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**VALUE CHAIN GOVERNANCE STRUCTURES AND
MECHANISMS OF GEOGRAPHICAL INDICATIONS (GIs)
FOR WINES AND AGRI-FOOD STUFF:
*A COMPARATIVE CASE STUDY***

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ABSTRACT

The endorsement of an appropriate legal framework for Geographical Indication (GIs) could guarantee small-scale farming protection and collective custodianship authority of overseeing, as well as regulating unfair business practice and free riding from exploiting some well-established products' reputation in the supply chain of South Africa (SA). These pending constitutional parameters could strengthen the country's current GIs system to its fullest capacity for value creation, which would further offer business opportunities for local producers and access to the global supply chains.

The study considered and analyzed the GIs' value chain governance structures and mechanisms for the particular wine and agri-food (fresh and processed) products in Italy (IT), United Kingdom/UK (England and Wales) and SA. The rationale for choosing these countries was that; IT had an incredible history regarding GIs as a pioneer and one of the world's major specialty wine and food products' producers, while UK was a newcomer, though small but economically stable, was developing specialized wine production; and had enjoyed the recent adoption of GIs for wines. Then there was SA; an emerging aspirant that had a bigger market, specialized wines and agri-food production, and longest wine route in the world, plus SA had just also adopted the GIs systems even though they were pending legal frameworks. This work is based on a comparative study between an established market (IT), a new market (UK) and an aspirant (SA), which was considered to be an insightful approach to enlighten the SA's latest adoption and compliance of the GIs trading systems.

The intention was to address problems related to agri-food safety and traceability in the global supply chain agri-food in the midst of switching towards the adoption of exclusive quality standards and distinctions to serve consumers' awareness and demand.

Thus, the main aim of the study was to acquire a holistic view and understanding of how governance of value chains operated by comparing its structures and mechanisms and to identify as well as finding solutions to problems linked to bottleneck situations, sharing gains and trust.

A qualitative literature review was conducted to examine previous studies that could be relevant to the nature of this study in IT, UK and SA. This informed a qualitative investigation that used in-depth qualitative telephonic interviews, which were aimed at directors of GIs' consortia, associations, cooperatives and SMEs in IT and SA. Twelve (12) interviews with these key informants were recorded in IT, seven (7) and SA five (5), respectively with an aid of key interview guidelines. Then information was transcribed from each interview and content summarizing approach together with concept mapping was used to analyze the data. The results indicated that GIs were great sources of value creation and enhancement, which protected the product's quality and reputation. The results also showed that GIs could be useful marketing tools that could contribute positively towards rural economic development, and this could be viable through the effective value chain governance structures such as legal framework, not to mention effective supply chain management systems. Therefore, the implication was that SA should endorse its legal framework regarded GIs, and redefine and enhance its current Agricultural product standards. Thus, the study recommended that the creation of an effective business model, policies and legalities to suit the governance of GIs.

Keywords: Value chain, Governance, Geographical Indications, Italy, United Kingdom, South Africa, Adoption, Legal Framework

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EXECUTIVE SUMMARY

This research identified and analyzed the value chain governance structures and mechanisms that were used in the Geographical Indications of wine and agricultural food (fresh and processed) products. This study was comparative in nature, whereby it sought to understand a contrast of a specific situation between an established market and player, new market, and as an aspirant, which was considered an insightful case comparison for the first time in the scholarly literature. This specific situation was about Italy, which was regarded to possess a rich and pioneering history concerning the use of Geographical Indications and the production of specialized wines and agricultural products in the world. While the new market being the United Kingdom, was emerging, although small but economically stable, it was developing specialized wine production; not to ignore the fact that the country had enjoyed its recent adoption of Geographical Indications for wines and other specialized agricultural food products. On the other hand, was South Africa, an emerging aspirant that had a bigger market, specialized wines and agricultural food products, and the longest wine route in the world as the only oldest country in production outside Europe in the world, plus the nation had just also adopted the systems of Geographical Indications that were pending legal framework. The reasons for this provisional research besides transferring better knowledge to South Africa was to address the challenges surrounding the prevailing trend or movement towards the adoption of exclusive quality standards and distinctions in the global supply chains of agricultural food and wine products. This was due to an increased demand for authentic, traditional, healthy traceable products as a result of higher awareness of food safety. In addition, another major issue was linked to addressing the bottleneck situations, which could have been compromised in the global supply chains of agricultural food and wine products. In this theoretical framework, the main aims of this study were to acquire a holistic view and understanding of how governance of value chains operated by comparing its structures and mechanism in order to identify and find solutions to the problems

connected to bottleneck situations, sharing of gains and trust. Furthermore, another goal was to understand the specific situations of transferring better knowledge to South Africa. In particular, this research was performed in this manner: firstly, there was a determination of Geographical Indications' abilities as sources of value enhancement and rural economic development that was made. Secondly, there was another determination of how the value chain governance of Geographical Indications was organized in terms of decision-making over its business related activities that was done as well. Thirdly, there was analysis on finding out as to how information-flow was managed within or outside the Geographical Indications' consort even in the entire value chain that took place. Fourthly, the study sought to understand how the value was created, destroyed and maintained. Last but not least, there was a determination of problems linked to bottleneck situations, sharing of gains and trust that was done, and finally the study offered some thoughts and suggestions for further research.

Geographical Indications simply meant, the protective names or marks denoting the product's place of origin, which were linked to quality, reputation and tradition found there. These names are regarded to be the useful marketing that possesses a potential for rural economic development in emerging markets, as they legally safeguard the product against free riders and unfair business practices, directing the custodianship and wealth to the rightful owners in that particular community. Again, these protective signs could further symbolize the environmental and human factors that could be found in the place of origin of a product, such as the specific manufacturing skills and traditions. Whereas, value chain governance simply meant the administration of existing relationships and connections between buyers, sellers and regulatory firms, which worked together in synergy to bring a product from its raw state to its final form. Therefore, the study explored the current situation of South Africa, as an aspirant and a developing market that had just adopted Geographical Indications as some kinds of trade protection system despite the pending of the legal framework and even trying to understand the various dynamics involved in the country's shift towards compliance. The adoption was based on

the Economic Partnership Agreement (EPA) between the European Union (EU) and the six Southern African Development Community (SADC) countries namely: South Africa, Botswana, Lesotho, Mozambique, Namibia, and Swaziland. In the agreement, South Africa and the European Union swore to safeguard the Geographical Indications respectively, which included some wines, spirits, beers names and other agricultural products names such as the Karoo lamb, Rooibos tea, and Honeybush tea. In essence, the European Union would protect 105 of South African Geographical Indications/products while on the other hand; South Africa would safeguard 253 of the European Union's certified products. Thus, currently, South Africa awaited the approval, endorsement, and publication of its legal framework in the government's national Gazette system. This would be more useful because South African throne to ensure a healthy agricultural sector that would contribute to its Gross Domestic Product (GDP), food security, social welfare, job creation and ecotourism, while adding value to raw material, as one the most productive and robust subdivisions in the world. Interestingly, South Africa had well-advanced and organized commercial farming structures, and supply chain regardless of the fact that they were dominated by small-scale subsistence-based production, which could be noticeable in the country's rural areas. The key issue here was that these small-scale farmers faced challenges related to certification in terms of trading with major retailers since they could not content standards for consistency and quality for the produce. Therefore, as indicated earlier, Geographical Indications were regarded as devices that could play a huge role in local communities and rural development, by protecting the indigenous names of local communities and rural ensuring niche marketing strategies as well as competitiveness of farmers, gaining premiums and added value to their produce, which should be directed to the rightful producers or suppliers. Furthermore, this could protect and guarantee consumers of good quality assurances, agricultural food safety and traceability of these products. In that matter, the South African government's approval and endorsement of the legal framework for its Geographical Indications could ensure and guarantee the small-scale farmers in this regard, protect and a collective custodianship right to monitor and control free riders from

taking advantage of some well-established products and their reputation in the supply chains, which was where the value chain governance mattered.

A qualitative literature review was conducted to examine previous studies that could be relevant to the analysis of governance mechanisms in supply chain related to Geographical Indications for wine and agricultural food products in Italy, United Kingdom and South Africa. This informed a survey that used in-depth qualitative telephonic interviews, which were aimed at directors of Geographical Indications' consortia, associations, cooperatives and SMEs in Italy and South Africa since there were difficulties in reaching UK participants and time constraints. Twelve (12) interviews with these key informants were recorded in Italy, seven (7) and South Africa five (5), respectively with an aid of key interview guidelines (both in English and Italian; refer to appendix 1). Then information was transcribed from each interview and data was analyzed. The content summarizing research approach was used to examine the meaningful and symbolic content of qualitative interview data. In addition, concept mapping was further incorporated in order to make sense of linkages between the concepts from each interview. The results indicated that Geographical Indications were great sources of value creation and enhancement, which protected the product's quality and reputation. The results also showed that Geographical Indications could be useful marketing tools that could contribute positively towards rural economic development, and this could be viable through the effective value chain governance structures such as legal framework, not to mention effective supply chain management systems. Therefore, the implication was that South Africa should endorse its legal framework regarded Geographical Indications, and redefine and enhance its current Agricultural product standards ACT, 1990 (ACT No. 119 of 1990). Thus, the study recommended that the creation of an effective business model, policies, legalities, markets, information asymmetry, feasibility, and beneficiaries to suit the governance of Geographical Indications. In addition, more focused research should be conducted to determine alternative business strategies that could be incorporated in the usefulness of

Geographical Indications to unleash their full capabilities, not to ignore the notion of who and how the benefits would be shared in the trading system of Geographical Indications. Lastly more focused research should be conducted on effective policies to be adopted in a compliance stage of Geographical Indications in developing countries.

This study would be beneficial to the marketers, entrepreneurs, policy makers, agricultural economics, researchers, academia, Geographical Indications consortia, cooperatives, associations, SMEs, government sectors, agricultural food sectors, educational institutions, emerging markets, producers and suppliers, small-small farmers, retailers, supermarkets, farmers' markets, trade fairs and many more.

LIST OF ABBREVIATIONS

CoP	Code of Practice
EPA	Economic Partnership Agreement
EU	European Union
DOC/CDO	The Controlled Designation of Origin
DAFF	Department of Agriculture, Forestry and Fisheries (South Africa)
DOP/PDO	Protected Designation of Origin
DTI	Department of Trade and Industry (South Africa)
GDP	Gross Domestic Product
GIs	Geographical Indications
IGP/PGI	Protected Geographical Indication
IT	Italy
SA/RSA	South Africa/Republic of South Africa
SADC	Southern African Development Community
SMEs	Small & Medium-sized Enterprises
UK	United Kingdom
VCG	Value Chain Governance

GLOSSARY OF KEYWORDS

Geographical Indications (GIs)

Geographical Indications (GIs) are terms or unique signs that categorize a product as emerging from a domain where prominent traits, value or additional rare components of its composition in structure were heavily acquired from its area of origin, and human or innate influences there (Giovannucci et al, 2009)

Value chain governance (VCG)

Administration of existing connections/relationships between buyers, sellers and regulatory firms, which work together in synergy to bring a product from its raw state to its final form. This entails exercising control, power and setting a framework for entities to work accordingly along the chain (Humphrey & Schmitz, 2001)

CHAPTER 1

INTRODUCTION

1.1 Background

Geographical Indications are place-based names that convey the geographical origin, the cultural and historical identity of an agricultural products, which could also highlight specific qualities of a product which are the results of the human factors that could be found in the place of origin of the products, such as specific manufacturing skills and traditions (Kirsten, 2009). These registered and recognizable names or symbols, are not only declared to be potent mechanisms for boosting value together with rural economic growth in developing countries but are also beneficial to consumers in verifying the features of a good through validating its connection to its geographical roots, its peculiar manufacturing processes as well as typical features that are acclaimed to prevail in that territory (Canavari et al, 2017). Most importantly GIs guarantee health and safety assurances to consumers not to mention that these products could be tracked easily to their products there would be any discrepancies (Lee, Gereffi and Beauvais, 2012). In support of that, Kirsten (2009), indicated that there is a rapidly thriving demand for genuine, classical, healthy, identifiable and traceable products in the agri-foodstuff business by consumers. Such trends forge tremendous opportunities for producers to shift towards the adoption of exclusive quality standards, product distinctions and distributions, which could point to immense producers amounting together with earnings and overflowing opportunities to the regional economy (Kirsten, 2009; and Climent-Lopez et al, 2014).

Therefore, the notion was to explore South Africa's situation and conditions in this regard as an aspirant developing market that has recently adopted these kinds of trade protection

systems in its bag of Agricultural Product Standards ACT, 1990 (ACT No. 119 of 1990) to enhance business opportunities for producers and entrepreneurs, as an overall rural economic development strategy (Kalaba et al, 2015). According to the country's Department of Trade and Industry (DTI) (2016), there was approval of the Economic Partnership Agreement (EPA) between European Union (EU) and six (6) Southern African Development Community (SADC) countries, specifically South Africa, Botswana, Lesotho, Mozambique, Namibia and Swaziland. This agreement from SA and EU's viewpoint, covered the guardianship of their respective Geographical Indications (GIs), which include some wine, spirit, beer names and other agricultural product names, and this became active on the 1st November 2016. This translated into the European Union protecting 105 South African GIs products while SA returns the favor by safeguarding 253 of EU's certified products. Kalaba et al (2015), highlighted three (3) well known registered products besides wines, spirits and beers names, which were Karoo lamb, Honeybush tea and Rooibos (Redbush) tea, which have seemed to possess all the qualities required for the legal requirements of GI adoption, setting a well known benchmark to showcase the typology and dynamism of GIs' structures that would be feasible and appreciable in SA.

The South African Department of Agriculture, Forestry and Fisheries (DAFF) has recently formulated suitable regulations and standards relating to the protection of Geographical Indications that still waits to be endorsed and published in the government's national Gazette, even though it is a continuous process. This was to address the outstanding issues of not having legal and institutional framework in place to support the protection and improvement of agricultural products except for wines, spirits and beers. These were usually approached using common law strategies to content the Geographical Indications, which will not only guarantee custodianship over their offerings but also benefits for farmers in reaping some premiums as well as added value (Van de Merwe, 2009). Therefore, a certified South African GI would to an extent demonstrate these subsequent marks or acronyms, Protected Geographical Indication

(PGI), Registered Geographical Indication (RGI), or Republic of South Africa's Geographical Indication (RSA-GI) on agri-food, wine and handicraft products to distinguish them as high quality products amongst other agricultural commodities in SA.

The South African government thrives to ensure a healthy agricultural sector that contributes to its GDP, food security, social welfare, job creation & ecotourism, while adding value to raw material, as one of the most productive and robust sector in the world. This is made possible by the initiatives such as Proudly South African, which promotes the buying of local products and the using of domestic facilities to create employment. Having a colorful cultural variety together with an impressive spectrum of vegetation sorts, biodiversity, weather conditions and soil types the country's agricultural sector's emphasis in particular is in guaranteeing a secure and high-quality delivery of agricultural products and rural economic development to address its prevailing challenges (du Plessis, 2016). SA has well-advanced and organized commercial farming structures, as well as supply chains even though small-scale subsistence-based production dominate the sector notably in rural areas. However, there is an inadequate support from the government in terms of rural infrastructure, economic affairs and agricultural skills, which have pointed out to a major contribution towards the declining output, not to forget the fact that small-scale farmers battle with issues related to certification when it comes to trading with major retailers since they cannot content standards for consistency as well as quality (du Plessis, 2016). Therefore, the current mandate of the ruling political party in South Africa, the African National Congress (ANC) supports small-scale farmers in boosting their outputs, investments together with domestic food security, by providing developmental policies that ensure the unification of small-scale farmers into existing commercial value chains, and having access to bigger markets (WRENmedia, 2013).

According to Folkesson, (2005); and Kirsten, (2009); and Canavari et al, (2017); and Parasecoli, (2017), products bearing a GI mark are treated as possessing some potential advantages towards rural economic development. In this framework, GIs play a huge role

in local communities and rural development, by protecting the indigenous names of local communities, enabling niche marketing strategies and increasing competitiveness of farmers, by gaining premiums and added value to their produce, which should be directed to the rightful producers or suppliers. In addition, consumers are well guaranteed of quality assurances, agri-food safety and traceability of these products. Rangnekar (2004) and Trejo-Pech (2010), further pointed out that GIs not only act as barriers to entry for producers who belong to the outside part of the protected region, but they also represent a collective ownership right that monitors free riders from taking advantage of a well established product and its reputation. Lastly, GIs as sources of value, appealed to be useful tools that preserve local cultures as well as traditions in deprived regions if governed well (Pacciani et al, 2001).

