PDO and PGI importance for Georgian Wine Promotion - Will Georgia benefit from Geographical Indication at International Market?

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Abstract

Governments have been protecting trade names and trademarks used in relation to food products identified with a particular region since at least the end of the nineteenth century, using laws against false trade descriptions or passing off, which generally protect against suggestions that a product has a certain origin, quality or association when it does not. In such cases, the limitation on competitive freedoms which results from the grant of a monopoly of use over a geographical indication is justified by governments either by consumer protection benefits or by producer protection benefits. Like trademarks, geographical indications are regulated locally by each country because conditions of registration such as differences in the generic use of terms vary from country to country. This is especially true of food and beverage names which frequently use geographical terms. Geographical Indications are generally traditional products, produced by rural communities over generations, that have gained a reputation on the markets for their specific qualities. The recognition and protection on the markets of the names of these products allows the community of producers to invest in maintaining the specific qualities of the product on which the reputation is built. It may also allow them to invest together in promoting the reputation of the product. The goal of this paper is to make a literature review about the protected geographical indications in the Wine Business in order to discuss Geographical Indication as a marketing tool. Besides the literature review experts of the Georgian wine business are being additionally interviewed.

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1. Introduction

In recent Decade Global wine market has become more and more saturated and customers have lots of choice with a huge amount of information to make their decision. In this case product differentiation emerges as a key marketing strategy to build competitive advantage. In the ‘classical marketing’ of Fast Moving Consumer Good producers brands are being recognized as a tool to distinguish from competitors (by product or service) (Kotler et. al. 2009). Thus, branding is the differentiation strategy used to compete in the global competitive market and gain the value for the products or services - competitive advantage (Armstrong et.al. 2000). Another differentiation tool ‘place of origin’ emerges as a crucial element on which sustainable competitive advantage is built, it is not only giving tangible characteristics to wine but may be the indicator of the quality, that will drive the consumers' preferences and choice behaviour (Riviezzo et.al. 2014). Distinguished marketers who have tried to apply typical brand marketing to the wine business have always failed. The reason lies in the decision - making process of a consumer. In branded goods, desire or need triggers the mental download of the brand. In wine, desire or need triggers the download of a complex matrix of price, whether it's white or red, what the origin is, and finally they choose from small percentage of labels in a chosen category pre-selected by a store buyer or restaurant (Huneeus 2005). Appellation marketing is the ultimate. If your whole brand is based on “Chardonnay” and not appellation, it won't be long before somebody will copy your style and steal your market (Lechemere 2003).

Some studies showed that some GI act like a Brand (Shepherd 2006) at the market. Territorial brand "Champagne" - is protected from the misuse of the brand name, which has caused many disputes (Charters et. al 2011). Demand market which is detrimental for the producers to develop their strategic plans have been changed - New World Wines appeared at the world market that are becoming more and more harsh competitors for the traditional Old World Wine market. Export of the Old Wine World has declined due to this competition as consumers preferences changed; they give less value to GI (Shepherd 2006). For New World Wine Market the trends to implement GI for the wine Brands to access the premium wine segment and get more competitive advantage has been developed as a new trend. Emerging Wine Regions have fewer things bind together and they do not have cultural resources and social to develop the factors necessary for territorial brand - to become resistance to the external threats (Charters 2011).

In the current paper the PDO and PGI will be discussed, GI as a marketing tool will be reviewed. Different type of Brands such as Territorial Brands and Brands using GI as competitive advantage will be discussed and some country examples will be introduced. The study of Georgia as an emerging Wine Producing Country will be done, current and future strategies and trends will be analysed and some conclusions from the other country experiences will be given as recommendations to build successful marketing tool to promote Georgian Wine internationally (for strategic markets defined by the national strategy).

2. Geographical Indication Overview (GI)

2.1. "Terroir" Concept
"Terroir" is defined as the important quality parameter according to different parameters: Soil, Climate, Vine (Cultivar) and Human factor along with viticultural and oenological techniques, since no vineyard would exist in nature without mankind activities. (Gladstone 1992, Seguin 1988, Seguin 1986, van Leeuwen et. al. 2004, van Leeuwen 2006). By studying the "Terroir" effect on grape quality van Leeuwen find the significant correlation with soil and climate, rather than the cultivar effect. Water stress was the influential factor for quality of the grapes (van Leeuwen 2004). There are also other definitions of "Terroir" given by other authors: "Indications which identify a good as originating in the territory of a member country or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin" (Barham 2003).

