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**Tradition and Modernity in the New New World of Wine:
Market innovation in Languedoc AOC wines**

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Abstract

The French AOC wine market faces a deep crisis. In the Languedoc-Roussillon, professional leaders have proposed to react through the development of a regional appellation called “Languedoc”. Combining economics and sociology, this paper presents the results of our research and expertise program developed on their request about such a strategic issue. From a definition of market as an “interaction system”, three complementary research works have been done in order to assess the factors of the crisis and to analyse the economical and social conditions of a successful “market innovation” around “Languedoc” AOC wine. Statistical analysis and qualitative interviews of both AOC wines producers and sellers call finally for the building of socio-technical innovation networks in two steps, first targetting a medium range positioning of a well-identified product and a renewed regional governance of the wine sector, then the AOC wines range extension and hierarchisation, supported by the development of complementary activities.

Introduction

Until the mid 80s, the Languedoc-Roussillon has been the largest European vineyard dedicated to basic wine production, reaching 30 million hectoliters (hl) in 1980. However, the decrease in the French consumption of table wines and the growing competition in European and international markets led this “mass vineyard” to a major transformation towards quality wines production (Laporte, Touzard, 2002). Over the last twenty years, the definitive uprooting of high yield vines in plains resulted in a drop in wine supply (16 million hl in 2005), while new plantations of aromatic grape varieties (more than 120 000 hectares since 1980) allowed the development of a new wines range: basic wines (sold as table wine or “vin de pays de département”) now represent less than 40% of the regional wine turnover; varietal wines, most of which are sold under the “Vins de Pays d’Oc” appellation, have increased spectacularly since 1994, particularly in plains, covering over 30% of the production; *Appellation d’Origine Contrôlée* (AOC) wines, produced from traditional varieties cultivated on delimited hillsides area, have been developed progressively, mostly during the 80s, representing around 30% of the present turnover.

But since 2004, the so-called “New new World of wine” in professional press, surpassing California by its “quality revolution” based on multiple innovations, has been destabilized by an increasing difficulty selling wines in national and international markets. Twenty years of efforts and investment in Languedoc are questioned, specifically in the case of AOC wines which have been facing decreasing average prices since 2002. This tragic situation prompted members of the Languedoc Wines Interprofessional Committee (CIVL) to call INRA researchers to assess this current crisis and to give advice for one of their project: the launch of a regional AOC wine, named “Languedoc”. This project is supposed to re-organize and stimulate the AOC supply in this region. It is presented as an opportunity to define a new wine identity combining tradition (referring to AOC label issues) and modernity (expected by new consumers), but also to renew governance and

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alliances around the “South of France” regional label, common to all Languedoc-Roussillon wines and in which “Languedoc” could gather and identify the AOC ones. But what are the conditions to make this project a successful “market innovation”?

This professional request met our own interdisciplinary research program about quality markets in agri-food industry, referring to institutional economics and economic sociology (Chiffolleau *et al.*, 2006). Wine markets already proved fruitful case studies for quality issues in markets, explored at once by sociology, economics and business studies (Karpik, 1989; Giraud-Heraud *et al.*, 2003; Porter, 1998). The CIVL project represented an opportunity for us to assess the different steps of a “market innovation”, that means the joined construction of a new product identity and of the social networks, institutions and knowledge that could shape the structure of this concrete market. For this “intertwined consultancy and research activity” (Hatchuel, 2001), we carried out three kinds of studies during 2005: i) a statistical analysis of Languedoc wine economic transactions, ii) a socio-political inquiry on professional leaders and organisations involved in the project ; iii) interviews of current buyers and sellers of Languedoc-Roussillon AOC wines, potential actors of the future market.

The paper is organized as follows. The first section presents theoretical issues on “market innovation”, stressing the promising contribution of economic sociology and institutional economics. In the second section we expose the main results of our empirical studies, statistical analysis and interviews. Suggestions for implementing and managing “Languedoc” AOC as a “market innovation” are presented in the third section, then discussed in the conclusion.

1. Market Innovation : a theoretical framework

1.1. Market as interaction system

Our research on wine markets refers to an interactionist and systemic definition of market, inspired by works in institutional economics and economic sociology (Arrow, 1974; Arena, Longhi, 1998; Callon, 1998; Favereau, Lazega, 2002; White, 2002)³. We consider a market as a concrete set of persons and organisations, interacting around a “same kind of good or service”, generating flows of economic transactions. These actors and flows are temporarily stabilised by mechanisms of control built through these interactions or through the activation of their relational, cognitive and institutional context. So, wine markets are concrete interaction systems that may be assessed according to different dimensions:

- technical characteristics of the exchanged wines (color, alcohol content, package...);
- economic characteristics of these flows of wine (volume, price...);
- interacting individuals and firms, involved in the wine transactions or directly in the construction of the market institutional framework;
- specific relational structure (network) shaped by these interactions;
- endogenous or exogenous formal institutions orienting actions (formal rules, contracts, policy regulation...)
- signals, conventions and knowledge allowing judgments and qualifications on wine and behaviours carried out by the actors.

Nevertheless, this set of actors, transactions and mechanisms of coordination/control may be represented as a “market system” only if it fulfills systemic conditions: regularities on each dimension have to be observed, at least on the economic one (e.g. relations between volume and

³ facing a wide range of concrete or abstract definitions of market in economics and sociology: “public location where buyers meet sellers”, “confrontation of supply and demand (curbs) leading to a determined price”, “set of real or potential consumers”, “general principle of coordination between economic entities”, “system of decision”, “institution or legal framework orienting exchanges”, “social and historical construction”, “set of firms connected by an exchange network that makes dependant prices and volumes”...

price), and correspondances have to be found between these regularities (e.g. between these economic relations and structure of actors and networks, institutions and common knowledge on wine...). The frontiers of markets are thus defined by the analyst who explores their different dimensions and their relational, institutional and cognitive embeddedness in social context (Granovetter *et al.*, 1993; Steiner, 2005). This general analytic framework gives tools to describe the diversity of concrete wine markets, according to the main characteristics of their dimensions and to their specificity, autonomy or dependence (Chiffolleau *et al.*, 2006). This framework can also organize the methodological use of economics and sociological market models, which try to explain markets mechanisms by reducing or specifying some dimensions of the “market system”.

