

Case Study: Heritage of the Priorat

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Abstract:

Purpose: The purpose of this case study is to promote the entrepreneurial skills of business students in the field of strategic tourism marketing. The case refers to the renowned wine region of Priorat in Catalonia (Spain) and shows a cause - effect situation in the framework of the deep and long crisis that Spanish economy is suffering since 2009.

Design: Methodologically it is a case study based on the information gathered from interviews conducted with the main economic players. The case provides students with the necessary documentation on the relevant companies and their strategies. The aim is to learn from the initiatives that have arisen and that have reversed the wine region situation in a few years.

Findings: Main findings obtained by working in the case are related to understanding and analysis of the following issues: entrepreneurship and marketing of small tourism businesses in a local environment, the strength of an international brand (The Priorat) and its capability to attract customers (the case focuses on tourists).

Practical implications: Learning from selecting strategic options; capability to differentiate primary concepts from secondary actions in order to prioritize; business policy implications of global versus local; advantages and disadvantages of this duality and obviously the process of searching, selecting and analyzing business information from different sources in order to take decisions.

Keywords: Entrepreneurs, enoturism, Priorat (wine/region), wine sector

Introduction

The Priorat is a region with a long wine tradition that throughout the twentieth century entered into a process of decline that pointed to its disappearance. A group of entrepreneurs, mostly from outside this region, generated, in the late eighties, one of the most radical regional transformations, making it one of the best known and prosperous region for the quality of its wines. The new entrepreneurs promoted the implementation of wine knowledge, with the use of more advanced productive and organizational techniques in winemaking and also business skills and management that they created for the international recognition of Priorat's wine. The wine region of the Priorat is an example of global and local success, where modernization of a traditional local industry has reached an international impact.

The Priorat of XX Century (Since the appearance of the pioneer group to the consolidation of innovation cluster)

It was in the late 70s when René Barbier Ferrer, a young winemaker, bought a small farm nearby hillsides of Gratallops (small village at the Priorat) where he planted vines of Grenache, Carignan, Cabernet Sauvignon and Syrah with the idea of making wine, although initially in a bohemian way and against the currently trends. In this adventure to enhance Priorat was accompanied with a small group of friends, namely Carles Pastrana Icart, Jose Luis Pérez Verdú, Daphne Glorian, and Alvaro Palacios Muro who joined later to the team (see biographical notes in *Appendix I*). The original idea of this project was much more adventurous than real deal. In fact, the first wines were produced sharing their facilities where everyone brought their grapes and wine elaborated wines of Burgundy style. Without looking, what it began as a simple adventure ended in a resounding success.

This small group of entrepreneurs, mostly from outside the region, but who knew about Priorat and its long wine making tradition, raised the enormous potential offered by this land to produce wines of great quality. These five entrepreneurs started their projects without large investments because of regional devaluation of farms and vineyards, and with the possibility of using established structures of farm cooperatives as products and services' suppliers. Moreover, it should be noted that this sectorial recovery would not have been without the continuous winemaker's tradition that despite the difficulties experienced in the past decades managed to keep the traditional legacy of exemplary wines (Figueras & Calvo, 2003).

They regained old vineyards, settled their wineries there, produced their first wines and sought recognition in international markets and to their main prescribers. The ability of innovation and their vision focused to international markets had as a result the international recognition of its quality wines. These early successes attracted new investments and this is the main reasons for the success reaching Priorat wines from mid-the nineties. This will entail the fledgling tourism related to wine.

At first, the groups of entrepreneurs had a vision but no formal plan. But, the strong motivation and commitment of the team with the project made it succeed. Each of the team members provided training and different skills, but complementary, which enriched the

members as a group, both aspects are key to propose innovations. Spontaneously they began their project with an exploratory stage. It was focused on knowledge creation phase, experimenting with new varieties in order to understand how different strains react to different terrain features. They proposed bold combinations, with the idea that the wine acquired nuances that make them excellent. It is an "exploration" stage, rich in changes and innovations, where they also developed techniques, tools and work processes that will accompany them for the rest of their productive career. Another key was their competitive vision of selling their products in international markets, it was necessary to compare the products in the demanding international markets.

