Globalization Vs. Territorial Markets: Selling Typical Products On The Internet

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Abstract

Technology, and most of all Internet, is considered the most important tool for the ongoing economic globalization process, allowing the commercialization of standardized products on a large international scale (Levitt, 1983). Internet is also the real opportunity for micro companies to reach foreign markets at affordable costs (Hoffman and Novak, 1996).

This paper focuses on the case of sales of gastronomic typical products on the Internet, probably one of the best e-commerce applications. In fact, no any other old goods can suit so naturally to the virtual market as typical products do. Two are the fundamental characteristics of typical, "made in" products: first of all, they have to be specialty goods, differentiated from their competitors; then they have to be regional goods, that means having deep roots in their original territory. In the second part of the paper it will be interpreted how typical products find in Internet the way to valorize their local and regional diversities on international markets: this way Internet has reversed the famous international management postulate “think global, act local” into a new one: “think local, act global”. Moreover, a partial empirical research about Italian companies selling gastronomic products on the Internet will be illustrated in order to verify quantitatively and qualitatively the state of art of this virtual business.

Introduction

The answer to Western mass production needs has brought to the diffusion of technologies both in industrial and information systems processes. This evolution has conducted to an increasing standardization of products and live styles, eroding the linkage between producing places and their territories. In the 80's, Levitt underlined a market tendency which has developed in time, where “powerful force drives the world toward a converging commonalty, and that force is technology. The result is the emergence of global markets for standardized consumer products on a previously unimagined scale. Gone are accustomed differences in national and regional preferences” (Levitt 1983).

Meanwhile, the new century has brought another parallelism related to consumers’ evolution: more diffused high-medium incomes have developed more sophisticated needs, which are hardly satisfied by standardized products. The high variety and substantial assortment of local and regional specialties, instead, seems to be able to fulfil very well every peculiar need, especially in gastronomic field. This evolution has created a strange combination between two opposite forces: the globalization, built on standardizing technologies and, on the other hand, the appreciation of localisms and traditional specialties. These two souls, apparently discordant, have created a fortunate growth in businesses as for instance tourism, handcrafts and food.

This paper aims to demonstrate theoretically and qualitatively how Internet, despite of being a standardizing technological tool for businesses, it is also a precious instrument to valorize local economies, increasing the opportunities for small firms to de-localize their products.

In this paper the sales of Italian typical specialties through the internet will be presented as a successful...
example of this combination: in the first part of the study, typical products will be defined clarifying the most important business key points, and in the second part, it will be attempted to find theoretical reasons for the successful combination between Italian specialties and the internet. Finally, a preliminary empirical study about virtual firms selling typical products on the internet will be presented and commented, enlightening the commercial results of two Italian most successful firms in order to understand the growth of this business and the future trend.

1.1 Typical Products

The business of typical products have been undervalued for many years and only in these last ten years it has been considered as a great opportunity for European small firms and the related agricultural environments. The Agricultural Science, (Arfini 1996; Bureau, Marette, Schiavina 1998, Belletti, Marescotti 1998, and EAAE 1998) has been studying typical products for years, and the following characterizing elements have been selected to categorize a typical product:

1. The origin of the typical good has to come from a geographically and clearly identified territory, whose reputation is able to sustain the qualitative image of the product;
2. The peculiar production processes, which build the typicality of the product, have to be known and diffused among the producers of the related territory. The production methods have to respect the local traditions, even though it is not required that the entire process has to occur in the defined territory;
3. The consumers have to be able to recognize the product’s typicality by physical characteristics corresponding to traditional attributes;
4. Typical products have also to follow basic market rules: a sustainable area of sales, sufficient produced quantities and an organized production system. As a matter of fact, some products have objectively all the requirements to be defined “typical” but they haven’t any chance to expand their local market due to their organoleptic characteristics or insufficient produced quantities.

The interest on typical products has been growing year after year: both European consumers and institutions have begun to consider them as an important resource for the European social economic development. Since the introduction of Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) products in 1992 and of Traditional Specialty Guaranteed (TSG) in 1995, the European institutions have started to respond to agricultural needs, with a new agricultural policy, which promotes the quality of productions, the rural development and the role of typical products in the agri-food market (Canali 1996). The European Community has reinforced the strong linkage to the territory and the protection of regional recipes, defending farmers from imitations and consumers from frauds through legislative rules which set rigid quality standards directed to farmers who want their products be recognized as official typical products.

But the real engine of this development is the Occidental consumers’ behavior: high incomes and the desire of diversification have made more sophisticated and exigent also the gastronomic tastes, which can be successfully satisfied by typical products produced by small firms located in countries as Italy, France, Spain, Greece, ecc… (Becattini 1999). The changes in European “food style”, (ISMEA 1999) has enlighten a major attention to health, organoleptic quality and a deeper concentration on traditions: Europeans have been rediscovering their cultural roots also through gastronomic pleasures. This transformation has been also accelerated by the recent diseases related to food business as bovine spongiform encephalopathy (BSE) or dioxin, which have demonstrated the risks of an indiscriminate usage of bio-technologies in food processes. (Hartwig de Haen 1999)

In Italy, typical products have a long and strong tradition: Mediterranean cuisine belongs to the well known business system of “made in Italy” with other businesses as fashion, design, ceramics, furnishing and marble, (Curzio, Fortis 2000). The strong linkage to the territory, the distance from mass production practices and the ability to valorize food varieties in local markets, have given an image of uniqueness and healthiness to the Italian “Mediterranean nourishment” business. The Nonisma has tried to census the Italian certified and not certified

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1 As Giacomo Becattini noted, Italian food system developed later than the other Western countries, and the Italian inability to compete on high tech and mass production systems has matured an attitude to produce specialties for market niches. Moreover, the capability to strategically

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typical products, the research is still open, but at the moment 2.188 Italian specialties have been individuated and some of them are even unknown by the local consumers.