Vandecandelaere et al (2010); and Fraser (2013), sum up with an indication that, the systems and guidelines involved in the running and the administration of Geographical Indications (GIs) are set, defined, and stirred by local producers as well as processors through a code of practice (CoP), then an incorporations of a well structured statutory framework, which entails a strong institutional structure of producer organizations, quality restraining business and imposing entities. Furthermore, the institutional arrangements engaged in the governance of GIs can safeguard the following factors;

- The product and its production guidelines,
- Management of production irregularities as well as unethical business dealings,
- Guarantee quality assurances through recognizable products,
- Instilling consumers' trustworthiness,
- Controlling, coordinating and regulating all entities and activities, stirring them towards the chain's anticipations.

According to Humphrey (2001); and Canavari et al (2017), the value chain governance (VCG) designs carry essential business suggestions, which could be intertwined beneficially with the exceptional logic pertaining the Geographical Indications (GIs) as

vital sources of value that possess marketing and other business abilities, and devices that could address matters related to rural economic development in emerging markets and global value chain irregularities.

Therefore, analyzing the VCG structures and mechanisms of GIs for wine and agri-food products is of utmost importance for this study. According to Humphrey and Schmitz (2001), governance is a very important concept in the global value chain of agri-food products, which sets some administrative parameters in the existing relationships between buyers, sellers and regulatory firms. This entails the exercising of control, power and setting of a framework for entities to work together accordingly, along the chain in bringing a product from its raw state to its final form. In addition, if a chain has no governance, there would be a string of uncontrollable business affairs.

However, there are challenges linked to the switching towards the adoption of exclusive quality standards and distinctions due to high demand for authentic, traditional, healthy and traceable agri-foodstuff as a result of a higher awareness of food safety which transverse across the entire global supply chains of food, not to forget the bottleneck situations that stimulate this trend (IIberry and Kneafsey, 2000; and Kirsten, 2009). Besides, the governance of GIs has been as significant model that could be used in addressing the issues of traceability and agri-food safety. In all the studies that the researchers reviewed, not even one had outlined these concerns of challenges linked to the switching towards the adoption of exclusive quality standards and distinctions, and bottleneck situations, sharing gains and trust could be identified and analyzed. Therefore, this study aims to occupy that gap, giving new outlook to the issues understudy and to contribute towards academia.

1.2 Research Aims and Objectives

This study analyzes the VCG structures and mechanisms of GIs for wine and agri-food products. The notion is to explore the contrast between an established market and player (IT), new market (UK), and an aspirant (SA), in order to transfer knowledge to SA. Thus, the main aims of this study are as follows:

- To analyze the VCG of GIs for wine and agri-food products in IT, UK and SA,
- To evaluate a contrast between an established market and player (IT), new market (UK) and an aspirant (SA),
- To acquire a comprehensive understanding of how VCG operated and its challenges,
- Better knowledge transfer to SA, on how institutions that regulate collective trademarks may work in these situations thereof.

The secondary objectives of the study are as follows:

- To determine how GI's VCG are organized in terms of decision-making over activities and type,
- To find out how the flow of information was managed within or outside the consortia,
- To understand how value could be created, destroyed and maintained,
- To determine problems linked with bottleneck situations, sharing of gains and trust,
- To determine GIs' value enhancement capabilities,
- To offer some thoughts and suggestions for further research.

The final scope would be to utilize the intelligence acquired from this thesis to give insightful knowledge about the appropriate governance sequences and policies of adopting Geographical Indications (GIs) in multi cultural and ethnicity countries such as

South Africa, who has just adopted these systems though lacking legal frameworks, as in stirring them in moving towards compliance.

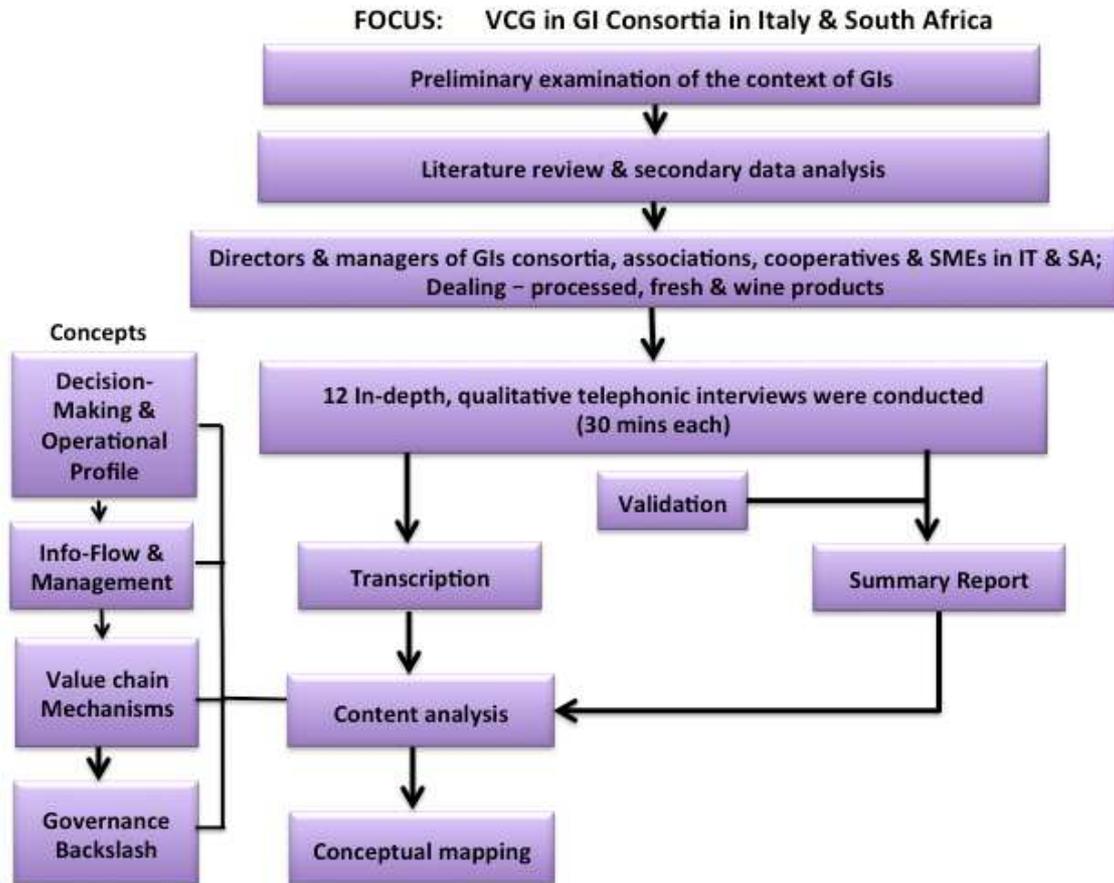
1.3 *Material and methods*

There was a qualitative literature review that was conducted to examine the previous studies that could be relevant to the analysis of governance mechanisms in supply chain related to Geographical Indications for wine and agricultural food products in Italy, United Kingdom and South Africa. This informed a qualitative investigation that used in-depth qualitative telephonic interviews, which were aimed at directors of Geographical Indications' consortia, associations, cooperatives and SMEs in Italy and South Africa since reaching UK's participants was impossible due to time constraints.

Twelve (12) interviews with these key informants were recorded in Italy, seven (7) and South Africa five (5), respectively with an aid of the key interview guidelines, which were written in both English and Italian, and this could be referred to in appendix 1.

Then information was transcribed from each interview and data was analyzed. The content summarizing research approach was used to examine the meaningful and symbolic content of qualitative interview data. In addition, concept mapping was also used, which was a useful metacognitive tool that stimulated the understanding of interactions and linkages between these semantic categories (concepts) from each interview (Kinchin and Hay, 2000); as shown in **Figure 1**, which outlined the overview of how the study was designed.

Figure 1 Research design of the overall study



Source: Own elaboration

1.4 Outline of the Thesis

This research report consists of the following four (4) chapters: theoretical background, a literature review, qualitative analysis of in-depth interviews with key informants, and the discussion and conclusions. The theoretical background part gives a summarized theory on the value chain governance in food supply chains and basic information on GIs, focusing on the target countries, while the review section outlines a qualitative analysis on literature based on how other researchers who studied topics of this interest coped

with these problems under study. This part was turned into a review paper that has been submitted for publication in the International Journal of Food and Beverage Manufacturing and Business Models (IJFBMBM). When it came to the qualitative analysis of in-depth interviews with key informants section, the intension was to define the tabulation of the statistical processes and techniques that were used to analyze the qualitative telephonic interviews, such a the summary report of each interview, transcription of recorded data, content summary approach and concept mapping analysis, the interpretation of the results. Lastly, the discussion and conclusions part confers the results of the study, wraps up and, make relevant recommendations and referrals for future research projects of this magnitude and beyond.

CHAPTER 2

CONTEXT OF THE STUDY: THEORETICAL BACKGROUND OF VCG AND ROLES OF GIs IN FOOD SUPPLY CHAINS*

Abstract

The efficiency of Geographical Indications (GIs) is presumed to be associated with some strategic marketing activities, which are fully depended on the structures of the value chain governance systems to take place. In addition, the appropriate governance structures (market, modular, relational, captive and hierarchy) are further determined by quality's plan of action that entails design, product, market, delivery and collaborative decision-making processes. In this frame of reference, this research aims to give an insightful theoretical background of contrasting situation related to the value chain governance structures and mechanisms of GIs for wine and agri-food products in Italy, the United Kingdom and South Africa. The rationale for this consideration in the case-comparison of these countries is based on their level of development in using and dealing with the Geographical Indications, and these country's response tactics to the issues of traceability and food safety. The analysis of this theoretical background was informed by the literature of the study. The findings suggest that governance is an important concept in the global value chain of wine and agri-food products that utilized GIs, which sets some administrative parameters in the existing relationship between, sellers and regulatory firms. Finally, the implications are that the value chain governance of GIs can

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be a great model, which can appeal to the issues of traceability and agri-food safety in the global supply chains of food.

Keywords: Geographical Indications (GIs), Value Chain, Governance Systems, Supply Chains, Wine, Agri-foodstuff, Traceability, Food Safety, Theory, Background

2.1 Introduction

According to Porter (1985), value chain is a linked set of value-added activities that an organization and its employees carried out to deliver a product from its idea to its ultimate consumers and further, which includes designing, producing, marketing, delivering, supporting products and services, as well as collaborative decision-making processes. So, in accordance to Gereffi and Fernandez-Stark's (2011) clarification, governance simply defined how value chain is controlled, how policies are established, and regular auditing of their appropriate execution, by stakeholders in the supply chain. This includes structures needed to harmonize the powers of the stakeholders in relation to their individual responsibilities, and their basic commitment in reinforcing the welfare and growth of the firm. Moreover, Humphrey and Schmitz (2001), indicate that value chain governance identifies the existing connections between purchasers and traders, service providers and policy makers, who play a huge role in influencing a number of actions needed to develop a product or service that would be delivered to the ultimate consumer. This process is a strategic approach that entails competency and management of all internal and external activities that occur along the chain; and which contributes positively to the overall success of the company. In addition, if a value chain has no governance, there would be a string of uncontrollable business affairs, which can negatively affect the running of the entire chain.

Thus, this theoretical background of value chain governance in food supply chains is organized as followed: why VCG mattered to the stakeholders, types of VCG,

determinants of governance structure, recommended practices, GIs for wine and food products in IT, the UK and SA, and VCG of wine and food products.

2.1.1 Why VCG mattered to stakeholders

It is essential to understand the importance of governance to the stakeholders, as these following factors demonstrate how it helped in determining the:

- **Acquisition of production capacity**

In a combined entity of a supply chain, it is down to the lead firm's administrative capabilities to ensure that cost reduction, quality improvements and raising the pace of activities are taken care of in order to enhance the arrangements, production streams and boosting expertise, so as to create value (Humphrey and Schmitz, 2001). This is undertaken constantly by assessing and tracking any possible discrepancies along the supply chain that could impede the flow of activities and services, for the sake of delivering the right quality of products at the right time. It is also very important to transfer information as well as support to the relevant bodies along the chain by observing what buyers were doing then communicate best practices to deliver services or bring firsthand input on how to advance manufacturing mechanisms together with manufacturer's expertise (USAID Microlinks, 2016). These generic strategies ultimately assist firms in their market access, performance and expansion.

- **Market access**

Developed countries have devised mechanisms in order to control the challenges surrounding the trade barriers, which then regulated barriers to entry for developing countries as far as gaining access to the market was concerned, since the chain's administration was subjected to a handful of powerful lead firms. Therefore, for firms which were interested in the export production or trading in developed countries needed to contact these lead firms to the permission as well as terms and conditions of gaining access in the new business world.

- **Distribution of gain**

According to Humphrey and Schmitz (2001), a clear interpretation of how a value chain is administered set a fair sense of how distribution of gains occurs along the supply chain. And, Banga (2013), further notes that gains are unevenly distributed across value chains, which meant it would be very important for firms to recognize which activities could maximize returns, together with identifying who would be responsible in engaging in these value-adding segments.

- **Leverage for policy initiatives**

According to Barnes, Bassot and Chant (2011), when it came to leverage, policy initiatives were useful tools that could speed up a robust change in the business world which could ultimately affect and influence the way the supply chains as well as suppliers operated or approached business. Therefore, grasping the concept behind the chain administration phenomenon and the diversity of authority clearly, lead firms could be able to be in position to aid in terms of control management in any situation across any platform for the benefit of all entities in the bigger picture, adding a progressive value in all avenues or an increase in a reasonable distribution of gains.

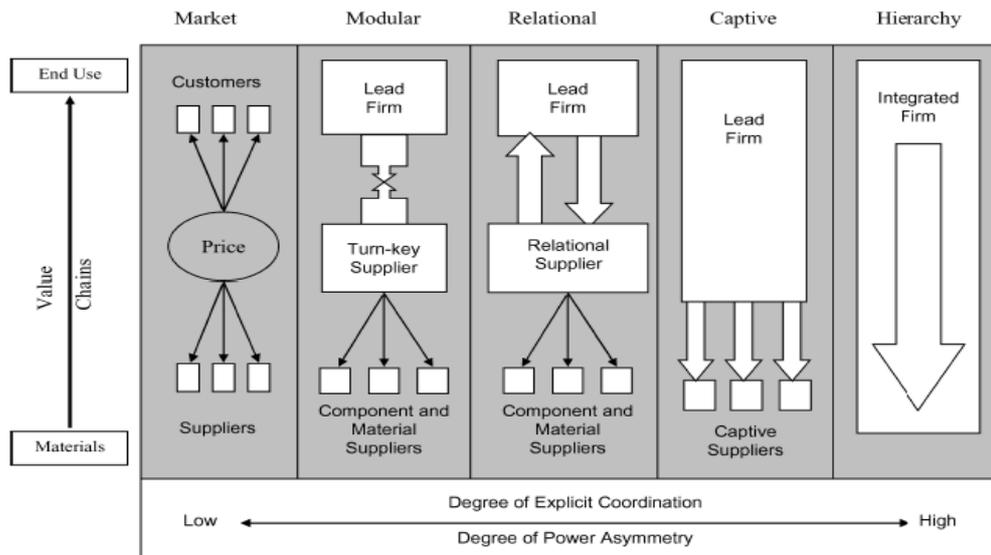
2.1.2 Types of VCG

A further aspect of consideration for this review is to investigate how and where value was created, transferred and distributed along the supply chain. It is important to understand how value chain governance functions or operates, by evaluating value chain types and comparing them in terms of their structures. Gellynck and Molnar (2009) indicate that value chain governance types differed when it came to complicated formations of their structures. As such, this approach would open-up a wide array of activities along the value chain, which would show how a product was brought to life, its architecture, involvement of suppliers and their raw materials, its commerce, its transportation and end-users approvals. Therefore, the types of value chain governance explored were in a form of or represented network-style governance, which dwelled upon control and coordination of production without having any straightforward possession of

any firm, and these types would be illustrated in **Figure 2** and defined as followed (Gereffi, Humphrey and Sturgeon, 2003):

Figure 2

Types of value chain governance



Source: Gereffi, Humphrey and Sturgeon, 2003.

