

Pride and Prejudice: marketing myopia in Italian Wineries. Can managers be educated to market orientation?

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Introduction

“In truth, there is no such thing as a growth industry, I believe. There are only companies organized and operated to create and capitalize on growth opportunities”; this is what Theodor Levitt was convinced of in 1960 and seems to be fully valid for the today wine business. Indeed, the wine industry has been seen as full of growth opportunities, and the diffused convincement of an occurring expansion of potential consumers together with the belief that consumer’s purchasing process is determined by product specific characteristics, made this business very attractive. Unfortunately, after a period of bountiful, the cycle, as Levitt expected, switched on decadence in many countries, especially the ones in the Old World.

What makes the difference is the firm, and its abilities in designing an effective strategy coherent with environmental challenges (Barney, 1991). As evidenced by Brassington and Pettitt (2003) the organisation that cannot see this and defines itself in product rather than market terms could be said to be suffering from *marketing myopia*.

To what extent marketing myopia is affecting Italian wineries’ strategy? The aim of this explorative research is twofold: the first is to investigate the existence of marketing myopia in three groups of entrepreneurs and winemakers in two traditional wine producing regions of Italy: Tuscany and Marches. The second aim is to discuss the combined use of sensory analysis and qualitative research tools to let entrepreneurs and managers being more conscious about consumers’ needs and competitors position. The paper is so structured: in the first section a literature review about marketing myopia and its effect on firms strategic decisions is going to be provided. Secondary data about the Cal-Italian phenomenon will be included in the second section. In the third part we will provide the results and evidences from focus groups and preference test sessions. We conclude with recommendations and suggestions for industries and practitioners.

Research questions

Generally speaking, suffering from Marketing Myopia, means having a partial view of the reality, or, in other words, being narrowed.

As it comes out from Levitt’s article, Marketing Myopia has something to do with cultural predisposition of managers and, more specifically, with their willingness of embracing something coming from outside them and their deep convincement and routines. Again, the width of the business and the focus on customer’s needs are the two main key factor of success for sustaining growth, as there is no industry that is able to ensure a growth by itself. When there is the deep convincement that growth is assured by an expanding population, or that there are no substitute products in the industry (Levitt, 1960), there is a risk that management perceive as remote the chance of finding any strategic alternative.

Why Marketing Myopia and wine? Our empirical investigations in the last 2 years lead us to focus on this specific issue. In our researches on the wine business we have noticed that most managers perceive quality as a key factor of success, and link their relative competitive advantage to their country. Being located in a certain area, can represent, for those companies, a strategic advantage, able to guarantee an adequate sales turnover and a sort of rent in the short-term. But although companies perceive clearly the importance of their strengths they do not maintain objectivity in evaluating them. This emerges plainly in the idea that firms have about location: location per se, according to many managers, ensures customer’s loyalty and customer is supposed to select a wine because it is Italian. Secondly, the Italian wine producers, according to the diffused opinion among many managers, can outstand in the production of some grapes due to their specific location. This convincement can lead to a constricted perception of the number of firm’s competitors and to an underestimation of other countries’ potentialities. In other words we have observed the typical traits of the so called “marketing Myopia”.

In this paper we want to answer to the following research questions:

- 1) How can marketing myopia and market orientation be investigated and measured?

2) How managers and entrepreneurs from SME can be educated to a truly perception of firm's strengths and competition?

Methods

In this paper we are presenting preliminary results coming from an empirical investigation on some small Italian wineries. Results have been collected through two separate focus groups, with the aim of underlining different aspects of marketing myopia.

Focus group is a qualitative research method used either as a free-standing source of information or in conjunction with various types of survey research. Sometimes it can be performed with the combined use of sensory analysis tools like "preference-tests".

For each of the focus group carried out we have outlined the two cases that follow.

In the first focus group we have interviewed 6 producers of three of the most important appellations in Tuscany to explore the concept of quality they aim to communicate (Zeithaml, 1988), their strategic use of the 4Ps, and a certain level of market and learning orientation according to the scales developed by Farrell and Oczkowski (2004), Narver and Slater (1990) and Kohli and Jaworski (1990)

In the second focus group with sessions of blind preference tests we have interviewed 8 winemakers and experts each from the Marche to investigate how prejudice in evaluating competitors strengths and weaknesses influences the strategic planning process. In particular we have focused on the perceptions that Italian winemakers have of Cal-Italian wines, a growing segment in the US wine industry that is expected, in the long run, to compete with Italian wines in the US wine Market. A blind preference test was conducted in the Italian Centre of Sensory Analysis located in Matelica (Marche) among the focus groups participants.

Results and Discussion

What emerges from the interviews is that wineries belonging to these groups are highly export oriented, but they perceive difficulties in managing market changes; although they are investing money in winemaking and vineyard consultancy, the biggest problem they have is placing their products on the foreign market. A dependency from distributors and agents is highlighted, together with a lack of managerial skills in developing loyalty programmes for the foreign customers/tourists who visit the winery.

According to the Italian producers interviewed through focus groups, communicated quality is a synonym of a well balanced structured, terroir and tradition. The blind test among Italian and Californian wines with same attributes in term of varieties, year of production and price range shows an unexpected preference in favour of Californian wines. Instead, during focus groups session the expectation towards Cal-Italian quality was lower than expectation towards Italian wines. This result, even if obtained with two small groups of entrepreneurs and winemakers shows a strong focus on product attributes and a poor knowledge of both Cal-Italian market and Cal Italian sensory attributes. Another interesting aspect is the process that gets wineries to hone the knowledge they have about competitive environment.

We have found out that an educational approach that is based mainly on a direct experience fulfils the expectation and achieves remarkable results. The major limit of findings from previous research was that they were addressing mainly to big size companies, characterised by a complex structure or a multibusiness orientation; in our specific situation we had to develop a proper way for communicating the risks of Marketing Myopia to small wineries.

The second focus group helped us in achieving this aim. By joining sensory analysis and blind tasting to the focus group techniques we have facilitated communication flows, and moved out all the possible misunderstanding based on a subjective idea of quality. We have encouraged a "learning through experience" process: we gave to the panel group of winemakers and professionals the chance of a fair evaluation of foreign and domestic wines through a blind tasting based on sensory analysis parameters, whose objectivity was ensured by the previous training that the panel has received. Under this perspective the hazard of self prejudice is reduced, and an impartial evaluation of competitor's wines is offered to the winemakers, who cannot deny what they have previously

stated. The experience that the professional panel did has generated some knowledge that can be used in the strategy formulation process.