The complexity of the entire Italian food system can be categorized in three big group (Magni, Santuccio 1999):

1. **Undifferentiated mass products**: They are agricultural goods or products managed as industrial items; they are produced with standard procedures, innovated through technology and usually promoted with a producer’s brand. Some examples of this group are pasta, rice, sweets, preserved vegetables, ecc… Based on the classical market logic, they represent the most profitable part of the Italian food business with excellent performances in exportations.

2. **Certified typical Products**: In this category are all the POD, PGD, TSG, DOC and DOCG products, often produced by small and medium firms. These goods have a strong connection with their territory and a long traditional in production processes. In Italy DOC and DOCG wines amount to 339 names, the POD products are 103 (June 2000), and other 150 products are waiting for a certification. Their production is valued 7 millions dollars (Nomisma 2000), but it represents only the 8.2% of the Italian entire food business. Nevertheless, these goods strengthen the image of the Italian cuisine all over the world, sustaining the sales of the other two groups of products here mentioned. Some of these protected specialties have a broad market as Parmigiano Reggiano, but others have a little chance to expand outside their regional market due to an insufficient annual production and to productive organization difficulties; one example is the olive oil from Garda Lake.

3. **Not certified typical products**: Here, are categorized all the high quality typical products which hold all the organoleptic characteristics and traditional production processes to be considered “typical” but they often cannot afford the high costs of a certification due to their economical and organizational difficulties. Some of these products couldn’t be even marketed outside their local circuit because of their physical characteristics, or because of their perishableness or scarce raw materials. Other goods, instead, cannot be organized for a certification process because of coordination barriers among producers. Not certified typical products show the most interesting and creative practices of distribution, promotion and network organization; differently from undifferentiated mass production goods, which have to respond to classic industrial and production policies, and also from certified typical products, which are supported by cooperative and associative activities. Not certified specialties don’t receive any support for de-localization, they have to encounter the competition of both mass production goods and certified products, and finally they have also to defend themselves from imitations. For these reasons, they have first experimented the direct sales, the promotion through local festivals and gastronomic meetings, and moreover, they have been also promoted and distributed by the most active firms on the virtual market. Despite of the lack in certification, some of them have been able to create a product brand for gastronomic “connoisseurs” and others have risked also to be extinguished by health European Community Laws. One of the most famous case is the “Lardo di Colonnata”\(^2\): this is a famous case of collaboration between local institutions and private associations to save an Italian gastronomic specialty from bureaucratic extinction, and it is also a proof of the importance of public intervention in this business in order to guarantee the existence.

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2 Nonisma is an Italian corporate specialized in market researches which in 2000 has organized a study to analyze quantitatively the typical products’ business. This research is titled: “Prodotti Tipici e Sviluppo Locale. Il ruolo delle produzioni di qualità nel futuro dell’agricoltura italiana” VIII Rapporto Nomisma sull’Agricoltura Italiana, Milano, Il Sole 24 Ore, 2001.

3 Lake Garda (also called Lake Benac), is located in the North part of Italy and it is the largest lake in Italy, with a surface area of 370 sq.km and a perimeter of 162 km. It is glacial in origin and lies in a wide valley among the regions of Lombardy, Veneto and Trentino-Alto Adige. The fertility of the countryside, the Mediterranean vegetation (vineyards, olive groves and citrus orchards), and its mild climate make Garda one of the most valued territory for olive oil, wine and vegetables.

4 It is an aromatized pork fat seasoned in marble conche. “In April of 1996, countless conche di marmo were sealed and several hundred kilograms of lard were confiscated. The resulting examinations revealed that all the tested samples were found beyond reproach and it was proven once, and for all, that the use of marble containers posed no health threat. To continue their activities, however, producers were ordered to equip themselves to standard, an unfortunate expense for those whose production could never justify the expense. Lardo di Colonnata was threaten with extinction. To prevent the extinction, Lardo di Colonnata became one of the first traditional Italian foods to be protected under the *Arca del Gusto di Slow Food*, an association of Italian gastronomic genuineness supported by the Province of Massa Carrara and the Region of Tuscany.” (Source: http://www.dolcevita.com/cuisine/lardo/lardo.htm)
of cultural and historical treasuries beyond the economical and profit policies.

1.2 Typical products: market segmentation

As mentioned before, Italian typical products are only a very small part of the food business in Italy (an 8% of the entire nourishment system which has been calculated in 82 million dollars) but their exportation is growing in time, (+4% in 1999; source: Nomisma 2000). Italian specialties create image and “made in” all over the world satisfying the exigencies of a more sophisticated society which looks for the diversification, that the mass production can only partially or fictitiously satisfy.

The relation between local specialties and consumers is very complex, it does involve material and immaterial elements which are often difficult to decipher and analyze. Only the acknowledged or very informed consumers can really appreciate the many characteristics of typical products and beyond the personal tasting experiences, these goods hold also evocative and a symbolic powers difficult to decode. These products accomplish evocations of far away places, emotions, social implications, status quo, cultural matters etc… And this complexity has to be take into account to better understand the buying processes and address a more effective communication and marketing strategies (G. Brunori, F. Ceron, A. Rossi, M. Royai 1999).

In the restricted business of typical products, micro different segments of consumers, corresponding to different needs, can be identified:

1. *The “new medium class”:* this group wants to shrink from mass products, standardization and the routine of consumerism (Beccattini 1999). These consumers come from all nations, they have a medium-high incomes and they find in gastronomic typical products a kind of personalization and a more diversified choice, often related also to health matters. Differently from the mass production markets, where the competition is fought on prices and unstable consumers’ preferences, the market of local specialties shows higher prices and more stable consumers’ preferences. This type of competition can be held only when interactive and informative relationships among consumers, distributors or producers are built. This consumers’ target forms the proper segment to address all the cognitive marketing activities, to develop and to deepen information on raw materials, production processes, culture and traditional backgrounds, creative consumption, etc…. In this case, the information is the unique powerful tool able to change and reinforce consumers’ preferences, and to involve the potential customer in the buying process.

