Introduction to a study on the economic aspects of geographical indications (GI) protection for non-agricultural products in the EU

Workshop organised by the European Commission in cooperation with the contractor

18 November 2019, Brussels

In the European Union, there are numerous non-agricultural products made based on local knowledge and following local production methods that are rooted in the cultural and social heritage of their home region and that, ultimately, possess unique distinctive qualities and characteristics due to their geographical environment. In practice, the product name is typically a geographical indication (GI) including the name of its region of origin. GIs emphasise the link between such products and the region or location where it is produced. While some of these products are well known outside their home region or even internationally, other products remain recognisable primarily in their home region. Nevertheless, all of these are products of traditions, skills and materials developed and nurtured in regions and localities of the EU.

The level of protection for non-agricultural products varies very much in the EU Member States. Alongside the legal debate on how to protect geographically rooted products and what could be the role of sui generis (i.e. specific) GI protection regime is the question of potential economic impacts of sui generis GI protection, especially if introduced and harmonised at EU level.

A workshop will be held on 18 November 2019 in Brussels to share the findings of a pending study on certain economic aspects of GI protection for non-agricultural products with interested stakeholders – including representatives of the Member States and producers – to receive feedback and further input. The workshop will also discuss specific items related to the study in two panels: non-agricultural GI as a tool for local and regional development, and the challenges of monitoring rules on non-agricultural GI protection.

The present document aims to explain the background and the methodology of the study in more detail. The draft results will be presented during the workshop.

To develop a better understanding of economic aspects of protection of geographically rooted non-agricultural products in the EU, one needs to consider several aspects:

- The landscape of products that exist in the EU;
- Which effects a potential introduction of sui generis GI protection might have on consumers, on the producers of such products and on the regional economies where the products are produced.

To attain the study objectives, a set of different research activities have been carried out. This note presents these activities and the applied methods.

1. Literature review

The literature review took as starting point recent studies on geographical indications (e.g. FAO, 2018; Insight Consulting, Origin-GI and REDD, 2013) as well as a key word search on Google Scholar (e.g. for "geographical indications", "impact", etc.) in several European languages (i.e. English, French, Spanish, German, Italian, Dutch). The bibliographies of these studies were searched for relevant citations of other studies. All studies were assessed for their relevance, importance and rigor. Further indicators of the importance of studies were the citation count and nature of the publication (e.g. published in peer-reviewed journal).

2. Geographically rooted products in the EU & sample selection

A list of 322 geographically rooted products originating in the EU28 that benefit today from sui generis GI protection or could qualify for sui generis GI protection was created. The list was composed by country experts based on different sources and with the input from national stakeholders.

The list was then screened to represent the diversity of GI products in the EU, for an unbiased selection of 25 products for further analysis. The following fixed set of criteria was taken into account:

- **Representativeness of the chosen products and product groups**

  As much as possible, the shortlist of 25 products should represent the variety of products reflected in the longlist of 322 products.

- **Variation of protection regimes in place for the chosen products**

  Since this study scrutinises the effects of sui generis protection for geographically rooted products in comparison to other protection regimes, it was required for the data sample to represent different protection regimes.

- **Comparability of products**

  In order to draw conclusions beyond the individual product, the chosen products needed to be comparable. Therefore, the 25 products needed to represent five different product categories, with five products in each category.

- **Geographical representation of EU Member States**

  In addition to representing the various product groups and protection regimes in the EU, the data sample should also represent the geographical spread of geographically rooted products across the EU.

- **Compatibility with consumer experiments**

  Eventually, the chosen products needed to be suitable[1] to undergo the analytical steps for this study, notably the behavioural experiments (but also the mystery shopping and the producer interviews).

The following 25 products were chosen for further in-depth analysis:

---

[1] For example, they needed to be products that are relevant for end consumers (i.e. no raw materials).

Table 1: Data sample of 25 products

Knives	Jewellery	Furniture	Porcelain and ceramics	Lace
Solingen Cutlery	Perpignan Garnet Jewellery	Liffol Chair	Herend Porcelain	Halas Lace
Albacete Cutlery	Antwerp Diamonds	Craftsman Furniture from the Bassano region	Westerwald/Kannenbäcker Pottery	Binche Lace
Puukko Knife	Gablonz Industries	Craftsman Furniture in Verona region style	Royal Copenhagen Porcelain	Rauma Lace
Laguiole Knife	Vicenza Jewellery	Yecla Furniture	Delft Blue Pottery	Gorizia Lace
Maniago Cutlery	Baltic Amber	Sonseca Furniture	Bolesławiec Pottery	Koniaków Lace

