



The integration of quality and safety concerns in the wine industry: the role of third-party voluntary certifications



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ABSTRACT

Over the past few years, public attention has focused on the quality and safety control, traceability, and environmental issues surrounding food products. Several mandatory public standards and private voluntary schemes worldwide have been developed to address these concerns. Using survey data, this paper analyses the key factors affecting the adoption of voluntary quality standards in the wine industry and the existence of a relationship between the adoption of voluntary quality standards and economic performance, measured in terms of labour productivity and marketing behaviour. The survey involved 89 cellars, of which 68 were non-certified and 21 had one or more food quality certifications. Using the data collected, an index based on Euclidean distances was constructed to compare economic performance between certified and non-certified firms. The findings provide evidence that internal motivations drive entrepreneurs to adopt voluntary standards and that wineries adopting voluntary standards exhibit better economic performance than non-certified wine firms. From a managerial viewpoint, these results suggest that although the adoption of voluntary quality certifications does not have a direct effect in terms of a labour productivity increase, it entails a business management improvement. For policy-makers, the results suggest a need to develop policies and establish more stable financial assistance for the internationalisation of wine firms, thereby supporting them through this transition.

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1. Introduction

The world food system has recently experienced significant transformations, including changes to the production, trade, and distribution systems for food products. These have led public and private organisations to place increased emphasis on quality and safety control, the traceability of food products, and environmental issues at both national and international levels; these efforts have been underlined by several recent incidents involving food contamination (e.g. by dioxins and BSE). There has thus been a trend toward stricter food safety and traceability standards in major

importing countries in order to reassure consumers about food safety and quality; partly as a result, mandatory public and private voluntary standards have been developed (Freiberg, 2003; Henson et al., 2011).

Voluntary standards are not directly mandated under government regulations and can either be set at the international level or by collective organisations, including industry associations and non-governmental organisations, that operate within national boundaries (or within a group of countries, as in the EU). These standards have assumed growing importance recently, so much so that foreign market access often depends on the ability of exporters to follow the private or voluntary food standards set by private organisations (Hansen and Trifković, 2013). The motivation for firms to participate in these voluntary initiatives ranges from true altruism to complete self-interest and generally falls somewhere in between (Berghoef and Dodds, 2013). Numerous empirical studies have shown that the adoption of private voluntary standards concerning quality and environmental management

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practices can positively influence a firm's performance and ethical reputation and can support small farmers to better integrate into the global food market (Aggelogiannopoulos et al., 2007; Higgins et al., 2008; Subervie and Vagneron, 2013). An effective quality management standard can enhance a company's competitiveness and provide strategic advantages in the marketplace (Anderson et al., 1994).

In the food industry, numerous schemes involving both quality and environmental management have been developed to guarantee food safety. Among the voluntary standards, the International Organization for Standardization (ISO) family aims to ensure that an organisation can deliver products or services that meet customer quality requirements; it represents the main quality management system recognised worldwide and is particularly relevant in Italy (Camanzi et al., 2011). Other voluntary standards, such as the British Retail Consortium (BRC), the International Featured Standards (IFS Food), and GlobalGAP, among others, have spread throughout the food sector to consolidate and enhance trade relationships with specific importing countries. The adoption of these standards, as suggested by McEwan and Bek (2009) with specific reference to the BRC scheme, responds to retailers' needs for product traceability as well as adherence to stricter codes concerning on-farm hygiene, environmental protection, and worker welfare.

Although the wine industry has traditionally been considered a fairly 'green' one (Marshall et al., 2005; Moulton and Zwane, 2005), a number of initiatives aimed at increasing the sustainability of its practices and the quality of its products have recently emerged. Quality and safety are important not only for the product itself but also for drawing customers' attention toward the qualitative aspects of the product (Crescimanno and Galati, 2014; Galati et al., 2014). Consequently, requirements that ensure quality during the entire winemaking process and safeguard against relevant hazards have become important to consumers and obligatory for protecting human health. Considering the case of Ontario, Berghoef and Dodds (2013) identify the potential benefits to the wine industry of adopting an eco-labelling program: greater industry longevity; decreased impact on the surrounding environment and communities; reduced risk of liability; increased food safety; possible cost savings; and potentially improved public perception.

