

INTERNATIONALIZATION OF ITALIAN WINE FIRMS: AN EXPLORATORY RESEARCH

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Abstract

Wine business is called to modify its strategic patterns in order to face the challenges of global competition. The Italian wine industry shows a continuous loss of its competitive position linked to a decrease of Italian share in world exports. This problem is often examined with a macro-economic perspective which limits the analysis only to a picture of a quantitative phenomenon. Fewer studies address the firms' strategies and the managerial approaches to the development of international processes.

The paper is a first step of a wider research project “Quality challenges in international markets. The competitiveness of Italian wine firms” about the relationship between internationalization of the Italian wine firms and the diffusion of total quality management. In this first explorative phase an empirical survey was carried out on 49 firms in order to outline a descriptive analysis in terms of foreign market orientation, market and channel preferences, organizational assets and strategic tools to the management of internationalization.

Introduction

Wine business is called to modify its strategic patterns in order to face the challenge of new competitors.

Some empirical researches point out that in the wine business the development of a market-oriented strategy is the main competitive weapon to operate and to win on the international markets (Zanni, 2004; Troilo, Zaghi 2006). Market orientation asks for both strategic and operative capabilities in order to sense and know the preferences and the tastes of consumers and to develop and deliver a firm's value proposition (Day 2004). Notwithstanding this aim a lot of wine firms, particularly the small ones, consider marketing activities beyond their managerial resources needed. They show a more entrepreneurial orientation characterized by research of opportunity with little planning or scarce analysis and methodological support for marketing decision (Coppola et al., 2005). Such a state of affairs makes Italian wine firms particularly vulnerable to the new international competitive landscape and it is a real obstacle to their development. The Italian wine industry shows a continuous loss of its competitive position linked to a decrease of Italian share in world exports. This problem is often examined with a macro-economic perspective which limits the analysis only to a picture of a quantitative phenomenon. Fewer studies address the firms' strategies and the managerial approaches to the development of international processes. According to some recent studies (Matroberardino, 2002; Zanni, 2004; Troilo, Zaghi, 2006) the international competitiveness of Italian wine industry is strictly linked to the real implementation of international strategy; this implies the development of managerial model to be able to understand the competitive issues and to content with market transformation.

The present work is a first step of a wider research project about the relationship between internationalization of the Italian wine firms and the diffusion of a managerial approach such as total quality management. In this first explorative phase an empirical survey was carried out on 49 firms in order to outline a descriptive analysis in terms of foreign market

orientation, market and channel preferences, organizational assets and strategic tools to the management of internationalization.

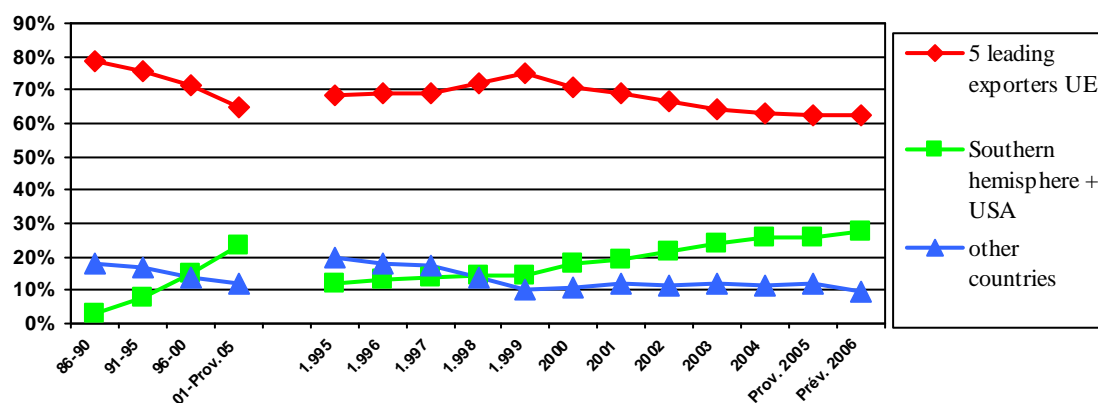
The paper is structured as follows: after an outline of globalization and international competition in wine industry, Italian wine business is analyzed in terms of exports, productive system and market orientation. Then the methodology is described and the main findings are presented. Finally a discussion is addressed and further research steps are identified.

1. Globalization and international competition

Wine Business “provides a wonderful case study of globalization at work that involves primary, secondary and tertiary sectors of the economy, because the global average cost of a bottle of wine is shared roughly as follows: 10% to the grape grower, 30% to the winery, 37% to transporters, wholesalers and retailers, and 23% to tax collectors” (Anderson, Normann, Wittwer, 2001, p.5).

Globalization is not a new phenomenon in wine business but recently it has become more significant. One indicator is given by the share of exported global production, which rose from 15 to 25 per cent over the last decade. This trend has been very positive for firms in the New World (NW) (North and South America, South Africa, and Australasia), while firms in Old World (OW) - in both Western and Eastern Europe - have been challenging seriously. International competition will continue to increase due to the rise of the areas planted in vines by NW countries that will provoke an alteration in the equilibrium between supply and offer. Figure 1 shows the decline of world market share (in terms of volume) by the first 5 EU exporting countries, to the benefit of NW; this should account for the 28% of world exchanges (OIV, 2006).

Figure 1 – World Market Share



Source: OIV, 2007

The growth rate for world exports remains high. Europe is the main exporting continent (71% in 2006), but it declines very significantly relative to the end of the 1980s when it was practically unrivalled. America comes next with 13.5% in 2006 (versus 2.5% at the end of the 1980s), followed by Oceania, which, with around 11% of world trade, posts an exceptional performance.

