International Marketing Strategies for Wine Clusters

Christian Felzensztein, PhD
Director, Center for International Competitiveness UAI
c.felzensztein@uai.cl

Introduction

• Continuous research in industry clusters / wine industry
• From comparative studies between countries, to comparative studies among regions within the country
• Theoretical contribution and strong practical implications for firms, trade associations and public policy

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Journal of Business & Industrial Marketing (2013)
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Theoretical background

• The importance of industrial clusters and networks in the growth of entrepreneurial firms, industries and economies (Blundel, 2006).

• Previous research has focused either on economic development policies or critical success factors for clusters (Lundberg and Johanson, 2011), less attention has been paid to analysing relations among actors within and across clusters.

• This study is concerned with co-operative marketing strategies among cluster-based wine firms in Argentina, Australia, Chile and New Zealand.

• A distinguishing feature of geographically clustered firms is that they simultaneously co-operate while they compete.

Research objectives & methodology

1. To understand the marketing practices of clustered firms from the Southern Hemisphere.

2. To explore to what extent co-location influences inter-firm marketing cooperation to achieve better competitive advantage in international markets.

3. To identify significant differences in marketing practices among clustered firms in emerging versus developed economies of the Southern Hemisphere.

The results of a 2011 survey of the most important wine producing and exporting countries of the Southern Hemisphere (Argentina, Australia, Chile and New Zealand) are presented.

After three months follow-up process, an 11% response rate was achieved in Argentina, 33% in Chile, 6% in Australia and 10% in New Zealand.
The wine industry

- **Southern Hemisphere**: two developed countries and two emerging economies.

- **Mix of international marketing strategies**, ranging from competitive pricing to strong differentiation with price premiums.

- **Argentina**: fifth largest wine producer. Concentration in the domestic market (79%).

- **Australia**: seventh largest producer. Export markets: the UK and the US, which together represent 67%. The Australian wine industry developed regionally.

- **Chile**: eighth largest wine producer and the fifth largest exporter. Focus on international markets (>75%). Chile aims to be recognized by 2020 as the most successful producer and exporter of wine from an emerging market.

- **New Zealand**: small on a global scale. Niche-focused marketing strategy, high-quality positioning. Marlborough & Sauvignon Blanc. Importance of small firms.

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**Previous Results in International Marketing Strategies - UK market**

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**Spending Behaviour**

How much money do you usually spend in a bottle of wine?

- **Range of price (£GBP)**
  - No response
  - 10.00 or more
  - 6.00 to 9.99
  - 4.50 to 5.99
  - 3.50 to 4.49
  - 3.49 or less

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**Preferences of wines by country of origin among the sample**

![Graph showing preferences of wines by country of origin among the sample]
Perception of attributes of wine by country of origin

- “premium wines” versus “value for money”
- “well known brands” versus “reputable wine producer”

Factors that influence wine selection among the respondent
Communication tools that influence respondent’s selection of wines

- Significant differences in the length of time the companies have been established
- Mostly SMEs but with some differences between developed and emerging countries...

Results for Marketing Cooperation (2011)

- There were significant differences in company ownership. The source of capital for the companies under study in the developed countries are predominately regional (67.2%) whereas in Argentina and Chile the main source of capital was national (58.3%).

<table>
<thead>
<tr>
<th></th>
<th>Regional</th>
<th>National</th>
<th>Foreign</th>
<th>Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging</td>
<td>15</td>
<td>42</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Developed</td>
<td>45</td>
<td>8</td>
<td>8</td>
<td>6</td>
</tr>
</tbody>
</table>

- The majority of companies were not subsidiaries of multinational companies.

How useful is being located in a region of the country?

<table>
<thead>
<tr>
<th></th>
<th>Enhanced reputation</th>
<th>Skilled labour</th>
<th>Specialised services</th>
<th>Innovation and NPD</th>
<th>Inter-cluster referrals</th>
<th>Local market demand</th>
<th>Customers for your company</th>
<th>International marketing knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Mean</td>
<td>1.00</td>
<td>1.75</td>
<td>1.54</td>
<td>4.90</td>
<td>0.90</td>
<td>2.27</td>
<td>1.73</td>
</tr>
<tr>
<td>Australia</td>
<td>Mean</td>
<td>1.95</td>
<td>2.61</td>
<td>2.35</td>
<td>2.53</td>
<td>2.25</td>
<td>2.75</td>
<td>2.58</td>
</tr>
<tr>
<td>Chile</td>
<td>Mean</td>
<td>1.24</td>
<td>2.18</td>
<td>2.76</td>
<td>0.96</td>
<td>2.75</td>
<td>2.75</td>
<td>2.28</td>
</tr>
<tr>
<td>NZ</td>
<td>Mean</td>
<td>1.07</td>
<td>1.83</td>
<td>1.34</td>
<td>1.36</td>
<td>1.41</td>
<td>1.25</td>
<td>1.41</td>
</tr>
<tr>
<td>Emerging</td>
<td>Mean</td>
<td>1.39</td>
<td>2.37</td>
<td>2.98</td>
<td>1.18</td>
<td>1.84</td>
<td>2.84</td>
<td>2.81</td>
</tr>
<tr>
<td>Developed</td>
<td>Mean</td>
<td>1.96</td>
<td>2.72</td>
<td>2.81</td>
<td>3.30</td>
<td>3.35</td>
<td>2.98</td>
<td>2.87</td>
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</tbody>
</table>
Resources for marketing cooperation are invested in:

<table>
<thead>
<tr>
<th>Region</th>
<th>Mean</th>
<th>Personal relationships with customers</th>
<th>Joint distribution activities</th>
<th>Joint promotion strategy</th>
<th>Joint database and internet communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Mean</td>
<td>2.07</td>
<td>2.50</td>
<td>2.29</td>
<td>2.07</td>
</tr>
<tr>
<td>Australia</td>
<td>Mean</td>
<td>3.38</td>
<td>3.17</td>
<td>3.11</td>
<td>3.39</td>
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<tr>
<td>Chile</td>
<td>Mean</td>
<td>3.25</td>
<td>3.16</td>
<td>3.32</td>
<td>3.44</td>
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<tr>
<td>NZ</td>
<td>Mean</td>
<td>3.71</td>
<td>3.35</td>
<td>4.24</td>
<td>3.06</td>
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<tr>
<td>Emerging</td>
<td>Mean</td>
<td>2.86</td>
<td>2.95</td>
<td>3.31</td>
<td>2.98</td>
</tr>
<tr>
<td>Developed</td>
<td>Mean</td>
<td>3.64</td>
<td>3.26</td>
<td>4.17</td>
<td>3.23</td>
</tr>
</tbody>
</table>

Reasons for cooperation:
- Attract new customers
- Increase sales in the long-term
Reasons for Marketing Cooperation:

<table>
<thead>
<tr>
<th>Country</th>
<th>Attract new customers</th>
<th>Increase sales in short term</th>
<th>Increase sales in long term</th>
<th>Retain existing customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Mean</td>
<td>2.43</td>
<td>1.64</td>
<td>2.36</td>
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<tr>
<td></td>
<td>Valid Cases</td>
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<td>14</td>
<td>14</td>
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<tr>
<td></td>
<td>S.D.</td>
<td>2.533</td>
<td>2.061</td>
<td>2.468</td>
</tr>
<tr>
<td>Australia</td>
<td>Mean</td>
<td>4.37</td>
<td>4.21</td>
<td>4.26</td>
</tr>
<tr>
<td></td>
<td>Valid Cases</td>
<td>19</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>S.D.</td>
<td>.496</td>
<td>.631</td>
<td>.733</td>
</tr>
<tr>
<td>Chile</td>
<td>Mean</td>
<td>4.70</td>
<td>4.36</td>
<td>4.78</td>
</tr>
<tr>
<td></td>
<td>Valid Cases</td>
<td>27</td>
<td>28</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>S.D.</td>
<td>.669</td>
<td>.951</td>
<td>.506</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Mean</td>
<td>4.37</td>
<td>4.00</td>
<td>4.44</td>
</tr>
<tr>
<td></td>
<td>Valid Cases</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>S.D.</td>
<td>.500</td>
<td>.816</td>
<td>.512</td>
</tr>
<tr>
<td>Total</td>
<td>Mean</td>
<td>4.13</td>
<td>3.75</td>
<td>4.13</td>
</tr>
<tr>
<td></td>
<td>Valid Cases</td>
<td>76</td>
<td>77</td>
<td>76</td>
</tr>
<tr>
<td></td>
<td>S.D.</td>
<td>1.436</td>
<td>1.514</td>
<td>1.445</td>
</tr>
</tbody>
</table>

Why firms undertake joint marketing: both clusters displayed very high means:
- Attract new customers (M=4.26 larger and 4.08 smaller firms)
- Increase sales in the long term (M=4.35 larger and M=4.04 smaller)
- Retain existing customers (M=4.04 larger and M=3.74 smaller).

Both clusters also reported a higher mean for engagement with:
- Trade association (M=4.00 larger and M=3.68 smaller) as opposed to suppliers
  (M=2.50 larger and M=2.98 smaller firms) and buyers
  (M=3.33 larger and M=3.60 smaller firms).

Key role of Trade Association for engagement in inter-firm cooperation

A cluster analysis was undertaken. Some key findings:

For smaller, finding new customers for their firm is important (M=3.38) in contrast to the larger, more established firms (M=2.79) (p=0.04).

For smaller, regional clustering is important for gaining access to greater innovation and new product development (M=3.30 compared to M=2.71; p=0.028).

Smaller, identified facilitating opportunities for co-operation in marketing with trade associations in order to undertake joint branding initiatives, whilst in their response, the larger firms identified this as not particularly important (M=2.82 compared to M=2.12; p=0.018).

Smaller, had developed marketing co-operation mainly with one or more local producers (M=3.61 compared to M=2.89 for the larger firms; p=0.040)

Conclusions

- Factors that contribute to inter-firm cooperation when firms are internationally oriented.
- Chile: greater international market demand & Joint marketing delegations
- Australia: greater local market demand.
- Argentina: Reputation, Innovation & NPD, Referrals and International market demand
- Internet and joint database technology for firms with international orientation.
- Importance of Size as a factor for cooperation, even more important that the stage of development of a country.
Lessons for Managers:

- **International Marketing Managers from small export oriented countries like Chile & NZ:** developing new international marketing campaigns.

- **Lessons for Managers from other Latin American countries:** developing wine clusters (eg. Brazil & Peru); strong agribusiness clusters (eg. Costa Rica & Colombia).

- **Future research:** New research opportunities for cross-country studies.