

# **An Investigation into the Role of Collaboration in the Development of a Regional Brand**

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**By**

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# Abstract

Much literature exists on collaboration amongst competitors who are geographically proximate in a business cluster environment. Network studies likewise maintain that collaboration is critical to successfully develop and deliver products to end users. An in-depth study of a business cluster explains the precise nature, process, and role of collaboration amongst competitors in a region, the main aim of this thesis. Also, regional branding is an expanding field of research, therefore scholars recommend that more studies on the topic should be conducted. Regional branding studies indicate that where a particular product or service originates makes a difference to consumers and industrial buyers in their evaluation processes. The role of collaboration in the development of a regional brand has not been previously studied. Regional branding is important as the outside marketplace develops an image of a region based on the identity the people living there have subscribed to it. Therefore, more research is required to determine how competitors in a region develop that identity through collaboration, a secondary aim of this study.

This study uses a realist approach to investigate regional interaction among actors to determine how collaboration occurs within a particular region. By using three sources of data – exploratory interviews, in-depth interviews, and marketing collateral and observing personnel in-situ communicating the attributes of the regional brand, it was uncovered how collaboration actually occurs in a regional setting. The study also determined the role collaboration played in the development of a regional brand and in maintaining product quality to uphold the prestige of the regional brand. The context for the study was the Central Otago Wine Region in the South Island of New Zealand.

The main aim of this study is to understand and evaluate the nature, process, and role of collaboration amongst competing firms in a region.

The subsequent research objectives are first, to examine collaboration and the role it plays in the development of a regional brand identity. Second is to understand and analyse the link of collaboration to wine quality assurance. A third objective is to

evaluate the role of geographic proximity in collaboration amongst competing regional firms. Finally, to determine the marketing implications for the wineries of developing a regional brand and make recommendations for the communication of the regional brand.

By using qualitative research, insight was gained into the complex and dynamic interaction of the personnel of the region and precisely how collaboration occurs. The study has also resulted in a model depicting the contribution of collaboration amongst the regional personnel in defining and differentiating the region through its regional brand and wine quality. This research can be used by academics and practitioners to further understand the process and benefits of collaboration.

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# Chapter One

## Introduction

*In the long history of humankind (and animal kind, too) those who learned to collaborate and improvise most effectively have prevailed.*  
Charles Darwin (Khurana, 2008)

### 1.1 Background to Research

The primary aim of this study is to investigate the nature, process, and role of collaboration amongst regional competitive constituents. In this context, collaboration refers to the assistance regional firms provide each other to improve their operations and marketing. As will be discussed, collaboration is frequently studied within *business clusters* or firms located within a geographically-bound area. Collaboration is also a characteristic amongst firms in a *network* designed to produce and deliver products and services efficiently to end users. However, no research exists on the precise nature, process, and role of collaboration in the context of a particular region or network.

How collaboration may assist in the development of a regional brand identity and in the enhancement of products produced within the region is also studied. The concept of place branding in the marketing literature almost exclusively focuses on tourism regions and their promotional and public relations efforts to attract visitors to a destination. In contrast to this type of *place* or *destination branding* (Pritchard and Morgan, 1998) is *regional branding* or the use of a regional name associated with products produced in the region (Johnson and Bruwer, 2007). My study examines *how* key actors in a wine region may influence the development and maintenance of a regional brand identity for their wines by collaborating and exchanging resources and information, as this has not been previously researched. The specific context of this investigation is the Central Otago Wine Region in the South Island of New Zealand.

From a marketing perspective, research on country and place-of-origin has highlighted the importance to consumers and industrial buyers of the link between place and a product, service, or destination (Bilkey and Nes, 1982, Papadopoulos,

2004, Peterson and Jolibert, 1995, Schooler, 1965, Shimp and Sharma, 1987). With the consumers' link to place, it would make sense that the concept of branding, the practice of using a name or symbol to uniquely identify the attributes of a good or service, is 'increasingly being applied to people and places' (De Chernatony and McDonald, 1992, p.18). Although the use of *place branding* and *regional branding* has been in practice for a long time, academic research on the topics has recently expanded. The majority of the existing research emphasises the effort to attract tourists to particular destinations or destination branding (Grangsjö, 2003, Saxena, 2005, Seaton and Bennett, 1996, Pritchard and Morgan, 1998, Witt and Moutinho, 1994). Outside of destination branding, there are no studies on how competing organisations actually go about developing a regional brand identity linked to the products produced there. Regional branding is used frequently in the wine industry as consumers commonly attach the image of a region to the wine produced there (Rasmussen and Lockskin, 1999, Johnson and Bruwer, 2007). Therefore, a primary aim of this thesis is to understand and evaluate the nature, process, and role of collaboration amongst competitors in a region with a secondary objective of examining the role of collaboration in establishing a regional brand.

## **1.2 Justification for Research**

None of the extant business cluster, network, destination, or regional branding literature reveals an understanding of *how* interactions between firms lead to collaboration or the nature and process of collaboration with an intent to develop a regional brand identity. This study endeavours to examine this process within the Central Otago Wine Region.

Branding is a key marketing strategy for product and service differentiation and has been widely researched (Aaker 1991, deChernatony and McDonald 1994, Jones 1986, Kotler and Gertner 2002). However, place/regional branding is an expanding field of study with sparse literature (Papadopoulos 2004). According to Pritchard and Morgan (1998) place/regional branding is the strategy of applying branding techniques to differentiate products or places by uniqueness of location.

Place-of-origin and place marketing research has proclaimed the impact of place on consumers' and industrial buyers' evaluations of products, services, and destinations for decades (Bilkey and Nes, 1982, Papadopoulos, 2004, Peterson and Jolibert, 1995, Pritchard and Morgan, 1998, Schooler, 1965, Shimp and Sharma, 1987). However, as research has expanded, much confusion in terms exists in the literature on place-of-origin marketing, place marketing, place, and regional branding. For the purposes of this thesis the following branding definitions apply:

Place branding - The name of the place is *branded* as part of the naming convention. This is differentiated from a logo or slogan supported by the marketing mix. The place brand has an identity developed by people and firms residing in a place and is managed and protected as corporate and product brands are (Pritchard and Morgan, 1998).

Destination branding - The name of the place is branded with the specific purpose of attracting tourists to a location (Pritchard and Morgan, 1998).

Regional branding - The name of the place is branded in association with the products produced in the region with the intent of establishing an image of product quality and distinctiveness associated with a particular place (Johnson and Bruwer, 2007).

One aspect of the development of a branding strategy is brand identity, or the establishment of a unique meaning associated with a product, place, person, or firm which generates a specific image in the minds of consumers or business customers (de Chernatony and McDonald, 1994, Aaker, 1996). Because a regional brand identity is not developed by a company and requires the input of many stakeholders in the region, the establishment of a regional brand is more complex than a corporate or product brand (Pritchard and Morgan, 1998). The regional brand identity is inseparable from the stakeholders' sense of place. The idea of 'place' is described by Goodwin (1993) this way:

*a complex collection of individuals and communities, which in certain instances develop particular regional and local cultures, formed by social relations and practices outside of capital's narrow logic (page 149).*

A regional brand's identity would seemingly emerge from the deep cultural and social meaning the people living there have of the place. This study examines how individuals in a region specify and apply their own meaning to the place and how it becomes the holistic regional brand identity that they all 'own'.

Place branding is used by countries, cities, and regions in promoting destinations/tourism, agriculture, exports, and in attracting foreign direct investment (Papadopoulos, 2004). Concerning place, limited research has been conducted in regional branding literature and in B2B marketing literature on collaborative interaction between regional competitors for the purpose of establishing a regional brand identity, outside of studies in destination marketing in tourism (Saxena 2005, Tefler 2001). What is also missing from the B2B marketing literature and regional branding literature, is an understanding of how collaboration occurs between regional competitive actors to generate a regional brand linked to the *products* they produce. Hall (2004) indicates a need for such research saying, '[Future research] needs to pay further attention to the social mechanisms which enhance and maintain collaborative relations in addition to locational strategies' (p. 179).

One structure or framework used to study collaboration between firms is the business cluster concept. Business cluster research stresses the characteristic of *geographically* proximate firms within an industry (Porter 1990, p. 160). Porter (1990) indicates that cluster firms are innovative in the sense that they strive to excel in performance over their direct competition within the business cluster (p. 161). The advantages of clusters have been attributed to constituents' proximity and include innovation through knowledge transfer (seemingly a paradox amongst competitors), the formation of SMEs, ethical credence amongst the constituents, and marketing positioning (Maskell and Malmberg, 1999, Corno et al., 1999, Dayasindhu, 2002, Aylward, 2004). Storper (1995) added some collaborative complexity to the definition by saying that business clusters:

*embrace formal and informal collaborative and information networks, interactions through local labour markets, and shared conventions and rules for developing communications and interpreting knowledge (p. 191).*

Another stream of research over the past 40 years concerning interaction between firms is anchored in what are known as business *networks*. Networks consist of groupings of suppliers, buyers, and sometimes competitors, who together produce and deliver products and services to customers. The focus of much network research is on the *interdependent* relationships between activities, resources and actors in firms, providing product and distribution innovations (Håkansson and Snehota 1995).

Many studies on business clusters have been conducted with a focus on economic *outcome*. However, it is perplexing that limited research has been conducted on *collaboration* between actors within B2B geographic clusters, when interaction and relationships appear to be critical to their success (Porter 1990, p. 162). Exceptions are in the tourism industry (Tefler 2001, Grangsjö 2003, Saxena 2005). This is understandable as in tourism marketing, geographically proximate firms, both vertical and horizontal, collaborate to create a desirable destination to attract tourists.

### **1.3 New World Winery Challenges**

New Zealand is an example of a New World<sup>1</sup> wine country achieving success in the global wine industry. New Zealand has realised steep wine growth with 1,332 hectolitres produced in 2006 compared to 568 hectolitres in 1996, a 134% increase (New Zealand Wine Institute, 2008). Although wine exports are currently a small portion of total exports, they are expanding at a significant rate and are important to New Zealand's economic growth. Over 10% of wines sold in the UK in 2008 for more than £5 were New Zealand wines (Economist.com, 2009e). Growth has been rapid and is forecast to continue with exports reaching NZD\$1.01 billion in 31 July, 2009, much ahead of expectations (NZIER Report, 2009h).

In contrast, the global wine market has expanded modestly in the last decade. In 2005, world wine production was 286,175 hectolitres in comparison to 270,826 hectolitres

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<sup>1</sup>'New World' in relation to wine is usually intended to include the USA, Canada, Australia, South Africa, New Zealand, Chile, and Argentina.

in 1996 (Wine Institute, 2007c). The global wine market generated total revenues in 2005 of USD\$ 213.8 billion, representing a compound annual growth rate of 2.6% for the five-year period spanning 2001-2005. Global wine consumption continued to increase at a gradual rate of 1.2% for the five-year period between 2001- 2005 (Wine Institute, 2007). More recently, the market grew by 2.6% in 2008 to reach a value of USD\$222.6 (IIR Conferences, 2009f). The growth of the wine market is expected to be moderate with a forecasted revenue of USD\$254.6 billion by 2013, an increase of 14.4% since 2008 (IIR Conferences, 2009f).

The increased wine production by the New World, as well as decreased consumption in European countries, has heightened competition in the global wine industry. Old World, Western European producers, have responded to increased competition by claiming that they alone can produce premium quality wines because of their long history of wine production in ideal locations (Bohmrich 1996, Charters 2006). They would claim that this, coupled with proven traditional competencies, results in wines of good ageing potential. Conversely, New World wineries have identified changes in consumer tastes and are using modern technology and marketing to further their results (Gastin and Phillips 2000, Schwing 2004). Therefore, New World wine producers have successfully entered and prospered in many markets.

In addition to technology and marketing, another approach in the New World to challenge competition is the formation of regional clusters of geographically circumscribed wineries, as described. The idea of business clusters is not new, originating in medieval times when groupings of businesses were formed around advantageous characteristics such as rich soil, metal sources, and natural transportation availability (Marshall 1910, p. 269). Utilizing these local resources, people in geographically-defined regions became esteemed masters in producing products such as spices, textiles, and furniture (Marshall 1910, p. 270). Although a large body of literature exists on clusters, there have been no studies specifically concerning the nature, process, and role of collaboration within a region. Secondly, the role collaboration plays in the development of a regional brand identity has not been studied.



Additionally, within the wine tourism industry, wineries in a geographically constricted area may choose to co-operate to establish destination branding such as the Niagara Wine Region in Southwestern Ontario, Canada (Telfer, 2001). By ostensibly working together, they realise the common benefits associated with regional tourism development strategies such as destination brand image, recognition and recall, and brand equity identified by Pritchard and Morgan (1998). However, my study does not focus on destination branding, rather regional branding associated with the products produced in the region. Regional branding has become an important marketing strategy for New World wines. 'California, USA, Australia, and New Zealand are now spoken of in the same context as some of the great wine regions of the Old World' (Johnson and Bruwer, 2007, p. 280). Regional branding has allowed producers to demonstrate how their wines reflect the distinctive geography and climate of their regions, thus contributing to marketing success.

One of the eight wine-producing areas in New Zealand, the embryonic Central Otago Wine Region is the empirical context of this study. It is a small region, representing 5% of New Zealand's 31,002 wine-producing hectares, with only 1,565 hectares in 2007 (New Zealand Wine Institute, 2008f). Central Otago is earning worldwide acclaim for its premium Pinot Noir with some distinguished wine writers saying that their Pinot Noir demonstrates flavours associated with the esteemed Burgundian wines of France (Robinson 1999). As of June, 2008, the region consists of over 100 wineries, vineyards, and contract producers representing themselves uniformly as the *Central Otago Wine Region* (New Zealand Wine Institute, 2008b). In other words, this business cluster is defined by geography first and principles supporting their common association next, with some ambiguity about the degree of that association. Within this geographically defined set of winemaker relationships, the participants have chosen the location because of its favourable soils, climate, and topography for growing Pinot Noir grapes.

## **1.4 Purpose of Research**

The primary aim of this study is to understand and evaluate the nature, process, and role of collaboration amongst regional competing organisations. Furthermore,

collaboration may assist in the development and maintenance of a regional brand identity linked to the products produced there which is also researched in this thesis. The specific context of research is the Central Otago Wine Region in the South Island of New Zealand. This study investigates how actors in the wine region exchange resources and information between themselves to develop a regional brand identity for their wines.

The wineries in the Central Otago Wine Region could be investigated from the perspective of a network or as a business cluster. In the literature these two organisational structures are commonly treated separately. Networks are routinely studied from the industrial marketing perspective, emphasising relationships, activities and resource exchanges between members (Ford 1990, Håkansson 1982, Håkansson and Snehota 1995).<sup>2</sup> Regional business clusters are typically investigated within management, economics, urban geography, and organisational science disciplines, emphasising desired outcomes such as competitive advantage and innovation rather than the process of interaction (Keeble and Wilkinson 1999, Maskell 2001, Porter 1990). It will be argued (see Chapter Two) that a business cluster is a special type of network, one where member firms are geographically proximate. The wineries within the region comprise a cluster bound together by geography and by membership in Central Otago Winegrowers Association (COWA) and Central Otago Pinot Noir Limited (COPNL). These formal associations provide vineyard management and marketing support. Less obvious and less formal affiliations are the casual, day-to-day collaborations between individuals within the network of relationships in the region. These relationships form over time and they may arguably contribute to the development of a regional brand identity. As formal and informal relationships, activities, and resource exchanges between members are distinguishing features of networks, it seems appropriate that the wineries and their affiliations should be studied from network perspectives, but consider clusters' unique traits.

Another aspect of regional branding is maintaining quality in the products produced in the region. The perception or value of the regional brand in the wine world is linked

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<sup>2</sup> Network theories are discussed in Chapter Two.

to the quality of the wine produced there (Johnson and Bruwer, 2007, Rasmussen and Lockskin, 1999, Thode and Maskulka, 1998). If the quality of the wine produced by a region was not deemed 'premium', the entire region's reputation would be damaged, thereby devaluing the regional brand and negatively impacting each winery. The idea of quality and the regional brand are also linked to differentiation. In the world of premium wine, particularly Pinot Noir, one marker of distinctiveness and quality is terroir. Terroir is a complex interaction of physiological place-based attributes - soil, climate, and topography with human intervention in vineyard and winemaking management. This place-based concept applies to other food products, as well, such as Belgium chocolates or Scotch whiskey, and carries with it an imputed level of quality (Thode and Maskulka, 1998). Many consumers seek products from specific places, therefore the aspect of terroir connected with place has a significant potential marketing advantage. It could follow that the regional wineries collaborate to maintain and enhance quality, enriching their terroir, thus sustaining the prestige and uniqueness of the regional brand. If and how this process of collaboration occurs will be examined in this study.

Finally, how the implications of creating a regional brand impact the wineries in the region has not been studied. In particular, how do they use or not use the idea of collaboration and the regional brand identity in their marketing communication to reinforce the region's position? Therefore, a final objective of the research is to identify the implications of collaboratively developing a regional brand and to make recommendations for more effective communication of the characteristics of the regional brand identity.

## **1.5 Research Objectives**

The main aim of this study is to understand and evaluate the nature, process, and role of collaboration amongst competing firms in a region.

The subsequent research aims are:

1. Examine collaboration and the role it plays in the development of a regional brand identity.

2. Understand and analyse the link of collaboration to wine quality assurance.
3. Evaluate the role of geographic proximity in collaboration amongst competing regional firms.
4. Determine the marketing implications for the wineries of developing a regional brand and make recommendations for the communication of the regional brand.

## **1.6 Contribution to Marketing Literature**

This research contributes to an understanding of how market-focused inter-firm collaboration operates within informal networks of relationships—more specifically, how members of business networks learn and how the processes of knowledge production work. This study also examines the importance of geographic proximity in a business network, adding to business cluster/network theory in the marketing literature.

How multiple territorial distinctive elements and individual perspectives are combined to form a regional brand identity is examined. Regional branding literature is extended with the knowledge of the role collaboration plays in the development of a regional brand. Furthermore, the regional brand is supported by enhancing the quality of the products produced in the region. The understanding of the link between collaboration and the maintenance of product quality to support the prestige of the regional brand expands regional branding literature. Managers could also benefit by gaining insight into the seemingly paradoxical behaviour of firms that collaborate to enhance the quality of their products, thus sustaining the regional brand.

## **1.7 Research Methodology**

I adopted a realist worldview and this is the ontological and epistemological base for this study (Perry et al. 1999; Hunt 2005). Realists assert that ‘there is a ‘real’ world ‘out there’ to discover’ (Sobh and Perry, 2006, p. 1201). Also, this reality is based on the particular context of the research, the time period, people involved, and the process under study (Sobh and Perry, 2006). Perry et al. (1999) indicate that the

objective of realist research is to determine the underlying structure, processes or a possible cause for a noteworthy event using induction. Under a realist worldview, this study was conducted in natural or respondents' environments, information was gathered specific to the situation, and I gained personal perspectives on the meaning and purpose people attach to their actions in specific contexts (Guba and Lincoln, 1994). As discussed below, I lived in the region and developed relationships with people associated with the wine industry during the interview phase of the research process. In my study, I am primarily aiming to achieve an understanding of the *nature, process, and role* of collaboration amongst people in a regional context, therefore, the realist worldview is appropriate. This research will attempt to realistically understand, interpret, and explain the phenomenon of collaboration, regional branding, and quality maintenance amongst Central Otago actors, especially relating to their sharing of resources and knowledge.

My role as a researcher also enabled me to become involved with regional participants to best understand processes and phenomena. I lived in Cromwell, a central location in Central Otago, for the duration of the interviews. I also befriended several non-participant winery owners and personnel. These individuals provided insight while reviewing interview data as it was gathered to assist in identifying areas needing clarification and expansion. These relationships also allowed me access to informal social gatherings during which I could observe interaction amongst winery personnel. I participated in two grape harvests with a non-participant winery which enabled me to understand the challenges of pests and the climate and to observe knowledge exchange with day labourers who move from winery to winery. Living in the participants' environment provided me with personal insight and perspectives I would not have gained in a remote living situation.

A case study strategy is used for Phase Two (described below), which is in alignment with the realist paradigm (Yin, 2003, Perry, 1999 et al.). In developing this strategy, the research methods are qualitative, inductive where necessary, and theory generating. A single-case method of inquiry is used with regional collaboration as the unit of analysis (Yin 2003, pp. 39-46). The sample is 25 participants in the Central Otago Wine Region from wineries ranging from embryonic to mature (relative to Central Otago).

The research is conducted in three phases.

The purpose of Phase One is to enhance the pre-understanding of the operation of the region to focus the literature review, identify and meet key respondents for Phase Two, and to assist in developing interview questions for Phase Two. This is accomplished through 10 interviews with winery personnel and other people connected with the Central Otago wine industry. Content analysis is used to identify preliminary themes and patterns to be tested in Phase Two. Pre-understanding is an important element in qualitative research (Gummesson, 2000) as it provides a foundation for in-depth interviews and helps identify key areas for investigation.

Phase Two is a case study strategy as discussed above. It consists of semi-structured interviews of key winery stakeholders (owners, winemakers, and vineyard managers) and a regional wine-producing founder, to gain an understanding of the extent and type of collaboration across the region (see primary aim of study). Their actions and conversations are critical, as they are key actors in the development of the regional brand and are instrumental in enhancing wine quality to support the regional brand. Accordingly, the topic of development of a unified *regional brand identity* through collaboration in Central Otago is probed (see research question one). Collaboration and its link, if any, to enhancing and sustaining quality are then questioned (see research question two). The possible impact of proximity on collaboration is also investigated (see research question three). Content analysis using NVivo7® is used for data interpretation (Miles and Huberman 1994).

The third phase of research consists of determining the implications for the wineries of developing a regional brand and making recommendations for better communication of the regional brand identity characteristics (research question four). This stage includes analysing the web sites and marketing collateral of the wineries. Content analysis with NVivo7® is used providing coding, analysis, and interpretation of the each winery's marketing messages concerning collaboration, the regional brand characteristics, and their emphasis on the importance of the quality of Central Otago wines. This stage also includes the observation of three wine-tasting events to determine if and how the attributes (the identity) of the regional brand of Central Otago are communicated. This final stage of data collection and analysis provides the

means of comparing findings in Phase Two to determine if the interview content is the same or conflicts with verbal and written communication. In other words, it depicts an end result or implication of developing a regional brand.

## **1.8 Outline of Thesis Structure**

After this introduction (Chapter One), the next section of the study reviews the relevant literature in three chapters.

Chapter Two introduces the concept of business clusters as developed initially by Porter (1990) and subsequently expanded in management, urban geography, and organisational science literature. An emphasis in cluster research is collaboration amongst competitors in geographically proximate regions. This chapter also provides a discussion of networks with a focus on research conducted by the Industrial Marketing and Purchasing Group (IMP) in Europe. This research is most pertinent to this study because of its broad emphasis on activities, resources, and relationships. This study compares the concepts of clusters and networks and a conclusion is reached that a business cluster is a place-bounded form of network supporting collaboration amongst the competing firms.

Chapter Three offers an overview of branding, place marketing, and an analysis of place and regional branding literature. An examination of the importance of place in the wine industry is also included.

Chapter Four provides a description of the wine industry with a discussion of New World and Old World producers and how their business strategies differ. This chapter also provides the history and elements of terroir, a quality wine marker. The controversy of terroir between Old and New World wine producers is highlighted and the link between terroir, quality, and place is discussed.

Also presented in this chapter is an overview of the Central Otago Wine Region as the empirical research setting of the thesis. As the stakeholders in the region have developed specific formal means of maintaining wine quality to support the regional brand, these known activities are discussed. The region faces many challenges

currently, with more projected for the future. These are delineated as they will impact how and why the wineries collaborate.

Chapter Five specifies the research methodology used that supports the empirical field work.

Chapters Six and Seven discuss the empirical findings of the study. The results and implications of the study are considered for academic theory in collaborative network marketing and also the links of collaboration to regional branding and product quality maintenance. A summary of the research and its limitations together with suggestions for further research are included.

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# Chapter Two

## Clusters and Networks: Critical Characteristics

"Union gives strength."

-- Aesop, *The Bundle of Sticks* (Quotations, 2009)

### 2.1 Introduction

This chapter analyses the characteristics of the business cluster seen as a particular kind of organisational network structure that can enhance collaboration involving geographically proximate competitors. The importance of this examination of business cluster and network literature is to see how a framework for nature, process, and role of collaboration within a region is or could be achieved, the primary aim of this study. Furthermore, an investigation of the association of regional branding with collaborative behaviour amongst regional competitors in the literature indicates that existing research does not reveal that association and is an issue addressed in this study.

Firms are developing closer relationships with other companies to achieve market growth, take advantage of new opportunities, or reduce costs (Rosenfeld, 1996, Ritter et al., 2004, Dyer, 1997, Anderson and Narus, 1990). Rosenfeld (1996) explains the concept of collaboration this way: 'They [firms] engage, both formally and informally, in joint activities such as co-marketing, co-production, shared resources, and joint product development' (p. 247). Because of the advantages of collaboration, academics and practitioners have quite recently found new relevance in studying interaction and relationships amongst competitors, buyers and sellers, end-users, and supporting institutions to understand how they operate (Ritter et al., 2004, p. 176).

One such relationship structure relevant to this study is that of a *business cluster*. A business cluster comprises firms of a like industry whose relationships are place-governed, that is, they are geographically proximate to each other. Such clusters include competitors, suppliers, buyers, and supporting organisations. The member

firms of a cluster may collaborate to present a positive image of their products and services to the world, or become innovative when they share information and resources. Porter (1990) was one of the first to indicate that geographic proximity in firms of a like industry provides a foundation for the continuous development of industries and ultimately, a nation. What is missing in cluster research is the nature, process, and role of collaboration within a regional cluster. An additional gap in the literature is the role collaboration may play in the development of a regional brand. Understanding this nature, process, and role of collaboration would contribute to existing network, cluster, and regional branding theories as well as assist managers in providing know-how on how a regional brand can be developed through collaboration.

Another extensively researched relationship structure is a *network*. Business networks are comprised of suppliers, buyers, and other institutional stakeholders that are not necessarily geographically proximate. One identifiable activity is the production and delivery of products and services through their interdependent relationships (Ritter et al., 2004, Achrol and Kotler, 1999, Dyer and Nobeoka, 2000, Wilkinson and Young, 1996). Research on networks has captured the interest of marketing academics and practitioners over the past thirty years, evidenced by the number of journal articles published in a broad range of literature (Wilkinson, 2001).

One approach to the study of networks is derived from the work of the Industrial Marketing and Purchasing Group (IMP) in Europe. IMP theories are pertinent to this study as their major research finding is the connection between business interaction, resources, and relational bonds (Håkansson and Snehota, 1995). It is puzzling why business clusters have not been studied from a network viewpoint, as relationships facilitating the exchange of knowledge and resources is central to the success of business clusters. It will be argued in this chapter that the business cluster is a type of business network, although the members of a cluster are geographically proximate and achieve specific benefits as a consequence. As such, business clusters should be studied from a network, interaction approach.

## 2.2 Business Clusters

### 2.2.1 Development of the Business Cluster Concept

The business cluster concept involves the cooperation of geographically proximate horizontal (like kind) and vertical firms (supplier-buyer) firms to enhance their market position. It is not new. Clustered or localised trading arrangements can be traced to early periods of civilisation in ancient caravansaries in Asia and medieval marketplaces in Europe. Marshall (1910) referred to 'localized industries' as a straightforward historical progression, because original groupings of businesses were formed around favourable attributes such as fertile soil, metal reserves, and natural transportation accessibility (p.268). Utilizing these local resources, groups in geographic regions became esteemed masters in producing products such as spices, textiles, and furniture.

Advancing Marshall's theory of industrial community to the 20<sup>th</sup> century, Porter (1990) noted that business clusters were able to attain and sustain competitive advantage. Through proximity, competitors had constant contact with each other and were able to collaborate, providing channels for diffusion of information resulting in continuous business improvements. Such innovations could be in distribution, operations, marketing, and services provided by the firm. Porter (1990) further claimed that advancement of firms within industrial clusters is enhanced by contact with international competition spurring a constant stream of innovations resulting in a sustainable competitive advantage. Additionally, Porter (1990) indicated that successful business clusters foster the growth of connected industries supporting them.

Porter (1998) emphasised that geographic proximity is a key element in achieving the aforementioned conditions. He provided this definition of clusters:

*Clusters are geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition (p. 78).*

At this point, the key issues in Porter's argument need to be made clear as outlined in Table 2.1.

| Key Issues  | Description   |
|---|---|
| Proximity   | Unintentional or intentional closeness leads to a range of business communications that would not otherwise take place.   |
| Cluster-based interaction                               | Communication takes place between competitive rivals or buyers and sellers with conflicting business interests and goals.   |
| Clustered industries lead to a nation's competitiveness | Through sharing of knowledge contributing to constant innovation, a sense of competitive rivalry results in strong desires to excel over rivals, and a continual spin-off of new companies with enhanced specialties. |
| Sustainable competitive advantage is achieved           | This is accomplished through the vigorous positive churn as stated above, as well as additional industries developing around the cluster.   |

**Table 2.1. Key Issues in the Competitive Advantage of Clusters**

**Source: Porter, 1990, p. 161**

One of Porter's original examples of the effectiveness of clusters was the emergence of the Italian ski boot industry. The 1956 Winter Olympics in Italy helped spur the growth of this industry, using labour pools with existing expertise in footwear and a plastic shell design from a small U.S.A. firm. Plastic ski boots alone could be easily duplicated worldwide. However, additional industries developed supporting the cluster, such as the plastic moulding machinery and après ski boot industries, making duplication of the product concept more difficult. As the Italian domestic ski boot market became saturated, the cluster's excellent reputation created an advantageous position to market internationally, with a united focus on reducing production and delivery costs (Porter 1990, p. 162). He also examined the California wine cluster, which is discussed later in this chapter.

Porter (1990) claimed that competitive friction is a key factor in the success of a cluster as a constituent firm does not want to appear to be a laggard and will strive to stay in the forefront (p 157). Also, competitors are close to each other and can readily evaluate firms' accomplishments as well as trade intelligence and have social ties with a multitude of common partners.

### 2.2.2 Characteristics of Clusters

A business cluster is delimited by several characteristics. First, although there are no physical boundaries on a business cluster or region, the firms are *concentrated* in a geographic area and they are *interconnected* in some manner in the same industry. Firms are not only linked within cluster-specific industries, clusters within different industries can be connected through shared raw materials, technology requirements, and trade associations. Clusters often support local institutions, such as universities which, in turn, provide research or curriculum to support the cluster members (Porter 1998).

Because of physical proximity and frequent personal contacts, firms in a cluster tend to develop long-term trust in each other. Trust is important in collaborative relationships because firms are reliant upon each others' abilities and truthfulness to obtain favourable results. Trust would seem to be an aberration between firms in a competitive environment, however, trust facilitates inter-firm information exchange and dissuades firms' selfish, short-term fiscal behaviour in a thriving cluster (Porter 1990, p. 153). The facilitation of *information flow* through trust, and also *goal congruence* (working together for a unified goal), are two defining categories in Porter's delineation of key factors that facilitate information exchange within clusters and are noted in Table 2.2.

| <b>Facilitators of Information Flow</b>  | <b>Sources of Goal Congruence or Compatibility within Clusters</b>                            |
|--|---|
| <ul style="list-style-type: none"><li>• Personal relationships due to earlier schooling, military service</li></ul>          | <ul style="list-style-type: none"><li>• Family or quasi-family ties between firms</li></ul>   |
| <ul style="list-style-type: none"><li>• Ties through the scientific community or professional associations</li></ul>         | <ul style="list-style-type: none"><li>• Common ownership within an industrial group</li></ul> |
| <ul style="list-style-type: none"><li>• Community ties due to geographic proximity</li></ul>                                 | <ul style="list-style-type: none"><li>• Ownership or partial equity stakes</li></ul>          |
| <ul style="list-style-type: none"><li>• Trade associations encompassing clusters</li></ul>                                   | <ul style="list-style-type: none"><li>• Interlocking directors</li></ul>                      |
| <ul style="list-style-type: none"><li>• Norms of behavior such as belief in continuity and long-term relationships</li></ul> | <ul style="list-style-type: none"><li>• National patriotism</li></ul>                         |

**Table 2.2. Factors Facilitating Exchange within Business Clusters**  
**Source: Porter (1990, p.153)**

Once Porter had developed his formative concept, others added conceptual richness and complexity, also indentifying the heterogeneity of clusters.

What is interesting in Porter's analysis is that some of these factors in Table 2.2 may arise *before* cluster formation. 'Personal relationships' and 'ties', for example, are consequences of earlier social interaction and technical exchanges, sometimes referred to in the marketing literature as *relationship ties* and *structural bonds* (see for example, Wilson and Jantrania, 1994). These ties and bonds are understood by Porter as information flow and goal congruence dimensions, but clearly they are also *collaborative relationship* indicators.

Many academic disciplines recognised the importance of cluster research including urban development, spatial and urban geographic studies, economics, knowledge transfer research, management, tourism, and entrepreneurship theories, thus emphasising particular characteristics. In reviewing literature across disciplines, certain characteristics emerged ubiquitously. These prevalent characteristics are deemed important in the success of business clusters and are discussed next.

#### **2.2.2.1 Objective of Raising Awareness**

A common objective in cluster agglomeration is to raise awareness about the local region most often for exporting purposes (Schmitz, 1999, Streb, 2003, Dayasindhu, 2002). The joining of forces to present a unified front to the world is said to give firms economies of scale, marketing expertise, distribution and logistics, technology innovation, and training (Tambunan, 2005, Aylward, 2004). Aylward (2004) provided an example of this with the Australian wine industry in three major clusters, South Australian, Victoria, and New South Wales. In spite of Old World wine dominance, these well-established wine clusters have realised exceptional export growth beginning in the 1990s attributable to product innovation. More particularly, Aylward (2004) provides insight into innovation and export activity of established versus embryonic clusters. He did not, however, consider the process of collaboration and its association with the regional branding of these regions. It should also be noted that Aylward (2004) refers to these regions as clusters, but it might be more accurate to call them geographic locations or political administrative regions that dominate the wine industry in Australia.

In summary, these cited authors emphasise raising the awareness of the regional identity of their products to enhance export success. However, they do not mention regional branding as a goal, representing a gap in the literature. The paradox is likely the consequence of the relative absence of cluster research in the marketing literature combined with the recent expansion of place/regional branding literature (see Chapter Three).

#### **2.2.2.2 Embeddedness and Interdependence**

Closeness, both geographical and in personal relationships and goals ('localization extremities'), is a critical factor in facilitating the transfer of information and knowledge between competing companies (Porter 1990, p. 153). An important aspect of this closeness or proximity is that communication is often face-to-face. Lives of people in cluster firms become entwined through many years of communication, adaptation, and sharing, therefore exchanges are established on reciprocity and reliability (Powell, 1987). Corno, Reinmoeller, and Nonaka (1999) indicated 'common languages, experiences, and culture within districts favor the development of relationships at the intimacy level' (p. 386). Individuals' interactions can fluidly expand from business to social contexts resulting in what Keeble and Wilkinson (1999) called *embedded* relationships. Earlier, Granovetter (1985) countered the view of the economic, rational man with the idea of the socialised man by saying that embeddedness is 'the argument that the behaviour and institutions to be analysed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding' (p. 482). Not only are the relationships embedded, they are highly *interdependent*, relying on each other for correlative materials, production, product development, and other activities (Rosenfeld 1997). Also, studies have shown that constituents of such business clusters are more apt to adopt new technologies, feeling less risk (Lawson and Lorenz, 1999, Porter, 1990). The cluster consists of individuals whose business and social relationships are motivated primarily by a common ideal, but often result in business success. In summary, the regional cluster is a dynamic tension of competitive and collaborative forces within, where cluster firms to varying degrees depend on each other for knowledge and innovation.

### **2.2.2.3 Knowledge Transfer**

Knowledge transfer within clusters was explored by the Group de Recherche European sur les Milieux Innovateurs (GREMI), formed in the mid 1980s by Aydalot, a late University of Paris professor. GREMI de-emphasised economic issues, such as reducing costs. Their research revealed the importance of frequency of contacts and a cooperative attitude in the 'milieu' (English meaning is environment), industrial region, or geographically concentrated aggregate of firms, leading to transfer of knowledge (Camagni, 1991). The resultant collective learning process amongst cluster companies therefore abates uncertainty and augments innovation (Bramanti and Ratti, 1997).

This follows Nonaka's and Takeuchi's (1995), description of this phenomenon as a 'spiral movement' of knowledge in their study of Japanese industrial districts. Explicit or codified knowledge which is easily communicated becomes tacit knowledge when it is put to use in developing and improving the skills base in the region, through trial and error or experimentation. The tacit knowledge or 'know how' (Polanyi, 1966) is personally embodied and contextually dependent, therefore difficult to articulate, but collaboration within the region facilitates the circulation of knowledge, advancing it from explicit to tacit.

### **2.2.2.4 Ethical Credence**

Highly interdependent firms within a business cluster tend to gain mutual trust (Porter, 1990). Individuals within the firms avoid sub-optimal behaviour by providing correct information, respecting agreements, and not passing on defective products or establishing barriers to progress (Maskell, 2001). This is related to Porter's (1990) factor of shared norms, such as continuity and believing in strong, long-term relationships (see Table 2.2). Information about firms employing unethical tactics would spread quickly within the cluster and offending firms might be ostracised for their behaviour (Lawson and Lorenz, 1999). As a common idea exists amongst cluster constituents, there is less need for formal agreements and contracts. These mutual trust and obligation characteristics tend to reduce cost and time in knowledge transfer and diminish the internal reluctance of a firm to accept and adapt new ideas, thus providing a clearer, proficient path to innovation.



#### **2.2.2.5 Spin-off Company Formation**

Individuals within cluster firms may also generate spin-off firms. As knowledge is disseminated, such individuals may create their own innovations and ultimately their own firms to support the evolving specialised environment of the cluster (Keeble & Wilkinson 1999). The growth of the newly-formed firms is enhanced because of skilled-labour mobility, shared technology, and buyer relationships (Sternberg and Litzenberger, 2004). Through this generation of knowledge and spin-off companies, the cluster is said to be constantly renewed and sustained.

#### **2.2.2.6 Clusters of SMEs**

Mytelka (2000) indicated that a frequently occurring cluster feature is that it consists of small to medium-sized enterprises (SMEs). These firms typically do not have the financial or labour resources required to accomplish lofty goals alone and have arguably the most to gain from such a shared arrangement of collaboration. Clusters also seem to assist SMEs in that they keep the labour pool robust and renewed over time providing a propitious centre for skilled workers (Rosenfeld, 1997).

To reiterate, clusters are typically formed by SMEs which have limited resources and are in a position to substantially benefit from joining capabilities. SMEs identify that a common objective of increasing awareness of the entire region can also assist in firms meeting goals. Proximity and sharing resources and objectives are said to result in embeddedness and interdependence of the firms; each needs the other to succeed. Knowledge transfer occurs readily within the cluster because of frequent interaction and trust, accelerating innovation. Additionally, trust is said to be enhanced because of an implicit understanding and desire of the participants not to put individual needs above those of the cluster. Finally, the cluster continues to develop as new firms are added within the cluster.

#### **2.2.3 Summary of Cluster Literature**

Research has been conducted on clusters in various disciplines including economics, urban geography, policy planning, management, regional studies, human geography, tourism, urban planning, and entrepreneurship. However, there are few articles published in marketing journals (those published are most notably associated with

tourism)<sup>3</sup>. Discussion in this section summarises research within business disciplines other than the wine industry context most pertinent to my research. Business cluster research in the wine industry is also included later in this chapter. While these studies provide an excellent foundation of the description and definition of clusters, they are lacking in a focus on the nature, process, and role of collaboration within clusters. They also do not link collaboration with the development of a regional brand.

The characteristics of clusters mentioned previously are evident in these studies. First, relationships, cooperation, innovation, and trust amongst cluster constituents are identified as paramount to the cluster's success (Saxenian, 1991, Mytelka, 2000, Corno et al., 1999, Maskell and Malmberg, 1999).

Maskell and Malmberg (1999) emphasise the importance of the development of specific tacit knowledge within a cluster. Presumably, proximity of actors in a cluster ameliorates the exchange of information which then becomes 'know-how' not easily duplicated. The authors discuss the interactive learning process due to proximity of localised firms leading to the firms' abilities to continue to upgrade their knowledge bases for competitive advantage. Tacit knowledge is more readily dispersed within geographically proximate firms as they have frequent interaction.

Corno et al. (1999) presented a study of industrial districts to determine how knowledge is created within and between districts. The context is the Ishikawa Prefecture (textiles) in Japan. Findings indicated that intimate relationships and informal interaction in the districts fostered tacit knowledge transfer resulting in innovation. They identified four types of knowledge conversions within the *ba* (Japanese for *place*, in this case, district). These were tacit-to-tacit (socialisation), tacit-to-explicit (externalisation), explicit-to-explicit (combination), and explicit-to-tacit (internalisation). Although Corno et al. (1999) identify the process of knowledge exchange and conversion of implicit knowledge to tacit knowledge, the authors do not explain fully how this process of collaboration works, the primary aim of this study.

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<sup>3</sup> The marketing literature contains a variety of studies on business relationships from a *network* perspective but seldom on geographically proximate (clustered) firms.

Mytelka (2000) iterated innovation achievements in clusters through learning. The author argues that competitive advantage is through innovation. She used many global clusters as examples, such as the textile industry in Italy, the furniture industry in Denmark, and the food industry in Norway. She emphasised the need for governmental policies to enhance development in clusters with a focus on SMEs in developing countries. This research supports the idea of innovation through learning in a cluster, but gives no indication on how this may occur.

Grängsjö (2003) introduces the idea of cooperation and co-opetition (the presence of both competition and cooperation) in a tourism cluster (Åre Village, an alpine winter sports destination in Sweden). This makes sense as many of the regional participants in a tourism destination are competitors or may have disparate ideas about how the destination should be promoted. A tourism destination consists of SMEs that are interdependent in a network environment. However, they are also business owners and are competitive. The author concluded that the marketing of a destination is influenced by the norms and values of the entrepreneurs within it. Grängsjö (2003), however, does not discuss how this might impact the development of a regional brand.

Saxenian (1991) focused her research on manufacturers building long-term relationships with suppliers to manufacture new systems and increase their learning capacity. The sharing of information led to innovation and rapid development of the Silicon Valley as a recognised technology centre. However, there is no in-depth analysis of the process of information sharing.

In summary, the concept of clusters has captured the interest of academia, business, and governmental agencies, but less so marketing researchers. Characteristics associated with business cluster success have been reported in the literature, such as relationships, cooperation, and trust amongst cluster constituents. These characteristics enhance knowledge transfer amongst firms in clusters due to spatial proximity. Knowledge transfer seemingly results in innovation, providing the business cluster with competitive advantage. However, what is still unknown is the actual nature, process, and role of collaboration within the region. There is also no extant research on *how* collaboration occurs to establish a regional brand.