Italy recovers its position as volume leader in world exports, with 17m hl. France is second with 14.6m hl, followed closely by Spain with around 14m hl. Australia, with 8.3m hl exported, ranks fourth ahead of Chile and the USA.

For what concerns world importations, they continue to increase (78.3m hl). Europe is still in a dominant position, even though its share is gradually declining (76%). Then there is the American continent with 16% (with an increasing share in imports, up from 11.4% at the end of the 1980s). The third importing continent is Asia, admittedly modest with 4% in 2006 but whose share is increasing; then Africa and Oceania come.

In 2006, Germany remains the leading importer ahead of the United Kingdom (13.3m versus 11.7m hl), while the USA comes close to 8m hl imported and Russia exceeds 7m hl. With 5.3m hl, France is now only the fifth importing country, while the Netherlands, Canada and Belgium are close to 3m hl. Sweden pushes Italy out of this ranking for the first time in 2006.

In wine business globalization and international competition are fostered by several factors (Anderson, et al., 2001; Anderson, 2004; Rabobank, 2003; Thach, Matz, 2004).

Globalization is linked firstly to concentration in wine business (Green et al., 2007). Even if wine is the least concentrated of the beverage and tobacco industries (in the late 1990s was just 6 per cent in the wine industry compared with 35 per cent for beer, 42 per cent for spirits: Rabobank, 1999) mergers and acquisitions are increased. As Anderson, Normann, Wittwer, (2001, p.5) point out “more significant is the extent to which wine companies are becoming multinational in terms of their production and distribution and/or are forming alliances with foreign companies to reap economies of scope, especially with distributors and retail chains. Western European firms are investing in Eastern Europe, South America, Australia, New Zealand and China, Australian firms are investing in North America and Europe and US firms are investing in France and South America”. An other factor on globalization trends is linked to international technology transfer: this is fostered from one hand by multinational firms and from the other by viticulturalists and winemakers, working as consultants.

International competition is influenced by several drivers which are playing a strong role in reshaping the wine industry from a highly fragmented supply-driven agribusiness to a competitive professional beverage industry (Rabobank, 1999; 2003). These drivers are: shifting demand, creating brand value and increasing retail power.

Changing preferences for wine are linked to colour, variety, origin, quality and brand as well as place and moment of consumption. In wine market there is an increasing preference for higher quality wines (premium and popular premium wine) as consumer are becoming more educated and discerning in their wine tastes. New world's wines are meeting this trend well: they are accessible, single variety, easy to drink, and attractive for new, inexperienced consumers. For these consumers brands are a point of reference by which to identify wines. Brands also meet the needs of retail chains which prefer large volumes of products that are self-explanatory as their staff is not skilled in selling wines and the needs of companies which can reduce the number of suppliers and become to build a brand loyalty. However while branding has become a common phenomenon in wine, the sector has yet to establish well-known global consumer brands (Mattiacci, 2004).

The growing power of retailers manifests itself in two directions: downstream, they attract customer attention through wine assortment, private labels and promotional activities that have helped to reduce consumer's confusion, educating and allowing him/her to trade up; upstream, they buy directly from the wine company large volumes of easy-to-understand wine, excluding the traditional wine trader. “The large retail chains are demanding larger volume of consistent quality and a better quality/price ration, as well as greater service and a decreasing number of suppliers” (Rabobank, 2003: p.20).

All the analysed factors influence competitive relationships between the wine companies and the old and the new wine countries (Pomarici, 2005). Each wine country has its own challenges (Cesaretti et al., 2007).

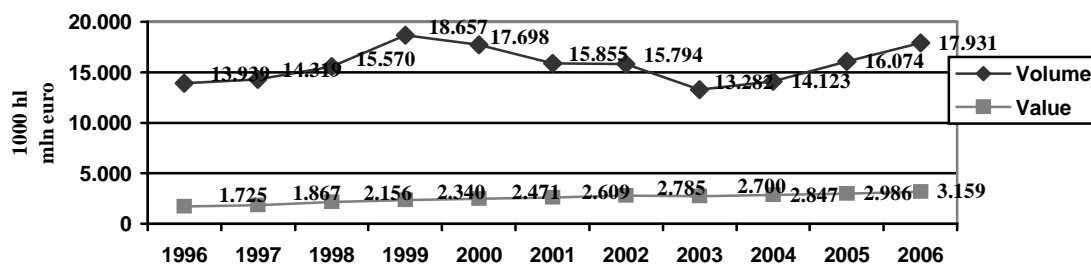
2. Wine business in Italy

Italy is the largest wine producer in the world and has a unique range of wines in comparison with international competitors (Rabobank, 2003). In the following we analyse firstly the exportation trend and secondly the productive system and the orientation to market.

2.1 Wine exports

The volume of exports shows a declining trend from 1999 to 2003, while in 2004 there is a recovery. The value of exports, instead, has been growing since 1996, with a stop in 2003 (figure 2). In 2006 we had +11.5% in volume and +5.8 in value.

Figure 2 – Exports of Italian wine (2204)



Source: ICE

In Italy wine business is very oriented to foreign markets. The exportation propensity was around 30% during the last years. For Italian firms this orientation is not a simply strategic choice, but a need, due to the declining trend in the domestic market and the higher opportunities abroad. Foreign competition is played, however, very hardly: the increase of Italian exports takes place within the growing of world exports, but is marked by a lower growth rate, with the result of a decrease of Italian share in world exports.

