

WINES AND PLACES: THE DETERMINANTS OF TERRITORY COMPETITIVENESS

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**SOMMARIO**

Lo scopo del presente lavoro consiste nell'analizzare la complessa relazione che esiste tra il vino e le dimensioni che caratterizzano il suo luogo di produzione nel tentativo di individuare gli elementi capaci di influenzare la competitività del territorio. Il vino è stato scelto in quanto è un prodotto che presenta un legame fortissimo e del tutto peculiare con il proprio luogo d'origine. Lungi dall'essere il risultato di meri fattori naturali, la produzione di vino è profondamente influenzata dalla combinazione di fattori ambientali, umani, ma anche storici e culturali che caratterizzano un'area geografica. La metodologia di ricerca adottata per investigare il tema consiste in una literature review di tipo ragionato effettuata sulla totalità dei paper presentati alla International Conference of the Academy of Wine Business Research, la più rilevante conferenza mondiale di ricercatori che si occupano di temi sociali, economici e manageriali relativi al wine business, dall'anno della sua istituzione (2003). I risultati dello studio possono fornire spunti di riflessione utili per effettuare ricerche sistematiche sui sistemi territoriali vitivinicoli. L'individuazione delle dimensioni in grado di influenzare la competitività del territorio, inoltre, può fornire a policy maker e imprenditori uno schema di riferimento per i fattori da considerare nella pianificazione e realizzazione delle politiche locali e delle strategie aziendali.

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## **1. Introduction**

The importance of geographical concentration of firms embedded in local production systems is well known in the economic literature (Becattini, 1989). It is also known that the firm international success relies on a specific “national competitive advantage” in some industries (Porter, 1989). In general, the territorial dimension plays a non-marginal role in the development strategies of firms (Chandler *et al.*, 1998; Porter, 2000). With reference to the wine industry, the success of a country business can be traced back to two main variables (Zanni, 1995; 2004):

- environmental variables (industry and local-specific): land, production, consumption habits, related industries (distribution, tourism, etc.);
- firm-specific variables: structural characteristics (number of employees, under vine areas, investments, etc.) and competitive policies (product innovation, marketing and distribution strategies, etc.).

In order to analyze the determinants of the wine business competitiveness, efforts have been made trying to understand the relationship existing between wineries and their operating context. Different theoretical perspectives have been used to investigate the phenomenon (Mueller and Sumner, 2006): Marshall’s (1920) concept of localized industry; Becattini’s (1962) industrial district, networks, and obviously Porter’s (1998) cluster.

There is a wide variety of wine territories and it is very hard to provide a unique and valuable framework for their representation in terms of both their structural characteristics and evolutionary trajectory. In the present work we tried therefore to systematize the contributions dealing with the topic and to elaborate a frame that includes all relevant dimensions of a wine territory that have to be considered in the enhancement of its competitiveness.

## **2. Brief overview of the global wine business**

In the last few decades, the global wine industry has gone through significant structural transformations. The result of such changes has been the enlargement of the business environment and the shift of its barycenter: from Europe-centered to world-wide, due to the entrance of new wine producing countries sited in other than Europe world areas. Traditionally produced and consumed within the borders of the European countries, wine has yet become an internationally traded product. Even if still today the greatest share of global wine production, consumption, and trade involve the European continent, the so called Old World, wine grape is largely cultivated in both North America and many of the Southern Hemisphere countries (Argentina, Chile, South Africa, Australia, New Zealand), labeled the New World of wine. At the same time, consumption has been decreasing in traditional producing countries and increasing in customary non-producing and non-consuming countries

(North and East Europe, North America, and Australasia). This has led to the increase of inter-country wine exchanges and therefore determined the growth of internationally traded wine quantities and values (Nosi, 2009).

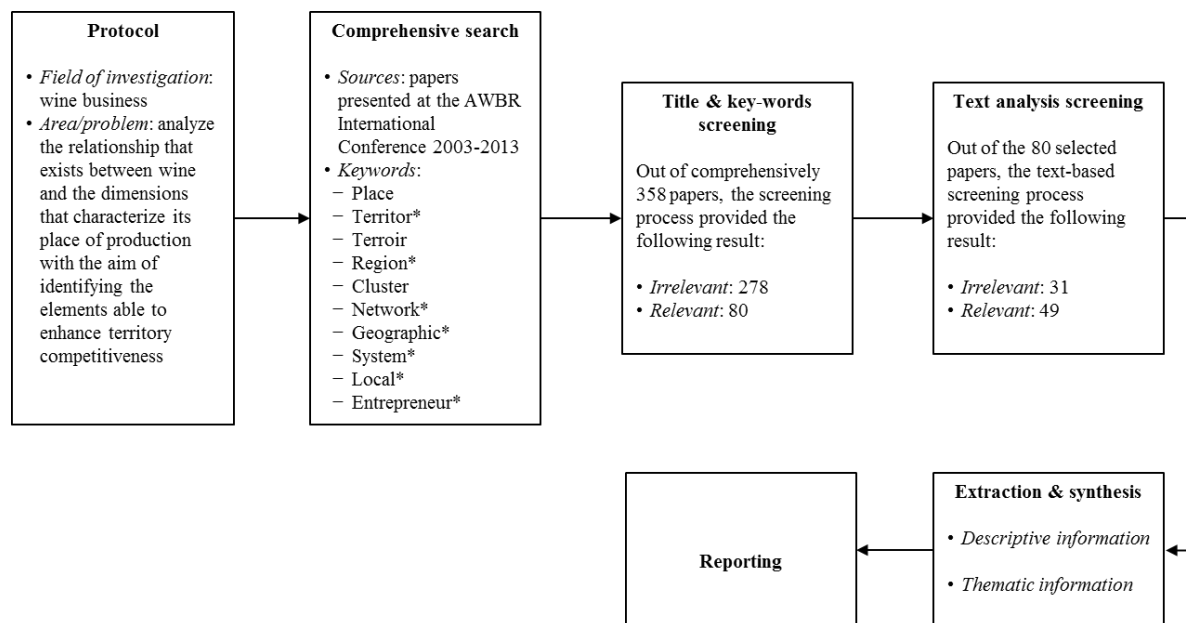
The Old World and the New World of wine are also characterized by different production philosophy as well as winery business models. In traditional producing countries, wine place of origin represents the major conveyor of wine quality. The production system is characterized by a legally established scheme of laws regulating the entire process of wine making from the vineyard to the bottle. Geographical Indications, and specifically Appellations that characterize finer wines, not only certify the provenance and type of grape to be used, but also impose restrictions about growing techniques, maximum yield allowed per unit of land (scarcity is directly connected with quality), wine making places and practices, chemical and organoleptic attributes of final products, as well as packaging characteristics (Nosi, 2012). Sometimes these multiple restrictions end up stifling innovation and commercial efficiency of wineries. Conversely, the main features of regulations in New World producing countries are the lack of detailed rules. Based on the assumption that grape provenance is not always determinant for wine quality, wines are more often valorized and promoted leveraging on grape variety and product or winery brands, and usually associated with relatively large production regions. Being these countries much more market-oriented than the European, the dominating business approach aims at simplifying consumer purchasing process (conveying recognizable and easy to understand product attributes), maximizing production efficiency, as well as favoring innovation and experimentation avoiding an excessively stiff regulation system (Zanni *et al.*, 2006). It has to be said, though, that lately more expensive wines produced in the New World, specifically those at icon price points, tend to rely more and more on place of origin to distinguish themselves from competitors (Atkin and Johnson, 2010).

