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Maud Hirczak, Mehdi Moalla, Amedee Mollard, Bernard Pecqueur,  
Mbolatiana Rambonilaza, Dominique Vollet

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## **From the Basket of Goods to a More General Model of Territorialized Complex Goods: Concepts, Analysis Grid and Questions\***

M. Hirczak  
Territoires, UMR CNRS PACTE  
Université Joseph Fourier  
14 bis avenue Marie Reynoard  
38100 Grenoble (France)

M. Moalla and A. Mollard  
UMR GAEL INRA-  
Université Pierre Mendès France  
BP 47 X, 38040 Grenoble Cedex 09

B. Pecqueur  
Territoires, UMR CNRS PACTE  
Université Joseph Fourier  
14 bis avenue Marie Reynoard,  
38100 Grenoble (France)

M. Rambonilaza  
Cemagref Unité Aménités et  
Dynamiques des espaces ruraux  
50 avenue de Verdun  
BP3, 33612 CESTAS Cedex (France)

D. Vollet  
Cemagref UMR Métafort  
24 avenue des Landais  
BP 50085, 63172 AUBIERE CEDEX (France)

This paper presents a synthesis of the results of almost ten years of research on the relationships between quality products/services, environment and territories. The aim is to analyze different possible contributions of territorial resources to territorialized sustainable development by examining how the supply of quality products meets the demand. For this purpose, there are two main characteristics of this that have to be taken into account:

- a *supply* anchored in a specific territory, which makes these resources exclusive (unavailable elsewhere), interdependent and complementary (Terluin and Post 2002). These characteristics stem from a ‘specificity’ that not only is given, as initial resources or localized factors are expected to be,

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\* This paper draws on the results of research undertaken in 1996 as part of two successive INRA – PSDR Rhône-Alpes programs and the INRA-Cemagref-CIRAD research program on multi-functionality. It was delivered at the *Symposium International INRA – PSDR, Territoires et enjeux du développement régional*, Lyon, 9-11 March 2005.

but is also constructed by the actors of the territory;

- a joint, contextual *demand* for quality products and services that depends on their prices and on official and objective signals, but also, above all, on elements of a subjective and emotional nature, and hence on uncoded cognitive attributes, images or symbols (Filser 1996; Bessi re 1998).

To analyze the relationship between this specific supply and demand, we have used two complementary frameworks of analysis.

The first concerns imperfect competition and market failure (Mas-Collel et al 1995) in order to study the possibilities of horizontal differentiation of products and services in a particular territorial and environmental context. It is also to establish whether their modes of valorization are suited to a joint supply of products and services, and to the emergence of specific rents for producers.

The second deals with the consumption of complex goods. This means giving up the simple and passive conception of a demand, still found in textbooks, as something that is undifferentiated and generic, independent of the character of individuals, places and contexts. In the neoclassical approach, consumption models simply choose between two equivalent goods, whether they are divisible or not or between two sets of goods (Varian 1993),<sup>1</sup> and even when these models refer to ‘baskets’,<sup>2</sup> these consist not of complex goods but of a cluster of homogenous goods. We prefer to follow the innovative and pioneering approach of Lancaster (1966, 1991) who considers that the good has no utility *per se*, but that each of the characteristics that it combines has its own utility.

This supply-demand comparison and these frameworks of analysis spawned what we have called the *basket of goods* model (Mollard and Pecqueur 1999).<sup>3</sup> The notion of a basket of goods is consistent with the Lancasterian approach as subsequently taken up and developed in the notions of ‘bundle’, ‘product-service pairs’, and compound goods and services (Mathieu 1996).

To clarify the concept and define its configuration, limits, and contribution to a more general model of territorialized complex goods, we present the results of various research studies undertaken first in the Baronnies area and then in the Aubrac, Chablais, Vercors and other areas of the Rh ne-Alpes *r gion*.<sup>4</sup> Although the scope of this paper does not allow us to present the results of those studies in detail,<sup>5</sup> we sum up the main lines of our comparison by focusing on those elements that can enhance this new model of the sustainable development of territorial

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1. ‘The hypothesis of two goods is less restrictive than it seems because one of the goods may often be interpreted as representing all the other goods that the consumer may wish to acquire’ (Varian 1993 : 28).
  2. ‘The consumer’s choice concerns what we call **consumption baskets**. These consist of all the goods and services concerned by the issue of choice examined here’ (*Ibid.*: 41).
  3. As far as we know, the notion of a ‘basket of goods’ (and services) was introduced for the first time by Jafari (1982) in the context of the tourism market.
  4. France is divided into 22 *r gions* which are governed by regional councils. Each *region* is subdivided into *d partements* (92 altogether) which are governed by departmental councils or county commissions.
  5. References to these studies are listed in the bibliography.

resources.