The increase of international competition comes from the choice of well-constructed strategies by world enterprises, while Italian firms have a lower international pattern: compared with wide export strategy, the use of more direct and involving forms (as alliances, brownfield, joint venture, etc.) is not so high.

Italian wine is exported continuously in 155 markets and irregularly in other 28 countries and it is one of the most widespread *Made in Italy* products in the markets (Raimondi, 2004; Cesaretti et al., 2007). Splitting the markets in clusters on the basis of export value it comes out that Italian exports are highly concentrated: in one cluster, formed by 11 markets we have around the 90% of the whole export value. This concentration is seen as a weakness of competitive position of Italian wine (Pomarici, 2004). The eleven countries are the most important buyers in wine business - that is concentrated also at world level -, however they counts for the 70% of world imports, so confirming a lack in the diversification of Italian trade. As shown in table 1, within the main 11 markets, USA and Germany are the most important: the first for value, the second for volume, even if Italian position is different, leader in Germany, first follower in USA. Italian wine is a leader only in Germany and Austria, in the other countries it is the first or the second follower. In the United Kingdom, market share has declined and it is considerably lower respect to France (35.7%) and Australia (19.0%), both of them have been growing.

Italian firms have had good performances in Denmark, France, and The Netherlands. Also in the emerging countries – Russia, China, India, Brazil - which are attracting the interest of OW and NW wine countries for the increase in consumption we notice an increase in the

export, however the total value and volume of exports are really slight and also Italian wine positioning is low, except for Indian market.

This brief analysis allows us for affirming that after a period of strong expansion abroad, today there are several performances for each market. Italian wine competitive position is different: from leader to follower and it is also different if we analyse the category of wine (2204) or its articulation, such as packaging (220421 or 220429), colour (white, red, and rose), typology (VQPRD and table wines).

Table 1 –Performances of Italian wine in the first 11 countries and in other 4 emerging markets

Countries	Export		% weight on export		Market share	Position in the market	Leader	Country with growing share (2005-06)
	Value (Mio €)	Vol. (1000 hl)	Value (Mio €)	Vol. (Litres)	Value (Mio €)			
USA	806,52	2.349	25,53	13,1	27,85	2 ^a	France	France
Germany	693,45	6.365	21,95	35,5	32,26	1 ^a	Italy	France, USA
UK	383,84	2.085	12,15	11,63	9,63	3 ^a	France	France, Australia, Chile
Switzerland	195,66	602	6,19	3,36	30,67	2 ^a	France	France, Germany, Ostrich
Canada	189,83	556	6,01	3,11	18,91	3 ^a	France	France, Italy, USA
Japan	98,95	284	3,13	1,59	11,48	2 ^a	France	France
Denmark	86,47	271	2,74	1,51	20,74	2 ^a	France	Italy, Germany Argentina
France	83,45	1.403	2,64	7,83	17,2	3 ^a	Portugal	Italy United Kingdom, Netherlands
Netherlands	69,32	313	2,19	1,75	7,15	5 ^a	France	France, Italy Germany
Austria	64,98	440	2,06	2,45	40,45	1 ^a	Italy	USA, France
Sweden	59,56	231	1,89	1,29	15,43	2 ^a	France	Germany, South Africa, Australia
.....
Russian Fed*	39,78	217	1,26	1,21	5,61	5 ^a	Moldavia	Spain , Italy
China	9,29	74	0,29	0,42	8,74	5 ^a	France	Italy, Australia
India	1,36	2	0,04	-	13,9	2 ^a	France	Italy USA, Australia
Brazil	18,91	93	0,6	0,52	15,23	4 ^a	Chile	France, ItalyChile

*data of 2004

Source: elaboration from ICE and GTI

2.2. Productive system and market orientation

Deepening the analysis and changing point of view from export to production and market orientation we notice that even if Italy is the largest wine producer in the world, it is also the most fragmented. Only very few companies have the scale to be able to compete successfully in the international premium segment and few companies are successful in the ultra premium segment (Rabobank, 2003).

In Italy there are 39,868 wine cellars producing wine, a number much high, however the greater part is turned to self-consumption production: 80% of the total produce less than 100 hl (table 2). The medium production for wine cellar - not considering those producing less than 100 hl - is of 5.200 hectolitres and, excluding from the calculation also the wine cellars producing between 100 and 200 hl, the average grows over 7.100 hl. Within these near 40,000 wine cellars only 1,200 exports (Data SDA Bocconi: Rea et al., 2005)

The industry has a low degree of concentration with a sales share of the first 5 enterprises estimated around to 5% (in Australia it is 68%). As brought back in table 2, 35% of the production it is realized from 183 wine cellars (4.7% of the total) with a productive dimension that exceeds the 50,000 hl; the percentage rises to 73% if we include the 444 enterprises producing from the 10,000 to the 50,000 hl.

Table 2 -Dimension of Italian wine cellars.

Productive dimension (hl)	Number of cellars	Production	
		hl	share
< 100	30.937	2.474.960	5%
100 - 200	2.437	402.105	1%
200 - 500	2.725	1.117.250	2%
500 - 1000	1.436	1.148.800	2%
1.000 - 5.000	1.444	5.776.000	12%
5.000 - 10.000	262	2.161.500	4%
10.000 - 50.000	444	18.870.000	38%
>50.000	183	17.385.000	35%
Total	39.868	49.335.615	100%

Source: Sorbini and Agosta, 2004 quoted by Pomarici and Boccia, 2007.