Additionally, there has been little interest shown in clusters in the marketing literature, where interaction and relationships between firms are most commonly studied within a *network* framework of ideas (see for example, Ford 1997; Hakansson & Snehota 1995).

## **2.3 Networks**

### **2.3.1 Development of the Network Concept**

This section will review and analyse how networks as a structure are treated in the literature and how they relate to the business cluster concept. The definition of network is: ‘An openwork fabric or structure in which cords, threads, or wires cross at regular intervals’ (Merriam-Webster, 1998, p. 778). The term ‘network’ applied to the business environment is the connections between businesses and other institutions (Håkansson and Snehota, 1995, Dyer and Nobeoka, 2000, Achrol and Kotler, 1999). It could be argued that an early modern form of business network was the distribution channel. The ‘channel’ metaphor suggests a linear rigidity which is sometimes useful in understanding primary linkages between firms and their markets, but is a theoretical simplification.

Distribution channels began to receive attention at the turn of the 20<sup>th</sup> century in economics as the industrial revolution was enabling producers to manufacture products at an accelerated rate, necessitating proficient distribution systems. Economists, such as Joseph Schumpeter (1942), embraced the idea of competition based on firms’ capacity to innovate quickly rather than on comparative price advantages. One of these innovations was the development of systems of distribution channels, offering services in addition to transportation, for example, sorting and financing. Concepts began to be appropriated on a limited basis from other disciplines such as psychology, sociology, and geography resulting in spatial, market area, and holistic-view studies (Wilkinson 2001). These functionally-oriented distribution theories established the foundation for research in the last half of the 20<sup>th</sup> century.

Marketing theory and with it distribution theory erupted in the U.S.A. in the 1940s and 1950s with Wroe Alderson. He expanded upon some of the thoughts previously

researched in distribution, such as, collecting product, standardizing operations, and dispersing product. He changed thinking about distribution channels by first suggesting research integrating other disciplines, such as the behavioural sciences. He also identified the idea of negotiation in meeting the needs of both buyer and seller. In other words, Alderson suggested the emergence of a more collaborative environment in channels (Alderson, 1965, p. 134).

Researchers in the 1950s and 60s, contemporary with and following Alderson, built upon his behavioural rather than competitive theories to further their own. In the United States, Interorganizational Theory gained support, delving into the manner in which a selling firm dealt with conflict, cooperation, and control within a distribution channel. Economic theory had renewed influence in marketing academia with the research of Oliver Williamson during the 70s and his studies on transaction costs and issues of interorganisation order (Williamson, 1975). As channel studies began to move away from the isolated dyadic perspective and to involve many more relationships, theories became more complex (Anderson and Narus, 1990, Dwyer et al., 1987). Also, in the 70s and 80s, it was becoming evident that rising Japanese global success was linked to firms' external connections introducing the *network* organisation (Achrol, 1997). Not only did theories develop temporally, they also expanded globally, creating two international versions of network theories.

In Europe and Australasia, the Industrial Marketing and Purchasing Group (IMP) developed the Interaction Approach (Håkansson, 1982). In contrast to Interorganizational Theory, the IMP Group in Europe was conducting research between firms with an emphasis on interaction and relationships (Ford, 1980, Ford et al., 1986). The Interaction Approach is concerned with business relationships and how interaction between members aided the formation of a network (Ford et al., 1986).

As described above, research in the 1970s focused on large organisations being able to reduce distribution costs when integrated with specialised companies in a network. Initial results of these industrial studies, led the IMP Group to focus on relationships and the stages of relationship formation rather than efficiencies and cost reduction (Ford 1980). Long-term relationships are formed as a result of investment in the form of *adapting* to the requirements of a partner. The relationship is also affected by and

affects *episodes* occurring between partners such as product delivery, social encounters, and price negotiation (Ford 1980, p. 340). Social exchange may occur in which mutual trust is established in personal interaction after successful episode exchanges. Long-term relationships subsequently develop from social exchange resulting in solidified mutual trust. Partners assume their requirements will be met, open communication amongst various levels in each organisation occur, and each company adapts to the other concerning products, information, financial terms, and in social exchanges (Ford et.al., 1986).

The IMP Group focused on business-to-business relationships, the majority of business activity in Europe, and the group was not under any pressure to provide remedies to problems, facilitating liberal thinking (Wilkinson 2001, Håkansson and Snehota, 1995). These researchers focused on theories of long-term relationships and cooperation rather than adversarial, competitive relationships, more indicative of U.S.A. studies (Johanson and Mattsson, 1987, Håkansson and Johanson, 1992). Concurrently, Australian researchers completed studies on network connections in economic development and interfirm relations particularly related to power and conflict (Gaski, 1984, Wilkinson and Young, 1996). The Australasian interest in network relations led to collaborative efforts with the IMP Group, resulting in a multitude of Australasian/European studies on business interactions and relationships.

The initial large-scale IMP research study covered five European countries and over 1,300 interfirm relationships (as reported in Håkansson, 1982, Turnbull and Cunningham, 1991). The IMP Group determined that marketing and purchasing interactions are not isolated events, but are connected episodes during the life of a business relationship. Experience gained through interaction is cumulative and influences the likelihood of additional future transactions (Haakanson 1982). Also, buyers and sellers meet their united goals by adapting to each other over time (Ford et al., 1986). Interactions occur within relationships, whether long-term or short-term, with conflict or co-operation. There is no central control in a network, in fact, a firm does not choose the kind of relationship in which it will be involved, rather the relationship evolves from the interaction of all parties (Ford 1997).

IMP theories evolved to become their *Network Approach* after a second large-scale study of industrial marketing and purchasing in the 1990s. The significant finding of this study was the recognition that dyadic business relationships are embedded within larger networks of relationships (Håkansson and Snehota, 1995, Axelsson and Easton, 1992, Ford et al., 1986). An important distinction of the IMP Group is that they use the focus of interaction and relationships in industrial networks in an effort to explain how and why networks work. The IMP Group has determined that there are three main components in their Network Approach. These are activity links, actor bonds, and resource ties (AAR) (Axelsson and Easton, 1992, Håkansson and Snehota, 1995, Ballantyne and Williams, 2008). Activity links refer to any functions that firms may share in the network, including technical capability, administrative activity, logistical operations, and marketing. Resource ties are necessary for activity links as they provide contributions such as equipment, labour, financial assistance, and even knowledge. Actor bonds are the individuals within the networked firm providing the relationships necessary to ensure that the network functions (Håkansson and Snehota, 1995). The AAR model is discussed further in Chapter Six.

To reiterate, the IMP Group concentrates on relationships in a network and how the actors (member firms) interact rather than focusing on conflict in a competitive environment. The market is seen as networks of relationships with interdependent firms. It suggests a ‘give and take’ environment in which each company must relinquish autonomy and self-rule in some areas. Firms rely on other firms to execute specific functions they have chosen not to perform themselves or when requiring resources not available internally (Ford and Håkansson, 2006).

### **2.3.2 Characteristics of Networks**

IMP researchers take the view that networks exist, whether planned or not. However, networks are often created to synthesise functions, resources, and knowledge in a combined effort to reach markets (Ritter et al. 2004). Intermediaries in the network can concentrate on their core competencies and offer their specific capabilities to many other firms in an effort to deliver products and services economically to the customer. These capabilities or functions include a long list of activities and services

such as carrying inventory, incurring financial risk, sorting, assembling, logistics, promotion, and negotiation (Williamson, 1981, Achrol and Kotler, 1999).

Network research also has had impact in areas such as control, competition, cooperation, and interdependencies. Therefore, a variety of characteristics associated with networks has emerged, making the overall description of the characteristics of a network problematic. However, based on earlier analyses in this chapter and supporting literature references, combining common elements from the both the Interorganizational and IMP theories, the core characteristics can be discerned and are itemised in Table 2.3.

| Characteristics                           | Description  |
|---|--|
| Efficient delivery/production             | The purpose of relationships is to deliver products/services to or produce product/services for a customer in the most efficient means possible.             |
| Independent members                       | Each firm is an individual, independent participant with its own goals.  |
| Specialised functions                     | Individual firms offer specialised functions not provided by other firms in the network.   |
| Interdependence amongst members           | Because each firm provides a specialist function, the firms are dependent upon each other to provide efficient delivery/production.                          |
| Conflictive and co-operative environments | Although the firms are interdependent, they each have their own requirements. The network is a delicate balance of self-centeredness and group-cohesiveness. |
| Relationships                             | Relationships provide the foundation for trust necessary to make interdependence amongst individual firms work.  |
| Partnerships are long-term                | Relationships are not formed readily. Once they are formed, they aspire to longevity.  |
| Knowledge transfer                        | Relationships sustain the transfer of knowledge between firms, enhancing the innovation process.   |

**Table 2.3 Network Characteristics**

**Sources:** (Axelsson and Easton, 1992, Ford et al., 1986, Ford, 2002, Wilkinson, 2001, Håkansson and Johanson, 1992, Johanson and Mattsson, 1987, Möller and Svahn, 2003, Morgan and Hunt, 1999, Nonaka, 1991, Ritter et al., 2004, Stern, 1996, Thorelli, 1986, Uzzi, 1997, Wilkinson and Young, 1996, Williamson, 1981)

The idea of networks of business relationships has evolved from a linear supply chain viewpoint to that of complex relationships and interdependence with myriad partners,



as discussed. Research on relationships in networks is dominated in the marketing discipline where the importance of relationships in a buyer/supplier context has been studied over thirty years.

Although a business cluster has many of the same functions of a network, cluster research emphasises the specific aspects of horizontal interdependencies amongst competitive actors given geographic proximity. A discussion of the disparate veins of research on clusters and networks is provided in the next section as well as a comparison between the two concepts.

## **2.4 Why is Cluster and Network Research Demarcated?**

Based on the above discussion of clusters and networks, they have many similar characteristics. Some of the same terms apply to both, such as interdependence, relationships, and mutual goals, therefore, it could be argued that a cluster is a particular type of network. Håkansson and Snehota (1995), for example, refer to ‘industrial districts’ or local networks in their discussion of knowledge development within a network, but do not apply a marketing perspective to the industrial district concept (p. 15). Are clusters simply local networks and there is no usefulness in viewing them distinctively or are clusters and networks two distinct concepts? To answer this question, it is necessary to first discuss the two main distinctions between clusters and networks.

### **2.4.1. Spatial Proximity is the Dominant Characteristic of Clusters**

First, the *geographic* characteristic of clusters introduced by Porter (1990) is of importance because of the facilitation of unparalleled face-to-face communication and social interaction leading to long-term relationships and trust. Trust is essential in *knowledge transfer* and because of the exceptional level of trust reported in clusters, knowledge transfer, particularly tacit knowledge transfer, contributing to innovation, is expeditious (Maskell & Malmberg, 1999; Capello 1999; Dayasindhu 2002). Proximity is a key factor in the idea of interdependence and embeddedness. Innovation in business clusters can also occur accidentally through a firm’s observation of a proximate competitor. In trying to copy another’s best practices,

firms could inadvertently create innovation (Burt, 1987, Pascal and McCall, 1980). Also, although clusters have no specific boundaries, they are geographically defined by natural resources or an industry. Network actors, on the other hand, are not necessarily proximate, in fact, partnerships can be global in nature, limiting face-to-face communication and information transfer (Ormrod, 1990, Bell, 2005). The actual identification of which firms are in a specific network is more difficult than a cluster. Clusters also stimulate the formation of *spin-off companies* as shared information is uniquely manipulated by different constituents of the cluster, periodically launching new companies to provide specialised products and services (Keeble and Wilkinson 1999; Sternberg and Litzenberger 2004). *Ethical credence* exists in clusters due to the high level of trust developed through frequent contacts. Ethical credence emerges as members believe that each other will act ethically. Actors in partnerships with these common ethical assumptions benefit from fewer time-consuming and costly formal contractual agreements. In addition, ethics equilibrium amongst the cluster firms reduces aversion to considering and adopting fresh concepts, providing a more alacritous route to innovation (Lawson and Lorenz 1999).

#### **2.4.2. ‘Horizontal’ Relationships are not Directly Part of the ‘Network’ Field of Interest**

The second principal of cluster differentiation as compared to networks is the *organisational orientation* to co-operative and competitive structure. Network and cluster actors are buyers, sellers, competitors, and supporting institutions, such as academic institutions. However, by the IMP definition, buyers and sellers are essential, suggesting a dominance of vertical organisational components in a network (Ford, et al., 1986). Conversely, a cluster consists of suppliers and buyers, but competitors’ interactions may not involve buying and selling, rather they are more likely to be structured as horizontal information or social exchanges. The ultimate goal of a cluster is not typically to *deliver* efficiently and effectively to an end market as the individual firms have their own supply chains and markets (Bengtsson and Kock, 1999). The key aspect of horizontal exchange between competitors in a business cluster is to assist the growth of a region and develop awareness of its offering(s) (Rosenfeld 1997). Also, a business cluster is typically a formation of SMEs as they have limited resources and are positioned to receive more benefits from

the arrangement (Mytelka 2000). By comparison, it is often said that networks compete with networks, which is, of course, a subtle but different market orientation (Mattson, 1997).

Table 2.4 below summarises the above discussion of the comparison between networks and clusters and provides representative sources from literature.

| <b>Characteristic</b>    | <b>Dominant Viewpoints of Clusters</b>  | <b>Dominant Viewpoints of Networks</b>  |
|--------------------------|---|---|
| Geographic Proximity     | Suppliers, buyers, and competitors are concentrated in a geographic area (Bramanti and Ratti, 1997); (Dayasindhu, 2002); (Enright and Roberts, 2001); (Fujita and Krugman, 2004); (Krugman, 1991); (Marshall, 1910); (Porter, 1990); (Porter, 1998a); (Storper, 1995); (Thomas and Pollock, 1999) | Suppliers, buyers, and competitors are not confined to a specific area and could be global (Håkansson and Snehota, 1995)  |
| Horizontal Relationships | Horizontal relationships between competitors and other supporting institutions, such as universities are emphasised in clusters (Giuliani and Bell, 2005); (Porter, 1990); (Porter, 1998b); (Rabelloti, 1998); (Gordon and McCann, 2000)  | Networks focus on vertical relationships and the delivery of product/service from supplier to producer to customer. However, the network could contain horizontal relationships (Bengtsson and Kock, 1999)  |
| Long Term Relationships  | Individuals within clusters have personal ties that often go back to school or are even multi-generational. Long-term relationships are the norm (Corno et al., 1999); (Keeble and Wilkinson, 1999); (Osborne et al., 2001); (Porter, 1990); (Porter, 1998a).                                     | Long-term relationships form within networks or are in place before the network forms. The individuals in the network may not share the same personal backgrounds (Alajoutsijärvi et al., 1999); (Axelsson and Easton, 1992); (Ford et al., 1986); (Håkansson and Johanson, 1992); (Johanson and Mattsson, 1987); (Möller and Halinen, 2000); (Morgan and Hunt, 1999); (Stern, 1996); (Sweeney, 1972); (Thorelli, 1986); (Uzzi, 1997); (Wilkinson and Young, 1996). |
| Knowledge Transfer       | Individuals in firms have long term relationships with face-to-face communications, and trust, enabling tacit knowledge to transfer readily (Bathelt et al., 2004); (Camagni,   | Firms are not necessarily located together, therefore limiting face-to-face communication. However, knowledge transfer and generation are paramount to the success of a   |

|                                 |  |   |
|---------------------------------|--|---|
|                                 | 1991); (Capello, 1999); (Corno et al., 1999); (Dayasindhu, 2002); (Keeble and Wilkinson, 1999); (Lawson and Lorenz, 1999); (Maskell, 2001); Maskell and Malmberg 1999)   | network (Ford, 2002); (Håkansson et al., 1999); (Uzzi, 1997) (Nonaka, 1994)   |
| Innovation                      | Tacit knowledge is transferred with face-to-face communication. One firm passes knowledge to another, the second firm adopts and adapts the idea and generates innovation quickly (Aylward, 2004); (Bell, 2005); (Camagni, 1991); (Caniëls and Romijn, 2005); (Dobkins, 1996); (Khan and Ghani, 2004); (Keeble and Wilkinson, 1999); (Mytelka, 2000); (Porter, 1990); (Porter, 1998a); (Rosenfeld, 1997); (Streb, 2003). | Innovation occurs in a network as many partnerships facilitate the diffusion of knowledge (Bell, 2005, Möller et al., 2005).  |
| Creation of Spin-offs Companies | Rapid knowledge transfer results in individuals within firms forming new concepts and ultimately new spin-off companies to boost innovation in the cluster (De Bernardy, 1999); (Keeble and Wilkinson, 1999); (Longhi, 1999); (Maskell, 2001); (Sternberg and Litzenberger, 2004).   | Spin-off companies are not addressed as a specific outcome of networks.   |
| Ethical Credence                | Mutual trust, relationships, norms of behaviour, and obligations result in cluster firms treating each other ethically (Lawson and Lorenz, 1999); (Maskell and Malmberg, 1999); (Porter, 1990); (Porter, 1998a).   | Ethical behaviour is important in a network as all parties trust the others to fulfill their duties. However without the spatially proximate factor, norms and deeply-rooted personal obligation could potentially not be as strong as the cluster (Ford et al., 1986). |
| Focus on Regional Awareness     | Clusters could be formed expressly to promote a region, especially when the cluster consists of SMEs with limited marketing resources (Aylward, 2004); (Dayasindhu, 2002); (Schmitz, 1999); (Streb, 2003); (Tambunan, 2005).   | Not applicable  |
| Formation of SMEs               | Many clusters consist of SMEs as they have the most to gain with their lack of substantial resources (Aylward, 2003); (Hanna and Walsh, 2002); (Keeble and Wilkinson, 1999); (Mytelka, 2000); (Rosenfeld, 2004);   | SMEs could be participants in a network, but not necessarily  |

|  |   |  |
|--|---|--|
|  | (Tambunan, 2005); (Wever and Stam, 1999). |  |
|--|---|--|

**Table 2.4 Cluster/Network Characteristics Comparison**

Although there are many characteristics of clusters and networks that are not corresponding, the disparities are largely attributable to horizontal relationships and proximity (within clusters), as stated previously. Clearly, the core characteristic essential to the success of both clusters and networks is *relationships*. The perplexing issue at this point is – business clusters apparently thrive because of relationships and spatial proximity of their members. However, there is scant research on *how* relationships could enhance collaboration in a business cluster, as cluster relationships are not typically studied from a B2B marketing viewpoint. This represents a curious gap in the marketing literature.

Although indirectly recognised by Håkansson and Ford (2002) and Möller et al. (2005), little interest has been shown in the idiosyncrasies of clusters in marketing literature, where interaction and relationships between firms are most commonly studied within a *network* framework of ideas (Håkansson and Snehota, 1995, Ford, 1997, Iacobucci and Zerillo, 1996).<sup>4</sup> Håkansson and Ford (2002) referred to business firms in a network as nodes and the relationships between them as threads (p. 133). In applying Håkansson and Ford's (2002) "nodes and threads" definition of networks, clusters are definitely networks of *localised* firms and relationships. Möller et al. (2005) do include clusters in their description of network typology. These authors propose that a classification of network could consist of 'horizontal value nets' ranging from 'competition alliances', resource and access alliances with competition/institutions, and R&D/technological alliances (Möller et al., 2005, p. 1277).

Therefore, to untangle the research disparities between the cluster and network concepts, this researcher defines business clusters as a type of network. As much of

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<sup>4</sup> Two exceptions to this are Bengsston and Kock (1999) discussed in Table 2.2 and Grängsjö (2003) discussed in Table 2..3.

the focus in existing cluster research is on geographically proximate communication and the formation of long-term relationship and interdependencies, a logical approach to discerning their structural underpinnings would be the Interaction Approach (AAR) with emphasis on actors, resources, and activities (Håkansson and Snehota 1995).

Both business cluster and network research has been conducted in many industries. At this point, a separate section concerning research of wine clusters in the New World is appropriate as the business cluster concept has been used successfully by many New World wine regions. This section identifies exemplar studies pertinent to my research in a wine region. Additionally, this section highlights why my study is justified, given these specific wine industry studies.

## **2.5 Wine Clusters in the New World**

Although clusters consisting of industrial firms have been thoroughly researched, as described above, there is a scarcity of studies in the agricultural industry (Mueller and Cumner, 2006, p.1). Of the agricultural research, the wine industry seemingly has better received the idea of clusters than other agricultural industries. This could perhaps be due to heightened interest developed by an in-depth study of the California wine industry and subsequent mapping by Porter (1998a) and a later Harvard Business School case study of the California wine industry (Porter and Bond, 2004) developed by Porter's students. A literature review by Ditter (2005), comparing organisational modes of wineries in Burgundy, France to the those of the New World, identified wine clusters in Australia, Canada, Chili, New Zealand, and South Africa in addition to California. Further research has mentioned wine clusters in Brazil, Uruguay, and the Czech Republic (Wilk and Fensterseifer, 2003). Ditter (2005) describes wine clusters this way:

*The winemaking industries in these regions are generally organised in coherent clusters that try to win international markets. Inside these markets, wine is considered as a “technical product” that is likely to be the object of continual innovations according to the evolution in demand (p. 39).*

There are limited published papers in refereed journals about wine clusters. Representative examples of wine cluster papers with results of studies relevant to my study with gaps in the literature are discussed below.

Researchers of wine clusters have identified many of the advantages of a cluster concept discussed previously, including innovation, knowledge transfer, and enhancing export capability. In a quantitative study, Aylward (2005) for example, indicates that innovation and export activity are strongest in a well-established cluster. The members of a developed cluster ranked themselves higher in technical innovation, marketing innovation, and individual branding than the embryonic clusters; supported the positive association between cluster intensity and export/innovation performance. Additionally, he mentions individual winery branding is important. As my study is guided by a network framework with consideration of specific benefits of clusters, innovation and the ability to export will be examined.

Giuliani and Bell (2004) studied *how* knowledge transfer occurred within and from outside the cluster, enhancing the learning process. The authors' perspective was that of absorptive capacity, which my study is not. Also, this research is studying just one component of the AAR model (knowledge as a *resource*) within the region, not activities and how actors augment collaboration. However, it is of interest that the authors determined that firms with more outside knowledge or contacts contributed less to information transfer within the cluster. This would seem to be a barrier to innovation and collaboration and a contradiction to cluster literature and will be studied in my research.

Hall (2004) indicates that regional cluster initiation occurs as a result of a strong champion and creation of trust. Beyond the cluster, larger networks including the cooperation of wineries, food providers, and tourism could enhance the intangible assets (knowledge, relationships, reputations, and people) of a region (p. 170). The author indicates that a place brand also contributes to the success of a regional cluster because 'they also contribute to the development of further social capital because they become integral to the identity of the place and the firms and individuals within it' (p.179). While Hall's (2004) research offered noteworthy insight into the ties between clusters, social capital, and place brands, there was no indication of how the nature and process of collaboration of the wineries or other destination entities would aid in the development of a regional brand. The author concluded that in the context of tourism, 'Therefore, future research on the role of clustering and networks in rural wine and food tourism which is usually seeking to bridge industrial firm and sectoral

divides need[s] to pay further attention to the social mechanisms which enhance and maintain collaborative relations in addition to locational strategies', which is the intent and focus of this thesis (p. 179).

Porter and Bond (2004) developed a descriptive case for use in the classroom of the entire "California Wine Cluster" (not regional in scope), reiterating cluster characteristics identified by Porter (1990, 1998). Although the State of California could not be considered a localised cluster, this case supports Porter's earlier findings, therefore, is of value. My study will attempt to determine similarities or dissimilarities in the Central Otago Wine Region.

Tefler's (2001) study warrants special comment because it concerns the development of a Niagara Wine Route destination brand. The author studies strategic alliances within the Niagara Wine Region in Ontario, Canada to develop a tourism destination. Linkages between wineries, tour operators, and the food industry were revealed.<sup>5</sup> This qualitative case study involves the cooperation of all vertical and horizontal entities in a region (wineries, hotels, restaurants, event sponsors, and tour operators) with the objective of understanding how to attract tourists to that destination. The study involved interviewing 25 winery personnel to determine the links they have with other wineries and other tourism-related industries. Information was gathered on strategies used to attract visitors and develop the future of wine tourism to assist in tourism management. However, as with the other studies described, Tefler's (2001) study does not identify how cooperation occurs. Also, his focus was on tourism and destination brand development, not the establishment of a regional brand to solidify and enhance the image of the products produced there.

Wilk and Fenstersiefer (2003) qualitatively researched the complex linking of wineries in a Brazilian wine cluster and other institutions associated with the cluster to determine how resources are linked to attain a competitive advantage. The authors present data that is similar to my aim, but much more resource-based with no focus on interaction or collaboration of the actors and activities in which they are involved.

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<sup>5</sup> Tefler's (2001) study could be classified as taking a network perspective, given his research focus on strategic alliances. However his unit of analysis is geographically proximate firms, which is a prerequisite characteristic of a business cluster.



In summary, while the studies presented above describe various aspects of increasing a wine region's economic outcome and competitiveness through collaboration within clusters, they represent only weak connections to my research. First, none of the above studies have researched the nature, process, and role of collaboration through interaction amongst wineries of a cluster to increase competitive advantage, global success, or enhance innovation, the particular foci of the studies. Second, none of these studies concerns the role of collaboration amongst wineries in the development of a regional brand, which is a secondary aim of this study. The studies also do not investigate a link between collaboration and the maintenance of wine quality to support the regional brand. The concept of regional branding being important to consumers in the process of purchasing wine has been established (Johnson and Bruwer, 2007, Rasmussen and Lockskin, 1999). Therefore, the understanding of how collaboration works to facilitate the development of a regional brand and maintain product quality is important to managers and marketers, to provide them with theoretical insights and principles to incorporate in practical marketing environments.

## 2.6 Chapter Summary

This chapter has analysed the characteristics of the business *cluster* and has concluded that a cluster is a particular kind of place-based *network* with geographically (or regionally) proximate member firms. As such, member firms of a regional cluster compete but also have enhanced opportunity to *collaborate*, and as discussed, may also share a broad range of network characteristics. This examination of the literature also revealed that attention is given to network research in marketing but cluster research in marketing is quite rare, except for the specialism of tourism. Further, while much research evidence is offered in the literature concerning collaboration within a regional cluster, there is little evidence or theory development concerning the nature, process, and role of collaboration within a region. Also, there is no evidence in the literature on clusters or networks associating regional branding with the collaborative behaviour amongst cluster (or network) members. Therefore, the primary aim of this thesis is to understand and evaluate the nature, process, and role of collaboration amongst competing firms in a region with a secondary aim of examining the role of collaboration specifically related to the development of a regional brand.

In this chapter, business clusters and networks as structures for collaboration have been analysed in the context of place, that is, geographic proximity. Chapter Three provides insight into place marketing, place branding and regional branding research pertinent to my study.

# Chapter Three

## Regional Branding

*You're just anybody without your identity.*  
Grenville Main, DNA Design (Tools, 2008)

### 3.1 Introduction

Brands identify and differentiate products and services against competition by providing cues that guide consumer product evaluations. Country-of-origin names and place identity also offer cues in brand evaluations (Kotler and Gertner, 2002). Kotler and Gertner (2002) assert that countries (and places within) have brand characteristics in that 'they compete in the market for tourists, factories, businesses and talented people' (p. 258). Therefore, many of the benefits of branding achieved by a firm for products can also be related to *place*, including offering a cue of reliability and quality to consumers, and attaining differentiation against competitors.

Place marketing, or using a marketing mix to promote a specific destination, has been researched in one form or another for over 40 years (Verlegh et al., 1999, Papadopoulos and Heslop, 2002). One type of place marketing is country-of-origin (COO) or place-of-origin. Many COO studies have concluded that the use of destinations in association with products and services may have a positive or negative influence on consumers' and organisational buyers' evaluations, with substantial commercial implications (Schooler, 1965, Bilkey and Nes, 1982, Shimp and Sharma, 1987, Peterson and Jolibert, 1995). For example, 'Made in Germany' or 'Made in Switzerland' may influence consumers' attitudes towards quality assessments of products produced in those countries.

The topics of place marketing and place branding are often entangled in the literature but the concept of place branding is an expanding field of research (Anholt, 2004). The exact definition of place marketing is elusive in the literature, but the concept involves the promotion of specific characteristics or identity of a place exemplified by campaigns such as 'I luv New York' (Papadopoulos, 2004). Place branding as part of marketing strategy was first explored by Pritchard and Morgan (1998). These authors

make a subtle distinction between the two concepts of place branding and place marketing in that ‘place branding’ means that a country or place name is a part of the branded name (p. 219). Anholt (2004) states it simply by indicating that places (city, region, park, country, etc.) are developing brands to compete with other places in the global marketplace (p. 4). Increasing attention to the production source of services and products and how sources are associated with quality, authenticity, and reliability indicate that place brand is of prominent interest to consumers and distributors (Boyle, 2003, Hudson, 2005, Klein, 2000, Motloch, 2002).

The concept of place branding was introduced in tourism by Pritchard and Morgan (1998) with a study on attracting tourists to a destination with ‘*Wales’ The Brand*. This is known as a particular type of place branding called *destination branding*. Since this article, there has been additional research in tourism destination branding, particularly concerning how vertical and horizontal business actors in a tourism location collaborate to project a favourable image in association with the brand they have established (Seaton and Bennett, 1996, Grängsjö, 2003, Saxena, 2005).

Place branding is also used with agricultural products, such as ‘New Zealand Kiwis’ (fruit) and ‘Columbia Coffee’. Likewise, place branding in association with premium quality wines is accomplished with a regional designation and implicitly through the use of terroir as a quality marker associated with the wine region (see Chapter Four). This concept is cited frequently in the literature as *regional branding* (Johnson and Bruwer, 2007, Rasmussen and Lockskin, 1999, Skuras and Dimara, 2004).

This chapter provides an overview and critique of the concept of branding and subsequently place marketing and place/regional branding. Although not a focus of this study, destination branding literature in tourism is highlighted, particularly where the wine industry is involved. Premium wine production linked to the significance of place-based identity is also addressed. Because the focus of this thesis is collaboration, this chapter will analyse evidence in the literature associating regional branding with the collaborative behaviour of regional participants, but also will reveal the gaps in the literature concerning the role of collaboration amongst competitors specifically to develop a regional brand.

To be successful, a regional brand, as with any brand, according to some authors, requires an integrated marketing communication (Skinner, 2005, Anholt, 2002, Morgan et al., 2003). However, promotion of a regional brand is developed with the cooperation of its stakeholders who may happen to be competitors: a seemingly precarious situation. Therefore, the implications of *how* the attributes of the regional place brand identity are developed and *communicated* by people in the region is also of central interest in this study.

### **3.2 The Concept of Branding**

The concept of place branding emerged from brand theories of the 20<sup>th</sup> century. Aaker (1991) states that:

*a brand is a distinguishing name and/or symbol (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors. (p. 7).*

Key words in Aaker's (1991) statement are 'distinguishing', 'identify', and 'differentiate'. The purpose of a brand is to create an easily retrievable image of the product and its features, positioning it distinctively against competition in consumers' minds (Aaker 1991).

The concept of branding is not born of modern times, rather has roots in medieval Europe. Trade guilds required a version of a trademark on their goods to distinguish them in the marketplace and make a statement of quality to consumers (Farquhar, 1989). In the 16<sup>th</sup> century, whiskey barrels had the names of manufacturers branded on top of each. Not only did it distinguish them in comparison to other producers, it helped prevent tavern owners from substituting lesser quality products (Farquhar, 1989). Eighteenth century producers wanted to provide simple ways for consumers to recall product names, thus, began branding with places of origin, animal species, or famous peoples' names (Farquhar, 1989). By 1870 in the U.S., regionally and locally distributed branded goods were limited to patent medicine and tobacco offerings (Low and Fullerton, 1994). However, after 1870, several U.S.A. entrepreneurial business leaders with such companies as Quaker Oats and the National Biscuit Company adopted the idea of branding (Low and Fullerton, 1994). Branding

continued to evolve in the 20<sup>th</sup> century with the industrial revolution and a plethora of products entering the market. Transportation was improved and costs reduced, allowing products to be shipped long distances, increasing choices for consumers and furthering the need for product differentiation (Aaker, 1991). Refinement in packaging presented a means for manufacturers to imprint brand names on products. Advertising became a revenue generation tool for magazines, increasing brand advertising. Expanded numbers and types of retailers increased the demand for multiple products and assortments (Low and Fullerton, 1994).

John Philip Jones (1986), an author on branding and advertising, states the purposes of branding:

*If the first purpose of branding was to confirm the legal protection afforded the inventor's patent, and the second was to guarantee quality and homogeneity after sellers and buyers had lost face-to-face contact, a third purpose stems directly from oligopolists' need to differentiate their products. They quite rightly see branding as a device to enable them to control their markets better, by preventing other people's products from being substituted for theirs. (p. 28).*

Brands are a dominant tool for marketers striving for differentiation. Many products are easily copied, so highlighting supposedly unique product features for competitive advantage is no longer a salient strategy. Even if product-feature differentiation may exist between products, consumers do not want to spend time comparing competitors' products, therefore, rely on the sign of quality and distinctiveness portrayed by a brand (Aaker, 1991, Kotler and Gertner, 2002).

Brands are advantageous in new product introductions and brand extensions, as consumers have experienced them and have developed trust in them (Kotler and Gertner, 2002). Consumers develop loyalty to brands and purchase them without evaluating other brands, therefore, brand value or equity exists for both consumers and producers (Kotler and Gertner, 2002, Lassar et al., 1995, Keller, 1998). The consumer believes by purchasing the same brands over time, they will experience quality and continual satisfaction, thereby attain value (Delgado-Ballester and Munuera-Aleman, 2001, de Chernatony and McDonald, 1994). Consumers are willing

to pay premium prices to achieve that ongoing satisfaction, consequently providing financial benefits to the producer (Kotler and Gertner, 2002).

Brand equity is another area of ambiguity and perplexity. Brand equity is defined as marketing outcomes that are credited to the brand owner; they would not have been attained without the brand (Keller 1993, p. 1). A company can financially benefit from a consumer who is loyal and does not consider competitive alternatives, therefore, brand equity has significant implications.

In contrast to brand equity, is brand switching, or consumers rejecting a long-used brand and choosing another. It is a complicated field with a foundation in behavioural psychology. Research has generated several models of brand switching behaviour as well as the variables that effect brand switching (McCarthy et al., 1992, Keaveney, 1995, Grover and Srinivasan, 1992, Weerahandi and Moitra, 1995, Inman, 2001). Many aspects of the behaviour have been researched, but are beyond the scope of this study.

Another complex area of research on brands becoming more pervasive is that of brand personality. ‘Personality’ could be the meaning or traits a consumer applies to the brand, identification with a celebrity spokesperson of the brand, or an animated character associated with the brand (Azoulay and Kapferer, 2003, Freling and Forbes, 2005, Aaker, 1997). Some scholars believe that people using a brand tend to directly ascribe human traits to it based on the kinds of people depicted using the brand (in advertising, for example) (Aaker, 1997, p. 348).

Additionally, some scholars indicate that companies do not have absolute control over their own brands. From a societal standpoint, the *brand image* is derived from customers’ use of and word-of-mouth communication about the brand in conjunction with the firm’s message about it, sometimes known as *co-creation* (Ballantyne and Aitken, 2007, Boyle, 2007). This means that the brand image is ‘a shared reality dynamically constructed through social interaction’ (Ballantyne and Aitken, 2007, p. 365). This appears to be applicable in the premium wine industry, also, as the image a consumer wants to project when pouring wine with peers is tied to specific brands of wine associated with a specific place reputation (Charters, 2006).

The conjecture of co-creation of brand identity or image is of relevance to researchers of *brand communities*. Shouten and McAlexander (1995) introduced the concept of brand subcultures, for groups of people behaving similarly in Harley-Davidson motorcycle groups (p. 44). In later research, brand community stresses social relationships amongst people who venerate a brand (Muniz and O'Guinn, 2001, p. 412). Consumers who are part of the communities are not necessarily geographically proximate, but are characterised by 'shared consciousness, rituals and traditions, and a sense of moral responsibility' (Muniz and O'Guinn 2001, p. 412). Not only are they loyal to the brand, they are linked to each other through the use of the brand. McAlexander et al. (2002) expanded on this idea indicating that it was not just the brand that was the focus of the brand community, rather the *experiences* of the consumers using the brand (p. 39).

Although much research has been conducted concerning brands, an aspect of vagueness persists as the concept is applied in numerous ways. For example, confusion arises from using the term 'brand' in at least three different marketing contexts (Ballantyne and Aitken, 2007). First, when 'brand' means an identifier, and second, when 'brand' means a product and its characteristics. A third, and more problematic way of using 'brand' is as a symbolic framing device for values that customers and others may see as attributes belonging to the brand, as if these values were embedded characteristics of the product.

Firms determine and communicate an *identity* or personality for their brands which provides value to their customers. Aaker (1996) asserts that three value propositions exist for successful brands to be considered by brand managers. A functional value consists of a product providing specific functions, such as high-speed for a copier. Emotional benefits give the customer a positive feeling in owning and using the brand. A self-expressive benefit relates to a person's self-concept. The brand reflects the image a person wishes to project (Aaker, 1996). Brand managers may rely on consumer research to determine what physical attributes are important to consumers in a brand. However, in brand identity development, the emotional link which develops into relationships with customers is the measurement of a brand's endurance (Aaker, 1996). As (Keller, 1998) states, 'all that matters is the resulting favorability, strength, and uniqueness of brand association' (p. 51). At the same time an effective



branding strategy represents the core values and ideology of the firm and is a true representation of its global reputation (Keller, 1998).

While firms develop and manage the brand's identity, the *image* or how the consumer interprets the identity is not necessarily controlled by the firm. Therefore, the task of a brand manager is to constantly monitor the customer perception of the brand identity and make appropriate changes when necessary (Aaker 1996). The firm must ensure that the level of quality in the product, service, or company promised to the customer is achieved. If it is not, changes in the offering or promotion of the offering could be implemented. Other appropriate actions for change could be to update the identity, symbol, name, slogan, or add new products (Aaker, 1996). However, the firm should be careful to adhere to the original core identity so the emotional link with the customer is not severed (Gilmore, 2002). The important point in product or corporate brand development and management is that the firm has control over the elements and message chosen and maintained for the brand *identity*, but customers develop their own *image* of the brand.

As a synopsis in branding concepts, Hankinson (2004) proposes four alternative perspectives on classical branding: 'brands as communicators, brands as perceptual entities, brands as value enhancers, and brands as relationships' (p. 110). The following Table 3.1 depicts Hankinson's (2004) perspectives:

| <b>Perspective</b>    | <b>Timeframe</b>                         | <b>Definition</b>   | <b>Use</b>  | <b>Orientation</b>  |
|-----------------------|--|---|---|---|
| Communicator          | Early 20 <sup>th</sup> century           | A brand represents company ownership and product/service differentiation through the use of a name, symbol, and trademark | The brand includes an identity developed by the firm. This identity is communicated as a differentiating point in comparison to competitors | Input orientation (the firm is in control of developing the identity)           |
| Perceptual identities | 1950s (with consumer behaviour research) | Consumers attach value to a set of attributes of the brand creating the brand image                                       | Personal value can be described as functional (a product performs a specific task), symbolic (appealing to emotion), or experiential        | Output orientation (the consumer develops and is in control of the brand image) |

|                 |       |  |   |  |
|-----------------|-------|--|---|--|
|                 |       |  | (appealing to the senses)   |  |
| Value enhancers | 1980s | Firms viewed brands as an asset requiring nurturing and investment – brand equity  | Managing the brand as an asset impacts financial returns, future earnings, brand loyalty, and pricing and distribution advantages. The consumer receives benefits through risk reduction and a reduction in search time | Output (consumer benefits from quality)<br><br>However, this perspective could be seen as input when brand management is applied |
| Relationships   | 1990s | Linked to the marketing concept, firms have adopted the idea that a brand has added value for all stakeholders – consumers, suppliers, employees, and partners | A collaborative environment of all stakeholders create the brand value. Firms combine resources to provide continual value creation which is innovative and unique.   | Output (all stakeholders benefit from successful brands)   |

**Table 3.1. Four Perspectives of Classical Branding**  
**Source: Hankinson (2004, pp. 110-111)**

In summary, branding is a significant cue to consumers about the quality and other attributes important to them concerning the product. From early brand research, other aspects of branding have been examined such as brand equity, brand switching, personalities, co-creation, communities and management of the brands making the field complex and obscure. Through the many complicated domains of brand research, what seems to hold true is that in a competitive environment, branding is a producer's means of differentiating products and building relationships with consumers. In general terms, the concept of branding has evolved from firm-centric 'management' of a brand to sharing the ownership and creation of the brand image with consumers (co-creation). Brand loyalty and equity have financial consequences, therefore, firms attempt to introduce and maintain brands based on the needs of their customers and the capabilities of their products.

Additional realms of branding, including place branding, have gained more interest from researchers in recent years. The main reason for this is increased global competition, intensifying the need for producers and managers to further differentiate their products or locations (Papadopoulos and Heslop, 2002). Another means of promoting a place is place marketing or using promotional tools to market a particular place, which has been studied for decades. The difference between place marketing and place branding is subtle, but important for this study, therefore will be discussed at this point.

### 3.3 Place Marketing Research

Kotler (1972) attested that in addition to products, services, people, ideas, and organisations, *places* can be marketed (p. 28). Academic research on country-of-origin (COO), the original focus of place marketing, has been ongoing for over 40 years (Papadopoulos and Heslop, 2002, Tan and Farley, 1987, Schooler, 1965, Verlegh et al., 1999). The initial COO areas of interest in research were tourism and later agriculture and has more recently expanded into foreign direct investment (encouraging foreign investment in the place), promoting exports, attracting skilled labour, national image building in international affairs, and attracting students (Papadopoulos, 2004, p. 39). The exact definition of place marketing is elusive in the literature, but the concept involves the promotion of specific characteristics or identity of a place (Papadopoulos, 2004). Research in place marketing concentrates on how the place image impacts the marketing success of the places themselves and/or the products produced there (Papadopoulos, 2004, p. 37). Initially, COO involved countries-of-origin specifically, but later interest was extended to smaller locations, such as regions, states, or cities that evidently present a signal of particular attributes to consumers, making ‘place’ a key ingredient in marketing strategy (Peterson and Jolibert, 1995)<sup>6</sup>.

In the late 1800s ‘country’ became important to consumers when specialty products became available internationally with country associations such as Chinese silk and

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<sup>6</sup> The term “country-of-origin” is unclear as it implies country-level. As stated, COO research applies to smaller locations, as well.

Canadian furs (Papadopoulos, 1993, p. 52). From the 1800s to the 1950s, nation-states developed and transportation and communication improved. After the 1950s, international trade expansion allowed more readily for the distribution of foreign products around the world. Country image stereotypes spread through many social strata, so perceptions such as Japanese imitativeness and Italian design became universal.