The paper consists of three parts. The first synthesizes the data used to formulate the basket of goods concept, obtained from extensive observations in the Baronnies area and then in the Aubrac area. The second part presents an extension of this analysis to five other areas in Rhône-Alpes and concludes with three other possible combinations of territorialized complex goods. The third part draws on a final series of field studies, presents a general analysis grid of the basket of goods and the concepts and methods that highlight its construction, and concludes with a more general typology of territorialized complex goods. This typology enables us to show the differences between the basket of goods model and other forms of compound supply of goods or services.

### **Preliminary Observations on the Basket of Goods and Related Concepts**

Our research in the Baronnies area, launched in 1995-1996, originated from two contradictory observations: on the one hand, a marginalization related to the process of industrialization in the 1970s, with mass migration to the cities and the closure of many shops and schools; on the other, a gradual increase in tourism and the price of high-quality, traditional regional products. The emblematic example is olive oil from Nyons, which received a red label<sup>6</sup> for quality in 1966 and then the AOC (*appellation d'origine contrôlée*) in 1968,<sup>7</sup> the price of which has constantly increased since. Our initial question was to determine why a consumer would pay € 19-20 for a litre of olive oil from Nyons when regular oil of the same quality<sup>8</sup> can be bought for a quarter of the price? Who was 'willing to pay' this differential and why? (Mollard and Pecqueur 1999).

#### **The Baronnies Seminal Model**

##### *The origin of the basket model*

The Baronnies example enables us to understand the paradoxical fact that so-called 'profoundly' rural areas were excluded from the process of modernization of agriculture and, more generally, from economic life in the 1960s and 1970s. Starting in the mid-1980s, this backwardness in development gradually turned into 'new resources' for which a strong demand existed: e.g. low densities, biodiversity and quality environment, potential for tourism and preserved heritage and a

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6. *Label rouge* (red label) refers to the quality label for different products, notably meat.

7. AOC is the abbreviation for *appellation d'origine contrôlée*, which guarantees the origin of products. According to the law of 06/07/1966, which paved the way for that of 02/07/1990, sets out how the AOC are applied to all raw or processed farm products.

8. Unrefined, cold-pressed oil.

tradition of quality products. These characteristics were sought after more and more as they became rarer in industrialized, urbanized areas marked by a context of commodity production and mass consumption. The demand for products and services from rural areas (agri-food, crafts, green tourism) was increasingly differentiated in terms of quality, and new productive functions were born (ecological services and environmental amenities, heritage). This enabled producers in these areas to exploit these new resources and to expand their markets by totally changing their position in terms of the competition between products and regions.<sup>9</sup>

From the mid-1970s certain strategic actors were instrumental in promoting this potential in new resources, via both development agencies such as the Baronnies Syndicate and firms such as the Nyons Cooperative. Our findings show that the development trajectories of areas with equivalent specific resources were more successful when actors in the public and private sectors supported or promoted these valorization processes.

#### *Development of the basket of goods*

The Baronnies basket of goods revolves around Nyons AOC olive oil, the leading product of the area that gradually drew other traditional local products around it. The reputation of this highly specific oil from Europe's northernmost olive groves has recently spread among tourists from northern Europe. This might explain why its price is higher not only than that of standard quality olive oils (INSEE<sup>10</sup> data) but also of 'traditional' oils.

This product, firmly anchored in the area, showed its ability to attract other products, not only olive-related (e.g. olives, olive paste and shower gel) but also a variety of quality products including local wines (*vins de pays de cépage*), AOC lavender, essential oils, aromatic plants and products from linden trees, all of which have an important and valued impact on the landscape. Yet, despite this domino effect, these products have experienced their own particular difficulties since in most cases they face stiffer competition than does olive oil.

In the case of local wines (*vins de pays*) there are two contrasting models: cooperatives and private brands. The cooperatives sell most of their local wines in regular markets (super- and hypermarkets) where they align their prices on commodity prices. In order to be able to do so, they cut costs by concentrating their production. By contrast, a few wine growers have preferred to make and commercialize their own wines by creating their own brand. Their specific policy of experimental plots or diversification of their ranges has produced a supply of a particular quality and a clearly identified origin. Some try to take advantage of the positive image of olive oil by referring on their labels to the 'marriage of the

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9. A similar link between the quality of the environment and the remuneration of this quality through the prices of agricultural products and not only through public policy, has been analyzed in the case of Europe and North America by Buller and Morris (2004).

10. National Institute of Statistics and Economic Studies

vine and the olive tree’.