French system AOC labelling (Appellation d’Origine Controlée) links the local through the concept of terroir, linking to the world as intellectual property defined by GATT (General Agreement on Tariffs and Trade) and regulated by WTO as a "geographical indication". This concept does not only guarantee to communicate complete traceability of agricultural products of specific places, but also promotes innovative forms of rural development (Barham 2003). "Terroir" is associated with so called Old Wine World, but for the New Wine World the term "Regionality" is used. "Regionality" is the reputation that wine region has for producing specific wine style. Though some geographical indications for the New World has been developed - such as AVA for US.

By the study conducted by Easingwood (2005) in Australia with 89 winegrowers from the whole country were interviewed to determine the main parameters of the Regionality, which were: Wine style; Significant Amount produced, Quality wines and Having some Stars, Wine Heritage, Distinctive Wine produced for the specific area, Wine produced only with a particular "Terroir". 'Terroir' can offer distinct points of differentiation - offering symbolic meaning of authenticity, and sense of 'genuine' rather than industrial wine concept. Though the term is complex and carries ambiguity. The concept of "Terroir" was offered - competing environment, metaphysical and marketing interpretation (Charters 2010).

2.2. Brief Overview of Geographical Indications and its purpose

"Geographical indications are indications which identify a good as originating in the territory of a Member [of the World Trade Organization], or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin (WIPO Document SCT/6/3);

Wine Appellation oldest record found in Bible Samaria, Carmel and Jezree wines\(^2\). First wine classification Tokaj-Hegyalja, Hungary 1730 (Kiadó 2012) and first Institute of Appellation d’Origin (INAO) created in France by the branch of ministry of agriculture in 1935.

European Quality Policy links quality of the wine with specific geographical indication. First regulation was adopted after Cassis de Dijon judgment in 1992 (EEC Council Reg. 2081/92). In 2007 new regulation replaced 21 separate regulations establishing common

\(^2\) Strong Biblical Cyclopedia Online. Web. 23 Nov. 2014
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organization of markets for different agricultural products including wines was introduced (EEC Council Reg. 1151/2012). European policy stems from producer and consumers concerns; also the policy enables the farmers to make their living in the areas where they come from. They are based on the legal framework provided by the EU Regulation No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs (EEC Council Reg. 1151/2012).

This Regulation (enforced within the EU and being gradually expanded internationally via bilateral agreements between the EU and non-EU countries) ensures that only products genuinely originating in that region are allowed to be identified as such in commerce. Each European country has their own national regulation.

**What is perceived under PDO and PGI?**

- Concept of *Terroir* - Agro-ecological conditions, plant varieties and human factor is associated with *terroir* (*Josling 2006*) example of Bordeaux wines
- There is a link between product origin and its quality – technologies used for production which is associated with tradition of the given region (*Josling 2006*)
- Alternative marketing strategy of the products (differentiation method) as branding – both method is using value added characteristic and longer supply chain (they may act as substitutes at the market) (*Deselnicu et.al. 2013*)

"The Protected Designation of Origin is for products closely associated with the area whose name they bear (WIPO Document SCT/6/3;).

**Two conditions to meet:**

1. The quality or characteristics of the product must be essentially or exclusively due to particular geographical environment of the place of origin (environment include inherent natural and human factors – climate, soil quality and local know-how).

2. The production and processing of raw materials up to final product stage must take place in the defined geographical area whose name the product bear.