In 1989 came the first results, the production of the Clos Mogador wine, René's property. Although there were only 240 bottles, everyone agreed that the result was a very special wine, linked to their own land features. They decided to launch it in the international market and sell it at a reasonably high price (€9) for the Spanish market, considering that this wine was completely unknown at the time. For three years (1989, 1990 and 1991) they gathered their vine productions and produced their own wine at the winery (Clos Mogador) and marketed it under five different names: Clos Mogador (René Barbier); L'Ermita (Alvaro Palacios); Clos Erasmus (Daphne Glorian); Clos de l'Obac (Carlos Pastrana) and Mas Martinet (Jose Luis Perez). Among them emerges a clear identity. They called themselves as "closes", in a clear reference to the origin of their adventure, the Clos Mogador cellar.

A particularly significant event was when Christopher Clark, a British expert of recognized standing, became interested in the fame that a new wine of Priorat had achieved and went to visit the region to know more about it. He recognized the good qualities of wine produced and commented about it to an important US wine critic called Robert Parker, who is a key sectorial reference. The latter assessment was very positive, such as in the mid-nineties L'Ermita's wine, produced by Alvaro Palacios, was considered as the best wine in the world (1991). In the history of the Spanish viticulture, this has been the greatest recognition that a Spanish wine has ever gotten. Soon, the Ermita became the most recognized Spanish wine in the world and also the most expensive. If in 1993 a bottle costs \$295, ten years later the price reached \$420.

Interestingly, the same year that Robert Parker's good news happened, the "closes" group disbanded and its members decided to continue each one independently. Despite this separation, it was the beginning of regional development, where the pioneers made a real effort to convince the natives to produce wine again. The Priorat case shows how the original effort made by a small group of five people transcended to community. It is an example of how an entrepreneurial venture is capable of mobilizing an entire region with exceptional results, not only for the pioneers, but for the entire region. That is why this case allows us to analyze the entrepreneurial activity focusing on a collective perspective, and not just individually.

As a result of these initiatives the Priorat suffered a huge transformation in just a couple of decades. Between 1985 and 2006 nearly doubled the population rising from 4845 to 9976 inhabitants, the unemployment rate reached unimaginable figures in Spain, of 1.1% in 2006,

i.e. virtually full employment. And productive activity focused on wineries, multiplied by 20 between 1985 and 2006, from 3-4 to 70 cellars. See *Exhibit 1*.

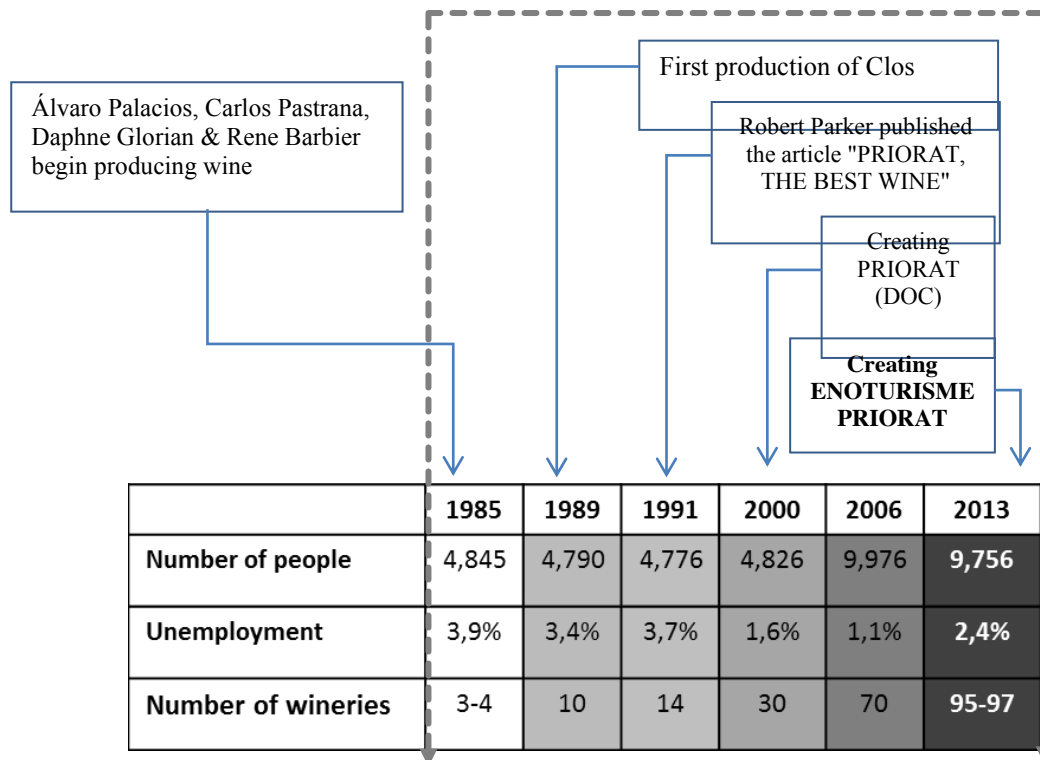
Behind the footsteps of these five pioneers, they came new initiatives from both foreign and native people and with a variety of links with the world of wine. Not only projects for wine production were developed, but also linked to the incipient tourism. With this second wave of new entrepreneurs, it was clear that something had changed in the region.

