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Italian wine firms: strategic branding and financial performance

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Abstract

Purpose – Over the last few years, the wine industry has been undergoing a process of accelerated change, consequent to the constantly changing wine geography, both from the demand and the supply sides. This research is based on the 2011 work of Rossi *et al.* and aims to develop a preliminary prescriptive strategic branding framework for the Campania (Italy) wine firms.

Design/methodology/approach – The research focuses on branding strategies and financial performance. It is based on extensive secondary data; the research is exploratory in nature, and it is a theoretical research.

Findings – The paper achieves four main objectives: to understand the industry's local and international competitive situation; to identify the role and potentialities of branding in competitive terms; to identify the underlying factors of consumer behavior in relation to wine branding; and to develop a preliminary prescriptive strategic branding framework for the Campania wine firms, with generic application and value.

Research limitations/implications – The limitations of the paper are the result of its very nature: it is a largely conceptual paper. Empirical research is therefore needed to test and validate the essentially preliminary framework developed and the (well-based) assumptions made towards its development.

Originality/value – The value of the paper stems from the fact that practically no research exists on the subject and this work provides a solid and comprehensive theoretical foundation for further research to build on. Additionally, this research studies the subject but also through the identification of true underlying consumer behavior factors.

Keywords Italy, Wines, Brands, Financial performance, Competitive strategy, Marketing, Strategic branding

Paper type Conceptual paper

Introduction – the wine industry and market

Over the past few years, the wine industry and market have been changing at a pace that has left many wine firms disillusioned and unable to adapt to a constantly modified environment. The Organisation Internationale de la Vigne et du Vin recorded a decreasing global wine production over the mid-late 2000-2010 decade, with over 260 million hectoliters being produced annually; 61 percent of which in by European Union countries, predominantly France, Italy and Spain. Italy, along with France and ahead of Spain, is the leading world producer with a market share of 17.5 percent of world production and 29 percent of European production.

The primary industry transformation of the past few years though, relates to the wine-production evolution of countries that do not have a corresponding historical

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wine-making tradition. These are the so-called "new world countries" (Australia, New Zealand, South Africa, Argentina, the USA and Chile), where there are lots of large size firms that have achieved good performance and high market shares, while applying targeted marketing policies.

The value of Italian wine production is estimated to exceed €8.3bn and apparent consumption to exceed €5.2bn. The Denominazione di Origine Cointrollata-Denominazione di Origne controllata e Garantita (DOC-DOCG)[1] wine production share is also in decline over the latter part of the decade and the estimates of ISTAT[2] indicate that it represented only 33 percent of total production. Another 28 percent of production is represented by IGT[3] wines.

This changing environment has naturally enhanced competition and many firms made significant structural and competitive strategy changes; gradually forming three distinct types of wine firms:

(1) global enterprises, active in all segments of the beverage industry;
(2) large national wine enterprises, focused on wine production and operating in an international context; and
(3) SMEs with niche strategies.

The above considerations are largely true for the Campania wine sector as well, which is additionally characterized by its comparatively high number of micro-enterprises[4]. Most Campania region wine firms are incapable of realizing an effective and efficient strategic marketing process, adaptable to a changing environment. This has had an evident negative reflection on financial performance. However, in this regional context, there are also successful firms, able to develop and implement competitive strategies adapted to sector change.

Research methodology

Research aims and objectives

This research is based on the work of Rossi *et al.* (2011) and aims to significantly expand on its findings towards the development a Preliminary Prescriptive Strategic Branding Framework for the Campania wine firms.

More specifically, the paper expands on existing primary research findings, combining them with extensive secondary and theoretical research findings to achieve four main objectives:

(1) to understand the industry's local and international competitive situation;
(2) to identify the role and potentialities of branding in competitive terms;
(3) to identify the underlying factors of consumer behavior in relation to wine branding; and
(4) to develop a Preliminary Prescriptive Strategic Branding Framework for the Campania wine firms, with generic application and value.

Research value and limitations

The value of the paper stems from the fact that practically no research exists on the subject and this work provides a solid and comprehensive theoretical foundation for further research to build on. Additionally, this research studies the subject, not simply from the functional business point of view, but also through the identification of true underlying consumer behavior factors.

The above provide a valuable theoretical basis for empirical development and practical application. At the same time, this research provides the context of prescribed actions and processes, allowing for its adaptation according to individual-firm strategy. Finally, the provision of both contextual factors/forces as well as underlying consumer behavior motivators allows for more generic adoption of the research findings to other regions, countries and even industries (though only as a theoretical basis and after adaptation to specific conditions).

The limitations of the paper are a consequence of its very nature: it is a largely conceptual paper. Empirical research is therefore needed to test and validate the essentially preliminary framework developed and the (well-based) assumptions made towards its development.

