

Adding value through cooperation: A study of the New Zealand food and wine tourism network

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Several studies have suggested a range of benefits from inter-firm collaboration, but they often stop short of identifying how these theoretical, often esoteric, benefits accrue to individual businesses and consumers. This paper presents the findings of a study of the development of high value wine tourism products by the New Zealand Food and Wine Tourism Network. The study found that collaborators were able to develop higher value products because cooperation allowed for: the critical mass necessary for market presence; the credibility to break into distribution channels, and; the legitimacy needed to justify the development of these new products. The paper concludes by suggesting that the confidence gained through collaboration was critical in allowing companies to successfully develop high value wine tourism products.

Keywords:

Collaboration; business networks; value-adding; product development; wine tourism.

Topic area(s):

Food and wine associations; Business and marketing strategy for wineries; Wine tourism.

Introduction

Collaboration between businesses is recognised as being important to the success of individual wineries, wine regions and national wine industries (Hall, 2005). Such linkages can occur horizontally (within the wine) and vertically (e.g. between the wine and tourism industries) (Michael, 2007). Vertical wine tourism linkages are often developed into formal networks and, according to Hall, *et al.* (2000, p. 208) “such networks are critical as there is a need to create linkages between businesses which have previously identified themselves as being in separate industries with separate business foci”. There are several benefits that accrue from collaboration (Gubik, 2005), but, while there is little doubt that such benefits can and do accrue, these are often intangible and can be difficult to quantify. This paper reports on a study of a vertically and horizontally integrated network – the New Zealand Food and Wine Tourism Network (NZFWTN) – and a product development program implemented to assist wineries and other food and wine tourism businesses to develop and promote high value-added food and wine tourism products. In so doing it explores how the theoretical, and often intangible, benefits of collaboration can be translated into practical, tangible outcomes for wineries and other businesses. In particular, this paper explores how value is created through collaboration in the production of wine and food tourism products.

Networks and Their (Theoretical) Benefits

Networks are not new phenomena, but they are receiving growing recognition for the benefits that they provide. Academic literature on such benefits has grown over the past two decades and governments have begun to encourage and support formal collaborative behaviour (Mitchell and Schreiber, 2007). The work of Porter (1990) has been particularly influential and Porterian models adopted by governments (including New Zealand’s) have influenced network development (Mitchell and Schreiber, 2007).

The main focus of cooperative behaviour is to form social relationships which facilitate the sharing of intangible and tangible resources to benefit the group in the value creation process (Gubik 2005). For wine and food tourism, network relationships manifest themselves in many different ways and can range from informal relationships (e.g. a wine trail brochure), to joint ventures (e.g. wine and food tourism packages), and formal networks (e.g. associations and collectives with formal governance structures) (Hall *et al.*, 2000).

One of the core benefits from collaboration is the change in business practices that result from setting mutual goals that encourage the partners to invest time, effort and resources to create a strategic advantage for the benefit of individuals and the collective (Wilson and Jantrania, 1994). As such, collaborative initiatives can create value which individual firms could not achieve single-handedly (Rowe and Burn, 2007), creating interdependency in the sharing of resources and capabilities (Chung *et al.*, 2000). Improvements such as this may lead to the development of new intangible capital, the sharing of resources and/or economic growth.

Intangible resources can be a source of value creation and corporate competitiveness and this can lead to innovation, competitive advantage and social cohesion (Bounfour, 2003). Intangible capital is defined as the exchange of values and benefits, and cannot be measured in a monetary form (Bounfour, 2003). In networks, intangible capital is at play when linkages are formed with external companies and members begin to trust each other (Perry, 1999), and a strong sense of community can develop within the network (Allee, 2000) and the realisation of value from intangible assets (e.g. knowledge, relationships, reputations and people) (Daley 2001). As such, trust (along with other elements of social capital, such as reciprocity, loyalty, and cooperation (Powell, 1990)) can be seen as a significant element of intangible capital as it promotes better communication, sharing of knowledge and resources, confidence in others’ ability to perform and open commitment (Lynch and Morrison, 2007).

The ability to transfer knowledge within collaborations, another form of intangible/intellectual capital, also allows members to gain a competitive advantage, which, when used appropriately, is an

invaluable asset for collaborators (Reagans and McEvily, 2003). Knowledge sharing might include: best practice; market intelligence; new product development or innovation; research and development, and; learning (Taylor 2005). Sharing knowledge can also induce product development (Andersson and Dahlgvist, 2007), as can the creation of economies of scale through the sharing of tangible resources such as land; labour (including talent and skills), and capital (including brand, human, working and physical capital) (Bonetti *et al.*, 2006). This new product development might include: adding product features or product refinement; development of a new-generation product, or; developing new products for the same market (Aaker and Mills, 2001). Strong connections between actors in networks allow trust and social norms to develop, where knowledge and tangible resources are shared allowing for enhanced product development opportunities (Guia *et al.*, 2007). Of particular significance in this study is the development of new value-added products as part of the collaboration process.

