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It goes with the territory: Communal leverage as a marketing resource<sup>☆</sup>Nathalie Spielmann<sup>a,\*</sup>, Christopher Williams<sup>b</sup><sup>a</sup> NEOMA Business School, 59 rue Pierre Taittinger, 51100 Reims, France<sup>b</sup> Durham University Business School, Mill Hill Lane, Durham DH1 3LB, United Kingdom

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## ABSTRACT

This study explores mechanisms that lead to the creation of durable competitive territorial brands. An examination of research on origin-specific firms, umbrella branding, resource-based theory and co-opetition theory leads to questions regarding how firms that have strategically attached themselves to a place of origin add value to their own brands and obtain advantages for their firm. How can a co-created, non-proprietary territorial brand become a valuable marketing resource? Eight wine brands in the Champagne area of France are studied and the results show how 'communal leverage' occurs: a firm and its local co-opetitors engage in the 'give and take' of valuable marketing resources. Through communal leverage, multiple individual brands interact with an overarching territorial brand in order to sustain both territorial and individual brands. The research reveals a territorial brand to be a form of regional umbrella branding that is underpinned not by a top-down process as previous research would suggest but a bottom-up process. A territory's physical resources and capabilities are precursors of symbiotic marketing relationships for origin-specific firms.

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## 1. Introduction

Leveraging valuable firm resources to gain competitive advantage has long been considered key to successful marketing strategies (Barney, 1991; Hunt & Morgan, 1995; Peteraf, 1993; Wernerfelt, 1984). Marketing research has generally focused on capabilities (e.g., Day, 2011), and has identified intangibles such as branding (e.g., Hall, 1992) as these are the most manageable, adaptable, and influential of a firm's resources. Such capabilities are deployed by the marketing department (Verhoef & Leeflang, 2009), and through inter-departmental collaboration (Luo, Slotegraaf, & Pan, 2006) to craft the firm's market orientation.

Valuable firm resources are not limited to those owned and controlled by an individual firm. In many industries and countries around the world, firms draw on 'origin-specific' resources to develop and market 'origin-specific' products. Origin-specific resources are those that can be traced back to a valuable origin, for geological or geographical reasons. Whereas country of origin research focuses on activities occurring in an origin, such as assembly, design, manufacture (Chao, 1993), the focus here is on physical resources and capabilities that are specific to the origin, and valued for that reason. Physical origin-specific resources are found in specific, external, immovable agricultural or

mining spaces, not in buildings, software, and equipment (Collis & Montgomery, 2008). Capabilities are directly related to the place where they occur. As such, origin-specific firms (OSFs) must execute transactions ("activities required to move from raw materials in their natural state to finished goods in the hands of consumers" Priem, Rasheed, & Amirani, 1997, p. 145) that respect the origin of their resources (Alderson & Martin, 1965; Hulthén & Gadde, 2007). Only then do origin-specific resources become a true source of firm value and differentiation.

Firms in various industries worldwide leverage origin-specific resources to produce origin-specific products like Gruyere cheese, Canadian maple syrup and Tahitian pearls. Such firms are present in industries as diverse as agriculture and food, minerals, precious jewels, fossil fuels and dishware, and are recognized by international treaties and institutions (e.g., the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, the World Trade Organization (WTO) and the European Commission). Moreover, both large multinational corporations and small artisans can be considered as origin-specific: the LVMH group currently produces close to 50 million bottles of Hennessy cognac per year, just as the independent winemaker Guillon Painturaud produces less than forty thousand bottles of cognac.

Geography is critical for OSFs seeking to gain competitive advantage. Tracey, Heide, and Bell (2014) propose that geographically confined networks of firms act as incubators of marketing innovation; Elaydi and McLaughlin (2012) argue that local firms incorporate a communal sense of origin into their business strategies; Dimara and Skuras (2003) show how consumers' willingness to pay increases when the product's place of origin is guaranteed. Thus, research suggests that to gain competitive advantage OSFs should leverage available geographic

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resources. Furthermore, origin-specific resources are rarely owned by just one firm, yet can be a shared source of value – the Champagne “place” brand (i.e., the non-proprietary territorial brand) belongs to – and is shared by – all Champagne “product” brands (i.e., belonging to OSFs). Nevertheless, while proprietary (owned by the firm) intangible resources (e.g., brand) and capabilities are cited as best suited to developing a powerful and profitable marketing strategy (Day, 2011), the literature provides little insight into the mechanisms by which many firms can leverage shared origin-specific resources.

Extant research has yet to detail the mechanisms that encourage firms to simultaneously cooperate and compete (the literature has often referred to this as co-opetition, (see Brandenburger and Nalebuff (2011); Dowling, Roering, Carlin, and Wisniewski (1996); Padula and Dagnino (2007); Walley (2007)) within a demarcated origin with a global reputation and tradition. Recent research has also focused on the negative influence of origin reputation (Zhang, 2015) yet does not conceptualize the co-created origin reputation (otherwise known as the territorial brand (Charters & Spielmann, 2014)) as a valuable marketing resource or explain how the territorial brand interacts with the individual firm brand, and how this interaction translates into value for the firm within an origin. This research gap is surprising, as both competitor orientation and environmental conditions are stipulated as critical to a firm's strategic orientation (Deshpandé, Grinstein, & Ofek, 2012; Gatignon & Xuereb, 1997; Hunt & Morgan, 1995).