**The Aim of PDO and PGI**

- To preserve the economic value for agro food produced by protecting the reputation of the region – long term strategy, image building
- To promote products that will improve the income of the local farmers and train the rural population
- Encourage diversification of the product and avoid competition in commodity market – to better balance between supply and demand
- Support producers to sell their authentic products at higher prices – access the niche market with premium prices (*Bramley et. al. 2009*) – marketing tool
- To eliminate unfair competition and misleading of consumers – protection of intellectual property rights and avoid falsification
- To provide clear and succinct information on geographical origin in order that consumers make their choice easier
2.3. The Consumer Perceived Signals while Choosing the Wine

When consumer want to make purchase decision, they have to consider many variables, amongst which might be the price, place of origin, warehouse, brand, grape, time and process of ripeness, label, type of bottle, etc. (Espejel 2009). The quality of the wine region gives the raise to quality expectation of the sub-regions or appellations within a region (Sonoma County indication on the label predict the quality of the wine) (Johnson et.al. 2007). Bordeaux Wine studies showed recently that stories behind the wines play great role for the consumers. For most of the consumers the appellation, geography, wine description and varieties are important, for experts and wine journalists the technical and rational aspects behind the wine is more important (Mora et al. 2013). Though in other study wine consumers weren't knowledgeable enough to distinguish the quality under the umbrella of Bordeaux wines as price was the major signal of the quality (Gergeud 2007). And even in case of knowledgeable and traditional consumers are having tough time to distinguish some PDO, PGI and varietals - that are note on the label of French wines (Shepherd 2006). Under similar climatic conditions and soil characteristics and with different viticulture and winemaking practices sensory profile can distinguish PDO wines in well-defined geographical area (France Anjou region study) (Sholtus 2014). In Spain the studies showed positive influence of the perceived quality associated with intrinsic attributes of the wines (color, smell and flavor) on consumer satisfaction was identified, though the link of the extrinsic attributes (brand region of origin) with customer satisfaction and loyalty was not found (Espejel 2009). By some earlier studies in Spain price was determined by sensory characteristics (Combris et.al 1997). "Region-of-origin" effect is significant for the regional buyer. The sales of Cava would be greater if the regional origin were emphasized by location indication on the distinct place of the label (Chamorro et al. 2015).

For Italian consumer's highest loyalty level is given to the quality of designation and price. The lowest priced wines achieved the highest loyalty; less loyalty was given to foreign wines priced above 7 EUROS (Casini 2009). In Argentina for Malbec wines foreign consumers (Germany, Netherlands, United States, United Kingdom) are willing to pay more for geographical indications than to buy medium to high Argentinian high priced wines in specialised shops. This was explained by less protection of GI of Argentinian wines, also the consumers preferred to choose the wines according to the GI indication on the label rather than to choose a product which differed by many attributes (Defrancesco 2012). The cross-country research about finding the attributes, which influence the decision of consumers, such as Old Wine World consumers about New Wine World and vice versa should be studied more to define consumers perception (Orrego 2012).

Hedonic pricing model for premium Californian Wines showed the following quality characteristics for the wines - regional origin, age, brand, regional reputation is related with wine's price (Schamel 2003). Schamel studied hedonic modelling of 22 distinct wines growing regions - 11 countries (Source wine Spectator) (Schamel 2005). The results showed that New World wines still have to catch Old World with regional premiums. Though some of the individual New World brand can make price differentiation. The study showed that regional premiums couldn’t become Regional Brands unless they meet the quality requirements. The same author has proposed some of the findings in the conclusion:
1. The expert opinion and quality signals have positive effect on the price of the wines, even after correcting grape variety and regional origin.

2. Regional differentiation supported by protection of geographical indications, provides value to regional names and also rates on return of the investment done for the promotion. Regional reputation is a public good - which can be used as to increase the reputation of particular wine growing region or grape variety. Promoting regional origin is sensible for New World, though Old World can benefit from this - for example German white wines.

There is third lesson proposed by the same author, that when consumers form buying decision they will address the most approximate quality signals if the deep signals are difficult or costly for them to make a buying decision (Schamel 2005).

3. Discussion of branding types - Wine Brands, Territorial Brands, Regional Brands, Clusters

Wine brands have been created long time ago the example is Chateaux Haut-Brion in 1663 (Bordeaux Wine Region) (Unwin 1996). New World wine markets support their brands than Europe (Jordan et. al. 2006). Lockshin and co-authors (2000) proposed the 'hierarchies' of brand - such as country, region, domain, producer, distributor and retailer. Each level of hierarchy develops the brand equity, which will benefit for development of brand attachment by consumers, though approach does not propose the regional brand example, but it accepts the importance of territorial dimension for the wine. In some studies consumer benefits are studied, were positive lifestyle creation is attached to wine branding (Thode & Maskulka 1996). There are different type of brands, which use umbrella, corporate and leader brands. There are place-related brand, including country, regional and destination brands.