According to some researcher (Pomarici, Tedesco, 2005; Pomarici, Boccia, 2007) in spite of the elevated fragmentation, more than the 70% of the Italian wine is produced in systems whose dimensions concur to the exploitation of the economies of scale that do not prevent from having good relations with the national and foreign distribution.

The firms' dimension is the element from which we can evaluate the productive system of the Italian wine. It is an important element as it influences the production costs and the economic-structural potentiality for effect of the economies of scale and for the external weight in relation to the power on suppliers, distributors and customers (Zampi, 2003; Zanni, 2004) and to the possibility to develop relationships with the aim to create mutual advantages between the actors of wine value network.

An other element to evaluate the competitiveness of the wine enterprises is given from their profit, as this influence the flow of resources that the productive activity generates and that are available for new investments and for the strengthening of the patrimonial structure. From a search carried out by Financial Observatory on the Italian Wine Companies (Cordero di Montezemolo, 2005) a situation of maturity in wine business emerges, with a strong increase of the competitive pressure, due to: rates of growth in via of consolidation; smaller profits on invested capital and on the sales; increase of the investments more than of the revenues (see also MedioBanca, 2007).

For what concern market orientation, researches are more recent (Pastore, 2002; Troilo, Zaghi, 2006). According to an investigation carried out by Wine Marketing Observatory of SDA Bocconi (Rea et al. 2005) on more than 200 enterprises, it comes out from one hand, the will to expand market presence, but from the other hand, this is not pursued with a real investment in resources and in the competences for market relationships. The sample shows a culture of product orientation and not one of market orientation: marketing culture, knowledge and activities are really scarce. Wine industry is still channel driven, where firms believe that product quality is able to create the market and generate positive performances. The producers seem to concentrate themselves to the upstream activities of value chain, delegating to the distribution channel the control of the downstream activities. This choice brings to a removing from final market, with scarce knowledge of the needs and the preferences of consumers.

Another study on the wine firms in the South of Italy shows that the companies of the southern have a very different level of market orientation (Coppola et al. 2005), where the enterprises "market oriented" are a not majority group. Anyway the firms have good ability to auto analysis: recognising negative judgments about their behaviours.

Notwithstanding the analysis of wine business in Italy is not entirely positive, signs of change are visible (Rabobank, 2007): more attention to the strengths of range wine; more orientation to international market; the will to expand market share, etc. Anyway there is the need to monitor these changes not only from a macro-economic perspective as it is common in wine industry, but with more researches adopting the firms' perspective (statistical investigations and case studies) to better understand the phenomenon in its weakness and opportunities and to offer patterns to Italian wine firms in order to improve and to compete better on international markets and to become an active actor of globalization.

3. Aim of work and methodology

The present work is a first step of a wider research project "Quality challenges in international markets. The competitiveness of Italian wine firms", about the relationship between internationalization of the Italian wine firms and the adoption of a managerial approach such as total quality management.

The research plan is divided into three phases: 1) set up; 2) investigation; 3) results. Each phase included several activities.

In the first phase the firms were individuated by a database of the main institutional organization of firms (database infocamere). This database was matched with other listings on line (www.bereilvino.it) in order to complete the lacking information. A sample of more than 2000 enterprises was build, articulated for Region.

A questionnaire was built, divided into two parts: the former aims at investigating the management of quality; the latter the internationalization and the market orientation. The questionnaire was tested on 5 firms to evaluate its structure and consistency.

In the second phase all firms were contacted *via email* and invited to answer to the questionnaire. After one month, as the rate of answers was very low, firms have been called by telephone (this phase is still running), in order to increase the participation to the research project. The respondents, at this moment, are 49 firms while the analysis involves only 47 ones: two questionnaires are too much incomplete to be evaluated good.

Data were analyzed by the statistical method of exploratory analysis of questionnaire items (EFA).

In the first explorative phase of the work the adoption of firm quality system is presented as a descriptive variable of the sample characteristics. A wider deepening of work is on the internationalization of wine firms with reference to foreign market orientation, market and channel preferences, organizational assets and strategic tools to the management of internationalization.

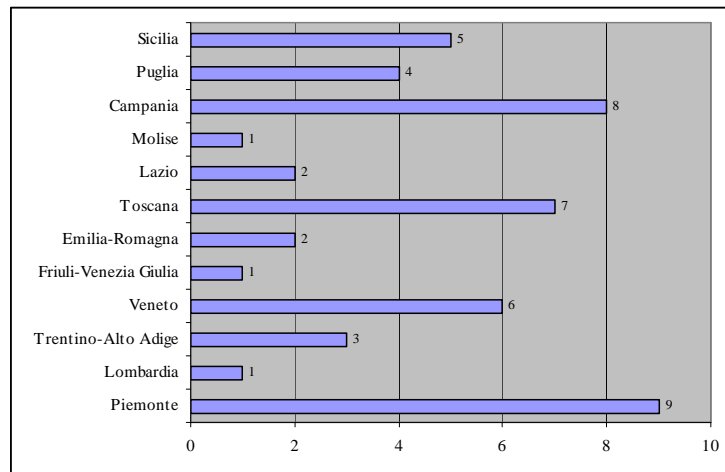
The aim is to have a first draft of behaviours of firms in term of internationalization and orientation to markets and competitors.