Here the aforementioned shortfalls in the literature are addressed by an examination of how the sharing of origin-specific resources between firms can lead to the emergence of a territorial brand. Such origin-specific resources encompass both raw materials and specialized knowhow (i.e., craftsmanship and workmanship). The findings suggest that the emergent territorial brand can become a source of competitive advantage by enabling a transfer of quality perceptions between firms (Erdem, 1998; Hakenes & Peitz, 2009; Wernerfelt, 1988). Rather than focusing on consumer perceptions or product implications of place-based umbrella brands (e.g., Iversen & Hem, 2008), the focus is on the implications for firms. Therefore, the research questions are: what is the nature of the relationship between origin-specific firms (OSFs) and territorial brands? How does a territorial brand become a valuable marketing resource for an OSF? And how do OSFs sustain a territorial brand? Via a qualitative empirical approach a fresh account of how origin-specific resources represents value for a firm, leading to an overall competitive advantage encapsulated as territorial brand is provided.

## 2. Theoretical background

### 2.1. Territorial brand as a valuable marketing resource for an OSF

Umbrella branding theory suggests that quality perceptions associated with a parent brand transfer to brand extensions (Erdem, 1998; Hakenes & Peitz, 2009; Wernerfelt, 1988). Consequently, consumers use the parent brand as an umbrella to evaluate those extensions, often to resolve asymmetric information problems (Balachander & Ghose, 2003; Erdem, 1998). In the case of OSFs, the parent brand is the territorial brand; the resources obtained from an origin lead to an inextricable, stable link between the origin and the products made in that origin by OSFs (Iversen & Hem, 2008). Typically, intangibles such as branding are mobile firm resources. However, an OSF essentially brands the origin as well as its product in terms of their provenance. This provenance is the territorial brand – a unique, geographically bounded, non-proprietary, and overarching brand shared by all firms within an origin (Charters & Spielmann, 2014). When inheriting the properties of the territorial brand, OSFs maintain their product's origin associations and grow their businesses by transferring the quality perceptions associated with the origin to their firm, and by default their products (Erdem, 1998).

According to the resource-based view, firms must conceive their marketing strategies and/or strategic orientations in terms of the

variety and value of the resources they own and control. This leads to competitive advantage, presuming that resources are exclusive to a firm (Peteraf, 1993; Priem & Butler, 2001), and that they relate to valuable and rare intangibles and capabilities (Day, 2011; Hunt & Morgan, 1995) that are difficult to imitate. Unfortunately, this perspective excludes insights gained by examining the competitive advantage achieved by the cooperative efforts of competing firms that sometimes have to share origin resources. The conceptualization of a territorial brand clearly references a joint marketing strategy – and interaction – among OSFs (Charters & Spielmann, 2014). Yet the literature lacks a perspective on how firms use a territorial brand as a valuable marketing resource, and how this shared asset can lead to competitive advantage for the individual firm. Formally:

**P1.** *The territorial brand is a non-proprietary marketing resource used by all OSFs, giving each OSF competitive advantage.*

**P2.** *Resources sourced from a shared origin can become proprietary to the firm and contribute to the competitive advantage of OSFs.*

### 2.2. Co-opetition to sustain a territorial brand

Co-opetition involves firms competing and cooperating at the same time. This is arguably a more complex form of interaction than either competing or cooperating. Nevertheless, competing and cooperating activities undertaken by co-opeting firms can be analyzed separately (Bengtsson & Kock, 2000; Brandenburger & Nalebuff, 2011). Consequently, various typologies have emerged to classify firms' strategies in terms of different forms of co-opetition, defined by the relative emphasis they place on competing or cooperating, as well as on the number and roles of actors in the co-opetitive network (Walley, 2007). Padula and Dagnino (2007) argue that firms can interact based on partly converging interests. Dowling et al. (1996) describe co-opetitive strategies as being multifaceted both vertically (between buyers and suppliers) and horizontally (among similar firms). These multifaceted relationships include both competitive and collaborative elements, and types of environmental conditions may encourage firms to pursue co-opetitive relationships. Game theory is one of the principal theoretical frameworks explaining co-opetition (Gnyawali & Park, 2009; Von Neumann & Morgenstern, 2007). Game theory is concerned with analyzing actors' rational behavior in situations where outcomes are interdependent (Zagare, 1984), and thus useful in the current study. Co-operating involves joining forces to create value, complying with implicit or explicit contracts, and not acting opportunistically. Defecting or competing, would be an implicit violation of any agreement (Parkhe, 1993).

