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The Italian Wine Market: an Empirical Analysis on Enterprises' Export of Campania Region

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1. Introduction

The evolutionary process that has characterized the multinational beverage and beer companies, with specific reference to their role in the wine market, proves to be always-growing and more dynamic. That is also thanks to efficient marketing policies, and to an intense international concentration and reorganization process of the alcoholic beverages sector which has brought to the establishment of a limited number of huge American, Australian and European multinational companies. Also the alcoholic consumption model has sustained deep changes.
At the same time, international competition has deeply changed: today, we can no more talk about competition between countries, but we have to refer to competition between companies or groups of companies (often results of combination and take-over processes, also by actors completely unrelated to the market, as financial companies, insurance groups, merchant banks). The old world of wine and the new are not strictly opposed: the real difference is between companies which have focused on winning market-oriented strategies and those which have remained product-oriented. The effects of the strategies of the main multinational beverage companies in the Italian wine sector are still very limited, differently from the undoubted world success obtained: by the right changes, Italy (already at the top of international wine market) could adjust itself to the new requirements of entrepreneurial competition and have a special attention to the way companies relate with the market.
The progressive growth of foreign multinational companies in different markets and their new company strategies, regarding production, distribution, marketing, brand policies, product diversification, promotional activities and investments, should push the universe of Italian small and medium enterprise to follow action lines that are capable to let them compete with the main global actors, with good chances to succeed.
The aim of the present work is to analyse the Italian wine-market and, above all, show the outcome of an enquiry into enterprises' export of an important Italian Region: Campania.
In the first part a picture of the wine regional sector is introduced, with particular observations on the employed surface and the wine varieties, on the actual levels of the general production and the specific typologies of the offer, on the principal characteristics of the model of consumption, on the features of enterprises and on the actual weight of the export in the Campania economy.
In the second part, then, the conducted investigation will be illustrated to the purpose to analyze the actual characteristics of the export of the regional firms, the difficulties found on the international markets and the possibilities of development in the next future.

2. The wine sector in Campania

The wineries sector in Campania is not very developed as regards the extension of land, nevertheless it seems to be important for the quality of products more and more demanded on national and international market.
The sector expresses 3% of the value of the regional agricultural production. Even if it seems modest, it is very important if we consider its ability to activate development in other sectors: transformation, tourism, supply of services (with a notable impact on the territory). The sector is grown, therefore, in terms of value with the same rhythm of the regional agriculture, but less than in other regions.
In Campania the destined agricultural surface to the wine is next to the 30.000 hectares.
The regional vineyard represents 5% around of the one national surface, but the patrimony (with more of one hundred autochtonous vineyard) is the richest in Italy (the alone Aglianico represents 23%). The province with the most greater vineyard is Benevento (10.500 h), followed by Avellino (6.500 h) and Salerno.
After a progressive contraction of the general offer, in Campania the wine production arrived to more than 2 million hectolitres in 2009.
Another element of sure importance must be individualized in the growth of the denomination wines and with geographical indication wine, even if it has not been able to bring the quota of such wines to an elevated level.
As a whole, therefore, the wines with geographical mention represent an inferior quota to 25%, against 60% to national level. Particularly, the three regional DOCGs (Greek of Tufo, Fiano of Avellino and Taurasi) are mostly engrave in terms of real production (51% on the total one).
Considering the productive volumes, Campania expresses by now a contained quota of the wine general national production, near to 5% and one even more contained on the offer of denomination wines (1,4%) and of the geographical indication wines (1,5%).
The weight of the wine enterprises on the total one is 2,6%. Around the region 240 bottler firms are present (+35% in four years), of which only fifteen with more than a million bottles a year. Besides, some of them have constituted consortia of guardianship, that are: the Consortium Protects DOC Samnium Wines, the Consortium of Guardianship of the Irpinia wines, the Consortium Protects Campi Flegrei Wines and the Consortium Asprinio of Aversa, Falerno and Galluccio.
As it regards the juridical nature of firms, in the last five years the number of the societies of capitals is doubled. We can certainly say, therefore, that an important process of transition toward more structured firm-forms is in progress: this action would be able to obtain the possibility to access to technical, organizational, financial, legal and fiscal solutions surely more suitable to the actual challenges of the internazionalization.
The supply of Campania takes place mainly on regional market (where the consumption of wine is double than local wine production) and national. Indeed, exports are reduced and stabilized at around 50.000 hl, by a value of around 15 million of euros. The region is characterized by a contribution of national exports quite reduced (below 1%), even if concentrated on high range quality wines, by unit value of exports (3.6 €/l) which can be estimated approximately double of national average.
The regional consumptions can be esteemed around the 4,2 million of hectolitres. The population has a different behavior-consumption from the national average: the people who drinks wine desultorily represent the 48% of the population of superior age to 14, against a national average of 55%; moreover, those who drink half litre a day at least are 3% of the population and those who drink one or two glasses a day are 20% (to national level these fractions are respectively 4,5% and 24%).
Also the families' wine expense is on an inferior level respect to the national average: the smaller data depends on both the smaller consumptions, and a lower unitary value of purchases.
The comparison among the consumption (more than 4 million hectolitres) and the production (less than 2 million hectolitres) tells us easily that Campania is not a self-sufficient region in terms of wine supplies. This situation can explain, at least partly, the actual offer features and the low propensity to export. However, the excess of demand does not erase problems of product placement (it is shown by the growth of the regional stock).
The surplus of wine demand is covered by import of other Italian regions (substantially those from the foreign countries are negligible): in this context the role of the great distribution is very important.