Literature review

Wine marketing and branding

Branding is crucial in any industry, company or product and its importance is growing for the wine industry. According to David Higgins[5], "in the wine business people do not understand the need to build brands. That will become more and more of a problem among mid size wineries" (Westling, 2001). This research's findings show his predictions to have been realised.

The wine industry has a myriad of brands, which creates a problem in brand recognition and complicates the sales process (Andrew, 2002). Consolidation of the industry has helped to improve margins and increase the sales of the leading wine companies, but it has also increased the number of brands that have to be managed. It is considerably more difficult for a sales team to push 20 different brands into the distribution network than ten or five (*Wine Business Monthly*, 2002). This is becoming even more difficult and challenging as companies and sales teams attempt to avoid cannibalisation among the different brands that they produce and distribute.

Many wineries are witnessing a slowdown, but this is not true of them all. Strong wineries possess strong brand names. By having a strong brand, a company can enjoy cost-effective marketing campaigns, greater financial performance, ease of line extension, a better competitive position. A successful brand also has the potential to generate consumer loyalty since it provides a level of quality, and trust.

In international markets, the importance of branding in the wine industry is growing. For the first time in 2000, marketing's annual UK Biggest Brand report included three wine brands among its top 20 growers (Marsh, 2001).

The internationalisation of wine companies is also significant and remarkable. As local and national corporations mature and their market growth slows or saturates, they increasingly look abroad to increase sales and earnings. They also look to M&As and joint ventures as attractive ways to grow and penetrate new markets. Therefore, when a large wine company acquires a smaller winery, it can incorporate also its costs into the winery's future operations. Other cost savings can come in the form of headcount reductions as overlapping sales or accounting positions are eliminated. While often difficult to predict, revenue synergies typically dictate the ultimate success or failure of a merger or acquisition. Corporations achieve these types of synergies by leveraging the strength of an existing distribution network and sales team with a newly acquired brand (and vice versa).

Spreading sales across different countries and different product categories creates diversification and reduces business risk. Expanding operations abroad also allows a corporation to take advantage of certain macro-economic factors such as exchange rates.

In the near future, it is expected that there will be a consolidation in the premium wine categories, since:

- analysts predict that this segment of the market will continue to experience the best growth rates relative to the industry as a whole; and
- this segment remains fragmented with the top wineries controlling a relatively small percentage of the total category.

Additional factors must be taken into account regarding wine branding though, such as the practical limitations of a wine brand aiming for global market share and to sustain its position over time. To do this, it must have consistent quality and flavour, however, grapes constitute the key ingredient in wine making and have a different flavour depending on the area in which they are grown. A global wine label will ultimately require an enormous supply of grapes spread over many regions.

Small firm marketing and branding

For the development of a framework for consumer-centred strategic branding, it is necessary to draw on past research relating to peripheral marketing areas as well. Specifically, small business theories, and more particularly those relating to strategic branding, marketing/planning, marketing communications and internationalisation. The choice of small business theories is appropriate due to the very nature of most wine businesses, while the particular subjects were the ones found to be most closely related to the research's focus. All were investigated in the context of contemporary developed country consumer markets and their corresponding behaviour.

Longenecker *et al.* (2003) present marketing communications especially for SMEs and conclude that special emphasis is given to personal communication methods where the market is small and/or when the businesses have a limited number of customers/audiences. Second, small businesses are limited in their design of the marketing mix by the limits of their (financial and human) resources. Lastly, marketing communications by SMEs often need to be especially focused. Said (2000) additionally notes a lack of proper marketing practices, and a market competitive situation that is becoming more vulnerable to liberal trends.

Thrassou and Vrontis (2006), through the interrelation and integration of work of Yisa *et al.* (1996), McArthur and Griffin (1997), Kitchen (2001), Pickton and Broderick (2001), Smith and Taylor (2002), Fill (2002), Reedy and Schullo (2004) and Thrassou (2005), develop a useful (and partly transferable to wine companies) integrated marketing communications model for small businesses. They also pinpoint a number of attributes that largely define small businesses' marketing communications. Specifically "focus" is noted as a primary means to achieving stronger and more effective communication, and that electronic marketing communications and word-of-mouth should be at the same time tools but also targets of marketing communications. To assure a match between expectations and perceived service quality, marketing communications should manage service promises, manage customer expectations, improve customer education and manage internal marketing communication. Finally, for small businesses strategy, rather than dictating marketing communications, it may be developed according to marketing communications competencies, resources and capabilities.

Thrassou and Vrontis (2008) and Vrontis and Thrassou (2007) focus on internationalization of small businesses and reach a number of conclusions. The ones that most relate to wine stipulate the need for collective action by the competing local brands towards international market penetration, brand recognition and country-of-origin perception management. The findings also stress the importance of government support, but also a change of attitude by the producers; both in terms of functional strategic marketing management, but also in terms of vision, goals and self-perception.