Co-opetition would suggest that OSFs are encouraged to pursue collaborative strategies with competitors because strategically important resources exist in a place of origin, but are shared by firms within the origin. Such collaboration leads to positive spill over between OSFs and an increased probability of higher quality perceptions of the products made by the OSFs (Simonin & Ruth, 1998). Thus, co-opetition between firms within an origin encourages consumer perceptions of interrelated products, allowing OSFs to share competitive advantage through origin reputation (Summer & Wolf, 2002). Furthermore, intra-origin brand partnerships convey the quality and credibility of the focal product (Dickinson & Heath, 2006), leading to an important outcome: a unique, non-proprietary origin-based umbrella brand within the territory, the territorial brand, capable of signaling qualities and transferring quality perceptions to the individual firm brands encompassed within (Erdem, 1998; Wernerfelt, 1988). By maintaining the territorial brand through co-opetition, OSFs make the territorial brand a valuable marketing resource for all.

**P3.** *OSFs co-opete: they compete when utilizing the territorial brand for their own advantage, but co-operate when seeking to bolster the territorial brand.*

### 3. Methodology

The conceptual model is that an overarching territorial brand represents a valuable marketing asset for OSFs. The process of establishing and valuing a territorial brand will depend on the nature and strength of the relationship between competing OSFs within the same origin. A holistic multiple-case study is appropriate for the descriptive, exploratory nature of the research questions: 1) how does a territorial brand become a valuable marketing resource for an OSF and, 2) how do OSFs sustain a territorial brand? To understand the phenomena and the contexts that lead to the emergence of territorial brands and their value for OSFs, an examination of a natural, real-world setting was deemed most relevant (Shavelson & Towne, 2002).

France was selected as the origin country for examining OSFs. France is renowned for its products that are deeply related to their origin, such as food, and especially wine (Bastien, Dubourdeau, & Leclère, 2011). The Champagne region has been the subject of previous research on territorial branding and has a strong territorial brand (Charters & Spielmann, 2014). The champagne is highly fragmented in terms of the types of firms (artisanal and multinational corporations) operating within the origin (Charters, 2011). As such, the origin is heterogeneous in terms of the scope and size of its firms, resulting in broadly contrasting firms and greater generalizability for the findings.

#### 3.1. Sample

Presidents, owners or export managers of numerous Champagne brands were contacted. The objective was to gather data from producers, cooperatives, and houses. Champagne includes many trade classifications, depending on how raw materials (i.e., grapes) are handled. The three main classifications are described in Table 1. Houses account for 70% of all Champagne shipments; cooperatives and winegrowers account for the remaining 30% (CIVC, 2014). The objective in targeting firms of varying sizes was to achieve heterogeneity in each of these three categories and increase external validity (Riege, 2003). Firms that filled theoretical categories in terms of roles played in the industry were targeted (Eisenhardt, 1989; Yin, 2003). An invitation was emailed to the appropriate person at 21 Champagne firms fitting the desired profiles, including polar types. Of those contacted, eight replied, corresponding to extreme examples of all three types as per Table 1. Table 2 outlines the sample statistics.

#### 3.2. Questionnaire and data collection

Questionnaires were sent to willing informants and returned prior to an in-person interview. In order to avoid focusing the discussion

**Table 1**  
Champagne firm classifications.  
Source: CIVC.

Type	Sub-type	Description
House	Négociant-manipulant	A person or legal entity that buys grapes, grape must or wine to make Champagne on their own premises and market it under their own label. All the large Champagne Houses belong in this category
	Winegrower	Récoltant-manipulant
Cooperative	Récoltant-coopérateur	A cooperative-grower who markets co-op produced Champagne under their own label.
	Société de récoltants	A family firm of growers that makes and markets Champagne under its own label, using grapes sourced from family vineyards.
Cooperative	Coopérative de manipulation	A wine co-op that markets Champagne made from members' grapes.

**Table 2**  
Sample statistics.

Name <sup>a</sup>	Type	Founded in	Hectares <sup>b</sup>	Bottles produced annually	Export markets (approx.)	Number of products in product line
Firm 1	House	1776	122 (245)	3.5 million	100	7
Firm 2	House	1798	8 (28)	270,000	40	6
Firm 3	House	1905	(1)	700,000	40	1
Firm 4	House	1918	11 (22)	1 million	70	19
Firm 5	Cooperative	1947	400	4 million	30	6
Firm 6	Cooperative	1964	2400	3 million	40	5
Firm 7	Winegrower	1978	15	140,000	21	10
Firm 8	Winegrower	2010	(3.3)	14,500	8	5

<sup>a</sup> Firm names have been kept confidential at the request of the informants.

<sup>b</sup> Hectares outside brackets are leased, those in brackets are owned by the firm.

only on the proposed phenomena, the questionnaire was oriented toward the history of the firms, its current market situation, and its strategic choices in terms of growth. This insight into the factors firms considered crucial to their market success.