These ‘marriages between products’ have been demonstrated by two surveys undertaken in 1999 and 2001 on purchases at the retail outlet of the Nyons Cooperative, in relation to the range of products offered (Moalla 2005). There is nevertheless a risk of bias if we observe the construction of baskets of goods via such specialized shops which inevitably offer a limited choice. In this specific case, the bias was related to the cooperative’s specialization in olives and wine. At the same time, we undertook other surveys in 2003, on 385 tenants of rural cottages in the Baronnies area, located in the Drôme *département*. These cottages seem to be instrumental in the construction of the basket insofar as they provide a link between the products and the area. They allow direct access to high-quality local products, to environmental amenities and to recreational/outdoor activities. The results show that rates for renting a cottage in the Baronnies area are higher than those of almost all the other areas in the Drôme (Mollard et al 2004). The tourists who rent these cottages tend to be affluent and to spend a significant amount of money during their visits on quality products and access to environmental services. This helps to construct the basket.

We thus have a complete model of baskets of territorialized complex goods which are a source of substantial rents for their producers. They seem to be the result of a highly positive encounter between the supply and demand of specific local high-quality products and services, during tourists’ stays in the area (Mollard et al 2005).

#### *Obstacles to the development and perpetuation of the basket*

Not all Baronnies products are part of the basket of goods. Lamb is the most obvious example, even though its origin is entirely traditional, with two old local breeds. Another example is Picodon, a traditional goat-milk cheese. Because of a widely dispersed AOC that covers the two *départements* of the Drôme and Ardèche, there is no typical characteristic connected to the Baronnies area and its price difference is small. Local production is declining since competition in the global market limits any possibility of development.

For fruit, which is a traditional product found on a large scale, there is no identifiable rent. There is a local apricot variety (the ‘Polish’ variety known as the *Oranger de Provence*) but once again, the strategies of local firms have remained entirely generic and hardly differentiated from fruit of the Rhône Valley located close by.

During our 10 years of research in this area – a significant length of time, rarely achieved – this model also showed signs of weaknesses even though it was not seriously called into question. For instance, we observed a clear revival of competition for *vins de pays* and price fluctuations in the aromatic plant market.

In the case of Nyons olive oil, the context of continuous growth of AOCs<sup>11</sup> has stabilized prices but has not reduced the quality rent obtained by producers.

When we first presented these results, a recurrent objection of our research partners was that the Baronnie case was an exception and that it was an isolated model despite its interest. We therefore had to observe other areas as well. Additional studies have been under way for the past 5 years.

### **The Aubrac Area: An Emergent Basket**

The Aubrac is a rural area whose history coincides in certain respects with that of the Baronnie. It was also excluded from the modernization of agriculture in the 1970s, which enabled it to preserve its environmental resources and traditional agricultural production. Numerous products are called 'local' but they do not all correspond to the model of territorialized complex goods.

Two of them are area-specific and complementary products that contribute to Aubrac's image of a preserved environment. This is typically the case of local cheeses (Laguiole PGI: Protected Geographical Indication) and knives around which the basket is developed. The cheese production area is limited to the Aubrac plateau, roughly delimited by the Lot and Truyère valleys. Laguiole cheese has consequently developed very specific characteristics that have resulted in a relatively high rent (Angeon and Vollet 2004). The construction of the specificity of Laguiole cheese will continue in the medium term with the expected banning of grass ensilage. The Laguiole knife is also an integral part of the basket but has certain weaknesses. The revival of the knife, initiated in the mid-1980s, turned out to be a great success in terms of sales and local development. However, the development of this craft product with highly specific characteristics remains fragile for several reasons: absence of legal protection of the 'Laguiole' knife, presence on site of many shops selling knives manufactured at Thiers or abroad, and of variable quality that is difficult for a non-specialist to assess.

Other local products are situated outside the basket of goods model that is being developed in Aubrac. Some, like appetizers or cold meats, have built up some degree of specificity via quality labels but have encountered certain limits. This is the case of beef, sold primarily as grass calves, for export. Although a small proportion of the production has been commercialized since 2000 under quality labels, these do not correspond to the basket of goods logic.

The Aubrac situation has a number of points in common with the Baronnie basket of goods. It includes not only a specific supply of local products (cheese, knives) but also complementary tourism services attached to rural cottages, such as tourist routes and restaurants. There is also a fairly typical set of environmental and cultural public goods that are essential for the valorization of the basket, with positive images of summer pastures, the Aubrac breed and festivities around the

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11. In 10 years, the number of AOCs for olive oil in France has risen from only one to seven (1994-2004).

‘thready’ *aligot* (a local dish made with mashed potatoes, garlic and *tomme* cheese).

Aubrac nevertheless seems to be only at the early stages of a process in which a model of territorialized complex goods will emerge. In fact, some of the factors conducive to the consolidation of this process are still under construction. The cheese industry has sound coordination of private actors, but consolidation has only just begun for tourism<sup>12</sup> and beef,<sup>13</sup> and has not started for the cutlery industry.

