

From the Corners of the World: Regional Branding

Exploring a ripe marketing opportunity for the natural products industry.

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In turbulent economic times, companies must be creative in order to survive. Some companies solve their problems through downsizing, while others explore product differentiation opportunities. One method used with growing success in the food and beverage industry is the concept of "Regional Branding." This approach, in conjunction with an effective marketing program, can help manufacturers and producers develop more profitable and sustainable revenue from their operations.

During the coming months, this column will detail the process of regional branding, examine the empirical data showing how regional branding can improve consumer loyalty and command a price premium, explore examples of regional branding strategies from around the world, and seek out future opportunities for regional branding within the natural products industry.

While a regional brand is designed to create a strong link between the product and its origin, it goes far beyond the idea of country of original labeling (COOL). A regional brand promotes a strong emotional link in the mind of the consumer between a product and its origin. With COOL, however, there is some data to suggest that consumers will actually discriminate against products based solely on a specific country of origin for a given product.

Regional branding helps connect a consumer and a product through a given quality, reputation or other positive characteristic-any of which are essentially attributable to its geographical origin or region.

Some of the characteristics that can be exploited through implicit associations include:

A Unique Climate and Agronomy: Some of the best known examples include the wine regions of France; other examples include Idaho potatoes, Feta and Parmesan cheeses, Parma Ham and Brazilian bee propolis.

Special Social or Economic Conditions: There are many examples of "fair trade" products that are designed to protect a special indigenous population and their patterns of traditional use from exploitation. An example would be production of hand-woven Afghan tribal and nomadic rugs.

Sustainability: There are examples of regional sustainability efforts that are being encouraged in areas, which had previously been overharvested or exploited. But sustainability goes beyond the issue of a sustainable harvest; it also includes economic sustainability. For example, the Patagonian tooth fish-also known as Chilean sea bass-is back on the menu, provided it comes from South Georgia, whose longline fishery has met the tough standards required to become certified (and carry the eco-label) as a sustainable and well-managed fishery by the Marine Stewardship Council.

Quality and Standardization: A major component of a regional branding strategy is the implicit assurance that the region can consistently produce a quality product or ingredient. This idea may also extend to a method of manufacture, which is unique to that region.

Technology and Technology Advancement: An advanced technology could also be a defining characteristic. One could argue that a software company in Silicon Valley stands a better chance of obtaining venture capital funding than if the same software company was based in Santa Fe, for example.

Regional Branding in Practice

Traditional Medicinals, Sebastopol, CA, is a company that has adopted regional branding as part of its retail strategy. According to Josef Brinckmann, vice president of research and development, the company identifies ingredients derived from traditional growing regions and then uses these ingredients in ways that closely approximate their traditional use. Mr. Brinckmann suggests that many medicinal botanicals have a long tradition of use and cultivation, going back centuries. Consequently, one cannot disregard the influence that the growing region might have on the medicinal attributes of a particular plant species.

He also believes that due to the relationship between a plant and its regional habitat, Traditional Medicinals could not approve or qualify raw material suppliers who offer the same botanical species, but grown in a non-traditional region because this results in the loss of authenticity. Mr. Brinckmann regards the relationship between raw materials and their origin as "Geo-Authentic."

The Economics of Regional Branding

Regional branding has been a hallmark of quality in agricultural commodities, food and beverage for decades, yet this approach has been slow to develop within the natural products industry. Perhaps this has been driven by the need to improve operating efficiencies and raw material costs. Indeed, this may be the reason companies have not been concerned about the source or origin of ingredients, seeking instead the least cost producer of raw material.

A fundamental difference between the food and beverage industry and natural products industry is that food and beverage has a long history of being interlocked with the region it is associated with and the subtle (or distinct) regional differences in flavor or smell that can characterize the product. In economics, these would be referred to as "Experience Goods," where generally the consumer can only determine the quality of that good through the experience of consumption (i.e., after consumption). Additionally, economics defines products such as vitamins and other dietary supplements as "Credence Goods," where the quality standard of a product can't be easily determined, even after the consumption of the good. The quality of Credence Goods is therefore based on belief, rather than experience.

This subtle but important distinction might help explain why the food and beverage industry maintains its long tradition of regional branding. Food and beverage consumers have relied heavily on the judgment and experience of food critics and opinion leaders to help shape the collective quality standards for a variety of products. Once provided with these references, consumers are then able to make judgments and comparisons for themselves based on their own experience.

Rather than using opinion leaders to help define the quality of goods, as is done with food and wine, Credence Goods, such as medicinal herbs or other relevant nutraceuticals, benefit more from independent and impartial quality standards, or a credible third party reference. In the absence of other metrics, the only indication of quality a consumer has for a Credence Good is the price-as a consequence, there is often a direct relationship between price and demand, which is great for the industry. Long-term, however, the biggest problem for Credence Goods is the price convergence over time, where inferior products are over charged by manufacturers cashing in on the market opportunity, and the superior products cede to downward pricing pressure.

In the end, a regional branding strategy for Credence Goods, such as medicinal herbs or other nutraceuticals, must stand for more than just a statement of geographic region.

The components of a regional branding strategy for medicinal botanicals or nutraceuticals would include the following key elements:

1. A well-defined and meaningful geographic region.
2. A defined set of attributes that confers a characteristic to the plant.
3. A measurable and consistent characteristic in the plant, which is associated with, and attributed to, its growing region.
4. The unique plant characteristics need to be translated into a measurable and consistent health benefit.

Just like a measurable and consistent health benefit, factors such as sustainability, authenticity and stewardship are also very important in the regional branding process. But because this regional branding proposition relates to a Credence Good, rather than an Experience Good, these issues are secondary to the functional attributes of the medicinal herb or nutraceutical.



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