Methodological triangulation (employing different data collection methods) (Stake, 1995) was obtained by using three data sources (e.g., secondary data, interview data, participant observation) for the three different trade classifications in the region. This qualitative protocol ensures that the research findings have construct validity (Riege, 2003). The first author, bilingual in French and English, conducted the in-person interviews, which typically lasted for 1 h and 10 min. Prior to the interviews, both authors collected secondary data on Champagne (both the product and the region), and consulted the website of the *Comité Interprofessionnel du Vin de Champagne* (CIVC), the Champagne territorial brand manager. The first author also conducted participant observation over a period of two years, during wine tasting sessions, wine conferences, and discussions with Champagne producers, export managers of houses, and cooperative members at wine-related events in and around the region of Reims (the largest city in the Champagne region). The preliminary overlapping data analysis, of the secondary archival data, the field notes and the returned questionnaires, allowed for more flexible data collection during the interviews, including adapting the questionnaire (Eisenhardt, 1989; Harris & Sutton, 1986).

#### 3.3. Analysis

The data were examined using three different theoretical perspectives in order to obtain theoretical triangulation (Stake, 1995). First both the territorial and individual brand perspectives were used to examine how each sample firm (1) relies on the territorial brand and, (2) contributes to the territorial brand. The perspective of the individual firm brand using its origin as the only driver of its marketing success was the third theoretical explanation (Patton, 2002; Rosenbaum, 2002; Yin, 2000). Within-case studies were conducted, involving a detailed write-up for each firm (Eisenhardt, 1989), thus increasing internal validity (Riege, 2003), followed by an examination of cross-case patterns. First, individual firm data (secondary and interview) were compared with industry wide data to obtain a sense of the scope of the firm, its weight, and its relevance within the industry. Then individual firms were compared with each other, first within a classification (e.g., house versus house) and then between classifications (e.g., house versus cooperative) to improve understanding of the points of congruence and contention in terms of marketing and branding strategies (Eisenhardt, 1989). Both researchers also examined the data separately before doing so together.

The unit of analysis used is competitive advantage, which can be defined as a match between “internal (organizational) capabilities and changing external (environmental) circumstances” (Hart, 1995, p. 987). Resource theories (Collis & Montgomery, 2008; Peteraf, 1993; Wernerfelt, 1984), co-opetition theory (Dowling et al., 1996; Padula &



Dagnino, 2007; Walley, 2007) and game theory (Barney & Hansen, 1994; Gibbons, 1992; Parkhe, 1993) were drawn upon to examine how the territorial brand gives competitive advantage to an origin as well as to firms.

4. Findings

Table 3 provides an overview showing how emergent themes relate to the propositions. The first two themes relate to how an OSF draws on the territorial brand for its own competitive advantage — this being seen as the ‘take’ aspect of co-opetition (Dowling et al., 1996; Parkhe, 1993). The final three themes relate to how OSFs co-operate together to support institutions that maintain the territorial brand. This speaks to the ‘give’ aspect of co-opetition (Dowling et al., 1996; Walley, 2007).

4.1. Territorial brand as a non-proprietary marketing resource

4.1.1. Theme #1: path dependency and causal ambiguity within the territory

The firms all value the raw material resources they share — the grape varieties and the land where the grapes are grown. The firms’ individual marketing resource, their proprietary brand, continually interacts with the territorial brand. A wine firm in Champagne may not omit the name Champagne from their product (due to a legal framework established by the CIVC) and most importantly would not want to — a sentiment expressed by all firms; the name Champagne is protected. Globally, the territorial brand directly impacts the value of the firm brand:

“The Comité Champagne and the INAO won their case against Yves Saint Laurent following the company’s multinational launch of a perfume called “Champagne”. One of the outcomes of the case was a ruling by the Paris Court of Appeal in 1993 confirming that use of the name Champagne was exclusively reserved for wines originating and produced in Champagne.”

[CIVC, 2015]

“The ‘Champagne’ origin helps create the Veblen effect for our product.”

[Firm 5 (Cooperative)]

“Each category of Champagne producers has its own role within the appellation. The big brands pave the way for new export markets because they have the budget. Small producers create niche markets and positioning.”

[Firm 1 (House)]

Causal ambiguity is generally attributed to a symbiosis between the inputs and outputs of a firm (King, 2007). However, for OSFs, causal ambiguity originates in the relationship between the origin and the product, where the origin confers uniqueness to the product that no other location can reproduce (Cross, Plantinga, & Stavins, 2011). Thus, causal ambiguity becomes a source of sustainable competitive advantage (King, 2007).

“Without a doubt, people expect to be amazed by Champagne; it’s a celebratory product and it would be bad business to not capitalize on that perception. People like to know about the history of the place, the people, the parcels, and the grapes. That great wine equals great terroir is only for those in the know. Brand awareness and brand associations are more important for the average person. And we have a strong brand awareness with the word ‘Champagne.’”

