fines among firms. Given the importance of firms' features in relation to risk perception, it is extremely important to investigate any existing relationships between firms' and management characteristics and the efficacy of fines.

As it emerges from the literature, most of the research has been carried out to explore the quantification of the damages arising from anticompetitive conducts (see among the others, Notaro, 2012). Some scholars such as Motta (2007) also highlight the importance of defining a set of combination of leniency programs and measures that can reduce the period between the inception of the investigation and the committee decision; from several sources we have used in our research it clearly emerges the need to reduce the length of time between investigation and final decision.

From the analysis it clearly emerges that there is an accurate system planned for avoiding and limiting misleading practices. Thus, firms have been capable to adapt to the set of imposed rules and to reduce the efficacy of the proposed dissuasive system. Yet, from the study it emerges that it is necessary to reduce the perceived competitive advantage. In order to achieve this aim, some minor interventions can be done: a reduction of the length of time of the process would improve the efficacy of the system.

From this research it emerges that an element to be investigated is the impact that a shortage of ICA's intervention process could have on firm's strategies. In fact, those who are more likely to adopt a "hit and run" strategy would see their short time competitive advantage seriously threatened and they would consequently be forced to adopt minor or major changes in their promotional strategy. In our field research, we didn't receive any feedback from food supplement companies sanctioned by ICA, but studying secondary data from ICA database we can state that these companies benefit, for all the duration of ICA action, of an increase in terms of sales. Consequently they were reluctant to introduce quick changes to their operate. Another interesting issue concerns the role of information about fines and firms affected by interventions. It has emerged the impact that the news of interventions has on consumers is mitigated by several factors such as the diffusion of the news on selected channels, the accessibility of information and the relevancy given by firms to the news. Yet, further researches should be carried out in this direction. We can say that another player must be taken into account when we explore the relationship between consumers, information and antitrust interventions; we are talking about consumers associations, whose role has been partially explored by the literature. The involvement of consumers associations or opinion

leaders in the stakeholders' community that is affected by intervention can reshape the entire framework. Therefore, we must say that the concept of misleading advertising is evolving; the US is focusing on the role that advertising in the food industry can have on children. Story and French (2004) explore the relationship between advertising and eating habits in American children and adolescents population; Graff *et al.* (2014) have explored the role that government could have in regulating advertising. The mentioned work highlight that the boundaries of the phenomenon of misleading advertising are expanding and they must take into account the target of the advertising with their features and inner characteristics. Thus a major flexibility of the Antitrust system is required, since newer needs emerge from the market and it requires a "customization" of interventions.

This could have a positive impact on the effectiveness of sanctions: firms could easily adapt to a standardized system and they are more able to prevent and contrasts a rigid protocol of intervention. Regarding the establishment of ICA, from our information it emerges that the Institute was born as a consequence of EU directive disposition, following a top-down process. and not as a better organization of the Italian Consumer Protection issues; some further research should be carried out in order to explore the degree of adaptability of a top down designed organization to needs that specifically emerge at a country level.

Hopefully, further research should be carried out in order to evaluate the impact of misleading practices on skills and competences at a firm level. Newer research should be done on the motivations that pull companies to pursue misleading advertising practices.

This research issue opens a multitude of research questions that can be susceptible of further investigation both at a country and international level.

CONCLUSIONS

The EU has adopted policy instruments to enforce specific fields, namely: agricultural product quality policy and Consumer rights and law. The question arises as to whether these tools could be considered as useful to meet their objectives.

On the one hand, this research demonstrates that GIs could be a very important instrument, especially for remote regions and less favoured areas.

What consumers want and expect from food producers is to be transparent about policies, practices, performance and verification. Transparency is key in building trust, and information included on food product labels is an important practice to this end.

If consumers are aware of GIs meaning and are willing to pay a premium price, then the Consumer Protection is fundamental not only for consumers, but also for the companies. In other words, through consumer protection law, the Italian Competition Authority is also defending the competitive system of enterprises producing high quality products. As a consequence, the value that consumers attribute to EU food quality logos can become a competitive advantage for companies.

Ethnocentrism, Country of Origin effect and consumers' food choices are other crucial variables affecting the perception and the willingness-to-pay for quality food products.

The exploratory study on the Italian egg made pasta carried out in Sweden and Italy suggests that consumers attribute a considerable value to PGI pasta from Campofilone and PGI from their own country. Moreover, when buying foodstuff, the most important factor for both Swedish and Italian consumers is sensory appeal. There are also some differences: Swedish consumers appear to be very concerned about healthy foods, while Italians attach more importance to Price factor. The sample of Swedish interviewees is not ethnocentric, while Italian consumers are highly ethnocentric.

The research shows there is a growing market of proteins and healthy food in general in Nordic Countries; therefore SMEs should focus on this aspect. Protein content in combination with the PGI logo could be a decisive marketing tool for companies located in Campofilone producing high quality egg pasta.

EU quality logos offer many important advantages to GIs producers. Access to new markets and to promotion funds and investment aid, better access from participation in national and international fairs resulting in sales increase, and protection of intellectual property rights are aspects that producers should take into account.

On the other hand, one of the major negative effects beyond the use of PDO, PGI and TSG labels regards the food piracy and fraud, which cause economic damage to the whole production chain.

In Italy the ICA regulates consumer protection since 1992.

Data analysis on consumer protection shows that some firms have planned an accurate system of unfair commercial practices to circumvent the set of imposed rules and to reduce the efficacy of the proposed dissuasive system.

To this purpose, some minor interventions could be done, such as a reduction of the length of time spent for the decision process would improve the efficacy of the system.

Another important element to be investigated emerges from this study and concerns the impact that a shortage of ICA's intervention process could have on firm's strategies. In fact, those firms that are more likely to adopt an "hit and run" strategy would see their short time competitive advantage seriously threatened and would consequently be forced to adopt minor or major changes in their promotional strategy.

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