### **3. Research design**

In order to shed light on the relationship between wine and its place of origin, this study provides a literature review of the papers presented at the International Conference of the Academy of Wine Business Research (AWBR) since 2003, the year of its first edition, till 2013. The Academy is an international society among academics and scholars devoting their research to economic, social and management issues of the wine sector. Such a choice is due to multiple reasons. First because the AWBR is the worldwide largest network of academics working in the economic and managerial fields dedicated to research in the wine business. Second because the conference often represents the first step of a research dissemination process aimed at anticipating contributions then submitted to primary scientific journals. Finally because, being the author a member of the AWBR Steering Committee, the papers

were readily and easily accessible, solving the issue of money and time constraints. As a result, the literature review provided in the paper does not represent a systematic review but can be rather classified as a review of a traditional or of a reasoned type (Denyer and Tranfield, 2006; Tranfield *et al.*, 2003).

*Fig. 1 – Research design protocol*



The analysis followed two steps of screening (Figure 1): terms search and full text analysis. In the first step (terms search) the database was searched to identify papers dealing with the relationship between wine and its place of production. The search identified papers containing in the title or in the key-words the terms listed in the section “Comprehensive search” of Figure 1. This first search round led to identify as relevant 80 papers out of 358. In the second step (full text analysis), a content analysis of the full text of the 80 papers was undertaken. Papers not dealing with the investigated topic were excluded from further analysis. The content analysis was performed as follows: two researchers carried on the paper selection in parallel, and subsequently compared their selections. In case of dissimilar selections, the researchers confronted their views for inclusion or exclusion to jointly make a decision about further examining the contributions. At the end of the process, 49 papers (see Appendix 1) were considered relevant and further analyzed.

Besides the relevance of wine production territory, it can be generally said that contributions focusing on the relationship between wineries and its region of origin seem to be relatively few. The reason may reside in the fact that the majority of the literature related to wine management and marketing is foreign, and specifically developed in Anglophone countries namely Australia, USA and New Zealand. Being these wine producing countries much more market-oriented than the European producing nations, and giving much less importance to the

wine place of origin, most of studies focus on wine consumer behavior, and more often investigate the role that origin plays in influencing consumer preferences. Furthermore, as shown in Appendix 1, almost all reviewed papers are of an empirical type (46 out of 49) and the adopted research methodology is of a qualitative and explorative kind, witnessing the still undeveloped stage of this investigation filed.

#### **4. Major findings**

Both consumers and the industry recognize wine as a product that is embedded in and indissolubly linked to its place of origin (Cole *et al.*, 2008). The geographical scope of a wine production territory, however, may vary significantly based on the context of the analysis. The place of origin of a wine can be a country, a region, a locality (Remaud and Lockshin, 2008) or even a small plot of land with specific and distinctive characteristics that provide the product with unique and idiosyncratic features (Benson-Rea *et al.*, 2011). With relation to local systems of wine production, different theoretical frameworks have been adopted for investigation (Mueller and Sumner, 2006): Marshall's (1920) concept of localized industry; Becattini's (1962) industrial district, networks, and Porter's (1998) cluster. Besides the different approach used, some features are recognized to be characteristic of all wine production systems:

- they are geographically concentrated (ideally in those areas that for climatic and soil conditions are more suitable for viticulture),
- they are specialized around an industry or a core activity (grape growing and wine making in the case),
- there are a multiplicity of different actors and organizations (operating in the core business, as well as in supporting and related industries, of both private and public type),
- they are not static entities, but they show dynamism and evolve over time (wine system life-cycle),
- they are embedded in a wider social context,
- they benefit by externalities rising from the physical and social proximity of entrepreneurs (knowledge spillovers, economies of scale and scope, resource sharing, joint development and experimentation, etc.).

Besides these commonly recognized characteristics, as stated in Paragraph 2, territory plays a variable role in the strategic policies of wineries belonging to the Old or to the New World countries, as a result of the different production philosophy adopted. Furthermore, it can be yet stated that there are substantial differences in the peculiar traits of embryonic wine territories, much more representative of the New World producing countries as compared to those of the European continent, which boasts of long lasting and consolidated systems, such

as Chianti in Italy, Champagne in France, Rioja in Spain, Douro in Portugal, just to cite very few.