- **Market**

These kinds of value chains are characterized by being of arms' length in nature regarding or in insinuating the relationships that existed between stakeholders, and are appropriate in merchandizing situations. They also entailed some simple business dealings, providing necessary instructions or information related to how specified a product was or how the product operated, and there was normally less production input involved from buyers. And thus, regional value chains were mostly designed to serve regional market channels (Gereffi, Humphrey and Sturgeon, 2005).

- **Modular**

According to Gereffi, Humphrey and Sturgeon (2003), modular value chains represented situations whereby suppliers manufactured products according to the client's specifications and details. And also suppliers took a complete responsibility of

simplifying all technical processes related to complicated transactions on behalf of the client.

- **Relational**

Relational value chains represented the types of governances that had network structures in terms of design, by which there was synergy amongst buyers and sellers, which further aided in the sharing of information and responsibilities to a larger extent (Menkhoff, 1992).

- **Captive**

Characterized by tremendous standards of auditing as well as regulations from the lead firms, these styles of value chains governance were dominated by few but influential buyers who possessed a great deal of power and control over dependent smaller and lesser capable suppliers. And these suppliers required a high level of support (Gereffi, Humphrey and Sturgeon, 2005).

- **Hierarchy**

Being the entire operations of a vertically assimilated and managerial control of certain firms that conduct their development as well as production in-house, and this characterized these types of chains due to production specialization with no top-notch suppliers available (Gereffi, Humphrey and Sturgeon, 2003).

2.1.3 Determinants of value chain governance structure

Governance structures are never constant in operations, they fluctuate as the industries emerged and expanded changing from one level of the chain to the next one (Balwin and Clark, 2000). Therefore, this vigorous character of value chain governance could be determined or influenced by information complexity, information codification and supplier capability, which are discussed as followed and it is also very important to note that if any of these three determinants changed then that affected the governance's arrangements, which might have shifted in an expected manner:

- **Information complexity**

This was a vital and an influential exchange of information as well as understanding, which ensures that a precise undertaking might transpire. And these types of complex undertakings might be affiliated with either modular, relational or captive governance network-styles; or even hierarchy if it only occurred within a single firm (Gereffi, Humphrey and Sturgeon, 2005).

- **Information codification**

This was whereby the advancement in industries or business world had figured out, a simpler way of coding complicated information in such a manner that data could be handed or transferred between stakeholders or partners along the supply chain in simpler terms through the state-of-the-art information technology at minimal cost. Trienekens (2011) further emphasized that industries must invest more into research and development (R&D) in the field of technological innovations in order to stay ahead and above their competitors.

- **Supplier capability**

The supplier should be competent enough to meet the needs his/her business deals in order to be able to offer products of good quality and quantity according to deals requirements at the right time. The supplier should also take good care of environment in this regard, and to ensure that labor and safety standards are met and kept all the time (Gereffi, Humphrey and Sturgeon, 2005).

A typical illustration to exemplify the idea behind the determinants of value chain governance structure (information complexity, information codification and supplier capability) is that of the computer based system found in grocery stores or supermarkets, namely barcode technology or barcode scanners. These are characterized by a black and white zebra like stripes attached to the products containers. These stripes are coded with precise information regarding the product and could be read by a barcode scanner in specified places in the store (Woodford, 2015). The motive being to help track of products, prices and stock levels, keep track of stolen items, and this allows the keeping of an integrated record or data on computer system, which ultimately helped every

stakeholder along the chain to have easy access to information about these products, anywhere as long one was part of the chain.

2.1.4 Recommended practices

In order to understand and follow proper practices, and investigation regarding the value chain governance had to be conducted to determine, the principles of where, how, as well as when could stakeholders mediate to influence the fundamental changes in business management, by briefly understanding the following dynamics:

- **Economic interests**

It was very important to assess the financial performance at any point along the value chain, in order to determine the impact and the degree of changes occurring along the chain, which might influence the projection of benefits, profit and power that might be received by the lead firms as opposed to suppliers (Megento, 2010).

- **Social structure**

This would be a strategic marketing communication mix type of approach of a firm (sort of public relations), whereby practitioners collaborated on free or indirect business ventures or involvement with the social or public figures insinuating the caring impression. These public figures could include community leaders, major farmers, and elders, who might want to associate themselves with the firm and end up buying from it (Gereffi, Humphrey and Sturgeon, 2005).

- **Competition and strategy**

The firm's competitive edge over its rivals depends on changes in the level of competition, its positioning in terms of differentiation and innovation or changes in value chain's system, which might determine its profitability in the industry eventually, it was through its successful governance strategy to ensure its expediency and longevity (Gereffi, Humphrey and Sturgeon, 2005).

A typical example of proper practices regarding value chain governance is the European Retail Round Table (2016) initiative, whereby; supermarkets or retail stores carried loads

of diverse range of products from various companies with peculiar supply chains of unique tendencies as well as ramifications. This forms a network of significant actors who were working together in business partnerships to serve some highly competitive markets, in well-organized operations along their supply chains in order to provide the finest and greatest contemporary offerings to their end-users.

Therefore, lead firms might encourage capacity improving governance amongst all levels of the chain, as well as speeding the development of supporting markets.

The bottom-line was that, value chain governance fostered information sharing that would head to creativity which would further help institutions to boost their performance, identity and maintain their competitive edge along the chains. Therefore understanding how the incorporation of highly valuable quality products, such as GIs (Protected of Origin or PDOs) in the supply chain would really work. The idea being that wine and food (fresh and processed) products GIs as quality certified products, could address the issues related to traceability as well as safety assurance, even adding marginal value to business along the chain hence their exploration in Italy, UK (England and Wales) and South Africa.

2.2 GIs, wine and food (fresh and processed) products in Italy, UK (England and Wales), and South Africa

Geographical Indications (GIs), are defined as names or distinctive signs that classified a good as emanating from a demarcated region or domain where a distinguished quality, stature or other unique factors of a good were substantially derived from its geographical roots, human or natural factors there (Giovannucci et al, 2009). According to Kirsten (2009), that could also mean specific manufacturing skills and traditions originating and associated to a particular region, such as the traditional handicraft products. Addor and Grazioli (2002) further indicate that, if GIs were used in a proper manner under a well-

managed protection, they could become marketing engines of great economic value since they could bring competitive advantage, more added value to a product, increased export opportunities, strengthened brand plus they could protect or help established goods against fraud. Furthermore, GIs as another type of PDO, where public certifications which represent an offering from a consortium assuring and guaranteeing genuine or authentic quality products to the consumers, which was enforced by different production mechanisms and governance over the supply chain. These signs also helped farmers' or firms' products to gain profitability and global competitiveness in this rapidly evolving industry (Agostino and Trivieri, 2014). A typical GI supply chain involved stakeholders, product, area, specifications and governance.

Italy (IT): Wine and food (fresh and processed) products play an essential part in the Italian culture and cuisines, and evidences could be seen in retail stores that carried an array of varieties of wines, cheese and dairy products, olive oils, fruits and vegetables, hams and meat, Neapolitan pizza and many more in different price ranges, making affordability suitable for anyone. Italian wines in particular were described as having a very smooth style, aromas as well as flavors, most importantly they are not 'attention seeking' (Oronzo and Partners, 2013). Whereas, the agri-foodstuff comes in different varieties, characterized by; quality (ingredients, production processes and displays), simplicity, fantasy, healthy and traditional, which are produced under very rigid conditions and regulations (Discoveritalianfood.com, 2017). This is made possible by a favorable Mediterranean climatical condition, which made the country to produce approximately 51.5 million hectoliters (hL) of wines per year, on privately owned or shared vineyards (Oronzo and Partners, 2013). While the agri-food as well as the restaurant sector amounts beyond 2 million businesses, contributing up to 8.7% of the country's GDP, impressively making the Italian agri-food industry's identity and reputation the most appreciated and simulated in the world (Capparelli, 2014).

Recently studies have indicated this country to be the number one leading country in wine production and some of the specialty products such as cheeses and hams (GI differentiated ones) in the world in terms of volumes, as well as in the consumption of its own wines (OIV, 2016). Italy has sustained and backed rules related to the acknowledgement together with the regimentation of DOPs, PGIs and TSGs for wines and agri-food (fresh and processed) products (Arfini and Capelli, 2009). According to Rosati (2016), there are currently 851 GIs totally in Italy, 289 for agri-food stuff, 523 for wines and 39 for spirits. However, the biggest consumer of Italian wines was the United States, which imported 1.3 billion Euros worth in 2015. The export value of the GIs in totally amounted to 7.1 billion Euros countrywide (Rosati, 2016). While in 2013, companies such as Parmigiano Reggiano (cheese) exported +5%, and still maintained a steady domestic consumption. Additionally, in 2015 the Prosciutto di Parma, exported +3.9%, which amounted to 8.4 million, hams in total and steadily growing (Prosciutto di Parma News, 2015). According to Stasi et al (2011), the most well known GIs in the Italian wine market (hotels, restaurants, households and catering) and industry were the ones illustrated in **Table 1**:

Table 1 Quality assurance labels

GIs	Full GI name in Italian	Full GI name in English
DOC (<i>Italian legislation</i>)	Denominazione di Origine Controllata	The Controlled Designation of Origin
DOCG (<i>Italian legislation</i>)	Denominazione di Origine Controllata e Garantita	The Controlled and Guaranteed Designation of Origin
IGT (<i>Italian legislation</i>)	Indicazione Geografica Tipica	The Geographic Typical Indication
DOP/PDO (<i>EU legislation</i>)	Denominazione di Origine Protetta (DOP)	Protected Designation of Origin (PDO)

IGP/PGI (<i>EU legislation</i>)	Indicazione Geografica Protetta (IGP)	Protected Geographical Indication (PGI)
TSG (<i>EU legislation</i>)	Traditional Specialities Guaranteed (TSG)	Traditional Specialities Guaranteed (TSG)

Source: Author

These above-mentioned quality certifications, labels, marks or systems associate agricultural products' quality such as wines, cheeses, hams and many to their territory of origin together with their unique production processes, which symbolize their heritage in terms traditions. These marks make Italian wine or other specialty products stood out in the market as of good quality. Moreover, the first three marks (DOC, DOCG and IGT) in **Table 1** initially are certifications of wine products or spirits only, while the latter (DOP/PDO and IGP/PGI) strictly represented agricultural food stuff however, there was a mandatory conversion of these two groups of certifications, which transpired in them being applicable for both wines/spirits and food stuff. According to the 2013 Italian wine's industry report, there were 330 DOCs, approximately 70 DOCGs and about 120 IGTs, coming from 2000 indigenous grape varieties. Whereas Gori and Sottini (2014) indicated that there were 476 DOPs for the wine sector and 129 GIs for agri-food products. On the other hand, dell' Orefice (2015) outlined that; there were 273 PDOs and PGIs for wines and 39 GIs for spirits and other alcoholic beverages, making Italy the number one country in the world in terms of certified products. Moreover, Gori and Sottini (2014), 72 wine consortia were fully committed and implemented their activities on the basis of the guidelines stipulated by EU and the national legislation, while there was skepticism from others. Another study conducted by Gellynck and Molnar (2009) on chain governance structures indicated that the Italian traditional food and beverage sectors were expected to elevate to higher levels of association as a result of continuous integration within the European Union (EU).

UK (England and Wales): UK in general was a new player in the production of specialized wines who recently has enjoyed the adoption of GIs, and was characterized as being a self-sufficient producer of agri-food (fresh and processed) products. United Kingdom had a great economic power and a high consumers' buying power, making it one of the largest and most progressive grocery retail markets in Europe (Incles, 2013; and Hawksworth and Chan, 2015). However, its wines were literally regarded as some of the worst in the world in terms of taste, perhaps due to the impact of climatic conditions and few producers, which made the British to rely on imported grape concentrates from other countries and even in the past cheap Sherries from Spain and South Africa. However, localized regions within England and Wales have more latterly proven their ability to produce high quality in wines (such as sparkling, like champagne). The volumes are small but they are specialized, and have recently adopted the use of GIs (Robinson, 2016). Smithers (2015), indicates that English wine had changed from being a mockery to gaining respect with the current annual sales of 6 million bottles, and the figure was projected to double up in the year 2020, thanks to family-owned producers such as the Ridgeview Vineyards. This had also inspired new and more developments of vineyards in UK (England and Wales), amounting to 40% of them in 2013. According to the UK government (2015), there are 65 products protected altogether in the country, 38 PGIs, 25 PDOs and 2 TSGs. UK wine producers used PDO or PGI systems, the same protection schemes that were used by the Italian wine and food (fresh and processed) products. These schemes were applied on both wines and spirits as well. The sparkling wines amounted to 1 billion Pounds Sterling worth of sales in 2016. However, according to Siddle (2015), UK consumers were paying nearly 60% in tax on every bottle of wine as well as 80% on spirits, which questioned the system's balance when it came to the payment of duty rates, and this country was the third (3rd) largest importer of Italian wines in the world in 2015.

According to Anonymous (2016), wine consumption in the United Kingdom was gradually growing since the most dominating alcoholic beverage was beer, which placed

it in the second place nationwide. In addition, as far as trends were concerned, in UK's wine industry, young consumers were the largest users of wine products but this was projected to change in the future due to the fact that they had shown a great tendency of switching liquor from time to time, which might imply that their behavior was most influenced by fads, therefore, successful efforts strictly relied on marketers (Ritchie, 2011). This could be possible through the use of branding, which could help in terms of product identity, plus there could be an increasing growth of private labels (e.g. Fairtrade) that were not only gaining premiums as well as segments, and drove poorer brands out of business.

There was an array of agri-food products and drinks that were safeguarded under the PDOs, PGIs and TSGs, as they met all the prerequisites and qualities required by the EU's legislation in UK. These ranged from cheeses, meat (fresh and processed), fish, fruits and vegetables, wines, and spirits. Therefore, some of the well known were Scotch Whisky, Grimsby Smoked Fish, Melton Mowbray Pork Pies, Stilton Cheese, Cornish Sardines and many more (GOV.UK, 2015). When it comes to the food supply chain, the UK industry is more conscious about the visibility of the food supply chains, sustaining an increased level of available food, waste reduction and satisfying consumer's needs with the right quality food (fresh and processed) products or even services, and working endlessly towards adjustment measures where need would be along the chain to ensure that all is possible (Siddle, 2015). Humphrey and Schmitz (2001), further emphasized this notion, that in countries such as the UK, there were quality systems in place in their major supermarkets that exercised control over food supply chains in order to ensure good inter-firm relationships along the value chain.

South Africa (SA/RSA): SA has a diverse world-class food cultures that have shaped its domestic recipes into a colorful spectrum of cultural flavors that are Proudly South African. Boasting of its finely detailed, award winning wines and restaurants in the world, its cuisines and wines range from an array of influences from Malay, Dutch,

British, Italian, French and African (Ray, 2009). In 2014, South Africa was ranked one of the best-specialized wine producing countries in the world, despite the fact that it had a longest wine route in the world, which encompassed the best Cape wine lands, Stellenbosch, Paarl and Franschhoek and the country was the only oldest wine producer out of Europe in the world. The food, beverage and grocery items were carried by mainly four (4) retail outlets, namely: Shoprite-Checkers, Pick 'n Pay, Spar and Woolworths, which account to 2% of the total food retail outlets, not to forget their expansion and development in the rest of the African continent (ICE, 2013). According to Deloitte (2016), the grocery retailing dominated the industry whereby Shoprite-Checkers “the biggest retail store in the African continent” was the highest contributor out of 64.8% of the total retail sales in 2013. As an emerging market and an aspirant, SA has just recently (Nov 2016) adopted the GIs systems to enhance its Agricultural Product ACT, 1990 (ACT No. 119 of 1990), which still lacks legal framework (Kalaba et al, 2015; and DAFF, 2016).