A movement toward a protectionist environment arose in many countries between 1970-1980 and legislation was developed to protect domestic producers (Papadopoulos, 1993)<sup>7</sup>. Accordingly, some countries developed campaigns with a protective slant such as ‘Think Canadian’, ‘Buy Greek’, or ‘Buy Kiwi Made’. Similarly, regions began to be identified with reputations of manifesting unique attributes, so regional names such as California wine or Florida orange juice emerged (Papadopoulos, 1993). Beyond the 1980s, with continued global trade expansion and trade blocs, the marketing of place-of-origin became prolific with places and firms attempting to differentiate and compete.

Schooler (1965) was the first marketing academic to publish on the topic. He researched consumers’ reactions to characteristics of consumer products of individual countries constituting the Central American Common Market formed in 1960. Using identical products, but changing the name of the country on the product label, he concluded that positive or negative consumer evaluations occurred based singularly on country name (Schooler, 1965, p. 396). This was also determined in an early formative country-of-origin qualitative analysis of 25 COO studies by Bilkey and Nes (1982):

*All of the studies reviewed indicate that country-of-origin does indeed influence buyers' perceptions (p. 94).*

Since Bilkey and Nes (1982), many other studies on the impact of COO on consumers have been investigated to further substantiate previous findings (Wang and Lamb, 1983, Shimp and Sharma, 1987, Tan and Farley, 1987, Peterson and Jolibert, 1995). The impact of COO on industrial goods and purchasing agents has also been

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<sup>7</sup> As an example, Canada instituted protectionist tariffs throughout the 1970s (Papadopoulos, 1993).

investigated. For example, Dzever and Quester (1999) surveyed purchasing agents of industrial goods in Australia to determine the impact of COO. Their findings revealed the complexity of studying the influence of COO on industrial buying in that the weight of ‘country-of-design’ (COD) and ‘country-of-assembly’ (COA) differed (Dzever and Quester, 1999, p. 167). Also, the classifications or categories of component or product, combined with COO, COD, and COA, appeared to invoke varied perceptions. Notwithstanding, they concluded that COO, COA, and COD did influence purchasing agents’ perception of quality.

The study of place marketing has branched in many directions. Therefore, there are various forms of place marketing that merit discussion. Papadopoulos (2004) describes the various practical contributions to the literature of place marketing, across disciplines.<sup>8</sup>

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<sup>8</sup> All of these various fields have used place marketing, but have not necessarily been academically researched.

| <b>Field</b>  | <b>Description</b>  |
|---|---|
| Product-country origin (PCI)/<br>Country-of-origin (COO)<br><br>(PCI and COO are used<br>alternatively in the literature) | Association of buyers and sellers with the image of a country or place in relationship to products produced there (Papadopoulos, 1993, Peterson and Jolibert, 1995, Verlegh et al., 1999) |
| National Campaigns  | Domestic promotion to help firms in competition against imports (Papadopoulos, 1993, Baker and Ballington, 2002)  |
| Tourism/Destination   | Countries, regions or cities marketing themselves as attractive tourist sites (Gnoth, 2002, Tapachai, 2000, Pritchard and Morgan, 1998, Walmsley and Young, 1998)                         |
| Agriculture   | Commodities are tied to specific country or place images (Henchion and McIntyre, 2000, Skaggs et al., 1996, Tregear et al., 1998, van der Lans et al., 2001)                              |
| Foreign Direct Investment   | Location marketing with an objective of making it an attractive investment area, for example for business development (Papadopoulos et al., 1997, Wee et al., 1993, Capik, 2007)          |
| Promoting Exports   | Particular exported products or classes of products are associated with the country image (Langer, 2002, Gertner and Kotler, 2004, Kotler and Gertner, 2002)                              |
| Attracting skilled labour   | Promoting the image of location targeting specific types of skilled labour  |
| Education   | Promoting a location to attract students  |
| Politics and International Affairs  | Promoting the country for more effective inter-country relations  |

**Table 3.2. Fields of Place Marketing**

**Source: Papadopoulos (2004, pp. 37-40)**

Of the various fields of place marketing study, product-country origin/image (PCI) marketing studies have been dominant and the concept is quite well understood (Dzever and Quester, 1999, Agrawal and Kamakura, 1999, Papadopoulos, 2004). These findings are important in establishing why a country, place, or region would want to develop a reputation or marketing identity for the place of its products, in support of the quality of the particular products coming from the country, place, or region. Further, the ability of companies within a nation to market a product globally is heavily influenced by the country or place image, another area that has been extensively investigated, but a critique of this literature is outside the scope of this thesis (Langer, 2002, Gertner and Kotler, 2004, Kotler and Gertner, 2002).

The field of agricultural products is relevant to this thesis, as wine marketing relies on an agricultural product. However, much agricultural place marketing research

involves commodities (Skaggs et al., 1996, Tregear et al., 1998, van der Lans et al., 2001). While wine grapes may be a resource commodity in bulk wine markets, for premium wines (such as those produced in Central Otago), they are not. Tregear et al. (1998) used data from an exploratory qualitative research project in the UK to investigate geographic (place) indication in foods from the consumers' viewpoint and identifies implications for policy makers. As with other COO research, positive connections between place-of-origin and consumer perception were found. The authors also examined the idea of authenticity concluding that the term 'regional' was determined by both the physical environment and the social-cultural practices existing within a geographic area, 'combining to give a regional food a tradition or heritage' (Tregear et al., 1998, p. 391). This concept is akin to the idea of terroir, or quality marker linked to specific places, as discussed in Chapter Four, although associated with food rather than wine.

Van der Lans et al. (2001) used consumer-intercept surveys and conjoint analysis to determine the influence of regional image and the EU certificates of protection, Protected Designation of Origin (PDO), on consumer purchase. The product studied was virgin olive oil from the Italian regions of Sabina and Canino using Italian consumers. They determined that the region-of-origin offered the consumer cues to quality, although not to all consumer segments. Preferences for a particular region's olive oil were stronger amongst residents of that particular region. PDOs, on the other hand, did not seem to impact consumer preferences. This study is different from the other agricultural studies as the product studied could be perceived as more luxury in nature rather than a commodity, therefore, more pertinent to this thesis.

The place marketing fields of study analysed in Table 3.2 have some overlap in practice. One type of successful place marketing could lead to another, for example a campaign to attract students could also promote a particular city for tourism (Papadopoulos, 2004). It also should be noted that Papadopoulos (2004) uses the term 'place branding' interchangeably with 'place marketing' creating the ambiguity in the literature between the two terms. However, the difference between the two is quite clear in one important respect: A *place brand* requires that the name of the place is part of the brand name (Pritchard and Morgan, 1998). Additionally, a place brand is

developed and managed as any other brand would be, therefore, involves more than promoting a place through the marketing mix.

### 3.4 The Concept of Place Branding

With increased competition between places, a domain of branding with emergent terms such as ‘place branding’ or ‘regional branding’ developed (Papadopoulos and Heslop, 2002, Morgan et al., 2002, Pritchard and Morgan, 1998). However, the distinction between place marketing and branding is not entirely clear. In fact, Anholt’s (2002) forward as the editor for the first issue of the *Place Branding* journal (now *Place Branding and Public Diplomacy*) indicated that one purpose of the journal is to determine the definition of place branding. Pritchard and Morgan (1998), take the view that *the place is the brand*, such as ‘Espana’ or ‘The English Riviera’ (p. 218). It follows that place branding management is any activity or interaction that enhances the place brand. In comparison, such campaigns as ‘I love NY’ or ‘Glasgow’s miles better’ concentrate on the consumer’s ability to remember the logo or slogan, not *brand* building (Pritchard and Morgan 1998, p.218). Place brand building concentrates on developing a place *identity* and *promoting* that identity.

Global wine regions have initiated the development of a regional brand and have many reasons to do so. First, much research has been conducted on a consumers’ appreciation of wines derived from specific places (Charters, 2006, Santos et al., 2006, Thode and Maskulka, 1998, Gil and Mercedes, 1999, Beverland, 2004). For example, Beverland (2004) conducted an investigation concerning the development of luxury (individual, not regional) wine brands from both producer and consumer perspectives. Winery owners located in Europe, Australia, and New Zealand, considered the idea of ‘relationship to place’ as a given in their marketing practices and that the importance of place was obvious to their customers (Beverland, 2004, p. 462).

Santos et al. (2006) identified three consumer segments linking level of wine purchase involvement to appellation-of-origin (AO, place name) and other characteristics. In this research, AO could be interpreted as a type of legally-binding place brand. Thode



and Maskulka (1998) introduce the idea of a ‘place-based’ or particular geographic area marketing strategy as one being more specific than a COO strategy (p. 379). In their conceptual paper, the authors attempted to tie place brand equity and the terroir (quality wine marker) of vineyards to the real estate value of those vineyards. Their conclusions were that ultimately it is the consumer who will place the value on the geographic dimensions of brand, including the terroir of specific vineyards. The authors also pointed out the importance of maintaining quality and consistency to maintain the value of the place. The researchers agree that consumers develop an image of quality associated with premium wine regions of the world. Therefore, the development of an umbrella wine regional brand denoting premium quality and distinctiveness, assists in marketing all the individual brands within the region.

A brief discussion on the confusion in terminology in place branding is noteworthy at this point. As mentioned previously, place branding research is expanding, therefore, no crystal clear demarcations in terminology exist and a jumble of terms appear in the literature. However, tourism has been the most scrutinised discipline in place branding (Hakinson, 2004), so frequently the term *place* branding is used interchangeably with *destination* branding. As a way of attempting to further delineate the concept of place branding, researchers investigating *products* linked to a place, often use the term ‘regional branding’ (Johnson and Bruwer, 2007, Henthion and McIntyre, 2000, Skuras and Dimara, 2004, Rasmussen and Lockskin, 1999). As my study involves the Central Otago Wine Region in association with the wines produced there, definitions and descriptions of a regional brand (based on the impression of consumers) are examined.

### **3.4.1 Regional Branding Defined**

Several definitions of a regional brand are found in the literature as summarised in Table 3.3.

| Source                                | Definition   |
|---------------------------------------|--|
| (Johnson and Bruwer, 2007, p. 277)    | <p>‘the held perception (or belief) about a bounded wine area space that is usually holistic and multi-dimensional in nature, the elements of which are “glued together” by inter-related winescape elements and/or the people and natural and physical attractions within it.’</p> <p>‘The “winescape” in turn encapsulates the interplay of:</p> <ul style="list-style-type: none"> <li>. vineyards;</li> <li>. wineries and other physical structures;</li> <li>. wines;</li> <li>. natural landscape and setting;</li> <li>. people; and</li> <li>. heritage, town(s) and buildings and their architecture and artefacts within, and more.’</li> </ul> |
| (Skuras and Dimara, 2004 , p. 803)    | <p>‘The consumers’ image of a regional brand is associated with the producers’ use of the natural resources or raw materials, tradition and cultural heritage, and environment-amenity resources (i.e. good climate, clean air).’</p>  |
| (Rasmussen and Lockskin, 1999, p. 26) | <p>‘Every wine region has different characteristics based on climate, soil, and viticultural [vineyard] management. Therefore a regional brand proclaims the type of wine and quality from a specific region.’</p>   |
| (Henchion and McIntyre, 2000, p. 631) | <p>Regional images are a reflection of the place characteristics. These include the people, landscapes, and even tastes and smells</p>   |

**Table 3.3 Definition of Regional Brand Image**

Commonalities exist across the definitions, therefore will be included in the definition of a regional place brand for my study. For example, wine regional place brands encompass the environment of the area, specifically the soil, climate, vineyards, and viticultural management (Johnson and Bruwer, 2007, Rasmussen and Lockskin, 1999). This corresponds to the use of ‘raw materials’ stated by Skuras and Dimara (2004). Also mentioned by Johnson and Bruwer (2007) and Rasmussen and Lockskin (1999) is the influence of soil and climate on the distinctive quality of the wine linked to place. The authors also refer to ‘landscape’ or ‘environment-amenity resources’ as

part of the regional brand (Johnson and Bruwer, 2007, Henchion and McIntyre, 2000, Skuras and Dimara, 2004). The characteristics of ‘people’ and ‘culture’ are not well explained, but somehow play a role in the regional brand image (Johnson and Bruwer, 2007, Henchion and McIntyre, 2000).

I will use the conceptual definition of regional brand image stated by Johnson and Bruwer (2007) to provide a working framework for the presentation of the findings of my study, as it is comprehensive and pertinent to the wine industry. However, this definition is based on the *image* of the regional brand developed by consumers, not the brand *identity* cultivated by people in a region. As Konecnik and Go (2008) revealed, the study of place branding from the outward perspective of participants developing a regional brand versus the vision or image created by the customer is neglected in the literature and this is a shortcoming in this definition. Image development by the consumer is outside the scope of my study, however, participants developing a regional brand identity will be examined in my study. Another inadequacy in this description concerns the ill-defined attribute of ‘people’. As my study focuses on collaboration of the winery personnel in a region to develop a place brand identity, interaction and socialisation amongst people could be included in the definition. The interaction, socialisation, and collaboration supposedly occurring in the region could be components of the culture of the region, and will be included in the brand identity.

### **3.4.2 Developing a Regional Brand**

As with other forms of branding, place brands encourage specific associations and perceptions with consumers, either enhancing or devaluing affiliated product images (Kotler and Gertner, 2002). Earlier in this chapter, the basic principles of product branding according to Jones (1986) were reported, and the same principles could apply as underpinnings for regional branding. First, branding provides legal protection as a place brand can be trademarked. Second the name evokes a level of quality and dependability. Third, it discourages substitution and differentiates a particular place from other places (Jones 1986, p. 28). As determined in the study of brands,

place/regional branding with a positive consumer image will enhance the marketing success of regional products or destinations.

However, developing a regional brand has many more challenges than establishing a product or corporate brand. Product, service, or corporate brands are typically developed and managed through one single organisation. It should follow that decisions can be made more quickly in this management structure and more control exists in the management of the brand (Hankinson, 2007). A place or region does not just consist of its physical attributes, but includes many ideas and ideals held by stakeholders including producers, suppliers, buyers, employees, and customers. Therefore, there is no single organisation making brand decisions, which makes regional brand building more complicated (Hankinson, 2007, Hall, 2002). Exacerbating this is the notion that there are many individual brands within the region, many of whom compete with each other, comprising the umbrella regional brand (Saxena, 2005, Grängsjö, 2003). Also, a degradation in the quality of service delivered or product produced by any one of the 'region' participants could damage the reputation of the entire regional brand (Seaton and Bennett, 1996). Without a management team designing quality standards and enforcing their execution, inconsistency of quality becomes a factor in managing the regional brand.

In comparison to a product or service, a 'place' is not created the way products and services are. The natural, physical characteristics of a place have been there for a long time and will not change rapidly (Gilmore, 2002, Pritchard and Morgan, 1998). Some established differentiation must exist in the enduring attributes of a place or there would be little justification to create a place brand (Gilmore, 2002). This factor adds another layer of complexity to the process of regional branding because all people involved in developing the identity or the underlying attributes of the brand must somehow agree on the most salient attributes of the region (Konecnik and Go, 2008). The regional brand identity reflects a link between the regional attributes and the product or service offerings (Johnson and Bruwer, 2007). Also, the identity has to be 'right' and truthful as it would seemingly inspire people of the region if it accurately reflects their spirit and connection to the place (Gilmore, 2002). These challenges in constructing a regional brand are magnified because of an absence of a management hierarchy and would seemingly intensify a need for collaboration amongst regional

stakeholders in developing a brand entity. Also, the place is a social construction which means that it is open to and the result of a wide range of dynamic interactions amongst the people living there. Therefore, *how* a regional place brand identity is developed and nurtured by the people in a region (particularly producers in my study) consists of complex collaborative processes and will be examined in this study. The collaborative process is important to understand for firms in a region attempting to implement such a regional branding strategy and will expand the literature on collaboration and regional branding.

As the regional brand identity is derived from the people living there, it would follow that the *sense of place* or the meaning of the place would be integrated into the regional place brand identity. The concept of place has been studied for decades in human geography, however, ‘The notion of place within geographical literature is complex, multilayered and not readily typified’ (Carter et al., 2007, p. 755). Tuan (1977) introduced the discipline of human geography and noted the multiple ways people think about a place, how attachments are formed to places, and how feelings are impacted by the sense of time. Bourdieu (1977) also studied ‘habitus’, or the composition of a person, and how it is impacted by a place or external and internal social frameworks and the personal experiences of an individual. Cresswell (2004) describes the complexities of ‘place’ this way:

*But place is also a way of seeing, knowing and understanding the world. When we look at the world of places we see different things* (p.11).

*Place is how we make the world meaningful and the way we experience the world* (p. 12).

Agnew (1987) ascertains that there are three components of the concept of a meaningful place (p. 26). First is the actual location or position on a map. Second is the locale consisting of material aspects such as buildings, roads, parks, and schools. Finally the sense of place is the subjective and emotional meaning or attachment people have to specific places.

In addition to *sense of place*, much research exists on *place-identity* or human interaction with a place to develop its character (Carter et al., 2007). For example,

William et al. (1992) discuss two different attachments to place – that of self identity with a specific place and attachment to type of place (wilderness areas in the U.S.A. in this case). Findings indicate that physical attributes alone do not attach people to place. A sense of belonging and purpose are the attachment of people to a place, therefore, place-identity is associated with self-identity. Likewise Nyseth and Viken (2009) indicate that uniqueness of a place is based on nature, local cultural, or heritage and that place-identity is based on the perceptions and experiences of the people. These aspects of a place are used in imagery representation in place promotion, marketing, and branding.

Kavaratzis and Ashworth (2008) present a prescription for successful place branding in connection with sense of place and place-identity. The authors indicate that places are more than just tourism destinations and caution that by thinking this way, marketing may not reflect the meaning and aspirations of the people. The need to consider the local people in the place brand is stressed. Looking at it from the viewpoint of the people involved, Hall (1997) indicates that much of the literature treats a place as a product and disregards the implications that selling the place has on the people living there. Also, the means by which a place is created and how authentic it is to the history and conflicts of the place are under-researched. Dinnie (2007) reviewed Simon Anholt's 2007 book, *Competitive Identity: The New Brand Management for Nations, Cities, and Regions*, which provides guidance for what Anholt refers to as a competitive identity (CI) associated with a place. Dinnie and Anholt (2007) both suggest that CI cannot be an invention; it must be based in the reality of a place based on people's perspectives of the place. All of the complexity of concepts associated with place or regional identity is exacerbated by the fact this is identify is formed by multiple people. Therefore, collaboration associated with regional brand identity developed is a focus of this study.

To summarise the concept of place, sense of place and place-identity are developed by individuals' interactions with a place. It would seem to follow that a regional brand identity should include the regional identity established by interaction between people living there, thereby making the place brand 'honest' and inspirational. The studies cited have indicated what constitutes a meaning of place from the perspective of people living in specific places. However, what is missing is how collaboration plays

a role in establishing a regional brand identity by a group of competitors in a region – a focus of this study.

### **3.4.3 Regional Brand Literature**

As previously stated, place/regional branding research is expanding, although most studies focus on tourism destination branding). As this study focuses on the development of a regional brand in association with the products produced there, the following discusses regional branding literature pertinent to this study.

Askegaard and Kjeldgaard (2007) indicate that the retention of cultural identities in connection with regional food products can create a unique brand image. The studies were conducted on the Odense Food Market and the Funen food centre in Denmark. This research attempts to identify if retaining a regional local culture in relationship to food produced there, can assist in regional growth. The authors maintain that local regions should retain their cultural identities in developing a place brand and increase the awareness of the region. The uniqueness assists regions in development and makes them more competitive globally.

Telleström et al. (2006) had the same findings in Sweden when researching the opinions of food marketing consultants. In this study, the consultants confirmed that the regional or local brand acts as a memory jog to urban consumers. The researchers determined when new foods are introduced, it is important to present a truthful image to consumers, as local culture and tradition were central to the regional brand. An important focus in my study is the development of a regional brand identity, and based on these studies, unique cultural aspects of the region should be embodied in the identity.

Kerr (2006) asserts that a 'location brand' (holistic place brand) should be managed from the viewpoint of a corporate brand. It is more than just attempting to attract visitors. The location brand 'needs to include such components identified in the corporate branding literature, including leadership and vision, resources and capabilities, an understanding of the competitive environment, the need for committed

people (culture) and the value of alliances' (p. 382). Similar to Askegaard and Kjeldgaard (2007) and Telleström et al. (2006), Kerr (2006) emphasises the importance of people, or stakeholders in managing a regional brand. He also hints that 'alliances' or perhaps in my study, *collaboration* adds value in brand building.

Likewise, Inch and Florek (2008) stress the importance of people's satisfaction with their places of residence. Positive attitudes about the place will be communicated to the outside world and can enhance or harm the place brand. Therefore, internal satisfaction management by a place manager, that is, ensuring that residents are satisfied, should be an aim. It is yet to be identified if the Central Otago Wine Region has a singular 'place manager', but somehow residents' satisfaction with their environment is essential to successful place brand management and will be examined.

Johnson and Bruwer (2007) determined in their study of five California wine regions that a regional place brand was important to consumers in evaluating wine information. Also the image a consumer had of a particular region was multi-faceted and Sonoma in particular was associated with quality wine, beautiful landscapes, producing zinfandel, and had a minor number of responses indicating any negativity. The authors stated that this positive image was due to the Sonoma wine region intentionally and persistently communicating the favourable attributes of the region. In a separate study related to consumer evaluation, Rasmussen and Lockskin (1999) in a qualitative study using interviews with South Australian liquor store customers, suggested that consumers concerned about a regional brand were also highly involved in and knowledgeable about wine. This would make sense as premium wines demand high prices and have limited production, therefore consumers purchasing such wines would conduct various levels of research before purchasing. Consistent, positive communication of the identity of the place brand is tied to the brand's ultimate success and will be examined in my study.

Although the field of regional branding is under researched, some insights emerge from the above literature. First, the issue of a regional brand linked to products is not resolved in the literature because much of the research is on an exploratory level. Second, and notwithstanding, a local, regional, or country brand is reported to enhance the image of the products produced there. Third, there is emerging literature



indicating that a regional place brand should be viewed holistically as it consists of people, culture, and alliances, not just the name itself (Kerr, 2006). As the primary aim of this research is to examine the nature, process, and role of collaboration with a secondary focus on the role of collaboration in the development of a regional brand identity, the conceptual perspective of Kerr (2006) is of significance. Also, most regional brand and destination brand research is generated from the viewpoint of the customers' *image* creation and not of the stakeholders developing a place *identity* (Konecnik, 2008). Notably missing from all of these studies is the issue of *how* the regional brand identity could be developed through collaboration, the main focus of this study.

Additionally, many researchers are calling for much needed research in general in place branding, particularly outside the tourism discipline (Papadopoulos and Heslop, 2002, Anholt, 2002, Davidson, 2006). Simon Anholt (2002) proposes the importance of researching place branding this way:

*One could well make a case for describing place marketing as the industry's [brands and marketing] greatest challenge, and its biggest chance to create a lasting and significant future role for itself beyond its traditional boundaries of promoting products and services and helping rich companies get richer (p. 232).*

He indicates that any wealthy country over the last one hundred years has achieved success because of marketing. More specifically, countries have used place marketing and branding techniques to enhance the image of their exported products.

Destination branding is a concept of growing interest within the tourism industry where the attraction of a destination is of uppermost concern. Destination branding is also accomplished by wine regions. Therefore, a brief description of place branding from the destination/tourism (and the wine industry's role) viewpoint follows with an explanation of how my study is distinguished from researching a destination brand.

### **3.4.4 Tourism Destination Branding**

International travel exceeded 903 million people in 2007 (3.7% increase over 2006) and generated over USD\$856 billion (5% increase over 2006). Globally, tourism

accounts for roughly 35% of exports of services and over 8% of exports of goods (World Trade Organisation, 2008l). However, the recent global recession has negatively impacted the industry. The United Nations World Tourism Organization (UNWTO) indicated that in the strong travel months of July and August, international arrivals declined by 3% in 2009 in comparison to the same period in 2008. However, the decrease in the first quarter of 2009 was higher at 10%, indicating a slight revival in July and August (UNWTO, 2009k). Even with this apparently temporary decrease in travel, the strong growth and economic impact of tourism has spurred interest in research on destination marketing and branding as countries, regions, and cities strive to differentiate themselves and promote their 'place products'. Academic research in destination marketing crosses such areas as consumer behaviour, partner collaboration, tourism in under-developed countries, tourism routes, image management, and promotion.

In a tourism context, a region may combine attractions such as physical beauty and climate, cultural and social attributes, and activities such as shopping and recreation (Witt and Moutinho, 1994). Effective tourism promotion necessitates that otherwise disparate organisations, considered part of the destination, collaborate to develop and maintain a specific image (Saxena, 2005). These organisations may have individual objectives, sell different categories of products, and could be competitors, such as hotels, restaurants, and retail shops. Unified regional promotion involves the intentional or non-intentional cooperation of these organisations (Saxena, 2005, Grängsjö, 2003).

Control over the tourism "product" is delimited by inadequacies in any one organisation (Seaton and Bennett, 1996). Poor service in a restaurant, for example, undermines the image of the entire region. The region may also try to employ branding to project an appearance of consolidation. As cited, research in destination branding has emerged since the first article by Pritchard and Morgan (1998) was published concerning the topic. Travel is typically a high involvement purchase including much planning with long-lasting memories when completed. Souvenirs, photos, and labelled merchandise help consumers communicate their experiences to peers, reinforcing a memorable image. Trips can be intensely emotional and

experiential activities, therefore destination brands that portray ample emotional meaning are more successful (Morgan et al., 2002).

Research in tourism place branding corresponds with the main aim of my study but with two significant distinctions. First, a tourism place brand has the primary objective of bringing people to a specific destination, not of identifying and positioning products produced in a particular place. Secondly, studies of a tourism place brand involve not just horizontal, but also vertically-related firms and agencies. In contrast, my study examines the role of collaboration amongst regional horizontal firms in establishing and maintaining a regional brand in connection with the products produced there.

### **3.4.5 Wine and Tourism Destinations**

Tourism can combine several industries, based on extraordinary events, natural attributes, or man-made features (Witt and Moutinho, 1994). For example, in New Zealand, visitors can enjoy exemplary hotels and dining, wildlife viewing, many forms of recreation, and wine-tasting. In New Zealand, wine tourism is increasing, as 8% of international visitors visited at least one winery in 2008 in comparison to 5.4% in 2001 (Tourism Research, 2009i). Therefore, wine marketing can often be associated with destination marketing and branding (Hall et al., 2000b, Getz, 2000, Carlsen and Charters, 2006). For example, an alliance of wineries in Ontario, Canada has branded itself as the Niagara Wine Route. They are successful in attracting visitors by hosting activities such as wine tastings, festivals, barbeques, and stargazing events (Telfer, 2001). The wineries also collaborate with hotel owners and other regional tourism operators in a combined effort to attract tourists (Telfer, 2001). Also, the Central Otago Wine Region is a destination brand entity (Hall et al., 2000a). For example, the wineries have formed the Central Otago Wine Trail consisting of 30 of the wineries in the region offering tours, tastings, and food. The Central Otago Wine Region is also considered part of the other tourist attractions associated with Central Otago, such as river cruising, fishing, snow skiing, mountain biking, and bungee jumping.

Mitchell and Schreiber (2006) describe the horizontal relationships established by the Central Otago wineries utilizing cooperative activities including the wine route to attract tourists. The authors also studied the vertical integration of the wineries with other tourism entities in the region such as Destination Queenstown, Tourism Central Otago, and Lake Wanaka Tourism, but found these relationships to be quite informal and not necessarily effective (Mitchell and Schreiber, 2006). Mitchell and Schreiber (2006) make an important contribution on destination brand development, however, the role of collaboration amongst these competitive wineries to develop a destination brand was not researched.

In summary, while wineries in a region are often associated, either formally or informally, with a tourism entity, tourism is not the focus of this thesis. Also, my thesis does not examine the relationships of the Central Otago Wine Region with other tourism firms. Much research has been conducted on place marketing and branding in tourism and significantly less on regional branding in association with products produced there (Hankinson, 2004). In an opinion piece in the *Place Branding* journal (now *Place Branding and Public Diplomacy*) journal introducing its second year in publication, Davison (2006) indicates, ‘...and I hope in the future, we will see fewer papers on tourism and more which address the full range of place branding issues’ (p. 8). Additionally, Anholt (2002) indicates there is a gap in the literature in understanding more about the use and communication of regional brands. Papadopoulos and Heslop (2002) suggest that there is a lack of research in location (not destination) brand strategy development and they recommend further research to gain an understanding of how it is accomplished to enhance application know-how. Skinner (2008) also emphasises ‘There is no satisfactory way to communicate succinctly what [place branding] involves, and the misconceptions abound, even amongst practitioners’ and calls for research to provide clarification (p. 2). Hankinson (2004) supports this assertion by saying, ‘as yet no general theoretical framework exists to underpin the development of place brands apart from classical, product-based branding theory’ (p. 110). This thesis is a response to these authors and aims to contribute to closing the research gaps on further explaining the concept of regional branding and identifying how regional constituents collaborate to develop and maintain a regional brand. Also, no studies exist on how collaboration contributes to maintaining product quality to support the regional brand (research question two) or

the implications of the regional brand to the individual firms within the region (research question four).

### 3.5 Chapter Summary

While the marketing of places has a long-standing history of research, place and regional branding are expanding fields of study. Place-of-origin in association with products and services has been deemed important to consumers and organisational buyers. Only more recently has place of origin become associated with brands and branding, as countries, regions, and other sites strive to develop a place/regional brand to imprint a specific identity, authenticity, and reliability on locations and products. This chapter has provided a critique of the concept of place marketing and especially place/regional branding. What is found to be missing from the literature is *how* the development of a regional brand is achieved.

Anholt (2002) also recommends more research on regional branding in many areas and specifically points out the scarcity of ‘real case histories [studies]’ on how a place brand is used and communication is managed (p. 230). Based on the research discussed in Table 3.4, such a gap in case study research still exists. My thesis analyses first how collaboration occurs in a regional setting. A second objective is to gain an understanding of how a regional brand is developed through collaboration of the regional constituents. A third objective is to determine how the regional firms collaborate to ensure product quality and terroir, protecting the regional brand. A fourth aim is to determine the implications of the regional brand on the wineries in the region. These objectives are accomplished through the research method of a case study, as called for by Anholt (2002) (see Chapter Six).

Researchers agree that place carries a weighty role in the production and marketing of premium wine. Similar to other consumer products, the determination of levels of wine quality and authenticity is critical as price can vary significantly based on the perception of wine critics and consumers. Countries and regions strive to create a durable differentiation and protect their wines through various means, such as appellation (governmental regulation on wine classifications, see Chapter Four) and branding.

The wineries in the Central Otago wine region have succeeded in competing and yet collaborating to achieve a sense of a unique regional place, one which all the wineries seemingly share. The image of place and its connection to quality wine production has given the region global recognition. In the context of the broader aims of this thesis, the nature, process, and role of collaboration amongst regional competing firms has not been researched. Furthermore, the role of collaboration in the development of a regional brand has not been investigated. Also, the wineries must maintain the quality of their wine to support the regional place brand. How collaboration aids this process is examined. Finally, the implication of the regional brand to the wineries or how the regional brand is used effectively or not effectively in outside communication is explored.

As regional branding is associated frequently with New World wineries in their pursuit for global success, Chapter Four provides a background of the competitive environment of Old World versus New World wine. Also discussed is the idea of terroir associated with wine quality as it is a place-based concept New World wineries have adopted and strive to maintain and enhance.

# Chapter Four

## Central Otago: The Region's Place in the World of Wine and Terroir

*There is no better country on the face of the earth for the production of Burgundy grapes than Central Otago.*

Romeo Bragato, Italian viticulturalist, 1865 (Joseph, 2009)

### 4.1 Introduction

From modest beginnings, the wine industry has grown into a global marketing entity. In recent years, the industry world-wide has realised moderate growth, however, it exceeded USD\$107 billion in 1995, increased to USD\$213.8 billion in 2005, and is expected to grow to USD\$243.7 billion by 2010. In other words, there is significant commercial interest at stake, therefore practicum and academia are conducting more research on the wine industry. (Datamonitor, 2007b). In vying for an increased share of this large world market, competitive conflict has arisen between the producers of Old World wine in Europe and New World producers in the Americas, Africa, Australia, New Zealand, and now emerging China and India.

One of the New World producers is New Zealand, whose wines have risen to the forefront of global wine popularity in the last 25 years. The wine industry contributed .84% or \$NZD\$1.5 billion to New Zealand's total GDP of NZD\$178.81 billion in 2008 (World Bank, 2009, Dunleavy, 2009). Although the impact of the wine industry on the New Zealand economy seems small, there is more to the story. The New Zealand wine industry has a unique niche in the premium-wine marketplace with excellent quality and distinctive wines. The wine differentiation is attributed to the country's fertile soil and cool maritime climate, providing the wineries resilience against global competition (InvestmentNZ, 2008a).

The world is beginning to see New Zealand as a developing, innovative wine country with substantial potential (Turner, 2007). The wines are receiving international awards and accolades and are experiencing strong export growth. Wine exports have

increased by 24% in the past five years, while other New Zealand exported merchandise has grown by 5.9% (NZIER Report, 2009h). The two major export countries are Australia and the UK, but the wineries are increasingly successful in the U.S.A, Canada, and China. New Zealand wineries produce mainly Pinot Noir, Sauvignon Blanc, Riesling, Chardonnay, Pinot Gris, and Merlot, although Sauvignon Blanc receives the most global recognition (InvestmentNZ, 2008a).

The number of wineries in New Zealand in 2008 was over 600, increasing from 250 in 1996. The wine industry employs over 16,500 full-time people, and supports local and international suppliers, such as packaging suppliers and screw-cap and bottle producers (NZIER Report, 2009h). The wine industry also contributes to New Zealand's tourism industry with 200,000 wine tourists in 2008 (Food and Wine Tourism, 2009j). In total, the industry generates over NZD\$3.5 billion through direct sales and sales of associated firms (NZIER Report, 2009h).

With a promising future, many wineries are seeking new means of growth, such as combining the wine experience with tourism. For example, Oyster Bay Wines in the Marlborough region in the South Island has invested NZD\$73 million in a technologically advanced facility. Likewise, Waipara Wine Village and Day Spa in Northern Canterbury in the South Island is a NZD\$60 million tourism destination with spa treatments based on vinotherapy<sup>9</sup> incorporating vine and grape products (Turner, 2007).

The Central Otago Wine Region is one of 10 wine-producing areas in New Zealand and is the empirical research setting for my study. This region is contributing to the international recognition of New Zealand wines through the distinctive, premium Pinot Noir produced there. Decanter, a respected UK wine magazine, indicated that Central Otago 'has made a name for itself producing consistently good Pinot Noir to rival Burgundy and Oregon' (Decanter, 2009d). With their esteemed reputation, they are also claiming that their wines have terroir. Otago is on the 45° latitude, meaning that growing grapes is always precarious because of inclement weather. This means the growers have specific challenges associated with the region and have to constantly

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<sup>9</sup> Vinotherapy uses grape mixtures to smooth the skin and slow the aging process.



improve to overcome them. It is a small producing, embryonic region and 74% of the grapes grown are Pinot Noir (COWA, 2007a). This chapter examines the Central Otago Wine Region because understanding the particular attributes, idiosyncrasies, and how the winery personnel surmount challenges of the region is essential for the research.

This chapter provides background on the wine industry, including the history of Old World and New World. Then follows an overview of the debate about wine quality between Old World and New World vintners (winemakers) and how the two approaches to wine production differ.

Also discussed in this chapter is the elusive concept of *terroir*, a quality wine marker linked to specific locations. Terroir plays a significant role in the success of premium wines. Terroir is important in my study because New World wine producers are claiming to have terroir much to the chagrin of Old World producers. The debate concerning which countries, regions, or vineyards can or cannot claim terroir is of relevance to this study as terroir is a location-based concept and is linked to the quality of wine associated with a regional brand. Of interest in this study is to understand and analyse how collaboration is linked to wine quality assurance. Terroir could also be connected to the wineries' endeavours to achieve esteemed levels of quality to differentiate their wines and, in the case of Central Otago, to endeavour to overcome ominous challenges.

## **4.2 A Brief History of Wine**

There is conjecture amongst some researchers that wine drinking has been a part of human history for 7,000 years (Phillips, 2000). Archaeologists have found evidence of traces of grape product remains in jars located in the Zagros Mountains in current-day western Iran.

Wine is mentioned in words on clay tablets in Mesopotamia dated from 2750 B.C. This region received its wine by shipment on the Euphrates and Tigris rivers from the Zagros Mountains and was the first indication of a wine trade. Wine in Mesopotamia

was expensive and reserved for the upper class as other alcoholic drinks such as beer could be made from locally grown grains, dates, and other fruits (Phillips, 2000). Egypt also imported wine from the Zagros Mountains. Jars containing the Middle Eastern residue were found in a tomb of one of the first Egyptian kings dated 3150 B.C. and Egypt began to grow its own vineyards and produce wine (Phillips, 2000).

The Greeks were producing wine in 300 B.C. from rootstocks presumably imported from the original Zagros Mountains vineyards and it spread to the Roman Empire through its production in Italy (Phillips, 2000). There were scales of quality based on the district in which the grapes were grown. There were also variations in wine by area, for example, Persian wines usually had myrrh added. Colours included white, black, brown, and blood-coloured (McGovern, 2003).

Wine producers in France, Germany, and Hungary can trace their wine ancestry back to Greek wine (Phillips, 2000). The wine industry was highly developed by the third century B.C. Thousands of amphoras, large wine vessels, have been found in shipwrecks and unearthed in France. Vines were first recorded in Bordeaux in the first century A.D., and because the more northerly Mediterranean climate was much more amenable to the growing of quality grapes than Greece, production increased.

By 500 A.D., wine was produced in much of Europe. Christianity escalated the status of wine as it was part of religious ceremonies and dogmas. In many areas, it started to replace beer as the alcoholic beverage of choice (McGovern, 2003). During the fifth century, Europe in addition to the Roman Empire were invaded by Germanic and other barbaric tribes. This did not hinder wine output, in fact, it flourished partially due to production by monasteries.

Wine production increased dramatically during the Middle Ages across Europe. Growth in the Bordeaux region of France, for example, escalated due to the increased demand for wine in England. The Cistercian monks in Burgundy approached viticulture systematically and studied the relationship of soil, climate, and vine cultivation. They noticed that small plots within the same vineyard produced distinctive nuances in wine taste. The impact of soil and climate on quality wines was identified through trial and error. Later in the later Middle Ages, in the 16<sup>th</sup> century,

regions were clearly defined and associated with different wines, including the Loire and Rhine valleys, Tuscany, Bordeaux, Burgundy, and Alsace (Phillips, 2000).

Wine popularity began to grow, as did the population of Europe from the 16<sup>th</sup> through the 19<sup>th</sup> centuries. Corks and bottles were introduced, facilitating distribution and also allowing the production of new wines such as Port (Portugal) and Champagne (France). During the 17<sup>th</sup> century, wine drinkers became more acutely aware of the difference in wines from the same region. Demand grew for wine from specific localities. Arnaud de Pontac, the head of a dominant family in Bordeaux, responded by initiating labelling by specific estates to denote quality (Phillips 2000).

Wine production and consumption continued to expand until a series of crises occurred beginning two-thirds of the way through the 19<sup>th</sup> century, presenting seemingly insurmountable challenges to the world-wide wine industry. In 1865 a small number of winegrowers experienced the death of vines due to *Phylloxera*, a microscopic insect living in the vine roots (Pellechia, 2006). The pest spread rapidly throughout France and extended through Europe threatening to eradicate the whole wine industry. *Phylloxera* was eventually controlled by replanting entire vineyards by grafting vines to resistant root stock from America. Overproduction and slumping prices at the turn of the 20<sup>th</sup> century next threatened European winemakers. Anti-alcohol movements were strong in some countries, with heightened constraints in France and particularly in the U.S.A. where a Prohibition amendment to the Constitution was passed in 1919 (Pellechia, 2006). Two world wars reduced labour pools and deflated export markets. Tariff barriers increased prices and economic depressions decreased demand. The French government was so concerned that it instituted a marketing programme to position wine drinking as a 'patriotic duty' (Howard, 2004, p. 201).

In spite of the set-backs, by the 1950s the wine industry was again poised for prosperity. The number of consumers with higher education and rising incomes increased and they demanded premium quality wines. Wine consumption burgeoned in areas where previously it had not developed in great measure, such as North America, Australia, and New Zealand. The therapeutic aspects of wine emerged as part of a healthy diet and marketing strategies presented wine as a socially desirable

product (Pellechia, 2006). Several researchers identified a lower mortality rate from heart disease in France and determined a positive connection between high-fat dairy products and red wine consumption (Renard, 1989). Diets containing both elements resulted in actual cholesterol reduction.

More recently, younger consumers from traditional wine countries, such as France, Italy, Spain, and Portugal have decreased the amount of wine consumed on a daily basis. This is critical as this part of the world drinks significantly more wine per capita than the rest of the world (Brown, 2005). France in particular has seen a 25% reduction in consumption between 1970-1990 (Demossier, 2001). French consumers are identifying that it is healthier to drink moderately, rather than heavily, supported by a government-sponsored programme (Demossier, 2001). Also socio-cultural shifts have reduced the number of family meals which are being replaced with fast food. Therefore, younger wine consumers in Old World countries have not adopted a wine-drinking-with-food routine developed in older generations and they tend to not have much knowledge about wine (Gual and Colom, 2002). However, a new group of 'occasional' drinkers is seeking premium rather than ordinary wines. Concurrently, New World wines are increasing production and are being well-accepted by New World and Old World wine drinkers. As New World wines have gained significant market share in consumer markets, academic research on New World wines has increased in order to understand the underpinnings of such success. However, much academic research has been conducted on wine making but rather few studies on the business aspects of wine marketing, which is the emphasis of this study.

### **4.3 New World Wine**

With the success of the New World, wine has become the focus of a multitude of academic disciplines including agriculture, life sciences, earth sciences, ecology, tourism, food science, food technology, food science and nutrition, horticulture and crop science, viticulture and oenology, and sociology. There are several exemplar universities dedicated to programs in wine research. For example, the Viticulture and Enology (oenology or winemaking) Department at the University of California, Davis in the U.S.A. is a 100-year old research and teaching unit incorporating all of the

scientific disciplines that impact grape growing and winemaking (UC, Davis, 2008d). Likewise, the School of Agriculture, Food & Wine at the University of Adelaide in Australia offers ‘the Southern Hemisphere’s largest collection of expertise in plant genomics, crop improvement, sustainable agriculture, animal science, dryland farming, horticulture, viticulture, oenology, and wine business’ (University of Adelaide, 2008c).

