Territorial identity as a competitive advantage in wine marketing: a case study

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Territorial identity as a competitive advantage in wine marketing: a case study

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This article presents a case study on territorial identity as a competitive advantage in marketing fine wines. The study is centred on three renowned Tuscan local wine systems strongly oriented towards quality and well-established on international markets. The survey aimed at understanding difficulties faced by these local systems in the UK market. An explorative ‘case study’ approach was adopted, aimed at supplying analytical dimensions useful in ‘framing’ a marketing problem to be solved. Experts and key informants were interviewed about their opinions and perceptions on the case study both in the production area and in the UK. Most of the problems faced when marketing the wines considered in this study may be described as a failure to join with the conventional definition of quality that is relevant to the British market. According to the proposed interpretation, a strong territorial identity is a necessary ingredient, but alone is an insufficient condition to build a competitive advantage. The proposed interpretation suggested a set of possible actions at the territory level to exploit economies of concerning market intelligence, marketing approach and collective communication.

Keywords: wine; theory of conventions; quality differentiation; marketing; territorial identity; consumption

1. Introduction and background

This article presents the results of a case study focused on territorial identity as a competitive advantage in the export of wine.

Geographical origin as a distinctive feature and quality cue in marketing wine is a longstanding tradition in the Old World. While the economic theory of comparative advantages can be used to justify the specialization of territories in vine-growing and wine production through the centuries (Rocchi & Stefani, 2002), complex social and cultural factors have been invoked to explain the growth of the quality reputation of specific regions. According to Dion (1952), in past centuries the quality of wine regions was associated with proximity to the most important lines of communication, rather than with natural features (such as soils and climate); these lines of communication allowed for fast and safe transportation. Quality was also associated with the social position and reputation of vineyard owners; a distinction between aristocratic and popular viticulture was often included in the discussion on quality. This strong historical association can be still recognized in the current wine culture: quality differentiation and wide price
ranges show that in wine marketing and consumption hierarchies still matter (Demossier, 2001; Guille-Escuret, 1988). Furthermore, the quality reputation of most important Old World wine regions still relies both on a particular wine style (Easingwood, Lockshin, & Spawton, 2010) and on a recognized historical and cultural heritage. Regulations on denomination of origin (DO, from the first examples in France to the current European regulations) were originally created to transform a pre-existing quality reputation attributed to specific regions in wine production and trading (Moran, 1993) into intellectual property. The creation of a DO was often a fundamental step in the process of endogenous development where economy of scope at the territorial level could be realized in the use of collective assets such as landscape, cultural heritage and local know-how (Polidori & Romano, 1997).

In the last two decades, regional branding strategies also increased among producers from the New World as a tool for quality differentiation. For example, the Australian wine industry is trying to increase the quality of its production by promoting well-defined regional styles (Easingwood et al., 2010). Additionally, regional branding strategies are more and more important in the California wine cluster (Porter, 1998), reinforced by the legal protection under the American Viticultural Areas regulation (Bruwer & Johnson, 2010). Easingwood et al. (2010) have proposed a set of drivers for promoting the ‘regionality’ of wine: the most important of these are the regional specialization in a particular ‘wine style’, the role of opinion formers and a well-defined taste profile. A strong relation with the place of production, together with a commitment to quality, is a fundamental dimension of firm efforts in crafting the perceived ‘authenticity’ of a brand in marketing luxury wines (Beverland, 2005, 2006).

The consumers’ willingness to pay for a given regional origin has been discussed and tested by a number of empirical works (see for example, Lockshin, Jarvis, d’Hauteville, & Perrouy, 2006; Schamel, 2000; Skuras & Vakrou, 2002). Geographical origin is an extrinsic cue used by consumers to assess the quality of wine during the purchase process (Orth, 2010), reducing the perceived risk of purchasing high-quality wines (Rocchi, 2000). According to Rodriguez-Santos and Grunert (2011), the presence of a DO sign can be effective in increasing the ‘temporary’ involvement of consumers during the purchase process. However, presence of a DO sign does not by itself guarantee good market performances and should be integrated along with coherent marketing strategies (Adinolfi, De Rosa, & Trabalzi, 2011).

The case study is centred on three renowned Tuscan wines (Brunello di Montalcino, Nobile di Montepulciano and Vernaccia di San Gimignano), produced in a relatively small area (the Siena province). These three wine productions are strongly oriented towards quality and are well-established in international markets. The case study is developed with regard to the UK market and looks closely at the performance, image and prospects. The motivation for the choice of this subject is twofold. First, the UK is one of the world’s major wine importers. This market is characterized by a long-lasting tradition of wine consumption in highly educated consumer segments. Moreover, in recent years, wine consumption in different segments of the population showed a relevant increase (Euromonitor, 2008), as well as a remarkable evolution in the nature and motivation of wine choice (Ritchie, 2007). Second, despite these interesting features and its geographical proximity, the UK market remains difficult for Italian wines. For the three Siena wines, the UK market could be considered a ‘history of failure’ more than a success story. For these reasons, this is an interesting case and it allows the researcher to investigate the role played by ‘territorial identity’ in selling wine in a controversial marketing environment.

The rest of the article is organized as follows. An interpretive framework, developed within a theory of ‘convention of quality’ (Eymard Duvernay, 1989) and centred on the concept of ‘marshallian world of production’ (Salais & Storper, 1992) will be proposed in the following section. In Section 3, the case study area will be described before presenting the fieldwork and the methodology adopted in the analysis of results (Section 4). Two sections (5 and 6) are dedicated to the
main results of the fieldwork. The results will be discussed in the light of the proposed interpretive framework in Section 7. Some final remarks will close the article.

