Give me a marketing lever and I will sustain my wine

Cristina Santini, Università Telematica San Raffaele
Alessio Cavicchi, Università di Macerata
Leonardo Casini, Università di Firenze
Armando Corsi, University of South Australia
Executive Summary

• Intro & Research Questions
• The concept of Sustainability and its implications
  – Principles and definitions
  – key traits
  – A firm’s perspective
  – Strategies
• Sustainability in Wine
  – Academic Research
  – Major drivers of sustainability in the wine industry
The wine industry is going green
Organic and byodinamic wines are appealing, but...
  - The segment is still relatively small
  - The share of hardcore consumers is thin and the majority is occasional buyers (Hughner, 2007)
Wineries cry for differentiation: “sustainability” can be a good tool
Research Questions

• How sustainability can be effectively used by wineries for achieving a differentiation?
• How wineries approach to sustainability?
• How wineries can maximize their market share and reach new customers by using sustainability as a brand?
Key traits of Sustainability

• A concept, more than a definition
  – Wide and somehow ambiguous concept (Warner & Douglas, 2007)
  – So many definitions with some common Principles (Morati et al. 1993):
    • a notion of environmental decay that has to come to a halt;
    • a notion of intergenerational equity so that future generations will not be worse off than present generations;
    • a notion of intra-generational equity
  – Inspired by Economic, Ecological and Equity Principles (de Bruyn and Van Drunen, 1999)
• It is a matter of balancing economic environmental and socio-cultural systems (Munasinghe, 1996)

“Sustainability involves **everything you do** on the farm, including economics, environmental impacts of everything done on the farm and all aspects of human resources, including not only you and your family but your employees and the surrounding community” (Ohmart, 2009: 7).
Sustainable Orientation (firm’s perspective)

• Top management’s value (Berry and Rondinelli, 1998; Quazi, 2003)
• Entrepreneurial behavior:
  – Priority given to environmental goals
    • trustee duties
    • supplemental to conventional business
    • integral part of core business activities
  – Entrepreneurs’ profile (Schaltegger, 2002)
    • Environmental Administrators
    • Environmental Managers
    • Alternative actors
    • Bioneers and Ecopreneurs

• Green-green businesses
  “businesses designed to be green in its processes and products from scratch, as a start-up, and, furthermore, is intended to transform socially the industrial sector in which it is located towards a model of sustainable development” (Isaak, 2002: p.38).

• Green businesses
  “managers discovered the cost and innovation and marketing advantages, in not the ethical arguments, for “greening” their existing enterprise” (Isaak, 2002: p.38).
Sustaining Strategy

• Achieving a general differentiation through sustainability
• A tool for achieving competitive advantage
  (Bhaskaran, 2006; Maxwell et al. 1997; Porter and Linde, 1998; Chahal and Sharma, 2006)
• Effects on corporate image
  (Heikkurinen, 2010)
• Operational strategies become more effective when specifically designed around sustainability
  – i.e. Green Marketing
    (Charter and Polonsky, 1999; Lee, 2008; Peattie & Crane, 2005)
Sustainability in Wine: The phenomenon

- A lack of specific data
- 2008:
  - 150,000 has of organic grapes WW (+213% '98 – '08)
  - 85% in UE; 6% in Northern America; 5% in Latin America
  - Growing but still a niche (2% of whole grape production)
- UE:
  - Italy (#1) + Spain (#2) + France (#3) = 84% of organic grape production
  - France is THE organic wine consuming country (A.L.A. bio, 2009)
  - Biodynamic:
    • 375 biodynamic producers
    • 25,000 has
    • 2008 turnover: 30 mill € (70% exports)
    • Italy: 750 has & 84 companies producing grapes
Put theory into practice

What are sustainable practices?
Defining PRINCIPLES (Russel, 2008)
Depicting processes (Gabzdylova, 2009)

Understanding Sustainability

What are the drivers of sustainability? Why Sustainability happens?

Consumer Attitude

Who is the consumer? Is he willing to pay a premium price?

Marketing & Strategy

How wineries manage sustainability?
WHAT

**Inputs**
- Seedlings
- Rootstocks
- Fertilisers & Chemicals

**Vineyard**
- Land Management
- Viticulture Practice
- Irrigation
- Harvest
- Transportation

**Cellar**
- Receiving
- Crushing
- Winemaking
- Blending
- Laboratory
- WIP storage
- Transportation

**Winery**
- Receipt
- Bottling
- Aging
- Labelling
- Packaging
- Storaging
- Transportation
- Waste

**Selling**
- Receiving
- Storage
- Merchandising & promotion
- Waste & Returns
- Transportation

**Consumption**
- Transportation
- Storage
- Consumption
- Waste

Sustainability & Wine
The Case of California (Broome and Warner, 2008; Warner, 2007):
40 industry organizations
6 partnerships

WHY

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Consumption
- Transportation
- Storage
- Consumption
- Waste

Competitors/key players

Regulators

Customers

Environmental Groups

Communities

Activists

External Drivers

Bonterra by Fetzer Winery, CA
Mondavi, CA

Internal Drivers
WHO

• Purchasing attitudes
  – buyers vs. non-buyers of organic wines (Fotopoulou et al., 2003)
  – Willingness to pay a premium price (Brugarolas Molla-Bauza et al., 2005; Barreiro-Hurlè et al., 2008; Remaud et al., 2008; Mueller and Remaud, 2010; Delmas & Grant, 2008).

• Wineries' environmentally friendly practices & Consumer choice
  (Barber et al., 2009; Forbes et al., 2009)
How

Sustainability

• Is a driver for differentiation (Bernabéu et al., 2008)
  – Ceago Winery in California produces organic wines for achieving differentiation (Delmas et al., 2006)
  – Banrock Station went green for reaching new customer segments and differentiate itself from the other BRL Hardy’s brands (Pugh and Fletcher, 2002)

• Requires attention in Marketing Mix
  – Fetzer had to rethink its packaging to improve Bonterra performance (Murphy, 2000)

• Need a direct marketing orientation within firms
  – Organic wine has a high portion of direct marketing (Bernward, 2006; Fotopoulos, 2003)
  – Sustainability must be communicated!
The sustainable winery positioning matrix

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<th>Orientation</th>
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Conclusions

A sustainable orientation requires resources and attitudes

- **TM and Entrepreneur mindset:**
  - Creative, forward thinking, risk attitude, flexible (Regouin, 2004)

- **Financial Resources**
  - A continuous investment in culture and education (Warner, 2007)

- **Networking and partnership building attitudes**
  - Partnerships have a proactive role in diffusing a culture of sustainability (Swezey and Broome, 2000; Dlott, 2004; Broome and Warner, 2008)

- **Flexibility**
  - “As for the future (…), I really do not know. Interest in organic is definitely on the rise (…). Perhaps one day conventional growing will become so ecological that organic will simply merge with it, and the organic movement’s role as a cry in the wilderness will vanish as the essence of its message will have been heard and received. I hope so. At that point the “history of organic marketing” will be over” (Walter Pedersen, Owner and Founder of Four Chimneys winery)
Conclusions

Research

• Has a local orientation
  – No cross country analysis
  – New World drives research on Sustainability in Wine

• Is mainly descriptive

• When dealing with consumers, scholar focus on organic, but nothing on biodynamic! (Lockshin, 2009)
  – Results differ and are difficult to be generalized
  – Effectiveness should remain focused
Thanks

santini.cristina@gmail.com