Territorial brand is a form that defines the area related brand, but specifically where the product is sold is linked to its origin. Territorial brand includes tourism and some food and drink products, also good like Cuban cigars, Venetian Glass, Champagne. Territorial Brand is one that is created in specific territory, which can be only created there and nowhere else, thus soil, climate, topography and historical context is important - such as Champagne, Bordeaux Wines. Territorial brand exists together and in cooperation with number of individual proprietary brands of the similar product, or sub-brands producing an element of the product. Territorial brand may and usually is regional brand (country brand) but not all regional brands are territorial brands as they do not have link with the area, which is detrimental for this kind of brand existence (Charter et. al. 2011). By some studies it was defined that cooperative branding - number of attractions combined, involves consumers with overall destination strongly than individual brands within the destination (Cai 2002).

"Regional Brand" sell products by the name of region or place, with no definitive "Terroir". There can be benefits to be linked to a region, as consumers may be willing to buy the products. It was suggested also that region of origin is significant with high-added value products where human than environmental aspects of regional link are significant (Van Ittersum et. al. 2003). The idea of clusters (Porter 1998; 2003) and co-petition (Nalebuff & Brandenburger 1997) has
been analysed by some authors. *Clusters* gives the members economies of scale, proximity, momentum, access to local R&D (Research and Development) and access to the staff - Napa Valley is the example of cluster existence, where winemakers, winegrowers and consultants work together, not in competition to develop effective industry, coordinated in this case by *Napa Valley Grapegrowers* (Porter 1998). For successful operation of the *Clusters* competition and cooperation should take place, which will keep individual advantages and strengths, though it does not guarantee success of any individual enterprise - this is termed as *co-opetition* (Porter 1998). The success factors for *co-opetition* are the following: 'organizational arrangements', 'cultural fit', 'interdependences', and 'institutionalization and integration' (Zineldin 2004). These conditions can develop through organizational structures, shared history and mythology - vision for collective wine brand - shared knowledge increasing mutual trust (Caple et. al. 2010).

There is view that French AOC does not work as *clusters*, as they are based on 'Terroir', raising barriers for entry, they do not build competition and are characterized by fragmentation, that decreases the capability of investment for cluster development (Ditter 2005). Barriers to entry can be applied to Napa Valley - producers are excluded from membership of clusters (Charters 2011). Competition is possible in case of 'Terroir', (Chartier 2011). Classic Economic approach proposes that if regions get reputation, the brands will decrease the level of quality and rather maintain price levels, though this did not happen yet in Bordeaux (Landon & Smith 1998). In Europe in case of territorial brands - control of over-production is the main issue to be considered, also minimum ageing requirements, that cannot be the case in New World, where market determines such issues, but variable quality as a result may have negative effect on the overall reputation of a region (Charters 2011). The control of over-production is in response to vintage conditions (influencing wine quality) in AOC regions. Though in the new world there is no such control.

### 3.1. GI examples from Old World and New World

- **The French system - Territorial Brand Examples**

  There are many well-known regions of Wine Production in France - Burgundy, Bordeaux, Loire valley, Champagne. There are 450 AOC (*appellation d'origine contrôlée*) and 140 *Vins de Pays* (VDPs). The territorial brand name created from the territorial uniqueness, special productions and more than 200 years experience is 'Champagne'. Champagne territorial brand can be compared with Bordeaux - made from grand crus classes, less prestigious chateaux, group of co-operatives (making fairly cheap wines) (Faith 1999). Champagne industry members created their reputation based on image intrinsic quality, but varied by individual approaches (defining value based on individual proprietary brand) and with collective perspective, which creates as a result territorial brand (Charters et. al. 2013). Champagne has shared heritage which goes back several centuries and generations involvement, all of these contribute to have strong territorial brand image originated from the culture and place, than a cluster notion (Charters 2011). Champagne as well as Bordeaux regions was driven by mercantile involvement, as a result Bordeaux has strong independent cultures, though in Champagne growers united to set common front against the houses - grower cohesion. And then these two sides negotiated to fight against the common external
enemies (external fraud using of the name of Champagne). For Bordeaux there was not a case of this type of enemies, and perhaps of less long-term external common enemies produced less internal cohesion (Charters 2011). Though recent reduction in the price of single Champagnes because of economic crisis, will negatively impact territorial brand’s long-term reputation (Charters 2009). In Bordeaux next to the known grand cru classes, number of numerous small chateaux exists there are small less prestigious small wineries to a group of co-operatives (producing cheap wines) (Faith 1999). There was decline of the reputation and market share for Bordeaux Wines at supermarket shelves the Bordeaux wines were having price very low prices (2 euro). Professional organisations failed to respond to this problems, as there are 57 AOC regions, each having its own position at the market and none were able to give cohesive response (Echikson 2004).