An interesting perspective on branding stems from the increasing value of intangible, "higher order" product attributes in developed countries; and the consequently increasing number of elements adopted that relate to services' marketing theory. Lovelock and Wright (2002) in fact expand the notion of tangibility to include also "mental" evidence, e.g. symbols. Zeithaml *et al.* (2006) identify the key reasons for communication problems as being: inadequate management of promises, inadequate management of customer expectations, inadequate customer education, and inadequate internal marketing communications. Earlier, McArthur and Griffin (1997) identified the need to respect the differences of various types of marketers in planning marketing communication activities. Thrassou and Vrontis (2006) link the intangibility and complexity of contemporary consumer behaviour with the increased need for customer education and consultation. Furthermore, they observe through these consumer behaviour attributes an opportunity for businesses to affect not only consumer knowledge, but also elements such as consumer attitudes, beliefs and feelings towards a brand.

The above indicate the imperative of a marketing communications mix design in parallel to the implementation of the methods and analyses that will allow the measurement and understanding of the above elements. Of interest to this research is also the importance placed on, and the various means of, stimulating word-of-mouth and targeting of opinion leaders. Similar conclusions are drawn through the review of work by Schiffman and Kanuk (2004), Hawkins *et al.* (2004) and Solomon (2007).

Finally, Thrassou and Vrontis (2006), bring together the work of various authors on the subject and combine it with their own primary data findings to develop an integrated marketing communications model for small businesses, relying also on the work of Kitchen (2001), Fill (2002), Pickton and Broderick (2001) and Smith and Taylor (2002). Their work corroborates the need to address also the structure and consistency of the competitive environment, the need to consider collective marketing communications through collaborations, and the consideration of adapting strategy to marketing communications capabilities.

Perhaps the single most important element of change within the new marketing communications framework is electronic marketing. Reedy and Schullo (2004) find that with the effort for gaining competitive advantage shifted towards non-price factors, new electronic forms of communication and distribution channels are invaluable. The future of customer service is multi-channel and its benefits plentyful: it cuts costs, it develops deeper relationships with customers, it increases sales and it reduces risk by spreading it over multiple channels.

Developed markets' marketing and branding

With the marketing environment changing, we have to accept that both consumers and businesses will continue to live through times of change. Vrontis and Thrassou (2007) research the dawning of a new marketing era, with their analysis outgrowing the abstract philosophical context to touch upon a number of practical business issues. They show the implications for business marketing communications to be crucial. The new conditions shift marketing communications' target area from the consumer's environment to the consumer's mind; from the external to the internal; from the tangible to the intangible. "Reality" is increasingly shadowed by "perception" with the latter being predominant for a growing number of product categories.

The above have a profound effect on marketing communications' practice: a transference of focus from "function" (awareness, knowledge, information, etc) to "perception" Consequently, "perception management" arises as a primary marketing communication process, and "branding" as its primary vehicle. This new concept of "perception management" is then shown to be the primary integrated marketing communications process and "branding" its primary vehicle. Finally, instead of a number of potential integrated marketing communications aims (improved service, customer education etc), a single "terminal" aim is provided: a shift of focus of marketing communications from the products and their attributes to the product experience, the product intangibles and in essence product higher order value additions.

Secondary research results – a local and international wine industry analysis

The secondary data presented in this section have largely been obtained from the first part of this research (Rossi *et al.*, 2011). Towards comprehending the competitive conditions in the wine sector, they deemed it necessary to also determine the sector attractiveness level and to analyze the performance of the leading international and Italian wine firms.

The attractiveness sector

A fundamental premise of sector analysis is that industry profitability levels are determined by the very structural characteristics of the sector. A widely acceptable historical view is Porter's position that sector attractiveness is determined by the profitability that firms can achieve in the sector and usually this is measured with ROI (Grant, 1994).

A sector has a catalytic role on its constituent firms, when it has the potential to achieve an ROI greater than the capital cost. The Italian wine industry has a good rate of ROI (6.3 percent), however this is lower than for beverages firms (9.2 percent) and Italian industrial firms (13.0 percent). This gap may be explained by the hyper-competition that characterizes this sector at national and global levels. If additionally we consider the effect of entry and exit barriers (Porter, 1980), it is possible to understand the degree of competitive pressure in the wine sector. Also, the barriers are different mechanisms that have correlations, with the conjoint presence giving different combinations of risk/profitability.

The wine sector presents a low and risky profitability because the entry barriers are low. The new world producers are a demonstration of how low these barriers are and how they cannot shield firms present in the sector or ensure anything above moderately satisfactory profitability. At the same time, high exit barriers do not allow disinvestment, as the wine sector requires specific fixed initial investments, thus disallowing the elimination of marginal producers, that might have otherwise "balanced" the forces within the competitive arena.

