

**Risk perception in the wine industry.**  
**An exploratory study in Northern Italy**

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**Abstract**

**◦Purpose**

*Risks faced by farmers and by other actors in agricultural supply chains are numerous, and the literature is rich in studies that classify agricultural risks and analyse their effect on business operations and profitability. In the wine industry, the organisational structure of businesses may significantly influence risk perception and the adoption of risk-management strategies. Investigating the level of risk perception and awareness along the wine value chain, could be particularly interesting. Even actors positioned upstream in the wine supply chain are becoming increasingly sensitive to market dynamics, more prone to taking risks and more aware of the need to manage these risks. The purpose of this study is to address risk perception among different actors in the wine value chain and gain an understanding of whether and how different risk categories are addressed and managed. The study investigates the principal sources of risk in the Italian wine industry and the different perceptions of risk among winegrowers and wineries.*

**◦Design/methodology/approach**

*The methodology employed a questionnaire survey administered to 91 winegrowers and wine producers in Northern Italy. The questionnaire was designed after completing a comprehensive*

*analysis of the literature in risks associated with the wine industry, and four focus groups involving wine business entrepreneurs. Principal component factor analysis was applied to identify the principal sources of risk probability and severity perceived by the participants. The technique of K-means cluster analysis was applied to identify different business profiles in relation to risk perception factors.*

#### *◦Findings*

*Results demonstrate that hazards are the risks that receive more attention and consideration from farmers and wineries. Non-hazard risks also appear to be relevant to the participants.*

*Principal component factor analysis highlights the principal sources of concern for winegrowers and wineries. The most important factors are related to three different groups of risks: market uncertainty and threat, extreme weather conditions, and serious damage of facilities; the other concerns are associated with the non-hazard risks. In relation to the perception of risk severity, the most important factor is related to the damage that hazard risks can cause to business activities; while the other factors are associated with non-hazard risks. The cluster analysis identified four business profiles. Cluster 1 isolates participants that are more sensitive to risk probability than to risk severity. Only the threat of key-customer loss and the regulatory context elicit risk perception in Cluster 2. Cluster 3 expresses negative perceptions of risk probability and severity: it is particularly sensitive to the probability of production and market risks, and assesses the threat of competitors as the greatest area of risk. Cluster 4 is characterised by a particular focus on risks that directly imply cost. The analysis demonstrates that the four profiles are connected to different structural and risk-management characteristics.*

#### *◦Practical implications*

*An important challenge for many organisations in the wine industry is the ability to perceive risks that may represent threats to business performance, profitability and competitiveness. This study allows managers to highlight key risks, and enables them to distinguish between hazards and risks that can be addressed in relation to their probability and severity. Understanding these groups of risk and their perceived risk dimensions is essential for designing appropriate and effective risk-mitigation strategies. Hazards, which were assessed by participants as the most relevant risks, may typically benefit from insurance and control investment. The analysis reveals that non-hazard risks are also relevant to winegrowers and wine producers. These risks need to be covered through systematic prevention and mitigation strategies, and careful evaluation of these risks is therefore relevant for managers. Future research is suggested to further analyse the adoption of risk-mitigation strategies based on risk perception and organisation characteristics.*

Key words: risk perception, risk probability, risk severity, hazards v. non-hazards, wine industry, Italy