European colonial expansion into new territories from the 1500s gave rise to New World wines (Phillips, 2000). The explorers brought grape vines with them, thus establishing modest wine production in the Americas, Africa, Australia, New Zealand, and later China and India, although commercial production was not seen until the mid 19<sup>th</sup> century. New Zealand production and specifically the Central Otago Wine Region are discussed more thoroughly in this chapter as this region is the empirical context of my study.

### **4.3.1 Differences between Old World and New World Wines**

Despite barriers, New World wine production realised intense growth from the mid 19<sup>th</sup> century to the mid 20<sup>th</sup> century. However, Europeans, particularly the French, did not acknowledge the product as a quality wine. The French continued to savour worldwide deference to their own long-held assumptions about the superior quality of their wines until a major event occurred in 1976 (Veseth, 2005). A comparative blind tasting of French and American wines took place in Paris. American wines won both the red and white categories, raising global recognition of the quality of New World wines. This caused much consternation amongst the French.

New World wines accounted for 29% of global wine production in 2001 and remained at 29% in 2006. The numbers do not tell the whole story, as the Old World began to sense impending competition from the New World after the 1976 Paris wine-tasting (Gastin and Schwing, 2004, Currey and O'Donnell, 2007). With hindsight, it can be seen that there was some justification for this uneasiness. First, as previously mentioned, global wine consumption has been declining slightly over the past three decades (Anderson, 2004). Additionally, demand has increased for commercial

premium wines and has decreased for cask and super-premium wines (those produced by the Old World) (Anderson, 2004). Also, the availability of lighter, fruitier wines offered by the New World with reasonable prices, has increased acceptability by middle-class consumers.

An important difference between Old World and New World wineries is the effective use of customer-oriented strategies by New World wineries. Jancis Robinson, one of the world's most published wine commentators, has indicated that the New World producers, not burdened with ingrained wine-making traditions, were able to apply a business focus to their ventures (Gastin and Schwing, 2004). The Old World seemingly clings to the concept that by creating a premium quality wine, as has been done for centuries, consumers will buy. Conversely, the New World researches the changing tastes of consumers and designs its wines accordingly. They not only grow the grape types consumers want but use technology in vineyards and winemaking to produce mass quantities of wine with reliable quality year to year. In addition, the stereotypical New World producer displays its market prowess in the form of large sales forces in supermarkets and other retailers, regular promotion with large marketing budgets, and an exemplary ability to identify appropriate price points (Gastin and Schwing, 2004, p.2). The New World employs marketing, viticultural, and wine-making techniques such as:

- New grape varieties introduced and becoming identified with specific wineries
- Varietal blending (different types of grapes)
- Large acre cropping techniques
- Use of mechanisation in picking and processing grapes
- Constant productivity enhancements such as cloning and innovations in storage
- Improved distribution methodologies
- Deliberate individual-winery brand-building
- Use of the media
- Open-market capitalisation
- The creation of value in the supply chain (Gastin and Schwing, 2004, p. 5)

A central point in discussions involving the dissimilarities between Old World and New World wines is the use of traditional methods of viticulture versus modern techniques and technology. For example, Old World producers do not subscribe to mechanised harvesting or the use of chemical fertilisers or pesticides. Old World premium wine producers (with some recent ‘new wave’ exceptions) are steeped in tradition and retain the orientation of producing superlative wines associated with specific regions or even vineyards rather than varietals. Most producers have multitudes of restrictions and regulations on types of grapes used in each wine appellation, on maximum wine production and alcohol content, and on viticulture management and wine-making techniques (Anderson, 2004).

The understanding of wine quality for Old World producers and their customers is highly associated with the strict classification of wines according to various place-of-origin or *appellation* systems that operate in the major wine regions of Europe. Appellation means that wines may be sold with a protected name, indicating that the grapes used are of a specific type from a specific area, securing the idea of place. The French Appellation Contrôlée (AC or AOC) as a classification system, founded in 1935, is more stringent and restrictive than those instituted by other wine-producing countries (Gade, 2004, p. 849). In France, four quality levels were developed. At the top, there is the ‘Appellation d’Origine Contrôlée’ (AOC or AC), where the quality marker of terroir is a distinguishing characteristic (Aylward, 2005, p. 5). At the AC level, France institutes stringent rules concerning winemaking and viticulture. These are:

- Acreage for grape-growing is limited, based on historical recorded usage and factors such as the land's soil, configuration, and altitude
- Grape varieties are delimited by geographic area as particular types of grapes have performed well historically in certain soils and climates.
- The number of vines per hectare is defined, and other viticultural practices, such as pruning techniques, and fertilisation methods are stated.
- Crops are restricted and maximum yields are established for each AC, as the grapes’ quality improves with small yields.
- A minimum alcohol content (derived from degree of grape ripeness) must be maintained, thus ensuring flavour.

- Winemaking practices are regulated based on historical practices which have produced premium wine.
- Since 1979, tasting panels sample all wines that seek AC status.

Other countries are attempting their own appellation systems, but none is as restrictive as the French. Consequently, France asserts that the adherence to AOC restrictions gives it the right to claim the best wines in the world.

The ready association of designated place and highest quality of wine is of utmost significance in guiding judgements of consumers. The distinction of place in French wines is specific to a vineyard or chateau growing the grapes, therefore the very best wines from Burgundy are produced from a single vineyard and ‘have created an immutable link between wine quality and the soil (the *terroir*) of the vineyard’ (Thode and Maskulka, 1998, p. 382).

Another important classification strategy is that of vintage, important particularly for premium wines. Certain years will produce a better quality wine, depending upon weather fluctuations (Charters, 2006). Particular years will ostensibly yield higher quality wines, but this does not dislodge the importance of place. Those places, as well as wineries located within, recognised as unceasingly producing premium wines, are those receiving classification awards and consumer loyalty.

The New World has mostly taken a different approach to classification systems. New World wine producers classify and brand their wines according to the wine variety in the bottle, so Sauvignon Blanc (a varietal) can be produced in New Zealand, Chile, and the U.S.A., for example. Although the New World wine countries have attempted various classification systems, none have equivalent status to those of the Old World. While ‘place’ is traditionally associated with the Old World concept of *terroir*, it is also of interest to quality wine producers in the New World. The concepts of location, quality, and *terroir* would seemingly play a role in regional branding and will be investigated in this study.



In summary, New World and Old World winemakers have different approaches to wine production. The Old World continues to rely on the belief that they create superior wines by adhering to restrictive regulations, therefore consumers will buy them. The New World has taken a more proactive marketing approach and identified how *consumers* define wine excellence. With this marketing focus, the New World has employed vineyard technology and varietal blending to produce large quantities (in some regions) enabling producers to sell wine at reasonable prices and quality. The Old World's anxiety about the New World's modern marketing and technology approaches with subsequent successes is well-founded. Traditional wine-drinking and producing countries, such as France, Italy, and Spain have experienced a reduction in wine consumption, thus shrinking local markets (Ditter, 2005, p. 39). In addition, France, for example, is losing export market share in countries such as Great Britain, Canada, and Germany where they previously had a commanding position. These markets are purchasing an increased amount of wine from Southern Hemisphere and California producers (Ditter, 2005, p. 40) and substantial financial stakes are involved. The New World wine industry is of interest to researchers to determine how wineries or regions choose to operate to accelerate their achievements and, therefore was chosen for this study.

Seemingly in contrast with some of the New World production techniques, consumers attach great importance to 'location' of premium wine production (Thode and Maskulka, 1998, Charters, 2006). Therefore, New World wine regions are attempting to market the concept of location connected to their wines. This study aims to examine the nature, process, and role of collaboration within a wine region with a secondary focus on the role it plays in the development of a regional brand identity and wine quality assurance.

As New World producers are gaining experience and knowledge, they are also claiming that their wines represent *terroir*, a quality wine marker, escalating the rivalry between Old World and New World Wines.

#### **4.4 The Elusive Matter of Terroir**

Similar to regional branding, *terroir* is a location-based concept associated with

premium wine production. The two constructs of regional branding and terroir could be linked, therefore terroir is also of interest in this study. 'Terroir' is a derivative of the French word for soil, *terre* (Murray et al., 1989, p. 219). Terroir is an idiosyncratic word that does not translate easily from French to another language. In fact, many authors writing about the subject of wine avoid defining it (Hancock, 1999, Robinson, 1999). Terroir is typically associated with French winemaking, and is featured in promoting a passionately other-worldly yet apparently scientific aspect of that country's wines. Whether associated with a wine, winery, vineyard, or sections of vineyards, the word terroir projects a somewhat spiritual level of quality. The French protect and put boundaries around their terroir through stringent standards outlined in the *Appellation d'Origine Contrôlée* (AOC), as discussed.

Other wine-producing countries have expropriated terroir as a quality marker and have applied it to their wine environments. Robert White (2003), Professor of Soil Science, University of Melbourne, Australia, claims that wine is the only agricultural product where the consumer is asked to discern subtle differences in its attributes based on the soil in which the plants are cultivated (p. 4). Regardless of the accuracy of this statement, the concept of 'terroir' is prone to attract controversy at the level of eco-systems, oenological (wine-making), science, politics, and indeed, as a tool in *regional branding* and marketing practice. This is because winemakers pride themselves on wine producing terroir, governments have economic interest, and science strives to understand the interaction of components of terroir.

Consequently, terroir is important in marketing with its link to specific geographic locations. Somehow a wine product from a particular area is deemed superior and consumers identify products with societies or regions. Burgundy, France, for example would typically bring to mind premium Burgundy wine (Thode and Maskulka, 1998). This location-based concept as an extension to country of origin research (see Chapter Three) applies to other food products, as well, such as Belgium chocolates, and carries with it an implied level of quality, (Thode and Maskulka, 1998). From a wine marketing perspective is clear in that terroir has market value and it links the consumer to the vineyard (Cullum, 2006). Consumers search for wines claiming terroir from particular places, wine writers judge that specific wines have terroir, and these haut wines demand premium prices (Thode and Maskulka, 1998, Cullum, 2006,

Charters, 2006). Therefore, it would make sense that terroir, with its connection to premium wine-producing areas would be a desirable connection to a regional brand. It would also seem to follow that wineries in a region claiming terroir would strive to maintain and enhance the quality and terroir of their wines thus protecting the status of the regional brand. An aim of this study is to determine if and how collaboration amongst wineries plays a role in enhancing quality and terroir within the region (research question two). This has not been examined in previous research.

#### **4.4.1 Elements of Terroir**

Terroir includes a myriad of perspectives. Although the natural, physiological elements of terroir, the direct components involved in wine making, are widely accepted and generally agreed upon as critical, the indirect, societal and cultural influences are not well researched.

A wine writer and international competition judge, Jancis Robinson, introduces the physiological elements associated with terroir in her definition. She says terroir is ‘a much discussed term for the total natural environment for a viticultural site’ and the central elements are ‘soil, topography, and climate’ (Robinson, 1999, p.700). The physiological elements most commonly associated with terroir are discussed below.

##### **4.4.1.1 Physiological Aspects**

###### ***Soil***

Although it is a frequently used word, soil, in geological terms, is a layer of earth between the atmosphere and the Earth’s crust. It is composed of rock and mineral particles, decayed and vegetable matter and interacts with both salt and fresh water. There are naturally occurring factors impacting soil such as weathering of the rock, the water and snow that interact with it, and plants and animals that grow in and on the soil (White, 2003). Soil type consistency is typically confined to very small areas. Therefore, in relation to wine, neighboring vineyards can indeed have different characteristics caused by subtle soil differences.

## *Climate*

There are many properties of climate impacting wine production, with varying opinions on the strength of each. Temperature and precipitation are key components in climate variation (Bohmrich, 1996, Halliday, 1993, White, 2003). Temperature, rather than sunshine hours, appears to be the limiting factor or the primary determinant in producing a quality grape (Bohmrich, 1996, Halliday, 1993). (White, 2003). The styles of wine can change substantially with just temperature alone.

Water is another factor of climate joining the terroir enigma. Worldwide regions producing premium wines do not have comparable amounts of rainfall. Many foremost New World wine areas have little rain during the summer while the winters are mild and wet. In contrast, many renowned European wine-growing regions receive rainfall throughout the year (Bohmrich, 1996).

## *Topography*

The topography of a particular vineyard or section plays a significant role in winemaking. Wind protection and orientation to the sun, or aspect, based on slope, impact how the grapes ripen (Smart 2006). Topography is the link between soil and climate in the physiological terroir formula. The effects of hills and valleys are significant in viticulture and have a considerable bearing on the relative quality of wine within a region (Bohmrich, 1996).

Aspect to the sun is another critical element associated with slopes. The best vineyards in the Northern Hemisphere face south and the opposite is true of vineyards in the Southern Hemisphere. This means that vines receive optimum sun radiation and warmth facing the equator (Bohmrich, 1996).

### **4.4.1.2 Human Intervention**

There are many things humans can physically do to change the vineyard environment. The process of planting vines initially involves clearing vegetation and trees, thus changing organisms' interaction with the soil. Also, viticulturists may irrigate and add fertilisers or other chemicals, for example, for pest eradication (White, 2003). Others may choose organic farming and use manure and natural vegetation to ameliorate the soil.

A critical element in managing wine quality is that of vine cloning. Superior clones are being dispersed worldwide, spreading and enhancing wine quality (Bohmrich, 1996). Through experimentation and record keeping, a winery can establish which clones grow best in which vineyards. Canopy management accomplished through trellising and pruning is another essential factor in grape quality, hence wine quality. Irrigation can result in higher quality wine being produced in arid environments with high and healthy fruit yields (Smart, 2006).

Most wine authorities agree that great wines come from great vineyards (Vaudour, 2002, Wilson, 1998, Halliday and Johnson, 1992). However, the final factor in managing wine quality, of course, lies with the vintner. The intent of a good vintner of premium wine is to have the natural terroir of a particular plot of land emerge rather than destroy it (Bohmrich 1996). There is a myriad of variables in winemaking including type and age of the oak used for barrels, temperatures of fermentation, and when the grapes are picked. However, even the most expert of vintners cannot make good wine out of poor grapes. The physical human intervention aspect of wine production can also be linked to the cultural elements of terroir.

#### **4.4.1.3 Cultural Elements**

There is some support in the literature for introducing a cultural aspect to terroir which, of course, adds to its complexity, but not to the clarity of the meaning (Wilson, 1998). According to Wilson (1998), ‘The culture of the site (racial and religious make-up, mores, the economic and educational attainment of its peoples)’ is integrated with the physiological components of terroir, but without in-depth explanations (p. 55). Human motivations, attitudes and beliefs are also stated as being part of the composition of terroir, but are never precisely explained by scholars (Veseth, 2005).

Trubek (2004) interviewed Alain Carbonneau, a professor of viticulture at École Nationale Supérieure Agronomique in Montpellier. He said that the French understand the meaning of terroir in the contexts of culture and landscape and their traditional relationship to a farming lifestyle. He goes on to say that the rest of the world interprets terroir on a scientific level of soil, climate, and topography

and ignores the traditional attributes (those of a cultural nature) the French apply to terroir (Trubek, 2004, p.96).

If tradition is involved, as Vaudour (2002) suggests, it ostensibly cannot be passed from generation to generation without social interaction amongst wine personnel in a region. As discussed in Chapter Two, interaction and exchange of information happens more easily in a regional environment as there is greater opportunity for frequent social exchange and intimate dialogue (Bathelt et al. 2004). Often personal connections of the regional members are linked to early school years or are multi-generational and they share common cultural traditions (Porter, 1990, Bathelt et al., 2004, Bretherton, 2004). Incidental meetings facilitate the sharing of recommendations, interpretations, and strategic information (Bathelt et al., 2004). Many of the New World wine producing regions clearly provide such a social environment necessary to continue knowledge transfer and the perpetuation of tradition.

#### **4.4.1.4 The Old World/New World Terroir Controversy**

The idea of claiming terroir has general marketing and particular branding implications, as stated. The question is, can any New World wineries, based on their wine-making approaches and apparent ‘lack’ of long-term tradition really claim to have terroir?

Jancis Robinson, author of *The Oxford Companion to Wine*, indicates that terroir is a fundamental ingredient in philosophical and commercial distinctions between Old World and New World wines (Robinson, 1999). The AOC, providing the highest stamp of approval in France, indicates that a particular terroir cannot be duplicated elsewhere. Robinson (1999) says, ‘The extent to which terroir effects are unique is, however, debatable, and of course commercially important, which makes the subject controversial’ (p. 700). Therefore, the focus of the terroir controversy is that the Old World states that terroir cannot occur in a New World environment.

Some New World regions claim terroir based on an excellent physical environment for viticulture and winemaking skills, but as discussed, this is not enough to meet the Old World standards. What remains unexplored is the importance of relationships and

collaboration amongst winery staff in a region and the exchange of information in developing and maintaining terroir and wine quality. It is within these relationships that tradition is preserved. Laurence Bérard, a scientist of anthropology and ethnobiology at the Centre National de la Recherche Scientifique in France, offers support for societal factors as an influence on the development of terroir. Bérard (2005) avoids physiological factors in his definition of terroir and applies it to a variety of agricultural products, not just wine. Taking this a step further, he states that a more appropriate generalised term would be ‘local (non-agricultural) and traditional agrofood production’ (Amilien, 2005). He indicates that such products must originate from one geographic location but are also etched in the local society and culture with a long-term history of production. He also emphasises that what ‘gives’ products terroir is the *shared knowledge and know-how* within a specific geographical area which may not be connected to the land at all (Amilien, 2005). In other words, terroir is geographically bounded but not necessarily completely embedded in the land. He is doubtful that new ‘terrior products’ can be created because of changes in rural and local societies worldwide, and the reduced focus on agriculture. He has speculated that perhaps other ‘social vectors’ could replace rural life and re-create the idea of terroir naming them ‘revival phenomenon’ (Amilien, 2005). Seemingly, the Central Otago Wine Region depicts such ‘social vectors’ (Amilien, 2005) in the wineries’ efforts to uphold and improve their terroir claims. Member firms in a regional wine cluster share a common claim to terroir, notwithstanding possible physiological variations within the vineyards. This idea will be explored further in this study.

In summary, a critical examination of the literature shows that the concept of terroir has first and foremost physical groundedness. Other aspects of terrior are problematic. These elements include spiritual, social, historical (traditional), and environmental orientation. Taken together, it is my view that terroir is a *system of belief* about the relative potential of region, where the physiological and cultural elements in some manner have become inseparable. It would make sense that this system of belief concerning terroir would be linked to the regional brand. The New World wine regions are developing their own culture and tradition in some cases stemming from a lifestyle motivation and a pioneering spirit. Conceivably, culture and traditions are transferred and evolve throughout the region through a network of wineries and winery personnel transferring knowledge and locally-specialised skills. Regionally

pertinent knowledge could in this way enhance wine quality and develop and sustain terroir. It is of interest that cultural aspects of regional branding were mentioned, but not described in depth in the literature (see Chapter Three). Also, the cultural elements of terroir are ill-defined, as discussed in this chapter. However, it is clear that the delineation of a region's particular terroir and the quality of the wine are important in maintaining the prestige of a regional brand entity. The nature and process of collaboration associated with the culture of a region would seemingly be important in enhancing quality and enriching terroir, a point of focus for this study.

As the Central Otago Wine Region is the empirical context of the study and claims to have terroir, a description of the region follows. Central Otago's reputation is part of New Zealand's success in wine.

## **4.5 New Zealand Wine**

As occurred with other colonies, British settlers brought wine and their own Northern Hemisphere *vitus vinifera* vines to New Zealand in the early 1800s (Cooper, 2000). Around 1890, missionaries planted vineyards to teach the Maori (indigenous New Zealanders) agricultural skills (Cooper, 1996). However, the first commercial wineries did not appear until the 1890s with a different group of immigrants. Gum diggers from Croatia mined swamp areas for the gum of the kauri tree used in shellac production for a short period of time. They initiated agriculture and wine production, producing the first commercially available wine. Croatian names such as Babich, Nobilo, Yukich, and Corban were the first names associated with the New Zealand wine industry (Cooper, 2000). These early wine producers concentrated on quantity rather than quality, using the heavy-yielding Müller-Thurgau grape that was the prevailing grape variety until the 1980s. The emphasis was on sweet wine with high-alcohol content and high-volume production. Immigrants from Italy, Yugoslavia, and Greece expanded the wine market, increasing the demand for wine of not necessarily exceptional quality. Prohibition during the early part of the 20<sup>th</sup> century, as well as grape diseases because of high humidity and rainfall on the North Island, resulted in a fluctuating production environment.



However, governmental policies, such as levying taxes on beer and spirits in 1959, increased the consumption of wine. New Zealanders also began to travel and gained an appreciation of wine, thereby increasing demand. Between 1965 and 1970, vineyard acreage in New Zealand tripled, with many of the new vineyards planted with hardy and disease-resistant Franco-American hybrid grapes, mainly *Baco* and *Seibel* (Jackson and Schuster, 1987).

Two arguably fortuitous events occurred in 1986 that changed the New Zealand wine landscape. Over-production led to price wars threatening to bankrupt the entire industry. Government intervened and mandated the uprooting of 25% of the nation's vines, most of which were Müller-Thurgau grapes (Jackson and Schuster, 1987). This prompted the planting of grape varieties more suited to the climate and terrain. At the same time, Ernie Hunter, an Irish immigrant began producing wine. He wanted to avoid the price-sensitive local market by exporting his wines to Britain and Ireland, a strategy not attempted previously by other producers. He entered his Sauvignon Blanc wine, produced in the Marlborough region, in the *Sunday Times* Wine Club Festival in the UK. His wine triumphed at the event, which assisted in the establishment of his brand, and New Zealand wines were seen as something new and unique in the industry (Jackson and Schuster, 1987).

Today, there are ten major wine producing areas in New Zealand:

- Northland
- Auckland
- Waikato/Bay of Plenty
- Gisborne
- Hawkes Bay
- Wairarapa
- Nelson
- Marlborough
- Canterbury/Waipara Valley
- Central Otago

The regions have great diversity in climate and terrain, therefore the grape varieties grown in each differs. For example, Northland, the most northerly, therefore warmest region, produces mainly Cabernet Sauvignon, Merlot and Chardonnay. Progressing in a southerly direction, Sauvignon Blanc is the most planted grape variety with Chardonnay in second place, followed by Pinot Noir and Riesling in Marlborough in

the northern part of the South Island. The dominant grape in Central Otago is Pinot Noir, the region furthest south (New Zealand Winegrowers Association, 2009g).

Marlborough is the largest wine producing region in New Zealand. In 2008, Marlborough had 15,915 hectares of the 29,310 wine producing hectares in New Zealand (54%) (New Zealand Wine Growers Association, 2009c). Many experts say that the Marlborough region produces the most spectacular Sauvignon Blanc in the world (Cooper, 2002, Robinson, 1999, Johnson and Robinson, 2001). The climate allows the grapes to fully ripen producing flavours such as melon, gooseberry, passion fruit, and grapefruit. The unique New Zealand taste enabled the industry to be positioned internationally as premium-class and gained the attention of the upper-end consumer market. Marlborough arguably put New Zealand on the map as a serious, quality wine producer (2008a).

## **4.6 Central Otago Wine Region**

Central Otago in the South Island of New Zealand is one of the most beautiful, pristine areas on earth. It is also globally recognised for a number of activities. As a tourism destination, it has seasonal offerings such as golfing, fishing, bungee jumping, mountain biking, camping, curling, snow skiing, and river cruising. The history of the region includes a gold-mining rush occurring in the 1860s and old, abandoned mining towns are also tourist destinations (Central Otago Tourism, 2009b). An important part of the attraction of Central Otago is a developing wine industry that has gained global attention because of the production of premium Pinot Noir. The Central Otago Wine Region has become one of the many reasons tourists visit the region or love the lifestyle and choose to stay. However, this study is not concerning tourists visiting a region, but products produced in a region associated with a regional brand that escalates their global reputation (regional branding).

The Central Otago Wine Region has a short history. At 45° south, this is the world's southernmost winemaking region and also New Zealand's highest as it is a mountainous area. With over 100 wineries, there are many subtle differences in soil, topography and even climate amongst the wineries and within the vineyards themselves (New Zealand Wine Institute, 2008b). This wine region began producing

premium Pinot Noir and Riesling in the 1990s. However, production is not substantial with hot, dry summers and snowy winters and limited desirable land (Wines of New Zealand, 2008e). The hectares under wine production in 2007 in New Zealand was 31,002, of which, only 1,565 were in Central Otago, a number unlikely to increase substantially due to problematic topography (New Zealand Wine Institute, 2008b). Currently, 74% of the wine produced is Pinot Noir and the region is receiving significant worldwide acclaim for the full-fruit, yet earthy quality of Pinot Noir produced there (Robinson, 1999, Prince of Pinot, 2006).

The history of wine making in the Central Otago area is filled with intermittent successes and failures. The region's first viticulturalist was Jean Désire Feraud, a French baker who made his way to New Zealand through Australia. Fortuitously, he arrived a year before gold was found in 1864 and he invested in a claim that subsequently made him a wealthy man (Oram, 2004). He immediately leased more land and planted vineyards with 1200 grape vines imported from Australia. His winery was in operation in 1866 and his Burgundy (probably Pinot Noir) won some acclaim. His interests gradually took him from the area, the land was dispersed amongst several owners, and his wine operations disintegrated. Other settlers came after him, but most grew grapes for eating rather than wine. Governmental agencies from Australia researched the region and typically proclaimed a negative outlook for successful wine production due to the harshness of the climate. A few local residents planted grapes, most not expecting much of an economic return, but enjoyed it as a hobby and challenge.

In spite of continued studies coming out of the Department of Agriculture stating that Central Otago had an undesirable climate for grape growing, early wine pioneers did not give up. One of the first was Rolfe Mills who in 1973 planted a vineyard near Lake Wanaka which today is the successful Rippon Winery. His personal studies indicated that the winds coming down the mountains to the lake would keep the vineyard from freezing (Jackson and Schuster, 1987). Of course, it was a tremendous gamble and naysayers abounded. Undeterred, he was able to produce Muller-Thurgau grapes and the resulting wine produced as a test by the Department of Agriculture was deemed potentially competitive in the market. The Mills family began to produce their own wine and continued to fight adversity in many forms including frost, birds,

rabbits, and wasps. Mills is often referred to as the ‘patriarch’ of the Central Otago wine industry, although there were a few other pioneers with similar stories about the hardships of establishing grapes in the region (Oram, 2004).

A typical profile of wine-growers today in Central Otago resembles the characteristics portrayed by the early wine pioneers such as Mills. Although many have recently moved to Central Otago specifically to produce wine, few have inordinate experience in the wine industry (Buchan et al. 2000). The vineyards are not owned by large companies, instead are owner-operated and often are not the main source of family income (Cull, 2001). A small number handle all aspects of winemaking and some have full-time or part-time vintners and other employees. Most of the wineries (approximately 80%) do not produce their own wine, instead use local wine production companies or other wineries. As of 2009, there are 23 wineries producing their own wine. Additionally, the Central Otago Wine Company produces wine for 10 wineries, Vinpro for 12, and Maude Wines in Wanaka for eight (Wilson, 2009). A number of vineyards are either leased, are contract growers for other wineries, or just keep the grapes for themselves for small production. Grapes from vineyards are sold within Central Otago or to larger companies in Marlborough, Hawkes Bay, or Auckland (Wilson, 2009).

Because of its embryonic stage of growth, the region is lacking professional wine business management, viticultural, and vintner experience. The scarcity of experience would seem to be a critical weakness in a region considered especially onerous for grape production, as discussed. The apparent deficiency in expertise leads to the question – “How do the wineries achieve success by creating a regional brand supported by the production of quality premium wines.” Therefore, the role of collaboration in the region to develop a regional brand and maintain the quality of the regional wine is a focus of this study.

Although the region is known in global Pinot Noir communities as ‘Central Otago’, there are six sub-regions which have their own individual characteristics and are gaining individual recognition (see Appendix A for Central Otago wine map):

| Sub-region      | Geographic Location  | Physical Aspects  |
|-----------------|--|---|
| Alexandra/Clyde | Surrounded by the Clutha and Manuherikia Rivers  | Regularly records New Zealand's hottest summer temperatures. Spectacular schist (a type of rock) outcrops dominate the arid landscape.  |
| Bannockburn     | On the southern banks of the Kawarau River near Cromwell                                     | This sub-region is a very warm, dry district. Grapes ripen early on sandy, silty loam soils. The altitude here ranges from 220 to 370 metres in an area known by the early miners as 'The Heart of the Desert'. |
| Gibbston Valley | Vines are planted on north-facing hills on the south bank of the Kawarau River.              | This sub-region is the coolest and highest with vineyards between 320 and 420 metres in altitude.   |
| Bendigo         | Lies east of the Clutha River and Lake Dunstan   | Bendigo has both intermediate (220 metres) and higher terraces (330 to 350 metres). This warm area has semi arid, free-draining soils at the lower levels with shallower soils higher up.                       |
| Cromwell Basin  | An area bordered by the Kawarau River, Lake Dunstan and the Pisa mountain range              | Grapes ripen early and the district is dominated by semi arid, flat to high terraces.   |
| Wanaka          | Has vineyards planted between the shores of Lake Wanaka and the town of Luggate to the east. | This is the smallest of the sub-regions and at 290 to 320 metres above sea level the vineyards have a similar but slightly warmer climate than Gibbston due to the proximity of Lake Wanaka                     |

**Table 4.1 Sub-regional Descriptions**

**Source: (COWA, 2007a)**

Central Otago is miniscule in worldwide wine production, comprising approximately 1/20 of the hectares used for wine production in Burgundy, France, for example (Cull, 2001). The small producers recognised that they did not have individual market clout and could more successfully develop regional awareness by working together on some activities, even though they were competitors. They apparently view themselves singularly in wine production based on their history of hardships and growing grapes

in a climate which will continually present problems. Several wineries formed the Central Otago Winegrowers Association (COWA) in 1984, a volunteer-membership association. COWA's purpose is to provide assistance and training in quality *vineyard management*. Central Otago Pinot Noir Ltd. (COPNL) was added in 2002 under the umbrella of COWA and was formed exclusively to provide *marketing assistance* with exporting. Together, the wineries have agreed to a self-imposed, abridged version of AOC standards including quality and growth restrictions (COWA, 2007a).

COPNL's marketing strategy relies greatly on the region accepting a unified market positioning for the region. This strategy, strongly dictated by an uncertain climate resulting in less production, focuses on producing high-quality wines, thereby securing premium prices in the marketplace (Harmon, 2005). The mission statement was written in early 2003:

*To promote Central Otago as a premium international wine growing region through its commitment to quality and distinctive wines.*  
(Harmon, 2005, p. 3)

COPNL's association literature includes statements, such as, 'Define the region [with] distinctiveness – casual and relaxed, but quality focused, quirky, cult region, heartland, cohesive approach to the way we work together' (Harmon, 2005, p.5). The association is very cognisant of the need for regional activities augmenting regional cooperation. A presentation by Janyne Harmon, former Marketing Director of COPNL, to the New Zealand Trade and Enterprise in 2005 outlined strategic initiatives to ensure the sustainability of the region (Harmon, 2005). 'Protecting and supporting' regional wine quality was a critical factor in retaining the region's distinctive global regional branding (Harmon, 2005). With this premium-quality positioning, the wineries can charge premium prices to ensure their profitability. COPNL envisions exportation as an important factor for their ongoing success and focuses its efforts on promotion specifically for this purpose. These include attracting wine critics to the region for tastings and planning international tasting events the wineries attend.

The formal functions of COWA and COPNL and the activities they promote are visible and easily identifiable. COWA and COPNL are concerned less with social camaraderie and focus on competitive challenges, indeed the future viability of the

region. However, there seemingly would be other forms of interaction and collaboration supporting the unified idea of the regional brand of Central Otago. This study endeavours to determine how the less obvious and discernable means of collaboration occur between winery personnel. Also examined are the nature, process, and role of collaboration and the role collaboration plays in the development of a regional brand identity the wineries have defined for the region.

In addition to COWA and COPNL, there are many other formal support organisations within the region and within New Zealand, such as those listed in Table 4.2. Other independent firms have been established so wineries can rent infrequently used or expensive equipment.

| Organisation                               | Function  |
|--|---|
| Central Otago Wine Company<br>Vinpro       | Offer contract wine production  |
| Cromwell Polytechnic<br>Lincoln University | Offer degrees and certificates in viticulture and oenology                      |
| New Zealand Winegrowers Association        | Assists producers by providing information about vineyard and winery management |

**Table 4.2 Supporting Organisations**

The unique characteristics of Central Otago and the efforts of the wineries to continually enhance wine quality do not go unnoticed in the wine world. For example, leading British wine writer and Master of Wine, Jancis Robinson, says:

*After several years of being curmudgeonly about New Zealand Pinot Noir I am now thrilled by the number of exciting Pinots that are emerging from these two islands, particularly from this, the most southerly wine region in the world [Central Otago] in the south of the South Island close to New Zealand's ski country (Robinson, 2003).*

Other wine writers have similar compliments:

*James Wilkinson, Travel Writer, Australia. When you think of where some of the best New Zealand wines come from, many would say the Marlborough region. But, over the last couple of years it has been down south in Central Otago where some top drops have been shining through.*

James Halliday, Wine Critic, Australia. *This [Central Otago] is God's country when it comes to Pinot Noir.*

Jane MacQuitty, Wine Critic, London Times. *The unsung region of Central Otago will knock the rest of the Pinot Noir gang for six* (Central Otago Fine Wines, 2009a).

Central Otago wines have also won numerous prestigious awards. These include esteemed awards sponsored by *Decanter* (UK) and *Winestate* (Australia) two globally respected wine magazines, and awards sponsored by Air New Zealand. Arguably one of the most prestigious and meticulously judged awards is London's International Wine Challenge with 9,000 entries annually (2009c). A Central Otago winery, Bald Hills, won the ultimate 'International Wine Challenge 2007 Champion Red', for its 2005 Pinot Noir, effectively naming the wine the best red wine in the world (Manins, 2007). See Appendix B for a list of recent awards and accolades received by Central Otago wineries. As more accolades and awards are acquired by Central Otago wineries, the region becomes more highly recognised by global premium wine purchasers and distributors.

Based on enthusiastic backing by wine critics, awards received, and success in exportation, the future of Central Otago seems very promising, authenticating the statement by Bragato about the potential of Central Otago in 1865 (see quote at the beginning of the chapter). However, in addition to their natural climatic enemies, there are other issues that could impact the ongoing success of the region.

#### **4.6.1 Future challenges**

The Central Otago wine producers are resilient and they will have to continue to be, based on reports of future threats. Not only do they continue to face the traditional adversaries of frost, disease, birds, rabbits, and wasps, there are new foes on the horizon. A study published in 2000 commissioned by the Horticulture and Food Research Institute of New Zealand Limited (HORT) enumerates several challenges facing Central Otago in the future. As Central Otago has limited wine production, their products necessitate market positioning in a high-quality, premium-priced market. New Zealand is a small local market, therefore exportation is key to Central Otago's survival. Additional pressures arise because the region encounters strong domestic and overseas competition within New Zealand and increasing global



competition in exporting. The study indicates that retaining high-value markets through product quality and continually refining cost competitiveness will be critical to Central Otago's growth (Buchan et al., 2000).

Viticulture and wine-making skills will have to be constantly improved. Also, the Otago Polytechnic in Cromwell and Lincoln University, local educational institutions, should continue to offer courses to help owners and casual workers (Buchan et al., 2000).

Large scale production and planting in areas unsuitable for grape growth could result in a reduction in the quality of the wine produced by the region. Excellent site selection will be critical in avoiding this (Buchan et al., 2000). Rapid expansion in the area could lead to oversupply, diminishing the perceived quality of the Central Otago brand domestically and globally. Increased production will put pressure on the local labour market, as well. Either the price of labour will increase or some growers could use mechanical harvesters to pick grapes. The debris and inferior grapes collected in this process could deteriorate the quality of wine and contradict the idea of terroir. If pressured into producing high quality wine at lower prices, the growers will somehow have to improve efficiency of grape production. Fortunately, because of their entrepreneurial backgrounds, they will probably adopt new technologies more quickly (Buchan et al., 2000).<sup>10</sup>

The issue of quality has recently become paramount in Central Otago because 2008 was a record grape harvest year. The harvest of 2008 resulted in an oversupply in the market with a drop in domestic sales occurring at the same time (Owens, 2009). Central Otago wineries adhered to their commitment to quality when initiating the harvest in 2009. As Central Otago consists of wineries that grow their own grapes and independent growers, many of the supply contracts with independent growers were unfulfilled. Grapes remained on vines unpicked. Also, there is downward pressure on prices due to the global economic downturn and some New Zealand wineries felt

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<sup>10</sup> The HORT Report also stated that tourism will play an important role in Central Otago's sustainability. The wineries are in an established area of Queenstown tourism and wineries currently participate at various levels. However, they could concentrate on developing restaurants, gift shops, and wine tasting to entice visitors (Buchan et al. 2000).

producing bulk wine would alleviate the problem (Owens, 2009). In Central Otago, this strategy would dilute the crafted positioning the region's wines have achieved at the high end of the market. In response, the wineries are becoming even stauncher in their pursuit of quality and are very selective in the grapes they use. Another unfortunate result of overproduction in Central Otago is insolvencies. A number of wineries have gone into receivership including, Anthem Holdings, Central Otago Vintners Winery, and William Hill, one of the original wineries in the region (Burynska, 2009). These events could indicate an even stronger need for the wineries to maintain their global position of quality and present a unified front, as was indicated by Allan Brady, one of the wine producing founders of the region (Wallace, 2010). The nature, process, and role of collaboration in the region to accomplish this is a topic of this study.

## **4.7 Chapter Summary**

The development of the history of wine vacillates between progression and recession. Today's global consumers, achieving escalating incomes, are favouring premium wines rather than the cask variety. As this is a financially lucrative market, many wineries within Old World and New World countries are concentrating on the production of superior quality, premium-priced wines. The literature reviewed shows that New World producers have agility in their favour, and the Old World producers have tradition, which in itself is a powerful quality marker. According to Old World producers, tradition in terms of wine quality also means terroir. New World producers also claim terroir but if the logic of tradition rules in the global markets, then the tale of terroir will favour the Old World.

The ability of New World wineries to enhance the unique qualities of their regions associated with their wines is of paramount importance to their success. For small wineries hoping to sustain production of premium wines for global markets, collaboration between the wineries presents an opportunity to maintain and enhance quality. However, what is not evident from the extant literature on regional wine development is how regional branding and the strategic intent to collaborate as well as compete within a region is realised, especially through the informal interactions of people at vineyard and winery levels, a focus of this study. An additional objective of

this study is to examine collaboration amongst the wineries linked to maintaining wine quality and enhancing the terroir of the region's wines.

The empirical setting for this chapter is the Central Otago Wine Region, a New World wine region that has seen much global success and has established a regional brand. Furthermore, the regional wineries are claiming they have terroir. Since its modest beginnings of commercial wine production in the early 1990s, Central Otago's wines have gained prestige rapidly amongst wine critics, consumers, and distributors. The success of the region is an enigma because there is a deficiency in the region of experienced wine industry managers, vintners, and viticulturalists. Somehow the boutique producers have collectively devised a strategy for regional branding and wine quality management without an abundance of experience in the wine industry. This paradox makes Central Otago an ideal context for the examination of the role of collaboration amongst the competitive wineries to develop and support the Central Otago regional brand. Furthermore, Central Otago claims to have terroir. As this concept is important to consumers, wine critics, and other wine producers, particularly Old World producers, the region presents an appropriate context in which to investigate the link of collaboration to wine quality maintenance and the enhancement of terroir to support the regional brand.

# Chapter Five

## Purpose of Research and Methodology

### 5.1 Introduction

This chapter consists of a methodological discussion and a description of the research methods used to address the aim and the research questions of this thesis. It considers the appropriateness of the realism worldview in connection with the research questions. Based on this discussion, a single case research strategy was chosen for this research because it is recommended for gaining exploratory insight into a phenomenon and generating theory (Eisenhardt, 1989, Yin, 2003). This chapter also includes a statement of the purpose of the research, an explanation of the research design, data collection procedures, and means of data analysis.

### 5.2 Purpose of Research

The specific context of the empirical component of this research is the Central Otago Wine Region in the South Island of New Zealand. This study evaluates the nature, process, and role of collaboration between wineries in the region. This research also examines how competing actor firms in the wine region exchange resources and information between themselves to develop a regional brand for their wines. Much research exists on place marketing, but research on regional branding is expanding. A limited amount of research is available about the process of firms deliberately working together to generate a place brand (mainly studies conducted in the tourism context; see Chapter Three). These studies do not specifically evaluate the nature, process, and role of collaboration.

The wineries in the Central Otago Wine Region exist in loose association as a business cluster. The wineries could be investigated from the perspective of a network or as a business cluster. However, as argued in Chapter Two, a business *cluster* is also a *network* of actor relationships. In the literature these two organisational structures

are commonly treated separately. For example, networks are routinely studied from the industrial marketing perspective, emphasising various forms of activities, actor bonds, and resource exchanges between actors (the businesses involved) (Ford 1990; Håkansson 1982; Håkansson and Snehota 1995). In contrast, regional business clusters are typically investigated within management, economics, urban geography, and organisational science disciplines, emphasizing desired outcomes such as competitive advantage and innovation rather than the process of interaction (Keeble and Wilkinson 1999; Maskell 2001; Porter 1990).

This research is conducted through the lens of a B2B network, thus emphasising actor bonds, activities, and resources used and exchanged. However, most network research has not pinpointed the characteristics of geographic proximity and horizontal relationships as critical to the workings of a network in the manner business cluster research has (see Chapter Two). Therefore, this study adopts the concept of a business cluster being a type of network (see Chapter Two) and attempts to determine the nature, process, and role of collaboration amongst regional competing firms.

The research also seeks to increase the understanding of the nature and process of collaboration within a region with a focus on the role it plays in the development of a regional brand. To uphold the image of a regional brand, it would seem to be important to maintain premium wine quality and enrich the region's terroir through relationships and knowledge exchange pertinent to the region. The role of collaboration in this process is also explored in this study.

The main aim of this study is to understand and evaluate the nature, process, and role of collaboration amongst competing firms in a region.

The subsequent research objectives are:

1. Examine collaboration and the role it plays in the development of a regional brand identity.
2. Understand and analyse the link of collaboration to wine quality assurance.
3. Evaluate the role of geographic proximity in collaboration amongst competing regional firms.

4. Determine the marketing implications for the wineries of developing a regional brand and make recommendations for the communication of the regional brand.

Following is a discussion about the paradigms of social science research and a justification of basing this thesis in the realism paradigm.

### 5.3 Research Paradigms

The researcher's philosophical stance guides the strategy of inquiry or general procedure used by the researcher to investigate a subject (Creswell, 2003). The paradigms are reflections of the researcher's worldview concerning the nature of reality and nature of social beings – *ontology*; the predominate goal of research (including prioritisation of goals and the definition of goal fulfilment) - *axiology*; and the relationship between the knower and what can be known (what counts as knowledge, cause and effect, and relationship of researcher to the subject) - *epistemology* (Hudson and Ozane, 1988, pp. 509-512).