3. Mystery shopping

The goal of mystery shopping was to assess whether the average customer can distinguish authentic from non-authentic products[2] in the shops. The mystery shopping exercise was done in four phases:
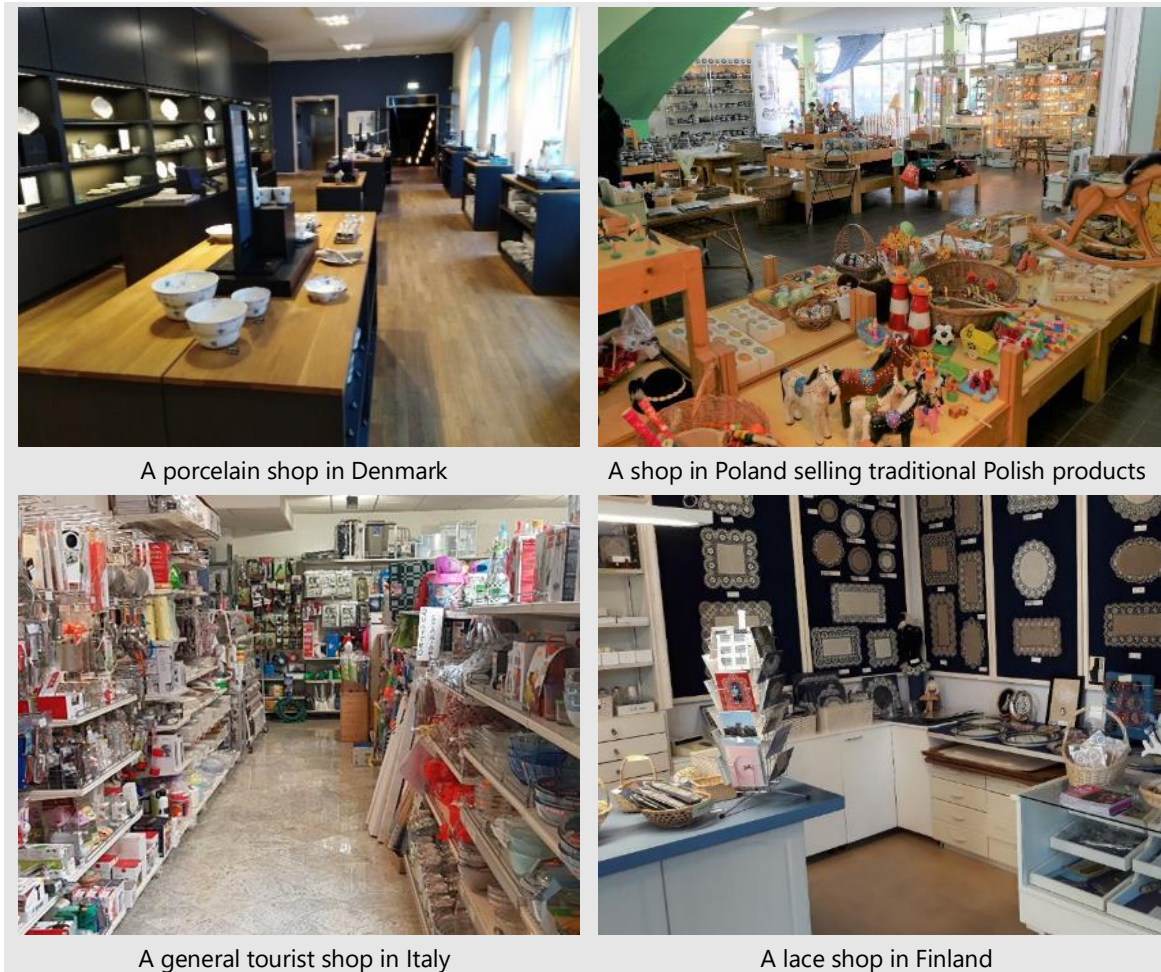
- Preparation to the on-site visits in the 10 Member States where the 25 products are produced;
- On-site shop visits;[3]
- Analysis of mystery shopping for each product and product group;
- Analysis of the data collected from all the shops visited for all the 25 products.

During the mystery shopping exercise, 102 shops were visited, i.e. about four shops per each of the 25 products chosen for in-depth analysis. Several types of shops were visited (given availability). The shops were divided into several non-exclusive categories in terms of shop location, size, types of products sold in the shop (e.g. product specific shop or a supermarket), shop's certification from producer and type of products the shops sell, in terms of authenticity (shops that sell only authentic products, shops that sell only non-authentic products, or shops that sell authentic and non-authentic products).

---

[2] Products are considered authentic for the purpose of this study if they use a geographical indication and are produced in the region using local traditional skills and/or local raw materials. Products are considered non-authentic if they use a geographical indication but are not produced in the region or using local traditional skills and/or local raw materials.