#### ***4.1 Much more than mere natural resources***

The most widespread concept used in the literature to describe a wine production context is that of “terroir”. Terroir can be interpreted as a strictly physical concept (Charters, 2010), including the whole natural environment of a vineyard, i.e. climate (macro-, meso-, as well as micro-climate), soil and topography. These characteristics are of unquestionable relevance from an agronomic, pedological and geological point of view, and are surely among the reasons why some grapes cultivated in certain areas are of a better quality than others grown somewhere else. However there is also no doubt that, since no vineyard could exist without the intervention of manhood, the human dimension interacting with the natural environment represents a vital component of terroir (Bou *et al.*, 2008). Far from being only the result of natural environmental dimensions, wine production is greatly affected by the complex combination of human factors that belong to a territory, such as managerial and professional capabilities, know-how transmitted over generations, but also the local collective identity, history, culture, and traditions (Wagner *et al.*, 2013). In more recent definitions, in fact, terroir is said to encompass much more than an area comprised within geographical boundaries, including the several ethnological, sociological and cultural meanings of a place (Babin and Griffin, 2011). Wineries are said to be constructed in compliance with the social, emotional, experiential, and symbolic values connected with the product and the place (Virtuani and Zucchella, 2008). Territories associated with premium and icon wines give rise to strong “myths of place”. Wine making traditions and the history of vineyards are intertwined with the local heritage and culture, made also of stories and tales, individual family biographies, and all converge into the narratives of a place (Fountain and Dawson, 2011). Place myths, or as they have been labeled the “conscience of terroir” (Bou *et al.*, 2008), are especially enhanced by small-scale producers. Compared to large wineries, characterized by high volume of production and region-wide sourcing of grapes, smaller companies are able to convey a greater “sense of authenticity and the real, such as the rural, artisan, anti-commercial and anti-industrial” (Smith Maguire and Charters, 2011, p. 7).

#### ***4.2 A multiplicity of different actors***

Wine territories are populated by a multiplicity of actors operating in the core activity of grape growing and wine making, but also in supporting and related industries, as well as in totally unrelated businesses but accidentally finding some touch-points with the oenological sector and contributing to increase its generated value (Mattiacci *et al.*, 2005). In addition to

wineries and other organizations operating along the wine industry value chain (wholesalers, retailers, production input suppliers) which manage vertical relationships, there are other actors which manage horizontal relationships, linking local players with each other, such as wine consortia or other kind of industry associations (Benson-Rea *et al.*, 2011). Of both a public and a private type, some organizations provide high value added services: universities, research institutes, promotion agencies, banks (Brouard and Ditter, 2008). The emerging model resulting from the co-existence of service and industrial activities sited in the same territory is able to generate complex offering systems, responding to a more and more sophisticated and variable demand. Some organizations focus their activity exclusively on the wine business (oenologists, consortia, specific training such as sommelier courses or wine masters, specialized press, dedicated internet portals, etc.), while others operate in wider contexts where wine plays a complementary role among other elements (hospitality structures, organizers of gastronomy tours, cultural events or exhibitions). These latter, in particular, play a fundamental role in extending the winery relational network beyond the geographical boundaries of the territory (Belussi *et al.*, 2008). International events, hospitality structures attracting foreign visitors, etc. enable the creation of contacts with distant entities and people favoring trans-local knowledge flows that enhance winery innovation capabilities and competitiveness.

#### ***4.3 The network of relationships***

Both cooperative and competitive business behaviors co-exist within wine territories (Granata, 2013). The uneven distribution of resources, knowledge included, may explain why, within territorial systems, actors implement collaborative behaviors (Caple *et al.*, 2010). These latter seem to be more diffused between wineries located in the New World producing countries where, being strongly export-oriented, firms aim to generate synergies to be exploited in the international competitive arena (Fensterseifer, 2006; Mitchell and Schreiber, 2006). Porter's work (1998) on the California wine cluster has been particularly influential and, especially in the New World countries, governments have adopted Porterian models in order to facilitate cooperation among wine actors and to enhance wineries and other organizations network development (Mitchell and van der Linden, 2010). Similarly to what happens in other businesses, collaborative networks, of both a formal and an informal type, provide multiple benefits to small- and medium-sized enterprises. In particular, they can make available resources and capabilities that smaller wineries would otherwise be unable to access, helping them to compete with larger firms and to build a stronger market presence (Roach, 2010). The multiplicity of actors co-existing in the same environment spurs the achievement of both vertical and horizontal alliances between wineries but also with the food and hospitality industries, local craft industry and tour operators (Faugère *et al.*, 2013). Given the

social proximity and the sharing of values and beliefs, wineries and the other organizations populating the territory tend to build long-term relationships, characterized by mutual commitment and trust (Guibert, 2005). The institutional dimension plays a fundamental role in regulating the relationships between business and non-business actors. They contribute to moderate the intrinsic uncertainty which characterizes economic transactions and thus simplify decision making processes (Brouard and Ditter, 2008). Institutions constitute “formal” constraints, in the form of regulations, codes, laws, and “informal” ones, often implicit, including social norms, personal habits, conventions, and organizational routines. Institutions set therefore the essential legal and social rules that establish the bases for production, exchange and distribution deeply influencing the interactions between firms and the way these interactions change over time (Benson-Rea *et al.*, 2011).

#### ***4.4 Wine territory life-cycle and innovation***

Territories are not static entities (Easingwood, 2006) but they evolve over time showing similar development paths. Contradicting previous research on cluster development (Porter, 1998), it seems that embryonic wine local systems are characterized by cooperative rather than competitive behaviors among actors (Dana *et al.*, 2011). Development is favored by cyclic processes of change at the economic, technical, institutional, cognitive, and relational level achieved and promoted by innovative entrepreneurs (Chiffolleau, 2006). Different development paths of wine territories, in fact, cannot be fully explained without identifying and analyzing the multiple typologies of local enterprises, and the way they interact with each other. The competitive advantage of a wine territory seems to arise from a peculiar “value offering system” where individual actors and inter-business networks succeed in exploiting (local and non-local) resources, both at the supply and at the marketing and commercial level. Some wineries, in fact, are able to perform a propulsive function through the accumulation of resources, competences, knowledge, and relationships which are crucial for competition (Mattiacci *et al.*, 2006). These actors succeed in activating also extra-regional sources of innovation and exploiting their value at the local level (Kunc and Tiffin, 2008).

