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Title

STRATEGY AND EXPORT PERFORMANCE OF SPANISH WINERIES

I want to submit an abstract for:

Conference Presentation

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Keywords

Export performance, Business strategies, Spanish wineries, Robinson and Pearce methodology, Wine business

Research Question

The study analyses the international performance of the Spanish wineries and their relationship with the principal business strategies in the wine sector in Spain

Methods

Robinson&Pearce methodology to determine the competitive conduct of the companies based on a survey. A two-step Heckman model to analysis the influence of different strategic models on export performance.

Results

The results of the study show how Spanish wineries have increased their probability to export through very different strategies, those based on high quality services, on innovative or efficient models

Abstract

With a declining domestic demand and a growing production, exports have been the solution for the wine industry in Spain in recent decades to ensure its continued growth. The industry has been able to place all of the production in foreign markets at highly competitive prices (Cervera Ferrer & Compés López, 2018). The exporting capacity of the Spanish winemakers is very high and above the average of other sectors. In Spain, there are 4,090 wine producers, of which around 3,920 are registered as exporters (Mercasa, 2017), which is the equivalent of 95% of winemakers.

Different studies of the recent literature have mainly emphasised the differentiation strategies (Crozet, Head, &

Mayer, 2012 for the wine industry in France or Curzi & Olper, 2010 for Italy). Medina Albaladejo & Martínez-Carrión, (2010) reveal that the low productivity is compensated by a high quality product which enables the margin to be increased through differentiation, facilitating the internationalisation process (Baldwin & Harrigan, 2007). On the other hand, through the study of Chinese export prices, Manova and Zhang (2009) indicate that companies that export to a larger number of countries set higher prices (Manova & Zhang, 2009). Therefore, these studies show that the companies that are able to produce their products with a certain degree of differentiation are able to set higher prices, increasing their margins, which enables them to assume the costs of internationalisation or penetrating new markets and to export to a higher number of countries. These examples show that variables such as differentiation influence the capacity of the companies to carry out their activity abroad. Intangible aspects, such as the brand image and tangible aspects, such as the quality of the products, constitute key factors in achieving the differentiation of a product, favouring the internationalisation processes. In the context of the wine industry we can find a concept that encompasses these two factors, namely differentiated quality. This seal guarantees food safety and quality standards and also links and roots the product to a geographical area of origin in order to attempt to differentiate the product. Different studies show how the designations of origin have been decisive. Acting jointly in many elements of the supply chain, the companies have grown in size, giving rise to good levels of competitiveness and enabling them to implement strategies in international markets which would have been difficult to achieve individually.

Within this context, the Spanish wine industry has been criticised due to the lack of differentiation of its products, particularly in terms of their lower quality compared to those of neighbouring producing countries such as the French and Italian wines. Within Spanish viticulture, the region of Castilla-La Mancha would be the best example of specialisation in the production of lower quality products in which volume and low sales prices are predominant. The principal characteristics of the wineries in this region are their larger size, product standardisation and high volumes of production that obtain them economies of scale.

However, in Spain over the last few decades there has been a proliferation of Certified or Differentiated Seals of Quality. Although these seals have not been very successful in competing in the higher quality segments, they have guaranteed the compliance with higher quality requirements and have therefore provided assurance to the international distributors of the product. These figures have enabled the small and medium Spanish wineries to increase their competitiveness and enhance the value of their products, bestowing them with a higher value added as they guarantee the consumer the compliance with food safety and quality standards and the control of the production process (Aragonesa de Consultoría, 2008).

Within this context, the study analyses the international performance of the Spanish wineries and their relationship with the principal business strategies in the wine sector in Spain. To do this, the Robinson and Pearce (1988) methodology has been used to determine the competitive conduct of the companies based on a survey with 22 questions. These authors group a series of questions in order to present four principal business strategies: efficiency, quality service, innovation and marketing. In order to carry out an analysis of the influence of different strategic models on the export performance of Spanish wineries, a two-step Heckman model has been used. The first step analyses the factors that influence the decision of businesses to export (Roberts and Tybout, 1997). In the second step, the factors that influence the exporting intensity of businesses are analysed.

The results of the study show how Spanish wineries have increased their probability to export through very different strategies, those based on high quality services, on innovative or efficient models or those based on the intense use of marketing tools. With respect to the strategies that determine a greater exporting intensity, the companies that combine several strategies are efficient, innovative and intense in marketing and the most successful. These results are closely related to the growing use of the Certified or Differentiated Seals of Quality. Although these seals have not been highly successful for competing in the high quality segments, they have guaranteed the compliance with higher requirements, improved the image and assurance in the transactions with international distributors of the product. These figures have therefore enabled the small and medium Spanish wineries to increase their competitiveness and improve their products, bestowing them with a higher value added, increasing the food safety and quality standards and the control of the production process. (Aragonesa de Consultoría, 2008).

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