2. An interpretive framework

In a market characterized by an increasing product differentiation, the coordination of agents cannot be explained fully by the price–quantity relation and the concept of market equilibrium, however this is extended to include transaction costs and property right issues, as in the neo-institutionalist economics. When quality becomes a fundamental dimension of competition, a product-based theory of production organization is needed, since the ‘... product is a critical strategic space of the economy, because possible types of products (their qualities) are defined as much by conventions as by markets and technologies’ (Salais & Storper, 1992, p. 171). Following these authors, the nature of outputs and inputs defines different ‘worlds’ of production following different competitive and organizational logics (Figure 1).

The degree of standardization/specificity of production factors is a matter of greater or lesser access to production technology. In general, standardization is related to the possibility of taking advantage of scale economies; conversely, specialization is connected to scope economies (such as the widening of production activities that a production unit endowed with specialized factors can pursue by increasing the variety of outputs as well as managing a larger number of production phases).

The degree of generality versus dedication of outputs concerns the dimensions of demand that are satisfied. A firm producing a generic output with a large demand (mass products) faces market fluctuations that, to some extent, can be predicted and taken into account as a ‘risk’ both in carrying out the ex ante cost–benefit analysis of investments and in managing production in the short-term. Conversely, markets for dedicated products are typically narrow and idiosyncratic, with unpredictable fluctuations leading to true ‘uncertainty’.

The four worlds of production correspond with the different ways quality is defined, perceived and communicated among actors (Eymard Duvernay, 1989). Indeed, when quality differentiation becomes the essence of competition, the market can coordinate actors only if a ‘common language’ on products is shared. As stressed by Salais and Storper (1992), ‘Quality is conventional in the sense that it takes the form of a routine which is taken for granted and not subject to challenge or negotiation at the time of each transaction’ (p. 180). For instance, the international industrial standards are the convention of quality grounding trade in the world of mass production (industrial world). Price definition is strongly dependent on them; furthermore, complying with the accepted standards is a necessary condition for a firm to participate in the market.

Figure 1. The four ‘worlds’ of production.
Source: Salais and Storper (1992), modified.
'Each ... world of production has its own convention of quality and resulting price formation processes' (Salais & Storper, 1992, p. 180). According to the relevant 'convention of quality', a producer is entitled to participate in trade. To be competitive, actors have to conform to a common way of defining and assessing quality, which is specific to each world of production.

The fine wine market can be interpreted as a 'marshallian' world of production where highly specialized inputs are used to satisfy the final demand for a set of dedicated products. In Italy, the particular form of industrialization known as 'industrial district' has been described as a good example of a marshallian world of production (Becattini, Bellandi, & De Propris, 2009). In these industrial milieus, production satisfies complex and superior needs through a (increasingly) large set of material and immaterial characteristics that are linked to the specialized nature of used inputs. On one side, given the nature of the final demand, the marshallian producers have to keep in contact with their customers, being ready to respond to changes in their needs; on the other hand, producers are constantly forced to seek new market opportunities, following the tendency towards a globalization of the competitive arena (Salais & Storper, 1992). The competitive advantage is grounded on an un-reproducible 'local knowledge', made available by a network of social relations specific to a territory. In the 'marshallian' world, common 'standards' of quality do not exist; indeed, competition exists in the form of quality diversification. Rather, the relevant convention of quality is the customer satisfaction itself: quality is satisfying consumers' complex, sometimes abstract, expectations (needs). This implies a high degree of flexibility supporting production activity and a large amount of information associated with the product to make transactions possible. Finally, the market price includes, to a variable extent, a part of quasi-rents linked to quality differentiation.

The fine wine market shows many of the features listed above. Production is based on a highly specific factor endowment: a suitable terroir, the presence of human capital with proper characteristics, a 'contextual' knowledge based on a long-term presence of the production in the area, and legal barriers to competition together with quantity and quality regulation, as in the case of DO (Malorgio & Grazia, 2007). It is a world of highly differentiated goods, with a strong vertical dimension in quality differentiation; a world of products dedicated to specific needs expressed by a variety of consumer groups, as shown by the evolution of models in wine consumption and the increasing segmentation of the market.

For their products to be purchased by an ever more sophisticated consumer, wine producers need to be 'accredited' through their participation in the relevant 'convention of quality'. The conventional definition of quality has already been proposed as a key factor in understanding the wine market (Codron & D'Hauteville, 1998; Eymard Duvernay, 1993; Rocchi, 2000). Typically, in the fine wine trade, the seller–customer relationships are characterized by the transfer of a large amount of information. According to a 'common language', producers use a number of quality cues 'conventionally' accepted as relevant, such as the region of origin, the grape variety, and packaging (Rocchi & Stefani, 2005), as well as the price range itself, to match consumer's expectations with a promise of quality (Grunert, 1995).

The producer's reputation uses knowledge of consumer satisfaction to create an overall 'convention of quality' driving market exchange. Indeed, the fine wine producers' ultimate goal is to supply a multiplicity of differentiated demands/needs based on the same reputation of quality. This can only be done if a high degree of internal flexibility supports the great variety of customer–seller relationships, with a systematic exploitation of all possible economies of scope.

3. The case study

'Origin as a quality signal' is the distinctive feature of the three wines produced in the area that is object of this study. They all claim a long-lasting tradition of excellence. They are all classified at the top level in the Italian system of DO (Denominazione di Origine Controllata e Garantita, DOCG).
A figure can further highlight the special bonds between these wines and their geographical origin. The vineyards in these three denominations represent a fundamental element of the landscape. In each of the three local systems, the cultivated vineyards represent a higher share of the total municipality’s territory than that of the average vineyard of Tuscan DOCG production (see Table 1); for example, this is up to 8.5% in the case of Brunello di Montalcino, as compared with a regional average share of 4%.

Another element that reinforces the role played by territorial identity in these productions lies in the use of traditional Tuscan grape varieties (sangiovese and vernaccia).

The orientation towards exporting these wines is substantial, reaching 70% (in quantity) in the case of Vino Nobile di Montepulciano. Considering the small size of these local systems and the fragmentation of their supply (Table 2), the existence of a competitive advantage grounded on geographical origin becomes evident.

