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L'ECONOMIA DEL TERRITORIO E L'IMPRESA DEL VINO: QUALI STRATEGIE DI MARKETING?

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TOPICS

1. Wine clusters

- What is
- Main characters

2. Main actors and its evolution

- Multiplicity of players and business model
- Variability in time

3. Positioning and branding

- Territory and winery positioning
- Branding strategies

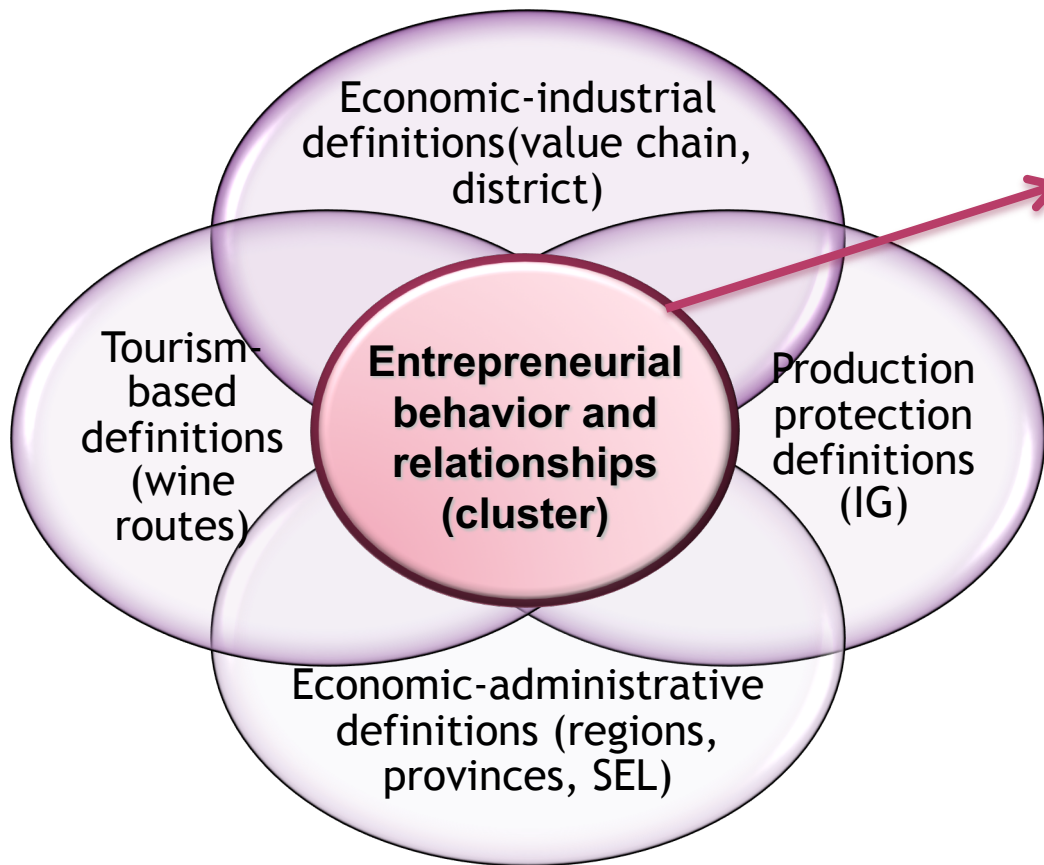
4. The Chianti Case

- The Chianti Classico consortium
- The Antinori case
- The Agricola SanFelice case

1) WHY A WINE CLUSTER?

- ◉ Importance of geographical concentration of firms in local production systems (Porter, 1990)
- ◉ In some industries, the firm international success relies on a specific “national competitive advantage”
- ◉ The territorial dimension plays a non marginal role in the business development strategies

MULTIPLE DEFINITIONS AND RESEARCH APPROACHES



❖ Entrepreneurial relational approach

❖ Cluster as synthesis of 3 units of analysis (Zanni 2004):