Guba and Lincoln (1994) describe four alternative inquiry paradigms – positivism, postpositivism (critical realism), critical theory, and constructivism. The authors developed the following Table 5.1 depicting the alignment of basic beliefs with each paradigm. Further discussion follows.

| Item         | Positivism                                       | Postpositivism  | Critical Theory  | Constructivism  |
|--------------|--|---|--|---|
| Ontology     | Naive realism – “real” reality but apprehendable | Critical realism- “real” reality but only imperfectly and probabilistically apprehendable | Historical realism- virtual reality shaped by social, political, cultural, economic, ethnic, and gender values; crystallised over time | Relativism – local and specific constructed realities |
| Epistemology | Dualist/objectivist; findings true               | Modified dualist/objectivist; critical tradition/community; findings probably true        | Transactional/subjectivist; value-mediated findings  | Transactional/subjectivist; created findings          |
| Methodology  | Experimental/                                    | Modified  | Dialogic/dialectical   | Hermeneutical/  |

|  |   |   |  |             |
|--|---|---|--|-------------|
|  | manipulative;<br>verification of<br>hypotheses;<br>chiefly<br>quantitative<br>methods | experimental/<br>manipulative;<br>critical<br>multiplism;<br>falsification of<br>may include<br>qualitative<br>hypothesis;<br>methods |  | dialectical |
|--|---|---|--|-------------|

**Table 5.1 Basic Beliefs (Metaphysics) of Alternative Inquiry Paradigms**  
**Source: (Guba and Lincoln, 1994, p. 109)**

- The positivist paradigm, most commonly associated with quantitative research, typically relies on such strategies of inquiry as experimental designs and surveys (Creswell, 2003). Positivism arose during the Enlightenment period of Western thinking, based on the assumption that people could identify truth and distinguish it from fabrication by applying reason (Guba and Lincoln, 1994). A positivist's ontological stance holds that one reality exists independent of what individuals or groups perceive. Positivists assume that behaviour is predictable and is context independent (Guba and Lincoln, 2005). 'Quantitative researchers emphasise precisely measuring variables and testing hypothesis that are linked to general causal explanations' (Neuman, 2003, p. 139). The researcher is objective and removed from participants, aiming for control. Positivists also ascribe to the idea that results can be applied to different phenomena, participants, settings, and time (Hudson and Ozane, 1988). Techniques used for data collection are experiments, surveys, and existing statistical studies, although both qualitative and quantitative techniques may be used suitably within either paradigm.
- Critical theory viewpoints are associated with empowering people to surmount constraints society has placed on them by race, class, and gender (Creswell, 2003, p. 10). The underlying assumptions reflect the values and thoughts of the researcher (Guba and Lincoln, 1994). Research inquiries are often ethnographic and historical in nature and usually concern organisational processes and structures (Healy and Perry, 2000). Healy and Perry (2000) assert that critical theory is not appropriate for much marketing research, for example, business network studies typically focus on understanding the

actions of decision makers, rather than changing their approaches. I am not aiming to change the means of collaboration within Central Otago, rather understand and evaluate the nature, process, and role of collaboration, therefore critical theory is not appropriate for this study.

- Constructivism was also deemed as an inappropriate paradigm for this study. Constructivism is based on the idea that truth is a system of beliefs in a particular context (Healy and Perry, 2000). Similar to critical theory, constructivists hold that realities are socially constructed and multiple realities exist with a complexity of views (Healy and Perry, 2000, Creswell, 2003). Researching this constructed reality is dependent on interactions between interviewer and participants, therefore, the researcher has to be a "passionate participant" during his/her field work (Guba and Lincoln, 1994, p. 112). Using the example of a steel mill closing, Perry et al. (1999) explain why, in their view, constructivism is not always an appropriate paradigm for business research. In this business environment, the authors describe the 'realities' that exist about the operation of the mill, but they are mixed with more positivist issues, such as profit and loss (p. 18). The authors continue by indicating 'What researchers of business phenomena like network formulation need is a paradigm that is different from, but have some elements of both positivism and constructivism. That paradigm is the realism paradigm' (Perry et al., 1999, p. 18).
- Realists recognise that many people operate independently in an economic system and researchers strive to understand, although imperfectly, the common realities of the system (Perry et al., 1999). While constructivists and social theorists believe in multiple realities, realists believe there is one reality, but several perceptions have to be triangulated to determine a more complete view of that reality (Perry et al., 1999, p. 18). Layder (1993) indicates, 'a key aspect of the realist project is a concern with causality and the identification of the causal mechanisms in social phenomena' (p. 16). Hunt (2005) argued for truth as a research goal and the realist perspective is an appropriate philosophical foundation for business management research. Also, several authors have recommended the realism paradigm for marketing and network



phenomena (Carson et al., 2001, Healy and Perry, 2000, Hunt, 1991, Perry et al., 1999). Outhwaite (1983) suggests that if the aim of a study is to discover, determine, describe, and analyse the variables of an intricate social situation and if the objective of the research is the development of idiosyncratic knowledge associated with a particular social science context, a realist paradigm may be most appropriate (p 142).

Following Perry et al. (1999), because the purpose of the empirical component of this research is to understand and evaluate the nature, process, and role of collaboration in the social context of the Central Otago Wine Region with a secondary focus on the development of a regional brand, the realist paradigm is chosen as suitable. The collaborative situation in this study is only imperfectly apprehensible (Godfrey & Hill 1995, Riege 2003). However, the aim of the study is to gain an understanding of the common reality of the region in which people work inter-dependently. Realists assert that ‘there is a “real” world “out there” to discover (Sobh and Perry, 2006, p. 1201). Also, this reality is based on the particular context of the research, the time period, people involved, and the process under study (Sobh and Perry, 2006). Perry et al. (1999) indicate that the objective of realist research is to determine the underlying structure, processes or a possible cause for a phenomenal event using induction. In my study, I am aiming to first achieve an understanding of the phenomenon of the *nature*, *process*, and *role* of collaboration amongst winery personnel. A secondary objective is to examine the role of collaboration in the development and maintenance of a place brand, therefore the realist paradigm is appropriate.

The next section outlines the strategy of inquiry deemed suitable for this thesis.

## **5.4 Research Design and Methods**

The research design comprised three phases. The purpose of Phase One was to gain a pre-understanding of the workings of the wine region. In conjunction with the literature review, interviews with winery personnel and other people connected with the Central Otago wine industry were conducted at an exploratory level to begin to gain an understanding of the workings of the region. Information from the interviews helped focus my literature review and identify participants for interviews in Phase

Two. This pre-understanding phase was significant as I began to understand the politics of the region, the challenges faced by the wineries, and was introduced to people considered the experts within the region. I also developed relationships with winery personnel who subsequently helped me review interview data and analyses.

The method of research for Phase Two was a case study involving understanding the individual views of the actor firms through interviews with the vintners, viticulturalists, and owners/managers about how and why they collaborated. It was important to gain individual input from the participants to determine similar or contrasting data about how collaboration did or did not occur for the purpose of determining a regional perspective. The interviews and analysis were guided by the AAR model categories (actor bonds, activities, and resources) to identify how collaboration occurred (Håkansson and Snehota, 1995). The AAR model was developed from extensive empirical work by the Industrial Marketing and Purchasing Group (IMP) and was discussed in Chapter Two. The AAR model provided a structure for my analysis of network interaction, specifically the development of actor bonds (relationships), the activities in which they participate, and the exchange of resources, which are all contributing factors to collaboration. I argued in Chapter Two that business clusters are a form of network (see Section 2.4). Therefore, the AAR model was an excellent structure to examine the Central Otago region.

From this interviewing approach with collaboration in mind, statements about the development of a regional brand identity were also captured. However, these topics did not typically spontaneously arise in the questioning. Therefore, the concept of the existence and development of a regional brand emerged through analysis of the interview content. Also, how collaboration contributed to the regional brand and to maintaining quality arose through analysis. The links between the regional brand, quality, and terroir were examined, as well. After questioning all vintners, viticulturalists, and owner/managers, one final interview was conducted. This interview was with a regional founder affording a different, more historical perspective to the idea of collaboration, regional brand, and quality maintenance in the region. I wanted to compare his perspective to those of other winery personnel to identify any similarities or contrasts. This person, who still owns a winery in the region, was one of the key figures in the founding of the region.

Phase Three consisted of the analysis of marketing collateral from selected wineries to determine how they communicate their brand identity to their intended market. In addition to marketing collateral, data was captured through observing and audio-recording three wine tasting events which occurred in the region. Because I developed relationships with the winery personnel during Phases One and Two, they invited me to attend these regional events. They provided more in-depth information about the process of external communication concerning the regional brand. Yin (2003) suggests observation as an additional source of data collection, as multiple sources of information assist in developing a holistic viewpoint and result in more reliable data. In this extemporaneous way, I was able to hear the written and verbal narratives of the winery personnel concerning the regional brand of Central Otago and compare it to data collected in Phases One and Two (see Section 6.2).

#### **5.4.1 Phase One – Developing a Pre-understanding**

Although no a priori theories existed in this study, realist researchers often collect data to develop a pre-understanding of the context of the empirical setting of the research (Sobh and Perry, 2006). Miles and Huberman (1994) indicate that in an inductive approach to research, researcher continually collect and analyse data to identify themes, patterns, and contradictions. Gummesson (2000) refers to such predisposed concepts as ‘pre-understandings’ and indicates that these are of guiding value in qualitative research (p. 58).

As this study concerned collaboration in a particular context, my role as a researcher was to become immersed in the culture of Central Otago and experience first-hand the fundamental interaction amongst the wineries, as recommended in qualitative research (Yin 2003). Therefore, the first step of this study comprised interviews with experts associated with the Central Otago wine industry. The purposes of these interviews was defined as the understanding of collaborative activities of the winery personnel as well as the exploration of the underpinnings of the region and identifying appropriate participants for interviews in Phase Two. These interviews were conducted during the literature review stage, allowing me to focus or redirect my review (see Table 6.2 for findings)

#### 5.4.1.1 Selecting Respondents and Collecting Data

In selecting the interviewees for Phase One, it was important to have a heterogeneous selection (Dick, 1990) so respondents were chosen from not only Central Otago wineries, but industries associated with the wine industry and COPNL. Using individuals from different industries was justified because this stage of the research was exploratory and therefore was concerned with individuals' experiences from different viewpoints.

Next, the number of interviews was considered. It has been suggested that eight interviews are sufficient in exploratory interview research (McCracken, 1988). However, the purpose of the interviews was to decide when convergence occurs, or when respondents agree with previous respondents or their disagreements can be explained (Nair and Reige, 1995). This form of convergence or stability has been reported between 6 and 10 convergent interviews in other marketing research (Nair and Reige, 1995, Rao and Perry, 2002). In this research, stability began to emerge after the sixth interview, and was fully established after ten interviews.

The following Table 5.2 depicts the respondents in Phase One:

| Person | Role  | Abbreviation |
|--------|---|--------------|
| 1      | Owner of a winery in the Alexandra sub-region     | O1           |
| 2      | Cellar door manager in the Bannockburn sub-region | CD           |
| 3      | Vintner in the Bannockburn sub-region             | V            |
| 4      | Viticulturalist in the Bannockburn sub-region     | Vi           |
| 5      | Owner of a winery in the Alexandra sub-region     | O2           |
| 6      | Manager of a winery, Gibbston Valley              | M            |
| 7      | Bottle shop owner, Queenstown                     | BS           |
| 8      | COPNL Marketing Director, 2005                    | C1           |
| 9      | COPNL Marketing Director, 2007                    | C2           |

|    |  |   |
|----|--|---|
| 10 | Lawyer for one of the Central Otago wineries, Alexandra sub-region | L |
|----|--|---|

**Table 5.2 Participants in Exploratory Interviews**

I chose to conduct all interviews in-situ, meaning I interviewed all participants in their homes, wineries, businesses, or location in Central Otago they chose. I kept in mind, that their personal sites would be quiet and familiar to the respondents to help encourage ease of discussion (Carson et al., 2001). The ‘snowball’ process was used in the recruitment of potential interviewees (Warren, 2001). After each interview, respondents were asked if they could recommend other individuals who would be appropriate to provide information about the region. To maximise the snowballing effect, the first individual used (owner of an Alexandra winery) was selected on the basis of her ability to recommend other appropriate interviewees (Carson et al., 2001, Nair and Reige, 1995, Warren, 2001). As a winery owner, she and her husband had twelve years experience in the region producing wine. This individual had strong networks within the region as well as established connections outside the region with people linked to the Central Otago wine industry. Contact was made with individuals recommended from this interviewee and other professional advice from people associated with the region.

I also helped the owner of the Alexandra winery with two grape harvests. This allowed me to observe the owner struggling to get more casual labour by contacting other wineries, a form of collaboration amongst the wineries. I observed the informal sharing of information between the casual workers and the winery personnel, enhancing the spiral movement of knowledge discussed in Chapter Two.

Throughout my Ph.D. process, I also attended a variety of Central Otago wine tastings in Dunedin and Clyde to help gain an appreciation of the wineries exhibiting their wines together. During these years I visited many Central Otago wineries to acquire knowledge about their particular wines, the region, and how they might talk about winery collaboration. These informal interactions, both observational and verbal helped me increase my understanding of the underpinnings of the region.

Additionally, I interviewed the Director of Marketing of COPNL in 2005 to gain an

understanding of the operations of the organisation and the region. She provided an overview of how the participants belonging to COPNL collaborated in formally marketing the wines associated with the regional place brand. I gained a historical perspective of the formation of COWA and COPNL and the politics of who participated and did not participate in the COPNL (discussed in Chapter Six).

The interviews were open in structure with initial broad questions about the operation of the region and how each individual fit within it. These types of questions encouraged the respondent to share their experiences within the region or with individual wineries (Carson et al. 2001). It also did not require the respondent to think too seriously about the answer or wonder if they were giving the right answer (Nair & Riege 1995).

After these broad questions, I began to ask more specific questions related to my literature review. For example, Chapter Two reveals how and why business clusters operate, so I asked questions concerning, co-operation, competition, information exchange amongst wineries, relationships, honesty amongst wineries, and innovation. I asked the respondents to give me examples of these characteristics so determine if the concepts were similarly stated across the participants or if there were contradictions. All interviews were audio-recorded and transcribed before the next interview to verify information. See Appendix C for the interview outline.

#### **5.4.1.2 Data Analysis and Interpretation.**

Analysis of this data began with the transcription of tapes. These transcripts were then read while listening to the tapes again to ensure that meanings had not been lost in the transcription. Next, coding was used to categorise and differentiate themes within this exploratory data using content analysis (Miles and Huberman, 1994, Teale, 1999). Content analysis is a way of coding groups of words from the transcripts into categories. This process of coding involves attaching labels to or grouping pieces of data, including phrases, sentences, or paragraphs (Carson et al., 2001, Krueger, 1994).

I used two means of sorting the data. First, I sifted through the data with an initial list of codes that has been sourced from the literature as I was conducting the exploratory interviews (Miles and Huberman, 1994). Secondly, I used the initial codes to develop more precise codes from the interviews inductively (Lofland, 1971). That is, these categories or codes were developed from both an initial list and a more precise coding list that was added to when new codes were discovered. This process helped to accentuate important themes and begin the development of patterns. Organising the data in this way focused on important areas of the individual data while remaining a part of the framework of the group (Miles and Huberman, 1994, Seidman, 1991).

For this exploratory stage, I chose to conduct the content analysis manually rather than use an electronic tool such as NVivo7® (used for Phase Two). Because I was in the initial stage of understanding the region, I wanted to manually link concepts so the meanings would not be removed from their context, as contexts are important in qualitative research (Minichiello et al., 1990, Richards and Richards, 1994). I also did not want to lose sensitivity to the data and wanted to analyse the data as in integrated, interactive whole (Chetty, 1996, Silverman, 2001). In addition, there were a small number of interviews reducing the necessity for a computerised tool (Patton, 1990, Teale, 1999). Thus, this stage's content analysis was achieved by systematic manual coding rather than a computer program.

As stated, Phase One methodology served the purposes of understanding of collaborative activities of the winery personnel and underpinnings of the region and indentifying appropriate participants for interviews in Phase Two. The data analysis from Phase One interviews revealed several issues requiring further exploration in Phase Two. For example, some prominent wineries in the region did not belong to COPNL. This factor could substantially impact the nature of marketing collaboration within the region and warranted further exploration in Phase Two. Also, the region considered itself embryonic and I wanted to examine how that impacted collaboration. Associated with this issue, the idea of long-term relationships may not have been in place as the region as a wine producing area was relatively new. As this importance of this factor is emphasised in business cluster literature, this provided another area to be

investigated. The resulting theoretical framework and major findings from Phase One methodology is found in Section 6.2.

As Phase Two of this research was conducted using a case study strategy of inquiry, a discussion is merited to justify the choice of the methodology.

## **5.4.2 Phase Two - Justification and Definition of the Case Research Methodology**

After the realism research paradigm was identified as appropriate for this research, a suitable research methodology within that paradigm could be chosen. Riege (2003) indicates that realism relies on inductive research methods to develop theory rather than test it. Perry et al. (1999) state ‘Within the realism paradigm, case study research methodology appears to be especially appropriate for research about some marketing issues such as networks’ (page 19). Likewise Gummesson (2007) indicates that case studies are appropriate in B2B environments where interaction and relationships are studied. As interaction, relationships, and collaboration are foci of this study, case research was the methodology used for this study.

The use of case research was justified by conducting three tests: considering the form of the research question, whether control over events was required, and if the research focused on contemporary events (Yin 1994). These tests are illustrated in Table 5.3. Case research was more appropriate than experimental, survey, archival analysis and history methodologies for this study, for the three reasons (as shown in the three columns of Table 5.3).

| <b>Strategy</b>   | <b>Form of research question</b>     | <b>Requires control over behavioural events?</b> | <b>Focuses on contemporary events?</b> |
|-------------------|--------------------------------------|--|--|
|                   |                                      |  |  |
| Survey            | who, what, where, how many, how much | No   | Yes                                    |
| Archival analysis | who, what, where, how many, how much | No   | Yes/no                                 |
| History           | how, why                             | No   | No                                     |



|               |          |     |     |
|---------------|----------|-----|-----|
| Experimental  | how, why | Yes | Yes |
| Case research | how, why | No  | Yes |

**Table 5.3 Three Tests of Case Research**

**Source: adapted from Yin (1994, p. 6)**

First, case research is often used when the research problem addresses a ‘how’ and ‘why’ question. This is because case research can be used to explain phenomena rather than quantify them (Perry, 2001). In this research, emphasis is on the nature, process, and role of collaboration, or *how* winery personnel collaborate.

Second, case research does not require control over events (second column of Table 5.3). In this research, I was interested in hearing the extemporaneous accounts of participants rather than those affects caused by human manipulation as seen in experiments. Also, any type of experiment would have been difficult to conduct as there were many factors influencing collaboration and each participant had his/her own personal perspective, aligned with the realist paradigm.

The final reason why case research was preferred for this research was because it concerns contemporary events (final column of Table 5.3). This case research allowed me to use sources of information such as documentation and direct observation to support findings from the case itself that would apply in a contemporary network environment (Patton, 1990, Yin, 1994). These sources would not be typically used in quantitative research. Multiple sources of data are useful as the holistic ‘story’ is developed from many sources, not just interviews, resulting in more reliable data. Thus, the use of case research for this research is justified.

Case studies are defined as in-depth explorations of an event, activity, a process, or individuals or groups (Creswell, 2003, p. 15). Case study research is the collection, analysis, and display of in-depth information about a specific participant or small group in their particular context, frequently including the insights and narratives of subjects themselves. Case studies result in rich, in-depth descriptions of particular situations and lead to theory generation based on empirical observation and examination (Yin, 2003). In alignment with the realist paradigm, case studies are designed to understand the changes occurring with a specific setting (Eisenhardt, 1989).

In the Central Otago case, pre-understanding on my part existed, as was discussed, but there were no *a priori* constructs, theories, variables, or hypotheses to be tested as would be appropriate for examination with quantitative methods. Also, the case study was a logical choice for this study because the focus of investigation is on the nature, process, and role of network-based collaboration amongst actors in the Central Otago Wine Region. It was expected that previously unknown relationships and constructs would emerge from the case study because of the uniqueness of the context, the region's own set of relationships, and the contemporary aspect of the event (Patton, 1990). Accordingly, case study researchers look for idiosyncratic statements as well as the common-place, striving to identify the distinctiveness of each case or participant (Hoepfl, 1997).

Case studies can involve single- or multiple-cases and several levels of analysis. The following section discusses the use of the single-case approach for this thesis.

#### **5.4.3 Selection of and Justification for the Single-Case Study Approach**

Qualitative case study research can be conducted using single- or multiple-case studies. As the main aim of this research is to understand the nature, process, and role of collaboration amongst competing regional wineries and secondly to examine the role of collaboration in the development of a *regional* brand, a logical research approach is to study regional collaboration as a whole, therefore, as a single-case study. Usually, single-case studies involve one case that is critical, unique, typical, revelatory, or regarding an event in a longitudinal manner (Yin 2003, pp. 40-42). Central Otago, as a case, qualifies as it has unique regional features, has experienced exceptional growth in prestige wine sales, and also because the region is relatively isolated. Therefore, this research is a single-case study and the unit of analysis is regional collaboration.

There appears to be a hesitancy by authors to state specifics about the appropriate structure of cases, particularly if they should be single-case or multiple-case; with subunits or without. The structure of cases seems to be at the discretion of the researcher based on his/her knowledge of the study environment and alignment with

the research questions. As the holistic view of the region is comprised of the individual views about collaboration of the participants aggregated into the whole, the idea of a single-case seemed an appropriate approach in this study.

#### **5.4.4 Selection of Participants**

A primary concern in network research is delimiting the boundaries of the network for case study. Halinen and Törnroos (2005) propose a useful *focal net* framework to assist in the design of a case study of business networks. A focal net includes those actor firms and their representatives who are chosen as key informants because they are able to respond knowledgeably to the central questions of the study. In my study, actor firms were represented by the vintners, viticulturalists, and owners/managers. These winery personnel were chosen as participants as they are at the centre of wine production and marketing within their wineries and the region. Halinen and Törnroos (2005) contend:

*Networks can thus be limited in relation to those actors, who, at a certain point in time, actively relate to each other through business, social, and/or technological exchange (p. 1288).*

This fits with earlier formative ideas proposed by Håkansson and Johanson (1992) who identified that a network always exists in a context, and that there may be a part of a network that actors deem more important. A focal net approach was therefore used for this study to identify participants (for Phase One). The respondents so identified were the expert wine people of the region, based on my pre-understanding of who could respond knowledgeably to the in-depth interview questions posed in Phase Two, and whose actions and behaviour might impact on the actions and behaviour in some ways across the rest of the region.

Sample size in qualitative research can be problematic. Patton (1990) claims that there are no set rules for sample size in qualitative research:

*The validity, meaningfulness, and insights generated from qualitative inquiries have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size (pp. 184-185).*

Also, sampling in qualitative research is less about size than about the richness of information provided by each participant contributing to the understanding of the phenomenon (Eisenhardt, 1989).

Therefore, recommendations for sample sizes are not clear with most preeminent case study researchers divided. Perry (2001) recommends that participants are selected to produce similar results for predictability (literal replication) or conversely, produce contrary results, but for predictable reasons (theoretical replication) (p. 793). Perry (2001) indicates in his experience, 35 interviews is adequate. However, de Ruyter and Scholl (1998) determine that the acceptable range is a minimum of 10 and a maximum of 60. I chose, for purposes of theoretical replication, 24 respondents plus the original founder representing the elite and knowledgeable wine people in the focal net. I was prepared to increase that number based on the confirmation or disconfirmation of data collected.

Several criteria were considered in choosing the 24 respondents to provide diversity. The first was to chose personnel from a continuum of new to old wineries, which typically aligned with smaller to larger production. Based on my pre-understanding in Phase One, the researcher anticipated the idea of collaboration would differ between established and new wineries. The Central Otago wineries identify themselves with different groups or 'waves' of wineries coming into the region over time. The first group of participants was associated with wineries established between 1981-1987, the second group between 1988-1996, and the third group after that to the present time. A second criterion was having a balance of participants to equally represent the five sub-regions as perhaps how they collaborated could differ amongst them, depending upon proximity. Additionally, the wineries had to provide wine tasting facilities because the researcher wanted to observe that activity to determine how the winery personnel communicated attributes of the regional brand (Research Question Four)<sup>11</sup>. All participants had to primarily produce Pinot Noir, as that wine varietal is tightly linked to place and terroir (see Chapter Five). Finally, owners from three wineries identified in Phase One were specifically chosen because they do not belong to COPNL, the Central Otago organisation for formal marketing collaboration. It was

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<sup>11</sup> There are only 18 wineries in Central Otago with wine-tasting facilities

important to determine if and how they collaborated with other personnel in the focal net without belonging to that formal association, as collaboration could perhaps be formal or informal. I chose participants I felt would provide ‘information-rich’ interviews based on their levels of experience and expertise to reach theoretical replication (Patton, 1990, p. 185).

Table 5.4 contains characteristics of the wineries from which the participants were chosen. A

| Winery | Hectares           | Year Established | Sub-Region <sup>12</sup> |
|--------|--------------------|------------------|--------------------------|
| 1      | 15                 | 1981             | Wanaka                   |
| 2      | 52                 | 1981             | Gibbston Valley          |
| 3      | 36                 | 1987             | Gibbston Valley          |
| 4      | 20                 | 1987             | Alexandra                |
| 5      | 22                 | 1989             | Bannockburn              |
| 6      | 22                 | 1992             | Bannockburn              |
| 7      | 45                 | 1994             | Bannockburn              |
| 8      | 47                 | 1996             | Bannockburn              |
| 9      | 7                  | 1996             | Gibbston Valley          |
| 10     | 11                 | 1997             | Bannockburn              |
| 11     | N.A. <sup>13</sup> | 1998             | Gibbston Valley          |
| 12     | 15                 | 1998             | Bendigo                  |

**Table 5.4. Characteristics of Participants’ Wineries**

## 5.5 Data Collection and Analysis

### 5.5.1 In-situ Research

As discussed in information gathered for pre-understanding, my role as a researcher was to be as close to participants as possible. My husband and I lived in Cromwell during the in-depth interview phase for two months. I became integrated into the wine community and was invited to many formal and informal events. Attending these events allowed me to observe first-hand the interaction between

<sup>12</sup> The Cromwell basin contains 70% of the region’s vineyards and includes Cromwell, Bannockburn, and Bendigo; Gibbston Valley has 20%; Alexandra/Clyde has 7%; Wanaka has 3%.

<sup>13</sup> Winery eleven does not own its own vineyards

winery personnel. Additionally, I helped a non-participant winery with two harvests, as indicated previously, so I could directly witness challenges and how winery personnel responded to them by collaborating. I also formed many relationships with the participants which gained me access to exclusive wine-tasting events used in Phase Three of the research.

All interviews were conducted in Central Otago, either at individual wineries or at a place designated by the participant. This seemed to allowed participants to express their viewpoints in a more genuine, more extemporaneous way in the comfort of their own environments, as recommended by Carson, et al. (2001). Often these interviews involved tramping through vineyards, tasting wine from barrels in the winery, or sitting at a kitchen table. Many perspectives of the feelings the winery personnel had about their wines, the region, or other people in the region, both verbal and non-verbal, were more easily expressed, therefore assisting interpretation. I also got to know the participants better, making it easier to contact them for clarification on issues. Additionally, I was invited to informal regional events because of the relationships I developed.

### **5.5.2 Collection Methods**

A variety of collection methods are available to qualitative researchers. The specific aim of this research was to determine the nature, process, and role of collaboration between regional wineries and subsequently how collaboration affected the development of a regional brand and enhancement of wine quality. Therefore, in-depth interviewing with winery personnel was chosen to be the most effective and primary means for collecting pertinent data. Yin (2003) indicates that this form of data collection provides information depth, flexibility, adaptability, and the ability to probe. In-depth interviews have also been used extensively in business network research where interaction is under investigation (Young and Wilkinson, 1997, Håkansson, 1982, Ford et al., 1986, Axelsson and Easton, 1992, Håkansson and Snehota, 1995).

Although in-depth interviews were the main source of data, two other sources were advantageous to the research in achieving data triangulation. Different sources of data allow the researcher to examine data from all sources in an effort to develop a coherent rationalisation of themes (Yin 2003, p. 97). Phase Three consisted of analysing data from marketing collateral and wine-tasting events. Marketing collateral in the form of winery web sites and brochures and wine-tasting events were used to determine the formal, written expressions of collaboration, regional branding, and quality connected to terroir. The purpose of this phase was to anticipate and determine the marketing implications of the Central Otago regional brand on the wineries.

The next section discusses the data collection process and how the data was analysed for the three data sources.

#### **5.5.2.1 Phase Two - In-Depth Interviews**

The second phase of data collection began with an in-depth interview with the Marketing Manager for COPN (Central Otago Pinot Noir Limited)<sup>14</sup>. This data provided a current understanding of who was involved with COPNL and how it supported the region through marketing activities, but was not included in the analysis of the winery personnel interviews. Next, in-depth interviews with vintners, vineyard managers, and owners/managers of 12 wineries identified in Phase One were completed. These personnel were chosen as they have intimate involvement in wine production and seemed most likely to engage in interaction between wineries in the focal net. A final interview was scheduled with a founder of the region after all interview data had been gathered. This was an additional means of checking on the validity of the information provided by the winery staff and to gain further background on early history of wine development and perhaps collaboration in the region.

Personnel were chosen based on their levels of experience and expertise. The researcher was aware of possible limitations of interview data and was prepared to add more if theoretical replication was not reached. The list of interviewees and their association with particular wineries is outlined below:

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<sup>14</sup> This person replaced the person interviewed in 2005.

| Winery | Participants                    |
|--------|---------------------------------|
| 1      | Vintner/Owner; Viticulturalist  |
| 2      | Owner; Vintner                  |
| 3      | Viticulturalist/Owner; Vintner  |
| 4      | Vintner/Owner; Viticulturalists |
| 5      | Owner; Vintner; Viticulturalist |
| 6      | Vintner; Viticulturalist        |
| 7      | Owner; Vintner, Viticulturalist |
| 8      | CEO, Viticulturalist            |
| 9      | Owner/Vintner; Viticulturalist  |
| 10     | Owner; Vintner                  |
| 11     | Manager; Vintner                |
| 12     | Owner/Vitner                    |
| TOTAL  | 24                              |

**Table 5.5. Wineries and Expert Personnel**

An introductory letter was mailed to all participants followed by a phone call to establish appointments. See Appendix D for the introductory letter. Interviews lasted between 45 minutes and two hours. Ethical approval was gained through the University of Otago and each participant signed a letter of understanding of their role in participating in the research.

The interviews took place between September and November, 2007. The timeframe was specifically chosen as it was after harvest and vintage (wine making) so winery personnel were not as occupied with business processes. Second, many winery employees travel to North America or Europe to be involved with harvests and vintages in the Southern Hemisphere off season. They were returning to Central Otago at the time of the interviews in September to October.

Interviews allowed the researcher to gain an in-depth understanding of the participants' view of the extent and intent of collaboration within Central Otago and its role in establishing a regional place brand, the importance of their proximity to each other which could enable collaboration, and their involvement in enhancement of wine quality. Additionally, participants were also asked about the historical



background of the development of their wineries, the growth, and the future of Central Otago. The majority of the interviews took place at the winery locations, offering the participants the capability of providing winery and vineyard tours related to their stories if appropriate.

The intent was to keep the interview 'open' and give the participant time to formulate responses to questions. That being said, an outline or question guide was paramount to keep the interview focussed. Questions were based on the individual's role within the business, or more particularly, the winery or the vineyard, as well as regionally-focused issues. The researcher had control over the interviewing process and could continue to probe or change direction to fill gaps and follow leads, as necessary.

I used a non-participant winery to review the interview protocol. A non-participant winery was chosen as to not introduce the participants to the type of data being collected, potentially reducing the extemporaneous aspect of the interview process. The protocol was subsequently improved through three pilot interviews with non-participant wineries, generally adding more detail to the interview questions. Yin (2003) emphasises the use of pilot data collection before the commencement of formal data collection to ensure refinement in protocol and procedures and improve the quality of data gathered.

The final interview protocol was developed in four sections aligning with the primary aim and research questions of the study:

1. Background and history of winery; personal backgrounds; future considerations for the region
2. Description of who they rely on for know-how and working knowledge developing competencies and capabilities; formal and informal associations; their descriptions of collaboration or no collaboration.
3. Participants' discussion on the their perception of the meaning of Central Otago and the way it projects itself to the world; its importance to positioning; their ideas about the concept of a regional brand
4. Participants' concept of quality and terroir how they fit with their strategies; Central Otago wine quality maintenance

The complete interview protocol is in Appendix E. The sections above ensured that the actual research questions were addressed. However, as this was a basic guideline for interviewing, the questions were not necessarily followed in all interviews. The questions were flexible and allowed respondents to answer in an unrestricted manner. As participants introduced new ideas, the researcher made notes and probed further. A audio-recording device was used and the scripts transcribed. Each interview had a duration of one and half to two hours and there were 623 pages of transcribed interview data.

#### **5.5.2.2 Phase Three– Marketing Collateral, Wine Tasting Participation and Observation**

Creswell (2003) asserts that many advantages exist for including documentation review in qualitative data collection. First, the researcher is able to review the participants' written and public communication in their own language and words. The timing of information retrieval and gathering is at the discretion of the researcher and not dependent upon participants' schedules. The range of collateral reviewed and analysed included winery web sites, newsletters, wine labels, and brochures. Such written message-making is often insightful and saves the researcher time as most does not require transcribing (Creswell, 2003). Marketing material was collected from 12 wineries represented by the participants interviewed. The researcher also established a subscription to newsletters and promotional material delivered by mail and e-mail. The materials chosen were publications representing each winery's unique attributes – the identity it wanted to project. The purpose of reviewing the content was to gain insight into wineries' statements about the regional brand (that is, how they chose to identify with the Central Otago Region) and any collaborative activities or espousal of working relationships with other Central Otago wineries that might be related to developing a regional brand or maintaining quality. As these documents could be construed as market positioning statements, a second research interest was to see how the term 'terroir' was used as part of their marketing evidence and how it was tied to quality, if at all.

To prepare the data for analysis, web site information was captured in Word™ and other marketing collateral information was typed into Word™ in preparation for entry into NVivo7®. The specific data analysis methods are discussed in Section 5.6.3.2.

A second data collection activity of observing and recording wine tastings was used to verify or discover contradictions in data collected in Phase Two. These observations provided insight into how wineries presented themselves and Central Otago in situ to current or potential customers. Timing was advantageous for these events as the wineries were in a somewhat ‘lull’ period of production, as stated previously. Therefore, owners allotted time to host tasting events. As discussed in this chapter, the researcher was able to establish relationships with several winery personnel and was invited to three unique events:

1. *Sommelier<sup>15</sup> Summit*. November 2007. A two-day event for 30 American Sommeliers. The observation was of the Central Otago Pinot Noir Master Class and Formal Tasting hosted by one of the participant wineries. Two vintners with a long-term involvement in Central Otago wine production provided an in-depth description of Central Otago, the sub-regions, and its wines. Additionally, they facilitated the wine-tasting of 12 Central Otago wines. A total of 20 Central Otago wineries participated in the two-day event. The wine tasting was of a highly technical nature as sommelier credentials include comprehensive training in the technical nuances of viticulture and winemaking of wines worldwide.
2. *Private Wine Tasting at a Participant Winery*. November 2007. As an extension of the above wine tasting event, one of the sommeliers requested a private tour and tasting at one of the participant wineries. The owner of the winery invited me to attend, observe, and record the event. The owner provided a property/vineyard tour and wine tasting in the winery. This was a two-hour event and quite informal as the sommelier had his wife and child with him. Again, the discussion emphasised technical aspects of growth and production as well as the Central Otago environment and history.

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<sup>15</sup> A sommelier is a luxury hospitality institution employee who purchases the wines sold by it and has extensive knowledge about wine and food pairings.

3. *Private Wine Tasting and Dinner at a Participant Winery.* November 2007.

One of the wineries hosted a wine tasting and dinner for a group of 25 wine enthusiasts from Auckland, New Zealand. This was an example of the close community atmosphere. This group had booked a week tour of South Island wineries. Unfortunately, when they arrived in Cromwell, the restaurant they had reserved for dinner had closed. One of the owners of a winery heard about it and contacted another winery with a restaurant. That owner graciously invited the group for a wine tasting and dinner and thought it would be an excellent opportunity for this researcher to gather information. Unlike the first sommelier session, this wine tasting was much less formal and not as technical, although the group was well-versed in wine. The owner provided an overview of Central Otago production, collaboration, and in-depth description of their own wines as they were tasted.

The wine tastings were not just observed, but audio-recorded, as well. This final stage of research enabled collection of actual communication by winery personnel concerning regional collaboration, the regional place brand, maintenance of quality, and a claim to terroir to verify data analysed in Phase One.

To summarise data collection, the second phase, in-depth interviews, captured personal perspectives from key personnel on the primary aim and research questions. The third phase was a collection of marketing collateral data examining the written expression and implications of regional collaboration, regional place brand, and regional terroir relating to the primary aim of this thesis and its research questions. Also in the third phase, the wine tastings provided an extemporaneous, in-situ context for the study elements. Because participants were in their natural environments, comments arose that typically would not in a fabricated, laboratory environment and any unusual or contradictory aspects were noted.

The three sources of data (exploratory interviews, in-depth interviews, and marketing collateral and wine-tasting events) were crucial in investigating regional collaboration (the unit of analysis in this case study) amongst the wineries of the region as represented by the regional focal net of participants. These multiple sources of data

provided answers to the main focus of study and were aligned with the research questions as depicted in Table 5.6.

| Research  | Phase (s) of Research  |
|---|--|
| <p><i>Main focus:</i></p> <p>Understand and evaluate the nature, process, and role of collaboration amongst competing firms in a region.</p>  | <p>Phase One</p> <p>Phase Two</p>  |
| <p><i>Research Questions</i></p> <p>1. Examine collaboration and the role it plays in the development of a regional brand identity.</p> <p>2. Understand and analyse the link of collaboration to wine quality assurance.</p> <p>3. Evaluate the role of geographic proximity in collaboration amongst competing regional firms.</p> <p>4. Determine the marketing implications for the wineries of developing a regional brand and make recommendations for the communication of the regional brand.</p> | <p>Phase Two</p> <p>Phase Two</p> <p>Phase One</p> <p>Phase Two</p> <p>Phase Three</p> |

**Table 5.6 Main Focus of Study and Research Questions Aligned with Research Phases**

## 5. 6 Data Analysis

The purpose of analyzing the data was to identify the nature, process, and role of collaboration between members of the wine region. Also analysed was how collaboration assisted in developing a regional place brand. Additionally, the data was analysed to evaluate how collaboration amongst winery personal may have assisted in the enhancement of wine quality and the enrichment of terroir. Proximity has been identified in the business cluster literature as a factor contributing to the circulation of information and innovative techniques between participants (Porter, 1990) (see

Chapter Two). The importance of proximity to collaboration was analysed in this study. Finally, implications for the regional brand identity and maintenance of quality in written and verbal forms by the winery personnel were analysed.

### **5.6.1 Framework for Data Analysis**

Content analysis was used for all three phases of this study. This method has been generally accepted as a useful means of textual analysis by researchers (Silverman, 2001). The purpose of analysis is to reduce the overwhelming amount of data to enable the identification of useful themes (Weber, 1990). After reading the interview transcript in its entirety more than once to obtain a sense of the whole, it is read in detail and significant statements are coded descriptively. Then the researcher looks at the descriptive codes or categories across all the interviews to see how they cluster together, and to identify ideas which do not seem to fit. With the insights gained, the researcher returns to detailed examination, and then steps back again to review the whole and move from descriptive to analytic categories. In the final stages, the analytic categories can themselves be grouped to provide the key themes or patterns which explain the phenomenon. Through this, the researcher engages in a reiterative process where he/she circles from the codes to the whole to the codes and back again, each time gaining a deeper understanding, until the parts are integrated with and understood as a whole (Creswell, 2003). At the same time, this allows the researcher to check and recheck the data and their interpretation, to make sure that they are exploring ideas or themes which do not fit, or which contradict emerging explanations.

### **5.6.2 Qualitative Analysis Tools**

Qualitative analysis consists of examining, classifying, tabulating or combining data to address the initial propositions of the study (Yin 2003). This process can be greatly assisted by the use of computer assisted qualitative data analysis software (CAQDAS) which was employed for this research. The use of CAQDAS for qualitative research has been extensively addressed in the literature (Buston, 1999, Richards and Richards, 1994, Weitzman and Miles, 1995, Holbrook and Atkinson, 1996). Benefits of using

CAQDAS are cited in the literature, such as, its ability to accelerate and improve the quality of coding, it provides a more complex means of displaying code relationships, and it assists in developing more conceptual and theoretical thinking about the data (Barry, 1998). Supporters of CAQDAS argue that rigour is achieved by making the data analysis systematic, therefore, more credible (Kelle, 1995).

However, other qualitative researchers specify some negative aspects of CAQDAS. One concern about using CAQDAS is that the coding process distances the researcher from the data. Data is easily entered and retrieved in CAQDAS, but could be separated from the original context (Coffey et al., 1996). However, programs, such as NVivo7® (a type of CAQDAS) used for this research allow for links between original documents and coded segments or to other memos, videos, or recording pertinent to them. Therefore, the researcher can easily go back and forth to verify that the original meaning has been retained (Dey, 1993, Lee and Esterhuizen, 2000).

Another argument against using CAQDAS is that it encourages the pursuit of quantity over quality. A researcher could be tempted to use a large sample as CAQDAS can manage large amounts of data, rather than interpret and analyse deeper meaning (Lee and Esterhuizen, 2000). Gilbert (2002) suggests that qualitative researchers should continuously move between the data coded at nodes and the original texts. This helps avoid the coding trap, where they either become bogged down in coding, or do coding mechanically, losing sight of the larger picture and an understanding of why a piece of text is being coded to a particular node.

NVivo7® was chosen for this study as it provides advanced coding and data manipulation. Although codes began to emerge in Phase One, NVivo7® assisted in sorting through enormous amounts of text and associating codes with text sections and developing patterns. It allowed the researcher to code in a variety of ways and to interrogate the data through text-searching using key words. NVivo's capability of creating hyperlinks between transcripts, memos, and nodes, and the ability to search the results of earlier searches was seen as being particularly helpful (Richards, 2002). The software proved invaluable for interpretation of the text, coding, and searching text in this thesis and provided the means to move between the data coded and original transcripts as described by Gilbert (2002).

### **5.6.3 Analysis by Phases**

The following discussion outlines the specific processes and activities of analysis associated with each of the data sources for Phases Two and Three in this thesis.