Small, family-owned wineries, often managing the entire process ‘from the vineyard to the bottle’, are able to successfully export their products in the global market.

However, despite the export orientation of Siena’s wine system, the UK market, the top world wine importer in value for 2012 (10.6 billion pounds, according to Mintel report 2012), remains only a marginal destination for Siena’s products. The UK share in the export of Tuscan red wines with DO slowly decreased to less than 6% from 2005 to 2011, even if the export price showed a slight increase over the last three years (Figure 2).

For Siena’s wines, the UK share is likely to be lower. This is controversial evidence, as recent trends in UK market reveal increasing business opportunities. In the UK, over 60.8% of the population can be defined as regular wine drinkers (Ritchie, 2009). This figure shows that there has been
a change in drinking habits in recent years, with a shift from beer to wine consumption. Wine has gradually become a desirable social drink for many British consumers. As Ritchie (2009) argues, the UK is now a mature wine market: ‘… wine has become a lifestyle beverage incorporated into UK lifestyle across most adult social groups’ (p. 195). Wine is widely available both in the on-trade and off-trade and is considered an affordable indulgence. Evidence confirms that supermarkets dominate the UK market. Supermarkets account for 70% of the total market volumes (Ritchie, Elliott, & Flynn, 2010), whereas specialist national retailers cover 25% (New Zealand Trade and Enterprise, 2011). Consequently, independent wine merchants operate in a niche trading only a small share of market volumes. The average price of the wine consumers buy in supermarkets varies between £4 and £5.50 (Euromonitor, 2008), a level representing a barrier to entry for many Italian products. Nonetheless, recent surveys show a positive trend in prices paid by consumers for off-trade consumptions (Wine Intelligence, 2011a). This premium category, in which New World wines are market leaders, has become popular because it does not require a specific expertise, allowing consumers to experience a new way of drinking alcohol. However, the volume increase in the price classes immediately above is an indication of growing consumer affluence and interest in wine (USDA, 2007), offering new opportunities for Italian fine wines. The trend has seemed to strengthen in recent years, during the economic downturn. Unfavourable exchange rate dynamics, the high level of duties and the increasing income constraint on expenditures led to a 2% decrease in wine sales on the UK market (New Zealand Trade and Enterprise, 2011). But the decline in the wine demand was more relevant among low-end wines, affecting purchases of less involved consumers. Many consumers limited their purchases in quantity, opting for better-quality wines; as a consequence, the fastest growing sales were in the £7/£10 range (Wine Intelligence, 2011b). Furthermore, the increasing diffusion of innovative forms of on-trade consumption, such as sales by the glass in pubs, was likely to encourage consumers to trade up to higher-value wines (Howard, Rastegar, & Park, 2011; USDA, 2007).

Overall, the UK market still appears largely promotion driven, with 58% of UK consumers routinely buying wines on promotion (Mintel, 2012). In 2012, while value sales of wine increased due to higher retail prices, volume sales declined. Brands are starting to realize that relying too
heavily on promotions is not a strategy that gains long-term consumer loyalty. Paradoxically, some forms of promotion may encourage consumers to trade-up (Ritchie et al., 2010).

UK wine consumers are strongly brand-oriented and their purchase decision is driven by price, country of origin and, to a lesser extent, by grape variety (Mintel, 2012). Evidence exists that younger wine consumers show an increasing interest for wines from the Old World (France and Italy), interpreting the origin as a cue of authenticity (Euromonitor, 2008). For more than 50% of UK regular wine drinkers, region is an important choice cue in purchasing wines (Perrouty, Aguiriano, March, & Eymard, 2011). Moreover, an increasing demand for education seems to emerge: over half of wine drinkers want to understand more about wine they purchase and be ‘engaged’ with it (Mintel, 2012).

The major difficulties for British consumers in approaching Italian (and Old World) wines concern the large amount of information required to manage the huge regional differentiation and the overlapping regional and firm branding, which often generate consumer confusion (Casini, Cavicchi, & Corsi, 2008; Drummond & Rule, 2005). Ineffective communication to consumers and the sheer number of producers lead to a substantial lack of understanding of Tuscan wines in the largest segment of British consumers (Dean & Berwik, 2002).

The case study presented in this work was developed by starting from these questions: Why would a local, highly specialized wine production area with a strong orientation towards export fail to compete within one of the major foreign markets? Why does territorial identity no longer represent a competitive advantage in the UK market? What marketing strategies should be used to reverse the trend?

The next section will describe the structure of the research and will present a methodological discussion on the adoption of a qualitative approach to the research.

4. Methodology

The case study was carried out using qualitative research methods; in particular, in-depth interviews, held both in Italy and in Britain, and a focus group discussion conducted in the production area. The use of a case study is a suitable approach to understand processes in a social context (Sigglekow, 2007); thus, adopting a ‘case study’ approach to address the theme of territorial identity as a competitive advantage in marketing quality wines seemed appropriate.

The case study had two main objectives: first, to identify the most relevant issues at stake in examining the strengths and weaknesses of each DO’s marketing and business strategies; second, to highlight the main factors influencing the position and the image of these wines in the UK market. The research can be defined as an exploratory study designed to investigate, for each DO, the immaterial characteristics that are part of its territorial identity and the way they are embedded in a marketing strategy. This also involved the need to explore the factors affecting the poor performances of the three wines (Brunello di Montalcino, Nobile di Montepulciano and Vernaccia di San Gimignano) in the British market.

The case study was developed by adopting a qualitative approach. Qualitative research methods, characterized by observation, interaction and enquiry, are an unavoidable choice (Miles & Hubermann, 1994) when the research is designed to investigate in-depth participants’ opinions, perceptions and manners of thinking regarding a particular subject.

The research consisted of three phases. In each phase, researchers recruited a sample of experts and key informants. The first stage of the research was carried out in the production area. The fieldwork, conducted using in-depth interviews, was developed by looking at the three wines’ local systems from the producer side. The sample composition is described in Table 3.