4. Findings

4.1 Characteristics of investigated firms

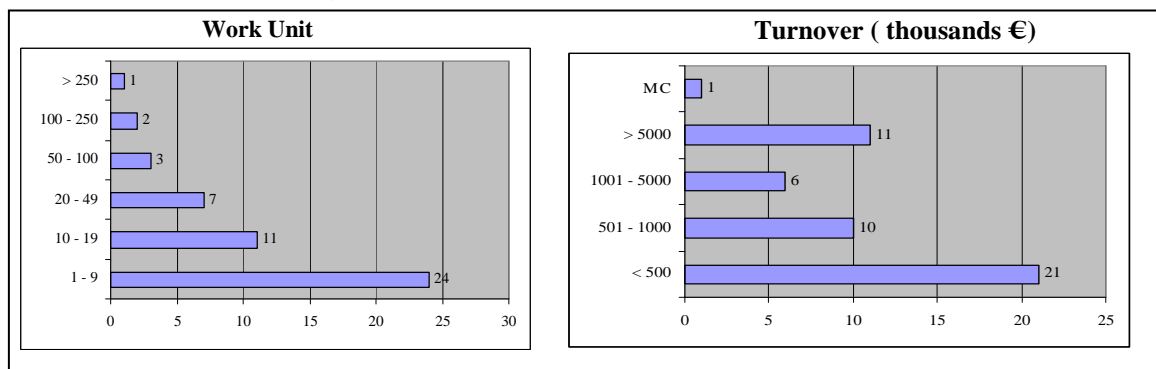
The firms investigated have a distributed geographical origin between the North and the South of Italy (figure 3). There is a prevalence of some regions (Piemonte, Campania, Toscana) while important production areas are little represented (Emilia Romagna, Lombardia) (fig. 3).

Figure 3 – Geographic origin of firms



Consistently with the typical productive structure of Italian wine business the investigated enterprises are in prevalence micro and small firms: about half of sample (24) counts less than 9 work units and there is only one firm with more than 250 work units. The structural weakness of sample of firm is more noticeable from turnover performance front: about the 75% of sample doesn't come through the turnover level of 5 millions € (fig. 4).

Figure 4 – Turnover and work unit (2006)



The firms have a medium level of integration in their productive row. More than the one half of sample (28 firms) includes agricultural and commercial phases in their productive process while the other part (15 firms) transforms and commercializes not own grapes; only a few firms (5) delegates to the other the sale of wine transformed by own grapes.

The sample shows a great sensibility to the product quality. All the firms (45) point out this item within the main competitive factors while the price was chosen by 33 enterprises. The quality orientation is confirmed by the great diffusion of different quality standards. Many firms (27) declare to operate following procedural and organizational praxis of ISO regulations and are certificated according to different standard (ISO9001, ISO9004, 14000, etc.); some of them (16 firms) got certification from more than five years.

The quality certification above all is seen as a communication strategy: many firms (20) outline that this strategy contributed to improve firm's image while only in few cases (5) a direct advantage was the decrease of costs.

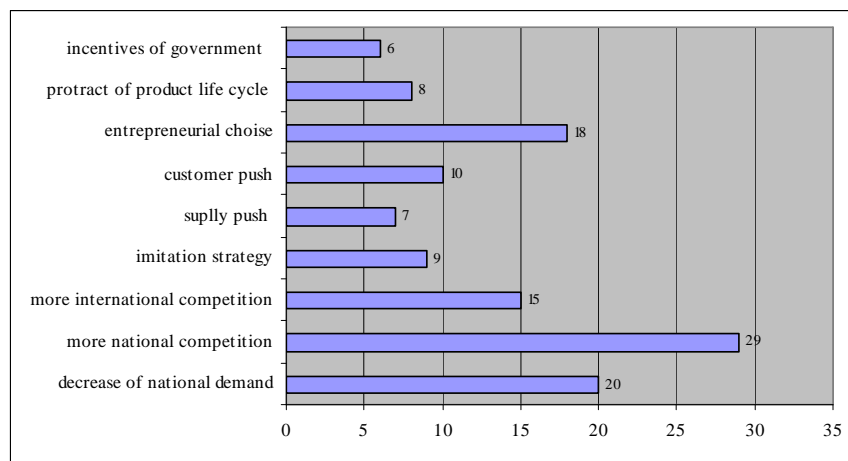
4.2 Internationalisation dimension

The first empirical findings confirm the high international vocation of Italian wine business. Almost all the firms (42 on 47) are export-oriented and foreign sales are for them an important component of their performance (see also par. 4.3).

Many firms (29) affirm to adopt a structured approach to internationalisation process. The decision to operate on foreign markets is seen as a strategic and planned choice and for 16 firms it is related to an explicit aim in order to foster firm's development. Only one firm asserts to act according a contingent vision in order to exploit occasional opportunities.

This orientation is only in part confirmed by internationalisation drives. As shown in figure 5, many firms have an adaptive approach to internationalisation: in many cases the increase of national competition (29) and the decrease of internal demand (20) are seen as the main factors to the international expansion (fig. 5). However 18 firms even show an entrepreneurial perspective, considering internationalisation as a means to advance their competitive position.