- single enterprises
- network of relationships
- local system

CLUSTER CHARACTERISTICS

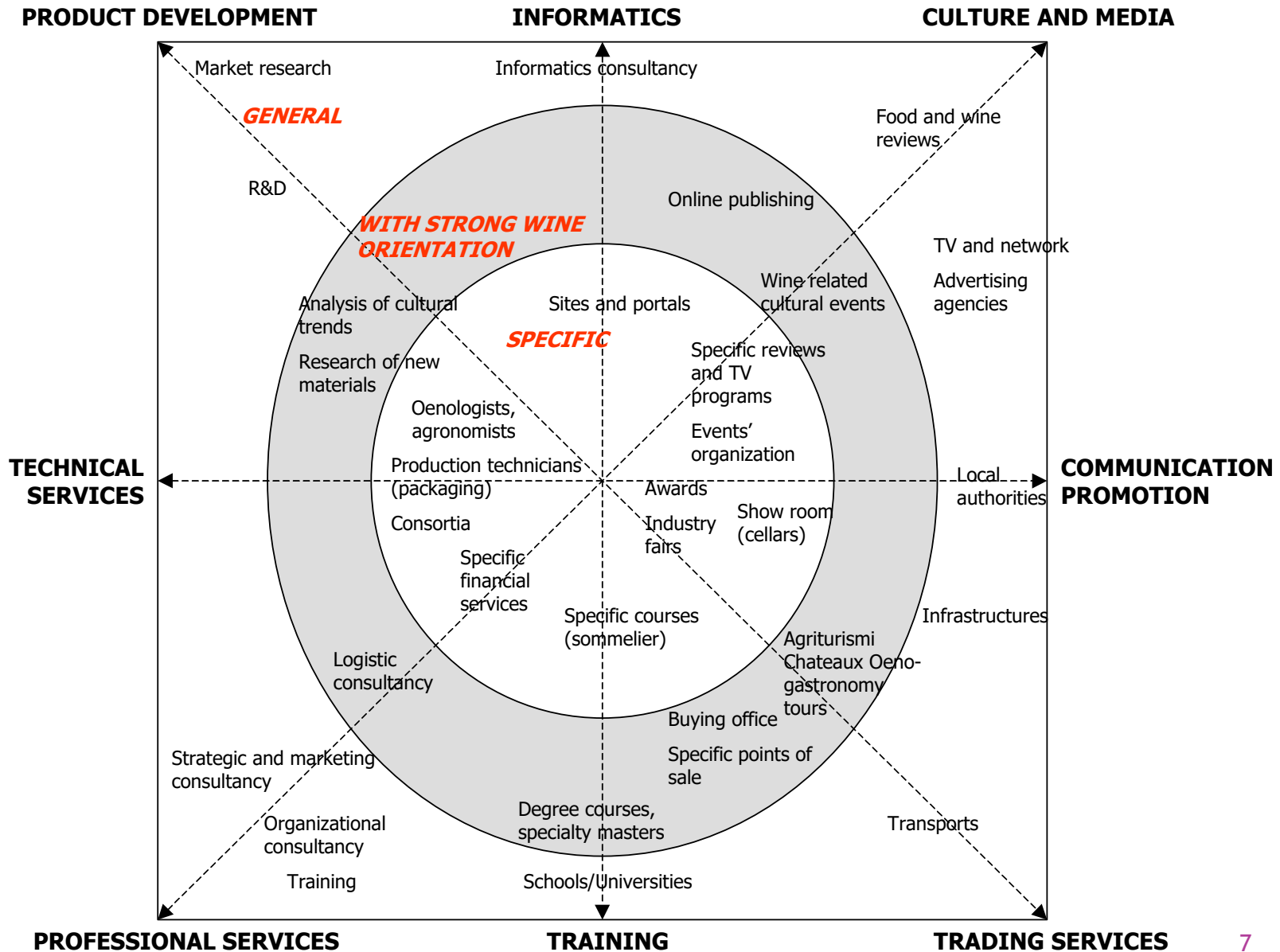
- ◉ Geographical concentration of enterprises
- ◉ Multiple small enterprises export-oriented
- ◉ Relationships based on tacit knowledge and trust
- ◉ Knowledge circulation as agglomeration factor
- ◉ Specialized labor
- ◉ Relevance of traditions (historical, cultural, manufacturing, etc.)
- ◉ Creativity of entrepreneurs as innovation vehicle
- ◉ Synergies between the territory image and winery brands