Internationally listed wine companies

The Wine Industry Survey has realized a performance analysis of aggregate accounts of a panel of nine international groups, with turnover above €200m, all of which make and/or sell wine and are listed on global stock markets. The results cover the period from 2001 to 2008 (Table I).

It should additionally be noted that there was a reduction in turnover, which declined by 10.3 percent from €8.6bn to €7.7bn in the last year[6]. The most dynamic sales growth shown was by Yantai, which achieved a 36 percent increase on the back of strong growth in domestic demand, followed by Chilean wine maker Vina Concha y Toro (+23.3 percent), and for which exports, which represented 81 percent of turnover, were up 28 percent in terms of volumes, with sales to Europe and Asian in particular[7].

In the last year, the main earnings margins were systematically higher than those for the previous year. Net profit halved as a percentage of sales, however, from 12.9 to 5.9 percent. The most profitable company, measured by net profit as a percentage of turnover, was Yantai with 23.3 percent, followed by Foster's at similar levels (21.2 percent). The ROE for the last year for the aggregate was 7.5 percent; down sharply from the 21.3 percent posted in the previous year due to the one-off charges taken by constellation; Yantai stood out also in terms of average of ROE with 19 percent, behind only Foster's (21 percent) and ahead of Distell (17 percent) and Vina Concha y Toro (14.3 percent). Net equity proved to be smaller than borrowings, with the net worth/borrowings ratio standing at 88.9 percent. Still, net equity stripped of intangible assets did not even reach one-seventh of total outstanding borrowings, representing just 13.3 percent of them in percentage terms (Ufficio Studi Mediobanca, 2009, p. 14).

Company	Country	Financial year ends	Turnover (in € '000)	Wine as of turnover (%)	Export as of turnover (%)
Foster's Group	Australia	30 June 2007	2,718.864	51.5	36.8[a]
Constellation Brands	USA	28 February 2008	2,563.005	89.0	46.2
Distell Group	South Africa	30 June 2007	621.273	n.d.	18.9
Vina Conchay Toro	Chile	31 December 2007	389.874	100.0	80.5
Boizel Chanoine Champagne	France	31 December 2007	359.420	100.0	39.0
Vrnaken Pommery	France	31 December 2007	286.830	100.0	43.7
Sektkelleri Schloss	Germany	30 June 2007	281.327	79.9	61.3
Yanatai Changyu Pionner Wine	China	31 December 2007	253.912	78.8	<10
Laurent Terrier	France	31 March 2008	249.430	100.0	67.2
Total			7,723.935	69.8	42.0

Note: [a]Does not include Asia and the Pacific, which are considered as home country
Source: Data processed by Ufficio Studi Mediobanca (2009)

Table I.
International listed wine companies

Leading Italian wine makers

Owing to ISTAT's particular analysis methods and the structure of domestic wine sector, it is not possible to have accurate data on Italian wine makers. However, some interesting data do emerge from the Ufficio Studi Mediobanca (2009), carried out on 97 main Italian companies operating in the wine sector, and which represent 48 percent of the national wine production and 53 percent of total exports (Table II).

The first important indicator is sales growth rate, which in the last year increased by 6.6 percent. The co-operative companies were slightly less dynamic (+4.7 percent), whereas the other Italian companies were more so, with a growth of 6.9 percent. The four non-Italian companies reported a strong increase, of 23 percent. The 97 companies posted an average turnover of €41.6m, with an average headcount of just over 100 staff. The ROI came in at 6.3 percent (−0.7 percent), whereas ROE diminished from 6.0 to 4.1 percent. These indicators' performance was driven by trends in operating costs and taxation: ROI suffered from the decrease in margins and was hit by the new increase in capital invested, driven by substantial capital spending (€242m, near the 2004-2005 average figure, following the high recorded in 2006); whereas, ROE was reduced by higher labor costs and interest expense, as well as by the higher incidence of tax rate.

The breakdown of the companies covered in this survey, by ownership structure, shows that the cooperatives and non-Italian-owned companies were the least profitable in terms of ROE: the former, for obvious reasons, do not offer many of the upstream phases in the production filière (shareholders produce grapes and wine, which are transferred to co-operative firms for further processing and sale), whereas the latter have limited commercial operations, being structured mainly through suppliers to non-Italian sales networks controlled by their parent companies.

The financial structure is also uneven: given that net equity chiefly consists of those fixed assets, which are typical of the upstream phases of the wine-making filière (i.e. land and property), the cooperatives appear to be relatively under-capitalized: the net worth/borrowing ratio standing at about 59 percent.