### Initial Concepts and Methods for Analyzing the Basket of goods

The basket of goods observed in the Baronnies area prompted us to examine the substance and coherence of this new model of territorialized complex goods. We based it on two basic concepts: the existence of a specific rent, the ‘territorial quality rent’ (Mollard 2001) from which producers benefit, and the conditions under which it is perpetuated via the ‘basket effect’ (Pecqueur 2001).

#### *Territorial quality rent (TQR)*

The rent is always a surplus of the product at no cost, or extra profits compared to the sum required to pay labour and capital up to their marginal yield for which the rent is nil. It originates on the supply side when there is exploitation of a rare and non-reproducible factor such as soil fertility, a natural resource, or know-how. The rent appears on the demand side when it is rigid for specific goods, and when it benefits from a higher level of agreement to pay for products with identifiable and valued characteristics. Of course, in this type of situation competitive pressure always appears when the goods are separable and substitutable, which can transform these rents into quasi-rents.

This type of rent has one of two contrasting forms:

- a **quality rent** when the demand for high-quality, rare, differentiated, or specific products and services is rigid. This rent fits into the Marshallian tradition of the ‘consumer surplus’;
- a **territorial rent** in the case of goods that have the characteristics of a monopoly due to their anchorage in a particular space and their rare or non-reproducible nature. This rent is close to the Ricardian rent due to the price difference observed in the market under consideration. For the same costs, prices are higher compared to a substitutable supply located elsewhere. This is the case of prices of country homes or rural cottages in the Baronnies area.
- the **territorial quality rent** is the result of the combination of these two forms

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12. Tourist centres have begun to merge.

13. Collaboration is under way between the two syndicates controlling quality labels.



of rent. It appears when the quality-effect and the territory-effect converge, that is, when a complementary supply of quality products or services and a strong demand for specific goods typical of the territory meet. Quality is then intrinsically linked to this territory since it has specific resources that can be sold jointly and cannot be replaced by those of another territory. Nyons olive oil or Laguiole cheese illustrate this precise case that leads to a TQR.

*Conditions for validity of the model and the basket effect*

The basket of quality goods and services is thus an original combination. The supply is both composite, in that it concerns quality products *and* services, and situated, that is, linked to a particular area, its culture and its history (Pecqueur 2001). The demand is stimulated by this reciprocal relationship between the product range and the characteristics of the territory. We call this symbiotic effect a ‘basket effect’. It starts with the attraction for an initial product (the product leader) from a given territory, which in turn allows the discovery of particular complementary products and services from the same territory. The basket effect enhances the perception of the quality of other local products, and thus of the territory to which they are connected. Consumers with strong preferences for local products, thus gradually compose their baskets taking into consideration their *terroir* origin. The context of positive public goods (e.g. environmental amenities, culture and heritage) enhances this effect, since the territorial quality rent also represents a form of internalization of these positive externalities via products or services (Mollard 2003).<sup>14</sup> In sum, the basket of goods model implies that three conditions are met:

- a set of complementary products and services that interact in local markets,
- a combination of private and public goods that enhance the quality image and reputation of the territory,
- an inelastic demand for quality products and services anchored in a specific territory.

We see that demand plays a particularly important role in the basket of goods model whereas the territorial dynamic approaches are almost always via supply. Due to its characteristics, the existence of a TQR reflects the actors’ ability to create organizational processes to capture consumers’ willingness to pay high prices, associated with the natural environment or with local products.<sup>15</sup> As a result, the development of the basket of goods model stems from a long-term territorial strategy involving producers, processors and cooperatives, as well as the institutions in charge of coordinating local development (such as syndicates and local authorities) and ... consumers.

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14. The French notion of *terroir* has been introduced into the USA by some Californian sociologists, and particularly by Barham (2001) who explains that it can be analyzed as a social movement.

15. A similar analysis of the rent created due to consumers’ high willingness to pay, with a strong link to the land, has been made by Guthman (2004) in the case of organic food in California.

## New Examples of Territorialized Complex Goods

The discovery of a second basket of goods emerging in Aubrac was not enough to initiate the generalization of the basket of goods model. We therefore had to explore other territories and other examples of complex goods: puzzle models, hybrid basket models, and periurban models.

Early on, our work concerned the Chablais and Vercors regions, two pre-Alpine mountain ranges characterized by 'profoundly rural' areas, with recognized signs of quality, and densely-populated urban areas.

More in-depth examination of this potential and an analysis of the actors' strategies show that in reality these elements do not form a system since they are not dependent on one another to function. Therefore the basket effect cannot exist. If there is a basket, it is more a 'puzzle' of products and services, in the sense that it consists of disjoint elements and a fragmented positioning in relation to the markets.