2. *Occasional consumers:* during vacations or travels tourists can have the occasion to taste local products, discovering in them a mixture of organoleptic quality, culture and history. The tourist trend is increasing, and in the same way the related business occasions: only in the August of 2001 4,3 millions foreigners came to Italy to spend their vacations and in the year 2000 South Italy has welcomed 5,2% of foreign tourist and 2,9% of Italian tourists more than the previous year. (Source: Treasury “Relation on the state of Italian Economy in 2000 and prevision update for 2001” pg. 92). In these circumstances the individual communication between sellers and consumers is fundamental: during these direct contacts local producers or distributors have the precious opportunity to establish relational interactions, which could convert occasional consumers into affectionate clients. These occasions could be transformed in business opportunities for local producers/distributors enlarging their markets abroad and experiencing new distribution methods, as for instance the direct sale. In this case, the consumers need deep direct forms of communication and interactions, which could be easily realized through one-to-one communication tools on the internet.

3. *Local consumers:* the physical and cultural closeness help these consumers to identify the products and their quality. In the mean time, local consumers contribute to the construction of the product quality sharing the same social and market relationships with producers. In this context, typical products hold the nature of experience goods (Van der Meulen and Ventura 1994, Andrea Marescotti 2000), where the linkage between local consumers and producers and between producers and suppliers are based on trust and buying frequency. This inclusion of consumers in the buying process is binding; as a matter of fact, the local
society has built the typicality of local products through shared knowledge and adaptation to local consumers’ tastes as time passed. If typical products are specialties for the first two segments, local consumers are more used to consume them in their daily diet. In this case, typical products often enter into competition with mass production goods, often obliging some producers to developed modern communication and delivery strategies; for instance, the distribution through the large scale distributors with modern packaging and a corporate brand. These activities are possible only for those producers that have the quantitative and qualitative strengths to be competitive on a restricted mass production market, as for instance POD, PGD, TSG and DOC products, so as consortium protected products. As a proof of this, in 1995 the 58.3% of the Italian families has bought DOC and DOCG wines and POD, PGD and TSG cheese in large scale distributors. Also in this case, a solution to escape from mass production products is the organization of local fairs and festivals of typical products which can help the valorization of regional specialties towards local consumers. This valorization will serve to set higher prices and to exit from mass production competition.

4. All the above mentioned segments have the typical characteristics of niche markets, where products found their competition on a sustainable and inimitable advantage which, in this case, originates from the indissoluble connection between the production processes and the places of origin. Thus, the survival of local producers depends on the capability in finding and maintaining a profitable market in time. Moreover, every mentioned segment has to be approached with an integrated and different mix of communication and distribution strategies, privileging relationship and cognitive activities which permit to valorize the intrinsic value of local products.

1.3 Typical products and distribution

Quality is important also in the supply chain process: the selection of distributors of typical products is not casual, it is a process of experience, trust and learning.

The distribution of typical products can be easily suit to the theory conventions developed by Boltanski and Thévenot (1987) which specifies the quality construction through forms of coordination among local actors. Above all, the theory of conventions also analyses the various criteria which guide the actors in their market interactions. The following conventions can be also related to the creation of the supply decision, which is a critical factor for the economical behaviors on the market. The principal conventions are:

- **market convention**: the actors hold all the information to value the product quality, in this case, the price can summarize the valuation of quality;
- **domestic convention**: information gaps are obviated with direct relationships among actors, therefore trust becomes the key factor of the transactions;
- **industrial convention**: the decision is based on the capability of a firm to respect codified quality standards;
- **civic convention**: a supplier is selected because it is able to satisfy collective objectives;
- **convention of opinion**: the qualification of an organization depends on the reputation that it has gained among the other operators.

Traditionally, both suppliers and distributors were chosen on the basis of the direct experiences (very similar to the domestic convention, hereby described). This way, for instance, a milk producer was chosen because its milk was tested as to be suitable to a certain type of cheese, and the market relationships were maintained on reciprocal guaranty that the chosen quality had not to change. The same thing happened for consumers who chose their local retailers or local farms after direct tests on quality and services.

Nevertheless, also the distribution of typical products has changed: technologies, innovations in supply chain methods and new consumers’ expectations have taken to a revolutionary evolution also in the traditional distribution of typical products. In the 90’s, for the first time after a long legislative protection of small local retailers, Italy has seen a sudden development of large scale distributors which influenced Italian consumers’ buying behaviors and the related supply chains. Thus, both producers and distributors have discovered the pressure of price
competition coming from foreign suppliers and the new technology applied to the large scale supply. This way, only firms with great capacities of adaptation and an adequate size, to enjoy economies of scale, have been able to respond to the modern mass production rules, while other small and artisan producers and retailers have suffered the big change.

At the contrary, in the last five years, the rediscovery of certain traditions, the scandals of mass production strategies in the food industry and a new hedonistic consumerism have let the chance to a renewed evolution of small traditional producers and distributors with differentiate and genuine offers.

Therefore, nowadays, three ideal distribution systems can be singled out (G. Brunori, F. Ceron, A. Rossi, M- Rovai 1999):

1. Traditional circuits: they are composed by small sized firms often spatially near each other, where the quality is granted by interpersonal and direct contacts. Traditionally, retailers play a big role in choosing and selecting the producers and products for their consumers. This distribution system is based on trust, built on direct relationships and personal reputations. As seen before, this type of supply system had hard time in the ‘90s, but a certain kind of traditional shops have always existed especially in tourist places, where personal relationships with no local consumers were still vital. In these last two years, also other small and very specialized retailers have been growing to respond to the very sophisticated exigencies of local consumers, especially in the most populated centers. These last specialties’ shops have been dedicated to “connoisseurs” who want to receive all the informative supports in order to experience rarities and regional goods. In Italy, the evolution of these retailers has been also connected with business gifts in special events as Christmas, Eastern etc…