Innovations may take place in different areas, such as in the vineyard (sustainable agriculture, organic or biodynamic, new varietals), in the cellar (chips, sensory analysis, fermentation software), package (screw cap, silicon cork, glass top, other than glass and different sized bottle), operation (inventory software, recycling), and marketing (website, newsletter, wine club, wine events) (Gilinsky *et al.*, 2008). Innovations are also the result of cooperative and intense interaction between wineries and other actors sited in the territory. The launch of new products and services arises often from the interaction between the wine business and other activities carried on locally, such as tourism and events, as well as from collaborations between private organizations and public institutions in the same region (Durrieu, 2008).



Tourism, in particular, is said to play a fundamental role in the territory enhancement and it is considered a real “initiator of regional development” (Ben-Nun and Cohen, 2008), contributing to local employment, favoring cellar-door and increasing the notoriety of a place, as well as of its products (Duquesnois and Gurău, 2008).

#### ***4.5 Territory as a source of competitive advantage***

Being it conveyed at the country level (Country-Of-Origin – COO), at the regional level (Region-Of-Origin – ROO), or at the local level (terroir), the place of origin of a wine undoubtedly represents a powerful means of differentiation and therefore considerable source of market value for the firm (Zampi *et al.*, 2008). Competition from producers located outside the territory is prevented by three main factors (Brouard and Ditter, 2008): first the unique natural resources that cannot be duplicated by non-local wineries; second the exclusive skills and competences developed through the transmission of tacit knowledge and craft skills over generations; finally the distinctive competitive positioning deriving from the correspondence between the territory, acting as a meta-brand, and the territory products (Nakata and Antalis, 2013). The reputation that a wine region boasts of for producing wines with a distinctive style has been labeled “regionality” (Easingwood, 2006) and it embodies the heritage that adds value to locally produced wines. The sustainability of competitive advantage over time is supported by barriers to imitation which are constituted by the display, at the territory level, of path dependency, causal ambiguity, and social complexity (Carneiro Zen and Fensterseifer, 2011). The appellation system that characterizes the Old World wine production mirrors the attempt to institutionalize and legally protect the value added by the territory to local products (Calvet, 2005; Trevisan, 2008). Given the high substitutability of wines, and their progressive “commoditization” (Kunc, 2011), appellations provide a twofold means of differentiation (Benson-Rea *et al.*, 2011; Menival, 2010). At the vertical level, the appellation certifies the wine undergone production process, at the horizontal level, it guarantees the typicality of a wine, working as a territorial marker, and differentiating it from non-designated wines, as well as from other designated wines but produced elsewhere. According to the production philosophy of the New World countries, appellations seem to characterize a rent-seeking strategic approach on the part of Old World wineries. Besides their doubtful effectiveness in guaranteeing wine quality (Nakata and Antalis, 2013), denominations are also said to be used to perpetuate a privileged position at the expense of competitors unable to access them (Brouard and Ditter, 2008). The undesirable effect of following compulsory practices at both the viticulture and the wine making level by Old World wineries, however, is also claimed to be the major obstacle to experiment and to innovate (Jordan *et al.*, 2006).

#### ***4.6 Territory as a marketing/branding tool***

Territory is deliberately used by wineries as a marketing device (Adinolfi *et al.*, 2005; Dawson *et al.*, 2011). Through place-branding, branding principles are applied to bounded geographical locations, characterized by a homogeneous winery profile, landscape and other attractions (Axiša and Wilson, 2011). The synergies rising from the interconnections between the wine business and related industries, tourism and food *in primis*, greatly enhance the territory image associations and the benefits that local products are able to provide to consumers. According to some authors (Virtuani and Zucchella, 2008), territory design, landscape, winery architecture, and products (wine organoleptic characteristics, naming, label design, etc.) form altogether a basis for effective and highly distinctive branding policies. In particular wine architecture seems to enable the achievement of innovative branding strategies, aimed to attain high distinctiveness through experiential marketing approaches where wine tasting, scenery enjoyment and winery architecture appreciation become all part of the provision of a unique customer experience. Ballantyne (2011), accordingly, defines terroir as a “symbolic framing device” whose value is socially constructed within the territorial system, resulting from the interaction between suppliers and customers. It is a vehicle of territory identity, a place-based umbrella brand selected by wine marketers and variably conveyed leveraging on functional, price, social, emotional, and environmental benefits to consumers (Orth, 2005). Place brands (origins) mingle with proprietary brands, reinforcing wine distinctiveness and providing consumers with the assurance of product consistency and typicality (Spielmann *et al.*, 2011). Winery names and the design of wine labels constitute “conveyors of place myths”. Firms try to connect the elements of the wine industry and the local heritage and to integrate these elements in their marketing strategies (Fountain and Dawson, 2013). With relation to less competitive wineries, those with insufficient capability to build a strong brand image for themselves or that are not able to sell at competitive prices, “geographical identity” represents the most important – if not the only – chance to achieve market value through differentiation (Zampi *et al.*, 2008). Especially Europe, in fact, is populated by multiple small-scale producers which lack sufficient capital for the necessary investments in autonomous marketing strategies. Collective branding policies and the achievement of a place-brand loyalty constitute therefore fundamental means of competitiveness (Wilson and Jourjon, 2010).