3. Case study: export analysis about a champion of enterprises

3.1. Objective and methodology

Therefore, exports are reduced in terms of volumes, nevertheless they can represent a new and interesting market to exploit and to strengthen as regards high quality products.
After such a analysis we have carried out a study to evaluate which are the current features of companies' export in Campania, the difficulties identified on international markets and the opportunities of development in the next years. The survey has been conducted with a questionnaire filled in by 22 wineries firms of Campania related to the objectives of study. (Boccia, 2007b).
Such a sample survey, well distributed in different local authorities of territory, representing only a part of wine production in the region (below 10% both by volume and by value) and it is extremely representative both by volume 50% and by value 71% of Campania's export.

3.2. Output

3.2.1. Characters of the champion

Only 29,6% of the considered champion are an individual firm, while the most greater part is in juridical form of society: about it, 52,6% of the firms are by limited responsibility, while only 5,3% have constituted a cooperative.

To also underline other two interesting data: 37% of the firms participate to a consortium of guardianship, while as soon as 18,5% have adopted a certification system of product.

From the point of view of the production, 53% are constituted by the denomination of origin wines, that however represent 73% of the value of the sales, while few more than 16,5% are due to the geographical indication wines (that is 21% of the total one): in all the cases a light growth is recorded in comparison to the last years.

3.2.2. Export: markets and performance

The survey shows as the exports of companies reach a turnover of about 22% both by volume and by value, concerning exclusively controlled place name wines, bottled and commercialized with their own brand. Nevertheless, in some cases the turnover overtakes 30% and in only one case can reach 80% by value and volume 70%.

As regards outlet markets (see table 4), we have examined mainly different European Countries (Germany, Switzerland, the United Kingdom, the Czech Republic, Norway, Belgium, Denmark, Poland), and some big American markets USA, Canada) and few countries of East Asian market (Japan).

The most of firms operate in more of two markets, but in three cases they can operate in eight or ten ones, and in only one case in nearly twenty markets.

Between the half of nineties and the beginning of century the sample survey has showed the presence of new emerging countries (Germany USA, and Japan) – the latter constitute the main markets by volume and by value of sales.

The trend of last years highlighted a slow but a progressive increasing by volume of sales, even if a moderate growth. Such a analysis also regards the trend of Campania's wine sales in foreign countries.