2. Modern circuits: as mentioned before, the dimensions of retailers has been, and also new actors have entered the supply chain between producers’ and retailers’ relationships, sometimes replacing the last ones. In this system, trust and quality are formalized into physical and hygienic standards and producers have had to introduced innovations in the production processes to hold the new competition. As a result, retail business has seen a global loss in genuineness and variety, where personal reputation and trust have been replaced by brand loyalty. As it concerns typical products, this circuit suits very well with qualitative standardized goods as POD, PGD, TSG, DOC and DOCG products and consortium branded ones. In these cases, brand loyalty has been integrated with certification of quality brand or the consortiums’ one; moreover, their distribution can be easily realized through large scale distributors, satisfying the mass distribution needs. In the last five years, also other new forms of distribution have been developing in this circuit: for instance producers’ cooperative, small distributor’s franchising and associative distribution projects with the support of institutional organisms. They are able to respond to new consumers’ exigencies of diversification, for instance, with the introduction of peculiar not certified local specialties, and, in the same time, they guarantee also modern distributive services, as cash & carry, or a wide range of displayed products etc…

3. Post-modern circuit: new hedonistic needs have found in technologies a perfect solution to develop interpersonal relationships in spite of the long distances among actors. Communication systems seem to suit very well with the typical products market: trust is still a key factor of commercial relationships, ensuring long-term activities and performing learning-by-interacting advantages. This circuit will be better developed in the second part of the paper.

It does seem that some business actors have transformed their domestic convention pattern into an industry convention one, on the contrary, other more sophisticated consumers prefer personal and direct contacts in order to fully enjoy the intrinsic value of some typical products. So, for instance, the valuable truffle from the Langhe\(^5\) can

\(^5\) The “Langhe” is a territory in the North part of Italy which occupies the north-oriental part of the province of Cuneo to the border of province of Asti and, more to south, with Savona. (http://www.langhe.net/)
be fully enjoyable only with the support of a specialist who suggests how to recognize the original one, how to cook it, which wines are more suitable...etc.

1.4 Typical products: communication and marketing strategies

In this business, the capability to differentiate one product from another is not only a matter of physical characteristics of the products, but the differentiation is especially played on the renown of places of origin, traditional behaviors and cooperation models developed in the territory (Belletti 2000). This is extremely true for not certified products, which are not supported by any other activities, than the creativeness and the communication talents of their producers and distributors.

Far from Walrasian market model, where sellers’ individuality is not essential and the prices synthesize all the information necessary to the transactions, the business of typical products requires focused information and an accurate selection of distributors and producers to assure the traditional quality levels (Marescotti 2000). Moreover, typical products are a mixture of organoleptic peculiarities, culture, history and tradition; their consumption is not only a nutritional matter, but it emotionally involves the consumers (Endrighi 1998). This type of consumption can be developed only when information and marketing strategies are able to valorize all the intrinsic characteristics of the regional specialties.

For the mentioned reasons, in local typical products’ market, it is the consumer who has to adapt to a gastronomic good or a taste and not the contrary: the typicality develops particular cultural and social requisites far from strategies of consumer satisfaction used in mass production market. A local distributor or producer can fulfill some peculiar exigencies but they cannot change the basic characteristics of the typical product. This way, if local producers want to expand their market beyond the local one, they have to strike the cognitive side of the buying process, influencing consumers’ preferences through an aimed and accurate communication. So, the information becomes a key point for the development of the so called “cognitive marketing” (B. Lassaut, B. Sylvander 1997). Sylvander makes a good example of what means a relevant information: “..., a cheese producer will explain to the clients why their demand cannot be met: he will explain that the winter milk is fatter than the summer one, and therefore the cheese is a little bit more difficult to ripen. Therefore, the cheese should be eaten fresh or from previous year”. The relevance of information, and not the information by its self, will suit to the consumers’ learning process, but to do it, the mentioned author suggests to focus on what is relevant to communicate about the product, what can change the consumers’ attitudes and which consumers can appreciate this cognitive transaction.

Thus, in this business, a very effective communication and marketing policy is based on cognitive, relationship and cooperative strategies. The second one, the relationship communication and marketing activity, is based on the capability of the producers, or the distributors, to create a strong linkage with consumers, developing interactivity and trust. These strategies attempt to create an environment similar to the “domestic convention”, where the interrelations among actors are focused on the improvement of consumption experiences. Firms have to be able to create a climate of transparency, and continuous interrelations with their clients and also among clients by them selves, in order to exchange consumption knowledge and products’ information. As it will be seen later in this paper, the internet posses all the suitable tools to develop all the relationships activities necessary to stimulate loyal consumers’ behaviors easily and with a small effort in resources.

Finally, a successful marketing strategy, in this business, has to stress both on corporate and on collective communications. The corporate communication uses the classic instruments included in the firm’s marketing mix strategy, and the collective communication develops more complex mechanisms related to the territoriality incorporated in typical products. As a matter of fact, the territory and its actors (producers, local consumers, suppliers etc...) characterize in a deep way the typicality of local products, especially in the creation of quality assets (Romano 2000). Moreover, the territory influence also the consumer’s perception of quality, because of the

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6 Far from the theories of standardization, the “economic theory of conventions”, and in particular, the current developed by the French School (Brousseau 1993), helps to understand how quality is constructed in a not standardized market. Especially the “quality conventions” (Boltanski and Thévenot 1987) and the “conventions of qualifications” (Favereau 1989) explain how consumers and producers identify the terms of quality and how they choose their partners or suppliers.
evocative power of places of origin; for this reason, in communication and marketing strategies this element has to be taken into account to remind the same local atmosphere during the consumption experience of typical products. So, beyond singular corporate strategies focused on making individual profits, this business has also matured cooperative behaviors in order to take advantage of market opportunities through the valorization of the place of origin.