The approval was based on an Economic Partnership Agreement (EPA) between European Union and six (6) Southern African Development Community (SADC) countries, specifically South Africa, Botswana, Lesotho, Mozambique, Namibia and Swaziland. In this agreement, SA and EU were bound by the custodianship of their respective Geographical Indications (GIs), which included some wines, spirits, beers names and other agricultural product names. This meant that the European Union would have to protect 105 of South African GIs products whereas SA would have to do the same, by safeguarding 253 of EU's certified products (DTI, 2017). Amongst the specialized agri-foodstuff (fresh and processed) that SA produces, Karoo lamb, Honeybush tea and Rooibos (Redbush) tea were the only three (3) products that were registered as GIs, since they possessed and fulfilled all the legally required qualities to be recognized GIs (Kalaba, et al, 2015). On the other hand, the previous contention between EU and SA over the use of names Port and Sherry, which were regarded as misleading as a result of the 1930's crayfish trade agreement between France and SA over the rights

and custodianship of the crayfish industry and other wine appellations of origins, was finally rectified since its 12 year transitional period has lapsed (O' Connor, 2007). Hence this new Economic Partnership Agreement (EPA), which permitted EU and SA to protect their GIs in wines, spirits and beers names and other agricultural products respectively, and all EU GIs still retain the same marks that were stipulated in **Table 1** accordingly to trade in SA, while SA proposed to use of the following names and acronyms: Protected Geographical Indication (PGI), Registered Geographical Indication (RGI), or Republic of South Africa's Geographical Indication (RSA-GI) on agri-food, wine and handicraft products to distinguish them as high quality products amongst other agricultural commodities both locally and internationally.

Wines, spirits and beers names were previously protected under common laws in SA to content the Geographical Indications, which was a beneficial method for farmers to reap a premium as well as added (Van de Merwe, 2009). As much as there was a pending legal framework regarding the administration of GIs, there was a formulation of suitable regulations and standards in this regard which will be endorsed and published in the government's national Gazette (DAFF, 2016).

In the European wine and food industry, producers from countries such as Italy possess a great competitive edge due to certifications, when it came to quality over other wine products, from where producers' were not the members of a relevant consortium; from the PDO system's frame of reference. According to Agostino and Trivieri (2014), quality wine and food products produced in particular areas of Italy were associated with higher exports value due to the GIs. In general, analyzing the relationships between business and quality, meaning the associations between trade and GIs helped wine consumers not to experience any difficulties in time of purchase.

2.3 VCG of wine and food products

According to Wittwer, Berger and Anderson (2003), the global wine industry is a vulnerable business venture that is subject to consumption fluctuations and shifting purchase patterns, which ultimately affect the production capacities of producers; which subsequently enforce major adjustments along the chain as far as governance is concerned. Whereas, the general food industry as complicated as it might be, is subjected to the international network of various firms that provide most of the food worldwide, apart from subsistence farmers who produce food for their own consumption and can only sell their surplus (Vincent, McLeish and Soemali, 2014).

This idea of shifts in consumption patterns directed some of the European countries to engage in policy changes and different models that emphasise differentiation between premium and non-premium grapes, as well as wines by the region of origin. Diet and health concerns in the EU have led to the development of functional foods, such as the wines produced from grapes, in which the resveratrol (a chemical compound called trihydroxy that is found in some plants, fruits, seeds, and grape-derived products such as red wine, and has been linked to a reduced risk of coronary disease and cancer) content has been enhanced (Barreiro-Hurle, Colombo and Cantos-Villar, 2008). In addition, Gellynck and Molnar's (2009) study on chain governance structures, quoted Williamson's (1991) philosophy that outlined that, "the interaction between product and country-specific characteristics, shaped the governance structure" (meaning this gradually determined the structure or shape of governance as in how things operated). On a contrary, Skilton and Wu (2013), argue that although the effectiveness of Geographical Indications might be associated with some marketing activities, which fully relied and depended more on the structures of the governance systems to happen. The reality was that, not all governance structures were evenly appropriate for all chains, so all relied upon their specifics to fit in and they also depended on chain members to make suitable choices, and the number of retailers available (Gellynck and Molnar, 2009).

Moreover, a wine and specialty food products' value is strongly linked to the territorial location of its production, by which its competitive advantage in the supply chain relied on the collaborative efforts of its reputation and known information that eased the consumers' decision-making process at the time of purchase, as well as generating profits (Bramley, Biénabe and Kirsten, 2009). Furthermore, these kinds of chains are critically conscious about meeting customers' needs and wants, further respecting the environment in which all operations took place (Fearne, 2009). In general, the supply chain of wine was considered to be one of the most complicated supply chains, which comprised of the following life-cycle stages as indicated in **Table 2** (Petti et al, 2006).

Table 2 Wine Supply Chain

Stages	Operations	Activities
1	Grape Production	Pruning, tillage, pest control activities, harvest, transport for field workers & products.
2	Wine Production	Stemming and crushing, the fermentation and storage.
3	Packaging	Bottle filling, corking, capsuling, labeling, box filing and placement on pallets.
4	Distribution	Transport-related: local, regional, national or International level.
5	Consumer Phase	Storage or refrigeration if needed.
6	End-of-life	Procedures for treatment of the bottles and waste of packaging

Source: Information drawn from Petti et al, 2006.

These stages could be carried out and combined in many different ways, according to the type of value chain governance adopted in a specific context.

While on the other hand, the food supply chains such as the one demonstrated in **Figure 2** below, which emphasized the coordinated industry approach that focused and considers economic factors (internal and external) together with sustainable factors (social and environmental), which were more concerned about the efficient used of resources, reducing emissions, and sustaining the production of good quality products that lessened waste, changing the way conventional supply chains operated and caring about the ultimate consumers (Vincent, McLeish and Soemali, 2014).

Figure 3 Food Supply Chain



Source (Vincent, McLeish and Soemali, 2014)

Figure 3 outlines an adequate sample of coordinated supply chains, where actors were active and consciously responsible for their activities (management, differentiation, hygiene, training and being informative) in the overall business goals as well as respecting and managing the environment with the use of its resources. Also having the right technological measures to facilitate and improve the existing supply chains, and how this could contribute towards resolving world hunger together with poor nutrition (Vincent, McLeish and Soemali, 2014).

Therefore, the purpose of the chapter was to give an overview of the theoretical background of value chain governance in food supply chains, which was clearly defined thereof. The next chapter presents the literature review of the study.

CHAPTER 3

A REVIEW OF MARKETING IMPLICATIONS OF VALUE CHAIN GOVERNANCE STRATEGIES FOR WINE AND AGRI-FOOD PRODUCTS USING GEOGRAPHICAL INDICATIONS (GIs)[†]

Abstract

Value chain governance strategies have important marketing implications for specific wine and agri-food (fresh and processed) products that used Geographical Indications (GI) in Italy, the United Kingdom (England and Wales) and South Africa (SA). Italy was considered due to its incredible pioneering history regarding GIs as the world's major wine and specialty products' producers, while the UK being a newcomer, though small but economically stable, is developing specialized wine production; and has enjoyed the recent adoption of GIs for wines. Then SA, an emerging aspirant that has a bigger market, specialized wines and agri-food production, and has a longest wine route in the world, plus has just also adopted the GIs systems even though they are pending legal frameworks.

There main issue here is related to the traceability and safety systems in the supply chain of agri-food products. In this framework, the main aim of this paper was to review previous research that could be relevant to the analysis of governance mechanisms in supply chains related to GIs for wine and food products. The study conducted a qualitative literature review and summarized selected case studies on this topics these

[†] Material from this chapter relates also to "The Marketing Implications of Value Chain Governance Strategies of Wine and Agri-Food Products using Geographical Indications (GIs) in Italy and the United Kingdom "The UK" (England and Wales): A review" by Raymond H. Hawkins-Mofokeng, Maurizio Canavari, and Martin Hingley. This paper is under review in the International Journal of Food and Beverage Manufacturing and Business Models (IJFBMBM).

three (3) countries. Value chain governance approach was deemed as an appropriate phenomenon that could be insightful in addressing the problem under study. The findings were limited only to the impact of value chain governance, wine and agri-food production ‡in these areas and could not be generalized beyond them. The study contributes in advancing knowledge and transferring it from existing situations in developed countries or markets to the developing ones. The paper proposed a further determination of governance sequences using GIs in developing, multi-cultural and ethnically diverse countries with developing economies.

Keywords: Marketing, Value Chain Governance (VCG), Strategies, Wines, Agri-food, Geographical Indications (GIs), Italy (IT), United Kingdom “UK” (England and Wales), South Africa (SA)

3.1 Introduction

Value chain governance designs possess vital business suggestions to any stakeholder involved in the entire supply chain, which can be translated into the greater the investment the greater the returns to any active party involved. This is mainly subjected to the type of product and industry the chain serves not to forget the intensity of stakeholders’ interactions, transactions, sharing of ideas, or any other business activities (Humphrey and Schmitz, 2001). However, the undisputed issues that the global value chains of agricultural products cannot ignore in general are traceability and safety assurances. These issues created some trending and outstanding challenges related to a shift towards the adoption of exclusive quality standards and product distributions, which are still needed to be addressed (Clement-Lopez et al, 2014).

This movement towards the adoption of exclusive quality standards and product destinations does not, however, fully consider small scale farmers in global agri-food chains, but also has hindered their access to global markets in terms of exports and imports as far as terms and conditions related to barriers to entry in global trading were concerned (Bitzer, Obi and Ndou, 2016). On the other hand, recent evidence showed that, even in some other developed countries that have adopted this notion (of quality standards) within their domestic trading boundaries, there were concerns regarding their retailers' requests for unachievable perfection on the production and provision of agri-food products; which further affects food wastage along the supply chain (Goldenberg, 2016). This is due to concerns related to an increase in the demand of authentic, traditional, healthy and traceable agri-food products as a result of consumers' consciousness in food safety (Ilberry & Kneafsey, 2000; and Kirsten, 2009). Besides, the global analysis indicates that the future does not look promising for the local markets in developed markets, since the demand for agri-food products will be imported from emerging markets and this trend looks booming (Capparelli, 2014).

According to Hammervoll (2011), value is created through the establishment of cooperative connections amongst organizations, which offer essential advantages to all partners involved, due to their sharing on expertise, information, and creativity management. However, there is limited knowledge regarding how value formation should be governed. Humphrey and Schmitz (2001), further investigated as to why firms would tend to set and impose restrictions along the chains. It was important to understand how this concept functions and why it mattered in the global supply chain spectrum, in order to control and assist in challenges facing the industry in relation to agri-food safety, traceability, food wastage and child labor issues. This might have directed and indirect impact on the value chain, and stakeholders since retailers who direct supply chains mostly had no direct possession of production and manufacturing facilities, and rather took ownership only when goods were in their possession (USAID Microlinks, 2016). Lee, Gereffi and Beauvais (2012) maintained that, there is a need for the development of

adequate agri-food quality standards and destinations in order to adhere to the strict public food regulations, cutting down costs and lowering the degree of uncertainties along these complex supply chains to address such major challenges.

Fung (2013) indicates that supply chains differed when it came to their distinctiveness, when it came to facing different tests, and when it came to needing different operating as well as policy requirements. Nevertheless, their similarity revolved around their reliance on the transmission of intelligence and data through the use of Internet, information and technological advancements. This not only enhanced or changed the firms business models or natures but also advanced the characters of typical consumers; who had turned out to be informative and tech-savvy thanks to the power of information and knowing exactly what they needed, how it should be and where to get or out-source it (Cimino and Marcelloni, 2010). Fung (2013) further added that, these technological advancements improved the environment, but turned it into a more complicated one.

Geographical Indications (GIs) are names or symbols used on agricultural products to denote their geographic origins and qualities, and even the reputation associated to those origins. In this case, quality is subjected to the geographical place of production, which clearly links a product to its authentic place of production. Moreover, GIs had been fostered as powerful devices that enhanced value as well as rural economic development (Canavari et al, 2017). Therefore, due to the nature of the problem under study, the governance of GIs has been viewed as a significant model that could be used in addressing the issues of traceability and safety, and how value could be created, transferred and distributed along the supply chain (Giovannucci, 2007; Rosa, 2015). This study is primarily interested in exploring agri-food (fresh and processed) and wine products, and food GIs' marketing opportunities, as a strategic differentiation or branding phenomena, especially for some of these products, which had a longer shelf-life such as wines and cheeses; and the fact that they had already been determined and certified for being of great quality from their production lines or consortia (Giovannucci et al, 2009).

The study also examines how value chain governance functions in terms of policies, control, administration, relationships, trust, power-sharing or relations, and the management of all internal and external activities that occur along the chain (Gereffi, Humphrey and Sturgeon, 2003). Most importantly how value was created and transferred, which is viewed as an underlying foundation of marketing discipline in this study (Canavari et al, 2017).

Therefore, since food and wine products (GIs) are already of certified quality, this study investigates how value chain governance models and structures have been analyzed. The paper consists of a comparison study between three regions, Italy, UK, and South Africa. Italy has a long history regarding these products as well as their management as the world's leader in that arena, plus it is a major wine producing country globally, UK (specifically England and Wales, as there is no significant wine production in other parts of the UK: Scotland and Northern Ireland) as a relative wine producing newcomer in modern times. The UK has a very large import market for wine, sourcing globally, but in terms of wine production though, it is small but specialized. However, the UK has enjoyed the recent adoption of GIs for wines. The other country being South Africa, an emerging aspirant who has a bigger market, specialized wines as well as agri-food production no to forget the longest wine route in the world, again the country has just also adopted the GIs systems even though they are pending legal frameworks, as indicated by Kalaba et al (2015); and the Department of Agriculture, Forestry and Fisheries (DAFF) (2017). This, therefore, makes the three countries interesting and contrasting cases.

The main aim of the study is to review previous research that could be relevant to the analysis of governance mechanisms in supply chains related to Geographical Indications for wine and food (fresh and processed) products. Amongst the studies that the researchers were aware of, none had addressed these issues to a comprehensive extent by

which conceptual challenges surrounding the prevailing trend or movement in switching towards the adoption of exclusive quality standards and distinctions in the global supply chains of agricultural products, such as wines could be identified and analyzed. Therefore, this study intended to address this problem, and to offer new perspectives to the body of the existing knowledge.

It would be important to note that, the framework or final report of this study would be intended to provide advise to South Africa (one of the world's leaders in wine production and specialty food products) regarding the concepts behind these matters due to the lack of experience as well as practicality in this regard, particularly in the VCG of GIs. Therefore the aim would be fill this gap in some way.

Therefore, this study was organized as follows: it firstly outlines the research objectives, secondly it describes the method and data used to select the relevant papers, thirdly it gives the summary of relevant literature and, finally discussion and conclusions are made.

3.1 Research Objectives

Researchers' aims were as followed in approaching this study:

- **Main objective:** To review previous research that could be relevant for the analysis of governance mechanisms in supply chains related to GIs for wine and food products in Italy, UK (England and Wales) and South Africa. The study used the following sub-objectives to screen and identify few relevant case studies or literature pertaining the value chains of wine and agri-food (fresh and processed) GIs in these two countries:
- **Sub-topic 1:** To determine whether the literature reports evidence that Geographical Indications could be useful tools for small-scale farmers to gain access to the bigger industry through the use of conventional value chains.

- **Sub-topic 2:** To highlight previous analyses on the governance structures and mechanisms in situations where Geographical Indications were working.
- **Sub-topic 3:** To explore previous research determining how value chain governance worked in terms of relationships, operations, power, rights, decision-making, value creation, transfer and distribution along the chain.
- **Sub-topic 4:** To check whether previous analyses determined ways to avoid bottleneck situations along the supply chain, as part of value chain governance.

3.2 Methods and Data

The methodology for this literature review is based on relevant theories that used and involved qualitative research together with the case studies (Ritchie, Lewis, and Elam, 2003). Thus, in this chapter a qualitative literature was conducted to examine previous research that could be relevant for the analysis of governance mechanisms in supply chains related to Geographical Indications for wines and agri-food products in Italy (IT), United Kingdom (UK) and South Africa (SA), and the secondary data was collected from the European Union (EU). The notion was to use the objectives indicated above as a screening procedure to identify relevant case studies or literature related to the study's aim, specifically in these three (3) countries.