Then, the pioneers realized that it was necessary to maintain a quality level of regional wines if they wanted to maintain a regional image without seeing harmed by an excessive variety of qualities. And, also, they were aware that a market does not work without competition. So they were responsible for creating its own competence since they realized that alone would not achieve anything. They invited other winemakers to elaborate on the land, helped them to search some estates and provided space in their own cellars if they needed.

So they began to spread, now individually, their discoveries to their farming neighbors to try to convince them to plant new varieties, given the growing demand the new wines were having after their first successes. However, this task would not be easy. The survivor's farmers in a depressed region were extremely conservative, distrustful and skeptical about foreigners' proposals. To try to overcome this challenge, they focused their actions on three mechanisms to facilitate the transition: the discourse based on "terroir", the objective delimitations, and the brokering function. The pioneers generated a discourse based on "terroir", in the goodness of soil, the need to care for and preserve it. All these arguments connected with the sensitivity of the locals, who for generations had been linked to the same field. They opted for a step by step process, defining objectives at each stage. In addition, after making some presentations, using data and schemes, addressed to farmers, they realized that the diffusion of their knowledge should be based on practical teaching in the field. So they shared many hours working with their neighbors trying to convey the knowledge acquired during their exploratory phase. And finally, they adopted the role of brokers, buying grape production obtained with the new strains (Wenger, 1998). Finally,

Exhibit 1. Data of Priorat regional transformation

Source: adapted from Bou, E. et al. (2009) and DOQ Priorat (2015)

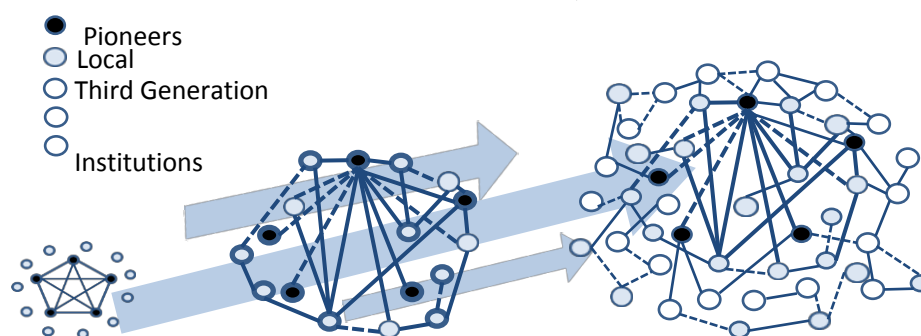


an element that has improved collective feeling and community dimension of Priorat has been spreading of “closes” story, narrated among neighbors and farmers like a legend linked to the goodness of land (Czarniawska, 2004). The success of Priorat wines attracted a third wave of young winemakers, with names like Christopher Canan, Luc Van Iseghem, Josep Puig, René Barbier Meyer (Junior) and Sara Perez Shepherd, Josep Maria Albet, Dominik A. Huber, Eben Sadie, Raul Bobet and Sergi Ferrer-Salat, seeking their place in quality wine market.