In the Vercors, strong potential exists regarding quality dairy products but they remain juxtaposed. The blue cheese from Vercors-Sassenage AOC is emblematic, based on a specific local breed of cow, the Villarde, which enables the cheese to survive against competition from the Montbéliarde cow.

The Chablais region resembles the Vercors from the point of view of its wealth of resources, products and services, but these are even more fragmented. Its traditional products are of high quality and sometimes have an excellent reputation: three AOC cheeses, *Reblochon*, *Chevrotin des Aravis* and, above all, *Abondance* whose quality is related to the grass, the climate, the local breed of the same name, and the traditional know-how specific to the valley.

The hybrid basket model is the fruit of a long history of change in agriculture. The Bresse and the Sud-Grésivaudan regions both have specific resources that can be sold locally, and a sectoral mode of development. The complementarity between them raises questions about the possibility of maintaining the basket of goods.

In the Rhône-Alpes region, the Bresse and Sud Grésivaudan areas are intermediate cases between intensive agriculture (the Rhône Valley) and modes of production focused more on quality (the Baronnies). It is a sort of hybrid model with places of local (re)construction of quality, in an environment in which sectoral forms of coordination predominate (Hirczak and Mollard 2004b). History provides the keys to this particular cohabitation. Up until the 1950s, the traditional model of mixed crop-livestock farming was a characteristic of these areas. In the 1960s, Bresse farming embarked on the process of modernization and intensification of production based on large crops, especially hybrid maize, battery-bred animals such as pigs and chickens, and intensified milk production.

The Sud-Grésivaudan area is similar to the case of the Bresse area with regards to a sectoral type of functioning of the Grenoble walnut AOC and Saint Marcellin cheese. Despite its emblematic character, the walnut is a product which is subject to little control by local producers and whose territorial valorization is weak. The Saint Marcellin AOC (cheese) is in the process of receiving recognition. The example here does not include the characteristics of the territory,

because the area of production is much larger than the original location.

We observed the case of urban/periurban model areas through a detailed study of the city of Grenoble and its outskirts. For the past 20 years, producers have cooperated to valorize their products locally. Their assortment of produce seems to differ substantially from the Baronnie basket of goods model.

Most of the products concerned are generic, of standard quality and very diverse: fruit, vegetables, honey, cold meats, local wines, flowers and fruit trees. No product leader stands out, and the *image* of the Grenoble landscape (a plain surrounded by mountains) is the only visible link between the products. There is a sort of 'freshness' effect that reassures consumers because it reminds them of the logic of traditional local markets.

In-depth observation of these five areas substantially broadens the range of models of territorialized complex goods at our disposal. This diversity is not necessarily limited to Rhône-Alpes. It is also found in Midi-Pyrénées, for example in Quercy (PGI Cahors wine, red label Quercy farm lamb, PGI Rocamadour cheese). Finally, the results of the research in France seem close to those obtained in the United States concerning a certain number of rural development initiatives. Thus, the French periurban model seems quite close to the attribute 'Colorado grown' whose positive effect on the willingness to pay was measured by Loureiro et Hine (2002). Even if Woods and Hoagland (2000) do not call it a 'basket of goods', that is the objective of diversification of farming system policies implemented in Iowa, North Dakota, and Minnesota. To clarify the connections between these observations, it is now necessary to specify the concepts and methods that lead to the compilation of evidence of the precise reality of these different models of complex goods – their nature, conditions of existence, and perpetuation – and to obtain a general framework of analysis.

## **Concepts, Methods and Outline of a General Typology**

After these multiple observations and their diversity, it is now necessary to distinguish between their common points and their differences. The visibility of the basket of goods model can thus be maintained, and it can be distinguished from other forms of construction of territorialized complex goods. For this purpose, we need to return to the very heart of the concepts and methods underlying this model before inferring a general typology of the various models observed.

### **Constituent Elements of the Basket of Goods Model**

It was noted above that the basket of goods model is based on the *territorial quality rent* that it generates for producers of products or services, and that the *basket effect* is what unites a set of quality products and services around a leading product. To demonstrate this, it is necessary to mobilize a coherent set of methods and concepts described below.

*Methods for analyzing the basket and the rent*

*Clusters.* How can it be shown that a set of products forms a cluster and a system? In the Baronnies case, we analyzed the purchases at the Nyons Cooperative in 1999, during two ten-day periods in high and low season. This enabled us to compile a database of 16,500 invoices and to exploit it with a statistical tool. This tool was used to observe co-occurrences of the most frequent products in the invoices, and to extract the clusters that were a graphic representation of the baskets (cf. Appendix). The view was detailed to a greater or lesser degree, depending on the number of links sought, the minimum number of co-occurrences requested, or the maximum number of products per cluster. The result could then be used to qualify the baskets bought by consumers, to establish the complementarity of the goods acquired, to define the leading product(s), and to draw up a typology of baskets. This method is particularly effective since there are places of simultaneous observation of the widest possible range of products of a territory. It can also be applied to the tenants of rural cottages, which makes it possible to link products purchased and services used.