2) THE EVOLUTION

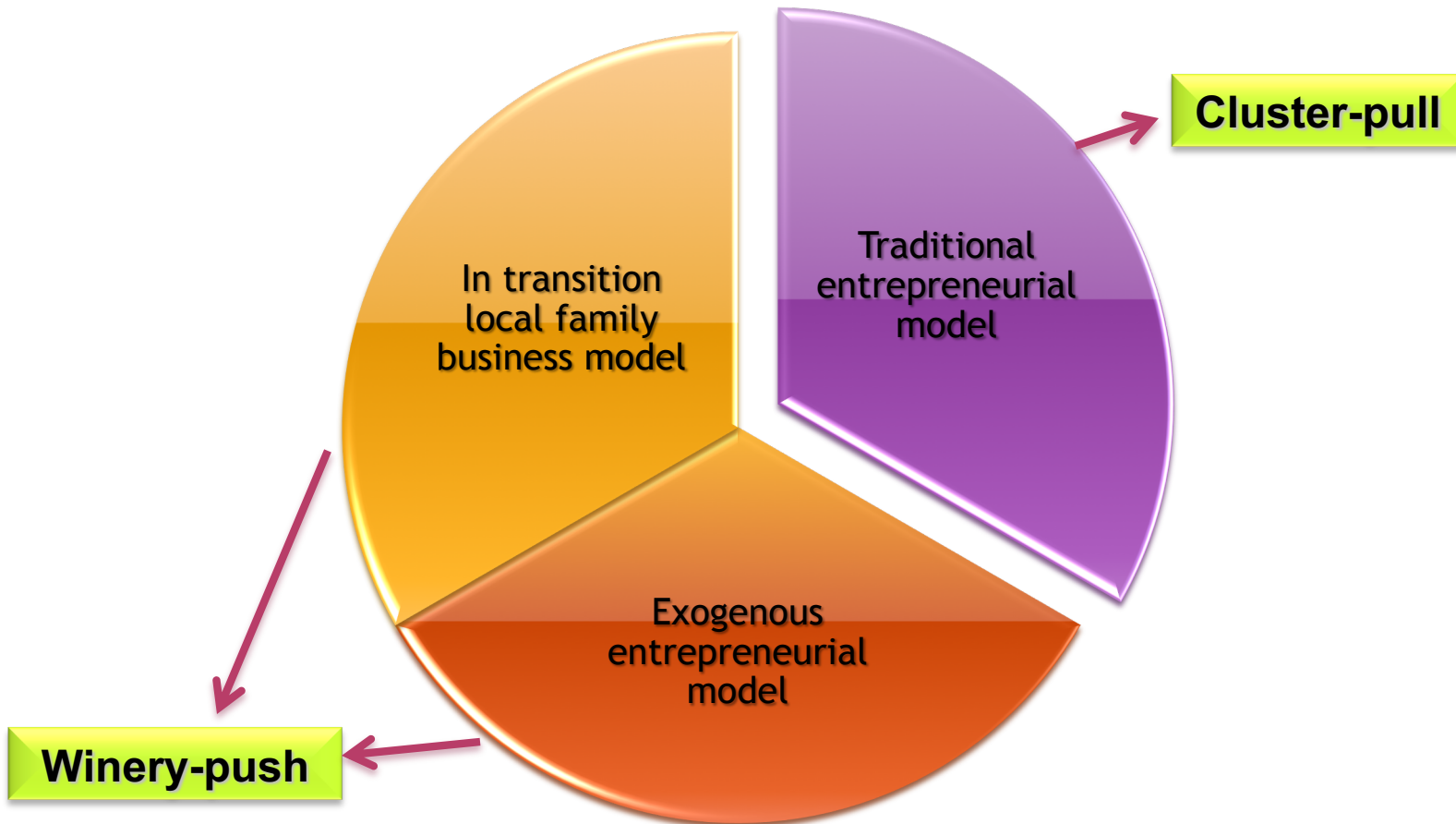
The growing complexity

- ◉ Heterogeneity of players
 - Wineries (with different entrepreneurial business models)
 - Service providers
 - Entrepreneurial and non-entrepreneurial players
- ◉ Variability in time
 - Cluster development path (Cluster life-cycle)
- ◉ Increasing numbers of Territory brands and single wine brands
 - Multiple-brand system (maybe too many ...)

CLUSTER SERVICE PROVIDERS



TUSCANY ACTORS: TWO-SPEED ENTREPRENEURSHIP



TRADITIONAL ENTREPRENEURIAL MODEL (CLUSTER-PULL)

- ◉ Usually micro and small wineries
- ◉ Competencies focused on production (traditional manufacturing practices and technologies)
- ◉ Low market (and marketing) orientation
- ◉ Low innovation capability
- ◉ Imitative behavior (“follower”)
- ◉ **High benefits from location** (natural resources, labor, information flow, collective promotion, etc.)

IN TRANSITION LOCAL FAMILY BUSINESS MODEL (WINERY-PUSH)

- ◉ Usually descendants of the Tuscan noble families (Antinori, Frescobaldi, Mazzei, Ricasoli, Cinelli Colombini, etc. - *Super Tuscan phenomenon*)
- ◉ “Inertial” decision (at a strategy level)
- ◉ Adoption of a renewed business philosophy and culture (combination of tradition and innovation)
- ◉ Accomplishment of radical changes (reversals, up-rooting and re-planting, reconversions, etc.)
- ◉ Introduction of innovations in the business management (external HR, inter-cluster investments, marketing, etc.)
- ◉ Successful generational changeover
- ◉ **Knowledge and notoriety provision to the cluster**

EXOGENOUS ENTREPRENEURIAL MODEL (WINERY-PUSH)

- ◉ External (from both inside and outside the region) investments
- ◉ “Deliberate” (*ex ante*) strategic decision, innovations
- ◉ From the wine business (Zonin - Montereio, Gaja - Montalcino e Bolgheri) or other businesses (Bertarelli-Tipa - Montecucco, Ferragamo - Arezzo, Allianz-SanFelice), Illy, Cragnotti, Moratti etc.
- ◉ Entrepreneurial/managerial capabilities and financial endowments
- ◉ Purchase of know-how from the outside (use of consultants, external management)
- ◉ Market- and marketing-oriented
- ◉ Different pursued goals (related diversification strategy (luxury-hospitality business, pleasure, retirement (*buen retiro*), etc.)
- ◉ **Knowledge and competence vehicles within the cluster**

