Geographical Indications in the Olive Oil Market: does Social Identity matter?

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Abstract:

Geographical indications (GIs) are a social-economic and legal reality in most food markets, intended to protect consumers and prevent fraud. However, this paper maintains that the importance of GIs is relative to the social identity of the consumers: insiders (those directly affected by the GI) are going to value the presence of GIs more than outsiders (those not directly affected by the GI). Social Identity is a crucial component of consumer attitudes as it has a direct impact on the utility of a choice. Following Akerlof (2000), we test the importance of social identity using a consumer survey: we compare the stated willingness to pay (WTP) for geographical indication between a group of insiders (Sicilian olive oil to Sicilian consumers) and a group of outsiders (Sicilian olive oil to non-Sicilian consumers). We conjecture that Sicilian consumers (insiders) have a higher WTP than non-Sicilian consumers (outsiders), which accounts for the social benefits that Sicilian GI has on local welfare and local identity.