1.2. Changing market systems

Assuming markets as concrete “interaction systems”, a key question is how these systems are emerging and changing. We suggest to call “market innovation” a process of radical (systemic) change that affects the different dimensions of a “market system” in a determined social context. Market innovations may have different features and intensity, according to the nature of changes among the different dimensions of the system (technical, economic, institutional, relational and cognitive). They may also follow different trajectories of change, combining exogeneous effects of social/economic context and strategic interactions between actors involved in the market construction. But assessing “market innovation” calls for other tools that may complete this first analytical framework. It requires specific assumptions on economic behaviours and social interactions in order to assess the endogeneous mechanisms of this systemic change and suggest solutions for actions in the wine sector.

Nevertheless, few economists and sociologists really analysed market emergence or changes as systemic changes. Emergence of a market is generally reduced to the launch of a new product, pushed by producers or pulled by consumers, without analysing the whole set of investments and social changes that it requires or implies (Foray, Lundvall, 1996). In addition, changes in markets structure are mostly considered as a simple readjustment of strategies or equilibrium, faced with exogeneous changes (downstream or upstream). However, more and more researchers analyse endogeneous processes or calculations that lead to change one of the market dimensions (new actors coalitions, new kind of contract, endogeneous differentiation of products...). For instance, neo-institutional economics gives tools to explain the viability of formal “governance structure” or contracts that can stabilize transactions, when agents face new sources of uncertainty (Menard, 2005). French “Economics of conventions” also explores the social thickness of markets, focusing on the “trials” in which cognitive actors have to justify their actions and find agreement in order to “qualify” things and behaviours in market (Thévenot, 1998; Eymard-Duvernay *et al.*, 2004). Markets changes are also assessed or modelled in their relational dimension, for instance as evolving networks built through learning processes between heterogeneous agents (Kirman, 2002).

More systemic analysis of market emergence or changes have however been carried out by recent research in innovation or evolutionary economics, business or marketing studies and economic sociology: as far as economics is concerned, fruitful works open by Nelson and Winter (1982) on “economic interaction systems” (set of interacting organisations) have met other research on innovation, extending their analysis to the construction of both knowledge distribution and “organisational framework” (including clusters or market chains) that allow the development of a new product (Antonelli *et al.*, 2003). Aiming at providing pragmatic tools for innovative entrepreneurs, business studies have also developed a set of systemic approaches, coming from marketing mix or strategic analysis (Porter, 1980): description of consumers, competitors and substitute products have been completed by larger investigation on numerous markets components (including networks and knowledge) that constitute the action and negotiation framework of

innovative entrepreneurs (Reviron, 2000). In economic sociology, a new generation of research re-explores the mechanisms of “social construction of markets”, either focusing on institutional and political changes, or specifying the inter-individual interactions which seem so crucial to develop a new product (Steiner, 2005; Callon, Muniesa, 2005). In this paper, we propose to assess the construction of a wine market by mostly referring to one of these approaches: the “actor-network theory”.

1.3. Describing, analysing and coaching innovations on market

The “actor-network theory” provides tools to assess in the same movement the construction and the marketing of new technical objects. These two phases are construed as interdependent dimensions in a cyclic process of change driven by innovative entrepreneurs. On the one hand, the form taken by the new object partly depends on the economic actors and the social representations of markets which are attached and “enlisted” in the process by the entrepreneurs. On the other hand, the form of the new market depends on the production actors and techniques that are embedded in the socio-technical network of innovation (Callon, 1998). The actor-network theory thus highlights the essential role of mediation actors, “intermediary objects” (Vinck, 1999) and socio-technical devices that allow the efficient “translation” between heterogeneous actors and objects and then, the networking between the new product and its market. Other kinds of actors appear to play a specific role, as spokespersons of the “mute entities” or “prescribers” of what has to be done. These roles may be related to their central position in the prevailing social networks (Burt, 1987). In the case of radical innovation process, however, actors usually marginal may also be influential (Krackhardt, 1990).

The stabilisation of a new market requires nevertheless a “framing” activity, consisting in the collective building of new rules in order to face the “overflowing” of existing markets and rules caused by the introduction of the novelty. Callon identifies two different cases: “cold” vs. “hot” situations. A “hot situation” features a high level of uncertainty about the product, its quality, the relevant actors and the spokespersons who have to be enlisted, the market that may be built... Granovetter *et al.* (1993) illustrated this process of market framing in the electricity industry case, thus highlighting the choice that was made between different forms of markets through the progressive and collaborative definition of rules. Fliegstein noticed nevertheless that people enlisted in the building of a new market are usually those ones involved in neighbouring markets, and often try to reproduce the rules of these markets, that appears to be inefficient in most cases (Fliegstein, 2001). Both innovation sociologists and economic sociologists then highlight that market building calls for innovative activities in different arenas: technical, economical, social, political. But the different dimensions of market embeddedness is not only a theoretical point of view, it is also a pragmatic issue for the one who wants to study and support the building of a new market (Le Velly, 2002). Innovation sociologists, for instance, thus explore the role of “hybrid forums” mixing experts and non experts such as consumers to discuss and build products, markets and institutions more fitted to social and economic issues (Latour, 2006).