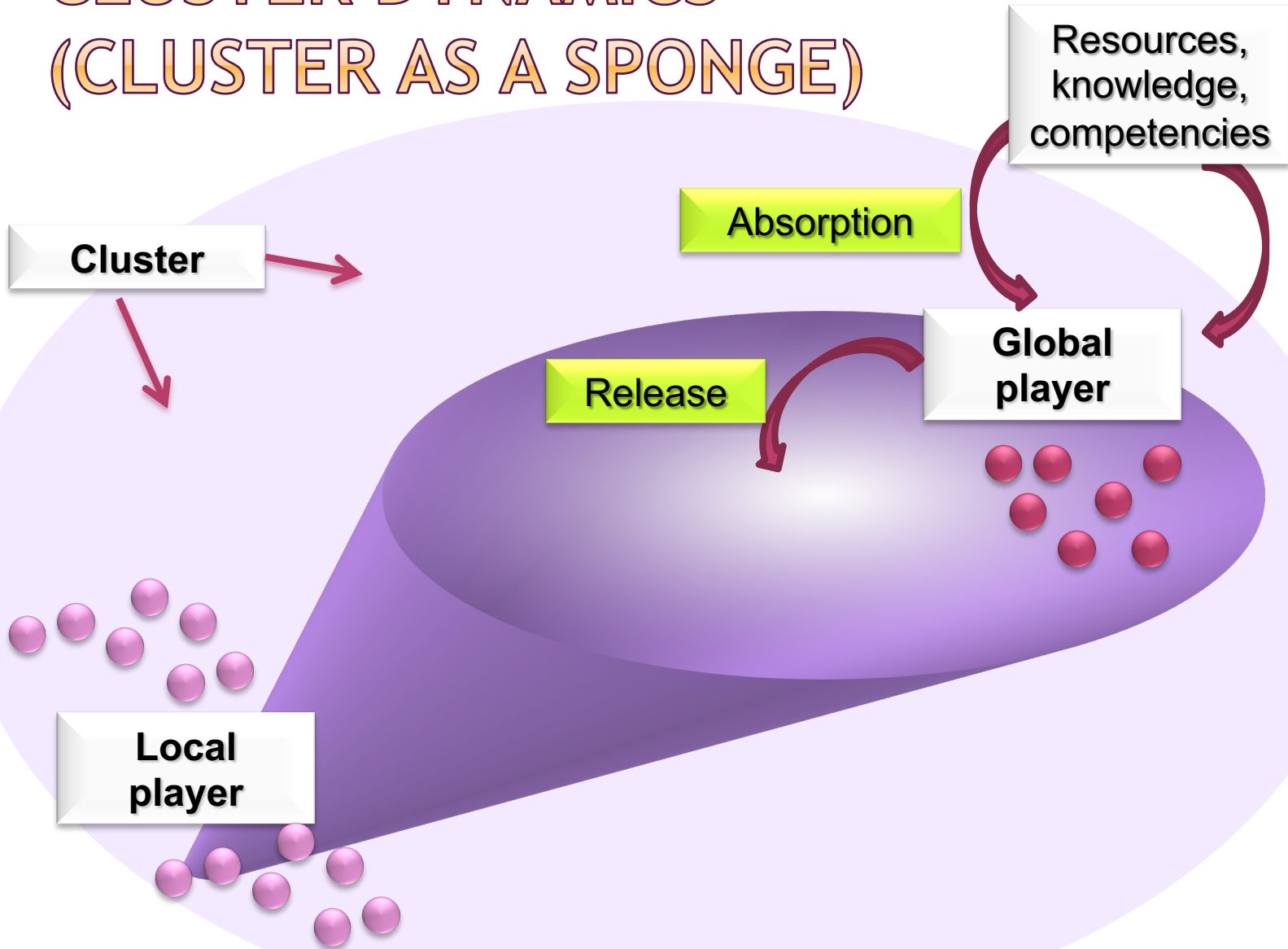
GLOBAL AND LOCAL PLAYERS

- ◉ In transition local family business model
- ◉ Exogenous entrepreneurial model
 - Absorb (from outside):
 - Resources,
 - Competencies,
 - Knowledge
 - Release and absorb (inside) - exchange:
 - Resources,
 - Competencies,
 - Knowledge
- ◉ Traditional entrepreneurial model
 - Absorb (from inside):
 - Resources,
 - Competencies,
 - Knowledge
 - Neither release nor absorb (inside) - do not exchange:
 - Resources,
 - Competencies,
 - Knowledge

Global players

Local players

CLUSTER DYNAMICS (CLUSTER AS A SPONGE)