[3] Although the activity focused on on-site visits, online shops were taken into account to fill eventual gaps (notably when a product was not sold in many retail shops).

Figure 1: Examples of shops visited

A porcelain shop in Denmark

A shop in Poland selling traditional Polish products

A general tourist shop in Italy

A lace shop in Finland

4. Behavioural experiment

The purpose of the experiment was to assess the participants' willingness to pay, authenticity and search costs. The experiment was conducted in July and August 2019 and carried out in an actively managed online panel.

The total sample size was *N* = 3,005 with approx. *n* = 500 participants per country covering six EU countries from different regions and of different size. The sample within each country is representative of the (online) population based on gender, age and state-level regions.

Table 2 summarises the sample composition in more detail.

Countries were selected such that they were balanced across all European regions (Western, Northern, Southern, Eastern) covering both small and large Member States. Furthermore, the six countries are a subset of the ten countries where mystery shopping took place.

Table 2: Sample composition

Country	# of complete interviews	Gender distribution (%)		Age distribution (%)			
		Men	Women	18-29	30-49	50-64	65+
DE	500	49.2	50.0	16.8	34.6	25.6	23.0
FR	501	47.7	52.1	20.8	35.3	21.6	22.4
DK	501	49.1	50.5	21.6	29.1	26.7	22.6
PL	501	47.7	52.3	24.0	35.3	25.1	15.6
HU	502	47.4	52.2	20.1	37.6	23.3	18.9
IT	500	48.4	51.4	19.0	36.8	21.2	23.0

Notes: In order to recruit participants quotas based on census data were used. Nevertheless, there exist small differences to the census data.
The question on gender also included the answer options "other" and "prefer not to say". The replies, i.e. DE n=4, FR n=1, DK n=2; HU n=1 and IT n=1, are not reported in the table.
Source: ConPolicy analysis of the experiment and survey data.

The experiment consisted of six stages:

- **Stage 1 – Introduction for participants**

  In the beginning participants were briefed on the purpose of the study.

- **Stage 2 – Warm-up questions**

  Following the collection of basic demographic aspects such as age, gender and region, which were used for the sampling quotas, participants answered questions on further socio-demographic and attitudinal aspects.

- **Stage 3 – Willingness-to-pay exercise**

  Following an introduction to the task, participants completed five rounds where they had to express their willingness to pay (WTP), each time for one (simulated)[4] product within a different product category (knives, porcelain, laces, furniture and jewellery).

Figure 2: Screenshots of WTP task

- **Stage 4 – Authenticity quiz**

  In the authenticity quiz participants were asked to make pairwise comparisons between (simulated) non-authentic and (simulated) authentic sui generis GI-protected products respectively and other protected products within the same category. The basic task was to

---

[4] Simulated means that the presented products are an imitation of the authentic product that may be found in reality. Therefore, information on the actual product, i.e. on the origin, manufacturing techniques and raw material, was used to construct the descriptions.

decide which product is authentic. The decision was repeated for five rounds and for each correct decision participants received an additional amount of money on top of their general payment.[5]