Inspired by the works of Moser, Raffaelli and Thilmany-McFadden, the study adopted a desk research approach since it could only rely on secondary data, whereby it screened these data on the basis of eight (8) keywords, which were derived from the title namely:

- Marketing,
- Value chain governance (VCG),
- Strategies,

- Wines and food products,
- Geographical Indications (GIs),
- Italy (IT)
- United Kingdom “UK” and
- South Africa (SA/RSA).

These Keywords were used to search and retrieve literature from three (3) databases, and those were:

- Scopus,
- Google Scholar and
- Emerald Insight,

Therefore, the researchers further relied on reading relevant abstracts of many studies they came across in order to identify and classify a total number of thirty-three (33) papers, of which were ultimately grouped according to the objectives mentioned earlier on (Klaus et al, 2005). Researchers were more peculiar about the time periods of these studies, that was, they considered studies that were published between the year 2000 to 2015 appropriate for the nature of our study, and more recent were like a bonus or additional advantage in helping them to draw closure on how the field had been emerging so far (Yin, 2014). It is important to analyze how other researchers who studied topics of their interests or relative to their research coped with these problems or issues; as a result they further identified and analyzed their methods.

3.3 Summary of the relevant literature

The main aim of this study was to review previous research that could be relevant for the analysis of governance mechanisms in supply chains related to Geographical Indications for wine products. The notion was to use these objectives as a screening procedure to identify relevant case studies or literature related to the study’s aim, in Italy, United Kingdom, neighboring developed markets, and South Africa. Therefore, researchers

compiled a brief summary of these relevant case studies according to these objectives in this manner since this was a desk study.

Sub-topic 1. Geographical Indications (GIs) as useful tools

Geographical Indications (GIs) have turned to become valuable Intellectual Property rights as “powerful tools” for rural economic development and wealth formulation, which were not up until now being utilized to an optimum level in all countries, particularly in emerging markets as well as in Europe, such as a longevity that Italy had been enjoying regarding these mechanisms, not forgetting their adoption in England and Wales, and the recent one in South Africa (Idris, 2003 and; Kalaba et al, 2015; Canavari et al, 2017). This had encourage the European Union (EU) to position itself around the favorable opportunities or potential that GIs possessed in protecting local Agrifood cultures, offering a quality pledge to consumers, as well as catering beneficial circumstances for value enhancement in agriculture (Bowen, 2010). Nevertheless, some studies pointed out that, the prevailing issues around the registration proceedings for GIs still continue to be time-consuming, intricate and too expensive to start as well as to run a GI (Skuras and Vakrou, 2002; and Rangnekar, 2004).

In addition to the concerns regarding costs, questions related to several factors including market penetration, the economics of launching products, the multiplicity of labels and diverse ideas of quality, together with the alarming existence of alternative and identical products had been identified. In a study conducted on Greek consumers (Skuras and Vakrou, 2002), the findings showed that the willingness to pay (WTP), for an origin labelled wine differed according to social and demographic factors, and they could always opt and pay more for an alternative table wine as long as it guarantees the place of origin. Although this had been the case, Rangnekar (2004), further suggested that more measures, focus and remedies had to be put in place in the new arrangements of organizations, manufacturers, wholesalers, dealers and end-users, which would look for

protecting particular niche segments, in order to overcome the two-problem of market penetration and threats from alternative products.

In general, literature still emphasizes that Geographical Indications serve as strong differentiation strategies that signaled quality to consumers, which contributed towards their global competitiveness (Skuras and Vakrou, 2002). However, they could not achieve this alone in meeting this strategic competitive edge without the incorporation of other marketing mechanisms (Stasi et al, 2011; Rocchi and Gabbai, 2013; and Agostino and Trivieri, 2014). With regards, to differentiation, there was no practical proof related to the effectiveness of the distinction of GIs, in the wine market when it came to consumers' responsiveness to price of GIs in the wine market compared to other conventional products. Even though some global markets perceived wine and food GIs products as associated with value premiums, which could make EU wine and specialty food producers to gain higher margins on these markets and expanded their exports to new markets. Therefore, producers should be aiming at quality as well as diversification granting higher prices. According to Tocco, Carmen and Gorton (2015), even though successful GIs in both Italy and France added value to consortium members and important trading networks, there were restraints in simulating the supply chain model due to weaker domestic buying power and limited consumer awareness of EU quality schemes. In addition, the EU could be affected by its exposure to the trade barriers, as a major international shareholder, however, that was subjected to how barriers to entry were managed (Battaglene, 2011). Nevertheless, it had been noted that these rapidly growing new wine and specialty food importers were highly protected by tariffs and were developing wine and food market regulations, which could prove to be non-tariff barriers (ICE, 2010).

Sub-topic 2. GIs governance structures and mechanisms

According to the USAID Microlinks (2016), the fundamental principles of the type of governance pattern were determined by information complexity, information codification and supplier capability, which differentiated them among industries. Moreover, the preferable or suitable governance structures (market, modular, relational, captive and hierarchy) were also determined by quality strategies, which included design, product, market, delivery and collaborative decision-making processes. These were supported by agents along the supply chain by which eventually affected the effectiveness of marketing schemes associated with Protected Geographical Indicators (PGIs) and market access (Bowen, 2010; and Skilton and Wu, 2013). So, this would require innovative approaches, whereby there should be a coordination of knowledge distribution amongst various firms, through the help of technological infrastructures to facilitate modernized processes of governance mechanisms to create and sustain interdependence across other scattered entities to deliver according to expectations as far as their distribution of gains was concerned (Consoli and Patrucco, 2007). For instance, when it came to distribution strategies, research findings recommended that GI producers through their respective consortia which oversaw their administration, would have to endorse different distribution channels in different countries, as different markets had different dynamics. Particularly, by selling GI wine and food products through retailers and supermarkets in countries that had a high number of supply chains (example, United Kingdom and South Africa) and using local markets, direct selling or direct marketing and specialized channels in GI products prevailed (examples, Italy and parts of France) (Rangnekar, 2004; Rocchi, and Gabbai, 2013; and Tocco, Carmen and Gorton; 2015).

On the issue of GIs consortia, these were organization bodies that govern, protect, promote, build reputation, provide correct information to the end-users, as well as safeguard the GIs (Rosati, 2015). Although it was time-consuming and expensive to start and run a GI, the economical gains in terms of shared investment among members were subjective to each member and depended on fixed, price of a product based on market conditions, demand and supply, product type, transport as well as packaging. Rosati

(2015) further indicated that, the payments were made with steady monthly interests on the basis of sampling, of which the remainder would be received when the year ended.

According to Rangnekar (2004), the challenges faced by Geographical Indications as far as value chain governance was concerned were related to the process of reorganization of, and developing the governance institutions for, GI supply chains in terms of distribution of economic returns and trust. Therefore, in some studies it was suggested that most organizational and governance challenges needed resolutions to attain a smooth synergy in working within and across the supply chain, through a fair equity between cooperation and competition (Raynaud, 2002; and Rangnekar, 2004). The fair equity between cooperation and competition pointed out a vital need for an independent and representative body to mediate between firms and considered a relational approach of value chain governance. And, as for the origin labelled products, there was a lot of work needed in the supply chain to encourage stakeholders to adapt their current commercial relationships and distribution channels (Albisu, 2002). Furthermore, reorganizing the supply chain entailed agreement codes of practice as well as outlining a typical GI products, established certification schemes together with mechanisms of governance, developing both formal or informal contracts to bring to terms the transportation of intermediate goods along the supply chain, administering the manufacturing process in its stages along the chain, marketing and protecting the product (Rangnekar, 2004).

The final contradicting argument worth noting was that, quality is socially and culturally built thought, which designated from particular practitioners within niche segments as well as markets based on producers' own-driven standards together with expectations that were related to the technical features of production process (Ilbery and Kneafsey, 2000). Furthermore apparently firms had adopted a skeptical tendency of defining quality as a measurable object, which could be standardized and connected to localities on the basis of certificatory and legislative measures. According to Rocchi and Gabbi (2013), most problems facing the marketing of wines or agri-food products in UK emanated from the failure to adopt a conventional definition of quality was relevant to the British markets,

such as other Italian wines and agri-food products, which confused the British consumers, while in South Africa, some intensive awareness and educational campaigns are necessary to inform consumers and other stakeholders.

Sub-topic 3. How value chain governance works

According to Sun and Zhang (2009), value chain governance should be able to possess a power and authority affair that drives how finances, material as well as human resources are assigned and worked along the chain to achieve the firms' economic interests. Humphrey and Schmitz (2001), further indicated that, governance should be able to determine the supplier capabilities in terms of what or how a product should be produced and when, how much together with at what price, so within these issues, there were existing relationships that needed to be maintained and retained, as well as adopted and adapted constantly to acclimatize to the challenges of the internal and external environmental forces. And, this further grew beyond the domestic platforms. On the other hand, there was an aspect of power relationships or power sharing that mostly related to the lead firms and members, by which Gereffi, Humphrey and Sturgeon (2003) outlined it as the ability of a firm to drive the management of value chain, and as a result imposing an impact or influence as well as on authority over other firms along the chain. And this could appear from either sector of the value chain network.

According to Gereffi (1994), the intensity of power relationships and their asymmetries was subjected to the nature of the governance structure in the composition of the value chain, in which responsibilities, activities and goals, were ranked and streamed according to the degree of specialty, finance, material and human resources. Often exercised by lead firms, governance ensured the structure under which subordinate firms should operate, even stimulating business relationships between global lead firms and domestic producers. Kaplinsky (2000) further prioritized the importance of power relations between various actors along the value chain, which regulated to which extend profits

were made together with the circulation of uncertainties amongst stakeholders. Additionally, the emphasis was also on how power relations determined the degree to which lead firms were capable of setting as well as imposing guidelines that were targeted at increasing the entry barricades for rivals in order to gain bigger market share and ownership. However, according to Megento (2010), the question still remained as to how to quantify these power relationships or relations while trying to gain authority for administering resources and allocation of value creation.

Humphrey and Schmitz (2002), highlighted that access to markets in the developed countries had become rapidly reliant on entering into the global production networks of lead firms (retailers or brand name companies), whereby trading was carried out in a form of business-dealings between subsidiaries of transnational companies that was based mostly on transactional relationships and political economy as far as power was concerned. The transnational supermarket chains continued to control what food to grow, where, how, and by whom (Konefal, Mascarenhas and Hatanaka, 2005). Key stakeholders offered governance over the production that occurred on a global basis (Kaplinsky, 2004).

Based on Keane (2008) and Kaplinsky's (2014) evidence, the global value chain governance structures could restrict or boost the relevance of fresh business or brand-new developmental beliefs regarding learning through doing, as a result this, there would be a value chain upgrade, which could create opportunities for producers and limitations for others as well as improving the acquisition of production capacities. Furthermore, studies related to the determinants of value chain governance structures highlighted that in market-based governance producers were price takers since production and price settings were done by suppliers without any buyer's concern, while in quasi-hierarchy governance, there was a high level of control due to the buyer's perceived risk of losses from suppliers competence failures (Trienekens, 2011; and Humphrey and Schmitz, 2004).

Sub-topic 4. Avoiding bottleneck situations along the supply chain, as part of the value chain governance

Bottleneck situations occurred anywhere in a company's supply chain for various reasons; they could take place in production, distribution, completion and other relevant activities since supply chain's risks were prevailing and critical issues that required to be constantly identified and addressed. This in a process occurred when input came faster than anticipated or the next step in production could handle in creating output due to incompetent machinery and production dynamics, this as a result caused capacity shortages which then affected the firm's competence to mature, making profits to deteriorate (Snow 2013; Castaldi, 2014; and Nexterus, 2016). Therefore, it was very important to identify and fix bottlenecks as soon as possible before they affected the firms overall revenues, so firms would need to thoroughly understand the following factors:

- **Gain visibility and analyze data to find bottlenecks**

The responsible body or lead firm needed to devise means of seeing the process that occurred along the supply chain in order to pick up where bottlenecks took place, machinery or equipment, processes and products, or through captured data if the whole operation was automated from the beginning to the end (Castaldi, 2014).

- **Adding automation to eliminate bottlenecks**

Studies indicated (Tripathi, 2015) that the adding of technological-enabled machinery or automation equipment in the production line along the supply chain could reclaim wasteful processes in the distribution center and avoid losing production time around areas of picking, sorting, loading and unloading.

- **Downtime can create bottlenecks**

If there was a frequent breakdown of material handing systems, then there could be a downtime, which could cause firms to run at a loss, therefore, opting to organize machinery servicing in terms of maintenance could eradicate that (Castaldi, 2014).

According to Snow (2013), there were situations where bottleneck occurred or applicable besides in the production lines and these were regarded as procurement bottlenecks, which involved access to funds, cumbersome processes, and quality matters, and could lower down the line breeding corruption which could bring more ideas about quality assurance. These were the results of the bottleneck that occurred outside the core procurement, a major aspect of the supply chain. For example, this was relative to a skeptical situations whereby 72 wine consortia in Italy were reported to be fully complying with the rules and guidelines for their activities as stipulated and required by the EU's legislation, while other seemed to compromise on these ethics (Gori and Sottini, 2014). Furthermore, in network relationships just like any other relations, conflicts did exist, which could affect the flow of activities and all along the supply chain, however, learning as well as managing them sufficiently sustained good relationships, which could somehow avoid bottleneck situation (Gereffi, 1994).

Sub-topic 5. Lessons learned for future research and possibilities of GIs applications or compliance in South Africa

The lessons drawn from this summary of relevant literature related to the analysis of governance mechanisms in the supply chain pertaining the GIs for wine and food products, and other factors that still require further analysis therefore providing guidance for future studies of this nature as follows.

Geographical Indications had not been utilized to their utmost best and they needed to be supported or accompanied by other mechanisms or strategies for wine and food (fresh and processed) products, in order to give out their full business potential. Also, firms needed to explore whether GIs were the only options or where there are any other ways to guarantee wealth through rural economic development besides GIs were too expensive to register and run a GI (Bowen, 2010; Idris, 2003; and Canavari et al, 2017). This scenario

would be applicable in addressing the South African agricultural environment in terms of rural development in order to empower SMEs and to determine the right approach to this recent adoption of GIs, in a country's quest of moving towards compliance, and other relative protection strategies thereof for other specialty products that were shared amongst various ethnic or cultural groups, such as the case of "Taro" (Amadumbe) a root product that was consumed as potatoes, which was enjoyed and shared amongst the Zulu (AmaZulu) tribe, South African Indian groups and Swati people of South Africa in the Mpumalanga province. One other interesting contention on GIs that researchers depicted from other studies regarding the wines and spirits trading between South Africa and the European Union was the changed use of names. Names such as Port and Sherry that South Africa incorporated on its products for some time, which according to TRIPS' legislation was regarded as misleading since the true place origins for these names were "Port" from Portugal and "Sherry" from Spain, and that threatened the country's membership status unless this was rectified, even though they were permitted to be used domestically for a 12 year transitional period. This matter was finally resolved since this transitional period has lapsed, which was one of the reason SA was granted permission over the custodianship of its GIs and the EU's, particularly in wines, spirits and beer names, and also the Karoo lamb, Rooibos and Honey Bush Tea (O' Connor, 2007; and DAFF, 2016). According to Stern (1999), this was necessary because, this misleading use of words that did not denote the places of origins, emanated from the nitty-gritties associated with 1930's crayfish trade agreement between South Africa and France in relation to France taking over the crayfish industry in return granting South Africa rights to protect certain appellations of origin hence it referred to its own sparkling wines as Champagne and its red wines as Burgundies. This made South Africa the pioneer in wine production from new world countries to initiate and to identify GIs in wine trading, which the accustomed it to the rights over use of conditional trade marks.

Therefore, more institutionalized awareness and education should be incorporated in the government's bill of right, regarding these sudden changes and new names, in order to gradually shift towards compliance.

Moreover, firms should continuously create or reinforce awareness of wine GIs to consumers, because not all of them understood what their agenda dwelled upon (Bowen, 2010).

Wine and food businesses or products value chain governance' structures, should always be designed and revolved around identifying and satisfying consumer's needs and wants, and understanding the dynamics of the marketing environment of the wine and food industries, because consumers were very smart, in way that they pretty much knew what worked best for them (Rangnekar, 2004; Rocchi, and Gabbai, 2013; and Tocco, Carmen and Gorton; 2015).

