

## Padua 2017 Abstract Submission

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Conference Presentation

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### Keywords

cluster, wine, Italy, cluster formation

### Research Question

How is a wine cluster formed in Italy and how is this different or similar to the New World wine clusters commonly found in the literature?

### Methods

Interviews

### Results

Similarities and differences are compared and the authors discuss the evolving nature of clusters.

### Abstract

#### 1. Introduction

Hall, Cambourne, Macionis, and Johnson (1997) noted that a strategy used to overcome risk aversion by wineries was to cooperate with other firms in reciprocal arrangements. This was emphasized again by others including Dana and Winstone (2008) and Missens, Dana and Yule (2010). In his Hudson Valley study, Centonze (2010) found that collaboration was essential to wine cluster success. Demonstrating that wineries were actively engaged in collaborative relationships resulting in a sense of friendship among competitors, Alonso (2011) went as far as to write, "Standing alone you can't win anything (2011, p. 43)."

The above studies all focused on New World wine producers. What about old wineries of Italy – the second world's biggest wine producer after France (Mediobanca, 2016)? What is different or similar? This paper examines wine cluster formation and operation in central Italy.

#### 2. Methodology

The wine industry is appropriate for observing the process of clustering in evolutionary terms (from formation to development), since it represents a sector wherein the small scale and fragmentation of wine producers foster aggregation among firms – usually for technical and economic reasons linked to transformation and distribution (De Marchi and Grandinetti, 2016). Focusing on an embryonic clusters allows us to understand why they form, which members they involve, and how they differ from more evolved clusters.

We analyzed the Distretto rurale di qualità dei Colli Esini – rural district of quality of Esini hills – (Colli Esini) wine producer cluster in Italy and found it to be significantly different from more evolved clusters of the northern regions of Italy (Meneghini, 2007). Colli Esini is characterized by loose ties among wine producers and a considerable involvement of firms working in the tourism industry despite its recent formation – similar to the Waipara cluster in New Zealand that was studied by Dana and Winstone (2008). An international comparison might help to understand whether certain operations can be replicated in different real world settings, while still being

aware that clusters can be shaped by historic background, country characteristics, average firms size and other contextual factors.

Data was collected through in-depth qualitative interviews. Interviews were selected using a stratified sample in order to obtain answers from both large and small wine producers. Researchers realized two interviews with the cluster's board members and one additional interview with one company external to the cluster. The qualitative analysis represents the best method to achieve a rich and deep knowledge of the matter.

### 3.1. Creation

The area of Colli Esini is situated in Le Marche (the Marches – a region of central Italy, between the Apennines and the Adriatic Sea). The region has approximately 25,000 hectares dedicated to wine cultivation, 40,000 wine producers, 5 DOCG and 15 DOCs – labels of high quality wines (ISMEA, 2015). Two DOCGs refer to the cultivation of Verdicchio grapes by small wineries near the river Esino. Their geographical proximity and product specialization makes Colli Esini an interesting example of wine cluster.

Colli Esini does not have the same characteristics of the wine clusters of Chianti and Barolo identified by Rossi (2010). Division of labor and company specialization along the supply chain are not strong here, nor there are the same well-knit relationships among growers, producers, traders and service companies that we can find in Piedmont, Veneto and Tuscany (Pastore, 2002). Moreover, Colli Esini does not benefit of biotech firms and research centers working on scientific innovation, providers of technical instruments and other specialized organizations like in the North (Meneghini, 2007; Galletto and Bianchini, 2009). Lastly, cooperation among small local wineries is not developed, despite their geographical closeness, and shared histories, traditions and values. Hence, Colli Esini does not fully benefit from classical agglomeration advantages such as reduced transactions costs, economies of scale and rapid exchanges of commercial and technical information through informal channels. Colli Esini represents more an embryonic (Dana and Winstone, 2008) or informal cluster (Mytelka and Farinelli, 2000) composed of micro and small wine producers, which compete among themselves, while cooperating with public entities (such as municipalities), producers of other agricultural products (e.g., oil) and tourism businesses.

### 3.2. Current operations

Colli Esini groups 90 members (62 private and 28 public). Besides wine producers, who play an important role (they always have two representatives in the board of directors), there are also growers, farmhouses, craftsmen, restaurants, hotels and tourism businesses, municipalities and their local associations. The cluster is governed by a 13-member board. Most financial capital does not derive from members' fees but from public funding.

The cluster operates as a consortium to provide information services (access to documents, laws and statistical data), professional assistance in environmental aspects, financial issues, internationalization and project development. Since most equity belongs to municipalities, there are no specific operators of the wine supply chain or other related industries that can dominate the board's decisions. Services and funds are made available to all types of members and for many different activities, from the opening of a wine tasting hall to the creation of a peasant museum. Cooperative projects are most welcome, such as the design of wine itineraries that involve several subjects from different sectors.

