

## Evaluating Sustainability Practices in the Chilean Wine Industry

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### *Abstract*

◦*Purpose – To study the perception of sustainability among Chilean wineries and their behaviour in terms of certification.*

◦*Design/methodology/approach – Multiple case study involving 12 wineries comprehending six certified wineries and six non-certified wineries*

◦*Findings – While the perceptions about sustainability and the impact of certification are similar across wineries, non-certified wineries believe sustainable practices affect their costs.*

◦*Practical implications – More information about operational costs for sustainable practices should be available together with subsidies to implement them.*

Key words: Sustainability, Chile, Certification

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### **1. INTRODUCTION**

Chilean wineries have been certifying their sustainability practices through different norms and regulations. However, there are no evidence of the interpretation of sustainability and the related change in the practices of the wineries after certification. This study evaluated the impact of certification comparing 12 Chilean wineries: six certified wineries and six non-certified wineries.

## **2. LITERATURE REVIEW**

Szolnoki (2013) was one of the first scholars that evaluated the impact of sustainability in wine. He suggested that sustainability comprises three concepts: economic, social and environmental, but these concepts are not adopted equally across wineries. For example, small wineries only focus on environmental aspects and mostly associated with organic or biodynamic practices while large wineries consider the whole value chain. Spielmann (2017) suggest size is an important factor on sustainability practices.

In terms of sustainability in Chile, there are not large scale (or research-focused) studies like Szolnoki (2013). In 2015, Chilean wine industry adopted a certification on sustainability that is voluntary and aims to promote sustainable practices in wineries (Código Nacional de Sustentabilidad de la Industria Vitivinícola Chilena, 2015). The certification separates wineries business in three areas: green, red and orange. Green area is related with sustainable management of vines (soil management, water management, energy management, plant management. Red area involves cellar operations (energy and water conservation, waste management and recycling). Orange addresses social responsibility practices (ethics, labour management, community activities, marketing and consumers). Wineries need to pass the certification in the three areas through an audit. Wineries need to satisfy the requirements at least three months in advance of the certification date and requirements are increasing in every renewal, which occurs every two years. At the time of the study, there are 56 certified wineries. However, there are no empirical studies of the impact of certification on the performance of the wineries.

Our research question is “What are the perceptions of sustainability and its certification on the Chilean wineries?” Given the multi-dimensional focus of the certification in Chile, e.g. green, red and orange areas, the evaluation of the impact on performance should consider multiple areas of the participating wineries.

## **3. RESEARCH METHODOLOGY**

The research methodology is descriptive and exploratory using case studies. We studied 12 wineries: six with certification and six without certification. We had in-depth semi-structured interviews with a member of staff from each winery associated with the certification process for the certified wineries, or related with production and/or management for non-certified wineries. The certified wineries in the study were Concha y Toro, Luis Felipe Edwards, Montes, Santa Rita, Siegel, Viu Manent. The non-certified wineries were Acacia Caven, Don Clemente, EOY Marchigüe, Estampa, San Guillermo and Veramonte. In terms of size, certified wineries

were large and medium size while non-certified were small size. Thus, the results may not be fully comparable.

#### **4. PRELIMINARY FINDINGS**

We present in this paper some initial findings. More than 80% of the wineries consider that sustainability involves “promoting the economic and social development while respecting the natural ecosystems and sustaining the environment.” From the economic perspective, sustainability consists of “continuous and stable growth in terms of cash flows” for the certified wineries, which are large established wineries, but the non-certified wineries have multiple definitions from “profits reflect business activities that general social benefits” to “long lasting wealth”. From the social perspective, 50% of the wineries consider sustainability as “creating opportunities for dialogue to create value that benefit the communities”, 25% believe is “the integration of the workers within the community” and the rest suggest, “actions related with the community”. From the environmental perspective, wineries consider sustainability as “developing strategic plans with concrete actions that are measurable” (50%) or “managing the natural resources, waste and emissions” (50%).

From the performance implications, all respondents believed that sustainability increases sales (83%), improves business model (67%), improves the perception of customers about the winery (91%) and shows concern for the environment (100%). Non-certified wineries only major disagreement is with the impact in terms of business model as they were not convinced on its impact on the business model. The main reason is the high costs involved in obtaining a certification, as well as practices, that can affect profits.

#### **5. CONCLUSIONS AND MANAGERIAL IMPLICATIONS**

Certification has become attractive for many wineries but there are still more than 70% of wineries, many of them small, without certification in Chile. The preliminary findings suggest there are similar interpretation of sustainability across the industry. While certifying sustainability is part of good management for large wineries, small wineries consider a cost that may affect profitability, especially when profitability can be achieved through higher product quality (Kunc, 2007). Therefore, we recommend providing more information about the operational costs associated with sustainable practices together with subsidies to implement them.

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