The 97 companies at the end of the above-presented period had capital invested equal to approximately €4.4bn, but the survey shows that the companies' relationship with financial markets continues to be negligible; only six out of the 97 companies included in this survey have an interest in the stock market, and that only indirectly:

> The above show that competitive success is not linked to size/structure. In fact specialization and flexibility appear to represent the right way to obtain significant profitability. Success is shown to be linked to an entrepreneurial ability to find unexplored market opportunities and

	Turnover 2008 (€m)	Ownership structure
GIV – Gruppo Italiano Vini	288.0	Cooperative
CAVIRO	281.3	Cooperative
CAVIT	154.8	Cooperative
Mezzacorona	142.5	Cooperative
P. Antinori	138.3	Family owned[a]

Note: [a]A family-owned firm is a firm in which one or more members of one or more families have a significant ownership interest and significant commitments toward the business' overall well-being
Source: Data processed by Ufficio Studi Mediobanca (2009)

Table II.
Top five Italian wine-makers by turnover

to set up and realize strategies able to exploit the typical Italian wines. The key to success, in short appears to lie within strategic and marketing approaches, rather than managerial, technical or structural ones (without the latter being inconsequential of course).

The Campania wine sector

Campania is a region with a wine tradition of ancient origins. The most dedicated area in Campania is Avellino's province, but Benevento's province is the area that has the largest extension of vineyards with 11.226 ha, followed by Avellino (7.519 ha), Salerno (6.079), Caserta (5.135) and Naples (2.557) (ISTAT, 2003).

The production structure is composed by less than 2,000 firms that are concentrated in Avellino and Benevento (90 percent) (Pomarici *et al.*, 2006). The enterprises that produce wine only for self-consumption represent the majority of Campania wine firms (84 percent). The artisan enterprises, that produce between 100 and 500 hl, are about 370 (9 percent of the total); while medium and large enterprises (that produce more than 500 hl are only 140 and represent 7 percent of the total (Pomarici *et al.*, 2006). About 61 percent of the medium-large firms are agricultural, 35 percent industrial and only 4 percent are cooperative.

In Campania, there are 325 firms with commercial orientation. A significant number of these firms sell their wine to other firms; however, there is a contraction of this phenomenon: the enterprises that commercialize wine with their own brand are 236 (+34 percent between 2003 and 2006). This is another indication of the dynamically changing situation and Campania is the only region of South Italy that has seen such a remarkable increase.

The territorial distribution of firms that produce wine under their own brand, places first Avellino (28 percent), followed by Naples (25 percent), Benevento (23 percent), Caserta (14 percent) and Salerno (10 percent). Most of these firms have a production between 100,000 and 1,000,000 bottles (Pomarici *et al.*, 2006). The regional classification in terms of productive capacity finds in the first five places four co-operatives firms (Table III).

Secondary research results – Campania region wine industry strategic issues

The data presented in this section have largely been obtained from the findings of the first part of this research (Rossi *et al.*, 2011). The research has combined primary data

Table III.
Top ten Campania wine makers by productive capacity

Companies	Ownership structure
La Guardiense e Janare	Cooperative
Cantina Sociale di Solopaca	Cooperative
Vinicola del Sannio	Family owned
Cantina del Taburno	Cooperative
Val Calore	Cooperative
Matilde Zasso	Family owned
Feudi di San Gregorio	Family owned
Mastroberardino	Family owned
La Vinicola del Titerno	Family owned
Grotta del Sole	Family owned

Source: Data processed by Pomarici *et al.* (2006)

with secondary ones to reach some specific findings regarding the Campania region wine firms. These findings relate to industry, strategic, marketing and structural issues. Their interrelation and interpretation substantially and practically assist researchers and practitioners in their work at both the industry and the organizational level:

(1) The research has demonstrated various fundamental strategic problems of Campania firms, relating to competition, decision making and financial performance. However, it was also found that some firms are able to implement winning strategies, objectively measured by performance data.

(2) The single most important characteristic of these successful firms lies in their marketing approach and specifically in their ability to understand/predict market trends and consumer behavioral patterns; and to adopt appropriate and timely strategies.

(3) For these firms (Table IV), size does not appear to be a factor of success. On the contrary, proper strategic formulation and implementation processes are.

(4) Additionally, these successful enterprises can be categorized into three groups:
   - large firms with a formalized structure, pursuing differentiation strategies;
   - cooperatives that gain strength through strategic partnerships; and
   - micro-enterprises with actual niche strategies based exclusively on typical or organic products.

   On the antipode of the above successful firms, lie naturally the Campania firms that still have not managed to balance tradition and innovation.

(5) In terms of prescriptive conclusions, the obvious advice is to adopt proper strategic marketing processes. Beyond this, the research recommends mergers and acquisitions as the means to growth and the achievement of proportional cost economies (scale and scope).

(6) Regarding the financial aspect, this research's structural analysis found that there is low enterprises' capital and high financial exposure, which produces a double negative effect: first, high-interest expenses erode the low-operating revenue; and second, the resulting vulnerability of many local high-quality wine firms to acquisitions from larger international wine makers.