**Australian System**

Australian Wine and Brandy Corporation (AWBC) define the GI system as: 'official description of an Australian wine zone, region or sub-region. It takes the form of a textual description (i.e. a list of grid references, map coordinates, roads and natural landmarks which can be traced to outline the regional boundary) along with a map' (AWBC). Australian GI requires that at least 85 % of the grapes come from the specific region. Marketing New World Wines more emphasis is done on grape variety and winery/brand reputation. The main advantage of GI system adopted by new world producers is freedom of choosing the winemaking according the needs of customers and market conditions. According to the case of New World Wines - Australia is trying to build "Regional Heroes: - the wines made from the "classical varieties of Australian wine region"(AWBC, 2007:14). Australian wine reputation was high in terms of quality, however the volume of wine sales was increased which increased discounting that gain more importance than long-term branding. Australia in UK lost image of being interesting and different (Goode, 2005). At the Market some of the strongest single Brands - such as Yellow Tale appeared which can be seen as the competitor with regional brand of Australia.

### 3.2. Effects of PDO and PGI used as marketing tool

There arises a question by the label of origin we are moving forward to further industrialization of agro-food system, or instead witnessing the moment of legitimation crisis that will lead to further development, or alternatives (Barham 2003). In developing countries Geographical indication can become increase marginalization, unless they are under support of rural policies and legislation and also in agreement of knowledge transfer (Mancini 2013). In some countries such as Turkey, where GI is not yet used has been recommended, as a rural development takes lots of opportunities. This will lead to economic activity increase in the GI area and also create the benefit for other sectors to be developed. By GI the direct signals about the region's product can be sent which is a good alternative for promotion. On the consumers side the price of GI will be increased as perceived like a premium (Dogan 2012). It was also assumed, that by an expansion of GI area increases the total production that will depress the price of the product, expansion may allow fixed costs to be spread on larger production volume, and third it would have negative effect on perceived quality level by consumers. And also as government is the stakeholder
some interest groups can influence it. Positive effect can be found on consumers because of overproduction, negative because of lower quality level and marginal cost of operating GI area. Political equilibrium proposed by study showed that GI area will have four optima - for aggregate producer welfare, insider welfare, outsider welfare, and social welfare. (Deconinck et. al. 2014).

Geographical indications are considered as monopolies, monopolistic behaviour can be favourable in some instances. European Union banns combined quality and origin indication that have not been registered at the Council. By forcing the GI into Roman system it is not only jeopardised the people's loss of confidence in different GI regions, but also threatens the acquisitional potential of traditional protection systems within an area (Thiedig 2000). Higher prices for PDO and PGI region foodstuff does not only mean the market success, producing them require certain circumstances and thus involving more costs. The study conducted by Hajdukiewicz showed that despite the opportunities given PDO and PGI producers face the difficulties for development of production and marketing skills (Hajdukiewicz 2014). Geographical indication tends to increase the margin of trade though not all producers have benefited from the Geographical indications.

According to Agostino's study conducted in France, Italy and Spain, it was determined that foreign consumers value Geographical indication information is positively related with Quality Wine Produced in Specific Region and bilateral trade delivers benefits across time and destination areas. For Export volumes GI can be associated with higher bilateral flows only towards high-income destination markets. Positive influence was found with geographical label on extensive margin of trade. French GI labelled wines connected with a high value and benefit to lesser extent, also due to high export volumes, while Italian and Spanish wines had lower value premium and no extensive volumes (Agostino 2014). The Hedonic attributes developed for the wines of the Old Wine World and status and luxury achieved by scarcity marketing helped them to use the special pricing structure for their products (as a unique item) (Easingwood 2005). There is a disadvantage while promoting regions, as the globalization will increase the number of individuals, which can build the brand reputation - and can become the competitors in the same market. Both regional brand premiums and regional brand have the value - though Schamel proposes that regional brand should build clear idea about regional brand (Schamel 2005).