Given this background, the aim of the current research is twofold. First, the key factors affecting the adoption of voluntary quality standards in the wine industry will be identified, focussing on Sicily, a region in which the sector is of significant and strategic importance for the local economy and contributes to the promotion and enhancement of the territory and its resources (Chinnici et al., 2013; Di Vita et al., 2013). For example, in 2012, wine comprised 3.0% of Sicilian agricultural production by value and 8.7% of agri-food exports, ranking it among the top four agri-food products exported from the region (INEA, 2014). This success is due to numerous wineries that have recently implemented modernisation processes and are paying increased attention to improving product quality, packaging, and marketing (Galati et al., 2015). Second, the existence of a relationship between the adoption of voluntary quality standards and economic performance, measured in terms of labour productivity and marketing behaviour (here proxied by wine exhibition participation) will be verified. The investigation considers the economic performance of two groups: certified and non-certified firms. In terms of effective management and marketing strategies, it is crucial to understand the reasons why wineries adopt voluntary quality standards and to compare the economic performance of those that do adopt certification with those that do not.

2. Literature review

Many studies have focused on the role of third-party certification and its economic impact. Most of these studies suggest that the adoption of quality standards improves an organisation's ability to internationalise. Gómez Conde et al. (2012) found that the use of management control systems and ISO certification positively affected the level of internationalisation of Spanish agri-food companies but did not directly influence performance. Numerous studies assert that third-party certification for export purposes seems to reinforce already existing trade relations, potentially hampering new entrants. Herzfeld et al. (2011) analysed the diffusion of two food quality standards (the BRC scheme and GlobalGAP) from an aggregated perspective. They found that these voluntary standards are more likely to be followed in countries with established trade relationships with the specific EU countries (i.e. Germany, the Netherlands, and the United Kingdom) that devised these standards. Handschuch et al. (2013) found similar results in their research on Chilean raspberry producers, confirming that because most of Chile's raspberries are exported to US and EU markets, the US GAP and GlobalGAP standards are becoming particularly important for Chilean producers. The findings of Aggelogiannopoulos et al.'s (2007) empirical study of a small Greek winery showed that the adoption of quality management systems increased opportunities to access new markets and deploy globally. Increased customer satisfaction, increased wine quality, reduced waste, improved on-time delivery rates, and improved productivity are potential benefits of quality management systems and certification. However, consulting fees, training costs, registration fees, and employee time are key constraints on implementing these certification processes.

The results of these studies show that the adoption of voluntary certification is strictly dependent on knowledge of the firms' end markets. Firms often acquire this information through participation in national and international trade shows. Trade shows are an important marketing tool not only for promotion and sales but also to enhance international business networks, which are a key resource for wineries, providing information on new products, competitors, and market access (Godar and O'Connor, 2001; Hansen, 2004; Wilkinson and Brouthers, 2006; Evers and Knight, 2008). Sharland and Balogh (1996) noted that this information could help managers make strategic decisions regarding marketing, finance, production policies, and programs.

As suggested by Olper et al. (2014) in their study of 2000 food products imported to the EU from 70 countries, the diffusion of voluntary standards leads to an improvement in the rate of quality upgrading; this confirms that these improvements have largely been driven by non-ISO standards. Other empirical studies have shown that the implementation and maintenance of voluntary certification can improve business performance, as measured by labour productivity. The need for quality monitoring and measurement and to follow well-defined procedures leads to greater product conformity and control of the energy and resources used, given the chosen technology; this consequently increases labour productivity (Starke et al., 2012; Ullah et al., 2014). Bodas-Freitas (2009) showed that, in addition to certification costs, the documentation and formality required of certified firms may sometimes lead to increased costs and, consequently, to lower labour productivity.

A second branch of literature explores food producers' motivations to adopt quality and/or environmental management systems. Most of these studies suggest that the factors affecting a firm's decision to adopt quality or environmental management systems can be grouped into those connected to the internal business

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