

## The Critical Competing Factors of the Armenian Wine Industry

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### Abstract

◦*Purpose* – Recent archeological discovery and scientific tests indicate that Armenia is the country where winemaking originated. For this paper, we investigate the success, failure, influence and challenge factors of the Armenian Wine Industry within the context of the wine production, wine trade, and global competitiveness. These factors are considered determinants in the effort to develop a sustainable and competitive position in the global landscape. We analyze published literature, apply desk and field research with online survey and conduct structured interviews with key industry players to develop a framework that includes an analysis of the state of the industry. We summarize and analyze data collected through structural interviews with a focus group and through an online survey from a purposive sample of 131 participants who live in Armenia. We then synthesize and discuss the results and make recommendations.

*This study investigates the success and challenge factors of the Armenian Wine Industry. They are considered determinants in the effort to build a sustainable and competitive wine industry. For this empirical developmental paper, we collect, summarize, and analyze the data, synthesize and discuss the results to make recommendations to stakeholders while contributing to the body of knowledge of general and international management within the context of global wine business competitiveness.*

◦*Design/methodology/approach* – This research is based on various qualitative and quantitative methodologies including investigative triangulation techniques. We collect qualitative data primarily from structured interviews with a focus group consisting of Armenian wine industry experts and from an online survey of a purposive sample of 131 participants living in Armenia. We use descriptive statistical methods to analyze quantitative data. We triangulate the findings through academic desk/field research by applying interpretative techniques such as content analysis, coding, recursive abstraction, and approaches such as phenomenology. The final data used will be checked for validity, creditability, and reliability.

◦Findings – Table 1 shows the top ranking success factors being: 1. long history of winemaking in Armenia/ first country to produce wine; 2. the richness of the soil; 3. the unique climate with wide-spanning micro conditions' variances; 4. the competitive e cost of production factors due to a low PPP (purchasing power parity index). Table 2. Shows the top ranking challenging – constraining factors being: 1. lack of investment in new machinery; 2. non-existent supply chain infrastructure; 3. lack of marketing activities; 4. of equal importance follow the “cost of growing grapes, quality of skilled labor and export constraints due to the fact that Armenia is a landlocked country and shipping is extremely expensive. Nevertheless, about 89% of the respondents believe that despite the challenges, Armenia can become a globally competitive wine-producing country.

Table 1. Critical success factors of the Armenian wine industry

<b>Critical success factors</b>	<b>%</b>
Long history of winemaking in Armenia/ first country to produce wine	13%
The soil	11%
The climate	11%
Cost of production	9%
The geographical position of the wine regions	8%
Armenia's position in the World Trade Organization	8%
The first country to produce wine	7%
Manpower readily available	6%
Relaxed export revenue taxes	6%
The distribution channels	6%
Production and supply capacity due to available arable land	5%
Domestically built production-related machinery and products	5%
The countries infrastructure	4%
Other	2%

Table 2. Challenging-Constraining Factors of the Armenian wine industry

<b>Challenging – Constraining Factors</b>	<b>Average score ranked by factor of importance</b>
Lack of investment in new machinery	10%
Non-existent supply chain infrastructure	9%
Lack of marketing activities	9%
Cost of growing grapes	7%
Quality of skilled labor	7%
Export constraints	7%
Country is landlocked, can only ship by air or by land over the Russian Federation	6%
The country's infrastructure	6%

<i>Lack of subsidies from the government</i>	5%
<i>Grape production constraints in general</i>	5%
<i>No cooperation-collaboration among winery owners</i>	5%
<i>NO “Wine Quality” designation like France “AOC” or Italy “DOC”</i>	5%
<i>Lack of wine business-related university programs</i>	5%
<i>Undercapitalization of industry players</i>	4%
<i>Business ownership (family owned)</i>	3%
<i>Lack of labeling regulation</i>	3%
<i>Other factors</i>	2%
<i>Lack of a positive diplomatic relationship with Turkey</i>	1%

Table 3. Question whether Armenia could become a competitive wine-producing country.

<b><i>Based on your knowledge about wine, can Armenia become a globally competitive wine producing country?</i></b>	<b><i>%</i></b>
<i>Yes</i>	89%
<i>Not sure</i>	10%
<i>No</i>	1%

*This is a work in progress – The final results of this research will contribute to the body of knowledge of general wine marketing management, global trade and global strategy within the framework of wine production, operation, and global competitiveness.*

*◦Practical implications – This is the first study that investigates and contributes to the Armenian wine industry. Scientific literature on the topic is non-existent. An archaeological - scientific discovery has attested that Armenia is the birthplace of winemaking dating back 8,000 years. Consequently, the Armenian wine industry, being an emergent wine-producing country, strives to gain recognition and build a competitive advantage in the global wine business market place.*

**Key words:** Armenian wine industry; wine competitiveness; critical success factors, critical failure factors.

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