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Keywords
Wine tourism, experience economy, Italian wine industry, winery economic performance.

Research Question
The purpose of this study is to examine the association between the implementation of experience management practices and economic performance of wineries in the Italian wine industry.

Methods
Econometric analysis with archival and hand-collected data.

Results
The implementation of experience management practices seems to have a significant association with wineries’ economic performance mainly due to educational activities.

Abstract

Purpose
The purpose of this study is to examine the association between the implementation of experience management practices and economic performance of wineries. Wine production is no longer enough; therefore, wineries are diversifying their business implementing new activities related with the experience of wine tourists. Such decisions may have a double positive effect: directly increase economic performance and catalyze wine economic performance (enhance sales and/or improve profit margins) (Alonso et al., 2013). Italy is an important player in the wine industry and the Italian wine tourism industry has benefit of recent specific policies (Asero and Patti, 2009).

Motivations
“Goods and services are no longer enough” Pine e Gilmore (2011). Social and economic development, competition growth, facility to travel, new technologies are the pillars of experience economy. Through innovation and customization, customer experience has become new business unit for wineries. Consumer involvement in memorable experiences has given wineries the possibility to enhance the relationship with consumer, reinforce brand recognition and increase customer loyalty. The wine tourism phenomenon has been growing during the last decade and it has become more relevant for creating value and building a longer relation with customers. Therefore, experience management practices can enhance winery economic performance.

Tourists visit Italy not only for artisan pieces, historical heritage and natural beauties; but also for embracing Italian wine tradition and food tasting. Tourist preferences are no more related to the mere wine tastings, but they want to understand history and the culture of wines, features of production methods and wine-foods paring. Moreover, tourist is searching for unforgettable experiences. Following the practices in other countries (ex. Australia, California, Chile and South Africa), Italian wineries are proceeding towards the development of a new wine tourism concept based on experience. Experiencing wine and feeling winescape has become a key point for creating a strong and competitive advantage.

Theoretical background
The experience, so, represents a new source of value (Pine and Gilmore, 1999). Experiences are an extensive global tendency which is not specific to the production of a particular product or service (Mehmetoglu and Engen,
Consequently, the experience economy is consistently growing and it is one of the main economic trends due to its applicability to many industries and tourism in particular. The driving force behind this trend is related to the individual’s need to create an own identity and to shape own personality in a life characterized by increased freedom and improved economy (Hovedstadens Udviklingsråd, 2005). In particular, the tourism industry is moving from the mere presentation of products and services to the staging of a complete and complex experience linked to the whole process of consumption.

Company can create value by changing goods into services and services into experiences through customization or increase volume through commoditization. Experiences are different from each other, indeed, Pine and Gilmore (1999) identify four different experiential realms: entertainment, educational, esthetic and escapist. Experiential realms are defined considering two determinants: the participation in the experience of customers (active or passive), and the relation between customers and the event (absorption or immersion). In particular, the entertainment realm requires passive participation and an absorption relation, the educational realm is related to an active participation and absorption relation, the esthetic realm involves passive participation and immersion relation and finally the escapist realm encompasses an active participation and immersion relation.

Many papers analyze the experiential topic in several industries (Oh et al., 2007), but the wine industry has been investigated only recently. Within this body of literature, the majority of studies, focus on the wine tourist’s point of view by assessing which item has more value or meet customers’ experiential needs (Quadri-Felitti and Fiore, 2016). In particular, these research investigates customers’ motivations (Alant and Bruwer, 2004 and Galloway et al., 2008), socio-demographic and psychographic profiles of wineries’ visitors (Getz and Carlsen, 2008), new marketing practices (Galati et al., 2016) and customers’ satisfaction as determinants for revisit or repurchase actions (Yuan and Jang, 2008). However, whether experience management practices have a positive association with economic performance of wineries is still unclear.

Research questions
Since experience management practices may require significant investments both in human and tangible capital, it is still not clear whether these practices are implemented by wineries with already a positive performance or by those with poor performances in order to fulfill the gap. Therefore:

RQ1: Is the decision of implementing experience management practices associated with previous wineries’ economic performance?

Implementing experience management practice is costly and its outcome is more volatile than the main wine production business. Therefore:

RQ2: Has the implementation of experience management practices an association with recent wineries’ economic performance?

Winery can implement different type of experience management practices in each of the four realms (entertainment, educational, esthetic and escapist) and they are able to generate a unique experience. However, competition is increasing and tourists’ budget constrains influence their choice. Therefore:

RQ3: Which experience management practices have the strongest association with the economic performance?

Methodology
In order to test the first two hypotheses a sample of Italian wineries have been extracted from AIDA Database by selecting all the parent companies involved in the cultivation of grapes (ATECO code:0121) and in the production of wines (ATECO code:1102) with a minimum of 4 million € of revenues in 2014. This generates a sample of 298 wineries of which 112 undertake some experiences management practices.

In order to test the third hypothesis a subsample of 153 wineries has been selected considering a constrain of 9 million € of revenues in 2014. Following Quadri-Felitti and Fiore (2012) examples for the four experience realms in the wine industry each of the 153 winery has been investigated. In particular, the experience management practices implemented has been classified into the four realms. For example, educational realm focuses on whether wineries design their business to include learning experiences for customers or activities to stimulate their curiosity to learn something new and it is related to the need of wine tourists to enhance their knowledge and skills. The esthetic realm tries to understand whether wine tourism suppliers design business settings either to be pleasing to customers’ senses or to make it really beautiful or to create an environment which is attractive for the customers and makes them feel in harmony. The entertainment realm, instead, refers to the offering of activities which are fun for customers or events that entertain travelers with the final aim of attracting individuals motivated
to experience a particular site, place, destination or event somehow related to wine and viticulture. The escapist realm, deals with the possibility given by wineries of helping customers to completely escape their daily routine and to be engrossed in a different time or place represented by the “wine world”.

As dependent variable, several performance proxies has been used: EBITDA margin, Return on Assets (ROA), Return on sales (ROS), Invested Capital Turnover (ICT) and delta sales. Proper econometrics models have been implemented controlling for winery size, age, tourist presence in the region and the presence of other facilities like restaurant and wine shop.

Findings
The analyses performed suggest that wineries with good performances in the past (2008, 2009 and 2010) are less willing to organize wine tourism activities in 2016; moreover, wineries’ size and the average days of tourists’ visits the region seem to have an influence on the choice of providing wine experiences.

The implementation of experience management practices seems to have a significant association with wineries’ economic performance mainly due to educational activities. Moreover, the presence of other facilities has a negative association with the winery performance. Implementing these supplementary business units may require additional costs and competences.

Originality/value
Few researchers have assessed whether experiential management practices have a significant effect on the wineries’ economic performance. Therefore, practitioner may benefit from the results of this study.