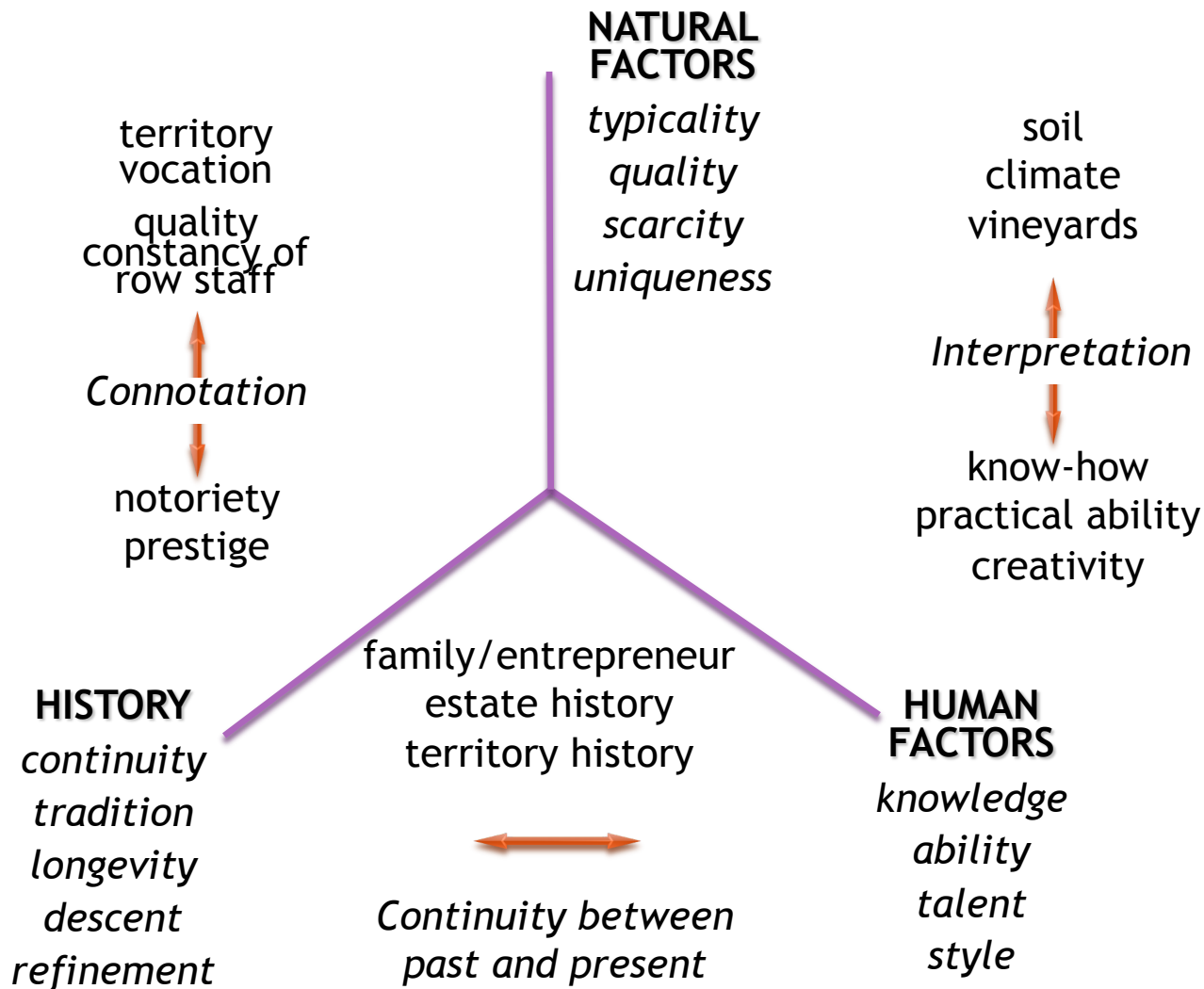
RESOURCE, KNOWLEDGE AND COMPETENCY FLOWS

- “Industrial atmosphere” ... but knowledge does not flow in the air!
- Knowledge, resources and competencies flow is enabled by:
 - Knowledge, resources and competencies endowment of wineries
 - Absorptive capacity (HR able to exchange knowledge)
 - Capability to establish business relationships
 - Social capital (overlapping of personal and business relationships of the entrepreneur)

3) CLUSTER DEVELOPMENT PATH: IMPLICATIONS IN TERMS OF POSITIONING AND BRANDING

- ◉ ***Multiplicity of development path at a spatial level*** (national, regional and local clusters). Comparisons have to be made between homogeneous systems.
- ◉ According to an evolutionary approach, it is possible to describe the different wine clusters through ***the different development phase*** (cost of land, availability of oeno-grastronomy services, etc.)
- ◉ ***History and local resources*** (natural, social, cultural, etc.), as well as ***competence endowment of wineries*** determine the ***uniqueness of development processes*** in terms of both ***production and entrepreneurial model*** (leading firms). Doubts about the possible replication of local experiences in different contexts.
- ◉ ***Further element of cluster differentiation is their market positioning and the different perception of the territory brand on the part of consumers.*** Need to protect the territory image.