The peculiarity of local markets, the small size of the local producers and the importance of the territory in the value chain of typical products, have created different subjects in charge of communicating and promoting the Italian regional specialties all over the world:

- **Corporate promotion**: it is the typical communication activity organized by individual companies to create their own corporate brand and valorize the peculiarities of their products.

- **Associative promotion**: it is very similar to Forker’s and Ward’s definition of generic advertising (pg. 6) “… the generic cooperative effort among producers of a nearly homogeneous product to disseminate information about the underlying attributes of the product to existing and potential consumers for the purpose of strengthening the demand for commodity”. In this case specialties, and not commodities, are taken into account. For instance, Consortiums of a specific product behave in the same way: all the producers of the same local good decide to cooperate to set strict production processes in order to guarantee the quality standards; in the same time, they organize communication and promotion activities to give all the information about the product, about the utilized raw materials, and suggestions for its consumption etc… These Consortiums often organize and finance also medical researches to prove the healthiness of a particular good, or to decrease the negative effects of a critic about the product or about its components (for instance fat, butter etc…), indicating the suggested daily quantities of consumption for a nourishing diet. One of most successful consortium in Italy is the Parmigiano Reggiano Consortium⁷.

- **Institutional and local promotion**: this definition is very close to one of the definitions included in the studies and analysis developed by the French professor L. Orenga (pg.8): the collective activities promoted by no-profit institutional operators, for instance Regions, States and economic Unions, in order to promote a whole region and therefore all the local economical sectors. Similar to instruments of economic policy, they don’t promote only one product but all the goods produced in a certain place. As an example, in 2001 Lombardia, an Italian region in the North part of Italy, have financed promotional campaigns on TV, on newspapers and placards; it has organizes fairs, conferences and local festivals directed to local population and tourists in order to valorize the territory and its typical specialties. Beyond promotional actions also direct public interventions to preserve and to improve the territory are fundamental for the development of typical products (Endrighi 1998), as for instance the environmental polices about pollution, urbanization, and industrialization.

- **Distributive promotion**: the dimension of the agricultural producers and their scarce management skills have procured associative problems, as for instance, the low tendency in organizing cooperative activities and in the incapacity to benefit the institutional interventions. Thus, the communicational and market power have been shifted from producers to distributors, who have also a privileged contact with consumers. In the following part the matter about modern distribution channels for typical products will be deepen.

This way, cognitive and relationship marketing have to be developed in a synergic ways, through different operators, which can create a “brand of origin”, a “producer’s brand”, and a “distributor’s brand”. In 1997, during the Conference organized by the European Association of Agricultural Economists (Eea), some of the empirical

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⁷ Parmigiano-Reggiano is a hard texture cheese, cooked but not pressed. It is made from raw cow’s milk, collected immediately after milking and partly skimmed by gravity. Cows have to be fed only on grass or hay. Concentrated feeds have to be prepared with a list of specific ingredients. Only natural whey culture is permitted as starter, together with calf rennet. The only additive permitted is salt.

The Consortium has the official cooperation of some 650 small cheese makers, representing 9,000 small dairy farmers. The producers have organized to gain legal recognition of their standardization of quality, in much the same way as the fine wine consortia have done, in order to provide an absolute guarantee of authenticity. (for more information: http://www.parmigiano-reggiano.it)
researches showed how the geographic denominations are important for consumers’ perception but the promotion is more effective when it is accompanied by an effective promotional campaign sustaining the product and its image (Van Ittersum et al.; Giraud et al.). Other papers have stressed on the importance of the product’s indication of the place of origin because beside the fact of being an element of distinction, it also gives a particular character to the product, which is very appreciated by the consumers.

2.1 Typical products and the Internet

The internet plays a big role in communication and interaction with a strong impact both on markets and on societies through intermediary activities, relational tools and distributive channels (Hoffman and Novak, 1996; Alba et al., 1997; Burke, 1997). The internet is the most completed instrument to communicate and a precious tool to create new cooperative activities, innovative supply chain and distributive methods. The extensive number of operators who can be reached by substantial information, and its richness (Evan and Wurster 1997), make the internet the right evolutionary device for all those products that have the characteristic of uniqueness and therefore have to be sustained by ample information and communicative relationships: the typical products’ business is one of the most suitable examples.

As demonstrated before, in this market, trust and communication are the key factors for the commercial interchanges above operators both in the place of origin and abroad. Very similar to the Marshallian districts, (Beccattini 1979) local firms share cultural basis and mechanisms of value which enable the creation of quality, the reproduction of knowledge and the interaction with external markets.

The usage of the internet to develop the business of typical products seems to be very effective because the two of them are complementary: the needs of typical products’ business can be easily satisfied by the internet’s tools.

Every involved operator can benefit this union: local firms can develop their strategies on a global market without losing their typicality and their linkage with the territory, consumers can enjoy a more acknowledge and interactive buying process through one-to-one, one-to-many, many-to-one and many-to-many tools (Hoffman and Novak, 1996), increasing the consumers’ awareness about typical. The learning process between producers/distributors and clients can be extended also among the consumers who can easier communicate each other in order to exchange information and experiences of consumption through virtual communities.

The benefits, related to the conjunction between Internet and typical products’ business, can be particularly relevant for commercial, communication and information supports. The concentration on the share of information and the easier interrelation activities can take to substantial advantages for:

1. **Local production-logistic system**: Internet can improve the production processes, fastening the logistic system and decreasing knowledge gaps. As it has been seen, Internet has created a substantial division between physical and immaterial processes in distribution systems. It does mean that every involved actor will concentrate his work on core business activities, improving the whole production/distribution system (Rullani, 1997), and creating economies of specialization (Stigler 1951; Mallen 1973). As an example, portals, individual corporate web sites and cooperative computer-based solutions can fasten different supply activities of local firms, improving cooperative operations and developing new specialized opportunities of growth, also outside the place of origin.