[Firm 4 (House)]

Branding the origin together with the product emphasizes path dependency, causal ambiguity and reputation (Rumelt, 2005), not just for the individual OSF, but also for the origin. For OSFs, the origin’s path dependency is highly integral to the brand building process (Aaker, 1996). Thus, an OSF’s reputation is partly individual and partly shared (e.g., history and reputation of the origin). OSFs must trigger competitive advantage by considering path dependency and reputation, and how the market values them individually and collectively (Dierickx & Cool, 1989). These findings support P1 and P2 and are in line with the literature on resource valuation.

“We are all members of ‘Champagne’, we become brand ambassadors, and then inevitably shareholders.”

[Firm 6 (Cooperative)]

4.1.2. Theme #2: commitment and use: OSFs leverage the territorial brand they contribute to

Data reveal that proprietary resources are considered most strategically valuable (Srivastava, Fahey, & Christensen, 2001). However, when OSFs leverage shared origin-specific resources, they perceive themselves as partial- or pseudo-resource owners, making a claim to use resources they do not *actually* own. Furthermore, OSFs leverage a territorial brand that only exists *because* they contribute to it. As such, the territorial brand acts as an umbrella brand with a bottom-up underpinning rather than top-down definition. OSFs afford the origin its reputation whilst benefiting from this reputation (Charters & Spielmann, 2014). No single firm can claim ownership of the territorial brand, yet all depend on its value. As such, an OSF’s corporate identity relies

Table 3 Summary of findings — the nature of communal leverage.

	Emerging themes		The ‘give’ of co-opetition		
	The ‘take’ of co-opetition				
	Path dependency and causal ambiguity	Commitment and use	Institutions for resource exchange	Institutions for protecting the territorial brand	Institutions to constrain new entrants
P1: The territorial brand is a non-proprietary marketing resource used by all OSFs, giving each OSF competitive advantage.	Competitive advantage accrues to the OSF within the territory	Competitive advantage accrues to the OSF because of the territorial brand		Competitive advantage accrues to the OSF because of institutional protection	Competitive advantage accrues to the OSF because of constraints imposed on new entrants
P2: Resources sourced from a shared origin can become proprietary to the firm and contribute to the competitive advantage of OSFs.	Shared origin resources are path dependent and causally ambiguous, allowing OSFs to benefit			Shared origin resources are protected by institutional support	
P3: OSFs co-opete: they compete when utilizing the territorial brand for their own advantage, but co-operate when seeking to bolster the territorial brand.		OSF co-opetition involves overlapping and simultaneous phases of commitment to and use of the territorial brand	OSF co-opetition is facilitated by territorial institutions that enable intra-origin resource flows	OSF co-opetition is incentivized by price-setting among members and territorial institutions	

on place and on the reputations of competing, same-origin firms. Fig. 1 explains the umbrella-type role of the territorial brand and its relationship with OSF brands.

Under a territorial brand, OSFs accept co-opetitive marketing alliances as a market reality (Zineldin, 2004) because they share in profits equally and are more committed (Amaldoss, Meyer, Raju, & Rapoport, 2000). The firms examined in this research claim that by incorporating and homogenizing the numerous perspectives of origin firms, a territorial brand represents the firms' overarching objectives, and ensures that they are respected within and outside the origin. This commitment between Champagne firms is very apparent in such important initiatives such as having the Champagne hillsides, houses, and cellars recognized as a UNESCO world heritage site. The territorial brand also influences firms' individual marketing strategies by protecting their most valuable assets: origin-specific resources. An individual OSF would find it more difficult to shape the market to create its unique competitive advantage without a territorial brand. These findings confirm P1 and P3 and extend previous research on umbrella branding to include a bottom-up relationship defined by the origin-firm bond.

"With the creation of the CIVC in 1942, growers and houses endowed themselves with an efficient tool to protect their common patrimony."

[Union des Maisons de Champagne website, translated by authors]

"The CIVC unites our business. In a free-market world, we could say that having restrictions limits development and growth. But in a rational sense, this legislation allows us to maintain a certain value. The CIVC regulates us internally and forces us all to work together."

[Firm 7 (Winegrower)]

4.2. Sustaining the territorial brand

4.2.1. Theme #3: institutions for resource exchange

Unlike capability-driven co-opetition, where the learning race encourages firms to exploit alliances or exit them (Barney & Hansen, 1994), permanent reliance on origin-specific resources, and in particular the physical uniqueness conferred by the origin, encourages trust and a distribution of benefits among OSFs. By creating a territorial brand, managed by the CIVC in the case of Champagne, OSFs reap the

reputational benefits of the joint investments of other OSFs. This institution acts as brand manager and facilitates resource exchange between members. Consequentially, OSFs have few incentives to defect or violate the implicit agreement between OSFs (Parkhe, 1993). The institution can create stronger intra-origin alliances. By partnering with other firms under the auspices of an origin institution, OSFs ensure that their final product respects and maintains the quality of the origin's intrinsic features. These findings confirm P1.