2. The launch of the “Languedoc” regional AOC: call for a market innovation

2.1. Features and factors of the crisis in Languedoc AOC wines markets

The first step of our work consisted in a statistical analysis in order to assess the recent evolutions of wine transactions and to specify the different “market systems” that constitute the Languedoc wine industry, and could be differently affected by the current crisis. We focused our analysis on red AOC wines (85 % of the AOC turnover) produced from the 10 denominations which are supervised by the CIVL and may be included in the Languedoc project (mainly coming from Aude and Hérault

departments)⁴. General data of official statistics have been completed by a specific analysis on the 24 000 transactions made in bulk between 1994-1995 and 2004-2005 (Chiffolleau *et al.*, 2005). We started by comparing AOC wines evolution with other wine juridic categories evolutions (table wine, vin de pays d’Oc). Then, we progressively explored the diversity and regularities within AOC transactions looking at the segments that could match Languedoc AOC “market innovation”.

Firstly, comparison between annual averages of price and volume for AOC, varietal and table wines confirms the extent of the current crisis, which results from the convergence of three different economic trends (figure 1): i) AOC wines have followed an intensive growth until 2000 (pulled by progressive price increase and restrictions on production area), but have fallen since 2001 in a regressive trajectory (decrease in both price and volume) ; ii) the Vin de Pays d’Oc kept on growing in volume (extensive growth) until 2004, but seems now to have stopped this evolution (its turnover decreased in 2005); the table wine is following the regressive trajectory initiated 25 years ago.

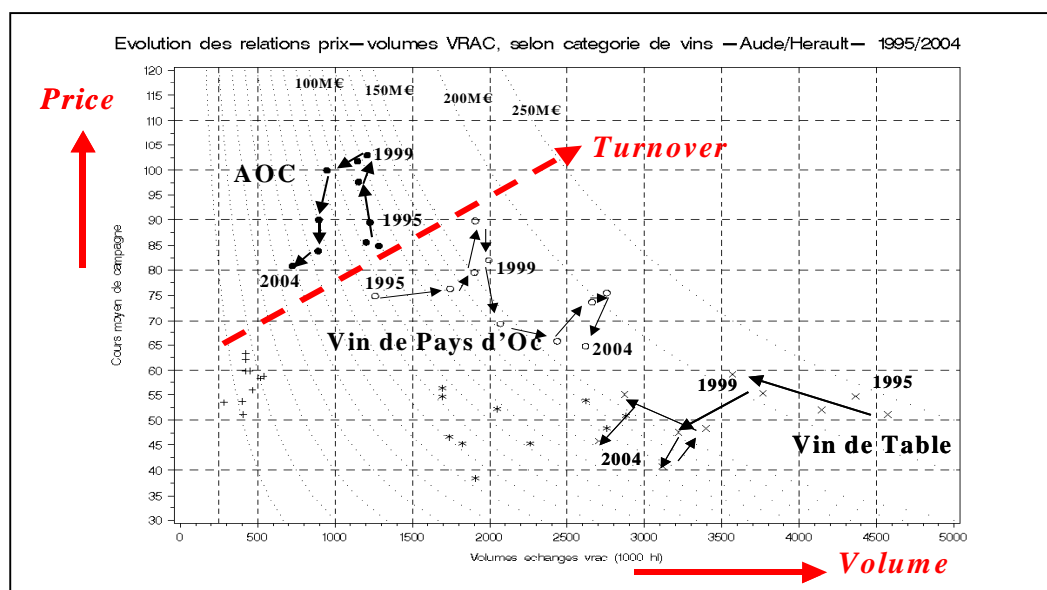


Figure 1. Evolution of price and volume for AOC, varietal and table wines
Red wines, Aude and Hérault, sales in bulk (CIVL contracts 1995-2004)

Focusing on AOC wines, we specified the endogeneous economic mechanism that has been increasing the crisis (figure 2, all kinds of transactions): when wine sales began to decrease in 2001, production was still increasing (new plots dedicated to AOC), attracted by higher prices due to the 1998 lower harvest. But three years of overproduction (2001, 2002, 2003) increased AOC stocks up to 125% of the annual volume of production. This higher potential supply led to the drop in AOC wine price. Despite the AOC organisation and regulation, the lack of information and anticipation on sales, production and stocks has clearly contributed to amplify the crisis. Wine growers realized only in 2003-2004 that the trend was decreasing, while it started 3 years before.

⁴ Coteaux du Languedoc, Minervois, Corbières, Fitou, St Chinian, Faugères, Cabardès, Malepère, La Livinière, Limoux.