It has been noted that governance structures or mechanisms are generally subjected to the nature of the product, business and industry the firm was into not forgetting the legalities, and that could be affected furthermore by other uncontrolled macro-environmental factors that firms needed to abide to. Most importantly value chain governance structures had a great potential to restrict or create opportunities for new business ideas at both local and global level (Keane, 2008; and Kaplinsky, 2014). This was viewed as challenging entirely, especially in a situation where governance structures were not in place or well defined in terms of their legal groundwork not being there to be used as pillars or some sense of referral in the running of the entire supply chain. Therefore, it could be worth knowing how their different sequences could work in emerging market such as in South Africa in terms of dealing with compliance.

Another major aspect for consideration, is the issue of "trust", which seemed to be the dependable factor within the supply chain's members, which signified value creation, not being cheap at all and did not even come overnight (Vieira and Traill, 2008). According to Hofstede, Jonker and Verwaart (2013), this phenomenon was a complicated issue since it relied on one's gut feelings about somebody or familiarity towards them, which would

be based believing in their capabilities, generosity, honesty and intelligence. Moreover, as a sensitive cultural issue, trust depended on how it was built and earned, which could transverse from country or country developing reliable business relations amongst partners from various cultures. Now, it would be interesting to find out as to how to measure and rely on it, because it was basically everything governance (Raynaud, 2002; and Rangnekar, 2004). This also worked hand in hand with the notion of how “power” in terms sharing or relations by both lead firms and chain members, as in how it worked as well as how it was shared to as far as in transnational relationship situations (Gereffi, Humphrey and Sturgeon, 2003).

Finally, it had been noted that the bottleneck situations in the supply chains of wine and food industry were there as much as they would be confidential and sensitive issues that firms would not dare to disclose easily, as they could reveal their business strategies (Gori and Sottini, 2014). However, their causes ranged from various reasons related to the malfunctioning management of all activities including members and the supply chain risks in general, which required constant attention and technological mechanisms to ensure the elimination of these situations as well as having to be able to have operational records in a form of database that would be fed by these automated facilities to ease tracking in future occurrences (Snow 2013; Castaldi, 2014; and Nexterus, 2016).

3.4 Discussions and Conclusion

This study uses wine and food (fresh and processed) products, specifically GIs ones, since they are quality certified and can be traced easily, to study how value chains function in terms of governance. However, according to Caswell, (1991); and Bäckstrand (2003), the notion of differentiation, which seems to be one of the dominant strategic responses to the demand for healthy and safe traceable agri-foodstuff, was actually the major challenge, which was subjected to the issue of trust in agri-food systems and could possibly create barriers to entry. Therefore, the study reviewed and summarizes previous

case studies related to the supply chain governance structures and mechanisms in Italy, UK specifically England and Wales, other surrounding developed countries, and South Africa. This is based on several sub-objectives that were outlined earlier, thereby analyzing the diverse aspects of Geographical Indications (GIs), how value chain governance works and how to avoid the bottleneck situations along the supply chains, as part of the value chain governance.

Findings indicated that GIs are interesting concepts that further needed to be explored and exploited, since they were not easy and cheap to start let alone to run, and in running them they required enormous help or boost from other strategies such as marketing. In addition, the economic shared benefit amongst members relied on fixed prices or sometimes fluctuations, which would be determined by market conditions, demand and supply, product type, transportation and packaging (Rosati, 2015). Furthermore, as for value chain governance, the structure and type would be determined or dependent on the type of a product, business and the industry in which the firm operated, plus legal matters.

Most importantly, power sharing and trust factors were found to be very crucial and interesting as they were the main drivers of everything in this context and more about these concepts, whereby firms set up cheap business strategies in the industry that forced them to be inclined to vague future business outcomes.

Some studies conversely, indicated that there was a new revolution of wine and food actors who were against the motion of being regulated, who felt all these management regulations were just waste of public money (Devaney, 2016). The findings also, indicated that customers together with their opinions should always be considered and put first in any business decision, since they were the main reason why firm survived.

The study therefore, concludes that, products that were protected under their designations of origins could help to solve this issue of traceability, safety and other health concerns and even serve these new popping up trends in food consumption patterns, through proper management, these products had power to determine the structure of their governance along the chains, through the incorporations of other strategies.

Moreover, there should be a development of adaptive and conforming governance structures as well as regulatory system in place that could withstand any risks arising in the supply chains in order to defeat the existing and coming ones.

On the basis of this study researchers believe that when it is about GIs' governance, every consortium member must clearly understand that GI products are not just like any other products, but rather specialty products from a particular place who's qualities can never be replaced or compromised. This is because uniqueness is the strength of a GI product.

In addition, as protective as GIs are in terms of developing a product, they can also be incorporated and used as value-enhancement tools in situations such as place marketing. The problem is to find out as to how investment, burden and enjoyment of gain could be distributed amongst members.

Therefore, this means that every consortium member, policy makers and governments must be encouraged to involve themselves in effective promotional activities that will be aimed at creating awareness and education about these premium products to the consumers and any other stakeholder in both the European Union and emerging markets. This will stimulate the demand for the consumption of certified agri-food and wine products in order to address the prevailing concerns about food safety and traceability in the global supply. Again, this will also help in contributing towards the creation of local economy, and the sharing of costs and gains amongst the GIs' consortium members.

Thus, further investigations are proposed to determine governance sequences and approaches of using GIs in multi-cultural and ethnicity countries, whereby countries such as South Africa could create their own GIs systems as well as appropriate mechanism of governing them in order to increase their functionalities and profitability in responding to the dynamics of rural economic development.

This will not only increase their global competitiveness by enhancing the campaigning initiatives such as Proudly South African, but will even offer other neighboring countries protection opportunities.

CHAPTER 4

A CASE-COMPARISON STUDY OF VALUE CHAIN GOVERNANCE STRUCTURES AND MECHANISMS FOR GEOGRAPHICAL INDICATIONS OF WINE AND AGRI-FOOD PRODUCTS IN ITALY AND SOUTH AFRICA

Abstract

This paper analyzed the value chain governance structures and mechanisms of Geographical Indications (GIs) for wine and agri-food products in Italy and South Africa. In this study, we considered Italy and South Africa with the purpose to contrast a situation where GIs are at highest stage of development and where they at adoption phase of their life cycle. An investigation using in-depth qualitative telephonic interviews was conducted, which was informed by a qualitative literature review. These interviews were aimed at directors of GIs' consortia associations, cooperatives and SMEs in these two countries. Twelve (12) interviews with these key informants were recorded in these countries with the help of key interview guidelines, which were written in both English and Italian languages. Then information was transcribed for each interview and data was analyzed. A content summarizing research approach was used to examine the meaningful and symbolic content of qualitative interview data. Additionally, a use of concept mapping was also included in order to understand the interactions between the concepts from each interview. The results indicated that GIs were a great source of value creation, which needed further exploitation to reveal the full capabilities, and some effective supply chain management systems to accommodate GIs were a necessity in South Africa. The findings are limited only to the exploratory nature of the topic understudy in these regions and should not be generalized beyond them. The findings will benefit consortia

directors and managers, marketers, policy makers, governments and academia. The study considers further research on determining the concept of sharing of gains or who benefits and how, in the GIs systems.

Keywords: Case-Comparison, Value Chain, Governance, Structures, Mechanisms, Geographical Indications (GIs), Wines, Agri-foodstuff, Italy, South Africa, Qualitative Analysis

4.1 Introduction

This chapter presents a detailed analysis of the findings and interpretation of the results. The intention of the study was to analyze the value chain governance structures and mechanisms of Geographical Indications (GIs) for wines and agri-food products in Italy and South Africa. The objectives of the study were also defined in order to address other crucial factors that could subsidize towards the value chain governance of Geographical Indications in these two countries. The researchers considered Italy and South Africa with the purpose to contrast a situation where GIs are at highest stage of development and where they at adoption phase.

The analysis was based on the qualitative interviews to enable informants to share and express their experiences, feelings, relationships or issues regarding the governance structures and mechanisms of Geographical Indications particularly for wine and agri-food products in their respective regions. This was informed by a qualitative literature review, which was conducted in order examine previous studies that could be relevant to the analysis of governance mechanisms in supply chains related to Geographical Indications for wines and agri-food products (infra, chapter 3).

Therefore, the study conducted an investigation using in-depth qualitative telephonic interviews, which were aimed at directors of GIs' consortia, associations, cooperatives

and SMEs in Italy and South Africa. Twelve (12) interviews with these key informants were recorded in Italy, seven (7) and South Africa five (5), respectively. The key interview guidelines, which were written in both English and Italian as indicated in appendix 1 were used. The four (4) concepts we considered as focal in the design of interviews and the analyses of results were namely: decision-making and operational profile, information flow and management, value chain mechanisms, and governance backlash. So, content summarizing approach was used in this regard in order to examine the meaningful and symbolic content of each interview data (Lichtman, 2014). Even though the consortia and their informants under study differed in terms of their business characteristics, operational and management dynamics generally, they conveyed some comparable perspectives, which somehow were intriguing.

Moreover, Kinchin and Hay (2000) further suggested the incorporation of another qualitative technique known as concept mapping, which was used to make sense of linkages between concepts from each interview would be meaning to this study. Therefore, this chapter is arranged as follows: research strategies, data sources, interview design, data collection methods, data analysis, results of qualitative analysis for both Italy and South Africa, concept mapping analysis, and conclusion (summary of comparisons between Italy and South Africa).

4.2 Research strategy

A qualitative research approach was adopted in the study since its nature related to human experiences as well as relationships, which was informed by the literature review, as shown in the introduction. This was an enquiry approach in which the research administered for the issues that had not been studied thoroughly and precisely in a more subjective manner when it came to working with complicated and broad phenomena such as the Geographical Indications (GIs) and value chain governance (VCG). In addition, this approach accommodated different opinions and suggestions for future studies, as it

could not generalize beyond its sample, the whole array of stakeholders and the broader sphere of the agri-food supply chains generally (Cassell et al, 2006; and Myers, 2009).

4.2.1 Data sources

According to Berry, (1999); and Sidi et al (2009); and Bluhm et al (2011), in-depth telephonic interviews were the most appropriate data sources for this study, which permitted the researcher to develop questions and topics that covered important aspects pertaining the study undertaken, which further allowed participants to voice out their thoughts and opinions thereof. Therefore, informed by the literature review, the study conducted a survey using in-depth qualitative telephonic interviews, which were aimed at directors of GIs' consortia, associations, cooperatives and SMEs in Italy and South Africa since there were difficulties in reaching UK participants and time constraints. Ritchie, Lewis and Elam (2003); and Crouch and McKenzie (2006); Guest, Bunce and Johnson (2006); and Mason (2010); and Latham (2016), suggested that twelve (12) interviews would be an adequate qualitative sample size for PhD qualitative research studies, which could also overcome the discrepancies related to saturation point. This would be whereby, any interview after the twelfth (12th) one would no longer bear any new knowledge rather redundancy. Besides, initially the researcher sent over seventy (70) emails to various consortia, associations, cooperatives and SMEs that dealt with fresh, processed and wine products in IT, UK and SA respectively, proposing to have these interviews with their directors however twelve (12) informants from IT and SA were the only ones who could available themselves and showed interest, as a result this was the best the study could do.

Characteristics of the organizations interviewed

Seven (7) directors from the following consortia in IT:

- Tutela Provolone Valpadana DOP (cheese)
- Olio Riviera Ligure DOP (olive oil)

- Limone di Rocca Imperiale IGP (lemons)
- Lambrusco di Modena DOC-IGP (wine)
- Pignoletto Emilia-Romagna DOC (wine)
- Tutela del Radicchio Rosso di Treviso e Variegato di Castelfranco IGP (red radish)
- Olio Extravergine di Oliva Seggino DOP (olive oil)

Five (5) directors & managers from the following Proudly South African consortium, associations, cooperative & SME:

- Director of consortium: Certified Karoo Meat of Origin (meat/lamb)
- Manager of association: Winetech (wine & research)
- Manger of association: Steinbeis Certified Consultants (processed)
- Manager of cooperative: Glenleary Farms (fresh & processed)
- Manager of Green Gables Farm SMEs (fresh & processed)

4.2.2 Interview design

Key guidelines were developed when designing these interviews, which entailed an informed consent that concisely introduced the logic for this research as well as its proximity in terms of time duration per interview (Turner, 2010). These guidelines focused on a collection of thirteen (13) topics and questions that were aligned to the sub-objectives of the study (Boyce and Neale, 2006). In the case of interviews that were conducted in Italy, the key guidelines were translated into the Italian language, which was the native language there, and subsequently a bilingual Italian expert came to the rescue for translation in this regard (see **appendix 1**).

4.2.3 Data collection method

Initially, the study anticipated to conduct personal interview visits at experts' places of work, however, due to unforeseen personal and work related reasons; interviews had to

conducted telephonically and through SKYPE. Therefore, twelve (12) interviews with these key informants were recorded in both Italy seven (7) and South Africa five (5) respectively with an aid of key interview guidelines (both in English and Italian, refer to **appendix: 1**). Then various methods were combined to analyze data.

4.2.4 Data analysis

The summary reports of each interview were written, translated, and validated right after every interview to maintain the authenticity of the data (Barbour, 2001). Then the recorded data was transcribed, and pieces of relevant text were grouped into common concepts (semantic categories) namely; decision-making and operational profile, information and management, value chain mechanisms, and governance backlash. The content summarizing approach was used in this regard in order to examine the meaningful and symbolic content of each interview data. According to Mayring (2000), content analysis can be intertwined with other qualitative approaches for a more qualitative text interpretation. Therefore, concept-mapping approach was also used, which was a helpful metacognitive tool that stimulated the understanding of interactions and linkages between these semantic categories (concepts) from each interview (Kinchin and Hay, 2000). In addition, they helped researchers to focus on seeing the participants meaning by organizing the data in an orderly fashion. According to Ahlberg and Ahoranta (2004), a concept map can be viewed as a representation of a mental model that arranges information in a more predictable and understandable way in order to reduce the learning efforts. Concept maps are usually characterized by tagged concepts, connecting words, pointing arrows, overlapping shapes, and clear order, which can be illustrated in a graphical portrait of concepts.

4.3 Results of qualitative analysis for Italy (IT) and South Africa (SA)

The results of qualitative analysis from key informants are summarized and organized in the framework of the following four (4) key concepts:

Table 3 reflected the outcomes of how the consortia were structured in terms of their organograms, elements, different characteristics, and rules/role. Additionally, how they were organized in relation to their value chain governance (VCG) types and their entities having power to decide over matters concerning production, pricing, promotion and distribution. The aim here was to assess and identify any evidence that Geographical Indications (GIs) are useful tools for small-scale farmers.

ITALY	SOUTH AFRICA
<ul style="list-style-type: none"> • Protect quality & reputation, others promote, 	<ul style="list-style-type: none"> • Certification, securing traceability & auditing,
<ul style="list-style-type: none"> • “Functional Hybrid-organogram” = Relational VCG (synergy), 	<ul style="list-style-type: none"> • “Hierarchical organogram” = hierarchical VCG (production specialization),
<ul style="list-style-type: none"> • Vote per head, 	<ul style="list-style-type: none"> • Vote per head,
<ul style="list-style-type: none"> • Collective & unanimous decisions, 	<ul style="list-style-type: none"> • Collective or individual decisions,
<ul style="list-style-type: none"> • No power over pricing, 	<ul style="list-style-type: none"> • Managers decide over Finances,
<ul style="list-style-type: none"> • Niche marketing, 	<ul style="list-style-type: none"> • Generic advertising,
<ul style="list-style-type: none"> • Producers distribute their products. 	<ul style="list-style-type: none"> • Farmers take care of distribution.

Source: Author

The results indicated that functional-hybrid and hierarchical organizational structures were common organograms that these GI consortia from both countries had, which

entailed a number of positions according to different ranks and responsibilities. The key issue noted here, was that the initiative of who could take the verdict of business matters, how and on what grounds, depended rigidly on the type and structure the consortia's value chain governance, and the nature of the products it carried.