Sometimes, some firms in Spain, France, and in the countries of North Europe (Netherlands, Finland) have left wine market because of a low turnover. Instead, the abandon of China is due to difficulty of local management distribution, a low interest in wine and a little knowledge of Campania's wine varieties.

But particularly we can consider two markets: the United Kingdom and Japan. Regard to the first one, in the last years Italy has lost huge quotas of market because of the great success of the new world wines (particularly Australians), with consequent economic losses for many national firms and, therefore, also for the Campania ones.

Regard to the second market, after explosion of wine consumptions in the end of the century (because of wine's healthy ownerships), Japan has declined at two per-capita litres a year. So, the Italian wine (and obviously the Campania one), that is the second more consumed in this market, has obviously suffered an important stop.

According to the sample survey some specialized companies (11%) hardly ever are able to sell synergic products in foreign countries; we have examined companies selling mainly extra virgin olive oil on American market or grappas in countries of North Europe.

Moreover, as regards the management of a company in foreign countries (less 15%), only few companies designate a commercial attaché, whilst the major companies (more 44%) designate as attaché in foreign and national relations a commercial attaché and it seems not to be a change in the next years.

Moreover, there is a low number of companies (nearly 3.7%) making agreements with distribution companies in order to export on foreign markets; whilst it will be designated an importer in order to transfer products. But many obstacles can be meet in the introduction of the products on new markets. In fact companies have identified particularly difficult to introduce distribution in foreign networks (22.7%) because of permits and bureaucrat ties. It is also an obstacle to obtain information about market, for instance, in competitiveness with other Italian and foreign wines, or to have a little knowledge of Campania's products. Instead, it seems not to meet obstacles linguistic and cultural sectors (4.5%), while no importance is given to duties, because the target is represented mainly by European countries and the product is subject to low rates.

3.3. Export perspectives

In the next two years it is expected that there will be thirteen companies to export their products. The aim of seven companies (less of half) is to increase exports and go in new markets, whereas only five companies are predicted to widen a range of action in new markets, whilst it is expected that one company will strengthen its own position on supplied markets with an increase of export.

In the next future, it is expected that companies will focus on the enlargement of products in order to promote them on market, to encourage foreign investors (38.5%), to increase advertisement (15.4%) to introduce more and more Campania's wines in other countries, enlarging and strengthening commercial foreign networks by new distributors and to increase new agreements with other companies (Italian and foreign); as regards both the distribution in foreign countries (14.2% both of them), and the promotion of wines in points previously selected of foreign feeding (10%) and, to focus on a higher presence in foreign distribution 7.7%).

Then, an interesting point concerns the typology of services offered by institutions as the Region Campania for the development of its own exports. as visits in Campania of potential clients from different foreign markets, or informative material to enterprises about different export markets.

The study stops with a questionnaire to a select champion of enterprises that currently not export.

Of these, 50% have effected commercial operations with the foreign countries in past, but then they have abandoned the served markets, above all owing to low knowledge of Campania wine or impossibility about relationships with the foreign countries because of linguistic problems and of availability of information about market. Nevertheless, all manifest the wish to begin, again or for the first time, to export in the next years.

4. Conclusions

In the last twenty years, the Campania wine sector has changed. The producers have aimed to the exploitation of autochtonous production, directing it toward high quality wines. Nevertheless, the sector is too fragmented.

Thanks to the case study, it is possible to affirm that in the region the wine firms are few interested to international markets still, even if some of them are present in different countries, slant to strengthen their position and intend to penetrate in new markets.

Nevertheless, despite the undoubted problems which can be found on the market, Campania's wine *export* shows many potentialities which must be exploited through:

- a partial change on company strategy, with a particular attention to strengthening of chain distribution in the region and to the role which the consortium of protection can have);
- enlargement of wine varieties;
- major efforts in order to promote the knowledge of Campania's wines towards consumers and foreign operators;
- the main role of agreements in foreign distribution;
- the enlargement of foreign commercial networks.

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