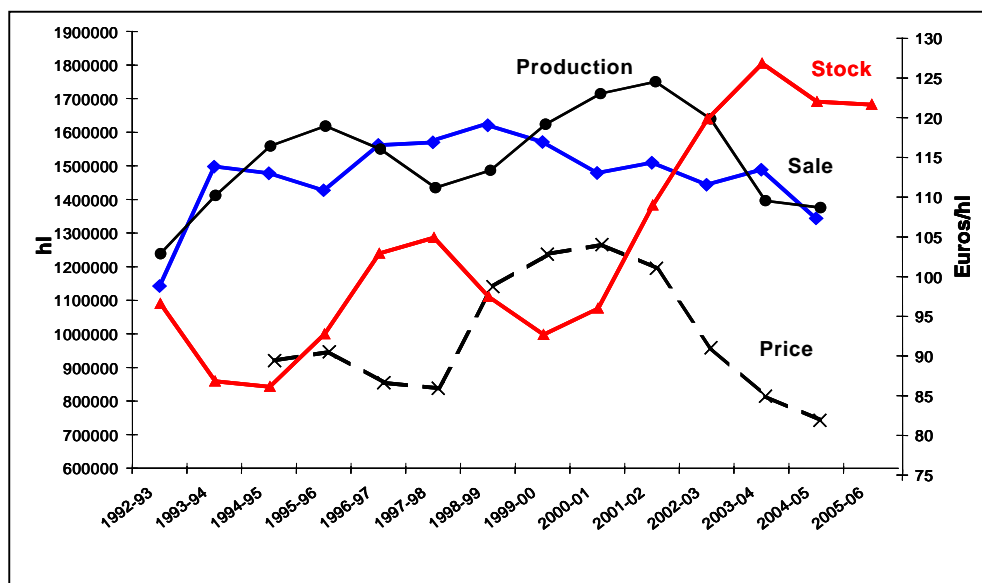


Figure 2. Production, sale, stock and price. Red Languedoc AOC wines

A more detailed analysis shows that this wine crisis concerns the whole range of AOC markets. Sale in bulk to national traders first decreased from 1999. But this evolution has not been balanced neither by export network nor by direct sales in bottle (on farm, restaurants...). Since 2003, both distribution networks have stopped their previous growth.

The analysis of AOC prices distribution stresses the progressive movement of the transactions core, from a 90-100€ price segment (reached in 1999-2000) to a “first price segment” around 70€ per hl. Looking at the distribution curbs in 2005 (figure 3), we have nevertheless to notice that some transactions remain steady on the highest price segments (up to 100€ per hl). These transactions mainly concern little denominations (e.g. Faugères or Fitou), or wines mentioning a name of “domaine” or “château”. Then, two kinds of markets could be distinguished within Languedoc AOC wines: i) a decreasing “AOC mass market” (75% of sales), mainly constituted by Corbières, Minervois and Coteaux du Languedoc, sold in bulk to traders, ii) several niche markets in which wine is specified by local names and sold up to 100€ per hl. This dualistic situation reveals the selective process that attracts the biggest volume towards low prices. It also shows the current lack of an intermediary segment around 90€ per hl.

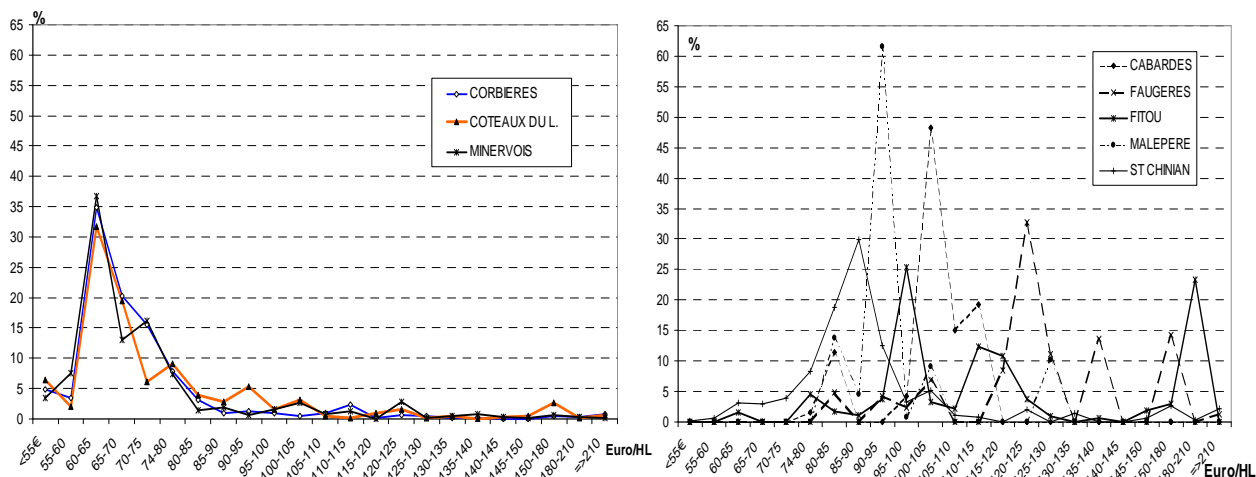


Figure 3. AOC prices distribution in 2004-2005, red wines, Aude and Hérault, CIVL contracts

Finally we explored the presence of regular interactions between AOC producers and buyers (i.e. repeated transactions during the last ten years). For transactions in bulk, we found a core of regular couples, exchanging around 33 % of the total volume, both in niche markets and in larger AOC markets (see table 1). This number raises to 56 % when considering interactions during at least 5 years. These values are weaker than those we found in Burgundy wine markets (Laporte *et al.* 2005), suggesting on the one hand that transactions in the “new new World of wine” are more opportunistic, but in the other hand that a relational structure based on the current steady core could play a strategic role in the construction of the new AOC market. In these transactions, wine co-operatives have a crucial responsibility, controlling 68% of the AOC wine supply, but also around 50% of purchase in bulk, through their subsidiaries or federative cooperatives (as “Val d’Orbieu”).

	Presence 10 years		Presence 9-6 years		Presence 5-3 years		Presence 1-2 years	
	<i>number</i>	<i>volume</i>	<i>number</i>	<i>volume</i>	<i>number</i>	<i>volume</i>	<i>number</i>	<i>volume</i>
Suppliers %	61.8	69.9	17.4	18.2	12.4	10.4	8.4	1.6
Buyers %	24.5	73.6	17.9	11.8	21.0	5.7	36.7	8.9
Supplier-buyer %	10.2	33.5	13.9	23.3	17.0	17.1	58.8	26.0

Table 1. Occurrence of suppliers, buyers and “supplier-buyer” couples between 1995 and 2004

Then, the statistical analysis confirms that AOC vineyard faces a deep economic crisis in Languedoc, expressed by the drop in both prices and volume since 2000-2001. It calls for intermediary questions and suggestions for the “Languedoc AOC” project.

i) First, reasons of this crisis could be found in convergent unfavourable factors in context affecting both international and national markets:

- evolution of euro-dollar parity, offensive strategies of “new World wine companies”, difficulties in taking in account changes in foreign consumers’ taste, wine world overproduction since 2004... have been reducing French and Languedoc wines competitiveness in international markets;
- the decrease in daily table wine French consumption keeps pressuring basic wine markets, but other Languedoc segments or categories of wine also face stronger constraints as anti-alcoholic campaigns, competition of drinks industries (beer, softdrink, water...) as well as 5 years of French households income stagnation...