This period coincided with the development of wine industry in so-called "New World countries" (United States, Australia, New Zealand, Argentina, Chile and South Africa), where processes were developed following a much more methodical research, related to product and process innovation, and designing communication campaigns to attract consumers who do not know the wine world (Getz & Brown, 2006). This has expanded the market for wine to the consumers and, in turn, even more to consumers who had a great interest in wine culture. In this sense, wine plays an important role as a mechanism for communication and promotion of the wine culture in most of these countries and, therefore, has created some models and references that have been imitated across Europe in traditional viticulture areas such as France, Italy and Spain. (Gazquez, Huertas-García, Vázquez-Gómez, & Casas Romeo, 2015). See Exhibit 2.

EXHIBIT 2. Evolution networked cluster: successive phases

Source: based on Bou, E. et al 2009



In short, the Priorat is an example of what has been called knowledge economy (Brown & Duguid, 2000). According to this theory, the knowledge cannot be shared if previous experience is not shared and this kind of knowledge is acquired; thus, a communication channel is created and allows sharing knowledge. When these kinds of experiences are moved in the environment, where members of business or different organizations perform the same activity, they are called networks of practice (Berry, 1990). Relationships speed up this type of process. Perhaps it is interesting to analyze other wine-growing areas such as the area of the German Rhein, the Swiss Valais, the Alto Douro in Portugal, Aosta Valley (Italy) or the same Borgonya in France, since they are comparable to the conditions of viticulture of Priorat and therefore with the tourism environment.

To understand how this challenge was faced in the region El Priorat, as discussed above, three elements were identified that enabled the spread of knowledge, learning and innovation. These are: the discourse of “terroir”, the existence of boundary objectives; the brokering or intermediary function, and the narrative of this story.

So far we have described the recent history of the Priorat, but what will the future be?. Practically there are not lands left for newly planted vineyards, due to the creation of a natural park. Therefore, the only activity that can be performed in a future is service. For example, the wine tourism. The spontaneous fame that reached Priorat wines in the nineties awoke interest in people to know where the origins of these wines are. New investors were devoted to rehabilitate houses, build hotels and restaurants, etc.

It appeared an emerging tourist industry which enjoyed a privileged position that only lasted around two years. Since 2009, Spain entered into a severe crisis resulting in a drop in demand, particularly for products and services considered luxury such as tourism, especially in domestic markets and international markets to a lesser extent.

However, many employers understood that the Priorat had a sufficient attraction, may it be: historic, cultural, wine heritage, and were confident that tourism would flow with initiative and promotion again, in the not too distant future. On the other hand, they were proud of the epic tale of the group of entrepreneurs (some of them were leaders in their specialties, formed as a pressure group) that did emerge united with self-esteem. That is, the most important cluster group is institutionalized and streamlines the potential of entrepreneurs with private initiative. In any case, the adoption of a specific network structure and business strategy depends on the characteristics and profile of its components (Caffagi & Iamicieli, 2010).

A CAME⁵ proposal from the SWOT analysis for future development Priorat

The first part of this case should inspire the SWOT analysis and build its complement CAME (Correct, Affront, Maintain, Exploit):

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Historic winemaking tradition. • Environmental and scenic value. • Importance of winemaking operations. • Investment effort. • Only 2 DOQ in Spain: Rioja and Priorat. • High quality of the wines. • High recognition by the consumer. • Prices competitive sale. • Export orientation. 	<ul style="list-style-type: none"> • Reduced dimensions of the vineyards. • Low yields of the plantations. • Confusion between the DO Montsant and DOQ Priorat • Reduced volume of some wineries • Low volume of exports. • Lack of a clear position. • Reduced presence in the domestic and regional market.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Linking wine culture, tourism, nature and the environment. • Consumption growth in non- 	<ul style="list-style-type: none"> • increasing competition from the countries of the "new world" • Decrease consumption. • Increased consumption of substitutes. • Increase the size and bargaining power of large retailers. • Increase in retail prices. • Anti-alcohol culture. • Uncertainty about possible legislative changes.