4. Georgian Case

4.1 Georgian Viticulture and Geographical Indications

Georgia is divided into 6 viticulture zones, where the local vine varieties and winemaking methods are varied accordingly. Total size of vineyards – 45 000 ha, which is less than 30 years ago (120 000 ha). There are 19 appellations of Origin, 15 are located in Kakheti region - eastern part of Georgia, and in single zone for Kartli, Imereti, Racha and Lechkhumi accordingly (NWA & GWA 2011). Wines of Appellations of Origin are the subject of strict control procedures and are regulated from vineyards till the wine sales. At OIV 18 GI (DO) regions for the wine are registered. Competent Organizations for PDO and PGI examination:

- Ministry of Agriculture Georgia
The most planted Georgian Varieties are - Rkatsiteli, Saperavi, Tsitska and Tsolikouri (NWA & GWA 2011).

5.2. Regulatory Framework and Institutions in Georgia


4.2. Georgian Wine Business Overview

Georgia is one of the oldest wines producing country with its traditional winemaking technologies and long viticulture history (dated back 8th century B.C) with 525 Indigenous varieties. The archaeological excavations showed that different type of vessels made from clay, gold and silver were used for wine sales. In 17th century (1673) French traveller Jean Chardin (Sir John Chardin) while travelling to Ispahan visited Georgia and his books he wrote that Georgians were selling the wine to Armenia, he also appreciated the quality of the wines (Kalandadze 2008).

During Russian Empire inferior quality of the wine also lead to spirit production - increased by high demand from Russian Soldiers residing in the country. Before 1921 only the private sellers were trading, after 1921 the free trade was announced. During Soviet Union Russian market was dominating for Georgian Wines. In 1932 the special organization of controlling the Horticulture and Viticulture in the Country "Samtrest" was created. During this time the problem of falsification (non-natural wine production - using chaptalization, toxic substances, dilution of water and other liquids) locally as well as in Russia was the main obstacle for Georgian Wine Business development, in 1919 the first project of wine law was proposed which tend to improve the problem of falsification (in 1924 laboratory tests of the wines revealed 38,5% wines were considered non-natural) (Kalandadze 2008). In 1924 the wine law came into force. Before the first part of 19th century there was no quality distinction - only afterwards micro zone names as popular areas of viticulture appeared in eastern and western part of Georgia, which has been used afterwards as Protected Geographical Indications (Kalandadze 2008).

In 2006 Russia announced embargo for Wines reason was sanitary issues for the wines, though the decision was political. Georgian Wine had good reputation at Russian Market. Russian Embargo was great financial loss - 87% of total export loss (NWA & GWA 2011 chart 3). By the end of 2013 Russia cancelled its embargo (More than 65 wineries entered Russian Market).
Russian embargo forced Georgian Wines to improve quality, launching the European standards of wine production to get access to more appealing markets such as Europe, Unites States of America and etc.

The main markets after Russian Embargo became **Ukraine** and **Kazakhstan** (NWA & GWA 2011, chart 4). The highest volume of the wine type sales comes for the Semi Sweet well known wines. During that times the government was subsidizing the harvest and purchasing oversupplied grapes at the market (NWA & GWA 2011). In 2014 there was tendency of wine sales increase in Russia, England, Mongolia, Germany and Poland though Ukraine declined. In 2014 Russian market counts 64%, Ukraine 13% and Kazakhstan 9%, Belarus 3%, Poland 3% and China 2% (NWA 2014, chart 1). The most demanded wines were semi sweet **Alazani Valley** (inexpensive semi sweet wine made by adding concentrated must) and **Kindzmarauli** (GI - natural semi sweet wine) (NWA 2014, chart 2). Wine exports for the wines with Geographical indications count 29%, the main markets for these wines are Russia and Ukraine, where the names of the wines have been known for the consumers since Soviet Union. Wine Unit price was increased by 2% in 2012 compared to 2011 (Euromonitor Database). The value of export was increased in 2014 compared to 2013 by 36% (NWA 2014, chart 3).