"We are really happy to have the strongest brand of wine, and that's thanks to the CIVC. [The CIVC] manages exchanges with [all firms] so any processes that we want to implement have to be agreed upon – the CIVC represents everybody's interests."

[Firm 3 (House)]

"My work is deeply related to the place where I do it. The CIVC is the guardian of the appellation. They understand that Champagne is first a product from the soil and then, perhaps, a luxury product."

[Firm 8 (Winegrower)]

4.2.2. Theme #4: institutions for protecting the territorial brand

OSFs within a territorial brand shape the market by building value-related consumer constraints, most obviously by suggesting a minimum price for the origin resource based on value and supply rather than on market preference. When a single firm sets a high price, then price becomes an easily copied positioning tactic for firms with novel product features or those wishing to compete on price. However, when all firms agree to price based on the supply and value of the origin resource, all players within the origin benefit. Setting prices based on the value of an origin product and/or resource is different from anti-competitive initiatives led by groups of firms looking to take advantage of consumers (Rindfleisch & Moorman, 2003); co-opetition does not necessarily entail collusion (cf. Rey & Tirole, 2013). For example, the regulation established by the territorial brand in Champagne stipulates that, prior to being sold, all Champagne must be aged in the bottle for at least 15 months (versus the European regulation for bottle fermented sparkling wines of 90 days minimum). Such strict regulation requires enormous investment by Champagne firms in terms of logistics, longitudinal sales planning, storage fees, and facility maintenance to age the wines at 12 °C, thus justifying higher prices for Champagne than

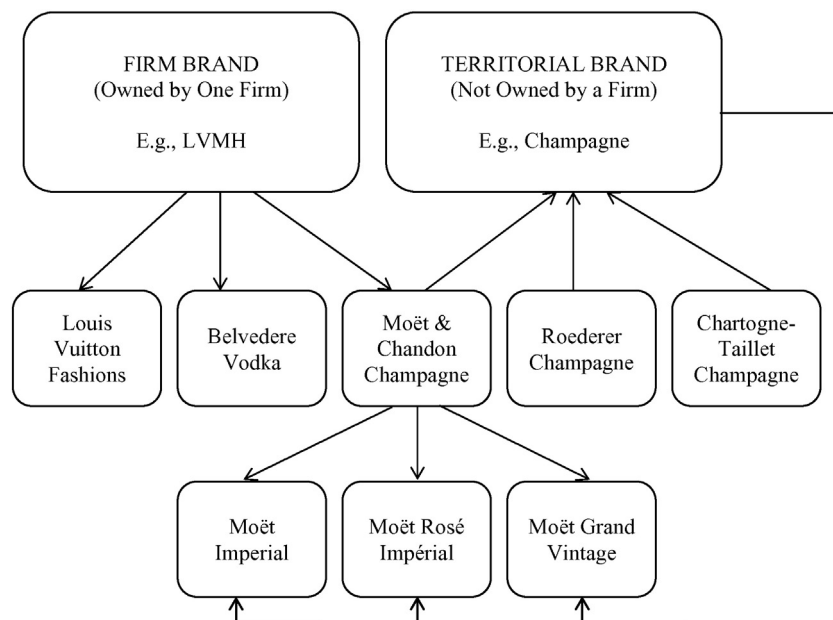


Fig. 1. Umbrella branding: Firm versus territorial brand example.

for other sparkling wines (Charters, 2011). These findings confirm P1, P2, and P3. The presence of a territorial brand is related to the establishment of cost, margin, and pricing minimums adapted to the OSFs' production constraints.

"[The CIVC] provides power because it markets the value of the appellation via its protection. It defends the Champagne brand. There is some price competition within the industry but generally [Champagne] prices are premium prices, especially versus other sparkling wines on the market, because the appellation is protected by the CIVC."

[Firm 1 (House)]

#### 4.2.3. Theme #5: institutions to constrain new entrants

Under a territorial brand, OSFs establish legal frameworks that constrain entry by limiting competitors and/or substitute products. These frameworks, either collective trademarks or legal entities (e.g., protected designations of origin), are created by a territorial brand when origin firms wish to raise the value of their shared physical resource (Charters & Spielmann, 2014). Origin names are protected and cannot be transferred to firms not operating on the place. The name Champagne is vigorously protected by the CIVC, in France and around the world. Champagne firms adamantly support this initiative, which allows them to maintain the quality, value, and pricing of their products.

An OSF must contribute to mechanisms that protect its shared origin in order to compete with firms in its industry. The ability of the firm to compete extra-origin will depend upon how a firm co-opetes intra-origin, both 'giving' value to the origin and 'taking' value from it. When all intra-origin firms define an origin-based label, the label both guarantees and recognizes an origin and a consistent style, and can give value to all products carrying the label (Dimara & Skuras, 2003). Co-opetitive action between OSFs can accordingly create a legal deterrent, as the relevance, role, and implication of public policy not only determine the scope and size of the origin and how the product is made, but also ensure respect and protection of the product's intrinsic value (Grant, 1991). This takes place with the CIVC in Champagne. The findings highlight how the territorial brand, as conceived in Fig. 1, is inimitable, and thus valuable, leading to competitive advantage for origin firms. These findings confirm P1.