Adding Value to Products

One important outcome of collaboration is the adding of value to products, goods and services sold by members of the collaboration (Bounfour, 2003) and, in formal networks, it is said that 'value chains' are created that add value at each step of production (Porter, 1990). This is certainly true of collaboration within the wine industry (Porter, 1990; Hall and Mitchell, 2008) and between wine, food and tourism businesses (Hall and Mitchell, 2008). Value-adding is the process by which value is created or added by the individual producer or groups of organisations to increase consumer satisfaction levels (Aaker and Mills, 2005).

Value is ascribed to a product in three different ways: by the producer (as is the case in this study); by the consumer, and; co-created by the consumer and producer. Producer value is gained by utilising a resource or capability (e.g. financial, physical, human and other assets) to take advantage of opportunities or reduce the impact of threats (Bartol *et al.*, 2005). Adding value to the firm's product and fulfilling consumer expectations and satisfaction levels allows a number of economic objectives to be achieved, including: sustainable competitive advantage; profit maximisation; increased market share, and; possible market leadership (Ravald and Gronroos, 1996).

Consumer-ascribed value is a very subjective concept, where product utility is ascribed by individual consumer perception, expectation and experience (Zeithaml, 1988; Woodruff, 1997), while hedonic value is expressed in terms of emotional desire and intangible benefits (Vigneron and Johnson, 1999). Consumer value is the perceived value ratio between perceived benefits and resources or sacrifice used to achieve the consumer's goals and purposes (Ravald and Gronroos, 1996) and this is widely discussed in the wine and tourism literature (Hall and Mitchell, 2008).

Recently, it has been recognised that producer and consumer value are not always created independently and that, indeed, value can be considered as being co-created (Hall and Mitchell, 2008). In co-creation the consumer is recognised as being a part of the industrial system and they are increasingly connected, informed and actively making choices (Prahalad and Ramaswamy, 2004). A new dynamic relationship between producers and consumers is formed which develops a new source of value for both parties (Deighton and Grayson, 2005).

This study explores what benefits have accrued to the members of NZFWTN when they collaborated on the development and marketing of high value food and wine tourism products. As such it explores how the theoretical benefits and outcomes of collaboration have played out in practice for this network, especially as they relate to producer ascribed value.

The Study

The NZFWTN was formed in October 2004 following a recommendation in the New Zealand Food and Wine Tourism Strategy. It is a membership based organisation that has had around 50-60 members every year since its inception and in 2007 it formed a high value group that set out to develop high value food and wine tourism products to sell into the international marketplace. In 2008, at the time

of this study, 18 members of the NZFWTN were a part of the high value group (six wineries, seven tour operators and five hospitality businesses) and these businesses were the focus for this study. The result of the high value group was the contracting of a tourism product development consultant to aid members in the development of more than 30 products that retailed for in excess of \$NZ150 including a commission of 20% for the travel trade. These products were promoted through a trade product manual launched at the 2008 Pure Luxury trade show in Queenstown, New Zealand.

All members of the NZFWTN management committee and operators in the high value network (20 in total with five individuals common to both) were approached to be interviewed and 15 were available to take part. Semi-structured interviews asked about respondents' involvement in the high value group and the network more broadly, the development of their high value products and their views on luxury food and wine tourism. All but one interview was conducted by telephone, each lasting an average of 30 minutes. This resulted in 332 minutes of interview (79 pages of transcript) and these data underwent content analysis that revealed several themes, some of which are presented here.

Findings

Shared experience

Several respondents suggested that there was significant value to be gained from sharing ideas and the experience of members. Much of this sharing was facilitated by the consultant putting together that trade product manual, as mentoring those with under-developed products by providing examples of "... others who already have a high value product [was] an easy way to do things" (Respondent C, committee member). Others suggested that this could and should extend to products developed across regions that would take elements of individual products and bundle them together for resale.

This sharing of experience was clearly identified as an important aspect of collaboration for most respondents, but one winery and one tour operator suggested that there needed to be more opportunities for this kind of sharing to take place both at a local and national level. Another winery respondent suggested, however, that this was much easier to achieve at the local level because locally "ideas flow and you tend to grow when you spend a bit of time together and you become a bit more intimate with people" (Respondent 9, winery/committee member), thus highlighting the significance of personal relationships and trust in the development of strong networks.

Critical mass

Collaboration also created the critical mass necessary to develop a market presence (in this case the international travel trade) and allowed access to important tourism distribution networks. In several cases the businesses involved either did not have the resources to promote into these distribution networks or were too small to be noticed by larger trade players. Working together allowed them to both pool their resources (to produce the trade product manual) and jointly promote their products (at travel trade shows).