Figure 5 - Internationalisation drives



4.3 Markets and channels

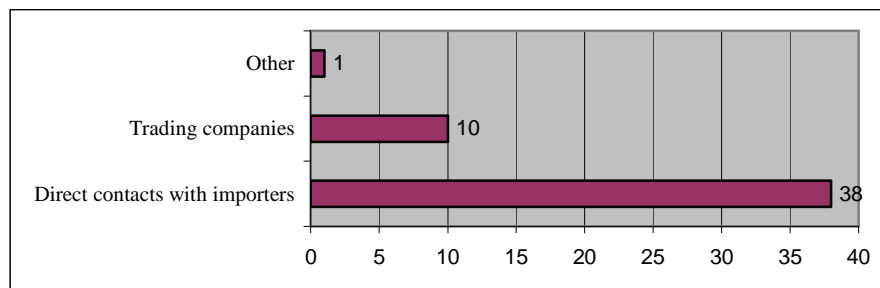
First export markets for the forty-two enterprises are Europe (15 countries) and North America: in most of cases these count mainly for less than 20% of sales (table 3). Seventeen firms export to Asian countries, ten enterprises sell to East Europe and very few in South America and in Oceania (4 in both cases).

Table 3 – Export markets and sales

% sales for geographical areas	Italy n. of firms	EU (15) n. of firms	North America n. of firms	South America n. of firms	East Europe n. of firms	Asia n. of firms	Oceania n. of firms
< 20%	4	18	22	4	10	17	4
21% - 40%	7	11	6	0	0	2	0
41% - 60%	10	2	1	0	0	1	0
61% - 80%	7	2	0	0	0	0	0
>81%	14	0	0	0	0	0	0

These markets are reached mainly through direct contacts with importers and for 10 firms through trading companies (figure 6). Thirty-nine firms sell with own brand both in national and international markets, while only seven enterprises have a brand only for domestic market.

Figure 6 – International distribution channels



Each firm was asked to identify the main four customer countries (sequenced by importance). The results are shown in table 4a. These data confirm what analysed in the paragraph about Italian wine exports. We find that the most important country is Germany; then there are USA, Switzerland, Japan, United Kingdom, and Canada.

The analysis of the countries with the fastest growing rate show USA, Germany, Russia Fed, United Kingdom and Japan (table 4). No one specific country catalyzes the attention. We find some differences with the previous table about main customer countries.

Table 4 – Main Countries

a) Main Customer Countries					b) Main Countries with the fastest growing rate				
	First	Second	Third	Fourth		First	Second	Third	Fourth
Germany	14	8	7	2	USA	7	5	1	2
USA	8	6	4	0	Germany	6	2	0	0
Switzerland	5	5	4	1	Russian Fed	5	3	1	0
UK	2	3	5	1	UK	4	2	2	1
Japan	2	4	3	4	Japan	3	4	0	2
Canada	2	1	5	3	Canada	1	3	1	0
Denmark	2	1	0	3	Sweden	1	1	1	0
France	1	0	0	0	Denmark	1	1	0	0
Russian Fed	1	0	1	3	France	1	0	0	0
New Zealand	1	0	0	0	Australia	1	0	0	0
Romania	1	1	0	2	Belgium	1	0	0	0
Netherlands	0	2	1	1	Poland	1	0	0	0
Belgium	0	2	0	2	Mexico	1	0	0	0
Austria	0	1	2	3	Switzerland	0	3	1	1
Poland	0	1	0	0	Norway	0	1	1	0
Ukraine	0	1	0	0	China	0	1	4	1
Malaysia	0	1	0	0	Malaysia	0	1	0	0
Sweden	0	0	1	1	Colombia	0	1	0	0
Mexico	0	0	1	0	Vietnam	0	1	0	0
China	0	0	0	2	Romania	0	1	0	0
Singapore	0	0	0	1	Portugal	0	1	0	0
Norway	0	0	0	1	Korea	0	0	1	0
					Hong Kong	0	0	1	0
					Singapore	0	0	1	0
					India	0	0	1	0

India, Chile, Hong Kong appear and China, Russia, Sweden, Canada are seen as very interesting. To be noticed the marks given to Germany and Japan even if in these countries we

assist to a decline of Italian exports (in terms of trend). Firms also affirm that the countries which recently present specific elements of interest are Russia (7 firms) and China (8 firms) due to the increase of consumption.

It comes out that each international markets has distinctive elements: if quality is mainly important in USA, Swiss, Austria and Belgium, notoriety counts for in United Kingdom, The Netherlands and Denmark. Firms also point out the role of high price in Russia and the role of channels in Japan.

4.3.1. Analysis of customer satisfaction

Most of the firms (32) develop programs to know and measure customer satisfaction, building specific indexes only in 10 cases. These indexes are built with data coming from firms' informational system in 10 enterprises and from empirical surveys in other 14 enterprises. As figure 7 shows, temporal cadences of these analyses are mainly semi-annual and annual. Firms adopt several typologies for surveying, even if the main methodology to get data is direct observation (26 firms). Eighteen enterprises use sample, other 15 interview customers according to their strategic role. Only seven firms analyse complaining customers.