The sample consisted of 15 participants belonging to different stakeholder groups: wineries, producers’ associations (Consorzi) and local public institutions promoting the image of each
wine, both on a national and international scale. The wineries were included in the sample according to several criteria. The first criterion consisted of the percentage of wine exported outside Italy. Wineries had to export more than 50% of their production to be eligible for inclusion in the sample. Another criterion considered was the size of the winery and its ownership. To obtain a balanced sample, the wineries were chosen from three different groups:

- small- and medium-sized independent wineries producing within only one of the three denominations of origin;
- wineries belonging to international wine groups producing in more than one of the DO objects of the study;
- wineries belonging to corporations whose core business is not wine.

The topic guide of the interviews was designed to identify strengths and weaknesses of each DO’s marketing strategy, to characterize the use of territorial identity as a competitive advantage in the wineries’ individual business strategies and to assess the nature and the impact of promotional initiatives held in foreign markets by public institutions and producers associations.

The second phase of the case study was held in the UK. The data were collected using in-depth interviews. The sample consisted of 17 respondents (Table 4).

Table 3. Panel composition in-depth interviews conducted in the production area.

<table>
<thead>
<tr>
<th>Participants’ category</th>
<th>Vernaccia di San Gimignano</th>
<th>Brunello di Montalcino</th>
<th>Nobile di Montepulciano</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small-/medium-size wineries</td>
<td>La Lastra, Panizzi</td>
<td>Lisini, Altesino</td>
<td>La Ciarliana, Cantine Dei</td>
</tr>
<tr>
<td>International wine groups</td>
<td>Campari group</td>
<td>Antinori, Tenimenti Angelini</td>
<td>Antinori, Sai Agricola</td>
</tr>
<tr>
<td>Corporations investing in the wine industry</td>
<td>Consorzio Vernaccia di San Gimignano</td>
<td>Consorzio Brunello di Montalcino</td>
<td>Consorzio Nobile di Montepulciano</td>
</tr>
<tr>
<td>Producers associations</td>
<td>Consorzio Vernaccia di San Gimignano</td>
<td>Consorzio Brunello di Montalcino</td>
<td>Consorzio Nobile di Montepulciano</td>
</tr>
<tr>
<td>Public institutions</td>
<td>Province of Siena, Department of Agriculture</td>
<td>Regione Toscana, trade promotion agency</td>
<td></td>
</tr>
</tbody>
</table>

Table 4. Panel composition in-depth interviews conducted in the UK.

<table>
<thead>
<tr>
<th>Market players</th>
<th>Market key informants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants</td>
<td>Modern retail buyers</td>
</tr>
<tr>
<td>Locanda Locatelli Locanda Locatelli</td>
<td>Waitrose</td>
</tr>
<tr>
<td>Enoteca Turi Tesco</td>
<td>Berkmann wine cellars</td>
</tr>
<tr>
<td>Zafferano</td>
<td>Bocca di Lupo</td>
</tr>
<tr>
<td>River Café</td>
<td>Vinoteca</td>
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<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The topic guide for the interviews focused on different aspects concerning the use of territorial identity for marketing fine wines:

- image of Tuscan (and Siena) DOCG wines;
- competitive position in the UK market;
- adopted business and trade practices;
- future market growth opportunities.

In selecting the experts, researchers attempted to recruit subjects playing a role both in the on-trade and off-trade markets, in order to gather different perspectives. The sample composition, as described in Table 4, includes wine importers specializing in Italian wines, independent wine merchants, wine buyers for supermarket chains, Italian and modern European gourmet restaurants, trend research consulting firms and the Italian Trade Commission.

The third phase of the case study consisted of a focus group conducted in Italy aimed at discussing the insights derived from the UK fieldwork with a restricted number of subjects that participated in the first phase of the research (Table 5).

The focus group technique allows participants to explore a specific set of issues and at the same time confront their views and opinions with the other members of the group (Kreuger & Casey, 2000). When conducting a focus group, the unit of analysis is the group itself; more specifically, the centre of attention is constituted by the participants’ interaction. As Seale (2004) notes, focus groups deal with ‘how people define, discuss and context issues through social interaction’ (p. 194). Participants’ interaction represented an additional source of information, enabling the researcher to explore the way respondents shaped their opinions about strategies to adopt in order to increase market shares of Siena’s wines. To evaluate the possibility of creating a collective marketing strategy in the production area, it was important to understand where there was agreement, as well as the issues that caused tension in the group.

Before starting the discussion, participants were given a short summary of the results derived from the British case study and were asked to discuss and highlight critical problems and insights that emerged from the feedback of the UK market. Moreover, participants were asked to reflect upon the possibility of creating and implementing a collective marketing strategy based on Siena (and Tuscany) origin and its unique territorial identity to target the UK market.

In-depth interviews lasted between 45 and 70 minutes and were entirely recorded. The group discussion amongst seven participants was guided by a moderator and lasted about 90 minutes. The discussion was structured in order to facilitate the free flow of ideas and was recorded and transcribed. Both the interview guidelines and the focus group discussion guide were designed to be relatively structured: this implies, on one hand, that the questions were fairly specific, and on the other hand, the interviewer controlled the nature of the topics discussed to keep the

### Table 5. Focus group participants.

<table>
<thead>
<tr>
<th>Participants’ category</th>
<th>Vernaccia di San Gimignano</th>
<th>Brunello di Montalcino</th>
<th>Nobile di Montepulciano</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
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<td>Consorzio Vernaccia San Gimignano</td>
<td></td>
<td>Consorzio Nobile di Montepulciano</td>
</tr>
</tbody>
</table>
discussion focused. The analysis of collected information was carried out through the transcription and coding of the interviews and focus group discussion using a dedicated software for qualitative research. NVIVO (Sage Publications) allows the researcher to code a text according to key themes. Qualitative text analysis provides a formalized method for analysing qualitative data. This technique entails the creation of a coding system that highlights key concepts, as well as the ways in which these are interrelated, enabling researchers to organize research results in an interpretive framework.