CLUSTER/WINERY IMAGE ASSOCIATIONS



TWO MAIN IMAGE-RELATED ISSUES

1/2

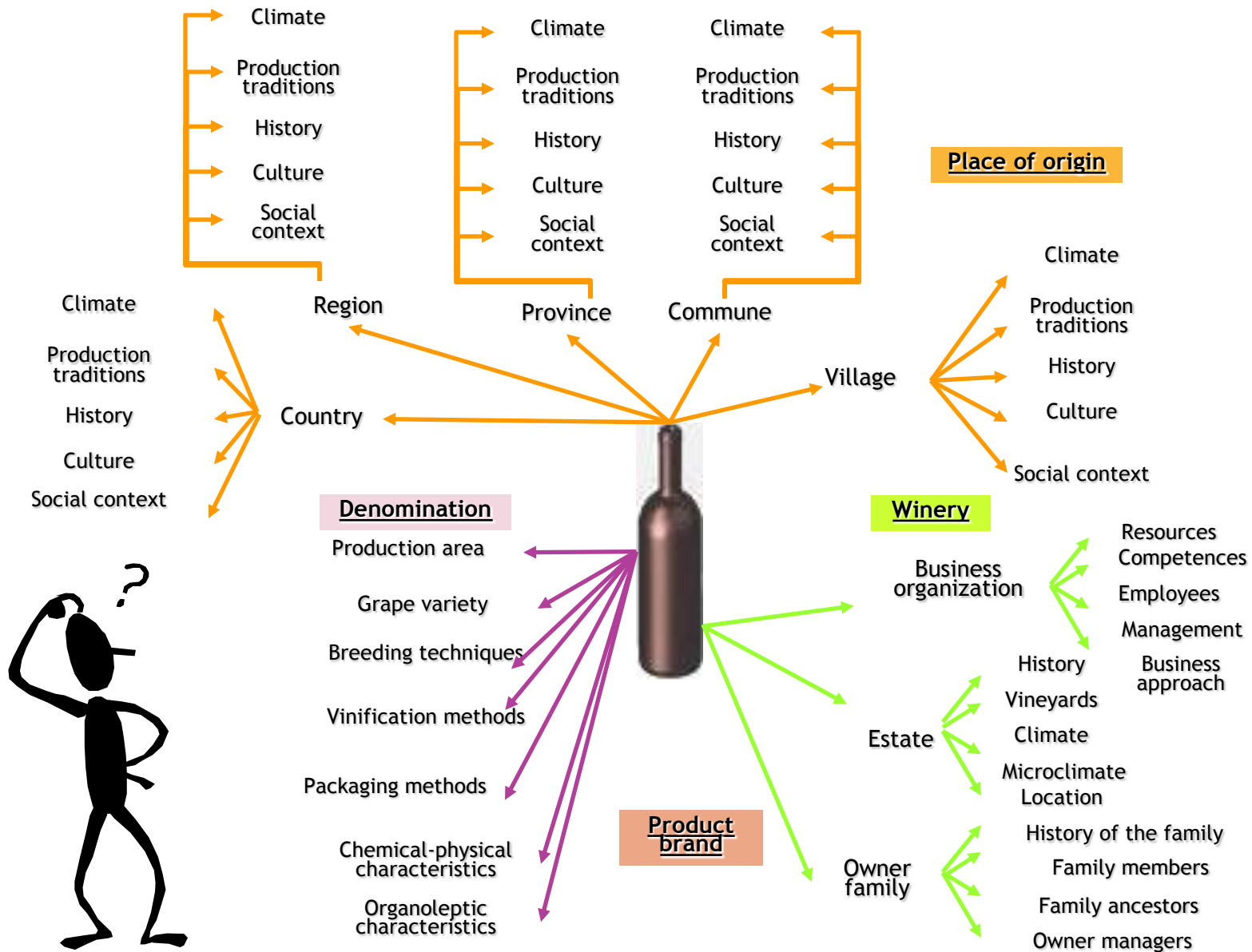
- Coexistence of differently positioned wineries within the same cluster
 - Different market approach (more and less sophisticated marketing tools, different quality of hospitality, etc.)
 - Increasing divergence of behaviors in front of market/competition challenges (price lever)
 - Decreasing potential of geographical indication (denominations) as quality predictor
 - Increasing confusion in consumers' mind

TWO MAIN IMAGE-RELATED ISSUES

2/2

- Way of conveying the cluster/winery image associations
 - Focus on the information content of associations
 - Too much information conveyed to end consumers
 - Entangled system of overlapping brands (company name, product brand, Geographical Indication, vineyard, etc.)

ENTANGLED BRANDING SYSTEM



DENOMINATION ISSUES

Extraordinary
INFORMATIVE
POTENTIAL (production
 code) but ...



... **HARD** to communicate
 to consumers

The **AVERAGE** wine
 drinker associates
 denominations with quality
 (i.e. DOCs and DOCGs
 are quality wines)

Again but ...

LAWS	Ministerial Decree August 5, 1996 Decree May 16, 2002
DENOMINAZIONE	Chianti Classico Denominazione di Origine Controllata e Garantita
DELIMITED ZONE	Unchanged from 1932 to today (Ministerial Decree 7/3/1932-7/31/31/7/1932/7/31/7/1932)
NATURE OF THE TERRAIN	Hilly terrain with a maximum altitude of 700 meters (2,1810 feet). Sandstone substrata, calcareous-marly, clayey schist, sand and pebbles
VARIETIES	Sangiovese from 80% to 100% of surfaces inscribed in the vineyard register; complementary red varieties recommended or authorized by the region of Tuscany, up to 20%
PLANTING DENSITIES	Such as not to modify the unusual characteristics of the grapes and the wine
TRAINING SYSTEM	Horizontally head-trained systems of the tendon type are prohibited
MINIMUM DENSITY, OF VINES PER HECTARE	For new planting (beginning in 1997) the minimum density per hectare must be 3,350 vines (1,356 an acre)
BEGINNING OF PRODUCTION OF THE VINEYARDS	Beginning with the 4th year of planting
MAXIMUM PRODUCTION GRAPES	75 quintals per hectare, 3 kilos per vine
LIMITATIONS ON PRODUCTION	If allowed production is exceeded by more than 20%, all the production is declassified; the excess cannot be identified as a Denominazione di Origine Controllata wine. In certain vintages, the region can reduce the maximum limit of production accepted by the regulations
PRODUCTION RESTRICTIONS	Applied in the field and in the winery before and during the harvest
TECHNIQUES OF CULTIVATION	All types of forcing are prohibited; emergency irrigation is permitted
HARVESTING TECHNIQUES	Selection of the grapes
MAXIMUM YIELD OF WINE FROM GRAPES	Yield must not exceed 70%; whenever it is superior to 70% but not more than 75% the excess has no right to the Denominazione di Origine Controllata; beyond the said percentage limit, all the production must be declassified to a vino da tavola wine.
ALCOHOL LEVEL	Total minimum alcohol level at the time the wine is released for consumption: 12° and 12.5° for the Riserva
ENOLOGICAL TECHNIQUES	During vinification only local, fair and constant practices are permitted by the regulations in force, including the traditional enological practice of the "governo all'uso toscano."
CHEMICAL CHARACTERISTICS	Maximum reducing sugar: 4 grams/liter Total minimum acidity: 4.5 g/l Minimum net dried extract: 23 g/l
SENSORY CHARACTERISTICS	Limpidity: limpid Color: Lively ruby red tending to garnet with aging Odor: Vinous, with scents of violets and with a pronounced character of finesse that develops during aging. Flavor: Harmonious, dry, sapid, lightly tannic flavor that in time fines, becoming softer and more velvety. The wine that has undergone the governo shows liveliness and rotundity.
YEAR OF RELEASE FOR	From October 1 of the year following the harvest