4.3. **Wine Producing Units in Georgia**

There are number of big players and small players at Georgian market. 129 wine producing units are registered at Georgian National Wine Agency. There are also lots of family owned cellars producing wines for self-consumption, which is not included in the official statistics, that can be roughly 50-80 million liters (NWA & GWA 2011). According to the latest database about 50% of export is done by five large producers and 90% of the export volume is done by 20 wineries in total (NWA & GWA 2011).

4.4. **Strategy of Georgian Wine Export**

There are several institutions, which support Georgian Wine Promotion - Georgian Wine agency (governmental organization), Georgia Wine Association, Ministry of Agriculture, Partners - GIZ, FAO and other NGO institutions. The most important organizations in the country are Georgian National Wine Agency (governmental) and Georgian Wine Association (Non-governmental), these two organizations jointly developed Export Market Development Action Plan in 2011, that is the main strategic direction of the country. The mission of the Action Plan is to promote Georgian Wines under the umbrella name - Georgian Wines and promote the wine at new markets (USA, Germany, Great Britain, Poland Baltic countries) also for traditional markets like Ukraine and Russia to build the tolerance among consumers and find new segment of consumers. The strategic plan mostly focuses to sell premium (high quality wines) wines to USA, Germany, Great Britain, China, Poland, also it focuses on Ukrainian market to strengthen the promotion and find new segment - such as new generation. Also for bulk wine export some countries such as Germany and China are discussed. Strategic Actions defined by Georgian National Wine Agency in 2015.
1. To make the adjustments to the Wine Regulation Laws - new classification of Geographical Indications implementation according to the European standards, to make the laws more understandable for stakeholders.

2. Special Quality control certification implementation - which came into force on 6th of February. The special certification system implementation - lot number (Special Identification number) for similar processed Alcoholic beverages. This special certification procedure enables to protect the homogeneity of a lot. This kind of certification system is beneficial for the producers also for the regulatory bodies, also for the consumers, in case of complaints. In 21st Century lot number is considered also as marketing tool for promotion - building trustfulness among the consumers. This certification system is easier system for the producers to get certificates for the wines by the lot not by the exporting wines (avoiding bureaucracy by using time-consuming procedures to issue the certificate for each exporting wine volume). This certification procedure is mandatory for only exporting wines.

3. To promote special traditional unique, natural wine - "Qvevri" wines as a separate segment, to develop the brand for Chacha (Georgian high alcoholic spirit - distilled from pomace).

4. Implementation of the system controlling the wine stock and electronic service system for declaration and certification procedures

5. Support development of Wine Tourism in Georgia

4.5. Trends and Unique Competitive Advantages of Georgian Wines

Georgian Wine gained the reputation after Embargo of Russia in 2006 – by increasing the product quality. Lately the brand image of Georgia was enhanced by promoting the special varieties (Riedel glass of Georgian Variety Saperavi, Georgian Wine Association – "Qvevri" Wine Promotion). Wine Spectator, Forbes Journal and etc. – Articles about Georgian Wine. In 2010 World Wine Congress took place in Georgia, 2011 Qvevri Wine symposium was held. 'Qvevri' Wines from Georgia is protected by UNESCO Heritage (2013). In 2011 at Hong Kong International Wine and Spirits Fair Georgian wine won grand Prix. Georgia is promoted as the oldest viticulture region (8 000 years history behind), homeland for Vitis Vinifera and local indigenous vine varieties. Wine Tourism has great potential in the region.

4.6. Risks existed in Wine Marketing of Georgia as a Brand "Georgian Wines"

Some Georgian Brands build the reputation at European Market – Schuchmann Wines. Low quality control of some small and medium sized wineries. No clear distinction of the brands united under Georgian Wine Association (small wineries, big commercial producers no clear strategy for Premium Brands). Legislation of Vine and Wine Law - old version needs revision. Risk of coping Qvevri wines – Orange Wine Production. Lots of newly established competitors - Azerbaijan, Armenia. Georgian Wines still not well-known - low reputation for country. Political tension in Ukraine - because of war losing the export market, political threat from Russian
government - losing Russian market. The risk of political instability in the country, high inflation rate in Georgia in 2015. Lots of strong competitors at European, Chinese, USA and Baltic country markets.