Finally, it is important to note that the design of the sample did not aim to be representative in any ‘statistical’ sense. Given the exploratory nature of the case study, the collection of relevant knowledge was important to interpret the apparent contrast between the export orientation of the Siena’s local wine system and its difficulty in succeeding within a promising market such as the UK. As a consequence, the selection of respondents was determined by the extent of their experience and knowledge of this wine market, as well as by the relevance of their role in the ‘network’ of relationships governing both the Siena’s wine system and the UK market for fine wines.

5. A Tuscan view of the UK market

The aim of the survey conducted in the production area was to gather key actors’ (producers and officers of producer associations) perceptions and evaluations of the British wine market, understanding at the same time their individual and collective business and marketing strategies.

The respondents describe the British wine market as very diverse and competitive, especially as regards pricing. Despite its orientation towards quality, the UK market remains difficult for these three Siena DO wines. For the majority of wineries involved in the first part of the research, volumes exported to the UK were quite small compared to other international market outlets.

A common concern among components of the Italian sample revolved around price. The British market is perceived as strongly sensitive to price, above all in supermarkets.

UK supermarkets are extremely focused on low prices, a tendency which has increased in recent years because of the increase in taxation … Italian wines sold in supermarkets are low quality products sold at low prices …. (Producer Association Officer)

In the quotation above, a dual concern emerges about supermarkets: on one hand, a number of small wineries producing fine wines burdened with high production costs are cut off by the aggressive price policies of the major retail groups; on the other, supermarkets and wine-dedicated national retailers are perceived as marketing channels unsuitable to position the Siena’s wines according to their actual quality. Nonetheless, we found some small wineries distributing their products through dedicated national retailers. Conversely, the wine groups2 prefer to allocate only the entry-level product range to this type of channel. Wine corporations are aware that supermarkets, as well as wine-dedicated national retailers and especially multiples, could represent an opportunity to grow their presence in the UK. At the same time, they stress the fact that for each individual winery claiming a well-established tradition of excellence in wine production, the choice of one distribution channel excludes the others.

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Italian quality wines are sold mainly in restaurants. However, if we enter supermarket or wine-dedicated national retailers with a wine, we immediately lose its appeal for independent wine merchants, restaurants and wine bars. (Producer)
The need for coherence in marketing quality wines is probably a major factor in explaining the prevalence of distribution through the hotels and restaurants channel in the marketing strategies for the three wines that were the object of this research.

Italian quality wines mainly go to the restaurants… for off-trade consumption, the range of Italian wines is narrow – it is easier to find French, Spanish, and New World wines…. (Producer Association Officer)

Even if partly due to structural factors (such as price constraints), the absence of Italian wines in off-trade channels is perceived as a possible cause of British consumers’ poor knowledge about Italian wines and their geographical origin.

… Our wines don’t arrive to the consumer, so the consumer doesn’t know them. (Producer)

Italian quality wines mainly go to the restaurants; the consequence is a decrease in the interest of the British press. If a wine cannot be found easily, the press will not talk about it, mainly because journalists cannot tell consumers where to find it. (Producer)

Furthermore, the distribution channel of hotels, restaurants and catering, even if it gives profitable revenues, is perceived as strongly influenced by the traditional preference of British consumers towards French wines, at least in the super premium and icon segments. Participants agree that ‘wine enthusiasts’, described as wine-knowledgeable, educated consumers in search of authenticity, buy mainly premium French wines. French wineries have historically based their marketing on the characteristics of the production site and the origin of the grapes, developing a successful niche strategy based on product quality and reputation. The leading position of France in the British market for high-quality wines is perceived as difficult to challenge.

High premium wines are sold mainly in high-end Italian restaurants, and, to a lesser extent, in international restaurants, where French wines dominate the Old World selection. (Producer)

[The] English consumer has been bred with French wines. Now he is looking at wines from Chile or New Zealand, but only in the segment highly concerned with price. As a consequence, the market for high quality wines is 90% France-oriented. (Public Institution Officer)

This situation could lead to the risk of favouring well-established marketing channels and renouncing strategic attempts to intercept the evolution of demand.

The fieldwork confirmed the prevalence of long-lasting and exclusive relationships with importers. The majority of firms involved in the survey rely on their trading partners for market intelligence. Importers are regarded as key informants, often directly involved in managing the export supply chain.

In foreign markets we give a lot of initiative to our importer, who is in charge of selling our wine, but also with communicating its bonds with territorial identity, quality and reputation. (Producer)

The largest part of the Italian interview group showed a low tendency to directly gather information on final demand and to use it as a driving factor in marketing strategies.

Due to the nature of our activity and to our financial resources, it is very difficult to reach consumers directly. (Producer)
The analysis of the interviews conducted in the UK suggests that Tuscany as a region retains a strong (and recognized) international reputation. However, despite their success in trading wine worldwide, British consumers lack orientation in this area due to the absence of effective communication on the special features of Tuscan quality wines.

The international [varietal] wines are easier to recognize than ours … without giving substantial information to consumers, I am afraid we will continue to lose market shares. Only few consumers know where exactly our DOCG wines are produced. (Producer Association Officer)

Consumers may know the word Brunello or Montepulciano, but I am not sure that the majority would be able to relate those words to Tuscany. This is the experience I had when I participated in wine tastings and wine events in Britain. The best known Tuscan wine in the mind of English consumers perhaps remains Chianti. (Producer)

When asked to assess who are the most threatening competitors and what are their competitive advantages, participants listed New World wines and, within traditional producing countries, wines from France and Spain, although positioned in different market segments.

6. Tuscan wines from a British perspective

The aim of the UK fieldwork was to further investigate the causes of the difficulties encountered by Italian quality wines from a British perspective. Moreover, the study was designed to identify the driving forces needed to increase the market shares and competitiveness of the three Tuscan wines.

The analysis of the interviews suggests that the British wine market is the most competitive and sophisticated, both in terms of price and quality.