#### **5.6.3.1 Phase Two – In-depth Interviews**

##### ***Step 1: Review of Winery and Founder Interview Data***

###### *Transcription*

The first activity related to this step was transcribing the interviews. Transcription was completed by the researcher and a professional transcriber and entered into Word® to facilitate analysis, as described previously. The transcribed length of each interview was between 20-27 pages. As the interviews were transcribed, they were read and reread for comprehensiveness, accuracy, and understanding.

Field notes were retained for each interview, a recommendation of Miles and Huberman (1994). These notes consisted of a description of the environment, demeanour of the interviewee, body language signals, any interactions with other people during the interview, and any extemporaneous comments that were not part of the recorded interview. These notes were initially hand-written and rewritten into Word®. They were indexed by date and interview. Additionally, the notes were attached to each participant's Word® interview file for ease of retrieval. The field notes were valuable in classifying themes during the data reduction step of the analysis.

###### *Coding*

To gain an intimate connection with the data, the researcher chose to manually code interviews until replication arose and coding was solidified. Once replication was identified, transcripts were re-coded into NVivo7® and highlighted quotes from the interviews were placed into the codes. Analysis was initially accomplished with the use of the three structural dimensions of the AAR model devised by Håkansson and



Snehota (1995), as described previously. These three dimensions (Actor Bonds, Activities, and Resources Shared) were used as key codes for Interaction. I devised three separate databases for the AAR model – vintners, viticulturalists, and owners/managers. I had determined in my pre-understanding that personnel in the three different roles participate in different activities, perhaps influencing their relationships and resource sharing, as well. After the AAR coding was completed, the data was coded pertaining to the main aim of the study and the subsequent research questions. This was an open, unstructured process, with codes emerging as the data was analysed.

### ***Step 2: Develop Patterns and Document Summary***

Contact summary sheets were developed for each participant interviewed. Miles and Huberman (1994) suggest this step as it provides the researcher with the ‘main concepts, themes, issues and questions’ arising with each contact (p. 51). See a sample contact sheet in Appendix F.

The AAR approach was chosen to emphasise the behavioural patterns of network participants (activities) and their relationships (see Chapter Two). It recognises the combining of resources used across a network, much of which is beyond the control of any one actor firm. The framework of AAR provided insight into the patterns of collaboration operating in the region. This coding provided a strong foundation for further speculation and interpretation addressing the primary aim of the study and research questions.

The second part of the analysis of the interview transcripts resulted in emergent coding related to the main objective of the study and secondary research questions. Patterns concerning the nature, process, and role of collaboration uncovered in the analysis and the linkage to the development of a regional brand, quality maintenance, and terroir were revealed. Any references to proximity and how it enhances interaction were also identified and analysed.

Separate hand written memos assisted in tracking unusual events, central themes, and questions puzzling the researcher.

### ***Step 3. Data Reduction***

At this stage the researcher began to group concepts in themes as similarities emerged, while tracking dissimilarities. The starting point was Interaction using the AAR framework, as mentioned, with separate NVivo7® databases for Vintners, Viticulturalists, and Owners. It was important to capture discrete data on Vintners, Viticulturalists, and Owners, as they each had their own views, concerns, and interests in collaboration.

Concerning participants, it was useful at this point to develop maps of relationships to analyse which winery personnel communicated frequently with whom, following a suggestion by Miles and Huberman (1994). These were hand drawn as continual changes were required. Also, hand written memos were kept and revised concerning the components of other patterns of Actor Bonds, Activities, and Resources.

### ***Step 4. Data Display and Tabulating***

In this step, several tables were created to show quotations supporting the emerging themes. Tables of actor interaction, resources shared and activities were displayed. Rich quotations are included throughout to verify the sources of data (anonymously). Interpretation occurred throughout the analysis process. See Chapter Seven for the display and discussion of this analysis.

### ***Step 5. Conclusion and Verification***

The last step in the analysis was to analyse all of the data in Phase Two and examine the themes and patterns for consistency within the participant group. From doing this, I determined conclusions and implications.

A model depicting the nature, process, and role of collaboration within the region was developed based on the analysis of all phases of the research (Figure 6.7). This model also included conclusions about collaboration in the development of a regional brand and maintaining wine quality. Final conclusions concerning the primary aim of the study and the research questions are presented in Chapter Seven.

### **5.6.3.2 Phase Three – Marketing Collateral and Wine-Tasting Events**

#### ***Step 1: Review of Marketing Collateral***

All materials related to this phase (marketing collateral, winery web sites, wine labels, newsletters, and regionally developed documents) were initially read and reread to enable the researcher to become familiar with the data. All data was entered into NVivo7® and codes emerged and continued to be refined, then connection schemas began to develop. There were 651 pages of marketing collateral material.

#### ***Step 2: Develop Patterns and Document Summary***

Document summary forms were created for each winery for the websites and marketing collateral. These forms provided a summary of the websites and marketing collateral including winery information, general content, and comments for easy reference and are consistent with Miles and Huberman's (1994) recommendations. See an example in Appendix G. From the coding process in NVivo7®, patterns and relationships began to emerge. Interpretation of this data gave me insight into the wineries' marketing positioning statements about collaboration, regional branding, and maintaining quality.

#### ***Step 3: Data Reduction***

The coding attached to statements from the marketing collateral were copied into Word® and printed to provide an overall visual presentation of the data. NVivo7® provided the capability of counting the number of sources (wineries) and the number of references associated with a particular code. This established a priority or level of importance for a particular code. Based on the count of responses, it was determined that codes containing three or more sources (1/4 of the participants) were relevant. Zaltman and Coulter (1995) indicate in qualitative research, 1/3 of the participants should mention a particular construct (p. 44). I chose a lower percentage as I did not know how complete and informative the marketing collateral would be. I felt it was

important that it was better to be inclusive rather than dismissive of data in this phase of analysis.

#### ***Step 4. Data Display and Tabulating***

Tables of individual winery's collateral statements attached to specific codes were developed. Included in these tables were the numbers, sources, and references associated with the codes. This facilitated a discussion of how the majority of wineries presented particular topics as well as dissention from the majority. This also facilitated the identification of emerging patterns across the wineries.

#### ***Step 5. Conclusion and Verification***

The main purpose of Phase Two of the research was to understand the implications of a regional brand for the wineries in the study (research question four). This data was also compared to responses in Phase One.

### **Wine-tasting events**

#### ***Step 1: Review of Wine Tasting Data***

##### *Transcription*

Recordings of wine tasting events were transcribed by the researcher. This process was challenging as many activities were occurring during the sessions and there was much background noise. However, this atmosphere was an important part of the actual research as a representation of the participants in situ. Also, I was a participant in two of the wine tastings, so had the added benefit of engaging in conversation with other participants to gain their insights into what was being discussed. Because of this informal environment, hand-written field notes subsequently entered into Word® were invaluable in the analysis of this data. This makes sense in that much of the real meaning was gathered through observation, particularly of competitive wineries interacting in the first sommelier session.

## *Coding*

The transcribed sessions were read and reread to identify codes or particularities that had not emerged in the marketing collateral or interview phases. This was completed with associated field notes as observing the interaction between the participants often provided more insight into their relationships than the spoken word. I chose to not enter the data into NVivo7®. The narratives were richly personal and not lengthy, therefore I felt it was more appropriate to use portions of the ‘stories’ to best respond to research question four.

### ***Step2. Develop Patterns and Document Summary***

As themes and patterns were developed from this data analysis, much replication of the themes of Phase Two was beginning to emerge. In other words, how the attributes of collaboration and the regional brand of Central Otago were communicated to the outside world in these wine tasting events was similar to what was revealed by the interview data and what appeared in the marketing collateral. Therefore this stage of research served the purpose of verification. However, contradictions were also captured and interpreted. As with the other phases, document summary forms were created for each event for easy reference.

### ***Step 3: Data Reduction***

Data reduction for this stage was accomplished manually, using the NVivo7® codes as a reference. No new codes were added based on the wine tasting events, again confirming the data collected from participants in Phase One.

### ***Step 4: Data Display and Tabulating***

From the data reduction in step three, exemplary quotations from each event were used to demonstrate how issues about collaboration and the regional brand were communicated.

### ***Step 5: Conclusion and Verification***

The comparison of this data to that concerning the regional brand and collaboration in Phases One completed this analysis. Any similarities and contradictions were noted and discussed.

A discussion concerning credibility in case studies and how that was addressed in this thesis follows.

## **5.7 Credibility and Trustworthiness in Qualitative Case Study Research**

The use of case study as a strategy of inquiry is not without criticism, especially the notion that it may lack credibility. This viewpoint could be attributed to researchers being careless in not following systematic procedures, or have allowed ambiguous data or biased perspectives to guide findings (Yin, 2003). A second complaint about case study investigation is the inability to generalise. Eisenhardt (1989) responds to that issue by indicating it is true that idiosyncratic contexts are studied, therefore theory generated is often not on a 'grand scale'. However, case study researchers can tie into expanded theoretical concepts or the research could result in multiple studies building upon smaller theories (p. 547).

Patton (1990) prescribes triangulation, or a combination of methodologies, in response to strengthening credibility in case studies. Patton (1978) discusses four types of triangulation:

- Data triangulation – the use of a variety of data sources in a study
- Investigator triangulation – the use of several different researchers or evaluators
- Theory triangulation – the use of multiple perspectives to interpret a single set of data
- Methodological triangulation – the use of multiple methods to study a single problem or program (p. 187).

Data triangulation and other techniques were used for this study, as described in the next section.

## **5.8 Techniques for Ensuring Credibility and Trustworthiness in This Research**

Several techniques to ensure reliability and validity were used in this research. First, Patton (1990) indicated that qualitative studies could be significantly strengthened through data triangulation, in this instance, the use of a variety of data sources. Three data sources were chosen for this research and these have been discussed in this chapter in Phases One and Two. Specifically, in-depth interviews, marketing collateral review, and wine-tasting observations provide three distinct insights into the patterns of interaction and discussion of collaboration and regional branding within the wine region. Triangulation was achieved through the comparison and cross analysis of the two phases of research.

Second, the in-depth interview approach identifying idiosyncrasies as well as similar patterns of data was used for validity (Yin 2003). With this approach, replication or similar patterns emerged as the data collection process proceeded

Third, a database of all components of data collection was developed. Case study sheets for wineries, marketing collateral material, and wine-tasting observations with attached field notes were completed. This addresses the issue of proper documentation raised by Kirk and Miller (1986).

Fourth, Yin's (2003) suggestion of having participants review the draft report was a tactic for validity used in this research. I identified two key respondents to review the draft report and incorporated changes, as appropriate. Also, I met a non-participant winery owner throughout the interview process to identify gaps in the information or issues requiring clarification.

These four techniques were adopted with the aim of ensuring validity and reliability in this research. However, as with any research, there were limitations which are described in Chapter Seven.

## **5.9 Chapter Summary**

This chapter has included a discussion of the appropriateness of the realist perspective for this study. This chapter also delineates the specific strategy of inquiry used in the research, the single-case study methodology with a unit of analysis of regional collaboration. This discussion emphasises attention to issues of rigor in the research, in respect of credibility claims. Also provided are specifics of data collection methods based on two triangulated research phases and how analysis is to be completed on each.

Chapter Six describes and discusses the findings of the research conducted.



# Chapter Six

## Findings and Discussion

### 6.1 Introduction

The preceding chapters have analysed the literature on collaboration in regional business clusters and networks, the emergence of regional brands, and the global wine industry. This analysis revealed a gap in the business cluster and network literature which became the focus for this thesis, specifically, the nature, process, and role of collaboration amongst competing firms in a region. A secondary aim is to examine how collaboration contributes to the development and maintenance of a regional brand. The specific context of research is the Central Otago Wine region in the South Island of New Zealand. Chapter Five provided details of research questions appropriate to this aim, and outlined the phases of research, the case study strategy, research design, and the intended approach to data collection.

This chapter presents the findings and discussion from the fieldwork undertaken in the Central Otago Wine Region. The research comprised three phases. Phase One was exploratory and consisted of interviews with people knowledgeable about the Central Otago wine industry. The purpose of this phase of research was to gain an understanding of the workings of the region during the literature review. This assisted in focusing the literature review, identifying areas to be examined in Phase Two, and gaining introductions to people considered experts based on experience in the region. Phase Two involved interviews with 24 key winery staff and a founder of the region. The AAR model categories (see Chapters Two and Five) provided a framework for analysing the regional network development of actor bonds (relationships), the activities in which they participate, and the exchange of resources, which are all contributing factors to collaboration. Interpretation of data concerning actor bonds, activities, and resources shared answered the main aim of the thesis – to understand and evaluate the nature, process, and role of collaboration amongst competing firms in a region. Responses pertinent to the subsequent research aims are also analysed and discussed:

1. Examine collaboration and the role it plays in the development of a regional brand identity.
2. Understand and analyse the link of collaboration to wine quality assurance.
3. Evaluate the role of geographic proximity in collaboration amongst competing regional firms.
4. Determine the marketing implications for the wineries of developing a regional brand and make recommendations for the communication of the regional brand.

Phase Three consisted of the analysis of marketing collateral from the 12 wineries represented by the 24 participants as described in Chapter Five. The purpose of this phase of research was to identify how the regional brand attributes were communicated. Specifically, do they make adequate use of their regional brand in a marketing sense linked to research question four? Phase Three also involved observing and experiencing three Central Otago wine tasting events to capture the narratives and stories of the winery personnel about the Central Otago regional brand to further verify communication of the regional brand attributes. This was an important aspect of the research because, if the wineries had gone through considerable effort to develop and maintain a regional brand, and the attributes of the brand were not communicated adequately, the value of the regional brand in the marketplace would be diminished.

The analysis of all phases of the research consisted of the development of themes and subordinate descriptive categories aligned to the primary aim and subordinate research questions of the thesis.

## **6.2 Findings from Exploratory Research – Phase One**

Phase One methodology served three purposes – to gain an understanding of the underpinnings of the region, to guide the literature review and the second phase of this research, (as described in Chapter 5) and to gain access to experts in the region for interviews in Phase Two. The questions used in the interviews were meant to be more of a guideline, therefore, allowing participants to inject other ideas spontaneously (see Appendix C). I found it useful to transcribe each interview after I

had completed it and begin to develop a table assisting in identifying similar themes. Table 6.2 highlights those areas emerging from the interviews particularly appropriate for this research with a discussion following.

The initials used to identify the participants were:

| <b>Person</b> | <b>Role</b>  | <b>Abbreviation</b> |
|---------------|--|---------------------|
| 1             | Owner of a winery in the Alexandra sub-region                      | O1                  |
| 2             | Cellar door manager in the Bannockburn sub-region                  | CD                  |
| 3             | Vintner in the Bannockburn sub-region                              | V                   |
| 4             | Viticulturalist in the Bannockburn sub-region                      | Vi                  |
| 5             | Owner of a winery in the Alexandra sub-region                      | O2                  |
| 6             | Manager of a winery, Gibbston Valley                               | M                   |
| 7             | Bottle shop owner, Queenstown                                      | BS                  |
| 8             | COPNL Marketing Director, 2005                                     | C1                  |
| 9             | COPNL Marketing Director, 2007                                     | C2                  |
| 10            | Lawyer for one of the Central Otago wineries, Alexandra sub-region | L                   |

**Table 6.1 Selection of Participants**

| Elements of research                   | Components of each element   | Interviewee | O1  | CD  | V   | Vi  | O2   | M | BS  | C1  | C2  | L   | Total agree |
|--|--|-------------|-----|-----|-----|-----|------|---|-----|-----|-----|-----|-------------|
| Central Otago background               | Owners, vintners, and viticulturalists have experience in other industries or international wineries |             | x   | x   | x   | x   | -    | x | x   | x   | x   | x   | 9           |
|  | Region is embryonic, experimenting, and learning   |             | x   | x   | x   | x   | x    | x | -   | x   | x   | -   | 8           |
|  | Growing 'on the edge'  |             | x   | x   | x   | x   | x    | x | x   | x   | x   | -   | 9           |
|  | People are tied to the beauty of Central Otago   |             | x   | x   | x   | x   | x    | x | -   | x   | -   | -   | 7           |
|  | Cognisant of what nature has given them  |             | x   | x   | x   | x   | x    | x | -   | x   | x   | -   | 8           |
|  | Family and community important   |             | x   | -   | x   | x   | x    | x | -   | x   | x   | x   | 8           |
| Collaboration and information exchange | With anyone associated with the wine industry  |             | x   | x   | x   | x   | x    | x | x   | x   | x   | -   | 9           |
|  | Neighbours (face -to face)   |             | x   | -   | -   | -   | n/n  | x | -   | x   | x   | -   | 4           |
|  | COPNL  |             | n/n | x   | x   | x   | n./n | x | n/n | x   | x   | -   | 6           |
|  | COWA   |             | x   | x   | x   | x   | x    | x | x   | x   | x   | -   | 9           |
|  | Vintners, viticulturalists, and cellar door managers within Central Otago have their own networks    |             | x   | x   | x   | x   | -    | x | x   | x   | x   | x   | 9           |
|  | Informal events, eg. wine tastings and wine exchange   |             | x   | x   | x   | x   | -    | x | x   | x   | x   | -   | 8           |
|  | Do not see themselves as competitors   |             | x   | x   | x   | x   | x    | x | x   | x   | x   | x   | 10          |
|  | Trust is critical  |             | n/n | x   | -   | -   | n/n  | x | x   | x   | x   | -   | 5           |
|  | Discuss other Central Otago wines in their cellar doors  |             | n/a | x   | x   | x   | n/a  | x | x   | x   | x   | x   | 8           |
| Central Otago wines                    | Every winery has its own wine character based on the fruit produced (terroir)                        |             | x   | x   | x   | x   | x    | x | x   | x   | x   | -   | 9           |
|  | Sub-regions gaining importance   |             | x   | x   | x   | x   | x    | x | x   | x   | x   | x   | 10          |
|  | Higher end target market   |             | x   | n/n | n/n | x   | x    | x | x   | x   | x   | x   | 8           |
|  | Control of vineyard management   |             | x   | -   | x   | x   | -    | x | -   | x   | x   | -   | 6           |
|  | Organic  |             | n/n | x   | x   | x   | n/n  | d | n/n | n/n | n/n | n/n | 3           |
|  | Single-vineyard production   |             | x   | n/n | x   | x   | n/n  | x | x   | x   | x   | x   | 8           |
|  | Wines are overrated  |             | -   | -   | -   | -   | -    | - | -   | -   | -   | x   | 1           |
| Quality maintenance                    | Pride and passion in producing the best  |             | x   | -   | x   | x   | x    | x | x   | x   | x   | x   | 9           |
|  | Have to produce quality due to low production  |             | x   | x   | x   | x   | x    | x | x   | x   | x   | x   | 10          |
|  | COPNL  |             | n/n | -   | n/n | n/n | n/n  | x | n/n | x   | x   | -   | 3           |
|  | COWA   |             | x   | -   | x   | x   | x    | x | x   | x   | x   | -   | 8           |
|  | Concern about over production  |             | x   | x   | x   | x   | x    | x | x   | x   | x   | x   | 10          |

n/a, not applicable; n/n, not necessarily a factor; -, not mentioned; x, mentioned/agree; d, disagree

**Table 6.2 Findings from Exploratory Interviews**

## **6. 2. 1 Discussion**

Overall, I found that the qualitative methodology associated with this exploratory phase extended my understanding of areas pertinent to my research including winery personnel with outside experience, personnel interaction, important regional issues in wine production and quality control, and how people are linked to the identity of the region. The interviews in Phase One were not meant to provide ‘how and why’ answers because as this stage of my research, I wanted to gain a pre-understanding of the Central Otago environment. However, this analysis did lead me in certain directions concerning further literature review as will be described below and helped to refine Phase Two methodology. Following is a discussion of the emerging prominent themes from Table 6.2

### **6.2.1.1 Wine Region Background**

#### ***Outside Experience and Trust***

During my questions about the backgrounds of winery personnel, it was obvious that winery personnel with the Central Otago emphasised their international and New Zealand experiences in other wineries. This was important for the reputation of their wineries and the region. More importantly, because they continually referred to themselves as ‘embryonic’ and ‘still learning’, gaining skills in highly esteemed Pinot Noir producing areas of the world assisted them in producing quality Pinot Noir. Likewise, the owners discussed by the participants and those interviewed had no experience in the wine industry. They did have extensive business experiences in other industries, however. This lack of wine industry knowledge meant that they also had to seek sources assisting them in gaining wine industry knowledge. The importance of outside knowledge coming into a region is reflected in business cluster literature (Giuliani and Bell, 2005, Granovetter, 1985, Uzzi, 1997), so this was not an unexpected finding.

What was surprising about the presence of outside experience is that the implication that most people were not from Central Otago and were relatively new residents. Therefore, the long-term relationships extolled in business cluster literature seemed to be less typical in Central Otago. Long-term relationships are deemed significant in

regional settings because a level of trust is established over time amongst the people living there (Porter, 1990, Maskell, 2001, Lawson and Lorenz, 1999). Trust is identified in the literature as having a positive impact on interaction, learning, and collaboration leading to innovation (Porter, 1998a). However, as seen in Table 6.2 only five participants identified trust as a key element in the process of regional interaction. There would appear to be some link between fewer long-term relationships in the region and the need for less trust for information exchange in the region and this will be examined in more detail in Phase Two.

Linked to this idea, however, is that all of the respondents (even those who were not winery personnel) did not think of the wineries as competing against each other. As the owner of an Alexandra winery (O1) stated, “I guess we are competitors, but we don’t think of ourselves that way”. A possible explanation for this is that they indicated that they all produced a unique tasting wine with no duplication across the wineries. The Manager (M) revealed, “All the wine of individual wineries is different because the fruit is different. The winemaker highlights what he thinks is important in the fruit.” Although they are all seeking the same marketplaces (e.g., the UK), perhaps each has enough distinctiveness in their own wine to be differentiated in consumers’ and distributors’ minds.

Three issues emerged from this exploration requiring further investigation in Phase Two regarding the nature, process, and role of collaboration within Central Otago: “How (if at all) is outside information used in collaboration amongst the wineries in the region?” Secondly, “If long-term relationships with trust are not a norm in the region, how is information shared?” A third question emerges from the distinctiveness of each winery’s wine. “Is information more easily shared because they do not consider themselves direct competitors?”

### ***Identity of region***

A second theme emerging from the interviews concerned what the people thought about the region or how they identified with it. Although limited in scope, some previous literature suggests that a regional brand identity is derived from the people living there (Konecnik and Go, 2008, Gilmore, 2002). It would make sense that people in Central Otago have their own meanings and feelings about the place. For

example, all of the winery personnel interviewed greatly appreciate the beauty of the landscape and what the area has to offer recreationally. They understand that the ‘feel’ of the place is part of the experience people have when they come to the wineries to taste wines. The attachment to community and family involvement is strong, also.

They are very proud of how the region has gained a distinctive reputation for its wines. As the Alexandra winery owner (O2) indicated, “They (global Pinot Noir growers) laughed at us initially, but now they all want to work here!” Tied to pride is their understanding of “exactly what we have here” (CM). This is in reference to ‘growing on the edge’ and their continual challenges with climate and pests. Overcoming these challenges and being recognised for excellent wine production advances the pride of the producers. The concept of ‘pride’ could be associated with the ill-defined aspect of ‘people’ mentioned in the regional branding literature (Johnson and Bruwer, 2007, Henschion and McIntyre, 2000) and will be examined in Phase Two. Pride is also an important factor in maintaining quality wine, as will be discussed later. Additionally, they are fearful of developing complacency about their accomplishments. “I hope we don’t muck it up”, the vintner (V) said. It should be noted that there could be doubt in the marketplace about Central Otago wines, as the lawyer (L) interviewed indicated that many were “overrated and overpriced”. Because of cautiousness, they are concentrating on dealing with their realities – they are embryonic and still learning. They also recognise that they are isolated and need other people both within and outside the region to assist in knowledge generation to continue to enhance their wines.

The exploratory interviews gave me some initial insight into the meaning and feelings or the regional identity people had about the region. All of the people in these interviews were not winery personnel. As a focus of the study was on nature, process, and role of collaboration amongst winery personnel and its role in the development of a regional brand identity, more in-depth data collection on regional identity was reserved for Phase Two interviews.

#### **6.2.1.2. Collaboration and Information Exchange**

Open interaction within the region was a characteristic of the region they all discussed. Much of this interaction involved collaborative information exchange and

an overwhelming consideration with interaction amongst winery personnel is that they continue to seek knowledge from any source possible. For example, the co-owner of V1 winery is a dentist. His wife indicated to me that when “the girls schedule appointments and they know the patient is associated with the wine industry, they allot more time for the appointment.” This quest for knowledge is tied to the fact that they know they are embryonic and still learning and they are fearful of developing the attitude of assuming they know everything, as indicated. Therefore, all respondents indicated that the region was very open and willing to share information as has been indicated as a characteristic of business clusters (Maskell and Malmberg, 1999, Porter, 1990, Mytelka, 2000).

I also gained awareness of the process of interaction and information exchange through formal groups in the region, particularly COPNL and COWA. Associations formed by cluster members often assist in their success (Wilk and Fensterseifer, 2003, Telfer, 2001, Uzzi, 1997, Aylward, 2003, Tambunan, 2005). They all agreed that COWA provided an excellent and open means of information exchange. However, O1 and O2 did not belong to COPNL and they did not see that organisation as providing the same level of information exchange support. They did not belong as they felt they were too small and could not gain the benefits larger wineries could. It is of interest that the bottle shop owner also intimated that COPNL had some ‘politics’ within it and there was some controversy about some significant players not belonging, but still taking advantage of the prestige of the regional brand. This led to me choose three participants to be interviewed in Phase Two who were not associated with COPNL to determine the impact on collaboration.

There were some hints at other informal means of interaction. There are informal networks of vintners, viticulturalists, and cellar-door personnel, for example. Additionally, the cellar-door person (CD) indicated that “other vintners will come in to our wine-tasting area on occasion and we exchange wines”. They discuss each other’s wines with the purpose of making suggestion for enhancement. Also, the owners did not mention this, but all other respondents indicated that personnel did not hesitate to discuss other Central Otago wines and recommend to visitors that they taste other brands within the region.



In brief, I began to gain an appreciation for how interaction and knowledge exchange happens within the region. The region was described as having a very open format for knowledge exchange and several formal and formal means of exchange were discussed. The aspect of COPNL perhaps being a centre of controversy in the region was particularly noted and will be explored in the in-depth interviews to determine its impact on collaboration.

### ***Proximity***

My literature review was providing solid evidence that geographic proximity facilitating frequent face-to-face communication was a key contributing factor in interaction and knowledge exchange amongst constituents in a region (Porter, 1990, Powell, 1987, Corno et al., 1999, Rosenfeld, 1997). However, in these exploratory interviews, five of the respondents did not mention neighbours as people with whom they have frequent interaction. Also, the owner of an Alexandra winery (O2) indicated that she did not see neighbours as being a key source of information. With these interviews, I felt it was important to listen to free-flowing information and avoid probing to clarify answers. I did not want to bias my interpretation of the data, rather use the Phase Two interviews to clarify issues. Perhaps neighbours provided such a common venue of interaction, they were not even considered when asking questions about interaction in the region. Also, the owner (O2) entered the wine industry after have a successful brand name in the pit fruit industry for many years. Therefore, she had developed contacts within Central Otago in that industry. However, this finding led me to first go back into the literature to determine if research existed about proximity not being important. I did not find such studies, so this theme will be investigated further in Phase Two.

#### **6.2.1.3 Central Otago Wines**

### ***Terroir***

Although the specific term ‘terroir’ was not explicitly stated often in these interviews, it was clear that the winery personnel participants were well aware of the nuances in tastes of wines within their vineyards. As the manger (M) of a winery said “We have that Gibbston expression and with our single-vineyard wines; our winemaker emphasises that quality.” The bottle shop owner was also cognisant how it was used

in a marketing sense to differentiate wines within Central Otago. Linked to this was the understanding that sub-regions were gaining importance in producing particular flavours of wines. However, there was no consensus on how critical organic farming was to the taste of the wine. The vintner (V) emphatically supported organic farming while the manager of the Gibbston Valley winery thought it was overrated. Terroir is important in Central Otago, but how it is linked to wine quality will be explored in Phase Two.

#### **6.2.1.4 Quality control**

Quality control of the vineyards and the wines emerged as a key factor for the need for information exchange. Again, COWA was identified as the primary formal organisation supporting quality. The association provides seminars and workshops on a regular basis in the region encouraging the discussion of current issues and problems in vineyards. COPNL, however, received five citations from respondents as not being critical in quality maintenance. One reason for this is that COPNL has tried to establish standards for certification of Central Otago wines but in “typical renegade Kiwi fashion” (CO1), this did not occur. Presently, a panel to taste and certify Central Otago wines for exportation exists through COPNL, but those wineries not participating in COPNL, may not present their wines to this panel<sup>16</sup>. Likewise, COPNL has attempted to restrict crop growth and output in the region to ensure that only the top quality grapes go into a bottle of wine, but this has not occurred, either.

However, the participants themselves are cognisant of the need to enhance quality to maintain their prestigious position in the premium wine world. For example, as stated by the vintner (V), “We won’t produce wine in bad (grape) years and most producers won’t, either”. Seemingly, conscious ‘restrictions’ are in place at individual winery and regional levels to ensure quality. This concept could be tied to collaboration and will be examined in Phase Two.

Another issue requiring more investigation was the strong feeling about ‘pride and passion’ when “you produce the best wine based on your vineyard” (M). This comment arose with nine of the ten respondents. Even the lawyer and the bottle shop owner recognised that characteristic about the winery personnel. This could be

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<sup>16</sup> New Zealand Winegrowers does have an export certification programme for all exported wines.

somehow connected to the winery personnel's love of the region and the strong desire to make the best use of what nature had given them. Therefore, the issues of 'pride and passion' could be related to collaboration and also the regional brand, which will be explored in Phase Two.

### **6.2.2 Summary of Exploratory Interviews**

In summary, Phase One consisting of exploratory interviews was valuable in helping me gain a pre-understanding of the operation of the region. More importantly, it revealed many areas as explained above requiring addition investigation in Phase Two. I also went back and forth between these interviews and the literature to confirm and contrast issues along the way. In many cases, for example with the issue of trust, I was inspired to examine the literature more deeply to ensure I had not missed an important element in the research.

Finally, I used these interviews to indentify people within the region with the most knowledge and experience. Several actors' names emerged and therefore were included in the Phase Two interviews. Participants interviewed also provided me with introductions to these participants often by making phone calls to introduce me during our interviews.

## **6.3 Findings and Discussion from In-depth Interviews - Phase Two**

After identification of key personnel within the region, appointments were established for Phase Two interviews as discussed in Chapter Five. The findings and discussion from the analysis of the interview data concerning the main focus of the study – the evaluation of the nature, process, and role of collaboration in Central Otago is discussed first, followed by the research questions.

### **6.3.1 Understand and evaluate the nature, process, and role of collaboration in Central Otago.**

The analysis and interpretation of vintner, viticulturalist, and owner interviews concerning actor bonds, activities, and resources shared (AAR) provided an in-depth view of the nature, process, and role of collaboration within Central Otago (see

Chapters Two and Five). The purpose of this section is to analyse and summarise the nature, process, and role of collaboration amongst the competitive wineries. The *process* of collaboration within the region was analysed in more depth than other business cluster research, however, I determined that the process of collaboration occurring in the region confirmed other business cluster research. In contrast, the findings generated theories not identified in other business cluster studies concerning the *nature*, or specific characteristics of collaboration within Central Otago and will be discussed after the process.

#### **6.3.1.1 Process of Collaboration**

The collaborative process of Central Otago consists primarily of knowledge sharing amongst the wineries. New knowledge is exchanged, discussed, trialled and adapted in particular winery/vineyard contexts. Knowledge from the trial and adoption process is then continually circulated throughout the region. This follows Nonaka's and Takeuchi's (1995) description of this phenomenon as a 'spiral movement' of knowledge as discussed in Chapter Two. Explicit or codified knowledge which is easily communicated becomes tacit knowledge when it is put to use in developing and improving the skills base in the region, through trial and error or experimentation. The tacit knowledge or 'know how' (Polanyi, 1966) is personally embodied and contextually dependent, therefore difficult to articulate, but collaboration within the region facilitates the circulation of knowledge, advancing it from explicit to tacit.

The important part of their collaboration is the wineries' willingness to share information mainly through frequent face-to-face discussions and debates. These collaborative interactions result in an intrinsic consensus of how things should be done in the region or holistic regional know-how. Proximity of the wineries extends opportunities for informal daily interactions, enhancing collaboration. It was not clearly stated by respondents in Phase One that proximity was an important factor in regional interaction, but in these interviews it emerged as a significant influence, as will be discussed later. Continual sharing and circulation of knowledge represents *regional collaboration*. The willingness to share information generates a positive attitude amongst winery personnel, inspiring them to ensure that the region holistically thrives.

The process of collaboration first involves knowledge from outside the region coming into Central Otago through the international experience and travel of the vintners and owners, and business experiences of the owners. Additionally, external information from other vineyards in New Zealand is brought in by vintners, owners, and viticulturalists. This importance of outside knowledge also emerged in Phase One and more in-depth understanding was gained in Phase Two. Inside the region, COWA and COPNL are formal associations within which knowledge is disseminated in a face-to-face manner, discussed amongst members, and trialled by the wineries and is continually circulated throughout the region. Knowledge is further transferred through interaction with neighbours, long-term and short-term relationships, contractors, casual labourers, and educational institutions. Sub-regional relationships, special interest groups, and newcomers are other levels of interaction. The levels of interaction amongst members of the region are not physically or socially bounded, but can be depicted this way:

| Outside the region  | Inside the region                                   | Sub-groups                           |
|---|---|--------------------------------------|
| International experience (vintners)                                   | COWA<br>COPNL                                       | Sub-regional groups                  |
| New Zealand and Central Otago experience (vintners, viticulturalists) | Long-term relationships<br>Short-term relationships | Special interest groups<br>Newcomers |
| Other business experience (owners)                                    | Contractors   |                                      |
| Contractors   | Casual labour<br>Educational institutions           |                                      |

**Table 6.3 Levels of Collaboration**

### *Outside the region*

It was established in this research how important outside knowledge coming into the region was for the success of winemaking in the region. Outside knowledge has been deemed important in other cluster studies (Granovetter, 1985, Uzzi, 1997, Giuliani and Bell, 2004) and was identified as significant in Phase One. This outside knowledge is derived from vintners with prior international experience before coming

to Central Otago and who also continue to do vintages (winemaking process) overseas in other premium Pinot Noir producing areas. As explained by the vintner/owner from winery 12, “Outside experience was extremely helpful, and it still is. And the other thing that is slightly different to other regions is that [in Central Otago] you had only a few winemakers who made wine for many, many companies all over the world. So, the wines are basically made by 3-4 people who knew exactly what they are doing instead of the small ones trying to make their own wine and forgetting about how to understand quality.” Table 6.4 depicts the international backgrounds of the vintners interviewed in the study:

| Winery   | Vintner Experience   | Other Central Otago Winery Experience   |
|----------|--|---|
| 1        | Burgundy, France   | Son of founder                          |
| 2        | Hawkes Bay, New Zealand; Oregon, U.S.A.  | None                                    |
| 3        | Auckland, New Zealand; Germany   | Winery two                              |
| 4        | Central Otago, New Zealand   | Son of founder                          |
| 5        | South Australia; Oregon, U.S.A.  | Winery eight; one vintage winery eleven |
| 6        | Hunter Valley, Australia; Canterbury, New Zealand; Oregon and California, U.S.A.; Burgundy, France | Winery one                              |
| 7        | California, Oregon, U.S.A.   | None                                    |
| 8        | Hawkes Bay, New Zealand; Okanagan, Canada; Margaret River, Western Australia; Burgundy, France     | None                                    |
| 9 and 10 | California, U.S.A  | Winery two                              |
| 11       | Auckland, New Zealand; California, U.S.A; Marlborough, New Zealand                                 | Winery five                             |
| 12       | Austria; Germany; Hawkes Bay, New Zealand; California and Oregon, U.S.A.                           | Winery one                              |

**Table 6.4 Vintner Experience**

Not only do Central Otago vintners go elsewhere, a type of informal international knowledge exchange programme exists whereby international vintners and other winery personnel from premium Pinot Noir-producing wineries come to Central Otago to work. The concept of international competitors willing to co-operate was a surprising finding and will be addressed under the nature of the region's collaboration, because it has not been asserted in other research. The owners also have had other occupations in business and bring a variety of perspectives to the wine industry. The viticulturalists interviewed came from other New Zealand wineries, too, so brought those experiences with them. Additionally, contractors outside the region cultivate new ideas when they are hired by Central Otago wineries.

### *Inside the region*

Within the region, two types of activities occur supporting collaboration – formal and informal. COWA and COPNL, for example provide formal means of interaction, information exchange, relationship development, and collaboration, as identified in Phase One. Agencies and organisations and their roles in assisting business clusters are mentioned frequently in the literature (Tambunan, 2005, Aylward, 2003, Visser, 2004, Porter, 1990). However, as determined in Phase One, and supported in this phase, COWA is seen as a more effective means of interaction than is COPNL. This will be addressed further under the nature of collaboration in the region.

In addition to COWA, all wineries represented by the participants belong to the New Zealand Winegrowers Association. This association was founded in 2002 as a joint initiative between the New Zealand Wine Institute (WINZ) and the New Zealand Grape Growers Council. WINZ provides promotion and research benefits to members. Membership is automatic if a winery is a member of the Wine Institute or the Grape Growers Council (membership in the council is automatic if the wine grape levy is paid by a winery). Additionally, the Sustainable Winegrowing New Zealand (SWNZ) association provides a set of guidelines and criteria under the WINZ, for having green, sustainable vineyards. Wineries who meet these criteria are labelled 'sustainable'. It is noted here that winery six is the only one not participating in the SWNZ. Their reasoning is that they are heavily committed to a biodynamic environment and see it as a step down to be involved with the association. Sustainability still allows the use of irrigation, pesticides, and herbicides, but on a

much reduced level, which organic and biodynamic does not allow. Some see sustainability as a first step toward being organic which will be addressed later. Viticulturists particularly are heavily involved with SWNZ.

The vintners, viticulturalists, and owners discussed the formal organisations in which they participated to enhance collaboration. Below are examples of what each type of interview (vintner, viticulturalist, owner) said about their formal activity involvement.

### **Vintners**

**Winery One:** *Organic Winegrowers of New Zealand Association; that is the one that's just been formed up in Wellington and I'm the Central Otago rep for that. Also, Sustainable Winegrowers. You know, when there's different groups obviously that are interested in organics we usually get together on that sort of thing. We run a couple of workshops here and one down at – interest workshops and stuff like that.*

**Winery Four:** *Ah yeah we're members of um COPNL, yeah, um...and um...well obviously the Central Otago Winegrowers, so yeah, both those things. What it has given us by joining COPNL is access to a lot of the wine writers and um...different events that have taken place that we wouldn't have had individually.*

### **Viticulturalists**

**Winery Five:** *I'm actually on the committee of COWA, so I run the Education Committee for that and try and bring in sort of outside speakers and international speakers for all our members so um yeah that's a fairly large involvement for me.*

**Winery Three:** *COWA are pretty good, I suppose you're aware of that kind of thing. They regularly bring down speakers – it could be irrigation, it could be phylloxera, how to handle that. And the regular newsletter, it has articles in that, as well. So you get feedback, regular speakers from COWA.*

### **Owners**

**Winery Five:** *Yeah we do all that - COWA and COPNL, yes. Been in that every year. And we participate in the Central Otago Pinot Noir Celebration, both here and Wellington.*

*Like we've got a tasting on Tuesday in Queenstown so we all go over and do a tasting for the region, for the local trade, so we do wine tastings when the wine writers are coming into town, do*



*regional tastings for that. We started last year, we call them E-Sensual Adventure, which is like a boot camp, where we, we thought – I don't know how many bought in, was it 10 – we thought we'd bring people in to the area and give them a great time.*

**Winery Eight:** *Well, I guess, from my individual point of view, shortly after I joined the winery, I was nominated to be part of the COWA committee. I went onto the committee, not because I could contribute anything meaningful, but quite selfishly, I just felt that it was an opportunity to learn either about the issues relating to Central Otago's region or an opportunity to learn about some of the people who were important in the network. So, through the COWA committee, I learnt a lot, either passively or deliberately.*

An example of the spiral movement of knowledge introduced by Nonaka and Takeuchi (1995) is a new vineyard-management technique introduced by COWA. During the meetings, much discussion occurs amongst the members, so they have a consensual understanding of the suggestions and how they may work in Central Otago. Many members will accept the newly acquired information and trial and adopt it in their own environments. Discussion and debate continue during the adoption of the new process, typically between neighbours, within established relationships, or contractors. This type of collaboration results in each winery obtaining the best individual practice and assisting other wineries in doing the same, thereby holistically enhancing regional practices. The importance of competition is reduced in this context as every winery and vineyard is different. Formal activities were discussed above, but less obvious informal activities and interactions exist within the region supporting the spiral movement of knowledge. The vintners, viticulturalists and owners enumerated several examples of informal activities.

## **Vintners**

**Winery 12:** *BBQs, soccer, golf, you know because people are working in various groups, there's always an interchange, you know – this is a close group, and there's always someone swinging around or you even swing, so that's how you get information. Things at a social level – dinner parties, children. So, generally speaking, you deal mostly with people within the industry which is interesting, a bit anal, I guess, but that's how it is.*

**Winery 7:** *– there's wine tastings. [Vintner, 6] often organises wine tastings, quite serious wine tastings, and we would always participate*

*and go to those, and they're kind of informal, because he just organises those.*

## **Viticulturalists**

**Winery 7:** *We do quite a lot of things, like, you know, we got our new viticulturalist just started, so we had a dinner and invited, he's got children, viticulturalists and wine people around the area that we know for dinner. This is to have him not operating in isolation, that he's got this network, and that's why I invited all the viticulturalists, so he can ring people up.*

**Winery 8:** *So, for example if the Riverside Nursery sometimes do clonal tastings of new release clones and things like that and I'll ring up [viticulturalist 5] to go with me.*

## **Owners**

**Winery 11:** *But yeah, in terms of working together...I'm sure, you know, in an informal basis with our winemakers that they would spend time socialising you know – it's quite a common occurrence for other winemakers to come to, come into the winery to, you know, just to check on the progress of our wines.*

**Winery 7:** *People in San Francisco wanted to taste Central Otago pinot noir. And San Francisco's a pretty sophisticated sort of a wine tasting city, and I just observed...the approach, and people there, they'd say, "Now, there's 10 wines, I only want to taste three, what are the best three?" And you would see winemakers, and it would be the winemaker from [12], who would say, "Well it's this one, this one and this one." And then the next person would come up and ask a similar question. And he'd choose three entirely different wines. So what we were doing – it was just a promotion of the region.*

The participants wholeheartedly espoused the existence of collaboration amongst the winery personnel within the region, as was indicated in Phase One. Several examples of how they shared resources and with whom emerged from the interviews.

