Determinants of Radical Innovation Using Alternative Research Methods: Luxury Carmenere Wine from Chile

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Developing countries export commodities. There are few examples of luxury manufactured exports from the Third World. This paper looks at Chilean wine made from a particular grape variety, carmenere, retailing at US 50 dollars or more for a 750 ml bottle in international markets. For Chile, this is radical innovation in both production and marketing, since just one luxury carmenere (LC) bottle is more expensive than a typical 12-bottle case of ordinary Chilean wine. By 2012, LC brands had been introduced by about 45-50 companies, which constitutes about 15-20 percent of the total number of Chilean wine producing firms. Some of these LC producers have been extremely successful in international markets. This paper examines which firms engage in LC production and which ones do not, and why. Several methodologies are used (chi-square association tests, binary probit regressions, a qualitative method, and ordered probit, censored and truncated regressions), and the respective results compared. Some results are robust to changes in method but others are not. Significant roles are confirmed for foreign ownership, partnership or systematic advice and support, and the long-term presence of a highly skilled senior expert winemaker. No role seems to be played by company size, company age, or membership of a geographical production cluster. Interesting associations also appear depending on a firm’s participation in a knowledge network, its capacity or willingness to retain its skilled winemakers, or its emphasis on award winning in international competitions as a marketing strategy. Extreme care should be exercised in terms of accepting the results of a particular research method without checking these results against other methodological approaches, or in terms of accepting results from a particular time period as also applicable to other periods.