"It is owned by houses, cooperatives and winegrowers and so the CIVC represents every person making Champagne, and only those people. They apply the rules that we ask them to implement."

[Firm 2 (House)]

## 5. Discussion

In this article, the nature of the relationship between origin-specific firms (OSFs) and territorial brands is explored, seeking an understanding of how a territorial brand becomes a valuable marketing resource for an OSF, and how territorial brands themselves are sustained by OSFs. The findings suggest that OSFs are a particular type of firm that relies heavily on origin-specific resources and capabilities (i.e., raw materials and workmanship) for competitive advantage. Furthermore, that when firm resources are origin-specific, they can be collectively developed into a shared yet competitive marketing resource: the territorial brand. As such, intra-origin co-opetition induces an overarching and powerful brand, which in turn interacts with an OSF's individual brand to provide a marketing advantage. The findings contradict the rival theory, which is that the firm brand is the sole marketing resource. This is a unique perspective on resource identification, as well as on the sources of value available to firms. The findings suggest that for OSFs, value comes not just from owned resources, as previously outlined (Srivastava et al., 2001) but also from shared resources.

The findings show that the emergence of a territorial brand depends on the emergence of firms within the origin. When such firms engage in 'communal leverage', which can be defined in terms of origin-specific

actors involved in the 'give and take' of valuable resources, both territorial brand and OSFs will benefit. While powerful and valuable, the territorial brand Champagne was not the result of a planned, conscious effort by firms. Territorial brands are the result of negotiations between firms over time, making them hard to create, maintain (Charters, Menival, Senaux, & Serdukov, 2013) and imitate. Once established, they have the potential to benefit many firms, rather than just one. As such, the literature on umbrella branding (e.g., Erdem, 1998) is expanded to include the prospect of inter-firm rather than just intra-firm benefits. Bottom-up governance practices between geographically close OSFs help to enhance the territorial brand. The identification of such bottom-up branding is an alternative to top-down practices suggested in prior research on umbrella branding (Erdem, 1998; Hakenes & Peitz, 2009; Wernerfelt, 1988).

This paper defines communal leverage in the light of previous research on resource identification and valuation, and on country of origin. The results provide new insights into the specific needs and market realities of OSFs by identifying and examining the specific features of OSFs and recommending that these firms value their origin-specific resources. This view of OSFs has important implications for marketing strategy research; specifically, on how origin-specific resources can guide interactions between firms. As drivers of an OSF's competitive advantage, origin-specific resources can become very powerful sources of value creation, yet research on competitive advantage rarely considers this source of value (Hunt & Morgan, 1995). New insight into capabilities needed by firms seeking to exploit an origin effect through co-opetition within a geographically constrained territory that supports an umbrella brand is provided. This study begins to address calls made by co-opetition scholars for greater insight into the distinction between ownership and control of resources (e.g., Walley, 2007).

This paper also applies co-opetition theory to a context where origin-specific resources are sources of shared value. The analysis suggests that, a territorial brand is distinctively non-proprietary, and is actively maintained through institutional support by all firms within the origin rather than being just the subject of resource demands and drawn on by firms. The evidence gives new insight into the mechanisms by which a firm inherits value-creating resources from its place of origin. Additionally, a unique location of a firm can fundamentally determine territorial brand governance and focus, particularly when the strategic impact of origin-specific-resources is identified. Marketing alliances have generally concerned a firm's internal processes (e.g. Verhoef & Leeflang, 2009), or shared capabilities that are important in the digital age (Amaldoss & Rapoport, 2005).

The territorial brand is shown to be an outcome of origin-based co-opetition. Expanding on previous co-opetition literature (Ross & Robertson, 2007), the findings suggest that territorial brands can emerge as a result of partial interdependence between firms due to shared origin-specific resources. The literature on umbrella brands has focused mainly on the top-down effect of spillover from the umbrella brand to extensions created from the same brand and by the same firm (Balachander & Ghose, 2003; Erdem, 1998). Two factors proposed in the framework enhance this stream of research. First, market dynamics allow the collective creation of origin-based umbrella brands: if a brand's products are origin-specific, sub-brands sharing origin-specific resources may create a territorial brand. OSFs jointly raise the origin brand and reap the benefits of resulting positive associations. Second, territorial brands are invariably non-proprietary. A territorial brand can emerge as a result of numerous firms sourcing from the same origin, and then marketing that origin. Over time, firms may cooperate to create institutions in the form of formal committees or commissions that encompass and represent them as well as regulates them. Membership and licensing fees are common practices enforced by such institutions but these do not exclusively sustain the brand. The territorial brand is also upheld by OSFs and their activity. This relationship flow serves two purposes: 1) it makes the firms within the territorial brand more likely to self-regulate against liabilities like product-harm



crises (Cleeren, Van Heerde, & Dekimpe, 2013); and 2) it encourages initiatives by individual firms that actively maintain origin-brand equity.