*Price differentials.* To highlight the differential rent potential of a given product in a territory, a comparative statistical analysis of a series of homogeneous prices concerning the observed product or service and its generic substitute has to be performed. The time-frame of the statistical series used has to be long enough to allow verification of the sustainability and extent of price gaps compared to a substitutable reference product. Since the desired rent is a price surplus on the total production cost (profit included), the respective production costs of comparable products also have to be deduced from the price differential (Moalla 2005).

*Hedonic price method (HPM).* This method is used to evaluate the origin of the observed rents for quality products and services in terms of the relative importance of their intrinsic and extrinsic characteristics. Because part of these rents have no monetary equivalent, the hedonic price equation is used to break down the prices of products/goods observed in terms of these characteristics, and thus to obtain their implicit price (Palmquist 1991). We applied this method in the Baronnies and Aubrac areas, based on 3,000 observations drawn from two Gîtes de France and Clévacances 2002 catalogues in four *départements* (Drôme, Aveyron, Cantal and Lozère). These two databases contain weekly rental rates and the intrinsic characteristics of the cottages (such as comfort inside, and capacity). The variables describing the environment were extracted from INSEE sources for the municipalities concerned (Mollard et al 2004; Rambonilaza 2005).<sup>6</sup>

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16. However, we may posit that our results show the limits of the use of physical measurements of environmental variables in hedonic pricing because they are very distant from the situations perceived by individuals. Vanslebrouck et al (2005) find the same limits. They agree that even if the environmental variables they used are positively valued by rural tourism, they represent a weak relationship with the extremely influential landscape variables. To solve this problem, it is possible to subjectively evaluate variables by using surveys to obtain consumers' points of view on the environment of the country cottages they have rented.

*The three components of the basket of goods*

These different methodologies, combined with qualitative observations of actors' strategies, should allow a summary of existing relations between the three main components whose joint presence comprises the basket of goods model:

- ***A specific supply of private products and services in a territory.*** In a context of differentiation of products and an increasingly complex supply, the basket of goods combines a set of objective characteristics such as official quality labels, with a set of attributes, cognitive aspects, images, or symbols (Lacroix et al 2000). The goods in the basket, the result of a culture and a long history, relate to one another; they have a common territorial origin and a consistent image of quality, and can seldom be substituted with commodity products. Their production is specific, linked to a particular area, with know-how and innovations, none of which can be easily reproduced (Cooke 1999). But local consumption of these products is also facilitated by the attraction of market or non-market services that play the part of operators of resources, for instance tourism, gastronomy, or density of residents with country homes, which facilitate access to the basket.
- ***An inelastic and specific demand, of the 'shopping' type.*** Consumers of the basket of goods often have the common characteristic of favouring the territory as a way to simultaneously purchase products and services, with a link of proximity and trust considered to be specific to the area in question. This explains why consumption has to be structured by such factors as tourist visits but also by direct selling, gastronomy and catering, urban markets, visits concerning the local heritage and culture. In fact, the preference expressed for local products or services is basically an indirect preference for the territory itself, with its reputation and traditions, which explains why the demand is essentially price inelastic. For the same reason, the preferred market is the 'shopping' type, that is, consumers compose their own basket, linked to the appropriation of the territory. The example of Nyons olive oil, sold essentially on site, clearly illustrates this specific relationship. This even explains the basket effect since its composition by buyers themselves is part of the service they want.
- ***Public goods that add value to the basket of goods.*** The fact that the territorial context stamps this encounter between supply and demand with its 'mark' explains why all the territorial resources surrounding the product help to promote it. Hence, a set of public goods such as the environment, natural landscapes and biodiversity, as well as the local heritage, architecture, history, and traditions act as a sort of 'case' in which the products are displayed. The sustainability of development is contingent on these public goods, while the risk of pollution is a highly negative factor.