(7) The research has further surfaced a deficiency regarding the degree and nature of investments. Specifically, the need was pinpointed for investment in tangible assets to be supported by investments in research and development. Investments that aim for product and process innovations; brand repositioning along a higher

Company	Competitive strategy	Sales growth rate (%)	ROI (%)	Net worth/borrowings ratio (%)
Feudi di San Gregorio	Differentiation	5.53	4.60	78.0
Mastroberardino	Differentiation	2.89	7.57	110.0
Terredora	Niche	6.88	6.05	83.4
Vinicola del Titerno	Niche	11.25	4.27	111.5
Agricola del Monte	Niche	10.85	5.25	71.2

Source: Research results

Table IV. Top five Campania wine makers by performance indicators (consumer perceived) quality; and market and consumer knowledge towards development of ideas, creativity, originality and consumer-focused tactics.

(8) As far as product and brand design are concerned, it was found that the two need to be interlinked and developed in parallel. Specifically, Campania wine makers should continue to valorize their autochthones vines because they are appreciated and preferred by consumers, both locally and internationally. These wines have a strong cultural link with the region and this is both a practical, but also a brand advantage (Thrassou and Vrontis, 2009). For this reason, it is important to "rediscover" the values and cultural cues that identify the region, and to build a brand image that positively exploits this advantageous mental interrelation in the perception of consumers, for marketing purposes.

(9) The above allow the research to reach another conclusion, by extrapolation. Specifically, the need for collective actions/interventions within the wider strategic and marketing processes. The wine industry is important to the region, so it is in the benefit of all stakeholders, be it individuals, businesses and governments for it to be developed. Support by governments, institutions and professional/industrial associations/chambers should be secured, organized and maximized.

(10) Beyond external collective action though, the wine firms between themselves should learn to collaborate, both formally and informally. Especially in areas such as the building of international brand image, human resource development and attraction of external support, cohesion and collaboration is vital. The creation of relationship networks, that facilitate action, will also create value in terms of social capital. These social capital nets are both means and goals of localities' development, and require the support of all local institutions (Vespasiano and Martini, 2008).

The essence of the above conclusions can be encapsulated in three fundamental guiding principles that must be applied towards achieving the desired competitiveness of the Campania wine enterprises:

(1) Understand and adopt proper strategic marketing processes throughout the organization and with a long-term view.

(2) Utilize the sustainable competitive advantage of the link with the region to strengthen and refine both the product and its brand image.

(3) Pursue cost efficiencies and economies of scale, be it through social support, collective actions, intra-industry networking or mergers/acquisitions.

The position the Campania wine enterprises are in is neither new nor surprising to the business world. The elements of incessant change, intense competition, difficulty in adaptation, financial pressure and uncertainty are the rule rather than the exception in the twenty-first century (Vrontis and Thrassou, 2007). Like in most industries of most of this increasingly globalised business world, the wine firms of Campania, Italy, will probably go through a long period of change, self-reflection and experimentation. Unavoidably, some will fail and some will come out of it stronger than before.

Campania wine firms though, do have something positive to build on. They have a tradition, they have the already-existing brand image to utilise, and perhaps more importantly: the harsh competition is largely with other regions/countries of the world and not necessarily between themselves. Individual firms therefore do not stand alone.

Conclusions, managerial implications and framework development

Merging, interrelating and interpreting the above secondary and theoretical findings, allows the research to reach a number of important conclusions. Figure 1 incorporates the research findings and conclusions into a Preliminary Prescriptive Strategic Branding Framework for the Campania wine firms.