2. **Territory development**: the internet can develop opportunities for the territory transforming this physical fundamental ingredient for typical products’ production into an infomediary and intermediary subject. It does mean that the territory could turn into a source of information and business opportunities (Aiello, Pellegrini 2000). For instance, institutional local portals can perform different activities in B2C, B2B and B2A, developing operations of marketplace for local operators, incubator initiatives for local businesses, marketplace activities also for foreign markets and finally civic network for both citizens and tourists.
3. **Commercial growth**: when the typicality of products is supported by strong information and careful interaction activities between sellers and buyers, the distribution of local specialties on the internet can be a great success. In the internet different communication tools (many-to-many, one-to-one, one-to-many interrelation systems) can be developed in order to produce a focused and broad marketing strategy both in local and in foreign markets. Moreover, in the virtual environment, operators are able to invent different new trade solutions suitable to any segment of the market, and to any kind of typical product. In the next paragraph a more peculiar description of these mechanisms will be presented.

Born as a communication tool, the internet has demonstrate its potential development in business applications, especially where information and relationship operations are the successful key factors. As a matter of fact, among the Italian commercial initiatives developed online between 1999 and 2000, the 41% were connected to the “made in Italy” and in particular fashion for the 14% and food for the 12%, overtaking the hardware/software business which represents the 8% (source: Shoplab Report 2001).

### 2.2 The sale of typical products on line

A lot of articles and books about e-commerce have described the great advantages of realizing computer interactive-based commercial activities, underlining that the network permits to work on global markets, overtaking the geographic and economic scale barriers, and it opens new businesses and distributive opportunities. New technology can reduce trading costs and reconfigure the value chain of businesses, bettering the approach to the markets and creating a more personalized and interactive relationships with customers. Also the consumers can enjoy the advantages of the internet for their shopping: they have an easier access to the information and a wider choice among the numerous offers all over the world, this way, they can become more acknowledgeable and benefit the chance to personalize their shopping, interacting directly with buyers.

Nevertheless, it is important to point out that not every good is suitable to this new trade channel, the success of e-commerce for some products is very tied to the nature of the products, to the chosen consumers’ segment, to the individual capability of the firms to give virtual benefits and to develop suitable marketing strategies.

Alba et al (1997) consider the internet a successful medium for shopping activities only if it exceeds the utility provided by traditional retail formats. In virtual commercial exchanges, it is not only a matter of advantages procured by the instrument, the most important thing is the perception of relevant benefits in comparison with costs and perceived risks of virtual shopping by the consumers; in one word: trust.

At the contrary of what it is thought, in the computer-based commerce the perception of risks is very high, sometimes higher than economical convenience, due to the long distance between the buyer and the consumer and the abundance of information in the network (Doney P.M., Cannon J.P. 1997, Ugolini 2001). The cognitive (not only physical) distance between buyer and seller is based on culture, the share of values, symbols and knowledge which can be a big obstacle for trading activities. For instance, it is very difficult to found a virtual campaign on brand loyalty abroad, if the brand is known only in a limited area; this can be a big opportunity for small unknown firms to escape from the competition of local brand leaders , but it produce a great disadvantage to global virtual business. At the same time, the overabundance of information can disorientate the consumers in taking a decision. Moreover, what is puzzling, is the fact that the building of trust can be constructed only through experience and long term relationships between consumers and buyers: this is called the paradox of trust which has to be studied and take into consideration before organizing a virtual sale activity (Doney P.M, Cannon J.P. 1997).

The sale of typical products through the internet shows some elements of advantage in comparison to other businesses, especially in the process of building trust relationships with clients for the following reasons:

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8 As an example, we can read any kind of articles or books about e-commerce written between 1996 and 1999 to be assaulted by the euphoria about the advantages of the internet for business activities, all this, before the beginning of the financial crisis of the so called “new economy” in 2000
1. **The typology of the product**: as several times above mentioned, the production of typical products hold a strong connection with the area of origin, giving it the characteristic of the irreproducibility anywhere else. This situation obliges no local consumers to activate impersonal relationships with local producers or retailers, and sometimes are the consumers who search and discover local specialties on their own. As every niche market, this business is supported by a restricted number of consumers, who are often very stable in their tastes and loyal with the firms which can satisfy their exigencies. Moreover, the typical local product is a very appealing good which transmits emotions, poetry and evocative feelings towards places and life style. Thus, it is easier to organize impersonalized sales because the benefit of consuming a so inviting good overtakes the perceived risk of long distance transactions, which, in this case, instead, it is often an assurance of quality and genuineness.

2. **Short cognitive distance**: if it is more evident for local consumers, for no local consumers it is related to the more or less spontaneous curiosity and interest expressed towards local specialty goods (Castaldo, Premazzi 2000). In this case, it is not a matter of sharing the same social culture and knowledge, but it is a matter of sharing the same interests and tastes, especially related to the attention for what is different and peculiar. This way, it is easier to establish confidence and communication between sellers and buyers, because consumers are already motivated in knowing and experiencing the product. Moreover, direct transactions are often cheaper than those through long supply chains, even though this effect is often mitigated by the still high costs of transportation.

3. **Relevance of Information**: the consumption of typical products have to be accompanied by information and knowledge to transform a simple consumption into an experience of tastes, and the internet seems to be right tool to develop this communicative transaction. As a matter of fact, the internet deeply separates informative from physical distributive flows, which take two separate ways of development and application (Cozzi, Di Bernardo, Rullani, 1988). Thus, information parts with the two physical processes of trade: the logistic and the physical shopping place (Castaldo, Premazzi 2001) and this separation permits a qualitative and quantitative improvement of the information shared among operators, and it permits the possibility for local producers to concentrate on their own core businesses and the relative communication. Information and communication are fundamental in the value chain of local specialties, making of the internet a favorite channel to develop the commercial expansion for modern local operators.