*Conditions for the basket of goods and perpetuation of the model*

Configuration of the basket is always fragile, incomplete, and ongoing. In the Baronnies area, for instance, we witnessed the exclusion of certain products such as local lamb produced primarily in the eastern part of the territory. Conversely, olive trees and vines are found mainly in the western part. The result is that the territorial development model is spatially unbalanced and unequal, with different actor strategies. We also saw, in the example of local wines or the increase from one French AOC olive oil to seven, that competition can stabilize prices and cause the basket to become fragile, even if it is not actually challenged. From this point of view, coordination between private and public actors is essential from three respects to perpetuate the basket of goods model and the territorial quality rent:

- ***Good coordination between private actors.*** The number of products and services comprising the basket of goods and the complementarity of their links depends essentially on private actors. It is in their interests to favour the emergence of complementary high-quality products and to ensure that the basket represents the territory of origin, by limiting the exclusion of local products as much as possible. Therefore, when labels of quality are developed for new products, private actors have to agree on the perimeter of origin and the level of requirements in the specifications – even though this is often a source of conflict. They must make a total commitment to perpetuate the rent despite competition amongst themselves.
- ***Convergent institutional coordination.*** It is nevertheless to be expected that private actors may have divergent interests, and that public intervention is therefore required. This intervention is often indispensable to define the coherent territorial and sectoral scales for *appellations d'origine* AOC or labels, or to improve the visibility of access to the territory's goods and services by encouraging fairs and other events or signposting in natural parks and on tourist routes. The quality of public goods depends on the local policies of the municipalities, syndicates, and even the *départements*. Finally, public actors can act effectively on the nature of local aid or European Common Agricultural Policy subsidies, to promote the coherence of the actions of private actors.
- ***Balance and coherence between private and public action.*** It stands to reason that all these actions by public and private players have to be coordinated if they are to converge towards territorial development objectives. This requires that few products or services remain isolated or unconnected. The most important requirement regarding the basket of goods is to base the emergence of the TQR on solidarity and a coherent strategy between the producers of different products or, better still, on an association of private producers. This solidarity should concern the organization of non-commercial services and, more generally, everything that highlights relations between products and territories and that adds value to the TQR; in short, the existence of a complex institutional compromise between private and public actors.

### Towards a General Typology of Territorialized Complex Goods

The concept of a basket of goods, initially intuitive, is becoming more precise. By departing from a fixed conception of this model, that is, a canonical situation with set characteristics, it is expanded to include all the dynamics of coordination between actors who tend to move towards this model to varying degrees. This allows a general typology for Rhône-Alpes to be produced, based on observations of the potential of specific and joint territorial resources, the nature of the supply and the demand, and modes of governance in the eight *départements* of the *région*. On the basis of these criteria, two large families of models are obtained that range from assortments of products to more complex configurations of baskets of goods (see map in Appendix). Specialized zones have been excluded from this typology, that is, zones of an essentially *generic and sectoral* nature such as the Rhône Valley and the Ain, Isère and Drôme alluvial plains, but also ‘mono-AOC’ zones such as the wine-producing Beaujolais, built around a single product that is consumed locally and exported throughout the world, and where other products are marginalized.

#### *Assortments without a basket*

*Assortments.* In this case there are few or no clearly identified quality products. The products are eclectic, with little reference to their place of origin, and are generally grouped together without much coherence between them. The demand is oriented mainly towards standard products rather than particular ones, but takes advantage of short supply channels and proximity. This ‘freshness effect’ enables producers to maintain their market share in a context of competition with super- and hypermarkets, especially regarding fruit and vegetables. Tourism has hardly been developed except for farm guesthouses, agro-tourism, and other nearby outdoor recreational activities. Finally, although private actors do sometimes coordinate between themselves, there is often little or no coordination with the variety of public actors concerned. This is the case of the Grenoble area presented above and, more generally, of the periurban zones of the region: Saint Etienne, Chambéry, Lyon, Valence, etc. But this logic of assortment is not limited to the periurban context, even if it is more widespread in that context. It is also found in intermediate and more rural areas.

*Juxtaposition/‘puzzle’ model.* This model is more complex than the preceding one. It contains all the elements of the basket, with potential complementarity but no real synergy between them. The most frequent configuration generally contains at least one AOC along with other specific products and many quality services, whether commercial or not. However, there is insufficient coordination and even conflicts between the actors. The difficulties of territorial governance preclude interaction between elements of the ‘basket’ and block any differentiation strategy, as in the Vercors. The causes of this *puzzle effect* are multiple: prosperity of agricultural and tourist activities (Chablais), flourishing tourist services and specific agricultural products (Beaufortain).

### *Three different basket models*

*The hybrid model.* This model corresponds to the Bresse and the Sud-Grésivaudan, presented above, where sectoral tendencies are dominant. Hybridization is the outcome of a generic model and local forms of traditionally-rooted quality production coexisting in the same territory. The reality of this resistance differentiates these territories from situations in which the generic development model has irreversibly eliminated local specific production. Sectoral forms of coordination between actors, the convergence of their interests, and the quality of joint services also distinguish the hybrid model from the basket of goods model as such.