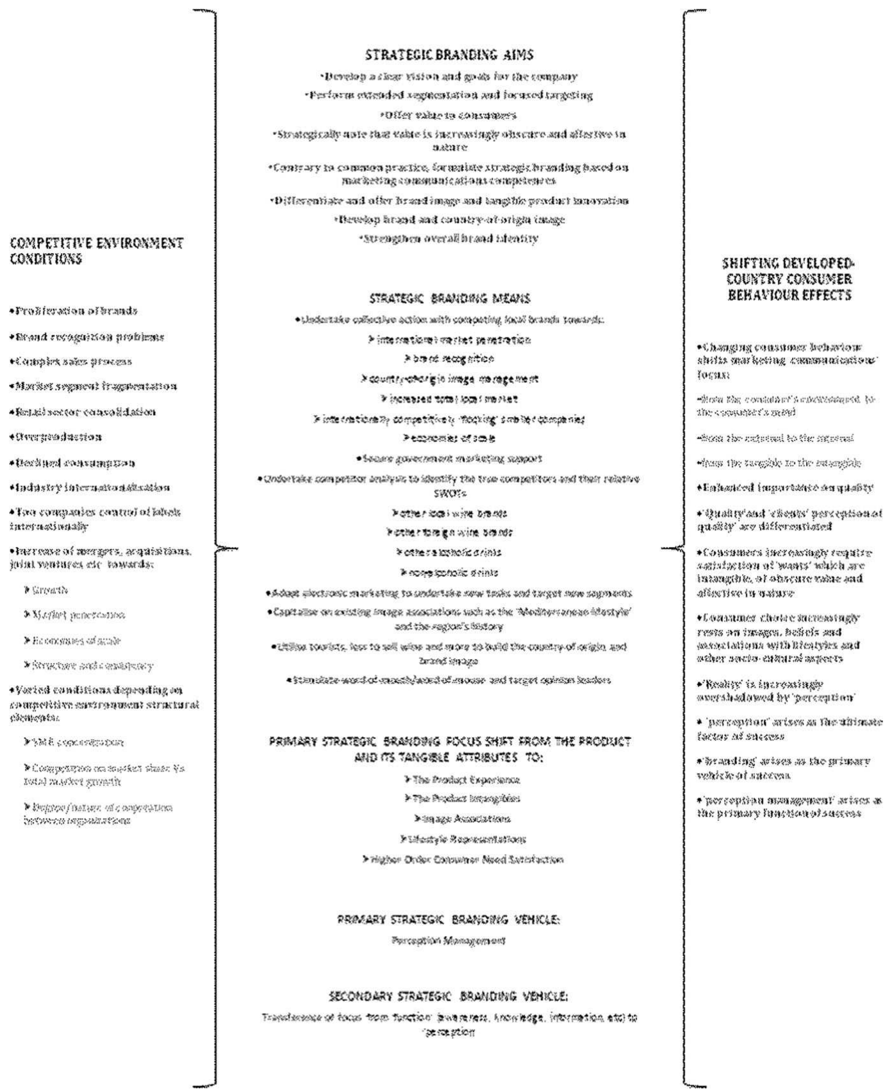

Figure 1.
A preliminary prescriptive strategic branding framework for the Campania wine firms Italy

The first important conclusion is evident from the study on developed country consumer behaviour (Vrontis *et al.*, 2010): that products, such as wine, are evaluated based on an array of criteria and which themselves are the result of numerous factors. The criteria may be objective or subjective, tangible or intangible, and product- or consumer-related. The research has shown that especially for wine, consumer choice increasingly rests on images, beliefs and associations with frequently strong socio-cultural aspects. "Perception" is revealed as the ultimate factor of success and "perception management" as the primary marketing function affecting success in the wine business. The first clear finding therefore is that apart from the practical changes regarding wine production, etc. it is equally if not more important to substantially upgrade branding strategies; through both conventional means and intensified and conscious international and local consumer perception management.

The second conclusion relates to the small wine business strategic options. Specifically, the research has shown that these are limited owing to their lack of resources. Consequently, though theoretically, the best marketing strategy passes through consumer perception management, it is one that cannot easily be followed at an international level. At the same time, it is evident that collective action by the small local wine producers, with governmental support and possibly in collaboration with other industries, can achieve significant results, at least in specific and well-targeted international markets. Collaboration is therefore significant in regard to marketing, branding and perception management. Locally, collaboration may also take place at a practical/production level and internationally also at a distribution level.

A third conclusion relates to the targeting of the millions of tourists visiting the region. This research concludes that tourists should largely be treated more like an audience rather than actual consumers. In other words, the branding objective regarding tourists should not be for them to consume as much wine as possible, but to get acquainted with and learn to love Campania wine. The word "love" is purposely used as it is a matter of building an affection-based relationship between the product and the targeted audience. Mood state is a critical factor of positive first-encounter evaluation of products and this first evaluation is the most significant one. Tourists are on average in a much better mood during holidays. Consequently, wines tasted during this period are more likely to receive positive evaluations. Additionally, a well-orchestrated perception management strategic branding strategy will associate the product (wine) with the wider holiday experience. The achieved association between wine and the overall experience of Campania will intensify the affective bond between the consumer and the country/brand image and will make tourists actively seek the country/brand in their home country. Tourism therefore is an opportunity to sell wine, but more importantly, a golden opportunity to brand both the wine and the region and ensure long-term consumer preference. This offers a more viable alternative to the costly individual-firm branding strategies abroad.

The fourth conclusion stems from the previous one. It relates to the need for wine branding to be associated with more than just the quality of the product itself. The research has shown that developed country consumers increasingly evaluate products not based on their physical quality attributes, but rather on intangible ones. These are usually related to images, associations and lifestyles and their representations through products. Campania wine should therefore be given an image and an association with a lifestyle, which in any case exists and is freely available. Further research will indicate the specifics of these associations. An extrapolation of current research findings indicates that the "Mediterranean lifestyle" the wider "Italian spirit" and the history of the region (since ancient times) would be the most easily adopted associations. This strategic approach fits well with the other findings and the needs for enhanced strategic branding of the product through perception management.