The UK market is a sophisticated market because people who are buying wines at the high quality level, say wines between £12 and £30, have an idea of pricing and how things should be priced in this market. (Market Key Informant)

Supermarkets’ wine supply includes mainly products that do not exceed £10. Participants agree that fine wine consumption is still confined to a small proportion of British consumers.

On one hand, supermarkets in Britain sell a lot of wine, thanks to price promotion deals that favour cheaper products. This is confirmed by wine importers, who claim that supermarkets negotiate very strongly on price and adopt buying strategies based on convenience rather than territorial identity, their aim being to offer consumers a diverse selection of wines from the most renowned producing countries at appealing prices.

People who buy wine in supermarkets are not loyal to countries or to regions, but they certainly follow price deals. (Modern Retail Buyer)

In the UK, only a niche of consumers is quality-oriented; we are a country of discount culture, so it is sometimes challenging to sell high-quality wines. (Independent Wine Merchant)

Therefore, quality wines represent only a small niche in terms of volume in this type of distribution channel. However, high-end supermarkets (i.e. Waitrose) keep an interest in competing with independent wine merchants and offer distinct fine wine dedicated sections, comprising a careful, though limited, selection of high-premium wines coming from the world’s most representative producing countries (France, Spain, Italy, Australia, South Africa and Chile). Consumers are offered the possibility of purchasing high-quality wines and at the same time are advised
by in-shop trained wine specialists. Waitrose has 220 wine specialists in their shops, and Tesco’s website has a fine wine section divided into Old World and New World wines. Nonetheless, compared to entry level wines sold below £5.5, high-quality wines encounter difficulties in reaching significant market volumes. Fine wine consumption is limited to a small proportion of consumers, accounting for around 3% of regular wine drinkers.

The UK wine market is dominated by supermarkets. Moreover, it is a very crowded market and each individual regional appellation has to fight to sell large quantities. To be successful in this market you either need low prices or a strong brand, whether individual or regional. (Modern Retail Buyer)

British wine importers and buyers claim that most wineries from the three denominations craft their commercial strategies based on the assumption that supermarkets and wine-dedicated national retailers are not an appropriate outlet to sell premium and super-premium wines, especially those produced in small quantities. According to this view, these distribution channels do not fully promote high-quality wines because their focus is mainly on price and not on distinctive territorial identity.

Due to the special features of the UK wine market, as discussed above, Siena producers show concern about the impact supermarkets and wine chains could have on the quality reputation of their products and prefer to market through the hotels, restaurants and catering distribution channel. In other words, wine sold in supermarkets is considered a generic product purchased along with other groceries. This context confers a lower status on the product.

There is a very traditional approach to market outlets that sometimes prevents producers from foreseeing future trends and market growth opportunities. (Modern Retail Buyer)

However, as one of the components of the UK sample suggests:

Supermarkets are the starting point for all regular wine buying, and even experienced consumers will buy from both supermarkets and wine merchants or specialized shops. There are very few consumers who don’t buy any of their wine in supermarkets. (Market Key Informant)

The lack of flexibility could be one of factors preventing these local wine systems from adapting to the British wine market environment and seizing new consumer segments. Moreover, British respondents have pointed out a further issue regarding the difficulty for traders and especially for supermarket buyers to maintain stable commercial relations with Italian wineries, which do not guarantee wine quantities. As discussed in literature, the building of stable, cooperative relationships has been recognized as an important antecedent of success in the exporting strategies of small and medium wineries (Beaujanot & Lockshin, 2002).

Looking at the image and reputation of the Nobile, Brunello and Vernaccia wines in the British wine market, participants in the survey claimed that the offerings were so diverse that consumers might experience difficulty orienting their purchasing strategies. Interviews conducted in the UK showed that Tuscany represents a well-established quality signal in the mind of the global consumer. In Britain, Tuscany is regarded as a desirable tourist destination. However, in the fine wine market some problems remain.

The great variety of collective and private brands in the Tuscany supply of quality wines tends to generate confusion in consumers (Casini et al., 2008; Drummond & Rule, 2005).

Often, the consumer knows the names of Tuscan wines, but doesn’t know the taste he should expect to find in the glass, and often he is frightened by the price. There is a lot of confusion. (Market Key Informant)
People who are new to Italian wines, which includes a lot of people, don’t understand why there should be a big price difference between wines coming from the same DOCG and thus carrying the same name. (Modern Retail Buyer)

The main issue concerns the use of territorial identity as a tool for promoting these three DOCG wines. Participants stated that UK consumers are not very familiar with Tuscan wines, in general. The most known DOCG remains Chianti, a large DO including productions with high variability in quality and price (Malorgio & Grazia, 2007). British consumers are, in any case, very sensitive to marketing stimulus. Wine traders argue that wineries and producers’ associations should establish stronger relationships with specialized press and food and wine journalists, which have a powerful influence on consumer opinion.

What brings a wine region to life it is its sense of place. To communicate wine quality, you have to say what is unique about the place where it is produced and in the case of these three DOCG there has to be a stronger message that builds on the fact they come from a wine area like Tuscany. (Restaurant)

One of the main problems faced in foreign markets concerns the adoption of a producer-driven definition of quality instead of a consumer-driven approach. Conversely, territorial identity does not have to be defined only from the producers’ point of view (technical features of the production process, certification of geographical origin) in order to be efficiently communicated and perceived by consumers as a quality cue. In order to capture consumers’ attention and influence purchasing choices, an active marketing strategy is needed to enhance the perception of these wines as wines with a specific identity within a long-lasting winemaking tradition that guarantees quality ‘in the glass’. This would enable British consumers to become more confident in purchasing Siena’s DOCG wines.

The consumer looking for something distinctive, wants to find a wine he can recognize. No one knows exactly where everything is really, but it is essential to communicate identity. (Independent Wine Merchant)

This quote highlights that ‘wine enthusiast’ consumers are in search of a dimension of authenticity (Beverland, 2005, 2006) that is expressed through wine taste. Conversely, the presence of a certified DO is not determining in wine choice. Territorial identity is not a marketing asset if its special characteristics are not recognizable in the glass by consumers.