*The top-down model.* There are territories in which the basket of goods exists owing to an effective top-down strategy by institutions at the *departmental* or the *regional* level. Ardèche is an example where the supply of quality products is real, diverse and specific, and accompanied by related services (public goods, culture and heritage, accommodation possibilities, and tourist activities). In this case territorial identities are strong but the image of the *département* is forged by tourism, a product with more appeal than agriculture. Here again, the main difference with the basket of goods model is in the forms of governance.

*The model of the basket itself.* Parallel to the Baronnies and Aubrac areas, other territories such as the Diois and the Bauges correspond to what we have called the basket of goods model. Their historical trajectory is similar: territories marginalized by industrialization in the 1960s and condemned to decline. This probably enabled them to preserve traditional production and a quality environment. Yet, here again, today they are at a crossroads, for the basket model is simply a *potential* territorial development strategy if it is not perpetuated by all the actors concerned. They have to maximize the basket effect via the territorial quality rent.

## **Conclusion**

This open comparison between different possible configurations of territorialized complex goods – including the basket as such – seems fruitful insofar as it opens a debate on the origin and content of different existing territorial development models. This debate is based on three levels of arguments:

### **The Different Models of Complex Goods**

One of our results is that there is no ‘pure’ model of a basket of goods, but rather different possible modalities of construction of territories by the actors concerned. On the supply side, the question concerns the more or less convergent interest of the producers of complex goods in a joint and coherent strategy for their products or services, as well as their conceptions of quality and the profiles of the targeted clientele. On the demand side, the objective is to know the consumers’ different centres of interest in complementary products and services, and above all the



nature of the territories. The diversity of answers to these questions and the types of encounters between supply and demand explain the diversity of the models analyzed. Expected differences are important, especially for materializing the existence of the territorial quality rent which is not always obvious.

### **The Coordination of Actors**

Our research revealed that many territories have quality resources that can supply a joint production of products and services. For instance, many attractive assortments and partial or temporary rents exist in regions such as the Vercors or the Chablais. But of the factors of differentiation likely to have a positive impact on the development of these territories, the most decisive one probably depends on the existence and quality of coordination of private and public actors. For example, in many territories we observed recurrent difficulties in delimiting the common perimeter of private and public action, and in superimposing maps of different sizes according to the selected variables. Only the constantly evolving force of coordination between actors can remove these difficulties and trigger a positive evolution of territorialized complex goods.

### **The Construction and Definition of Territories**

Yet we also identified obstacles which are the outcome of a long history marked by cultures, heritages, know-how, and innovations. These processes constantly recreate new identities and frontiers, specific modes of activation, and marketing of available resources. In short, the territorialization process is a social construction that is never entirely achieved or spontaneous. Depending on its origins and trajectories, it results in differing degrees of coherence, at different levels of territoriality, or even in spaces without territory.

Finally, of all our observations, the basket of goods model is clearly one of the most complete forms of the different possible modalities of combining territorialized complex goods. This is because it is the outcome of a history and a culture that enabled it to exist, of resources that made it possible, and of favourable coordination strategies and more convergent modes of governance than elsewhere. But it is possible to switch from one model to another when resources, objectives, and governance are mobilized for that purpose.

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Appendix

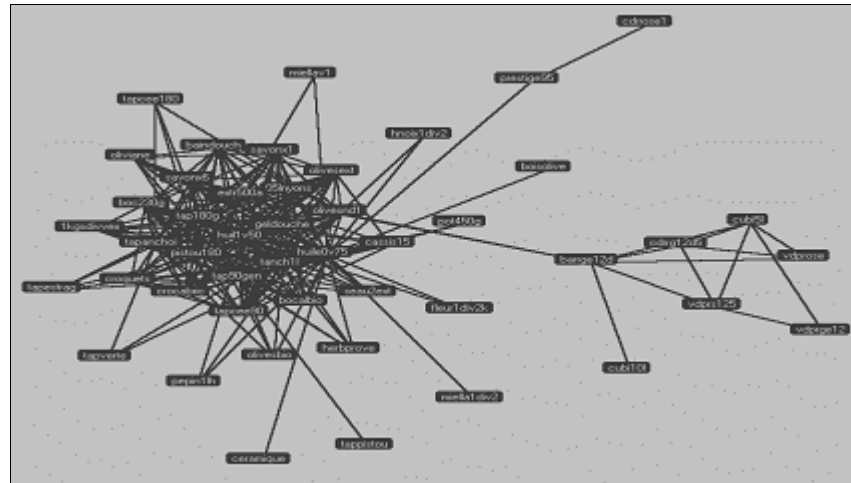


FIGURE 1 Cluster or basket of goods observed at the Nyons cooperative in 1999. Raw data.



FIGURE 2 Typology of territorialized complex goods in the Rhône-Alpes région