“Our consortium is made up of only eleven (11) members; therefore, the decision-making process of the council is unanimous. The council (executive body of the organization, responsible for applying new rules). It elaborates the annual estimated budget (balance sheet), and also reports to different bodies: ministry, regions and European Union etc.

(Expert from the Italian GI consortium).”

“When it comes to the decision-making in terms of production, pricing, promotion and distribution, it is a collective or individual approach. The volumes of production, the price, the marketing, the selling contracts, those are individually done by the different abattoirs and so on.

(Expert from the South African GI consortium).”

Table 4 indicated how the members were conveying to each other and other stakeholders outside their consortia regarding the operations or updates of the entire chain, precisely how information flowed and how it was administered across the spectrum, even their approach to the idea of competition between themselves, individually and with other rivals. The outcomes highlighted that members communicated via an array of the following media: emails, telephones or person-to-persona through calls, Internet and social media, printed and electronic newsletters. At times they reviewed statures (convocations or reports), which they had access to due to their collaborations with law firms to stay tuned with all the legalities and the relevant issues of the industry. On the other hand, results also indicated that there were other consultation services that were offered, which were facilitated and coordinated in some forms of information days, which took place twice every year, to keep stakeholder informed, and also encouraged them to always revisit their rulebooks. When it came to the issue of competition, informants declared that they did not have competition on account that demand always exceeded

supply, which was more valuable to them, whereas in South Africa producers were competing with each other.

Table 4 Concept 2: Information flow and management (In and Out)

ITALY	SOUTH AFRICA
<ul style="list-style-type: none"> • Convey by emails, telephones or person-to-person, 	<ul style="list-style-type: none"> • Convey by emails, internet, social media etc,
<ul style="list-style-type: none"> • Association with law firms to stay updated, 	<ul style="list-style-type: none"> • Consultant, coordinate info/ open-day sessions for the public,
<ul style="list-style-type: none"> • Difficulties in managing information at times, 	<ul style="list-style-type: none"> • Information stored in central database network, accessible at different level,
<ul style="list-style-type: none"> • The statute (convocations, reports), 	<ul style="list-style-type: none"> • Printed & electronic newsletter,
<ul style="list-style-type: none"> • Promotions- educational (primary & secondary schools), 	<ul style="list-style-type: none"> • Promote for commercial purpose,
<ul style="list-style-type: none"> • Little competition, demand > supply. 	<ul style="list-style-type: none"> • Compete with other producers.

Source: Author

The considerable factor that was recognized in this section was that of promotion, which was used as an instrument to promote the uniqueness of GI products in terms of them being specialized products whose qualities could never be replaced or compromised. These educational campaigns were usually conducted in primary and secondary schools to educate pupils and students about the quality as well as health attributes of using GI products.

“To maintain quality; it all starts from raw materials, then to the respect of the production regulations, up to the respect of the primary and secondary schools. This is very important activity of the consortium: visits to schools are organized to teach pupils the fundamentals of healthy diet specifically regarding dairy products (e.g. daily recommended intake, nutrients, and organoleptic characteristics) and to the properties of high quality products.”

(Expert from the Italian GI consortium).

Table 5 gave an understanding how value chain worked regarding relationships, operations, power relations, rights and again decision-making in these situations, while trying to further comprehend how value could be created, destroyed, and maintained along the supply chains. The findings showed that all consortia members prided themselves of the impact they had over consumer protections and respecting the production regulations, which not only gained them socio-economic benefits from their quality labels, but also bore them products of highest qualities that were not easily forged. In addition, South African informants engaged in different activities to enhance their value, which ranged from forging various strategies such as networking with the industries to diversify their business horizons and opportunities, boosting their marketing and differentiation schemes by always finding and developing new markets even exploiting tourism.

Table 5 Concept 3: Value chain mechanisms

ITALY	SOUTH AFRICA
<ul style="list-style-type: none"> • Consumer protection, obey rules, high quality & economic benefits, 	<ul style="list-style-type: none"> • Networking with other industries,
<ul style="list-style-type: none"> • No power & choice distribution channels, 	<ul style="list-style-type: none"> • Dominant retailer not acknowledging “ Place of Origin,
<ul style="list-style-type: none"> • Fluctuating prices for raw material & selling price, 	<ul style="list-style-type: none"> • Buying GI products as commodity & sell them as their own niche products,
<ul style="list-style-type: none"> • Products fully resemble the qualities of their mandate, 	<ul style="list-style-type: none"> • Boosting marketing & differentiations schemes, new markets,
<ul style="list-style-type: none"> • Governance irregularities, info & understanding, 	<ul style="list-style-type: none"> • Retailers demand their own terms & don’t comply with the rules,
<ul style="list-style-type: none"> • Poor farmers battle with certification costs. 	<ul style="list-style-type: none"> • Spirit of open innovation not well accepted & practiced.

Source: Author

However, the results also suggested that members had no power in deciding over choice of distribution channels (retail chains) and poor farmers were constantly struggling with certification/protection costs. While in South Africa since GIs were fairly new, one

specific consortium that dealt with fresh products that their challenges ranged from the idea that the spirit of open innovation was not well accepted and practiced within the consortium as well as along the chains.

The results went further to indicate that, dominant retailers in South Africa did not want to acknowledge the concept of place of origin, they portrayed a tendency of buying producers' GI product as a commodity then sell it as their own niche product under their own labels. This also made them to demand their own terms and did not comply with the rules. As a result that affected their demand and supply of certified products, whereby if there were no demand, producers would be forced to dump their products to other markets at ridiculous prices. In essence, the results implicated that value could be maintained by obeying ethical codes and rules, and that would keep them aligned to the proper value chain governance.

The inquisitive picture depicted from **Table 5**, was that of the spirit of open innovation was not well accepted and practiced in the South Africa context, which insinuated that there was a lack of proper governance structures to conform or adapt to any circumstances.

“Due to low numbers or demand for certified products in the market, abattoirs limited the number of carcasses in the slaughtering chain. The volumes were 1000 carcasses for a month, which could be supplied by one farmer per month. So, the commitment of all farmers and their focus on the rules did not adhere to the sense that they did not get space in the marketing process, which would typically have a third of their volumes be taken up by the niche market chain. This made farmers feel disappointed since they were no rewards for their efforts.”

(Expert from the South African GI consortium).

Table 6 outlined a facilitation of key issues and matters that these consortia went through even though they did not predict or furnish solutions to these concerns; the idea was to source new and relative information that the study never anticipated, in order to find and weigh their importance to the solutions pertaining the enhancement of these chains. The

results indicated a profound misconception that Italian consumer's related quality to the brands not the consortium due to conflicting names that were carried out by one consortium, and a suggested solution was to educate more consumers and perhaps chefs at culinary schools. While on the other hand, in South Africa the results indicated that there was a low demand for certified products due to the lack of information in marketing and market dynamics, and this affected producers' turnover or rewards for their efforts. As a result, informants initiated the idea of stimulating open innovation, which could address the issues of consumer education and place marketing to create demand as well as prompting effective supply chain management systems.

Other issues related to technicalities when it came to failure to communicate problems, understaffing, and the fact that governance structures were streamlined and agile, however informants did not provided any possible solutions in this regard. The findings indicated and outlined the following factors as major concerns that informants were faced with in South Africa, which ranged from the legislative requirements and barriers to entry in relation to trading, the difficulties in terms of having access to the state or other financial sources, and the rules did not serve all the members well. The suggested remedy in this regard, was that of looking into development of effective supply chain management models that would address these challenges.

Table 6 **Concept 4: Governance backlash**

ITALY	SOUTH AFRICA
<ul style="list-style-type: none">• Consumer misconception of relating quality to brand, not consortium,	<ul style="list-style-type: none">• Low demand for certified products,
<ul style="list-style-type: none">• Conflicting names,	<ul style="list-style-type: none">• Legislative requirements & barriers to entry,
<ul style="list-style-type: none">• Difficulties regarding operations & quality,	<ul style="list-style-type: none">• Effective supply chain management systems,
<ul style="list-style-type: none">• Understaffing,	<ul style="list-style-type: none">• Rules don't serve all the members well,
<ul style="list-style-type: none">• Barriers to communication,	<ul style="list-style-type: none">• Low commitment due to no rewards for the effort,
<ul style="list-style-type: none">• Structures streamlined & agile.	<ul style="list-style-type: none">• Difficulties to access state or other financial sources.

Source: Author

The issue, that was worth it to be readdressed was that of consumers' misconception of relating quality to the brand, not the consortium due to conflicting names that would be associated to that particular consortium.

“DOPs were well known for sausages, cheeses and similar products but in the case of olive oils things were different. An extra virgin olive oil was more important to the consumer than the origins of the product or even the varieties of the olives from which oils were produced. Thus, it was difficult to influence consumers to select a product on the basis of the DOP rather than extra virgin characteristics.”

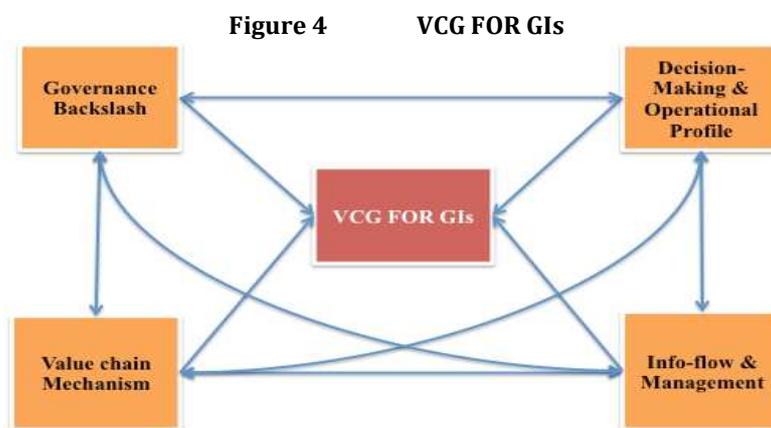
(Expert from the South African GI consortium).

4.8 Conceptual mapping analysis

According to Kinchin and Hay (2000); and Daley (2004), a concept maps were schematic devices that were used in qualitative research to make sense of linkages between concepts from each interviews. These helped the researchers to focus on seeing the participants meaning by organizing the data in an orderly fashion. There were five (5) concept maps

that were produced in this study, namely: Concept Maps 1 to 5, which were based on the four (4) main concepts of the results of the content analysis of the study, namely: decision-making and operational profile, information flow and management, value chain mechanisms, and governance backlash.

Figure 4 represented VCG for GIs, which illustrated the graphical linkages and connections that existed between the four (4) main concepts of the results, and their influences respectively in determining the value chain governance (VCG) of Geographical Indications (GIs). That simply meant that, the impact of decision-making and operational profile, how the flow of information was managed (in and out of the consortium), the value chain mechanisms, and governance backlash, which might affect the holistic governance processes of Geographical Indications in the consortium and along the value chain. That also meant that, the concepts themselves individually might influence one another as demonstrated below.



Source: Author

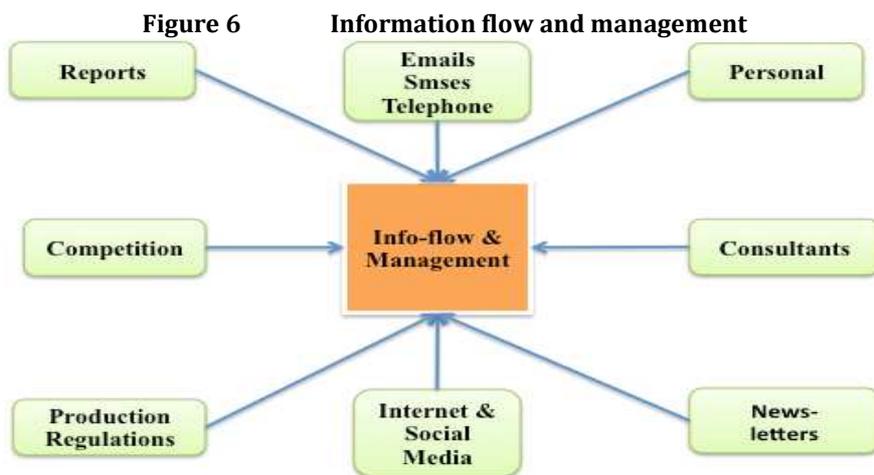
Figure 5 represented the decision-making & operational profile, which isolated and analyzed concept 1: decision-making and operational profile individually, to understand the various factors affected the decision-making processes in the consortium. And further

making sense of the relationships between these factors and concepts, as illustrated below.



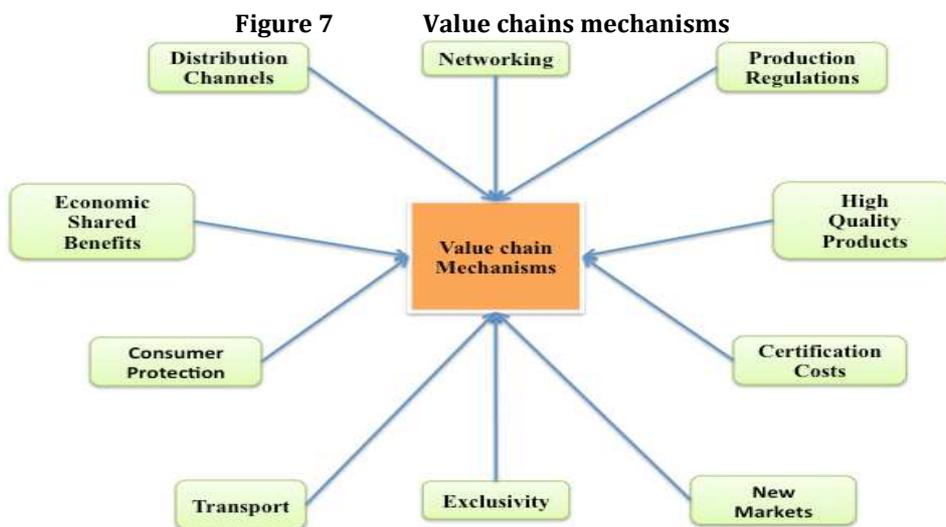
Source: Author

Figure 6 demonstrated information flow and management, which segregated and analyzed concept 2: information flow and management on its from the initial concept map 1, in order to understand how information flowed and was managed in and outside the consortium. Moreover, understand issues pertaining to competition within and outside the consortium as well.



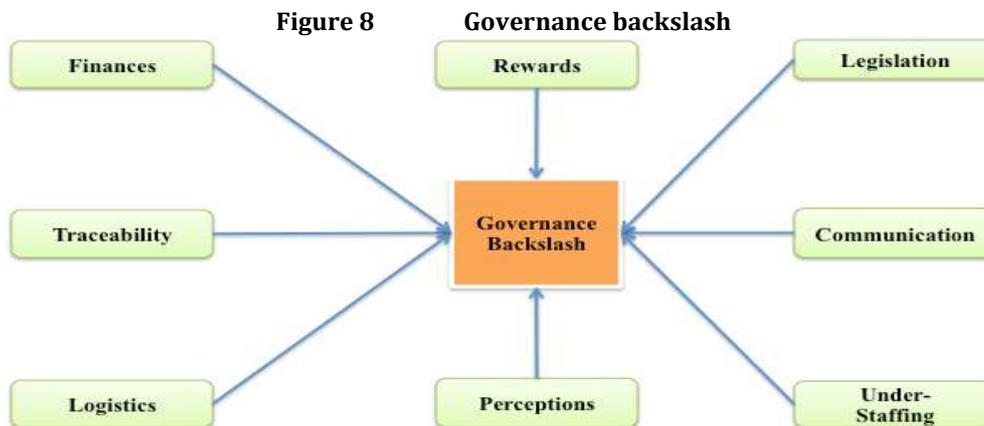
Source: Author

Figure 7 symbolized value chains mechanisms, which analyzed concept 3: value chain mechanisms, in order to make sense of the linkages between the variables that enclosed this concept. This aim was to understand as to how these variables could influence the creation, destruction and maintenance of value along the supply chains, as shown below.



Source: Author

Figure 8 indicated governance backlash, which analyzed concept 4: governance backlash individually, in order to understand and makes sense of the influential factors that surrounded it. This was crucial in the facilitation and comprehension of the key problems that consortium members were faced with as shown below.