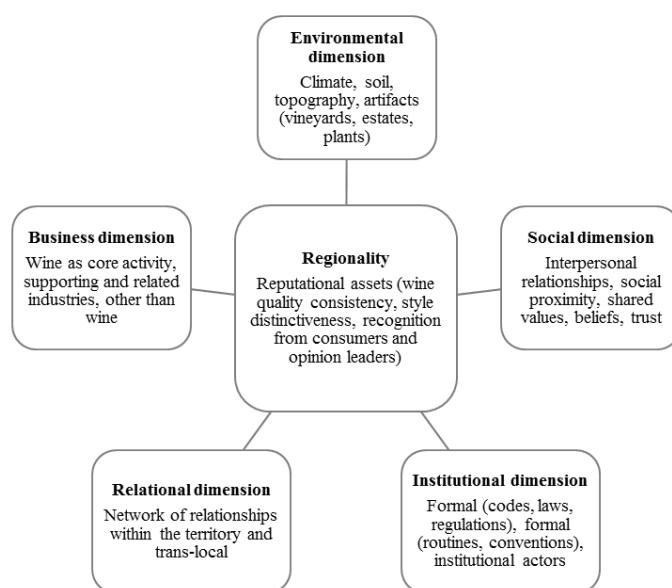
#### **5. Wine territory dimensions**

Information gathered through the literature review has been used to work out a possible scheme providing the relevant dimensions that characterize a wine territory and are able to influence its competitiveness (Figure 2). The scheme provides therefore a possible tool for

assessing the determinants of wine territory performance by both entrepreneurs and policy makers when formulating individual and local strategic policies. Since all variables encompassed by the accounted dimensions are able to either hinder or enhance territory competitiveness, and they are in close relationship with each other, showing mutual dependency and partial overlaps, the whole of them, as well as their interdependencies, should be considered in the strategic planning process.

The *environmental dimension* encompasses the natural resources of a territory (climate, soil, and topography) but also the artifacts that characterize and provide unique features to the landscape. These latter are constituted by human interventions on the natural environment, such as vineyards and olive groves, but also by other manufactured objects, such as buildings, estates, winery plants, hospitality structures, etc. Local artifacts constitute an essential part of the territory resource endowment, they can be inherited, created in the past, or made at the present time. Differently from “strictly” natural resources, as a result of human action, artifacts can be changed, renewed, developed or even destroyed in order to enhance territory competitiveness.

*Figure 2 – Wine territory dimensions*



*Source: personal elaboration*

The *business dimension* includes enterprises operating along the wine industry value chain, those operating in supporting and related industries, as well as those actors that, though performing activities in other than the oenological sector, accidentally get in touch with wine producers providing value added products and services. The number of wineries, their size, adopted business models and strategic conducts influence the competitiveness of the territory.

Among these, some organizations, usually called leading firms, play a fundamental role in determining the success of a wine system over competitors. They show a higher resource endowment in terms of knowledge, competences as well as networking capabilities (not necessarily a larger size) and exert a propulsive function in local innovation processes. Given that policy makers and institutions (associations, consortia, etc.) do play a relevant role in facilitating the achievement of local business activities, territory development depends largely on the entrepreneurial orientation of wineries. Programs fostering entrepreneurship should be therefore established with the aim of providing weaker wineries, still characterized by a “farming mindset”, with competencies and know-how especially at the commercial and at the marketing level.

The *institutional dimension* encompasses both explicit, such as regulations, laws, codes and implicit institutions, such as organizational routines, habits, conventions which set the essential political, legal and social rules that constitute the bases for production, exchange and distribution. It includes institutional, non-business actors as well, such as universities, consumer and labor associations, consortia, etc. which hold a stake in the wine industry and contribute to determine the rules of business interactions. A wine territory can be therefore seen as a historical and social construct, a set of institutions embedded in a specific geographical area that shape its identity. In the institutional context, a major role is played by the rules established by Appellation systems, characterizing the Old World business philosophy, and embodied in production codes. These deeply regulate cultivation and wine making activities and, while providing wines with value added functioning as a quality indicator, they may represent an obstacle to innovate and experiment for the wineries that join the geographical designation.

Wine territories show the general characteristics of business clusters, that is geographically bounded networks of firms which both compete and cooperate (*relational dimension*). While interactions within the territory are mainly driven by physical and social proximity, and favor the generation of positive externalities in the system (knowledge spill-overs, resource sharing, etc.), trans-local relationships are mainly fostered by cognitive proximity between organizations and represent a fundamental source of competitive advantage. A major role in local innovation processes and territory development, in fact, is played by cross-territory relationships developed with distant entities sited in other regions or even in other countries. These relationships facilitate knowledge circulation and enable the construction of “global pipelines” relative to production, research, and marketing that enhance local firms competitiveness. In addition to leading wineries which are able to autonomously develop trans-local information flows, also small and medium enterprises can benefit by the advantages of the spreading of externally developed knowledge, and at relatively low costs, thanks to the activities of some critical individuals and organizations. These includes research centers and universities, but also specific wine business actors such as country-level and

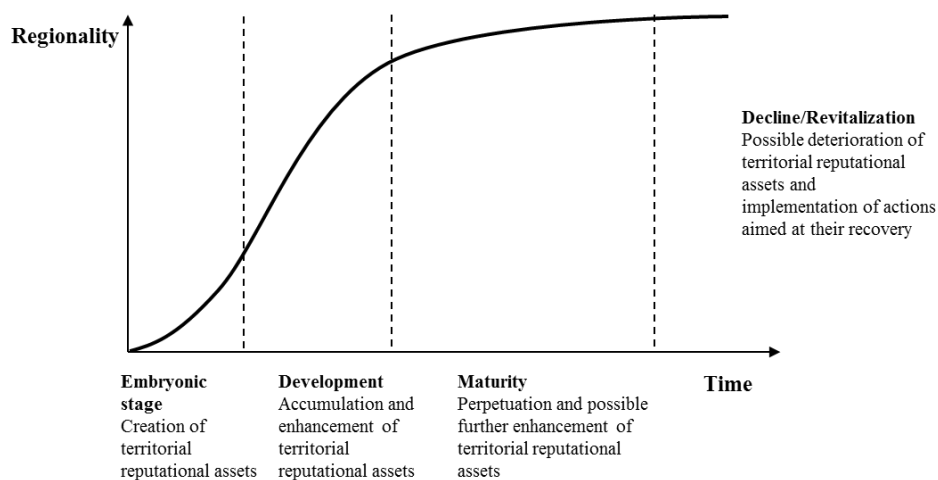
international specialized press and critique (just think about the global award system established by the reviews of Wine Spectator or Decanter, or some wine “guru” such as Robert Parker who is capable to decree the success or the failure of wineries located wherever on the planet); international wine fairs which widen the firms’ relational network, constituting a primary vehicle of knowledge transfer and market enlargement; flying wine makers, that is oenologists who, thanks to the different season in which harvest takes place in different countries in the world, are able to supervise multiple agricultural and wine making processes during the year, favoring knowledge sharing and innovation. Most influential flying wine makers advise around a hundred wineries located in more than ten different countries.

