Intangible Assets as a Driver of Growth: The Case of the Chilean Wine Industry

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The Chilean wine industry has experienced an spectacular growth in the last decades and emerged as a significant player in international markets. While in 1997 the industry exported USD 393 million of bottled wine, by 2012 exports reached USD 1.35 billion, both expressed in real (December 2012) values. This growth is the result of an increasing recognition of the quality of Chilean wine, which has contributed to a greater market share in international markets. The industry has responded by investing in new plantations and technology. The area planted more than doubled from 1997 through 2012, from 64 to 130 thousand hectares, a change that has been accompanied by the introduction of modern technology in the wineries, and joint private and public investment in the promotion of Chilean wine in international markets. Among the many changes that have occurred, the increased presence in global competitive markets and the need for specific marketing identity have motivated the industry to invest in more sophisticated management tools (e.g. software and computerized systems) and brand equity, two intangible assets of growing importance for the industry.

This research quantifies the relative importance of computerized systems and brand equity in the growth of the Chilean wine industry. The period of analysis is 1997 through 2012. Time series data were compiled on exports of bottled wine and area planted, a proxy for investment in physical assets in the industry. These series were complemented with an enterprise survey carried out in January-April 2013 on a random sample of the industry that allowed estimation of the equity accumulated in trademarks and software in each of the years of the period of analysis. A Cobb Douglas production function was estimated to decompose the contribution to growth of three explanatory variables: area planted (our proxy for investment in physical capital), brand equity, and software and computerized systems. Our findings highlight the importance of investing in intangibles.