Source: Author

4.5 Conclusions and discussion

This chapter intended to present the results of the qualitative analysis of the interviews administered in Italy and South Africa, whereby two (2) of the qualitative techniques namely: contents summarizing and conceptual mapping, were deployed to analyze the data in accordance to the research aims and objectives. Thus, as anticipated the results were clearly presented and their level of authenticity as well as content was kept and maintained.

This part of the study highlighted a contrast between the results of qualitative analysis of Italy and South Africa, which was based on the evidence put forward by the previously mentioned four (4) concepts from the content analysis, which will be further tabulated in Table 7. The notion was to depict the major issues that were raised in both countries as follows.

Table 7 Contrast of the results of qualitative analysis between IT & SA

ITALY	SOUTH AFRICA
<ul style="list-style-type: none"> Pioneer in GIs & legalities 	<ul style="list-style-type: none"> SA, fairly new with pending legal framework,
<ul style="list-style-type: none"> GIs used for protection, 	<ul style="list-style-type: none"> GIs' used protection, &/or promotes, marketing activities,
<ul style="list-style-type: none"> Used relational value chain governance type, 	<ul style="list-style-type: none"> Used hierarchical value chain governance type,
<ul style="list-style-type: none"> Decisions taken collectively, 	<ul style="list-style-type: none"> Decisions taken individually & collectively,
<ul style="list-style-type: none"> Not Applicable, 	<ul style="list-style-type: none"> Need for effective supply chain management systems to address retailer's dominance and exploitation of power,
<ul style="list-style-type: none"> High demand for quality products due to health & safety reasons, 	<ul style="list-style-type: none"> Low demand for certified products,
<ul style="list-style-type: none"> Consumers, perceive GIs' quality to brands not consortia due to conflicting names, 	<ul style="list-style-type: none"> Not Applicable,
<ul style="list-style-type: none"> Poor farmers battle with membership costs & governance irregularities. 	<ul style="list-style-type: none"> Not Applicable.

Source: Author

In this framework, the lessons learned in this part of the study focused on the key issues that transpired from the contrast between the results of qualitative analysis from Italy and South Africa. This pertained the value chain governance structures and mechanisms of Geographical Indications for wines and agri-food (fresh and processed) products, and other emanating factors that posed as intriguing for additional investigation, which could be able to navigate future research of this context to an insightful direction were as follows.

Based on the evidence of the pioneering background and experience of the Italian agricultural sector pertaining the protection and use of names denoting places or origin and having the custodianship of their intellectual property in order to sustain a profitable business longevity, legal frameworks are the fundamental tools to have (Giovannucci, 2007). Designed and defined by GIs users, these devices protect, channel and stir wealth to the rightful owners, not to mention the conception of safeguarding consumers against

fraudulent information and products, and unfair rivalry (Craven and Mather, 2002). Therefore, South Africa would have to be fast about the endorsement of these legalities in order to avoid all the unfavorable situations at this fragile time of GIs adoption.

As indicated earlier Geographical Indications have been regarded as the sources of value particularly in developing countries if legalities and other mechanisms involved are intact, of which further suggestions have even highlighted their potential to be utilized or to be incorporated in a firm's marketing efforts to exploit their full capabilities (Bramley and Kirsten, 2007; and Canavari et al, 2017). However, as much as results denoted South Africa as currently treating and using GIs as marketing tools, it would be extremely difficult at this juncture to deal with issues of information asymmetry and free riding in a situation where the legal systems were not in place, questioning the nature of the products sold and promoted under such conditions for that matter.

In essence South Africa has all it would take to comply with and exploit conditions offered by Geographical Indications, which the help of adequate producer associations, quality control, consultancy, financial sources and effective supply chain management no exploitation (Kirsten, 2009).

The rationale behind a long-term trend of consumers seeking authentic, safe and traceable agri-food products should not be taken for granted, plus consumers' powerful influence behind firm's marketing strategies as their key targets for their offerings (Iiberry and Kneafsey, 2000; and Canavari et al, 2017). The global supply chains are continuously being reshuffled and redefined to match and suit these conditions (Banga, 2013). Therefore, GIs as they have proven to possess all the qualities required to fulfill such needs due to their authenticity, consumers need to be constantly reached, educated and informed about these products and what they represented, specifically in the South African markets. In conclusion, it all came to the issue of SA acquiring legal framework as a basis for everything to follow, having power and control over what if your in that

sense its easy to be trusted. Mostly important more efforts should be directed to marketing or promotion in creating awareness of these incredible products.

CHAPTER 5

SUMMARY AND CONCLUDING REMARK

This research presents the examination and determination of value chain governance structures and mechanisms of Geographical Indications (GIs) for wines and agri-food (fresh and processed) products. The analysis was administered on supply side. The previous research pertaining governance mechanisms in supply chain related to Geographical Indications (GIs) for wine and food products in Italy (IT), United Kingdom (UK) and South Africa (SA) were reviewed. Value chain governance of wine and agri-food GIs consortia, associations, cooperatives and SMEs in Italy and South Africa were analyzed. Understanding a contrast of specific situation between an established market & a player (IT), new market (UK), & and aspirant (SA) would offer insightful knowledge transfer to South Africa for its compliance with GIs. This section of the study is organized in four (4) chapters, and conclusions and discussion as follows.

Chapter 2 defines the theoretical background of the value chain governance in agri-food supply chains. The motive was to give an insightful background of what value chain governance entailed, which was based on understanding why it mattered to the stakeholders, its types, and what determines a governance structure. Most importantly, the chapter outlined the best-recommended practices for efficient governance in the agri-food supply chains. This theoretical background addressed some special cases of Geographical Indications (GIs) for wine and agri-food (fresh and processed) products in Italy, the United Kingdom and South Africa. Moreover, the chapter presented Geographical Indications as interesting concepts of value creation, which further needed to be explored and exploited to exhaust their fullest capabilities, even though running and maintaining them not being a cheap and easy task. However, there was another school of

thought on this matter, which singled out Geographical Indications as one of those management regulations that wasted public money despite their alleged potential on rural economic development in emerging markets. Regarded as a symbolism of great quality, safety and traceability as protected products, GIs were deemed as a proper model that could demonstrate and address the outstanding issue of shifting towards the adoption of exclusive quality standards and distinctions due to the high demand authentic, traditional, healthy and traceable agricultural food products, in order to respond to these dynamics and fluctuations in the consumption patterns. Therefore, since South Africa had just recently adopted these GIs systems, although they were pending legalities regarding their framework, the study intended to analyze how their governance was done, using wine and agricultural food (fresh and processed) products as a benchmark, the analysis focus being on the supply chain with the notion of understanding how value was created. Another school of thought further indicated that value chains and their governance were generally subjected to the nature of the product, business and the industry the firm operated in not forgetting the legalities. On the note, guided by the previous research, the study opted to analyze a specific situation of an established market and player, a new market and an aspirant, and this was based on their background regarding GIs. The key factor worth noting in this chapter was that governance was an important concept in the global value chain of agri-food products, which sets some administrative parameters in the existing relationship between, sellers and regulatory firms. Therefore the governance of GIs could be a great model, which could appeal to the issues of traceability and agri-food safety.

Chapter 3 contribute to the literature review, which heavily draws on the paper “The Marketing Implications of Value Chain Governance Strategies of Wine and Agri-Food Products using Geographical Indications (GIs) in Italy and the United Kingdom "The UK" (England and Wales): A review” by Raymond H. Hawkins-Mofokeng, Maurizio Canavari, and Martin Hingley. This paper is under review in the International Journal of Food and Beverage Manufacturing and Business Models (IJFBMBM). Therefore since

this review was a desk research based on an analysis of how other researchers who studied topics of this nature coped with these dynamics. The study focused on the value chain governance of Geographical Indications (GIs) in Italy and South Africa, making it an exploratory analysis in the context of GIs, which relied in the literature review and secondary data from the European Union (EU). Specific keywords, databases and abstracts were used to screen relevant case studies. Since this was a qualitative study there were five (5) secondary objectives/sub-topics, so the researcher summarized results from the selected case studies from these regions regarding the subject matter. The major issues the results indicated were, that although GIs were useful tools, they required other help or boost from other strategies such as marketing. Another issue being the idea that a customer should always be put into consideration in any business decisions. The results further showed that differentiation was a major issue that was subjected to having trust in agricultural food systems. Lastly, the results stressed out that there should be a development of adaptive and conforming governance structures together with regulatory systems in place that could withstand any risks arising in the supply chains. Further research was proposed on determining the governance sequences and approached of using GIs in multi cultural and ethnicity countries.

Chapter 4 presents the results of the qualitative interviews that were conducted in both Italy and South Africa together with couple techniques that were used to interpret the data, which was informed by the literature review. One of the aims of this study was to conduct and evaluate a contrast between Italy, the United Kingdom and South Africa, which were comparatively insightful in terms of their longevity and experience in the use of GIs, and how specialized their product types and markets were. However, due to unforeseen technicalities regarding time and availability of participants in the United Kingdom, the study had to cover only Italy and South Africa as indicated earlier, but still maintaining the same initial principles and strategies. The results were organized in the following matters: research strategies, data sources, interview design, data collection methods, data analysis, results of qualitative analysis for both Italy and South Africa,

concept mapping analysis, and conclusion (summary of comparisons between Italy and South Africa). The study's population and sample size were the directors and managers of GIs consortia, associations, cooperatives and SMEs in Italy and South Africa specifically the ones that dealt with processed, fresh and processed products. The qualitative research data collected twelve (12) in-depth qualitative telephonic interviews. The meaningful and symbolic content of each interview was analyzed, and then finally concepts were mapped to make sense of the linkages between the concepts.

The key factors outlined from the results were that the legal frameworks for GIs were fundamental devices that were necessary to run and maintain these systems, which gave a comprehensive understanding for better knowledge transfer to South Africa's compliance situation. While on the other hand the results indicated that GIs were the great source of value creation as the study's aim suggested, which needed other mechanisms to boost their capabilities. In addition, the results indicated that after South Africa has acquired its own legal groundwork, the most important matter was to put more focus on marketing and promotion in creating more continuous awareness of GI products, their importance, their identity and their differentiation amongst other conventional or fraudulent products. In so doing that would enhance the value of the current supply chain systems, which could be more effective and beneficial to the stakeholders involved.

Based an analysis of the types and structures of value chain governance, the outcomes suggested that the relational value chain governance could be the more appropriate value chain governance type that could work well for wine and agri-food GIs, since it was characterized by possessing and encouraging a coordinated synergy amongst its members, in terms of work, sharing information, responsibilities and more therefore South Africa could explore them.

One of the study's aims was to determine how the value chain governance of GIs consortium was organized, in terms of entities having power and decision-making to the

matter related to production, pricing, promotion and distribution. Based on the structure and mechanisms of decision-making and their scope, the aim was to identify as to which decisions would be based on collective efforts or individualism. The results indicated that such efforts could both be individually and collectively, and the initiative of who could take the verdict on business matters, how and on what grounds, depended rigidly on the type and structure the consortia's value chain governance of the GIs, and the nature of the products it carried.

In terms of GIs value enhancement capabilities, the outcomes showed that GIs consortia in Italy used promotions that were aimed at educational campaigns, which were usually conducted in primary and secondary schools to educate pupils and students about the quality and health attributes of using GI products. Most importantly teaching them about GIs uniqueness in terms of qualities that could never be replaced or compromised.

Results highlighted one intriguing bottleneck situation in South Africa indicated that the spirit of open innovation was not well accepted and practiced in the supply chain of specialty wines and agri-foodstuff, which insinuated that there was a lack of proper governance structures to conform or adapt to any circumstances, possibly due to effective supply chain management systems.

Additionally, the findings indicated that South African informants were facing an array of issues, which contributed more to bottleneck situations, these ranged from the legislative requirements and barriers to entry in relation to trading; the difficulties in terms of having access to the state or other financial sources, and the rules did not serve all the members well. The implication was that, there was an insufficient flow of information and management, as a result the suggested remedies in this regard, were based on the notion of looking into the development of effective supply chain management models that would attract for more investors, ideas, information and innovation to address these challenges.

Lastly, the lesson learned was that, there was a need for South Africa to redefine its own structures in terms of coming up with suitable and effective business models, policies, legalities, markets, information asymmetry, feasibility, beneficiaries, finding balance between fast and effective decisions, regarding the governance of its GIs at this stage.

In conclusion, this thesis contributed to the body of the existing knowledge related to value chain governance of agricultural food and wine products that used Geographical Indications by offering new or different perspectives and thoughts.

In addition, It would be beneficial to the following entities: marketers, entrepreneurs, policy makers, agricultural economics, researchers, academia, Geographical Indications consortia, cooperatives, associations, SMEs, government sectors, agricultural food sectors, educational institutions, emerging markets, producers and suppliers, small-small farmers, retailers, supermarkets, farmers' markets, trade fairs and many more.

Lastly, the study recommends the need to determine other available mechanisms that could be incorporated in the use of GIs for their outstanding value creation, however the conception of “who benefited and how”, in the GIs systems still remained unknown. The study also recommended that, there should be more focused research based on the dynamics of the legal framework of GIs, trust aspect in the value chain governance of agri-food products, and, the sharing of costs and benefits in the value chains of GIs. Moreover, studies of this nature should be conducted more in other emerging markets.

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7. APPENDIX: KEY GUIDELINES

Appendix 1:

Key guidelines (English version)

THE KEY INTERVIEW TOPICS AND QUESTIONS

N.B, These topics or questions are not following any chronological order; feel free to answer them in any order you would like.

Therefore, kindly answer or comment on the following.

1. Your consortium's organogram in terms of structure, elements and different characteristics.
2. The rules and roles within your consortium.
3. How is your consortium organized, entities having power and decision-making? I.e. how do you decide on production, pricing, promotion and distribution?
4. Structure & mechanisms of decision-making and their scope, as in which decision would be based on collective efforts or individualism?
5. How do you manage information in your consortium?
6. How do you deal with competition within yourselves, individually and with other competitors?
7. How does your value chain work in terms of relationships, operations, power relations, rights and decision-making?
8. The issue of value creation, where is it destroyed and maintained?
9. Which bottleneck situations do you experience?
10. How do you avoid bottleneck situations?
11. Is there anything more you would like to add?

I will analyze this information you gave me then submit a draft report to my supervisors in a month's time for a further analysis. I will also be happy to send you a copy to review at that time, if you are interested that is.

Thank you for sharing this vital information and for your valuable time

Appendix 2:

Key guidelines (Italian version)

PUNTI CHIAVE/ DOMANDE OGGETTO DELL'INTERVISTA

Le chiediamo di rispondere o commentare quanto segue, precisando che l'elenco di domande sotto elencate non segue un preciso ordine cronologico, può, pertanto, rispondere in qualsiasi ordine a lei più congeniale.

1. Può fornirci un organigramma del consorzio da cui si evincano le varie strutture/elementi, e caratteristiche?
2. Quali sono le principali regole societarie ed i principali ruoli all'interno del vostro consorzio?
3. Come è organizzato il consorzio, a quali entità fa capo il processo decisionale? In che modo si arriva a decidere su produzione, prezzi, promozione e distribuzione? Quali di questi aspetti sono regolati dal Consorzio e quali invece sono lasciate ai membri?
4. Struttura e meccanismi decisionali: in quale misura ritiene che il processo sia basato su sforzi collettivi o invece sull'iniziativa individuale?
5. Come viene gestito il flusso di informazioni nel vostro consorzio?
6. Come gestite la concorrenza fra i membri del consorzio e con gli altri concorrenti esterni (prodotti affini o sostituti)?
7. Come funziona la vostra catena del valore in termini di relazioni, operazioni, rapporti di potere, diritti e come funziona il processo decisionale?
8. La questione della creazione di valore: dove si annulla e dove si mantiene?
9. Quali situazioni di "collo di bottiglia" avete sperimentato?
10. Come ritiene che possano essere evitate?

11. Desidera aggiungere qualche ulteriore riflessione?

Nell'arco di un mese le informazioni che ci avete gentilmente fornito verranno analizzate al fine di sottoporre una relazione finale ai supervisori del progetto per un loro riscontro. Se lo desidera, Le invierò copia del lavoro una volta ultimato.

La ringrazio in anticipo per la condivisione delle informazioni, e per il tempo che vi vorrà dedicare.