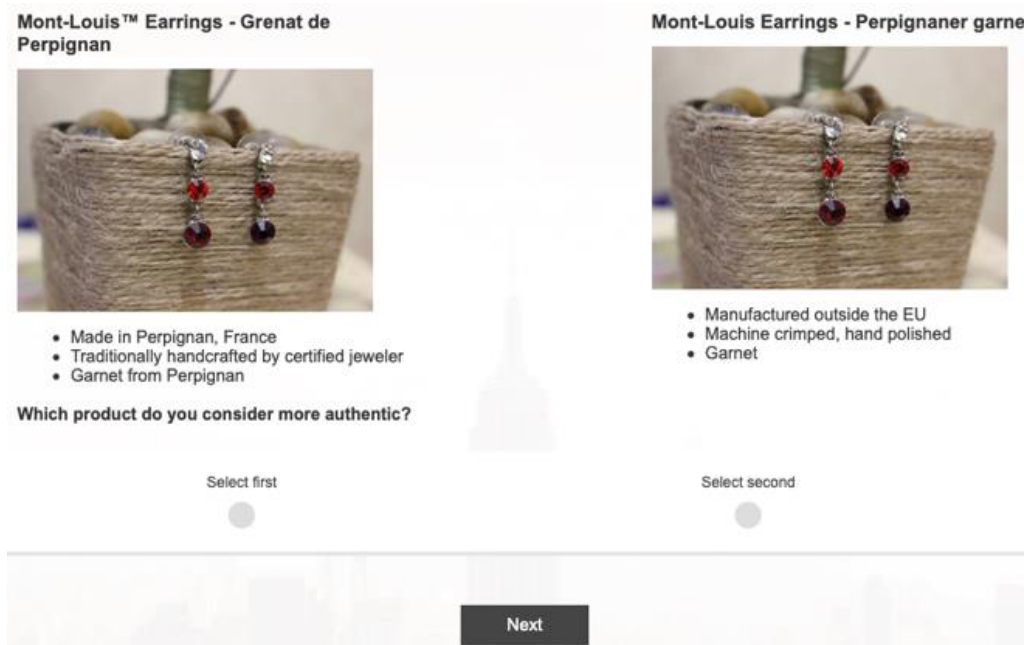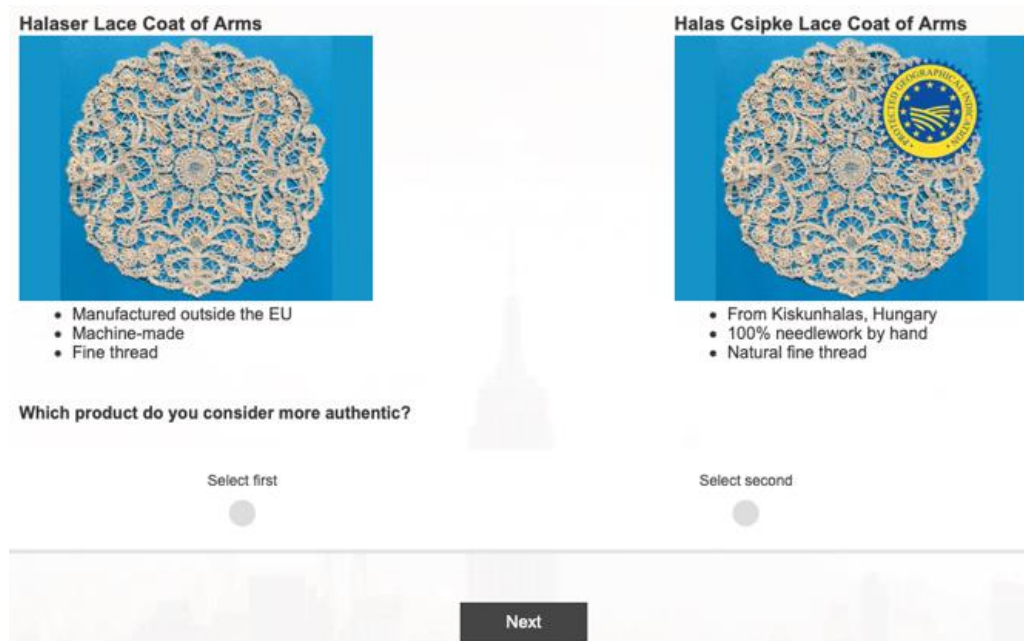**Figure 3: Screenshot of the authenticity-quiz (1/2)**

Mont-Louis™ Earrings - Grenat de Perpignan

- Made in Perpignan, France
- Traditionally handcrafted by certified jeweler
- Garnet from Perpignan

Mont-Louis Earrings - Perpignaner garnet

- Manufactured outside the EU
- Machine crimped, hand polished
- Garnet

Which product do you consider more authentic?

Select first

Select second

Next

Figure 4: Screenshot of the authenticity-quiz (2/2)

Halaser Lace Coat of Arms

- Manufactured outside the EU
- Machine-made
- Fine thread

Halas Csipke Lace Coat of Arms

- From Kiskunhalas, Hungary
- 100% needlework by hand
- Natural fine thread

Which product do you consider more authentic?

Select first

Select second

Next

---

[5] The incentivisation of the task was explained in an introductory text and adhered to standard practice in experimental economics in order to increase the salience of the task. The gains from the authenticity quiz were added to the flat fee participants received for participation. Participants could not lose money, at the minimum, they earned 0 additional experimental incentives and finished the survey and experiment with their participation fee.

- **Stage 5 – Search costs**

  As a direct measure of search costs, the time necessary to detect the authentic product in the authenticity quiz was measured. Furthermore, additional questions eliciting participants' preferences when buying a product were asked and may be used as proxies for search costs.

- **Stage 6 – Additional questions**

  At the end of the experiment participants answered additional questions on their personal experience with the products tested in stage 3 and 4 and their knowledge of other GI-protected products.

5. Producer interviews

For all 25 products producers, business associations, municipalities and other stakeholders were interviewed. These interviews provided insights on the products, the industries, and the often unique ways in which producers use and protect the use of the geographic origin. Interviews took place between March and July 2019. In total more than 50 interviews were conducted in 10 countries. Interviews followed a semi-structured approach, systemically covering the characteristics of the product, industry and market aspects, as well as the various intellectual property rights protection measures used. In addition, they also covered the geographical link of the products to their regions.