COLLECTIVE BRAND ISSUES

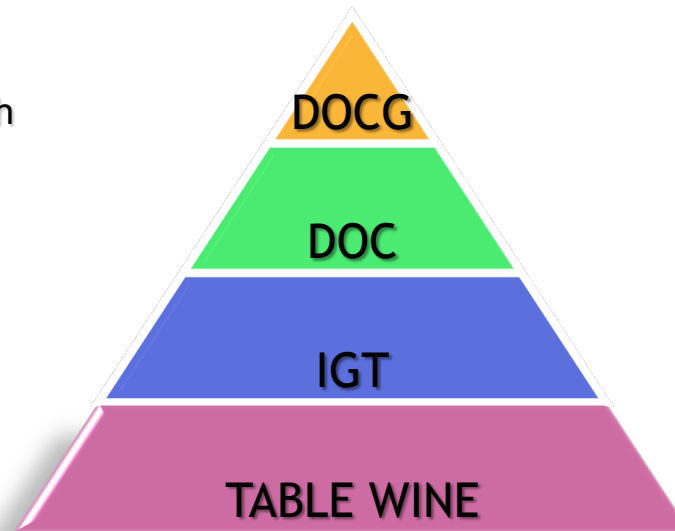
DENOMINATIONS WORK AS COLLECTIVE BRANDS



QUALITY

high

low



❏ You can buy a bottle of Chianti Classico for 4,00 € at the supermarket or for 200,00 € in a specialty shop

❏ You can find a Table Wine or an IGT which are better and more expensive than DOCs and DOCGs (*Super Tuscans phenomenon*)

WINE DEMYSTIFICATION

Value offering dimensions	Wine complexity (Old World)	Demystification process (New World, Australia)
Organoleptic	Complexity of sensorial profile of wine, aging, to be understood by <i>connoisseurs</i> , need of food accompaniment to be fully appreciated, to be drunk in special occasions	Simple taste, freshness, varietal wines, easily recognizable and appreciated by non-expert consumers, to be drunk in any occasion just as any other beverage
Cognitive	Geographical Indication (denomination) system, hard to be understood especially for non-European consumers, labels rich in information attributes, difficult to be deciphered, low collective communication strategy	Mild normative system of Geographical Indications, easy-to-read labels, reduced informative content of wines (mainly based on grape variety and winery/product brand), innovative packaging, major collective communication strategies, information support on the part of the sale persons
Emotional	High symbolic value traceable back to the whole country and to single wineries (often to family-owners of wineries), linked to the immaterial attributes of the wine place of origin (history, culture, tradition, etc.)	Creation of a country brand traceable back to the country image (Australian people personality, culture, and values), major promotional strategy at the country level in order to increase brand notoriety and awareness
Distributive	Diffused reticence toward modern distribution, preference for specialized shops and HO.RE.CA. channels, scarce use of ICT to communicate and sell wine, hospitality and cellar door still under development	Extensive distribution, use of multi-channel distribution according to the different price segments (Internet, catalogues, and cellar door), wine tourism as major vehicle for brand building, domestic sales and export increase

WINE BRAND AUSTRALIA

Product characteristics:

Varietal wine, satisfying and wholesome taste, appealing package, easy to understand label

Immaterial product attributes:

Natural, environmentally friendly, healthy, lifestyle

Relative price:

Premium, Super premium

Life-style/personality:

Informal, modern, innovative

Consumption occasion:

Everyday living, food accompaniment

Consumer segment:

“All people”

Product category:

Beverage

Competitors:

Easier to understand (content and label), more easily promoted (salesperson), more accessible by consumers (not only connoisseurs)

compared to the Old World



Country/region:

Australia

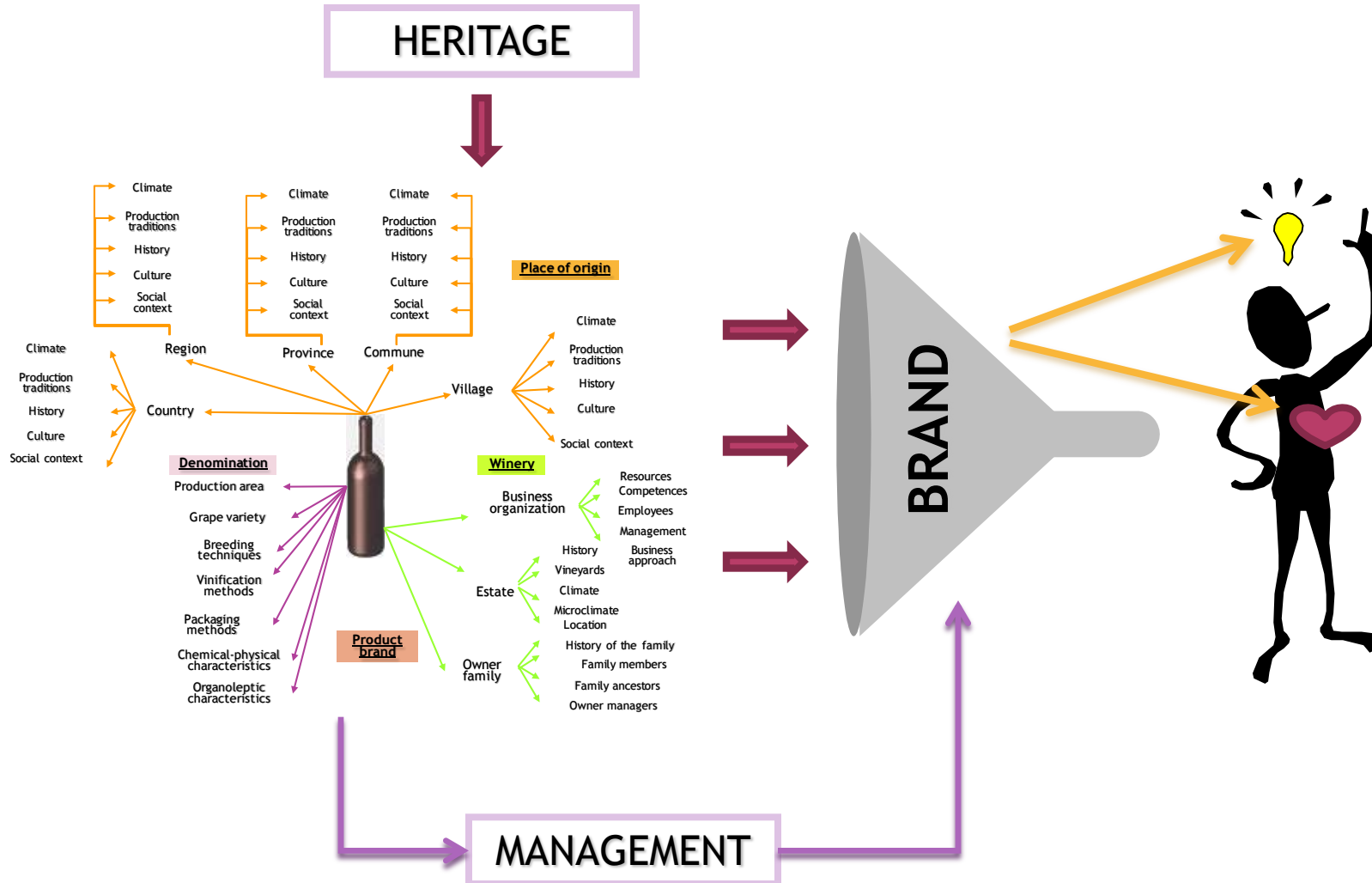
Product benefits:

Rational: value for money, satisfy basic thirst

Values associated to Australian people: easygoing, quietly professional, fresh, sincere, friendly, problem solvers, doers

*Psychological: enjoyment to **any** occasion*

HOW A BRAND WORKS



PRELIMINARY CONCLUSIONS AND POSSIBLE POLICY IMPLICATIONS

- ◉ Usefulness of *cluster concept* in order to identify entrepreneurial development processes in specific local systems. Need to specify *the unit of analysis and the pursued goals*.
- ◉ Usefulness of adopting an evolutionary approach in order to catch the *development phase* of the cluster as the result of combined action of collective and individual strategies
- ◉ The evolution of the Tuscan cluster shows *adaptive behaviors* in response of the international competition (usefulness of observatories for comparative analyses) and the issue related to the *lack of critical resources and competencies* in some high value added business functions (*problem of “entrepreneurial growth”*)
- ◉ *Importance of protecting the image and the positioning of the cluster* (trademark and brand protection, differentiation policies through “systemic strategies”, etc.)
- ◉ Need to convey effectively the *cluster/winery image associations* through *appropriate branding strategies*
- ◉ Need to *coordinate communication strategies at different levels*: national level, cluster level and at firm level

HOW TO COMMUNICATE DIFFERENCES IN WINE BUSINESS?

- ◉ The history
- ◉ The family
- ◉ The *terroir* (estate, place)
- ◉ The wine brands (product)
- ◉ The architecture
- ◉ The tourism (Restaurant and Hotels)
- ◉ The wine guide (Wine Spectators, Gambero Rosso, etc.)

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