5. Discussion and Conclusions

Consumers search for the food products that differ from commodity and they might pay higher premium prices (Hayes 2004). The consumer behavior changed a lot lately - nowadays consumers search for quality products besides healthy and hygienic standards of the products. Consumers search for the product that comes from the specific geographical area and has specific taste and characteristics, which they combine under the term of "Quality" they also search for something that has special certificate and assurance for its quality. Some researchers proposed the country umbrella brand “Georgia” to promote wines at German market, by connecting dimensions of country image of Georgia to consumer’s motivational factors price and quality perception, social acceptance and emotional value associated with Georgian Wine (Ghvanidze et.al. 2011). Georgia since 2011 acts at international market under the country umbrella brand Georgian Wine (GWA). Most of the Georgian Wines are promoted by this name internationally, some authors proposed that by selling name of region or place with no definitive 'Terroir' (Van Ittersum et. al. 2003) creates the benefit to the region though at the same time gives risk as number of small producers and different quality level of the member wineries will decline the reputation, which was the case for Bordeaux Wines when different small Chateaux with very low price wines influenced Bordeaux Wine image negatively (Echikson 2004). Different studies showed that regional premiums couldn’t become Regional Brands unless they meet the quality requirements (Schamel 2005). Example of territorial brand reputation decrease was also the case with Central Otago region in New Zealand, which has built the reputation by territorial brand of producing high quality Pinot Noirs, now faces the threats from new low quality level wine producers entrants that will decline the reputation of the region (Charters 2011). Georgia has to use the strategy to enhance the reputation by producing high quality, rather than promoting all small, medium sized and big wineries together under the umbrella name of 'Georgia'. Also some of big brands like Schuchmman Wine will become the great competitor at European market for GI of Georgian Wines - as the winery has already built good reputation at German market by its brand name and consumers will prefer the Known Brands with good reputation and Brand identity (Armstrong et.al. 2000) rather than one of the GI wine. Though opposite could happen, as Georgia has low brand awareness internationally - consumers will choose the wine under GI rather than the wines with many different attributes (Malbec Study Defrancesco 2012). Georgian Wines has gained reputation lately at different exhibitions, fairs or special Wine Events. Though still the main market remains traditional market (Russia, Ukraine), and main wines sold are still low quality low priced wines (Alazani Valley - Semi Sweet wine, made by adding concentrated must). Though the export has been increased lately the situation in Ukraine and Russian political threats against Georgia creates the risks of losing the existing export shares at traditional markets. To build successful GI and increase marginalization it should be supported by rural policies and legislation and agreement of knowledge transfer (Mancini 2013). Georgian Wine
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is supported by National Wine Agency - which develops strategies for the markets, legislation and quality control, some changes in 2015 has be done for improving the control system over the quality of Georgian Wines - Certificate of Lot which will give more power for the National Wine Agency to have the data about the Wines produced in the country. Also the PDO and PGI law is under the elaboration process - the PDO regions in Georgia are known for traditional consumers, though for the international consumers different region names and varieties makes confusion as even traditional consumers are having tough time to distinguish some PDO and PGI and varietals (Shepherd 2004), this will be more prominent in case of Georgia as it is new player at world wine market. Some strategies of the country will help to build the reputation and increase also the quality control of the wines. Qvevri wines which are protected by intellectual Property rights UNESCO has the potential to build a separate brand image internationally - which share heritage going back to centuries and generation involvement and also terroir effects - soil climate and environment (Charters 2011). Though for Qvevri wines there have been trends of misusing the names as 'Orange Wines' and copying technology - clay vessels. Georgian Wine promotion as a GI is having advantages and disadvantages, sharing the experience of other countries should be considered to build long-term brand for the country. Success of the most well known territorial brand relies on shared culture (rather than shared vision) and environment, strength of relationship and possible external threats are driven factors; and shared production knowledge should be important to enhance the bonds (Caple 2010).

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