## 6. Managerial implications, future research and limitations

### 6.1. Managerial implications

The findings propose a novel approach to resource management that may be useful to managers of large and small OSFs. Firstly, the findings provide insights into the competitive potential of OSFs, and into how OSF managers can exploit traceability advantage. Establishing a territorial brand where firms share origin-specific resources can make origin and product associations more obvious, leading to better quality perceptions for the firm's products (Spielmann, 2014; Van Ittersum, Candel, & Meulenberg, 2003). While recent literature has begun to examine the influence and importance of traceability on consumer product perceptions (Dimara & Skuras, 2003), little research has investigated firms with traceable products. This is surprising, as firms today increasingly face questions about their origins as well about the availability and provenance of their products. Labels such as Protected Designation of Origin in Europe, American Viticultural Areas, Certified Organic, and even Fairtrade are testaments to this growing area of consumer and corporate concern. Providing and converting direct traceability into value are exclusive to OSFs and are ways of gaining competitive advantage, where consumers deem traceability important. Occasionally, origin resources may not be optimal sources of competitive advantage. As detailed in the provenance paradox (Deshpandé, 2010), firms may not be able to overcome origin negative associations regarding their brands (e.g., infant milk produced in China); there may be no origin associations (e.g., printer paper); or the product origin may differ from the consumer's origin (an issue for ethnocentric consumers). Alternatively, consumers may not value origin as much as they value accessibility and low prices (Davis, 2008).

Secondly, a territorial brand helps establish a legal framework to protect OSFs from other firms, resulting in clear positioning, premium pricing, and homogenous promotion and branding for all origin firms. Managers of OSFs that are not currently protected by a territorial brand should establish institutions that carry out the roles suggested in this study: enabling resource exchange, protecting the territorial brand, and constraining new entrants. Products offered by legally protected OSFs would consequently be seen as superior, especially to non-origin-specific equivalents. Consider the advantages of the government-established territorial brand for Ethiopian coffee over Vietnamese coffee, which is unbranded and trademark free. Since being established in 2004, the Ethiopian Fine Coffee territorial brand has increased prices for this origin-specific commodity by 60% (Bird et al., 2009). Conversely, lack of institutionalized policy or support for a territorial brand fosters a quantity over quality approach in Vietnam, where 85% of the market is made up of small, unsubsidized farmers who cannot co-opete to leverage the quality and value of their coffee on the world market (Anonymous, 2013).

Thirdly, the findings also stress the competitive advantages gained from symbiotic marketing and co-opetitive alliances between firms sharing origin-specific resources. Firms might consider setting up a governance structure to represent their shared origin-related competitive advantage, and ultimately pave the way for the emergence of a territorial brand (Charters & Spielmann, 2014). Doing so can glean marketers numerous advantages. The framework suggests that a territorial brand can help shape market behavior and ensure firms an even distribution of origin-resource equity. Further benefits include the dissemination of coherent, consistent marketing messages that encourage consumers to be brand as well as origin loyal (Spielmann, 2014). The California Milk Advisory Board's famous "Got Milk?" campaign resulted in massive product awareness that had more to do with reinstating milk in consumer's minds as a beverage, than with California. However, the California Milk Processors Board launched its "Happy Cows – Real

California Milk" campaign to encourage consumers to purchase California dairy products rather than out-of-state counterparts.

### 6.2. Future research and limitations

The findings provided here open numerous potential research avenues. Empirical analysis may build upon and validate the proposals and findings presented here. Research should be conducted on other product categories around the world to test the validity of the findings empirically. Undoubtedly, an assessment of the market factors responsible for encouraging or impeding origin-specific co-opetition is necessary, together with longitudinal studies of origin-specific co-opetition. Additional research on co-opetition between OSFs would also shed light on the phenomenon. Furthermore, research may choose to focus on the following questions: are territorial brands managed differently if they are government versus privately owned; or related to consumer versus business products; or related to scarce or abundant resources? Resource monopoly may remove the need for a territorial brand but requires one firm to have sole responsibility for shaping market behavior. What other origin-specific mechanisms might help OSFs with resource monopoly to develop reputation and competitive advantage? Future research may examine consumer appreciations of territorial brands. This question is especially important as OSFs internationalize.

The main limitation of this research is the qualitative nature of the empirical approach, which limits generalizability. A different approach to this issue might focus on more quantitative analyses in order to further test the results obtained with the cases here. The research focuses on one origin and one industry, making the findings domain specific. However, the findings that emerged from the research should make extending the analysis to other contexts (e.g., industries where origin is important, such as food, minerals, and precious stones) easier to structure and execute. Likewise, other sources of data should also be included such as questionnaires and participant observation. The focus here was on interviews, secondary data and field notes using the firm perspective but the consumer perspective is absent.

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