Wine producers have little influence on these contextual factors, whose effects seem to be more tragic for Languedoc wine growers. Because they are building quality and reputation of their new wines (AOC or varietal), they have to respond to high investments and costs, while wine prices are still ones of the lowest of the French vineyards.

ii) The wine crisis may also be explained by collective choices, organisational and strategic decisions. Those are factors on which Languedoc wine growers can act. For instance, the complexity of the French wine range is usually designed as a serious handicap (more than 6 000 different wine bottles in Languedoc-Roussillon) and could be simplified or better organised through common identity and rules; the lack of marketing investment and information exchange is mentioned by many experts or researchers (D’Hauteville *et al.*, 2004), as well as the difficulty in organizing collective anticipation on production, stocks and sales (see comments on figure 2); divergent or redundant strategies among French vineyards, and above all among Languedoc vineyards⁵, clearly increased the crisis, instead of building a complementarity for an offensive collective strategy. How to make the Languedoc AOC project an opportunity to start a new coordination at the regional level?

⁵ for instance, simultaneous different advertising campaigns carried out in 2003 by each wine committee and referring to Languedoc.

iii) The statistical analysis also provides concrete data in order to profile some characteristics of a “market innovation”: the challenge seems to focus the volume sold in bulk to traders, which is first concerned by the current crisis; the 90-100€ price segment (for the first marketing step) seems to be consistent with both production costs and consumers expectations, as it already occurred in 1999; a steady relational structure exists between suppliers and buyers, and could be a basis for the Languedoc AOC project.

2.2. The development of a socio-political network around “Languedoc” AOC

Languedoc wine growers and traders obviously reacted to the crisis through strategic changes in their firms or collective actions at local, regional and national levels:

- individual or local economic strategies led to strengthen the process of differentiation between exit trajectories (uprooting, bankrupts...), resistance trajectories (reduction of costs and investments) and innovative trajectories (trying to open new niche markets or to conclude business alliances);
- national and european political negotiations are confronted to the more liberal orientation of CAP reform, which tends to cut off markets subsidies and change the regulation on wine quality control, defining in France new roles for INAO⁶ and interprofessional committees (Inra, Inao, 2005);
- facing the division of economic strategies and the weakening of the national regulation, the regional governance is expected to play a stronger role, particularly through the CIVL and a regional coordination between interprofessional committees⁷. Apart from AOC wines promotion, controls on quality and registration of transactions, the CIVL carries out two connected projects: i) the hierarchization of each local vineyard (definition of “crus” as “La Livinière” in Minervois or local indications as “Pic Saint Loup” in “Coteaux du Languedoc”); ii) the launch of a regional AOC which is supposed to build the future common base of all Languedoc AOC wines.

Focusing on the regional AOC project, we carried out inquiries on wine organisations (unions, administrations) involved in this project, stressing their strategies and positions about the project (Desmet, 2005). We considered both formal collective decisions expressed by each organisation and individual strategies of their leaders.

The regional “Languedoc AOC” is an ancient idea (suggested 20 years ago), but it really started to become a concrete project in 2002, mainly impulsed by the new director of “Coteaux du Languedoc”, one of the unions belonging to the CIVL. In 2003, the main issues of the project were presented as follows:

- defining a minimum quality reference for all Languedoc AOC wines, based on traditional varieties coming from Languedoc hillsides;
- providing a minimum regularity for this quality by blend within a larger AOC vineyard;
- gathering a large volume in order to provide big markets and found collective advertising;
- pushing each of the AOC wine to improve its quality and match a higher price segment.

In order to facilitate and accelerate the development of this project, a clever way has been chosen: “Languedoc AOC” will be considered as an extension of “Coteaux du Languedoc” to other AOC vineyards in Languedoc-Roussillon (figure 3). So, previous delimited areas of each AOC vineyard will be legitimate for the regional AOC (no need to carry out a long zoning process) and “Coteaux du Languedoc” rules of production and labelling will be quickly transposed to this regional AOC vineyard. “Coteaux du Languedoc” is then supposed to change its name in “Languedoc”.

In this first stage (2002 to mid-2005), the project has quickly developed through negotiations and “enlistment” of institutional actors, building a two sides network: on one side, wine growers leaders

⁶ “Institut National des Appellations d’Origine”, become “Institut national de la qualité” controlling all labels in agrifood chains.

⁷ CIVL (AOC Languedoc), CIVR (AOC Roussillon), InterOc (varietal wines), regional section of ANIVIT (table wine and other vins de pays) constituted a federated organisation (FIVLR) since the 24/12/2004

of each Languedoc AOC union are progressively enlisted, in order to legitimate locally the project and make it supported first by the CIVL, then also by the CIVR (extension to Roussillon vineyard); on the other side, the enlistment of experts, politicians, agents of INAO or administration allows to carry out the project and to manage the legal process of national and european acknowledgment (Barham, 2003). Two domains of actions, with specific “intermediary objects”, have oriented this networking process: i) technical issues, focusing on the definition of AOC wines aromatic profiles and production rules (50 hl/ha as maximum yields, varieties ratios...); ii) political and strategic issues, which specifically concerned scheduling of main actions (meetings, reports, communication...) and positions or involvement of strategic actors. We note that economic and market issues have been little explored in this process.