## **Vintners**

**Winery 12:** *So my example is I struggled with the ferments this year. Okay, what can I do to not get there in the first place? You know, there's no small talk, but you always pick up something that alerts you and something else. Because they are very, very busy, so it's almost like this be accident you discover a whole lot. I might hear something and say, "Hey, I need to look at this" and I think that's the good part. And, we're learning, I mean, we have no track record.*

**Winery 11:** *So, to think you know everything is very dangerous. So you're just very, you need... and that's the other thing about – everybody's open and willing to try new things, so it's important to ask other people*

### **Viticulturalists**

**Winery 5:** *We do a lot with just the local neighbours, of course, when you start adding the social aspects and then, you're looking at people like [viticulturalist, 8]. And the same, I've got another good friend who works in the Polytech, through the viticulture department, so I sort of have connections in that way, as well.*

**Winery 4:** *I'm always ringing up my friends and neighbours to see if they have workers for us or if they know who I can ring to get them. It's constantly happening during harvest. I ring them, they ring me.*

### **Owners**

**Winery 4:** *One thing is here the winemakers tend to socialise quite a bit together, like-minded individuals and wine is one of those things that it's okay to talk about in after-hours, you know.*

**Winery 2:** *I talk to [owner, 9] a lot, a former winemaker here. I'm also very close to [founder].*

**Winery 11:** *Again, it's sort of – you know everybody by face and name so it's quite easy to pick up the phone and talk through things. Even things like debtors, you know, if people in the area are having problems paying the bills, you just put the word out and that sort of thing. Yeah, there's a good deal of cooperation in that respect.*

It is evident that vintners, viticulturalists, and owners are willing to share information and the people with whom they have social relationships are also those whom they rely on for advice. However, I determined that there were also sub-groups of interaction within the region that were important for collaboration.

### **Sub-groups**

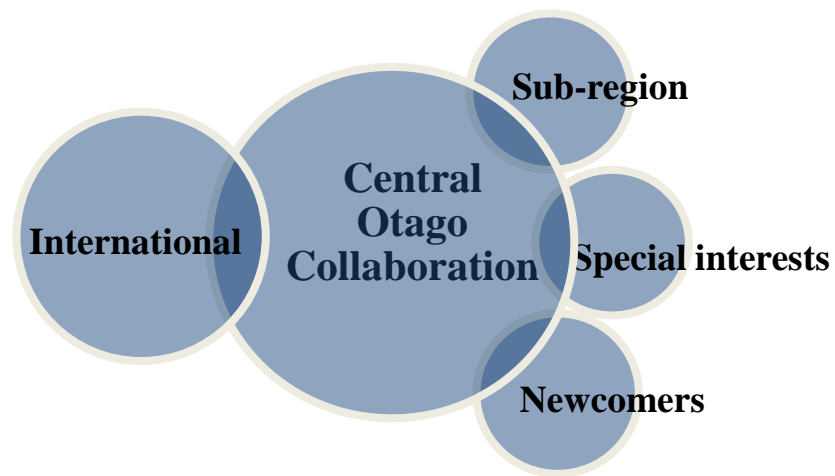
Three groups of interaction were identified in the study – sub-regional, special interest, and newcomers. Winery personnel within a sub-region (outlined in Chapter Four) tended to interact with each other more than with people in other sub-regions. Special interest groups consisting of people interested in organic or biodynamic growing, for example also interacted frequently. Finally, newcomers to the region

formed their own groups for socialisation and advice-providing. These sub-groups are important to the region as they tend to be progressive, with new, innovative ideas. The concept of sub-groups enhancing collaboration is new to the literature and is discussed in more depth below in the nature of collaboration.

In summary, the process of collaboration within Central Otago involving outside, inside, and sub-groups of relationships and information exchange creates a continual system of interaction which benefits individual wineries and the region as a whole. The knowledge exchanged is tailored and adapted within an individual winery after discussion with other Central Otago winery personnel or consultants. Therefore, each winery's operation is continually ameliorated and regional knowledge advances.

Knowledge is retained in the region as winery personnel enjoy the rural lifestyle and the challenges associated with producing premium wine. There are advancement opportunities for them within the region, so the knowledge pertinent to the region stays in the region. This base of knowledge is critical because every region and vineyard has its idiosyncrasies (and terroir). Understanding particular nuances of the surroundings results in appropriate vineyard and winery management aiming to make the best wine possible associated with a particular place.

The global collaboration process within Central Otago is depicted in Figure 6.1



**Figure 6.1 Process of Collaboration in Central Otago**

The process of collaboration within Central Otago, although confirming other business cluster studies, is differentiated by distinguishing characteristics comprising the *nature* of their collaboration process.

Another aspect of network collaboration requiring mention at this point is that of co-opetition. This concept, introduced by Bradenburger and Nalebuff (1996) relates to the simultaneous occurrence of competition and cooperation amongst network ‘players’ (p. 5). Research on co-opetition most frequently is conducted from a *management* perspective in determining who a company designates as a partner and how interdependent their relationship should be. Common sense would indicate that co-opetition is present in both business clusters and networks and various researchers have studied co-opetition in clusters (Molina and Yoong, 2003, Taylor et al., 2007, Ketchen, 2004, Michael, 2003), as well as several in networks (Armstrong and Clark, 1997, Luo et al., 2006, Zineldin, 2004, Kotzab and Teller, 2003). However, the Central Otago business cluster has no ‘management’. In fact, the winery personnel are independent practitioners bound together by geography and a strong motivation to product quality wine under challenging conditions, as will be discussed. Therefore, the concept of co-opetition was not studied in this research.

### **6.3.1.2 Nature of Collaboration**

As stated in Chapter Two, firms are developing closer relationships with other companies to achieve market growth, take advantage of new opportunities, or reduce costs (Rosenfeld, 1996, Ritter et al., 2004, Dyer, 1997, Anderson and Narus, 1990). The means of how networks or business clusters collaborate to achieve goals would seem to be specific to each particular network or cluster. In this thesis, the objectives of collaborating firms are identified in Chapter Two. The analysis of the data determined how the wineries of Central Otago accomplished common goals through collaboration. The process of collaboration, as discussed is quite open and identifiable – that is knowledge from outside the region is constantly circulated within. However, what is not so obvious is the distinguishing *nature* of collaboration in Central Otago to be discussed next.

### **6.3.1.3 Purposes of Collaboration**

The following section discusses the reasons Central Otago wineries collaborate and the nature of their collaboration that contradicts, supports, and expands the literature.

#### **6.3.1.3.1 Objective of raising awareness (co-marketing)**

##### ***Heterogeneous Marketing Strategies***

One of the purposes of the regional cluster is to raise global awareness of Central Otago wines to assist in exportation (Dayasindhu, 2002, Schmitz, 1999, Streb, 2003, Tambunan, 2005, Aylward, 2004). The wineries subscribe to formal co-marketing through COPNL to help support the exportation effort. Also, they help each other by representing and discussing other wineries' wines at events, or referring visitors to many Central Otago wineries for wine tastings.

None of these concepts are new to cluster literature, but there was one notable difference in their co-marketing activities in comparison to other research. In Phase One, COPNL was not named as the main facilitator of information exchange (see Table 6.1). This led me to suspect there were other means of marketing in the region and I wanted to determine that in Phase Two. Therefore, I chose owners in Phase Two who are not members of COPNL and who choose to

emphasise their individual brands rather than support the direct marketing of the region through COPNL. The owners indicated:

**Winery 2:** *I had a falling out with COPNL in the early days in London. There were eight wines that were chosen for a dinner and they were all COPNL Board Members, so I said, "That's it, I'm going it alone." I'm not a member of COPNL. I'm very tied into the tourism trade and that's what works for me.*

*We have a large operation and saw about 150,000 people last year at our winery. 40,000 people dined here. The people really could not care less about what they are drinking, although we produce high quality wine.*

**Winery 10:** *The wine speaks for itself, however it has to be positioned appropriately, it has to be shown, it has to, has to win [awards] occasionally. Ah, having won big, it's going to make it a lot easier to continue to position and develop the brand.*

*The more of those we get the more positive reinforcement there is of the variety in Central Otago, New Zealand. So having said that, what I'm saying is the fact we're not in COPNL doesn't mean that we're not advocating New Zealand and Central product – we're doing that anyway.*

*I have no – I have absolutely no guilt feeling about not paying my way. We're paying our way in a different way. We're paying our way in a much more practical, direct, clear way.*

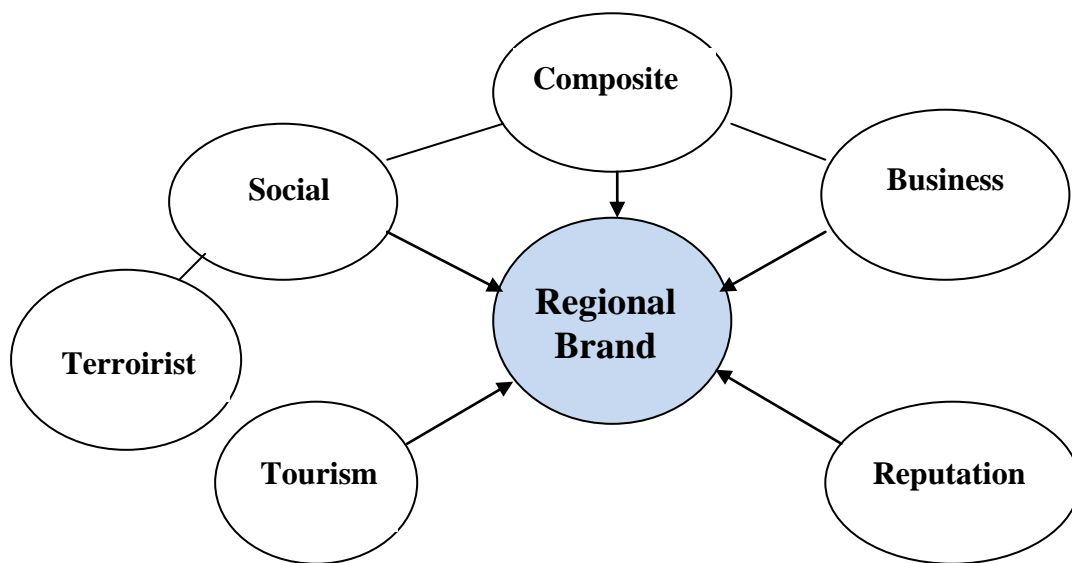
*You've asked me why we're not in COPNL and I'll sort of talk about that. We were, earlier on, and we were dissatisfied with – and I'll put it very broadly and very generally – dissatisfied with the level of representation for the small people, and we defined ourselves as small people.*

**Winery 9:** *What they do is what they do. I'm not here to – I'm not here to tell them what they should be doing. All I want to do is, what I think the best I can do is...I think – and you do some people around here trying to tell other people what they should be doing and I have a problem with that.*

On the face of it, this contrary action would seemingly erode the concept of a unified regional position and regional promotion, but that does not occur.

A business cluster is a paradox as independent firms in a geographically-limited space strive to achieve united goals, yet they all have separate business aims (Porter 1990). Grängsjö (2003) and Bengtsson and Kock (1999) discussed

various approaches independent firms have for collaborating in networks. My study specifically identified the participants' disparate marketing strategies which seemed to contradict the idea of collaboration to develop and support a regional brand. However, although these three wineries do not use COPNL, the various marketing strategies all raise the level of each winery's reputation, therefore ultimately enhancing the regional reputation by association. Five different constructs emerged in the wineries' marketing strategies as shown in Figure 6.2 with an explanation following:



**Figure 6.2 Heterogeneous Marketing Strategies**

**Social** – These firms are committed to social and personal relationships they have developed in the region. By choice, they are firmly committed to COPNL and believe the region should be presented in a unified manner above their own wineries.

**Terroirists**- This sub-category of Social is an emerging group who strongly believe in the terroir of their vineyards and sub-regions and are presenting their wines in that way. They are also tied to organic/biodynamic vineyard management. However, they are still very committed to solidarity in supporting the regional brand and sharing information in the region (Owners of wineries 1 and 6).

**Tourism** – One owner in the participant group has taken deliberate actions to draw visitors to the winery through relationships with tour bus companies and



other tourism entities and establishing tourist attractions, such as a restaurant at the winery. He relies on cellar door sales to promote his business. The winery uses the Central Otago regional brand associated with their wines, but is not part of COPNL. (Winery 2)

**Reputation** – The owner/vintner at winery nine has chosen to use his own international reputation to develop his individual brand. He is committed to Central Otago and was one of the first vintners in the region. He uses the regional brand in his marketing messages, but is dedicated to developing his own business. He does not belong to COPNL.

**Business** – The owner of winery ten has an extensive business background and based the establishment of his winery on a business model. He chooses not to participate in COPNL, and invests his financial resources into promoting his own brand, particularly by pursuing international awards.

**Composite** – Two of the winery owners are very committed to regional solidarity, yet are realising they have to market and support their own brands. They participate financially in COPNL, but do not attend all events. They are adopting marketing strategies to promote their individual brands (Wineries 8 and 11).

Despite these disparate marketing strategies, particularly those owners not belonging to COPNL, all of the owners feel strongly that they are supporting the regional brand or the prestige of Central Otago wines, and are collaborative. Because their wines are highly regarded globally, they are elevating the reputation of Central Otago through association. They place themselves under the regional brand of Central Otago, but support it with indirect marketing strategies. Each of the owners indicates that they are contributing to co-marketing the region, just not through COPNL. They are willing to help other wineries and are involved formally and informally with regional events. As the owner from winery 10 stated:

*We – I mean any time that you're doing any of that,...referral to other places [referring visitors to other wineries], you're surely consolidating the brand Central. I have absolutely no guilt feeling about not paying my way. We're paying our way in a different way. We're paying our way in a much more practical, direct, clear way.*

My interpretation is that these wineries do contribute to the prestige and reputation of the region, however through different forms of collaboration. This interpretation is not readily accepted by all the participants. The wineries in COPNL refer to this as “a lack of cohesiveness” and feel that the wineries not belonging to COPNL are not contributing financially to regional branding, yet capitalise on the strength of the established regional brand. However, I believe that by building their individual brands’ reputations, the wineries not joining COPNL elevate the stature of the region, thus support the regional brand. Exactly how wineries with disparate marketing explicitly promote their own wines, yet implicitly support a regional brand has not been identified previously in the literature and expands regional branding and business cluster research.

### ***Marketing through International Relationships***

Giuliani and Bell (2004) identified the importance of outside knowledge coming into a wine region. Also, in Phase One, the participants discussed the importance of the outside experience of winery personnel. A significant finding in my study is that external knowledge did not just advance the Central Otago Wine Region. In a collaborative sense, Central Otago becomes a source of external knowledge for international Pinot Noir producing wineries, because global exchange of personnel for vintages was encouraged. Therefore, knowledge exchange and collaboration occurs within the global Pinot Noir community, not just Central Otago. So, the ‘spiral movement’ of knowledge within business clusters described by Nonaka and Takeuchi (1995) extended outside the region in the case of Central Otago and included knowledge exchange and collaboration within the entire Pinot Noir global community. This concept has not been discussed in business cluster and network literature. As the vintner from winery nine stated:

*And going back and forward, doing two vintages a year [between the Southern and Northern Hemispheres],– it’s not that you learn twice as much, but also you remember, because you’ve done a vintage more recently.*

And, the vintner from winery three:

*And you look forward to coming back, and you see the wines through fresh eye. Yeah, so international experience – a lot of people, a lot of winemakers here have done that.*

The international exchange seems atypical in a business environment because the international wineries are seeking the same markets as Central Otago and are direct competitors. This concept is especially significant as Old World wineries in France dismiss the idea of the New World producing excellent Pinot Noir as discussed in Chapter Four, yet some French wineries are willing to collaborate with Central Otago wineries. It was out of the scope of my study to interview international wineries about this co-operative environment, but participants in Central Otago discussed relationships with winery personnel at international wineries as being of equal importance to their relationships within the region. The idea of maintaining relationships and helping friends make excellent Pinot Noir was deemed more important than competing with them. As the owner/vintner from winery one stated:

*It changes everything and so it should, and for French people coming out here it does as well, you know, I mean with some friends of mine in Burgundy, we started up a cultural exchange between Central Otago and Burgundy. So, we sent three people over there, they sent three people over here, for each harvest, and that's been going for a year and a half now, it's been doing really well.*

Another aspect of these exchange programmes emerging from the interviews is that the programmes accelerate the global awareness of the Central Otago region. In other words, during these exchange programmes, wine is exchanged and tasted, people develop relationships, and the practices, people, and wines of Central Otago receive recognition. This recognition, through a form of viral marketing, is significant because the international winery personnel work for esteemed wineries and are experts or opinion leaders in the industry. Therefore, when they laud Central Otago wines around the world, the accolades are influential and generate global awareness. This concept was not identified in other network or business cluster literature and is an important aspect of Central Otago wines gaining rapid global esteem.

#### **6.3.1.3.2 Attract talent for continued knowledge renewal in the region**

Another prominent theme emerging from the vintner transcripts was the importance of attracting new, gifted winemakers to the region, which expedites

their growth while enhancing quality. Potential new winemakers are identified and attracted through relationships in the region, in New Zealand and the Pinot Noir world. This is a form of global collaboration identified previously. Additionally, the region is a magnet as it offers beauty and lifestyle as well as an opportunity to be part of an embryonic, prestigious wine venture.

The concept of thriving clusters attracting talent has been argued in the literature. Researchers have indicated that a thriving, innovative business cluster tends to attract talented people, spurring the growth of the region (Rosenfeld, 1997, Porter, 1990). However, the idea of attracting talented people, who then become part of the ‘newcomer’ sub-group, as described below, and their importance in encouraging collaboration is new to business cluster research.

#### **6.3.1.3.3 Share resources to innovate**

##### ***Long-term Relationships***

Knowledge is the most dominant form of resource sharing in the region, as seen in the process of collaboration above. Knowledge is continually shared amongst the winery personnel through formal and informal means. This is a common characteristic of business clusters (Bramanti and Ratti, 1997, Camagni, 1991, Wilk and Fensterseifer, 2003). Trust and long-term relationships are often credited with a smooth transfer of knowledge within clusters (Porter, 1990). Long-term relationships exist within families and friends who have known each other for generations and interaction occurs easily within these relationships as stated in cluster research (Porter, 1990, Dayasindhu, 2002). However, in my participant group, only two people (the owner/vintner of winery one and the vintner of winery four) were second generation Central Otago wine people. I determined in this study that the relationships in the participant group are often not long-term in nature. This is understandable because the region as a wine-producing area is new, therefore people attracted by opportunities and challenges have re-located to the region, as discussed above. The existence of a limited number of long-term relationships amongst the participants in Central Otago is a departure from business cluster literature.

### *Level of Trust*

An even more significant finding is a different level of trust in the collaborative process in Central Otago, an emerging idea in Phase One. The literature argues that trust is a key factor in the development of collaboration and innovation (Porter, 1990, Maskell, 2001, Lawson and Lorenz, 1999). However, the establishment of trust is typically associated with long-term relationships, and as identified, few long-term relationships exist within the region. In the case of Central Otago, winery personnel enter the region with established reputations from other prestigious wine regions, therefore an automatic level of trust in or respect exists for their experience and knowledge. Another aspect of trust in sharing knowledge amongst winery personnel is that knowledge transfer occurs because any information exchanged has to be adapted to individual environments to become tacit knowledge particular to that winery. As the vintner indicated in Phase One, “We all have our own distinctive wines.” Information is not taken from one individual and directly applied to another environment. Therefore, different winemaking contexts at different wineries mean that the knowledge adaptations trialled by each vintner or viticulturalist actually protects the knowledge-giver from loss of competitive advantage. Somewhat paradoxically, this knowledge contextualisation changes the level of trust needed for such information exchanges in the first place. This risk reduction helps the expansion of wine knowledge and its circulation through the region, elevating regional knowledge over time. Certainly relationships exist amongst the winery personnel establishing trust in Central Otago, but this research indicates that the Central Otago has its own definition of trust based on first, the experience and reputation of people coming into the region rather than long-term relationships. Secondly, knowledge exchange occurs more easily between people because of how knowledge is used in the particular context of each winery and vineyard.

As the owner from winery three stated:

*But the exchange of information is quite amazing, really. People with Pinot are willing to give that information because they realise what works from their side may not work for someone else.*

Also indicated by the viticulturalist from winery four:

*Central, it's more like we all band together. We don't really keep secrets from other vineyards or anything like that. It's – and marketing, it all sort of goes hand in hand. I think it's more of, a big pool of growers that are all exploring new options because it is relatively new here, so that everybody's asking the question to other vineyards, like how do we market, how do we grow?*

Although working together to support the region, Central Otago wineries are concurrently striving to obtain differentiation of their own individual wine brands that express the terroir of their vineyards. Because of this, the idea of the 'same product' does not exist in the region. It makes sense, therefore, information would not be used the same within all wineries. However, the finding that trust is not a factor in the willingness of winery personnel to disseminate information is a significant departure from business cluster and network research and is an important contribution to the literature.

### ***Sub-groups of Collaboration***

Another concept emerging from the interview data was sub-groups. Giuliani and Bell (2004), in their study of the Colchagua Wine Valley in Chile, identified the concept of sub-groups based on the knowledge base and absorptive capacity of individual wineries. However, in my study, I determined sub-groups based on individuals' time and experience in the region, special interests, and sub-regions. I interpreted that these sub-groups were important sources of new, innovative ideas that could be incubated and trialled in specific wineries. These new concepts were then expanded throughout the region through collaborative activities such as formal organisations (COWA and COPNL) and informal face-to-face interaction in the process of collaboration.

First, as mentioned above, because there are many new people in the region, they have formed their own loosely-defined group. For newcomers, COPNL and COWA are important mechanisms for them to develop relationships and gain knowledge about the region. Neighbours are also a source for newcomers to meet existing Central Otago people and receive introductions into new networks. Newcomers bring new ideas which are then adapted to particular environments – part of constant experimentation and expansion of knowledge. New personnel also have typically established reputations in other Pinot Noir wineries, therefore

enhance the reputation of the region. They also establish their own collaborative age cohort (both by experience and life-cycle) ensuring a succession of people caring about collaboration and quality in the region, securing the future of the regional brand. The vintner from winery three stated, “Oh, I hang out with other winemakers. You know, the other younger winemakers that you meet become friends with you. Friends give each other support.”

As the regional founder interviewed indicated:

*And we've attracted passionate young winemakers. I mean they've been very important. We've got such good winemakers to this region and they're all passionate about Pinot Noir and what they do. And they're the backbone really of the region.*

This idea of newcomers being the ‘backbone’ of the region with their passion and fresh ideas is new to business cluster research where long-term relationships over generations is emphasised ((Bathelt et al., 2004, Porter, 1990).

Another sub-group concept in the region is the special interest group. Special interest groups such as those concerned with organic, biodynamic, and sustainable farming interact frequently. They help nurture and develop their own ideas about topics within the sub-groups, then circulate their knowledge and experience within the regional wineries. This knowledge transfer enhances regional collaboration concerning specific topics and motivates other wineries to be innovative. As the vintner from winery six indicated:

*There are different groups, obviously, but I end up talking to [1] a lot because of our interest in organics.*

The owner/vintner from winery one reciprocated:

*All of us that are into organics are a fairly talkative lot. We sort of communicate regularly about different things. That's throughout New Zealand but in Central as well I would probably talk to [viticulturalist, 6] once or twice a week on different things and [viticulturalist, NP].*

The winery personnel subscribing to organic farming feel that the concept is tightly linked to the terroir of their vineyards. Organic farming is a somewhat controversial topic in the region as not all participants accept the idea and have not

implemented it, as was demonstrated in Phase One. However, even those who have not yet adopted organics knew it was the ‘wave of the future’ and they would have to consider using organic methods to enhance their wines or the marketplace image of their wines. This is how an innovative idea is incubated within the subgroup, then extended throughout the region.

This study also revealed that relationships and information exchange were dense between people in the same sub-regions, another sub-group of interaction. Sub-regional wineries often encounter similar soil, climatic, and pest challenges. Therefore, their frequent interaction makes sense as the specific challenges and problems associated with a sub-region can be addressed best by those who are most knowledgeable. Also, they are geographically proximate, so can easily meet face-to-face. Additionally, the analysis indicated that people in a sub-region tended to socialise with each other.

The viticulturalist from winery five stated:

*I would ring [her] at [8]. We're both in Banockburn and see the same types of things in our vineyards. Helpful that way.*

The vintner from winery 11 reiterated:

*So, we have to be very careful to be ourselves and to let that region or sub-regional thing come through. We can do that by continuing to work with people who know the individual areas the best within sub-regions*

The concept of sub-groups of interaction to enhance collaboration amongst competitors has not been addressed in the literature. Because Central Otago is still considered embryonic, these sub-groups of knowledge and knowledge circulation within the region are vital to the region's growth and achievement.

### ***Movement of Personnel***

The movement of personnel, that is, staff leaving a winery to accept a position at another winery in the region is commonplace. Also, people leaving to start their own companies is a regular occurrence. This supports the concept that clusters provide opportunities for and supporting spin-off companies (Keeble and Wilkinson, 1999, Sternberg and Litzenberger, 2004). As the viticulturalist at



winery four indicated, “We both [he and his assistant] came from other vineyards here – that’s pretty common. A bit of movement about”. It becomes a means of knowledge expansion from winery to winery and from winery to consultant and it is a form of collaboration. They approve of and welcome the ‘movement’ in the region and they find it gratifying that their people accept positions elsewhere. In the words of the viticulturalist at winery eight: “It’s rewarding to see one of our people move on to a better position at other winery.” The advancement of people within the region enriches the knowledge base and keeps it within the region and supports previous business cluster research.

#### **6.3.1.3.4 Risk-sharing/pioneers**

Experimentation or taking risks is something all viticulturalists and vintners in the region feel compelled to do. They have to continue to determine what clones work best in the vineyard and what management techniques work to constantly improve the quality of the wine. Also, in the winery, time in the barrel, types of barrels, fermentation, and many aspects of winemaking have changed over time. As a region, the wineries are embryonic and winery personnel are still learning. Therefore, the need to experiment and take risks is shared by all wineries. As cluster literature indicates, often the apprehension about taking risks is abated when all members of the region are doing it (Lawson and Lorenz, 1999, Porter, 1990). This concept was clearly evident in the region, confirming the literature. Open information exchange about different techniques increases the wineries willingness to take risks and accelerates innovation.

The wineries also reduce their risks and expenditures by working together. Winery personnel collaborate to purchase larger quantities of material. This was especially identified amongst the viticulturalists. Because the wineries are small, they cannot receive quantity discounts, however, together they can accomplish this. They also contact each other frequently to compare prices quoted by vendors.

Winery six indicated:

*We do as much as we can and certainly with [5] across the road we bulk buy in things like ammunition because we’re probably one of the few vineyards between us that still actually use ammunition [to frighten birds].*

Also winery five said:

*We get some things in conjunction with [8], but again it's tended to be, if she needs to get a certain amount to get the deal and it's just a little bit more than what she needs. We're just too small, you know.*

Risk-sharing is also linked to the pioneering spirit in the region. The wine producers see themselves as forging into a new territory of wine production and facing seemingly insurmountable problems. They also appreciate and identify with the history of the gold-miners and the challenges they faced (see Chapter Four).

#### **6.3.1.3.5 Summary of the nature, process, and role of collaboration within Central Otago**

Using the AAR framework guiding questioning provided a penetrating view into *how* winery personnel in the region collaborated through their interaction, activities, and exchange of resources. (Håkansson and Snehota, 1995). The data analysis allowed the process of Central Otago collaboration to emerge from the data.

It was determined that within the Central Otago Wine Region collaboration is important in overcoming numerous natural threats and marketing challenge. Therefore, the wineries work together to present themselves as prestigious wine producers. Although the *process* of collaboration was straightforward, that is, outside information circulating throughout the wineries within the region, the *nature* of collaboration was unique. The characteristics of the nature of collaboration include disparate marketing strategies within the wineries, global collaboration, viral marketing through global contacts, few long-term relationships, less of a need for trust for knowledge transfer, and the importance of sub-groups for knowledge generation. These aspects of the collaboration will be further summarised including the contribution to research in Chapter Seven (Section 7.2.1).

### **6.4.1 Research Question One: Examine collaboration and the role it plays in the development of a regional brand identity.**

#### **6.4.1.1 Process of Collaboration Associated with Regional Brand Development**

The issue of regional branding began to emerge during the discussion of collaboration, however, more analysis was required to determine how collaboration contributes specifically to the development of a regional brand.

The concepts of branding, place marketing, and place/regional branding were examined in Chapter Three. Regional branding assists in developing the *identity* of a specific place with the communication of attributes pertinent to it (Pritchard and Morgan, 1998). It would make sense that the process of establishing of a regional brand by regional constituents is specific to each region. Therefore, the process or how the regional brand in Central Otago was formed was examined, followed by discussion. Then, the analysis of data concerning the nature of the Central Otago regional brand through collaboration is discussed.

#### **6.4.1.2 Process of Establishing a Regional Brand**

Regional branding is used to offer cues of quality, reliability, and differentiation for reasons of attracting visitors, investors, talent, or marketing products (Boyle, 2003, Anholt, 2004, Pritchard and Morgan, 1998, Hudson, 2005, Klein, 2000, Motloch, 2002). A regional brand has an identity associated with it to persuade customers to recall a specific, distinctive image about the place.

I had the privilege of spending a Saturday morning with one of the founding winemakers of Central Otago. Because the process of establishing a regional brand of Central Otago has a historical aspect, the contents from this interview provide first-hand background and history in to the mechanics of establishing the regional brand through collaboration. The founder is writing a book about the region and had notes from the first meeting of the Southern Grape Growers and Winemakers Group on 22<sup>nd</sup> July 1984 (later to become COWA). He was one of the five initial grape growers in the region and described the environment this way:

*We were looking at ways of getting together to form some kind of cooperative to make wine at that stage [1980]. We all had plots that were growing and about to produce fruit and we were looking at how we could cooperatively make the wine. In fact we made [winery one] and [winery two] wines at Taramea, Ann's [Pinckney] company, which is defunct now, on Speargrass Flat Road and that was '80. We made wine there '86 and then the first commercial wines were made there in '87. Rolfe Mills [founder of winery one, since deceased]*

*pulled everyone together and created the Central Otago Winegrowers Association, which you'll be aware of. We set down some very important canons and philosophies. These involved communication and quality over quantity and certainly this idea of solidarity. This was in the sense that we're not really competing against each other, in the sense that if we can help our neighbours grow the best possible wine then we stand to do far better than if we were just plugging away at it ourselves. From here, we established COPNL to assist in the marketing of the Central Otago brand and our wines.*

Initial collaboration of the wineries was one of a physical nature – the pooling of winemaking facilities. This collaboration also included information exchange as there were few expert winemakers in the region. This approach worked well for the early pioneers. However, Rolf Mills (founder of Rippon Winery in Wanaka) had a vision to solidify this collaborative approach for the future success of the region. Mills and the other initial wineries formed COWA to support vineyard management and subsequently COPNL under the wing of COWA to assist with regional marketing. All the wineries agreed to market their wines under the Central Otago regional brand with their individual winery labels in a subordinate position. They designed a unique bottle used by all the wineries to differentiate the regional brand. COPNL also uses a logo to depict the region and its Pinot Noir wines:



**Figure 6.3 COPNL Website.**

**[http://www.centralotagopinot.co.nz/?pi\\_pageid=30](http://www.centralotagopinot.co.nz/?pi_pageid=30)**

The founder went on to discuss how isolated the region is and how proud they are that they have been able to produce premium Pinot Noir

*Well, it happens...we all brand ourselves as Central Otago. It's on our labels, I mean that's what makes our Pinot different from other people's Pinots, we've got it on the label. It's the first stage of branding, I suppose, in a marketing sense. The only formal branding mechanism is COPNL, I guess, or Central Otago Winegrowers, but every time the word Central Otago is used, and we're proudly Central Otago – I mean that, we have a huge advantage, geographic*

*advantage. We initially thought it was a disadvantage, our isolation way down here at the bottom of the wine world. Everybody kind of was a bit, very patronising, I can remember in those early days, they'd kind of pat you on the head at Christmas and say "Oh, have you got bud burst yet?". People in the North Island were so sceptical and - oh, they were good-natured about it, but they've had to eat their words.*

The process of collaboration to establish a regional brand was forthright. The early growers were conquering challenges that the rest of the world said they could not surmount. They needed each other for resources, such as wine making capabilities, and for knowledge. A leader (Mills) took charge to formalise their network. As discussed, the participants feel they are still growing and in need of knowledge. Therefore, the conviction of the importance of collaboration amongst the wineries continues after Mills' time. The winery personnel remember or have been told about the history of collaboration in the region, therefore the idea of collaboration is perpetuated. Some comments about the establishment of a regional brand support this:

**Owner, Winery 8:** *Well, that was emerging when I started. There was this idea that we had to work collectively to develop the Central Otago brand and I agreed. I felt it was a really strong vehicle to operate with. You know, it gave us a nice solid platform and again, it acted to galvanise the team. For example, we went to London with the rest of the team, part of the strategy was just to reinforce the Central Otago theme, it wasn't necessarily about individual wineries sort of trumpeting themselves, it was rather more about the Central Otago theme, in my view anyway.*

*To do that on your own when you have such odds stacked against you is not easy, so Central people quickly appreciated that you have to go with other people to go forward.*

**Vintner, Winery 5:** *I think it's been there [regional brand] from the start really. And I also think that because we were small, there was a need to do something that was quite unique.*

**Viticulturalist, Winery 7:** *Well they [first five wine producers] worked very closely together, and it was their idea to bring in that long tall Central Otago bottle and to start marketing themselves. And of course they were small.*

These winery personnel, although none of them were part of the initial five producers, understood and internalised the practice of 'working collectively' and collaborating to achieve a regional brand with prestigious global standing. Using a unique bottle enabled consumers to identify Central Otago easily and provided a tangible symbol of

the regional brand, as the logo for COPNL did. They exhibit at wine events together as Central Otago, not under individual winery brands. They are small, boutique producers and do not have the resources to market individually. They were working against the odds and knew instinctively (“it’s been there from the start”) that by collaborating they could establish themselves in world markets more expeditiously than trying to market alone. Business cluster research has indicated that often business clusters are formed with SMEs as they do not have the financial resources to establish themselves in the marketplace (Mytelka, 2000, Rosenfeld, 1997). They have more to gain by collectively pooling their resources than large firms would, which is what occurred with the Central Otago wineries. The participants addressed the importance of the regional brand:

**Owner/Vintner, Winery 9:** *Pinot Noir is becoming a commodity, and here it’s becoming – it’s a commodity like sauvignon blanc, but also wines are about place as well, so it’s [the regional brand] a very important marketing tool.*

*Probably the name Central Otago is still the most important thing. We’ve got a lot of wineries from up North coming down here, and they’re wanting Pinot Noir [grapes], sure, but I think they’re wanting Central Otago Pinot Noir. So I’d have to say place is the most important.*

*I just think it’s people want to make the best wine possible and probably because outside Central Otago [it was said] that grapes could never be grown in Central Otago, good wine could never be made. So I think they were always wanting to show that it could be done.*

**Vintner, Winery 6:** *We are talking about the region and what it is that makes these wines possible. Because that’s where most of our work is or, as I said before, 90% of it’s from the site and the viticulture and then the last 5 or 10% is just the winemaking which we don’t talk much about at all, because it’s pretty simple and straightforward. There’s hardly any other wine region around the world that are quite as unique as Central Otago, so that’s just a fantastic story to tell.*

**Owner/Vintner, Winery 4:** *And within New Zealand people look at Central Otago as...held up as one of the top areas to grow Pinot Noir. So you know, in another 10 years people will be talking about Central Otago’s the place to grow Pinot Noir, that is the Central Otago region as a whole. ...and you know I would say that if you were to survey you know, say the top 10 wine writers in the world, and ask them, what’s the hottest new wine regions to emerge over*

*the last 10 years, I bet Central Otago would feature in their answers. As we move forward, we need to try to not do anything gimmicky or you know that's going to be detrimental to the brand Central Otago.*

As with any branding strategy, a regional brand projects quality, reliability, and differentiation as stated above (Anholt, 2004, Boyle, 2003, Hudson, 2005, Klein, 2000, Pritchard and Morgan, 1998). These characteristics are mentioned in the respondents' statements. Winery six discussed the "uniqueness" of Central Otago, differentiating the region from other wine regions. Winery nine proclaimed that wineries in the region "want to make the best wine possible" supporting quality. Winery nine also discussed other wineries outside the region buying Central Otago Pinot Noir grapes because of the name associated with quality and reliability. Winery four predicted the future of Central Otago based on the maintenance of quality and reliability.

The vintner at winery three clearly understood the benefits of a regional brand: "I find you've got more to talk about and more clout in talking about Central Otago Pinot Noir, than you have talking about [my winery]. I think there's greater awareness of those two groupings of words, Central Otago, Pinot Noir, than there is of [his winery]." Also, the vintner at winery eleven discussed other New Zealand wine regions and how they did not seem to have the same solidarity as Central Otago: "Central Otago has it together. Maybe Nelson or Waipara, you know, they do some pretty good stuff but they don't appear to have their act together as far as pushing themselves forward as a region." The fact that they do collaborate is another source of pride for them and part of Central Otago's identity. Pride is a driving force for the region and another reason the need for trust is diminished in the exchange of knowledge. The manager at winery eleven emphatically stated how the region needed to communicate the regional brand: "Central Otago as a brand must be a priority, with promotion of the region very important. This can't be emphasised enough."

However, from the era of the founders, the concept of collaboration has changed in the region as established in the Section 6.3.1.2. The owners from wineries two, nine, and ten have chosen to not participate in formally marketing the region through COPNL. They subscribe to strategies to promote their own individual brands.

However, they do support the regional brand identity as described by the participants, thereby are integral players in the development of the regional brand.

It has been established in this study that there is a need for a regional brand. Specifically, the small boutique producers can gain more recognition under the regional umbrella. They can also pool their resources and reduce costs. However, as discussed in Chapter Three, the identity of a regional brand is developed by the people in the region and is not ‘managed’ by a person or a firm. This identity is significant because it is the desirable message winery personnel want to deliver to the outside world. Therefore, the nature of collaboration specific to Central Otago’s brand identity is critical

#### **6.4.1.3 Nature of Collaboration in Developing a Regional Brand.**

In a business cluster environment, the place of Central Otago represents many wineries, so it would make sense that the regional brand identity was derived from the meanings winery personnel applied to the place. I interpreted these meanings to form the *identity* or *nature* of their regional brand. Additionally, the image *customers* develop about a brand is co-created with the firm, that is socially constructed through the use of the brand, as suggested by Ballantyne and Aitken (2007). That image is crucial with premium wine as a person wants to project a specific image associated with the place when pouring wine to peers (Charters, 2006). Therefore, to achieve a regional reputation, a distinctive, unified identity of Central Otago must be communicated to the outside world. The formation of the unique regional identity was examined in great detail in this study and would seemingly apply to Central Otago alone.

#### **6.4.1.4.1 Regional brand attributes**

In Phase One, an initial set of attributes of the regional identity was determined. These characteristics included the fact that the personnel recognise their region as embryonic and they are still learning, they are growing grapes ‘on the edge’, they are linked to the beauty of Central Otago, and they are respectful of what nature has given them. Interpretation allowed expansion and further explanation of these attributes in this phase of research.



## ***Beautiful and Harsh***

**Vintner, Winery 11:** *You know, those humps and hollows with Central Otago being very susceptible to poor flowering and frosts.*

**Owner/Vintner, Winery 9:** *I think the most of just hot dry summers, you know, I just think it's the climate, you know, the brilliance and the clarity and the opposite in the winter – brilliant, clear but cold.*

**Vintner, Winery 6:** *I think it happens quite easily because people are just gobsmacked by the beauty of the region, the mountains, all the lakes and rivers, in the summer time – you know, maybe not at the moment [interview was late fall]*

*And so we're used to change anyway. We're used to, you know, just one day it being 30 degrees and sunny and hot, and the next day it snows.*

It is clearly seen that the winery personnel have chosen this particular place to live because of the landscape, beauty, and the lifestyle it offers, as was identified in Phase One. Strong links to their property are evident in the suggestion of permanence. The favourable rural aspect of the region was expressed by the owner of winery 10: “Well I would imagine the lifestyle that we enjoy as being out and not constrained in suburban areas, so you’ve got room to swing a cat, the fact that you can sort of landscape and present the property.” Also, the winemaker at winery three discussed the community element of Central Otago: “Mountains, dry climate, brown rocks – those are just images that, you know, come to my mind. It’s a sparsely populated place, with reasonably strong communities.” Based on the comment by winery seven, the love of the region was stronger than the love for producing wine. Evidence suggests that winery personnel in Central Otago have a strong attachment to the place.

However, they cannot separate the beauty from the harshness and volatility of the climate. Climatic harshness is a trait associated with Pinot Noir production as the grapes ‘live on the edge’. This is particularly true in Central Otago as discussed in Chapter Four. The winery personnel have accepted the challenges associated with the climate (“we’re used to it”) and have developed specialised skills in dealing with it. These skills to battle the climatic elements are continually updated through the ‘spiral movement’ of knowledge in the region as described above. As the wineries have common foes, they are willing to collaborate to overcome them. Not only do they

have pride in overcoming these challenges, a source of pride is the collaborative effort in doing it and is part of their brand identity.

This strong pride is evident in their words:

***Pride and Passion***

**Owner/Viticulturalist, Winery 7:** *I think when the Pinot started being produced and they started getting accolades, people, I mean we always thought we could produce good Pinot, but it was kind of an academic thing, and then the reality was that it kind of fulfilled our expectations but it was, yeah – we do produce good Pinot.*

**Vintner, Winery 11:** *Yeah, yeah. And none of its ‘in their face’, I mean we’re not trying to buy people. We’re just...just trying to showcase what we do. Everybody’s very proud of what we can do here.*

**Owner, Winery 12:** *Because, you know, it’s something new and it’s exciting and I guess you want to fight against the odds.*

*It’s almost as if the leading wineries are still raising the bar [on quality], so they [other wineries] have to follow one way or another, that’s maybe the easiest way to explain it*

An initial motivation by the producers was to prove that they could produce excellent Pinot Noir, that is, to fight against the odds. They revel in the fact that they have done it. None of them are speaking about their wineries alone, rather all of the wineries of the region, suggesting solidarity in achieving their goal. It is an exciting time for them, although they have a sense that they are just at the beginning (“we’re all starting out”). Winery four noted that because they are embryonic, they have a reason to collaborate and solve problems together. Also, they benchmark against each other and constantly motivate each other to improve, as is seen in the comment by winery 12 about “raising the bar”. This was also determined in Phase One with informal wine-tastings.

Isolation plays a role in their pride and passion of the place. They sense that they are separated from the rest of the world by substantial distances which increases their need to collaborate. The vintner from winery six quoted Oz Clark, a wine critic, “He called it a ‘Peculiar outpost of viticulture’ which I quite like.” They like being seen as idiosyncratic pioneers fighting against the odds and are different from other Pinot Noir producing areas in that way.