Wine territories are characterized by a social context made of dense relationships among local actors (*social dimension*). Embeddedness in networks of dense social relationships of all nature facilitates local diffusion of knowledge and know-how. Interactions among a limited number of actors, spurred by individual economic interests, geographically continuous and carrying pre-existing (then re-elaborated) social norms, favor the rise of rules which enable the reduction of uncertainty associated with market interactions. These rules end up leading the behavior of local actors toward socially acceptable forms, i.e. a behavior that is effective at a competitive level (contributing to the competitiveness of single businesses and the overall region) and at a social level (preserving the collective identity, culture and the local value system). Whereas usually vintners show highly individualistic behaviors, typically along the increase of territory success, they seem to develop a greater sense of community interest. In other words, it seems that social capital, that is the whole of relationship ties existing in a social context that facilitate the willingness of individuals to share their knowledge and fasten decision making processes, increases alongside territory development. Success infuses pride in the members of the local community and enhances cohesiveness within the region. The result of all this is the rise of a value offering system that strengthen the distinctiveness of the territory, becomes hardly accessible on the part of outsiders and is quite hard to imitate by competitors since it originates from local experience, tradition, history, as well as culture.

*Regionality* is the perceived identity that the territory boasts of outside the boundaries of its geographical site and it is basically the result of a successful management of all wine system relevant dimension. It is constituted by the regional reputational assets and derives from multiple elements strictly linked to wine production, but also from other locally implemented activities, as well as deliberately implemented place-branding strategies. Regionality is obviously linked to product quality consistency over time, directly connected to the value of the place of origin and obtained through the adoption of reliable grape growing and wine making practices. These latter can be the result of the application of a regulation scheme (Appellation), but also of voluntary actions on the part of entrepreneurs. It can be considered a region’s equity created and increased in time by the capability of local actors to enhance the territory resource endowment. It derives also from the specialization in a wine style and

distinctiveness from other wines based on the exploitation of the specific and idiosyncratic features of local terroir, opinion formation based on recognition on the part of consumers and prescriptors about product quality (press releases, awards, word of mouth, etc.), capability to create and convey place myths through the valorization of the local heritage made of tradition, history, culture, stories, narratives, etc. Territorial reputational assets can be greatly enhanced by wine tourism activities (wine routes, oeno-gastronomy itineraries, tours etc.), and in general by all initiatives able to convey visitors to the region, such as cultural and artistic events. In a synergistic relation with the oenological sector, these activities can in fact increase the region notoriety, awareness, and attractiveness. Finally, regionality is the result of the aware branding strategies implemented by wineries and other local actors. Place-branding initiatives may be of a collective type, involving public authorities or industry associations as part of a local development plan, or achieved by single firms through their strategies. These latter are in fact able to individually contribute to place-brand notoriety and loyalty through all their marketing levers (wines, promotional materials, label design, and even through their product and estate naming).

*Figure 3 – Wine territory life-cycle*



*Source: personal elaboration*

At last, a brief consideration concerning the development process of wine territories is worth to be made. They are not static entities but evolve over time passing through subsequent phases. Following a real territory life-cycle (Figure 3), they can be thought to pass from an embryonic stage, to development, then maturity, and – possibly – to decline and revitalization. These phases may vary in number (some of them could just not occur) and length depending on the capability of local actors to accumulate and enhance the reputational assets of a wine system. Differently from the widely adopted models of product life-cycle in manufacturing or destination life-cycle in tourism, for example, where the temporal variable

is put in relation with a performance variable based on sales (product units sold or generated income from sales in the first case, visitor number in the latter), the most appropriate variable to represent wine system performance seems to be “regionality”.

The creation, accumulation, perpetuation, and enhancement in time of the reputational assets of a territory, stemming basically from the successful management of all other wine system dimensions, appear to be suitable measures for assessing the extent of its development. It has to be noticed, in fact, that while it is undeniable that a minimum critical mass of wine production has to be reached in order to achieve a certain market presence, there is no obvious relationship between a wine system performance and quantity produced. It is true, instead, that “scarcity” is widely considered a wine quality indicator, therefore pursued by most prestigious and higher performing wine territories, with probably only one great exception that is Champagne (even though at a marketing level the conveyed “sense” of scarcity and exclusiveness does represent a major tool for the strategic positioning of the region). Multiple territories deliberately keep their dimension limited and have actually pursued a progressive reduction of wine produced quantity in time. Besides the restrictive production system that characterizes Old World Appellation schemes based on quotas (the number of hectares covered by the designation are limited and only tradable on the second market), volume reduction policies are implemented through maximum yield allowed per unit of land and severe selection of grapes to be destined to the making of finest wines.

## **6. Conclusions**

Despite the specific characteristics of each territory, it can be generally recognized a twofold nature of the concept of wine system competitiveness: one related to a “stock” dimension, meaning the natural and artificial resources encompassed by the area, the other related to a “dynamic” dimension, that is the capability of the system to exploit and enhance the value of its resource endowment. Analogously to what have been claimed about destination competitiveness in the tourism field (Crouch and Ritchie 1999), wine system competitiveness seems to be based on two types of advantage. A “comparative advantage” which relates to the resource endowment of a territory, that is the whole of both inherited and created resources (natural, cultural, historical, human, capital, knowledge, infrastructures, etc.). This type of advantage varies in space – and time – influencing the territory capability of achieving superior performance in terms of wine production and reputation, therefore its competitiveness in comparison with other localities. The “competitive advantage” relates instead to the resource deployment and differs among territories based on their capability to effectively organize and mobilize the stock of encompassed resources. Assets deployment includes the account of available resources, their maintenance, growth and development according to the criteria of efficiency and effectiveness. In this context innovation, which is

able to nurture a process of territory self-renewal, plays evidently a major role. It has to be recognized that much of a wine system competitiveness derives from the capability to make effective use of its resources rather than from the resources themselves. This means that, in addition to boasting of rare, hardly imitable and non-substitutable resources, territories have to manage them in an adequate and profitable way (Porter 1990; Barney 1991).