4. **Interaction**: is one of the most known and appreciated characteristics of the Internet, whose peculiarities and usage have to be studied very deeply before implementing a project of e-commerce (Watson, Akselsen and Pitt 1998). In typical products’ business, interaction and relationships with consumers are indispensable activities for the survival of the market, and the internet is able to create connections among business actors despite of the long distance. The internet can also create opportunities for the generation of virtual communities, where consumers, distributors and firms meet to express their needs, exchange knowledge and experiences. This way, communities of transaction, interest and relationships (Armstrong and Hagel III 1996) can be built to recreate a virtual “local” market still governed by a domestic convention of quality. Moreover, firms can easily develop direct computer-mediated communication to reinforce the consumers’ shopping inclination, to perfect a transaction or to create fidelity.

5. **Visual communication**: producers and distributors can communicate through rational tools as hypertexts and images, whose combination improve the cognitive exigencies of the transactions and the evocative power of images on consumers. This way, virtual sellers have to be able to recreate the same atmosphere of products’ places of origin on the web, to enjoy the better the specialties.

The internet produces positive commercial and communicative effects for every segment of the market of typical products: it can be a distributive tool for the “new medium class”, a discovering instrument for the segment of occasional consumers and a promotional channel for the local one. But they are the business operators, who have

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to take advantage of all the instruments and benefits offered by the internet for a successful development of the business on line.

According to a research named Shoplab about the B2C in Italy, in 2000 the total revenues of the Italian firms operating in B2C have been of 410 million dollars, which includes 17.5 million dollars of revenue for the sale of Italian typical products, whose 18% has been exported. The firms selling local specialties represent the 14% of the total number of firms operating in the on line business to consumers, and they produce the 5% of the on line revenues; they are representative figures of a mature and competitive market. The success of typical specialties sold on line can be also measured in terms of growth: between 1999 and 2000 the business has grown of 65% and between 2000 and 2001 it has augmented of 166%. (Source: Databank 2001). A more exhaustive research dedicated to typical products will be presented in the next paragraph.

2.3. The business of typical products on line: an empirical research

This research has been conducted in the June of 2001 by Enrica Ruggeri, a student in Economics at the University “La Sapienza” of Rome and published in the thesis “L’Internet marketing dei prodotti agro-alimentari tipici”\(^\text{10}\). The empirical study has been divided in two parts: a quantitative and a qualitative analysis. The former had as an objective the approximate calculation of the number of Italian commercial initiatives of sale of typical products through the internet, and the latter wanted to value the qualitative level of the web sites, underling which are the relative successful key factors.

The analysis enlighten different virtual business models used by Italian firms to offer typical products on line:

1. **Producers:** the 42% of the investigated firms are traditional producers which have decided to retail their products through the internet. A deeper investigation of these web sites has revealed that only the 43% of this sample disposes of instruments to concrete a virtual transaction (e.g. a shopping cart, or any other interactive tool for the shopping and payment processes). In this category, the real number of virtual sellers is not surprising, as a matter of fact, the organization of sales and distribution systems is not easy, especially for firms that has small dimension and few resources. This category is very suitable for consumers who want to be sure about the provenience and the genuineness of typical goods.

2. **Specialized e-shops:** they are virtual retailers which concentrate their offer only on a singular product (e.g. cheese, oil, wine, etc...). They are not producers, so, they can offer a deep selection of certified and not certified specialties, coming from every Italian region. This category represents only the 3% of the total analyzed web sites, because their specific target is composed by “connoisseurs” of the individual product. Nevertheless, they are very interesting for the deepness of the proposed selections and the creativeness of the inviting information services related to the gastronomic good.

3. **Merchant of Italian Regional Specialties:** are virtual retailers which sell any kind of gastronomic specialties produced in a specific region. It represents the 48% of the selected firms, and their commercial advantage is the ability to combine the product’s brand with the brand and the image of the represented regions. These web sites can be very appealing for tourists, who can associate evocative memories with the experience of typical products’ consumption. Moreover, their concentration on only one region can develop de-localized opportunities also for very small regional producers, which haven’t commercial resources to expand their business alone. This way, their product section deepens in more peculiar products, embracing those specialties on the way of extinction.

4. **Merchant of National Specialties:** these retailers present a wide section of Italian typical products coming from every Italian region. This segment is very important because it emphasizes the role of retailers as selectors and consumers’ connectors in the market. Very similar to the traditional distributors, they have also developed communicative strategies to create distributive brands strictly related to micro consumers’

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\(^{10}\) “The Internet Marketing in the sale of typical products”
segments. So for instance, www.esperya.com is dedicated to specialties which could disappear because of their restrict local production, www.thebestofraffaello is dedicated quite entirely to foreign consumers and www.peck.it is interested, instead, in very sophisticated “connoisseurs” of gastronomy culture. This category represent only the 8% of the selected web sites but they are a very important part of the virtual business, because they are the best opportunities to internationalize also the most unknown typical products.

At the contrary of the global Italian business on line, where only the 16% of the virtual shops are “pure players” (source: Shoplab), in the virtual business of typical products the 70% of distributors are “pure players” (source: databank 2001). In this business, are the start-up firms which have created a new distribution opportunity for all the small local producers, which want to find new markets outside the local one but they don’t have the technical knowledge to do it.

As a matter of fact, the distribution of typical products is a big barrier for many local producers for the following reasons:

- The operative and technical small size of local firms has been always a disadvantage for the development of the supply chain at all levels, especially for the de-localization of products;
- The lack of local infrastructures and, in particular, of transportation networks, has always made more difficult the interchanges among operators especially in the South part of Italy;
- And finally, the physical characteristics of a lot of products, which cannot be exported due to hygienic and perishable reasons.

Thus, virtual retailers can help these producers to find new chances on the virtual market, making them spare investments and resources, but also assuring their genuineness and territoriality.