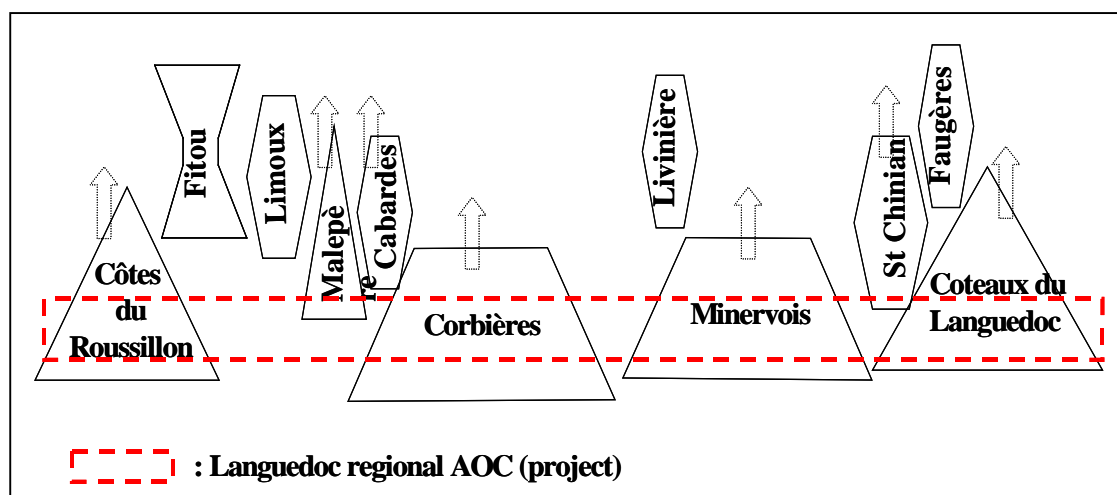


Figure 4. Positioning of the regional Languedoc AOC within existing AOC wine markets (volume x price segment)

Our socio-political analysis thus partly describes and explains the progressive construction of this project, officially accepted by AOC unions and CIVL at the end of 2004, when a first agreement was concluded on “Languedoc AOC” definition, rules and governance structure. This stage could be assessed as a multi level process of technical and political interactions, building the relational, cognitive and institutional structures of a “market innovation”. It calls nevertheless for intermediary conclusions and comments:

- i) Behind an apparent collective agreement, divergent positions remain active between AOC unions, different definitions are still debated and some crucial questions are unresolved. For instance, the Coteaux du Languedoc union was defending harder production rules (lower yields, weak ratio of Carignan variety in wines), when Corbières expected to keep selling basic AOC with higher yield; Minervois insisted on the regulation function that could fulfill the future regional AOC (allowing downgrading from each current AOC), while Saint-Chinian wanted to promote a complementary category with a more fruity flavor... Actually, the project appeared as a weak compromise.
- ii) The innovation network has been strongly influenced by evolutions of economic and political context. The increasing AOC crisis (see 2.1.) has clearly boosted the project, strengthening a group of supporting actors and weakening contrary positions (a solution has to be found !); exogeneous political actions first destabilised the project (as the regional brand “Septimanie” promoted, then left out by the regional government), then supported the AOC innovative networks, which appeared as a possible contribution to the launch of “South of France” regional label... So, regional wine markets embeddedness in institutional and political ties has successively generated instability and opportunity, constituting at once constraints and resources for the market innovation.
- iii) The construction of networks, objects, knowledge and institutions that should lead to the market innovation are influenced by individual networks and strategies of wine leaders. The analysis of

interlocked ties built by the 10 more influential leaders (between wine unions and organisations as co-operatives, technical institutes...) shows that each leader is involved in a multi-responsibility network, which covers the different strategic arena from local to national levels (Desmet, 2005). These relational structures seem to be efficient for controlling political informations and actions, but disturbed the Languedoc AOC project. Hard negotiations have followed about “who will control the project” or “how Languedoc AOC could influence policy-makers and other wine unions strategies”. This market innovation is thus partly determined by individual quests of power, not always convergent with the common interest, at least if considered at the regional level.

iv) The lack of economic and marketing analysis could appear as surprising in such a project, while firms (including wine industry) generally carry out “market study” before launching new products, even when the volume is lower than the volume expected for “Languedoc” AOC wine. In the case of Languedoc wine, the figure of “entrepreneur-innovator”, pointed out by Callon (1998), is represented by professional leaders or technicals agents, who have developed a “supply economic culture”, and not of a business culture oriented to consumers and markets.

In order to go beyond political debates between producers and to focus on markets and economic issues, the CIVL thus called our team at the beginning of 2005 to assess the point of view of buyers and sellers about the assets and the limits of the regional Languedoc AOC project and then, to get useful data to rally economic actors around the project.

2.3. Rallying buyers and traders in the innovative network around “Languedoc” AOC

In order to assess the potential and the relevance of a “Languedoc” AOC wine, a large sample of current buyers and sellers of Languedoc-Roussillon AOC wines has been interviewed between March and September 2005. This sample included the most important buyers in volume, as well as more little or less specialised structures, but well-known as “promising start-ups”, “wine prescriber at the national or international level”... On the same time, other types of influent actors linked with AOC wine markets have been interviewed, as wine guides, consultants, restaurant chefs...

Wholesalers and cooperative unions selling wine	Wine Distributors	Other actors
24 (16 wholesalers, 8 cooperative unions), including regional and non-regional ones	16 (supermarkets, hard-discount, wine shops...), including French and Belgian ones	10 (wine guides, consultants...)