Consumers prepared to spend over £20 for a bottle are interested in a terroir they want to find not only in the etiquette, but also in the glass. (Restaurant)

Furthermore, even for products with high quality, a proper correlation between price and perceived quality is necessary:

The price still has to be competitive against other wines of a similar quality from any other country in the world. When we taste wines here, we always taste them on a retail basis looking at quality value. (Independent Wine Merchant)

British consumers also need to be more informed on the three ‘local wine systems’. The increase of market share in foreign markets should be pursued by giving more information to customers and allowing some ‘entry experience’ in consuming the produced wines.

To sell fine wines, these three concepts have to be jointly conveyed: identity, quality and distinctiveness, in terms of taste or reputation. The analysis of the UK interviews shows that
there is lack of cohesion within institutional promotional strategies. Instead of competing with other countries or territories, Tuscan DOCG wines often demonstrate an internal competition. The results of the survey suggest that wineries should find a common ground by planning market-oriented activities aimed at promoting a regional collective reputation as a brand.

There is no communication strategy that embraces wines from Tuscany as a region. Every denomination competes against each other, so consumers aren’t even part of the competition. Consumers haven’t been given any reason to buy expensive Tuscan wines; the message isn’t just there. (Market Key Informant)

This last point is a good introduction to the final problem emerging from the analysis of the UK interviews: the lack of consumer-targeted marketing and communication campaigns. As shown in the presentation of the Italian part of the research, producers showed a low tendency to invest resources in consumer research, which is perceived more as an additional up-front cost than as a long-term investment. As discussed in literature, to understand the consumer’s choice it is not enough to classify consumers into rigid segments based on their knowledge and involvement with wine. The choice of the wine also depends on social factors (consumption occasion, culture and lifestyle). However, evidence from the UK fieldwork indicates that a better understanding of the factors driving consumer behaviour (opinions, perceptions, values and consumption occasions) is necessary; more efforts should be dedicated to gathering additional information on final demand and using it to create a marketing framework based on qualitative differentiation and geographic identity. Consumer insights derived from this type of research could then be used as market intelligence tools to better target the contents of a coordinated marketing strategy.

7. Discussion

According to the interpretive framework proposed in Section 2, the difficulties of Siena’s wines in successfully accessing the UK market can be interpreted as a failure to comply with the relevant ‘convention of quality’. Participating in a ‘marshallian’ global wine market is a challenge for the large number of small wineries producing in the area considered in this study. Despite the positive performances of single producers, these local wine systems have been unable to capitalize on their successes to create a collective ‘reputation of quality’ in approaching the UK market. In light of the proposed framework, at least three different dimensions of the failure emerged from the analysis of primary data.

The first dimension is related to what could be defined as the ‘negotiation of quality’ between producers and consumers. The answers in both the Italian (see also Rocchi & Gabbai, 2010) and the British fieldwork showed a tendency of Siena’s producers to adopt a producer-driven definition of quality, based on the technical features of the production process and the formal certification of geographical origin (DOCG). For the British consumer, this is not an adequate definition to evaluate the ‘quality’ of Siena’s wines, given his poor knowledge of the region, as well as the strong diversification of Siena’s products (potentially a competitive advantage, but also a possible source of ‘confusion’ for consumers). The quote, ‘[The] consumer… doesn’t know the taste he should expect to find in the glass’, clearly shows the producers’ difficulty connecting with UK consumers to negotiate a shared definition of the quality of Siena’s wines, so that the territory could be ‘found in the glass’ by consumers. The strong dependency on importers to gather market intelligence is probably a further indication of the same problem. In the crowded British market of fine wines, consumers need to be supplied with
accurate and relevant information in order to look at the ‘diversity’ of the proposed wines as an opportunity rather than as an obstacle in the purchasing process.

A second dimension regards ‘coherence’, an issue which probably affects not only Siena’s wine productions, but the overall Tuscan participation in the UK wine market. A collective reputation as a local system is difficult to build if wines coming from the same territory do not follow the same conventions and rules in market positioning (qualification, price bond and marketing channel). Indeed, the answers of the Italian respondents clearly show the existence of a problem in the choice of distribution channels. On the UK side, concerns emerged about the high variability showed by prices of items perceived as similar in terms of qualifications. The definition of a shared reference framework in positioning products, in terms of the triad price bond-distribution channel-product qualification, is probably needed to approach the UK market. This may be a fundamental step in giving value to the potential quality differentiation, while at the same time exploiting economies of scope that are accessible only at the territory level.

The last failure to create a collective ‘reputation of quality’ in the UK market concerns collective communication. As remarked by a UK respondent, ‘… you have to say what is unique about the place where it is produced’ to enable consumers to associate territorial identity and quality. According to a study presented at the 2011 edition of the London International Wine Fair (Perrouty et al., 2011), despite Chianti being one of the wine regions for which UK consumers show the greatest awareness, for the overwhelming majority of respondents the word ‘Chianti’ fails to be associated with images of the territory. Surprisingly, the term ‘Tuscany’ is associated with the word ‘Chianti’ in very few cases, even less frequently than an expression like ‘Silence of Lambs–Hannibal’. It is not difficult to imagine the level of awareness and knowledge among British consumers about even smaller Siena local wine systems. A relevant need (and an opportunity) for coordination at the territory level for collective communication clearly emerges.