Figure 7 – Temporal cadence of customer satisfaction analysis

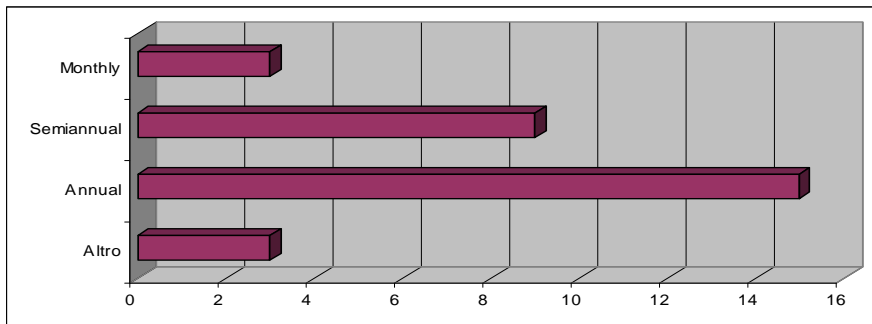


Figure 8 - Survey's methodologies

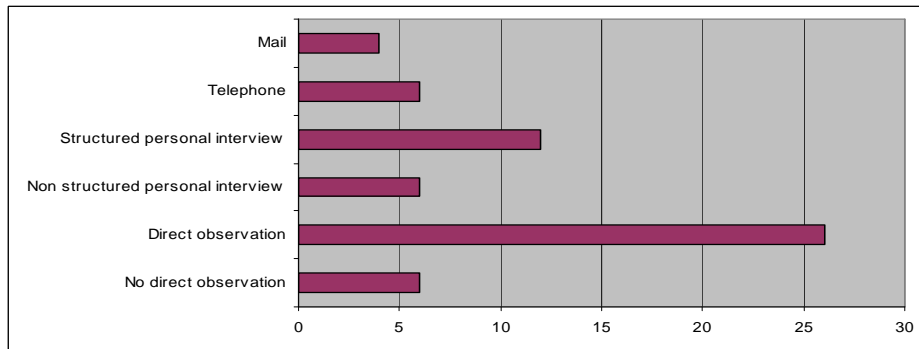
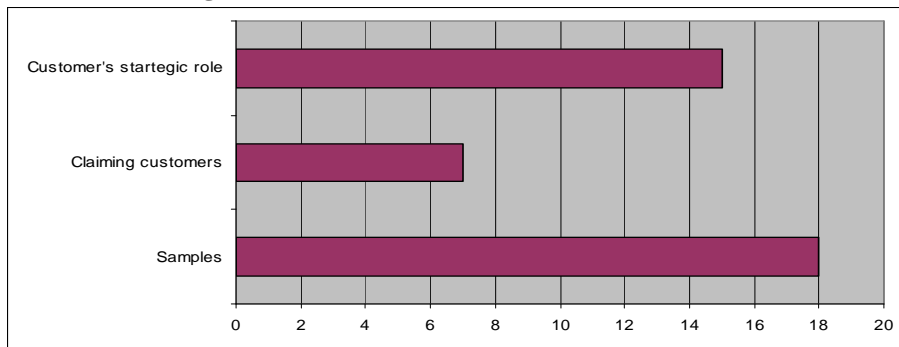


Figure 9 – Definition basis to interview customers

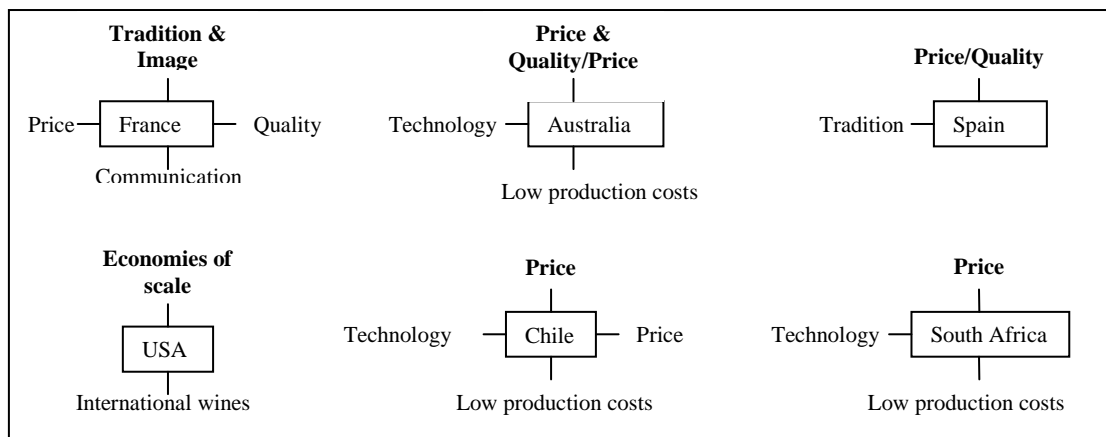


4.4 Main competitor countries

Main competitor countries are France, Australia, USA, South Africa, Spain, and Chile. Each of these countries has own strengths: figure 10 shows those indicated by firms. France is recognized as having a strong image and a long tradition of high quality; other strengths are the price and the communication. The ratio between price and quality is important in Spain, while economies of scale and international wines are relevant in USA. NW countries such as Australia, Chile and South Africa seem to have similar key factors: price, technology and low production costs.

For the investigated enterprises the main threats in the future will come from the following competitors: Spain, Australia, Chile, Argentina, China, and Eastern Europe.

Figure 10- Main competitors and main strengths

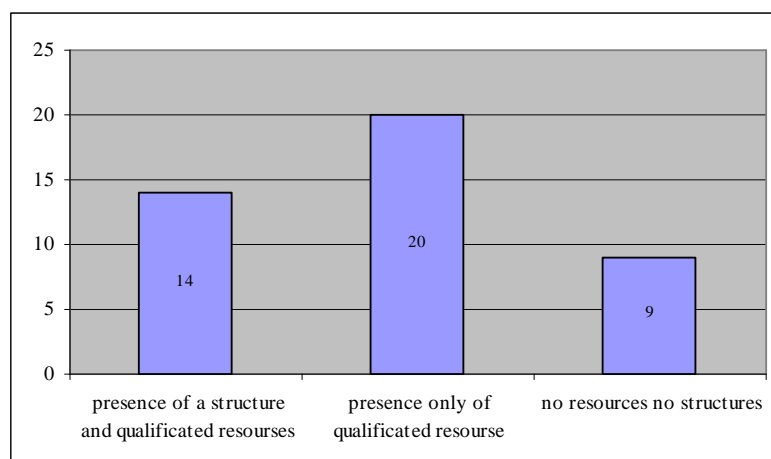


Note: in bold most important strength.