Table 2. Sample of interviewed people

We developed “comprehensive interviews”, along an economic sociology framework : we aimed to assess their current buying and selling practices relative to wines (sourcing, pricing...), to understand these embedded practices with regard to their points of view and networks around existing wines, as well as to discuss their possible involvement in the new regional appellation development. Most of people have been open to such an interview, but a serious difficulty consisted in getting in touch with the real decision-makers, that supposed sometimes to meet several interlocutors in the same structure in order to build trust and reach the influential people. The collection of strategic data has been nevertheless favoured by our status as researchers belonging to a National Institute of Research, working a priori for the general interest and not to strengthen the competition between wine buyers, as well as by our quite long trajectory of works in this sector.

Most of the interviewed people appeared motivated by the project of the regional appellation, especially the wine distributors (except hard discount) and the non-regional actors. The reluctance expressed by some of them seemed more linked with the history of this project, “20 year-old”, “discussed many and many times”, and to the regional “human specificity”, where “every collective

project fails because of human rivalries”, rather than to the project of a regional appellation itself. On the contrary, most of the interviewed people agreed there is an urgent need for a common banner for all the wines produced in Languedoc-Roussillon, the biggest but the most atomized vineyard in the world ! In that perspective, both “Languedoc” and “South of France” appeared relevant, but may have to be coordinated if both are promoted. Beyond strengthened communication and marketing means, a common appellation would enlarge the geographic area for sourcing, thus giving new opportunities to make quality blends. Besides, some sellers reported a too heterogenous quality in Languedoc wines sold in bulk, often leading to disappointments after purchase after, however, a previous marketing agreement around a determined quality.

On the basis of their current practices and points of view about Languedoc-Roussillon wines, we went further in the definition of the regional appellation: which product(s) ? What way(s) of implementation and management ? Wholesalers, cooperative unions and wine distributors agreed: there is no need of one more appellation, there are already 15 different AOC in Languedoc and 7 in Roussillon⁸. The regional appellation might be both federative and innovative. Featuring the “New new World of wine”, the “mediterranean California” gets indeed a lot of ressources and might strengthen its legitimate capacity to be innovative, while respecting the traditions around wine. According to wine sellers, Languedoc wine suppliers lack confidence in themselves and/or are too busy in competing with each other instead of building common projects. That reveals once more the different dimensions of social embeddedness of economic practices: relational and cultural embeddedness is so strong that it prevents offensive collaboration, while the institutional embeddedness is both too weak and too complicated to define and control collective actions. However, according to interviewees, beyond diversity, there is really a specificity in “Languedoc” wines, different from Bordeaux and Côtes-du-Rhône, because “more warm, more spicy and fruity”. The challenge would thus be to ground the regional appellation on this base, providing one does not sell it off cheaply. “No need for a garbage appellation, collecting all that one can not sell !”.

3. Suggestions for a market innovation in two steps

The development of a new product and market in a deep crisis context is not obvious, but as the regional appellation has been officially launched at the end of 2005, we made a proposal in order to support the development of the project. On the basis of our results, we suggested to manage the project in two further steps, following the first one developed in the socio-political arena (see 2.2.). Each new step would consist in “decoupling” (White, 2002) the product and its market in technical, relational, institutional and cultural dimensions, that means to structure its embeddedness in these intertwined dimensions through institutional features. Rather than by a single socio-technical network, the regional Languedoc AOC innovation is likely to be grounded and rewarded through diverse and complementary innovation networks.

3.1. Building a product reference, while improving the regional industry governance

After the socio-political phase, a second step may consist in strengthening both the regional “Languedoc” AOC as a new technical object and its founder group of economic “allies”, in accordance to the actor-network theory (Callon, 1998). According to our surveys, there is a Languedoc wine specificity, not only from an organoleptic point of view (spicy, fruity...) but also along a “social imaginery” (“warm”, “linked with sun”...). According to traders, this identity may be strengthened through technical and technological innovations targetting the Languedoc specificity, and not trying to imitate New World wines. Such a capacity of innovation has been stressed by traders, especially foreigners, as both possible and legitimate for the Languedoc,

⁸ including white wines and naturally fortified wines.

emerged as the wine region “on fashion” in the mid-90s, after California. But as a French region, the Languedoc has to respect the wine traditions and “founder spirit”, that means that the technological innovations have not to be too contrasted with habits. Moreover, “in matter of aromatic wines aged with oak shavings, New World countries make better and less expensive”. The strong cultural embeddedness of the French wine market thus grounds a path-dependency that entrepreneurs have to be aware before launching a new product. In new wine producer countries, things are more open, whereas in Bordeaux and Burgundy, technical or technological innovations are not welcome at all (Laporte, 2000): “Languedoc” thus could represent an interesting compromise between modernity and tradition.

The Languedoc regional appellation, as an innovative product respecting traditions, may be supported by a first network of economic actors, associating the ones assessed as highly motivated by the project and whose current practices are consistent with such a perspective. Those actors appeared very diverse, not only in matter of economic terms but also of networks profiles (Burt, 1987), that may favour the diffusion of the innovation in many horizons. Intermediary objects and rules are nevertheless needed to ground such a network: the regional appellation decret, defined in 2005 by the INAO and planned to be officially published in 2006, may be supported by collective charts specifying the organoleptic profile that has to be targeted; technical and technological guidelines may help producers and wine-makers to reach this profile. More directly, supply contracts between producers and buyers may help to build and stabilise the relevant quality. Most of the people we interviewed appeared favourable towards such contracts, deploring the problems due to the heterogenous quality in Languedoc production. But in practice, only few firms implement these contracts, that may suppose a policy level of action in order to push downstream actors in that sense. More largely, the Languedoc appellation may then be an opportunity to renew the governance of all the regional wine industry, throughout the organisation of “hybrid forums” around Languedoc sustainable development issues that may help to go beyond personal rivalries and build a common prespective in such a deep crisis period.