This interpretive framework can also support the design of possible strategies to be carried out at the territory level to enhance the performances in the UK market (and, more generally, towards an effective use of territorial identity as a competitive advantage in the global market). Many advantages can derive from a coordinated wine marketing regional strategy, such as the possibility to increase global market visibility and a better ability to address an ever-changing demand by offering consumers a differentiated range of products. A better coordination might support small wineries accessing to supermarkets and wine-specific national retailers in high-end wine supply. They may carry out on-trade collective promotional activities, otherwise too expensive for single producers, possibly with the support of public funding of promotional activities on the international market. An example might be periodical promotions (with in-store communications delivered by wine experts) of baskets of products with different individual characteristics, but a comparable level of qualification, adopting strategies that do not involve an actual price reduction (such as ‘three for £10’; Ritchie et al., 2010). The access to these market outlets could increase market visibility, allowing wineries to seize marketing opportunities connected with the evolution of lifestyles. Another channel that could provide access to the high-end wine supply is online wine sales. Buying wine online continues to grow in popularity among British consumers (Mintel, 2012). The wine chain Majestic recently changed its website to make it more personal by adding a blog. The web-based channel may also enable small producers to contribute directly to the definition of the shared ‘convention of quality’ necessary to coordinate actors in the British ‘marshallian world’ of fine wines. All these actions might suitably complement the actions that are already carried out in the production area to increase consumers’ knowledge through the supply of well-developed ‘wine tourism’ packages (a competitive advantage shared by the Siena area with the whole Tuscan region).

Furthermore, marketing intelligence actions carried out at the territorial level and without the support of UK trade partners may also be accessible for small wineries, supporting a better
knowledge of British consumers’ purchasing strategies; for example, when and why they can be expected to trade-up (Howard et al., 2011; Ritchie et al., 2010; USDA, 2007).

Also, an integrated marketing communication in a regional perspective should be pursued (Van Zanten & Bruwer, 2002). The Siena territory should promote a collective communication focusing on the tight bonds existing between territory, tradition and grape variety as reliable signals of quality, without distorting each denomination’s individual features. However, as suggested by primary data collected during the UK fieldwork, such a communication should also be carried out through a positioning policy. To reduce consumer confusion, a shared, reliable reference framework clearly linking qualification of products, distribution channel and price bond should be established and explicitly communicated to consumers. Setting clear price ranges for each type of wine coming from the same territory and providing a description of each wine’s taste characteristics and production methods could help in orientating British consumers, as well as increasing their awareness and confidence regarding geographical origin (Olsen, Thompson, & Clarke, 2003; Ritchie, 2007). Such a strategy calls for a minimum level of fairness in competition among the three denominations and among wineries within the same DO, and is more likely to be carried out in a relatively small wine region. This probably represents a further competitive advantage for Siena’s wines over Chianti. The latter, as the largest Tuscan DO, covers a production area that includes a large part of central Tuscan territory and involves thousands of producers, needing explicit (and expensive) collective actions to enforce quantity and quality formal regulations; this would also include the historical and more narrowly qualified area of Chianti Classico (Malorgio & Grazia, 2007). In Siena’s small wine system, the smaller number of actors may allow the implementation of coordination strategies based more on informal, flexible agreements.

All these marketing actions should be carried out while looking at the creation of a convention of quality specific to the territory as the ultimate goal. Only with such a convention in place will Siena’s producers share a common language on quality definition with British consumers and be able to improve their performance in the UK market.

8. Final remarks

In this article, a case study on three Tuscan wines produced in the Siena province was developed to discuss territorial identity as a competitive advantage in the export of fine wines. Despite their strong orientation towards quality and a positive performance in the international wine market, these three local wine systems fail to compete in the UK market, one of the most important and affluent in the global arena. The analysis of this ‘history of failure’ was used to achieve a deeper understanding of factors affecting the success of competing strategies grounded on territorial identity.

The discussion was carried out in the light of an interpretive framework developed within the theory of ‘convention of quality’ (Eymard Duvernay, 1989) and centred on the concept of the ‘marshallian world of production’ (Salais & Storper, 1992). The proposed interpretation shows that a wine’s strong territorial identity is a necessary ingredient, but is alone an insufficient condition to build a competitive advantage in the ‘marshallian world’ of fine wines. In supplying dedicated products to satisfy complex and superior needs through a large set of material and immaterial characteristics, a proper conventional definition of quality should support the use of a set specialized and un reproducible inputs, such as the characteristics of the terroir, a contextual knowledge, a local social network and so on. Consumer satisfaction should be capitalized into a ‘reputation’ of quality, entitling producers to participate in the market and orienting consumers in their quest for quality. Most of the problems faced by the three wines considered in this study may be described as a failure to create a joint, conventional definition of quality that is relevant to the
British market. Despite the export orientation and the international reputation of Brunello, Vino Nobile and Vernaccia di San Gimignano, this result is not be surprising: the negotiation of quality is a task involving cultural and social factors, as well as marketing structures and routines, showing a large variability among countries and markets. One approach could be right in a given market, but may be unsuitable in another. The proposed interpretation suggests a set of possible actions at the territory level to exploit economies of scope that otherwise could hardly be accessed by the large part of the small- and medium-sized wineries belonging to the three DO objects of the case study. These actions concern market intelligence, marketing strategies and collective communication.

The interpretive framework proposed in this article should be considered as a reference in analysing and comparing different wine markets for research, as well as for marketing purposes. The discussion proposed in Section 7 shows its usefulness in detecting the main causes of the poor performances in the UK market, as well as in designing appropriate strategies to overcome them. The approach is valuable for its ability to reconcile concepts developed by economic theory for analytical purposes with practical issues faced by firms in their marketing activities. The two axes of input specialization and output dedication are an effective way to characterize the great diversification found in the global wine business, where a deep (vertical and horizontal) differentiation of products coexists with a variety of strategies in competition (territory versus variety and global brands versus origin certification) and big structural differences of production systems (Old World versus New World). The strategies for products differentiation themselves, so central in wine business, may be ‘mapped’ and described as a journey towards a new and promising world of production.

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Notes
1. A detailed description of the actors and marketing strategies in the local system can be found in Rocchi and Gabbai (2010).
2. We define as wine groups medium and large corporations whose core business is wine production and trading, usually owning a number of wineries in different DOCG systems (Rocchi & Gabbai, 2010).

References