4.5 Organization and market sensing capability

The organization and the management of international activities are differently approached by investigated firms. The littlest part of them (9) points out the absence of a specific resource and an organisational position in charge exclusively for the management of foreign markets. The prevalence of firms (20) shows instead an embryonic organisational specialisation of international activities even if this area is not differentiated by the other organisation units. The foreign activities are committed by specialists with specific international competences. A fewer number of firm (14) declares the presence of structured organisation of international activities with specific position, roles and responsibility.

Figure 11 - Organisation of international firm



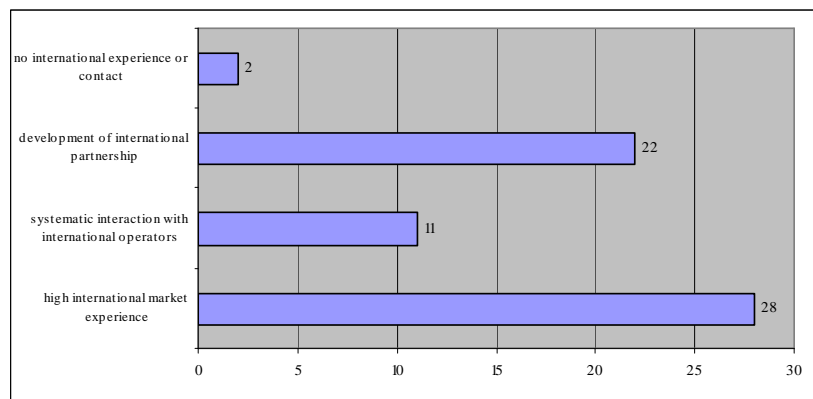
Human resources is seen as a strategic assets in many enterprises. Some of them (14) have employees with international training and a greater number (25) involves in international activities resources with a good knowledge of foreign languages.

With reference to this results only about one half of international firms (18) affirms to make analysis of international market with a systematic monitoring of opportunities and threats while the other part (22) confirms an international development that is still pulled ahead by foreign demand or other specific opportunities.

4.6 Relationships and networks

The investigated sample shows an awareness of networks' and relationships' strategic role for the international expansion. Twenty-eight firms have developed a wide experience with some foreign markets: they established strong business relations with their main operators. In other cases the firms (11) formalized contacts and relationships through the building of specific partnerships. Where there are not formalised relations, a great part of firms (22) reports their commitment to the development of systematic and frequent interactions with international operators.

Figure 12 - International relationship



In the domestic context the collaborative orientation emerges too. All the firms, except one, are member of consortium or other associative institutions for product safety and a lot of firms (39) point out the contribution of their local network to firm competitiveness. The same trust is not confirmed compared to the public agencies that are seen by the greater part of firm (27) as the main critical network node.

5 Discussion

The explorative field study, involving 49 Italian wine firms, outlines some critical points of international process of wine Italian firms. These results are consistent with the findings reported by other researchers (Rea et al. 2005).

In particular it appears as the strong and widespread international vocation of wine business still denotes some gap. Above all, these elements come out with reference to foreign market choice and strategic behaviour. Wine firms tend to direct their initiative in traditional areas, similar in terms of consumer behaviour and market frame. The markets of the European Union and the USA are privileged markets. In many cases the international development is still driven by external demand and it sees in active position the foreign trade intermediaries (importers). With reference to the attention to quality and product imagine – even if many

firms are certificated according to different standards and they sell with own brand on international market too- enterprises show a more adaptive approach to internationalisation. A low degree of internationalisation of organizational structures emerges, while the business strategies show a low use of marketing methods and tools. Even in the customer satisfaction analysis there are some weaknesses.

In sum, reading the whole of data, it seems to emerge more an orientation to product and production with an entrepreneurial character. At same time, however, firms show a good understanding of international competitors, with reference to their strengths and threats. They are looking at the emerging and promising markets without forgetting the old ones, conscious of the different distinctive elements in each international market.

6 Conclusion and further research steps

The work focuses on the internationalisation of Italian wine business with a firms' perspective. The aim is to have a first draft of firm's behaviours in term of internationalization and orientation to markets and competitors. To reach this aim the analysis has been developed at two levels. The first one concerns a more general analysis of Italian wine business in international context. The second one is an explorative study of the most salient characteristics of international firm expansion. The explorative field study, involved 49 Italian wine firms, outlines specificity of international strategies.

The empirical research focused on a small number of cases, so it did not allow for a generalization of the results. Anyway this was not the aim of this work that was to have a first draft of firm's behaviours in term of internationalization and orientation to markets and competitors, in order to better address the future research.

In the further steps we aim to widen the sample up to 300 firms and to analyse such three aspects as:

- 1) the development of the principles and the tools of total quality management;
- 2) the international orientation and the management of foreign markets;
- 3) The relationship between internationalization of the Italian wine firms and the adoption of TQM principles and tools.

These aspects are important due to the fact that the international competitiveness of Italian wine industry is strictly linked to the real implementation of international strategy; this implies to develop a managerial model in order to understand the competitive issues and manage business coherently with the market evolution.

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