Both resource endowment and deployment may be at the basis of changes in competitiveness. The capability of a wine territory to succeed and overcome competitors may vary in time due either to the deterioration (decrease in value or disappearance) of possessed resources, or to the lack of ability to manage them effectively.

Finally, far from being static, wine territories are dynamic entities whose structural configuration and performance may vary in time due to the influence of both contextual and internal factors. As a consequence, territorial development policies and strategic measures should be crafted and executed adapting both objectives and actions to the issues characterizing the undergoing phase of the territory life-cycle.



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## Appendix 1 – Papers included in the literature review

Author	Year	Title	Type	Research methodology	Location of study
Adinolfi F., De Rosa M., Trabalzi F.	2005	Geographical indications, local reputations and consumer behaviour: The case of Italian wines	Empirical	Interviews 461 wine drinkers	Italy
Calvet J.	2005	Nature and problems of French wine clusters	Empirical	Case study French wine clusters	France
Guibert N.	2005	Network governance in marketing channels: an application to the French AOC wine industry	Empirical	Interviews 20 wineries, 3 experts	France
Orth U.R.	2005	Creating and managing regional umbrella brands: A comprehensive quantitative approach	Empirical	Survey 403 wine consumers	USA
Chiffolleau Y., Laporte J.-P., Touzard J.-M.	2006	Tradition and modernity in the New New World of wine: Market innovation in Languedoc AOC wines	Empirical	Interviews wine value chain actors	France
Easingwood C.	2006	The drivers of regionality: The case of the Australian wine regions	Empirical	Interviews 29 professionals, survey 442 wineries	Australia
Fensterseifer J.E.	2006	The emerging Brazilian wine industry: Challenges and prospects for the Serra Gaúcha wine cluster	Empirical	Survey 58 wineries	Brazil
Jordan R., Zidda P., Lockshin L.	2006	Behind the Australian wine industry success: Does environment matter?	Empirical	Survey 145 wineries	France, Australia
Mattiacci A., Nosi C., Zanni L.	2006	Wine business in Tuscany: Evidence on entrepreneurial models and local systems	Empirical	Questionnaires 39 wineries	Italy
Mitchell R., Schreiber C.	2006	Barriers to vertical integration between the wine and tourism industries: The case of Central Otago, New Zealand	Empirical	Case study 1 wine region	New Zealand
Mueller R.A.E., Sumner D.A.	2006	Clusters of grapes and wine	Empirical	Case study 1 wine region	USA (California)
Yue C., Marette S., Beghin J.C.	2006	How to promote quality perception in wine markets: Brand advertising or Geographic Indication?	Theoretical		
Belussi F., Sedita S.R., Omizzolo M.	2008	The trade fair as a temporary cluster: A relational platform and knowledge filter for firms. First results of an exploratory study	Empirical	Case study 1 wine fair	Italy
Ben-Nun L., Cohen E.	2008	The perceived importance of the features of wine regions and wineries for tourists in wine regions	Empirical	Questionnaires 373 individuals	Israeli
Bou E., Sauquet A., Canestrino R.	2008	Collective networks and communities of practice: The transformation of the Priorat wine region	Empirical	Case study 1 wine region	Spain
Brouard J., Ditter J.-G.	2008	Regional business systems in the wine industry and the example of Burgundy	Empirical	Case study 2 wine regions	France
Cole M., Pryor S., Thompson T., Walter A.	2008	From the land of Kansas: A case study of an emergent wine region	Empirical	Case study 1 wine region	USA (Kansas)
Duquesnois F., Gurău C.	2008	The Internet marketing strategy of French wine producers from Languedoc-Roussillon region	Empirical	Survey 102 websites	France
Durrieu F.	2008	Impact of brand identity on labelling: the case of regional branding	Empirical	Focus groups 5 châteaux, négociants, retailers, HORECA	France, Belgium