In matter of marketing, the Languedoc appellation may be supported by an active communication and promotion programme, signalling a real “event”, of course coordinated with strategies around variety wines (Pays d’Oc), “South of France” firstly dedicated to export and now “Sud de France”, aiming at gathering all Languedoc-Roussillon wines. Economic returns may be favoured by a rather high consumer price, around 3 euros per bottle, consistent with the sellers’ point of view that “a cheaply sold off product is of no interest”. As shown in other activity sectors, scarcity may socially legitimate such a high pricing strategy (Musselin, 1996), whereas “club good theory” (Torre, 2002) confirms the economic efficiency of controlling production volume when launching a new product, provided it is well identified and not fuzzy. According to sellers, financial risks may be weakened by a specific support for few firms, commonly assessed as “regional ambassadors or driving forces” in opinion. The charge may then be shared between supply chain actors and regional policy-makers, along a general interest perspective, provided the involvement of these firms would be guaranteed through a contract with the collectivity.

3.2. Organizing the AOC range and promoting diverse innovation networks around wine

After this second phase of development based on a quite high price and scarcity, a third phase could aim at expanding and organizing the regional range of wines. According to our results, the challenge may consist indeed in managing both the distinction of “crus” among AOC wines and the development of the AOC regional product, along an offensive strategy in which i) the regional level is not just “what we can not sell”, but “what really expresses the Languedoc identity”, ii) AOC wines are definitely produced, marketed, priced and promoted as different from “vins de pays”. Some crus are already identified and quite famous, as Pic St Loup, Minervois la Livinière or Fitou.

Specific areas tend to emerge (Terrasses de Béziers, St Georges d'Orques...). But for the moment, each union or producer group tries to negotiate directly with the INAO, valuing its own social capital (Lazega, 2001) in order to promote their area and market. It would be more relevant to build a collective project at the regional level in order to organize the diversity into complementarity and hierarchy. In parallel, the volume of regional product may be increased by volunteer strategies from a large number of wine producers to target the Languedoc common profile, that supposes them to go beyond personal interests, at least in one part of their activity. Of course, they may express their singularities in other levels, through crus or "vins de pays de zone"⁹. Departemental and regional federations of cooperatives may play a crucial role to go in that sense. Agricultural extension services may also support producers to adapt their practices in order to get the relevant grape towards the common profile of regional wine which is targeted. When one may only see the obvious application of a "reverse marketing" strategy, quite classical in other agri-food sectors but still uncommon in wine - especially in Languedoc -, sociologists and economists underline and try to explain the social difficulty in getting collaborative projects, even in the French "founding region" of wine Cooperation. A previous study developed by our team showed and discussed for instance the very weak density of the network between cooperative managers, especially around strategic issues as wine range organization (Chiffolleau *et al.*, 2006).

As sellers pointed out during our interviews, it could also be efficient to associate other activities both to strengthen a Languedoc "event" around wine and to make the regional wine industry more profitable. The regional project can be optimized and rewarded through the parallel implementation of new products made from wine (mix, soft...), appreciated by young people and women, and though the development of modern tourism activities, as already done with success in the New World. That supposes to imply different socio-technical networks. In a context in which consumers are more and more interested in "territorial goods and services baskets" (Pecqueur, 2001), the competition should indeed be developed at this level, and not only around the wine. Such a combination of activities is also a way to reduce the exclusion linked with the first phase of development of the regional appellation through a club of privileged actors (who nevertheless have to take risks). Such a perspective nevertheless supposes that Languedoc wine industry leaders acknowledge that both the global wine industry value is made by diverse qualities and activities around wine and not only by top quality wines produced by famous private cellars or by State subsidies obtained by lobbying and demonstrations... The renewal in producers and above all, in leaders may help to break such a strong cultural embeddedness of wine market, partly out of date, but the turn-over with newcomers has not been supported by active establishment policies nor has been well accepted, extra-local people often remaining "foreigners" and not really integrated in villages (Chiffolleau, 2006). The Languedoc wine industry thus exemplifies how markets are socially embedded, the Languedoc society has now to mobilise all its resources to save an industry in danger.

Conclusion

Faced with an unprecedented crisis, the Languedoc wine sector is currently at the crossroads: weakened by both external and internal factors, its innovation dynamics has to be reviewed towards a more collective target in order to make all past investments rewarded and more seriously, to make its future possible and sustainable. The "Languedoc" AOC wine project represents a great opportunity to reorganize the AOC regional production on a renewed wine range around a medium price segment and a well identified product expressing Languedoc typical characteristics, as assessed by foreign sellers especially. But as our approach, combining economics and sociology, pointed out, the launch of a new market innovation not only consists in the development of a new

⁹ Category included in "vin de pays" appellation but referring to a specific geographic area and to a more or less strict guideline.

product with a lot of communication. It requires a coherent strategy of change in all market dimensions: technical, economical, social, cognitive, political. Presently based on a weak consensus, the development of this project seems us to remain limited by the persistence of two extreme and contradictory conceptions of wine markets, quite classical in commodity markets and also confirming Fliegstein's statement (2001) about the common trend to reproduce existing rules and strategies in the process of new markets emergence however calling a wide range of changes. On the one hand, an elitist solution is still promoted as the best offensive strategy to solve the crisis, allowing the distinction of the region through top-quality and niche markets, but then excluding a large part of it; on the other hand, quantity is supposed to remain a lobbying force, thus inciting some leaders to propose a "gathering" defensive strategy without well-defined objectives. As strategies are promoted by human people for whom personal social status are at stake as well as or even more than the supply chain future, market building in Languedoc remains a stimulating challenge for economists and sociologists working together and thus analysing a collective action among "rival-associated actors" (Lazega, 2001). But this social game may be fatal for the region if the general interest is not at last acknowledged by all "enlisted" actors, including regional wholesalers or co-operatives preferring to buy foreign wines, as well as wine activists still demonstrating against sellers' practices...

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