For some respondents, this was a matter of pooling resources to overcome cost barriers. As one participant put it: "[The NZFWTN] also participate[s] in TRENZ and at the Pure Luxury travel show, both of which are quite expensive for individual operators to attend, but as a collective that's a way to be present without all of the extra costs" (Respondent 6, winery). Meanwhile, at a more fundamental level, others felt that the expertise contracted by the NZFWTN in the preparation of the product manual allowed them to better engage with the travel trade: "that was outside the scope of both of our experience, we haven't dealt with the tourism distribution channel before so they've kind of [helped with] 'how do wholesalers work?' and 'what kind of information they would like to have' ... having our business being put into a format like that and being presented to the wholesalers has been invaluable for us" (Respondent 1, tour operator).

Credibility and Legitimacy

A number of respondents also suggested that the network provided the necessary credibility for them to seize opportunities that they would not have been able to on their own. For some this was related to the opportunities that arose from being presented alongside other high value products, as Respondent 2 (tour operator) put it: “[we were] really well represented in the manual and that’s really good. We were thrilled about that. And we were in good company and we were thrilled about that too”. For others, particularly wineries, it was an opportunity to develop products to fill demand that they had already identified but did not feel that they could legitimately fill on their own. For example, Respondent 4 (winery) suggested that “we have had the odd request for a high end product. And we decided why not, if somebody wants to spend more, we should be able to offer them something a bit more personal and a bit more memorable and unique in a way”.

Joint promotion of the high value products, not only provided the critical mass needed to enter the marketplace, as one participant put it, the NZFWTN also “tells people that we’re serious in what we do. We’re not doing it for the sake of doing it, so we’re creating a product and we have a standard to go to and set ourselves for” (Respondent 9, winery/committee member). This suggests that the collective setting of goals and standards has legitimised the actions of the individual member businesses, providing informal, but effective checks and measures to assure quality of the products developed and the trustworthiness of the value added.

The development of the high value group also allowed businesses to recognise the value of the experiences and products that they were selling, or indeed giving, to visitors. As one participant put it: “we undersell ourselves and that’s evident in the food and wine stuff. We sell ourselves short ... we don’t value the things that we have; the everyday (to us) that are luxuries to other people...” (Respondent C, committee member). This is further supported by another participant who highlighted the importance of pricing for the luxury tourism market: “a lot of discussion [about product development] was: a) how do we get the price above \$150 for a basic tour for example?; and b) how would we offer a 20% commission when we’ve got other products in the marketplace? ... Offer something new, and then you can price it separately” (Respondent B, committee member). This was further reinforced by the fact that some respondents were able to “leverage with a couple of other operators” (Respondent 8, accommodation provider) in terms of pricing and value-adding and this “helps lift us out of the lurg of everybody else” (Respondent 2, tour operator). As such collective action provided the support that encouraged respondents to break away from tradition and price their value-added products at a level that is the norm in other parts of the world but which many operators are embarrassed to charge in New Zealand.

Table 1: Summary of Findings

Theoretical benefits	Benefits identified in the NZFWTN study	Outcomes for NZFWTN businesses
<ul style="list-style-type: none"> • Changing business practices 	<ul style="list-style-type: none"> • Sharing of experience/ ideas 	<ul style="list-style-type: none"> • Viewing products in a new light
<ul style="list-style-type: none"> • Resource sharing 	<ul style="list-style-type: none"> • Critical mass • Economies of scale 	<ul style="list-style-type: none"> • Development of product manual • Product development consultant • Improved access to and knowledge of distribution channels • Presence at travel trade shows
<ul style="list-style-type: none"> • Creation of intangible capital 	<ul style="list-style-type: none"> • Credibility • Legitimacy 	<ul style="list-style-type: none"> • Confidence to take opportunities • Joint goals and standards • Self-perceived credibility in the marketplace
↓	↓	↓
<ul style="list-style-type: none"> • Adding value 	<ul style="list-style-type: none"> • Recognition of the value of the experiences they offer 	<ul style="list-style-type: none"> • New high value products • New level of pricing

Conclusions

This paper has shown how the literature suggests that value is added to products through collaboration and demonstrated how this has worked in practice for the NZFWTN (Table 1). For the members of the NZFWTN high value group the very fact that they were able to share their ideas, experience and resources in the development of the trade product manual allowed them to individually identify opportunities for their own products. This collective action in the development and marketing of value-added products was significant as it provided a degree of both internal (for individual businesses) and external (for the group as a whole) credibility and legitimacy for the actions that were taken. As such, members of the group gained a new level of confidence to develop new products and price them at a level that was both in line with the quality of the new products and what was being demanded by the market (i.e. travel trade). This confidence, a form of intangible capital not often identified in network literature, was only possible because of the trust that had developed through network ties and the ability to openly and freely share ideas and experiences.

Collaboration also allowed the businesses to gain some of the more traditional benefits of collaboration by reducing the individual cost of product development and marketing (through the economies of scale created by working collectively), the setting of collective goals and standards and the sharing of informal market intelligence that identified latent demand. However, it was the confidence that was gained by working together in the NZFWTN that was critical in changing attitudes towards their products that lead to individual and collective innovation and product development.

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