Author	Year	Title	Type	Research methodology	Location of study
Gilinsky A., Santini C., Lazzeretti L., Eyler R.	2008	Desperately seeking serendipity: Exploring the impact of country location on innovation in the wine industry	Empirical	Interviews 20 wineries	Italy, USA (California)
Kunc M., Tiffin S.	2008	University involvement in wine region development: A comparative case study between Universidad de Talca (Chile) and Universidad de Cuyo (Argentina)	Empirical	Case study 2 wine regions	Chile, Argentina
Remaud H., Lockshin L.	2008	Rebranding a commodity-based wine region	Empirical	Survey 170 wine professionals and consumers	Australia, New Zealand
Trevisan I.	2008	The appellative “Denominazione geografica” in the marketing of grappa from Trentino.	Empirical	Case study 1 grappa region	Italy
Virtuani E., Zucchella A.	2008	New leverages in customer/place oriented wine branding strategies. The case of wine architecture in experiential approaches to wine marketing	Empirical	Case study 2 wineries	Italy, Spain
Zampi V., Faraoni M., di Folco E.	2008	Purchasing drivers of professional wine buyers. The role of denominations of origin in the buying decision of Italian upscale restaurants	Empirical	Survey 160 restaurants	Italy
Caple S., Ballantyne D., Thyne M.	2010	Diversity and convergence in regional know-how: The case of Central Otago Pinot Noir	Empirical	Interviews 25 winery workers	New Zealand
Charters S.	2010	Marketing terroir: A conceptual approach	Theoretical		
Fensterseifer J.E., Rastoin J.-L.	2010	Wine cluster strategic resources, firm value creation and competitive advantage	Empirical	Questionnaire 7 institutional actors	Brazil
Menival D.	2010	The greatest French AOCs: A signal of quality for the best graduated wines	Empirical	Questionnaires wine experts	France
Mitchell R., van der Linden J.	2010	Adding value through cooperation: A study of the New Zealand food and wine tourism network	Empirical	Interviews 15 network members	New Zealand
Roach G.	2010	Horizontal networks and collaborative marketing in the Tasmanian wine industry	Empirical	Interviews 4 wine experts, 15 producers	Australia
Spielmann N., Babin B.	2010	The importance of where and who in wine	Empirical	Questionnaires 206 wine consumers	USA
Wilson D., Jourjon F.	2010	Promoting wine by “terroir”	Empirical	Survey 236 customers retail stores	France
Axisa B., Wilson D.	2011	Regional development within South Australia – An analysis of the current situation and proposal for future developments in the wine sector	Empirical	Interviews 33 winery owners/managers	Australia
Babin B.J., Griffin M.	2011	Telepresence and terroir: The interplay among regional information elements on consumer evaluations	Empirical	Experiment 118 wine drinkers	USA (Oregon)
Ballantyne D.	2011	Sustaining the promise of terroir: The case of the Central Otago Wine Region	Empirical	Case study 1 wine region	New Zealand
Benson-Rea M., Ditter J.-G., Brouard J.	2011	Understanding institutional landscapes: A comparative international study of two wine regions	Empirical	Case study 2 wine regions	France, New Zealand
Carneiro Zen A., Fensterseifer J.E.	2011	The internationalization process of companies in wine clusters: A study in Brazil and France	Empirical	Questionnaires 148 wineries	France, Brazil
Dana L.P., Granata J., Carnaby A.	2011	Co-opetition in the Wine Sector: The Waipara wine cluster revisited	Empirical	Case study 1 wine region	New Zealand
Dawson D., Fountain J., Cohen D.A.	2011	Place-based marketing and wine tourism: Creating a point of difference and economic sustainability for small wineries	Empirical	Case study 1 wine region	New Zealand
Kunc M.	2011	Strategic sustainable wine regions: Balancing value creation and value appropriation	Empirical	Case study 1 wine region	France

Author	Year	Title	Type	Research methodology	Location of study
Smith Maguire J., Charters S.	2011	Territorial brands and scale of production: The example of champagne	Empirical	Interviews 9 wineries	France
Spielmann, N., Gélinas-Chebat C.	2011	Terroir: The black hole of wine marketing?	Empirical	Questionnaires 139 consumers, 23 wine makers	France
Faugère C., Bouzdine-Chameeva T., Durrieu F., Pesme J.-O.	2013	The impact of tourism strategies and regional factors on wine tourism performance: Bordeaux vs. Mendoza, Mainz, Florence, Porto and Cape Town	Empirical	Survey 186 wineries	France, Argentina, Italy, Portugal, South Africa, Germany
Fountain J., Dawson D.	2013	Buying into a regional brand: The naming of Central Otago Wineries	Empirical	Survey 105 winery names	New Zealand
Granata J.	2013	The multiplication of coopetitive strategies in South of France wine industry	Empirical	Case study	France
Nakata C., Antalis E.J.P.	2013	Romanian wine styles: A study of the Romanian wine industry through the lens of cultural capital and acculturation theories	Empirical	Interviews 13 wineries	Romania
Spielmann N.	2013	When place defines the brand: A review of origin-bounded brands	Theoretical		
Wagner S., Flatt S., Byers K., Prow J.	2013	The Oregon wine story: A mixed-method study of regional reputation	Empirical	Interviews 16 wine professionals	USA (Oregon)

### International Conference of the Academy of Wine Business Research details:

2003 – July 26-27, University of South Australia, Adelaide, South Australia, Australia

2005 – July 8-9, Sonoma State University, Sonoma County, California, USA,

2006 – July 6-8, Ecole Nationale Supérieure Agronomique, Montpellier, Languedoc-Roussillon, France

2008 – July 17-19, Università di Siena, Sienna, Tuscany, Italy,

2010 – February 8-10, University of Auckland, New Zealand,

2011 – June 9-10, Bordeaux Management School – BEM, Bordeaux, France,

2013 – June 12-15, Brock University, Ontario, Canada.

## ABSTRACT

The purpose of the paper is to analyze the complex relationship that exists between wine and the dimensions that characterize its place of production with the aim of identifying the elements able to enhance territory competitiveness. Wine has been chosen because it is one of the agro-food products that boast of the closest and most distinct relationship with their geographic place of origin. Far from being only the result of natural environmental dimensions (type of soil and climate conditions), wine production is greatly affected by the complex combination of human factors that belong to a region, such as the managerial and professional capabilities, but also the local collective identity, history, culture, etc. Widely referred to as “terroir” by the literature, such a concept of the territory encompasses much more than an area comprised within geographical boundaries, including the several ethnological, sociological and cultural meanings of a place. At the same time, academics and practitioners have recognized that the wine sector is able to provide not only a primary production, but also to generate goods and services (i.e. landscape, tourism, culture, arts, etc.) which contribute to the general well-being and to the development of a local context. It seems, in fact, that certain types of wineries are able to provide value to the territory thanks to the achievement of successful business conducts. Such enterprises show a high innovation propensity, great control on distribution channels, autonomous communication strategies, proactivity in the development of complex networks of relationships with organizations located within and outside the territory (other local systems, regions, countries), as well as with actors operating in other industries (tourism, arts, entertainment, etc.). In order to shed light on these topics, the paper provides a literature review of the papers presented at the International Conference of the Academy of Wine Business Research (AWBR) since 2003, the year of its first edition. The Academy is an international society among academics and scholars devoting their research to economic, social and management issues of the wine sector. The findings of the research may provide implications for future systematic investigation of regional wine systems both in Italy and abroad. Furthermore, the identification of the relevant dimensions able to influence territory competitiveness may provide policy makers and entrepreneurs with a reference scheme of factors to be considered in crafting and executing both local policies and business strategies.