The second part of this research has studied the quality reached by an extracted sample of web sites; the evaluation has been conducted according to the following four criteria, weighted according to their importance in the virtual commercial activities:

1. **Commercial system**: comprises security of transaction, guaranty (e.g. right of withdraw and privacy), shopping cart’s functions, verification of the orders, payment options and indication of different methods of delivery. The 86% of the analyzed firms has reached a “very good” and “good” valuation, and in particular: the automatic virtual shopping cart has been installed in quite every web site, but the security of transaction has been valued insufficient in the 18% of the cases, because most of them haven’t even indicated the presence of a secure server. The 79% of the studied web sites has guaranteed the privacy of their consumers, while only the 62% of them has indicated the required delivery time and finally, another 62% has accepted different forms of payment.

2. **Product Area**: is related to assortment, information about products (especially about the producers and the production processes), and personalized solutions on the basis of the consumers’ requests. In this case, the 80% of the sample has reached a good grade: the 86% has given detailed information about products and producers and the 65% has satisfied the exigencies of a deep and wide selection of products. But only the 31% of the sample has permitted to personalize the products through the composition of baskets and gifts and moreover, only a 55% has given more information about recipes, suggestions about the combination of specialties and so on.

3. **Interaction Area**: is connected to customer care (e.g. free direct number, call center etc…), direct marketing (e.g. mailing list and news letter), direct customer communication (e.g. usage of e-mail for an interactive contact and feedback forms), socializing area (e.g. forum, chat, games, etc…) and functionality of on line tracking systems associated to the possibility to control the offer by the consumers. In this case, only a 32% of the studied firms has reached a “good” grade of interaction and thus leaders of the market have been easily individuated. Only the 50% of the sample has precisely indicated an e-mail address and only the 48%
has performed direct marketing activities, and moreover, exclusively the 27% has developed tools for the communication among consumers (e.g. forum, chat etc…). Finally, only in the 20% of the web sites the clients can know the state of their order and the 17% has installed a free telephone number or a call center.

4. Usability and interface of the web sites: are linked to download speed, web site architecture (e.g. intuitive navigation and services usage), informative richness and multilingual options. Quite the 100% of the sample has demonstrated a good grade of usability, renouncing a graphic special effects for a more linear and easy graphic interface. The 79% of the web sites has had all the tools to guarantee a smooth navigation experience, for instance with the presence of a research mechanism, and the 55% of the web sites has organized a multilingual service.

From this research it can be revealed that the presence of Italian web sites selling typical products for consumer business is diffused (4-5% of the Italian global presence on line); the most numerous segment is the merchants of regional specialties, especially from South Italy (more than 40%). Most of the virtual sellers are start-up and they are not more than three years old (Databank 2001), therefore, they cannot show positive financial results yet, even though they are increasing their revenues with exponential pace.

The quality standard is discrete: good organization of topics, complete information, wide section of products and several payment methods demonstrate a mature approach to the business. On the other hand, these web sites have to advance in marketing/communication policies, especially related to relationship marketing and brand image construction. As a matter of fact, as above mentioned, few of them have a registration mechanism for consumers, chat, forums, free telephone number and a referent to contact. The web sites, which have develop these parameters, are also the firms with the best performances on the market.

As an example the commercial results of two leading companies will be here reported:

**Figure 1: Comparison between two competitors on the on line business of typical products**

<table>
<thead>
<tr>
<th></th>
<th>Sales 1999</th>
<th>Sales 2000</th>
<th>Sales in the first semester of 2001</th>
<th>Average Cart</th>
<th>Sales in Italy</th>
<th>Sales in Europe</th>
<th>Sales in USA</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="http://www.peck.it">www.peck.it</a></td>
<td>215.000 US $</td>
<td>454.545 US $</td>
<td>681.817 US $</td>
<td>267 US $</td>
<td>50%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td><a href="http://www.esperya.com">www.esperya.com</a></td>
<td>1.363.636 US $</td>
<td>2.045.455 US $</td>
<td>4.800.000 US $</td>
<td>125 US $</td>
<td>75%</td>
<td>25%</td>
<td>50 orders per day (Started in March 2001)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>N. visitors</th>
<th>N. clients</th>
<th>N. clients/ n. visitors</th>
<th>N. acquired clients</th>
<th>N. of client who have re-bought</th>
<th>N. of client who have re-bought</th>
<th>N. references in Europe</th>
<th>N. references in USA</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="http://www.peck.it">www.peck.it</a></td>
<td>170.000</td>
<td>1.700</td>
<td>1%</td>
<td>1.700</td>
<td>30.5%</td>
<td>2.300 (total)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><a href="http://www.esperya.com">www.esperya.com</a></td>
<td>3.500 per day</td>
<td>100 per day</td>
<td>3%</td>
<td>15.000</td>
<td>75-80%</td>
<td>1.000</td>
<td></td>
<td>500</td>
</tr>
</tbody>
</table>

These results are more surprising, if we think that, for instance, Esperya had to build a special stock house reproducing different habitats needed to maintain the freshness and tastes of typical products and in the same time assuring a 24-hour delivery service to consumers. At the contrary, Peck has born from a already existed business: a famous gastronomic shop of Milan.

2.4 Conclusion

This paper had demonstrated how the internet can be successfully used to valorize local typical products, without influencing the genuineness of the production and the vital linkage between local firms and their territory. It

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11 All the reported data have been collected during two personal interviews with the general managers of the two firms in 2001 by Daniela Andreini
also amplifies the role of consumption experience of typical products, through interactive tools, the evocative power of images and the cognitive importance of information.

The virtual market seems to have good basis for a further and future development, even though many improvements should be done in relational marketing activities. As a matter of fact, many virtual sellers have still to understand that relationship and communicative operations are the key points of the business of local gastronomic specialties, also when personal direct relationships cannot be built. Thus, even though, the internet posses all the communication devices necessary to the business, technical knowledge and marketing - management capabilities have still to be developed and cultivated by the firms.

Much more study has to be implemented to understand how operators are moving in this variegate business and which other internet proprieties can be develop to improve the interaction and communication among business operators and customers.

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27. Ismea (2000): “Il consumatore e i prodotti tipici italiani”, Roma, ISMEA.