Observing the initial structure of the cluster, it is interesting to note that before formalization there were only two main types of operators involved: wine producers and municipalities. At that time, the cluster aimed to create a dialogue between these two and among wine producers located in different villages – as a first step toward the development and communication of a common wine identity. Initiatives involved the creation of permanent wine exhibitions with promotional functions and the organization of public events with wine tasting for tourists in different municipalities. Meetings were designed to share experiences of different firms and one blind wine tasting among producers willing to face local competitors and improve their own products. Things have changed with the aggregation of other agricultural firms, tourism businesses and various public institutions. Cluster initiatives began to look at environmental issues related to the territory, farmers' conversion to new lines of production, the creation of accommodation facilities on the territory and professional training in tourism. In other words, the cluster has evolved toward a more networked structure characterized by a plurality of local members, which now focuses on the promotion of the territory and its identity, spanning from wine to food, culture, tourism and entertainment. The wine is instrumental in promoting the values, the landscape and traditions of the rural areas. Promotion should not only assist wineries but the whole territory by attracting tourists and customers.

The experience of Colli Esini indicates that wine clusters do not always include suppliers of wine equipment, producers of bottles, corks, machineries and other related firms who are supposed to move or create a new production site in the area of cluster formation as suggested by other studies (e.g., Aylward and Glynn, 2006;

Meneghini, 2007; Pastore, 2002; Porter, 1998b). Secondly, it indicates that a wine cluster can involve firms of other industries and sectors from its early beginning: it does not need to become a highly structured cluster like those in Australia to interact with actors of the agricultural system and tourism businesses (Boatto et al., 2013). Thirdly, our findings indicate that the role of cluster members and cluster's goals can evolve over time, with wine producers playing a less important role than at the beginning.

Despite common initiatives, there is still a high degree of competition among wineries. Wineries dialogue with distributors, arrange contracts and organize transportation individually. Product commercialization represents a key aspect where common strategies are not possible according to the interviewees. Cluster members believe that competition is important as it pushes firms to continuous improvement. However, rivalry inside the cluster is softer than outside because cluster members all identify themselves as promoters of high quality wines, who work on educating customers to appreciate the value of wine from its intrinsic elements, while producers from other regions (e.g., in Apulia and also in Sicily) and foreign countries compete on costs. Moreover, wineries try to propose unique offering systems (e.g. wine packages, wine experiences) or to specialize in specific market niches like organic wines that avoid direct competition.

Such loose ties among wineries can indicate that either the Colli Esini cluster is still in an embryonic phase or cluster evolution does not always mean changing from an informal cluster to an organized or innovative one (Mytelka, Goertzen, 2003; Aylward, Glynn, 2006) as we cannot register the development of more intense relationships among wineries, nor there are strong ties with national organizations.

#### 4. Comparative Context

This cluster of Old World wines has similarities with a New World cluster in New Zealand, that studied by Dana and Winstone (2008). Comparison is meaningful first in terms of time of formation. Both clusters demonstrate loose ties among members, a focus on local actors (involved industries and public bodies operate at regional or province level) and a lower number of subjects involved if compared to innovative or evolved clusters (e.g., the South Australia wine cluster, the Marlborough region in New Zealand and the northern regions of Italy). In other words, both areas analyzed can be labeled as embryonic or informal wine clusters, which already existed before policymakers' recognition.

As well as favoring clusters comparison, information on recent foundation is important because it can explain differences in membership composition between the two wine clusters analyzed and general cluster characteristics described in Porter's works - who analyzed more evolved US clusters. Moreover, it can explain why interviewed cluster members do not record all benefits on productivity and innovation that aggregation and intense cluster relationships are expected to generate. (Porter, 1998b, suggested that a cluster usually needs a decade or more to develop a real competitive advantage).

Neither Waipara nor Colli Esini has all the characteristics of industrial districts described by Becattini (1989) and Marshall (1966). Newborn clusters entail a very narrow range of local actors, even less than those described by Aylward and Glynn (2006) with reference to Australian informal wine clusters. Waipara has only two key members: growers and producers. Colli Esini involved only wine producers and municipalities at the beginning. Thus, interactions and face-to-face communications that should foster cluster's information sharing, reciprocal learning and innovation occur only among certain actors, while higher benefits are usually associated to strong heterogeneity of resources and knowledge of partners (Noteboom, 2004). In addition, interactions are often restricted to a few aspects of the business and remain loose. This is true especially for Colli Esini, where wineries do not have a collaborative culture and work together only on territorial marketing, while intense relationships on product and process development usually occurring among suppliers and wineries are missing.

Besides confirming that loose ties are associated to lesser benefits for cluster members (according to the literature the degree of connectedness strongly influences cluster effectiveness), results provide some theoretical advances on which factors affect cluster impact and which types of relationships are the most profitable. First, evidence indicates that effects on members are strictly related to cluster operations that change according to membership composition, members' role and culture toward cooperation and competition. Secondly, as Waipara's members record a more positive cluster impact compared to Italian wineries, we can state that vertical relationships (among growers and producers) and collaboration on both growing techniques, production methods and marketing aspects, can be much more productive than establishing only horizontal relationships with public bodies and players in the tourism industry focusing on marketing initiatives. Using the words of Aylward and Glynn (2006), this indicates that "cultures" within clusters can be important.