⁵ **Correct-Weaknesses.-** Reorientation strategies, **Affront/Address-Threats.-** Survival Strategies, **Maintain-Strengths.-** Defensive Strategies, and **Exploiting-Opportunities.-** Offensive Strategies.

<p>traditional countries.</p> <ul style="list-style-type: none"> • Growth in the consumption of quality wines. • Possibility of sales growth in the regional market. • Ability to attract new consumers. • Consolidation quality mark "Priorat" as a region (the sum of the two appellations). • Development of distance selling (wine clubs and online stores) 	
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In this regard, proposals made by students should be scored by the different disciplines: entrepreneurship, marketing, decision making, strategic management, etc.

To do the case: historical, socio-economical, and wine tourism knowledge is previously required. Below there are some Web sites (they are in several languages) that students can consult: <http://www.prioratenoturisme.com/en;> <http://doqpriorat.org/en/contingut/doq-priorat;> <http://www.domontsant.com/en/page/about-us>

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“Appendix I - Biographical notes of the initiators of Actual Priorat

René Barbier, born in Tarragona in a family of French origin, winemakers and wine merchants established in this city for three generations. His training started in schools and universities in France (Burgundy, Limoux and Bordeaux). He vinified white wines in Alsace, he worked for Moueix. His first professional job was in Spain, as a distributor and trade in Bodegas Palacios in Rioja, between 1976 to 1979, with his wife, Isabelle Meyer, bought an abandoned farm in the Priorat, which laid the groundwork for the future of Clos Mogador project planting Garnacha, Carignan, Cabernet Sauvignon and Syrah.

Carlos Pastrana, born in Tarragona in a family without wine tradition. In 1979 he decided to go and live in Priorat area, to promote the development of modern wines and take advantage of the full potential of Priorat's wine. Childhood friend of Rene Barbier, bought in 1984 a farm and recovered the land for growing grapes. So that's how the project Clos de l'Obac started, whose first release in 1991 was already ranked as one of the hundred best wines in the world by the World Wine Guide.

José Luis Pérez, born in Alicante. He emigrated to Switzerland to work and, he studied Human Biology at the Universities of Zurich and Geneva. He was working as a teacher near Barcelona when he arrived with his family to the Priorat (1981): To work with his wife, Montse Ovejero, as teachers of biology at the Vocational School of Falset, of which he became principal. Falset School was the first center in Spain to impart the specialty of Viticulture and Enology. There Pérez Verdú came into contact with the world of wine. He began to travel to France, Switzerland and Germany looking for information and contacts with wineries and wine organizations. In 1986 he met René Barbier, bought his first vineyard and initiated the first steps of what would be his Clos Martinet.

Alvaro Palacios, the youngest of this group of pioneers. Enologist belonging to a family of winemaking tradition of the Rioja (Bodegas Palacios), was formed in Bordeaux under the trainer of Jean Pierre Moueix, where he learned how they elaborated some of the premium wines of the world. He set out to do something similar in Spain, and after visiting several wine regions he discovered Priorat, (and was in Rene Barbier's hands and, had worked in the cellar of his family). When he was twenty-five years old he began to make his wines in Priorat, collaborating with other pioneers. His first wine is the Clos Dofí and later will appear L'Ermita.

Glorian Daphne, of Swiss origin and married to American importer Eric Solomon. She had always worked in the wine industry for different processors and importers, and met René Barbier and Alvaro Palacios in a wine fair in Orlando. In 1989 she moved to the Priorat and develops her Clos Erasmus, although she was still working in the import company of her husband and was constantly traveling to leverage her knowledge of international wine markets.”