The fifth and last conclusion is that for both the international and the local market, but especially for the latter, it is useful for wine marketers to understand the competitive environment and to identify who are the true competitors. The approach of "other wine brands" being the competitors is naive or at the very least outdated. While other wine brands are indeed a primary competitor, for true competitive analysis there must be a clear distinction between local and foreign wines as the country of origin effect discussed (previously and subsequently) modifies the essence of branding strategy. Additionally, even for local wine competitors, research will show whether competition is "open" or specified and grouped by brand, category, quality, or other criteria. Equally important is competition from other alcoholic drinks such as beer, whiskey and vodka. Competition from these should be dealt with as a parallel, but separate tactic relating to norms, habits and wider cultural behaviour. Finally, non-alcoholic drinks are rarely seen as competitors. Nevertheless, their rise as part of the social turn towards healthier lifestyles may be turned into an advantage for wines as they can claim to be part of this lifestyle, contrary to many other alcoholic competitors. A clear understanding of the competition as well as the underlying individual and social factors of success will provide additional strategic marketing options and branding directions.

The above findings identify a number of factors relating to marketing in general and branding specifically, affecting Campania firms' wine business. Various elements and factors adjacent to marketing, branding, consumer behaviour and the industry itself are presented, superimposed and interrelated, with the research ultimately combining them into a comprehensive and comprehensible form. Consequently, a Preliminary Prescriptive Strategic Branding Framework is being presented, which is specific to the Campania wine firms and at the same time offering a more generic and international application. The framework is of course only preliminary and will require research at a local level to test its applicability to situations and conditions other than those of Campania region, Italy. It is nevertheless a valuable tool and a suitable starting point for similar research or practical application in other localities as well. A good indication of the applicability of this framework to other regions/countries, is the fact that the findings of a parallel research on the island-country of Cyprus (Vrontis *et al.*, 2010), parts of which have been utilised towards this research, are almost identical to the findings regarding Campania. The frameworks themselves are different though this is more related to their different focus rather than contextual or prescriptive findings' differences.

Catalectic discussion

This research has adopted a multi-perspective approach to understanding the wine industry in Campania, to reach specific findings and to develop a Preliminary Prescriptive Strategic Branding Framework for consumer-centered planning. It has expanded its viewing points of the subject to include subjects such as SMEs strategic branding, contemporary developed consumer behaviour and other adjacent factors and forces. This has allowed comprehensive conceptualization of the situation and the presentation of prescriptions that take into account as many elements as possible and which may be popularly termed "out of the box ideas".

Above all though, this research has found that a change must take place at the very heart and mind of Campania wine producers. The tangible essence of the wine business demands for better individual and collective organisation, improved and comprehensive strategic management approaches and systems, and a generally more professional and less passive attitude. More importantly, the research highlights the importance of the intangible aspects of wine: its brand image, its associations, the lifestyle and experiences it represents, and all other intangible elements that ultimately affect consumer choice. The research therefore indicates that a change in the way markets view Campania wine is the key to success and for that to happen Campania wine producers must first change the way they view themselves and their products.

The framework developed (Figure 1), shifts the focus of marketing communications and especially branding from the products and their attributes to the products' value in terms of product experience and higher order consumer need satisfaction. Furthermore, it identifies "perception management" as a primary aim and "branding" as a primary vehicle of success; in effect changing the role of marketing communications from functional message transmitters and image-builders to "stipulators" of reality. Overall, the framework demands an enhanced business intervention into the processes, through which consumers perceive the wine product, evaluate its tangible and intangible qualities and benefits, and frame their expectations. The paper's prescriptive conceptualisation was based on a multi-perspective analysis of a combination of theoretical and secondary data, but the outcome is by no means presented as definitive or complete. Rather, it is offered as a starting point for a new and distinctive analysis and as a stimulus to intellectual discussion and further research.

Notes

1. Italian wines which are grown in certain specified areas and which conform to certain regulations may be styled DOC. The classification DOCG is awarded to DOC wines of particular quality. Wine must conform to the DOC criteria for at least five years before they can be classified as DOCG.
2. ISTAT is the Italian National Statistical Institute.
3. IGT is the second of four classifications of wine recognized by Italian Government. IGT wines are labeled with the locality of their creation, but do not meet the requirements of the stricter DOC or DOCG designations. In wine terms, it is considered the rough Italian equivalent of the French vin de pays designation.
4. Micro-enterprises are all enterprises with less than ten employees and turnover less than €2m.
5. Brown Forman Beverages Worldwide Wine Group President.
6. This contraction was entirely attributable to constellation which deconsolidated some of its activities in 2007 which reported 2006 sales amounting to €1.3bn.
7. This information is important to understand how different strategic choices are possible to pursue a sustainable competitive advantage. In fact, the success is related to analysis of internal and external factors, of market trends and opportunities in the new competitive environment.

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