So their linking of wine to place is inexorable:

**Vintner, Winery 3:** *I think your first impressions are - it's completely different, if you're doing a tour of the vineyards, or a tour of the region viticulturally, you soon realise that it's actually quite large and there's quite a lot of open spaces in between and there's only a very small amount, only pockets of land that are actually of any use to planting vines on.*

**Owner/Vintner, Winery 1:** *I think you can tell a Central Otago wine from other places. But I personally I still see it as being more, much like when you call it the classic example.*

Some personnel indicated that the place was so spectacular, that being able to produce premium wine was an added bonus. Linking the region with wines was the idea of a 'taste of Central Otago'. Experts in Pinot Noir can identify wines that have come from Central Otago, a "classic example", as the owner/vintner at winery one stated. The international recognition for the wines tied to the place they love is a reason for all winemakers to be proud. The vintner from winery three discussed the limited area in Central Otago that was suitable to produce quality grapes. This limited amount produced from the region also raises its level of prestige.

In summary, the participants have a strong sense of pride in living in such a beautiful area and enjoy the rural lifestyle it offers. They also are proud about being able to produce premium wine in harsh conditions when most experts told them they would not be able to. Isolation and the fact that they were boutique producers advanced the idea that they should collaborate to fight against the odds. This link to adversity is understood by all of the winery personnel and working to overcome it is the ethos of the region. Because they know a lot about each others' operations, they benchmark against the best in the region and strive to constantly improve the regional standard of wines and the individual vineyard bottles. A certain 'taste of Central Otago' has been established in the marketplace. The feelings the participants expressed have become their *identity* with the place.

The winery personnel of Central Otago deliberately constructed a regional brand in connection with their wines through collaboration. The founders of the region realised the wineries would gain more marketplace recognition with a regional brand rather than having each winery market itself and collaborated to market themselves under

the regional brand of Central Otago. Brand differentiation is associated with a brand identity or attributes (Kotler and Gertner, 2002, Jones, 1986, Ballantyne and Aitken, 2007, de Chernatony and McDonald, 1994). The winery personnel developed their distinctive regional brand identity through collaboration, attaching their personal meanings of the region to it. In fact, the participants indicated that the collaborative effort of Central Otago is well-known in the wine world and is part its identity. The regional brand identity of Central Otago was interpreted throughout the first two phases of the study and includes the following attributes:

- Passion and respect for the land
- A distinctive regional taste
- Harshness of the climate and fighting against the odds
- Beauty of the region
- International influence on their winemaking and viticultural practices
- Collaboration in marketing and knowledge exchange
- Pride and passion in producing distinctive, premium wine in a boutique region
- Risk takers/pioneers
- Lifestyle associated with a rural, pristine region
- Regional knowledge development and retention

Developing the regional brand identity through collaboration appears on the surface to be forthright. However, there is much more to the story because establishing a regional brand is just the start. They are still growing and expanding and some of the wineries have not achieved financial stability, so the future of the regional brand is important to all of the wineries. What I determined is that maintaining and supporting the regional brand, particularly concerning wine quality in an era of winery expansion with new people entering the region, is key to success.

#### **6.4.2 Research Question Two: Understand and analyse the link of collaboration to wine quality assurance.**

The analysis so far has explained how the regional brand of Central Otago was developed through collaboration and initiated by the first wine producers in the region and is maintained today. The regional brand is connected to the production of premium quality wine. The literature argues how critical it is to maintain quality of

products or the destination in the management of the regional/place brand (Thode and Maskulka, 1998, Seaton and Bennett, 1996, Hankinson, 2007). As explained, COPNL has been unsuccessful in instituting stringent rules for quality of exports<sup>17</sup> or limiting grape growth for the region. However, the participants were aware that the Central Otago regional brand could not be perpetuated without acceptance of ‘standards’ of quality at some level by the wineries. This section describes the findings concerning collaborative activity amongst the wineries to uphold and enhance the regional brand through the maintenance and enhancement of the quality of the wines produced in the region. The complex concept of terroir and its implicit link to quality also emerged in this analysis and is discussed in this section.

#### **6.4.2.1 Process of Collaboration**

The actual process of collaboration to ensure quality consists of knowledge exchange as described in Section 6.3.1.1. Outside information from global wine producers and workshops enters the region and is circulated to other wineries. This information is tailored within the individual winery, thus each winery’s operation is continually ameliorated. Knowledge is retained in the region because winery personnel enjoy the rural lifestyle and welcome the challenges associated with producing premium wine. There are advancement opportunities for them within the region, so the knowledge pertinent to the region stays in the region. While the actual process of collaboration amongst the regional competitors is not new to business cluster research, the nature of collaboration within Central Otago to ensure quality demonstrates specific characteristics.

#### **6.4.2.2 Nature of Collaboration**

Several factors emerged in analysing the process and nature of collaboration and its role in the maintenance of wine quality, distinguishing Central Otago.

##### **6.4.2.2.1 Internal motivation**

I interpreted that several sources of motivation to produce quality wine comprise the unique *nature* of collaboration within Central Otago. First, the analysis indicated that

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<sup>17</sup> Note that New Zealand Wine Growers does have standards for export for all New Zealand wines.

the desire to strive to enhance quality is derived internally from the pride and passion the winery personnel have for the land they were given and the desire to produce the best wine possible (see section 6.4.1.4). Because all participants had these strong feelings about their own vineyards and the region, it would follow that collaborative efforts within the region would ameliorate their operations to ensure quality. While these ‘emotional ties’ may appear to be quite delicate and unsustainable in the business world, I found that they provide the cohesiveness necessary to ensure that winery personnel adhere to their focus on quality.

Internal regional pressures to maintain quality are also in existence. Wine critics and consumers have proclaimed that some producers in Central Otago produce superior wines in comparison to other regional producers. For example, wineries one and six continually are at the top of the list. These ‘rankings’ are well known and respected within the region and producers use these top-rated wines as benchmarks for quality. These vintners are sought for information and gladly provide help in the collaborative effort to maintain regional wine quality. Also, there is information exchange through COWA and COPNL, as discussed (Section 6.3.1.1). Informal wine-tastings (see section 6.3.1.1) also ensure that wineries have a continual comparison system. These internal motivational factors to maintain product quality have not been examined in regional branding research.

Additionally, I interpreted that the motivation of pride and passion is derived not just from internal, personal forces, but outside factors, as well. Recognition of their wines both domestically and internationally by consumers and wine critics and international Pinot Noir producers continues to encourage the producers to produce the best wine.

#### **6.4.2.2.2 External Motivation**

##### ***Motivation Because of Consumers, Judges, and Wine Critics***

An idea emerging from the interviews concerning the maintenance of wine quality, was the heavy influence global recognition had on the producers. The pioneer wineries had produced premium Pinot Noir against all of the odds. Now, the regional brand of Central Otago is acknowledged by consumers, wine critics, as well as global Pinot Noir producers. This international affirmation reinforces the regional brand in

the minds of the outside world and Central Otago producers. This concept was not identified in regional branding literature.

**Vintner/Owner, Winery 1:** *Because the market has become infatuated with aromatics and flavours you know. That's what it wants, and Central Otago's, it tops the bill as far those characteristics that people are after.*

**Owner/Vintner, Winery 4:** *And within New Zealand people look at Central Otago as...held up as one of the top areas to grow pinot noir*

**Vintner, Winery 6:** *I would say that if you were to survey, say the top 10 wine writers in the world, and ask them, you know, what's the hottest new wine regions to emerge over the last 10 years, I bet Central Otago would feature in their answers.*

The producers knew early on that New Zealand would not be a large enough market for them, because of the limited market for premium Pinot Noir. Some of the earlier owners had success in exporting their own wines before COPNL was created, but COPNL's regional marketing efforts through collaboration of the wineries, made the region more well-known internationally. The wineries began receiving awards from judges and accolades from wine critics, which meant distributors, particularly in the UK, were willing to distribute their wines. Because consumers, judges, and wine writers associate the regional brand of Central Otago with distinctive premium Pinot Noir, there was added motivation for the wineries to continually improve upon quality of the wines to maintain the prestige of the regional brand.

From a consumer standpoint, serious Pinot Noir consumers are very discerning wine connoisseurs and expect wines to represent quality and consistency associated with place (Charters, 2006). Consumers count on Central Otago wines to be exemplary and represent the 'taste' associated with the regional brand, therefore, there is additional external pressure from the Pinot Noir consumers on the regional wineries to produce quality, premium wines. The vintner/owner from winery four stated: "as the world market becomes more educated, they'll demand more and more [quality] which will benefit us, I think." Also, as the owner of winery seven said: "I guess in some ways it's what drives us really - what our customers expect, is for us to be a little bit different." This expectation is derived from consumers' own discovery of Central Otago wines or from the writings of wine critics and awards, as indicated by winery five above. The wineries know their success is based on differentiation associated

with the regional brand as indicated by the vintner from winery six: “Because the moment that our wines start to taste like our next door neighbour’s or somebody’s from Oregon, or somebody’s from Burgundy, then they’re not going to be nearly as interesting.” Also, from a marketing perspective, the wineries rely on repeat business and, in the case of winery six, they sell almost exclusively to people who have purchased from them in the past and have a waiting list of potential new customers. They have to continue to meet customers’ expectations as the manager from winery eleven iterated, “Well, there’s a financial consequence to everything; you have to make product people want.”

The words of the founder interviewed in the study summarise the importance of the consumer.

*I think in years to come [sub-regions will gain in importance], because Pinot Noir consumers are amongst the most discerning and canny of all wine consumers.”*

*They pay a lot of money for pinot noir. They know what they like. They’re interested in learning about it, where it comes from, who made it, what made it different. They’re looking for those subtleties and nuances, and we as winemakers begin to define the essence of the different sub-regions, the consumers will cotton on. And I think in years to come they will buy their Central Otago pinot noir by preference, just the way they do in Burgundy. And the marketplace, the consumers themselves will determine the best.*

*When I go over there [UK] and one of our distributors pulls in 20 of these people for a dinner, they can then go away and say, oh we met the winemaker, or we went to New Zealand, we went to this little winery. When they’re putting their expensive bottle of Pinot on the table for their friends, they can pour them the wine, which might be very nice or not, but they’ve got a story to tell.*

### ***Motivation Because of International Pinot Noir Producers***

An additional unexpected finding emerging from the analysis of interviews in Phase Two, is the concept of an international Pinot Noir community (see Section 6.3.1.2). This global viewpoint means that producers of Pinot Noir (not just Central Otago) see themselves as something special and all are striving for a better Pinot Noir. There seemed to be no sense of competition amongst the global wineries, as there is a



perceived product differentiation amongst them. Wineries strive to let the individual flavours of their wines come through, associated with the terroir of their own regions or vineyards, as will be discussed later. Vintners from Central Otago work on vintages in other Pinot Noir areas and other global producers work in Central Otago. In some ways, the global Pinot Noir community could be considered an international wine production network, with the wineries exchanging information within it.

This idea is reiterated in the words of the vintner at winery six:

*I mean it gets very small too [global Pinot Noir community], you know, like if you were to go to the Pinot Noir wineries in California or Oregon, especially Oregon, you know, you mention the name [winery six], you know, probably half the people have either been here or their assistant winemakers would have been here or they would have met us or we would have visited them, you know, it's very small.*

The vintner at winery three stated similar ideas:

*It's important just to be exposed to more New World winemaking ideas and...different cultures, winemaking cultures, you know. Wineries are open to sharing people - you need extra hands in the winery anyway, during vintage and the best place to find them is overseas because everyone else in the country is tied up. We all help each with the quality of our wines.*

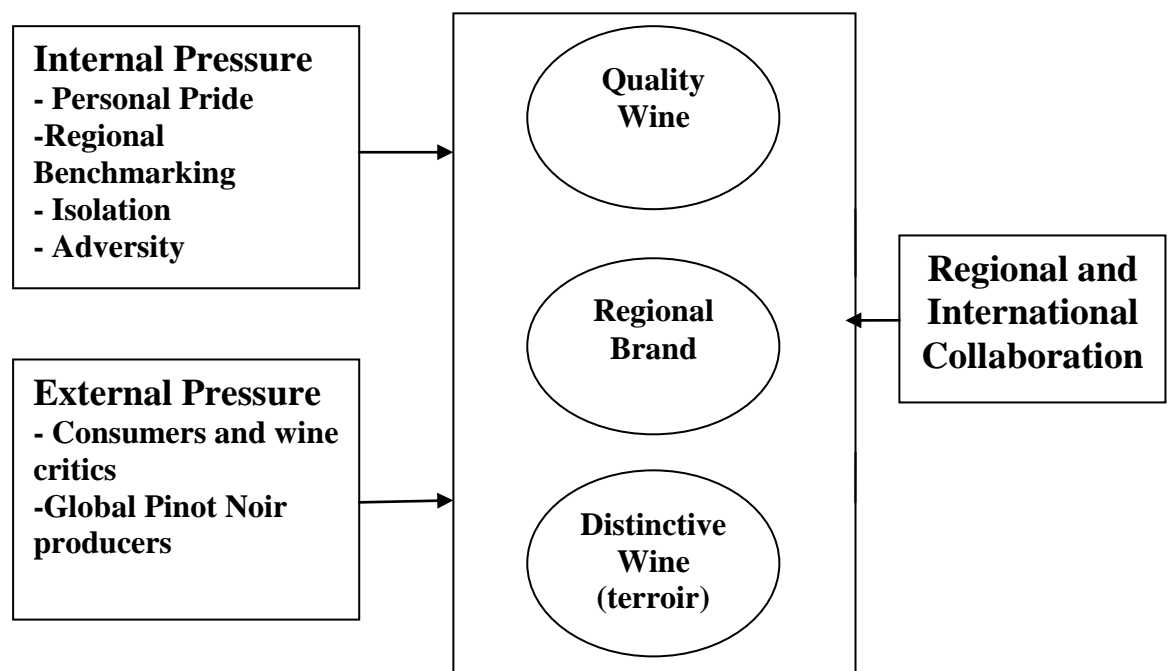
The exchange of vintners is an interesting phenomenon, as a vintner is actually helping a competitor make better wine. But, this personnel exchange activity, as well as information exchange, does not result in a competitive disadvantage, as indicated by the vintner from winery eleven:

*It's being part of a Pinot Noir community, more than a Central Otago community here. There is a huge history of information sharing and pushing quality, and that's been driven a lot through the Pinot Noir workshop [the Pinot Noir International Workshop held by the Canterbury Grape Growing Association].*

The result is the Central Otago wineries are 'obligated' through interdependencies with many people and firms (themselves included) to maintain quality, therefore enhancing the status of their individual and regional brands. As the vintner from winery five stated, "The Pinot Noir winemakers' workshop [the Canterbury Grape

Growing Association] is in a month's time. So, that kind of thing is important to keep you motivated and inspired to sort of not sit back and think that you've got it figured out.”

The wineries have pressure based on their own personal pride, regional benchmarks, expectations from customers and wine critics, and global Pinot Noir producers to produce distinctive premium Pinot Noir associated with the Central Otago place brand. These concepts are new to the research of maintaining product quality with a regional brand. This concept is depicted in Figure 6.4 below:



**Figure 6.4. Sources of Pressure to Support the Regional Brand**

1. Personal – Internally they are proud, welcome the challenges of the environment, and are motivated to produce quality wine, especially since they have ‘beaten the odds’.
2. Regional – Exemplary wineries in Central Otago are regarded with respect and other wineries in the region try to emulate their position.
3. Consumers and wine critics – They associate a quality, distinctive wine with the regional brand of Central Otago, therefore it has to be maintained.
4. Global Pinot Noir Producers - They exert pressure on the wineries to continue to “push the envelope” on quality.

Other themes emerged in the interviews about quality maintenance and the nature of collaboration in the region to accomplish this, although these have been addressed in other sections, as noted.

#### **6.4.2.3.3 Additional factors of collaboration to ensure quality**

##### ***Movement of personnel***

The movement of personnel, that is, staff leaving a winery to accept a position at another winery in the region is commonplace. Also, people leaving wineries to start their own companies is a regular occurrence. This supports the concept of clusters providing opportunities for and supporting spin-off companies (Keeble and Wilkinson, 1999, Sternberg and Litzenberger, 2004). The concept of movement of personnel was addressed in Section 6.3.1.2, so will not be discussed in-depth here. However, this activity is key to regional knowledge generation and retention in an effort to enhance quality.

##### ***Co-production to innovate and reduce costs***

Another purpose of a regional cluster is to have firms share in the production of products. This activity provides economies of scale in purchasing materials, faster production, and continual innovation (Bathelt, 2005, Keeble and Wilkinson, 1999, Saxenian, 1991). A theme arising in the study was that of wineries and outside contractors making wine for other wineries. This is common as only 23 wineries produce their own wines, so they either contract with other wineries or two large contractors in the region to make their wines. For example, at the time of the study, wineries five, seven, eight, and nine were making wine for other non-participant wineries. This is a form of collaboration as it assists in the protection of quality. Amateurs are not producing wine and the process is left to the experts. Also, knowledge is passed to the new people as the wine is being produced. Having professional vintners make the wines ensures the quality of the wines produced in the region, thereby maintaining and enhancing the status of the place brand.

Grapes are also purchased from many other growers in Central Otago who just grow grapes and do not produce wine. Winery 11, for example, does not own its own vineyards. While this would seem to be a precarious position for quality management,

the opposite happens. All of the grape growers know that they have to adhere to high standards or the grapes will not be purchased. In this case, the buyers establish quality benchmarks, therefore maintaining the quality of the wine produced and the reputation of the region.

### ***Risk Taking***

As explained in Section 6.3.1.2, experimentation or taking risks is something all viticulturalists and vintners in the region feel compelled to do. For example, they have to continually experiment with clones in the vineyard or different wine-making techniques to constantly improve the quality of the wine. This perspective of the need to experiment and take risks is shared by all wineries because they are embryonic and still learning. As cluster literature indicates, often the apprehension about taking risks is abated when all members of the region are doing it (Lawson and Lorenz, 1999, Porter, 1990). This concept was clearly evident in the region. Also open information exchange about different techniques increases their willingness to take risks and accelerates innovation. This mirrors arguments in business cluster research.

### ***Attracting talent***

As previously indicated (Section 6.3.1.2), another prominent theme emerging from the transcripts was the importance of attracting new, gifted winemakers to the region, which expedites their growth while enhancing quality. They do this through collaboration and relationships in the region and the Pinot Noir world. The region is a magnet as it offers beauty and lifestyle as well as an opportunity to be part of an embryonic, prestigious wine venture. Additionally, the pride and passion the Central Otago residents have for the region play a role in attracting talent. As Inch and Florek (2008) indicate, residents of a place have much to do with the ‘economic, cultural and social prosperity’ connected to the location. Furthermore, their interactions with each other and people from the outside ‘define the character and atmosphere of the place.’ (Inch and Florek, 2008, p. 146). The Central Otago regional brand, defined by collaboration is an attraction to people choosing the region as place to live. The concept of thriving clusters attracting talent is not new in the literature. Researchers have indicated that a thriving, innovative business cluster tends to attract talented people, spurring the growth of the region (Rosenfeld, 1997, Porter, 1990).

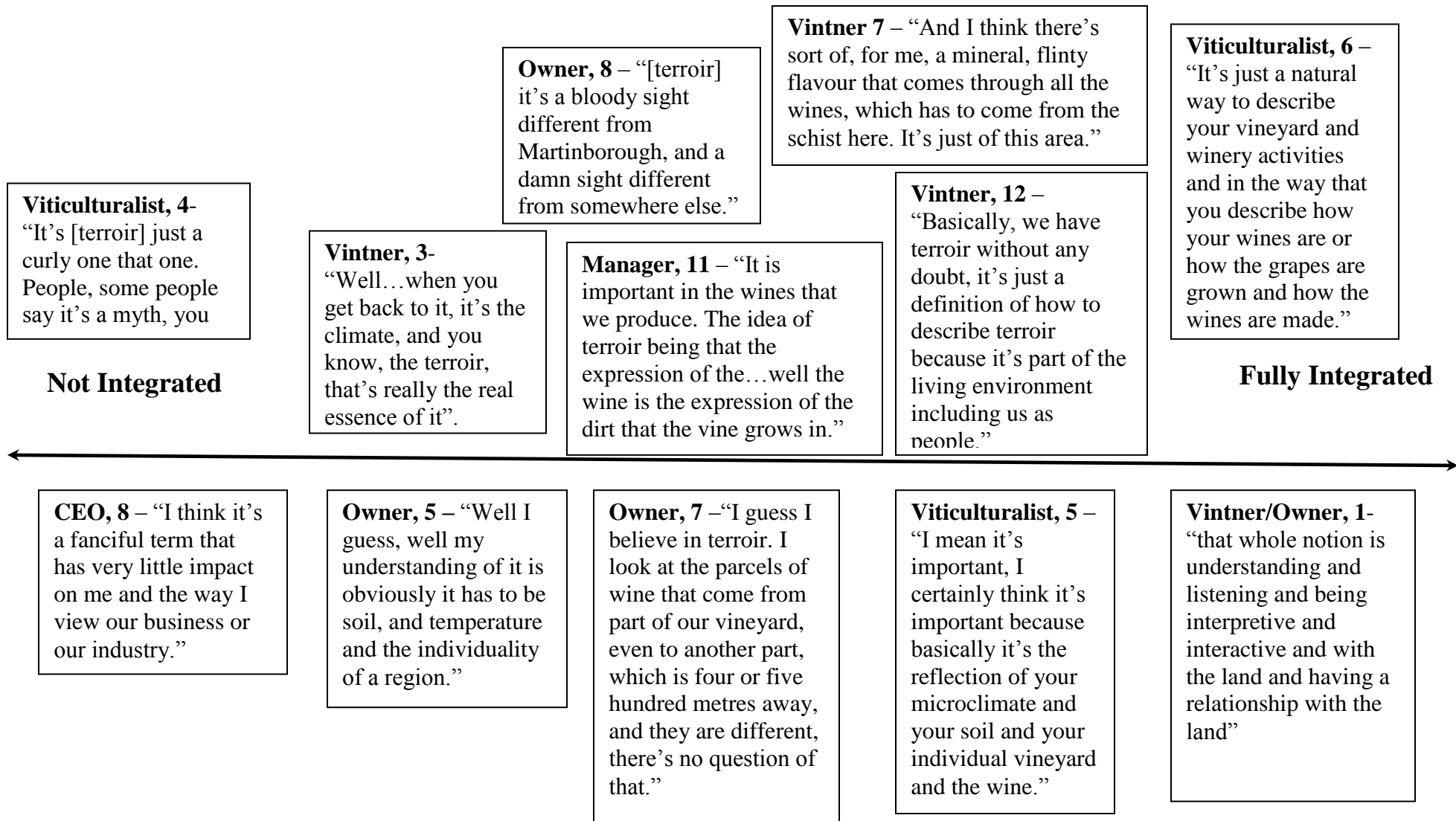
In summary, the wineries in Central Otago collaborated and continue to collaborate in the enhancement of quality in their wines. The passion for the land or place is melded with their passion to produce quality wine which is differentiated in taste from other premium Pinot Noir producing areas of the world. The motivation of maintaining the quality of wine is not only derived from internal pride and passion, but from receiving worldwide acclaim for premium wine production. Receiving this recognition on its own is economically positive for the wineries, but an additional benefit is the subtle pressure it places on the wineries to constantly enhance the quality of the wine and maintain the distinctive 'taste of Central Otago'. This is the unique nature of collaboration within Central Otago and is new to regional branding and business cluster literature.

Other factors in collaboration are risk sharing, personnel movement, making wine for others, and attracting talent to the region. The winery personnel realise they have to produce excellent wine representative of the region to collectively and individually succeed. Even though they do not have the same marketing strategies all wineries in the represented by the participants feel they are collaborating and contributing to uphold wine quality and the regional brand of Central Otago.

I discovered that during the participants' discussions about quality, the concept of terroir as described in Chapter Four continued to emerge. I probed to gain more information about the connection between quality and terroir and what it meant to the regional wines, all related to research question two.

#### **6.4.2.2.4 Terroir**

The literature supports the concept that physiological aspects of terrior – the soil, typography, and climate make a difference in the taste of wine produced in small areas (Robinson, 1999, White, 2003, Thode and Maskulka, 1998, Cullum, 2006). The participants in my study recognised that the physical aspects of the soil, typography, and climate were part of terroir and they also supported the idea of different tastes in wine based on small parcels of land. However, there was a not complete agreement on how important it was to their practices. I interpreted that there was a range of opinions of terroir ranging from 'not integrated into our practices' to 'fully integrated into our practices'. See Figure 6.5 for this range of opinions.



**Figure 6.5 Integration of Terroir into the Wineries’ Practices**

This range denotes that the large majority of the participants were very comfortable and understood the physiological aspects of terroir and incorporated the concept easily into their practices concerning their wineries and wines– “a natural way to describe your vineyard and winery activities” (viticulturalist, winery six). Others, such as wineries four and eight expressed their doubts whether it existed or not, or at least had some reservations about it, with winery eight not emphasising it. The reason for this disparity is that Central Otago as a whole has only recently begun to recognise its terroir. As one of the original vintners (winery nine) expressed:

*We probably didn't really think about it in those terms at that time, but you know, the wines sort of reflect the region, they are about terroir, and they are about the very special place– and we try to make the best wines possible. And I think we've become more aware of terroir, more consciously aware of it, since, you know, in the early days we probably weren't thinking so much in those terms, we were just doing it.*

The vintner is describing the early days when producers were just concerned about proving they could produce quality wine. Terroir for Central Otago is an evolving concept, with some wineries fully embracing it, most knowing it was important, and a few not embracing it at all. Of course, the *physical* elements of the terroir - soil, climate, and topography, were there before the wine pioneers entered the region. According to terroir experts, Central Otago does have the right physical elements of terroir to grow premium Pinot Noir (Buchan et al., 2000). The reason terroir is now receiving attention from the wineries is because over time, winery personnel have gained insight into particular parcels of their lands and the quality of grapes produced in each. With this knowledge, the specific terroir of a vineyard or parcel can be enhanced and exhibited. As the vintner/owner from winery 12 stated, ‘To have an expression of terroir from a particular vineyard like this one, will take longer to come through in the taste because it’s a matter of the winemaker understanding the site.’ Also, the vines in Central Otago, particularly those associated with the first vineyards, are beginning to age. This is important to terroir as the roots have now penetrated the soil more deeply and the ‘taste’ of the earth is more strongly reflected in the taste of the wine. Also, connected with terroir, all of the wineries produce single-vineyard wines exemplifying the taste of a particular piece of land.

Terroir, as discussed in Chapter Four has been mostly associated with Old World wines. However, as discussed, most the vintners in Central Otago have Old World experience or contacts, so it is understandable that knowledge about why and how to develop and sustain terroir would gradually permeate the region. This knowledge, like other regional knowledge has become part of the ‘spiral movement’ of knowledge as part of the collaborative process, as described (Section 6.2.1.2). Also, as identified, knowledge is readily exchanged amongst winery personnel because there is no competitive disadvantage in doing so as each winery adapts knowledge to better their own terroir. The owner/viticulturalist from winery three expressed: “People have to been malleable enough to suit their practices to their own terroir”. The vintner at winery six reinforced this idea:

*All the decisions that you make, how you set your winery up, are all based around what we see coming from the vineyard - these types of grapes, we get these flavours, and so you know it's going to be making this type of wine, and we have to equip ourselves to follow the best path.*

Even though not all wineries completely embraced the idea of terroir, they agreed that climate and soil gave individual expression to their wines. Therefore, some claimed it to be an expression of the region, others the sub-region or the individual vineyards. An emerging theme about terroir is important because it *differentiates* Central Otago wines from wines of other domestic and global Pinot Noir producing areas. As the founder interview indicated, the Pinot Noir consumer is very discerning and develops preferences for wines from specific regions, then sub-regions and vineyards. Therefore, it is important for Central Otago wineries to stand out in the marketplace because of their terroir. Distinctive terroir, properly managed, becomes a strategy for creating quality and differences in wine, and through that gaining consumer recognition for the associated quality indicators and regional brand. Terroir is linked to research question one in association with the prestige of a regional brand and research question two concerning quality wine. Thus, as the vintner from winery six noted: “The terroir is to some extent what actually sets Central Otago aside from other regions in the world”. Other participants had this to say about terroir:



**Owner, Winery 10:** *You might say the broad picture of Central terroir is that there is a similar product coming off similar quality berries and similar quality wine coming off the whole lot. There must be a sort of a blanket that you could throw over the whole place and say this is what it looks like.*

**Vintner, Winery 2:** *I don't really pick up the phone and talk to any about it, but I do believe we have terroir and I think everyone in Central Otago has terroir to some degree.*

**Owner, Winery 3:** *We have different soil, some people say they recon they can start to taste the wines from Gibbston Valley, versus Cromwell, versus Wanaka, versus Alexandra. There are some differences.*

The participants agreed that Central Otago had a distinctive taste attached to the region, therefore all growers in the region have a type of terroir associated with Central Otago, the regional brand. Important to their marketing efforts is the fact that the global Pinot Noir community, including wine critics, consumers, and Pinot Noir producers, recognise a distinctive taste in wines originating from Central Otago. The vintner/owner from winery 12 said, “We already have shown that we can, that we are making very distinctive Central Otago Pinot Noirs which can't compare to anything else in the world and it shall be our aim to express something which is extraordinarily unique – as unique as Burgundy and then I think we will achieve the job”. According to the participants, Central Otago terroir has become a recognised, distinctive taste to further differentiate the regional brand. The owner from winery seven had much to add to this idea:

*“I think Central Otago has terroir, and as I said, I'm looking at it in the wider sense. I think it's absolutely imperative, it is. People talk about Central Otago wines. They see them as part of the family, they're not just individual brands, they're not somebody making wine and putting a Central Otago name on it, or they do seem to be part of the group and I think that's very important. I guess in some ways it's what drives us really, is that we do ourselves as being a little bit different.”*

The owner emphasised the importance of proclaiming *regional* terroir to further establish the distinctiveness of the wine in association with the *regional* brand. He was thinking about it from an external lens – that is, the outside world thinks of the wines as coming from a place, a region, a country. He also intimates that the fact that they are seen and understood as a group differentiates the wines as a group and

motivates producers to produce quality wines. This relates to the pride and passion in the internal drive to produce quality wine reflecting the regional terroir. Also, the idea of external motivation from consumers and wine critics was addressed (see Section 6.4.2.2).

Following this discussion, it would appear to be imperative that the wineries uphold their terroir as they do quality, for individual wineries and the region. The process of collaboration in quality maintenance has been delineated and the same process applies to the maintenance of terroir (Sections 6.3.1.1. and 6.4.2.1). Of interest with terroir is the practices the wineries instituted have become part of the nature of the process –winemaker non-interference and sustainability and organic/biodynamic vineyard management.

### ***Winemaker Non-Interference***

Given that Central Otago does have differentiating physiological characteristics associated with terroir, there are several ways the wineries can protect or enhance terroir. One means of sustaining and enhancing terroir is to have a winemaker non-interference ‘policy’ in winemaking to let the natural terroir come through. This means the winemaker does not chemically alter the wine as the owner/vintner of winery nine indicated: “In a way, it’s almost what I don’t do rather than what I do”. It is a practice that was used by all the vintners in the study as seen with the following examples:

**Owner/Vintner, Winery 9:** *And the winemaking’s similar for each site. So that’s a way of showing the site, if the winemaking’s different then you’re going to obscure the site character. So I mean it’s just keeping everything in balance so the character of the site comes through without other things.*

**CEO, Winery 8:** *Our winemaker has the approach of using minimal intervention in the way she makes her wine.*

**Vintner, Winery 7:** *We basically let the wines sort of express themselves –they say, you know, the wine’s made in the vineyard, so we try and just express the wine as it is. Whatever fruit comes out.*

This is a precarious method of winemaking as the winemaker has no control over the climate or the physical condition of the grapes s/he will be given and cannot rely on

chemical solutions to fix a problem. This uncertain environment encourages collaboration through the passing of information between wineries on climatic issues, harvesting times, clones, and many other issues previously discussed. The idea of winemaker non-interference was a ubiquitous practice throughout the region.

### ***Sustainability and Organic/Biodynamic Vineyard Management***

Another way of letting the natural terroir emerge in the wine is through vineyard management techniques, such as reduction in the use of machinery or other man-made interventions such as pesticides and herbicides (sustainability). The tasks in all of the vineyards managed by participants' wineries were accomplished by hand, enhancing the quality of the grapes, therefore the terroir (see Chapter Four). Exchanging information on sustainability, for example, is paramount in the region, particularly amongst viticulturalists (Section 6.3.1.2). Also, the concept of organic/biodynamic viticulture management is gaining interest in the region as expressed by the founder interviewed who practices organic viticulture in his winery:

*It's just for the health of our vineyards really. Healthy vineyards are what we all want and a logical way to go is organic – the more natural the whole vineyard environment is the better, I think. [Winery six] is an organic/biodynamic vineyard and now looks tidy and healthy. Just the vigour and the health of those vines, just right through the season just staggers me. At the moment we're doing it because it makes sense to us. I suppose for terroir it will simply help to accentuate the whatever it is, whatever difference you have on your patch of ground. I think it will be in Central Otago's future.'*

As was seen in the sub-group discussion, much information sharing occurs around special interests such as organics/biodynamics (Section 6.2.1.2). Also, particular wineries, such as winery six (which is biodynamic) are recognised and lauded in the region for their vineyards and their exemplary wines. This supports the idea that benchmarking through wine-tasting occurs within the region, advancing quality, as was previously discussed. An interesting note on organics is that those practicing it (wineries one and six) know there is not a direct marketing advantage. That is, consumers do not really care if a vineyard is organic or not. Also, it costs significantly more to manage a vineyard organically, so those employing the techniques are convinced that it will enhance the quality of the wines and the

expression of terroir. As the vintner from winery six indicated: “you’re focussing a lot more on expressing your terroir or your sense of place in the wines”.

In the end, terroir is centred on quality. Using appropriate methods in the vineyard and the winery will result in higher quality and more valued wine in the consumers’ minds by letting the natural terroir emerge.

### ***Cultural Aspects of Terroir***

An important theme emerging from in-depth discussions about terroir, was the people aspect associated with it. Many winery personnel felt that the physical elements of terroir could not be separated from the people, which is also stated in the literature with little explanation (Wilson, 1998, Trubek, 2004, Amilien, 2005). Some comments about their connection to the individuality of their wines were:

**Owner, Winery 7:** *I’ve mentioned passion a few times – but it really is an absolute sort of focus on making great Pinot Noir. And that, that’s different from other areas.*

**Owner, Winery 3:** *I’m of the opinion that terroir is not just of the earth, the rainfall and the heat, but it’s the human element and the knowledge and the pairing over hundreds of years of looking at what plants go where and that sort of stuff.*

**Owner/Viticulturalist, Winery 7:** *Climate is part of the terroir, and I also think the way the industry has evolved, I actually think the people are part of the terroir.*

In probing further into the participants’ thoughts of why and how people were included in their formula of terroir, it became more difficult for them to articulate, reflecting the elusive nature of the cultural aspects of terroir. The conversations went in several directions. The owner of winery seven stated that collaboration is part of terroir in Central Otago:

*“As a group of winemakers, we’ve been very supportive of each other, we’ve shared information, shared ideas, so that the terroir of Central Otago embraces the winemaking aspect. That sort of passion - the striving to make the best wine and to look at what your raw materials are, the sun, the light, the soils etc, I think that does, to some extent, actually sets Central Otago aside from other regions in the world. Because there has been that real, genuine support and interest and knowledge sharing. It’s been that way from the beginning and is part of our history.”*

The owner/vintner from winery one has yet another viewpoint of terroir. His vineyards and winery are completely biodynamic, so he is very connected to the concept of being a caretaker of the earth. Regarding terroir he indicated: “I’m not a religious person, I’m just saying that the intent is to glorify nature, that is to say, this is actually a wine that belongs to a place. We should go back to hundreds of years ago when winemakers were introspective and humble and were filled with humility for the soil and their surroundings.” So, his concept of terroir is one of a more spiritual nature or respect for the earth. As he has some of the oldest vines in the region, his terroir is ‘stronger’ than other wineries and that has an impact on his thinking.

Passion and collaboration are tied to producing the best wine possible. The wineries’ collaboration assists in enhancing the regional terroir, or the distinctiveness of the region, thus supporting the regional brand. There is another aspect to it, as discussed - they do not want to disappoint others or be the one who produces lesser quality wine not expressing Central Otago’s terroir (Section 6.4.1.3). As the owner/vintner from winery four said: “You want to bring people up, but you also don’t want to let them down”. I interpreted that collaboration assists in sustaining and enhancing terroir, but the mirror image of this exists. That is, terroir and with it differentiation, assists in collaboration – it is a unifying factor physically and culturally tying all the wineries together. This was also seen with the regional brand becoming a unifying identity for the wineries, with passion and pride encouraging them to produce the best wines to uphold the Central Otago name. My interpretation is that the unique cultural elements of Central Otago terroir, which were already enumerated in the regional brand identity for include:

- Pride and passion
- Collaboration
- Solidarity
- Respect for the land
- Isolation
- Lifestyle

The identification of these cultural elements is significant because it has not been revealed in other research and expands the literature of regional branding and terroir.

The cultural elements are specific to Central Otago and may not be the same in other regions. However, this study provides an excellent foundation and insight into the elusive cultural elements of terroir. Practitioners can also benefit by understanding the important link between terroir and the regional brand as discussed next.

#### **6.4.2.2.5 Embodiment of the regional brand and terroir**

In the case of Central Otago, it appears as though *their* terroir and *their* regional brand cannot be separated. Differentiation is important to the regional wineries both from commercial and pride viewpoints, therefore they collaborate to enhance their terroir and uphold the regional brand. And, they work together to project a united image through their marketing efforts. As the owner/vintner from winery 12 said: “That’s why I say we have to be ourselves, we have to let our individuality come through in our wines. I mean not us as people but us as a region”. The distinctive taste or terroir associated with the regional brand of Central Otago is tied to quality. If the quality of wines from Central Otago were somehow degraded, the terroir and the regional brand would be tarnished, as well. The manager from winery 11 indicated:

*The market forces will get rid of people who start trying to sell real crappy stuff because they won’t survive. They might survive for one year and do some fast sales but...and you’ll get that in any industry. I think for us to survive and charge those prices that we have to charge – because it’s very expensive to grow grapes here – we have to produce quality.*

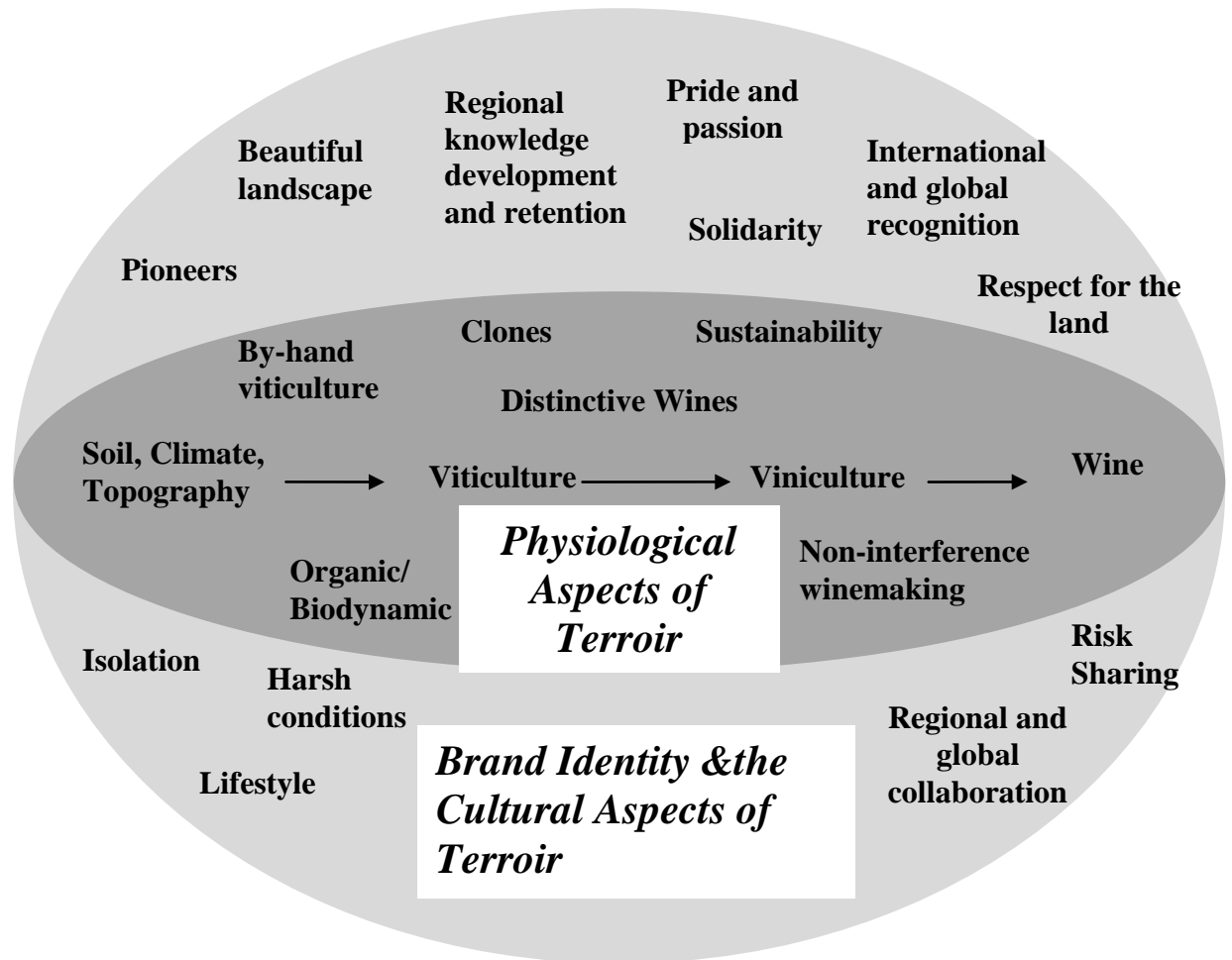
The founder interviewed discussed the specific link of the regional brand and terroir:

*And even the guys behind the counter, they know where Central Otago is and they know what you do. And to me that’s amazing, in just 15 years of being out there, marketing- 10 years really in terms of most of the wines that are available now. So it’s a very – we’ve got huge recognition in a short time. And I think most of us, when we go away and do a tasting anywhere were telling the regional story as well. We’re talking about Central Otago and what makes us different. And our wines are part of that so obviously, we talk about the regional terroir, the regional difference and again that isolation factor, the distance from other regions.*

In addition to differentiation, the identity the winery personnel have associated with the regional brand is also part of terroir. The attributes of the regional brand were discussed in Section 6.4.1.3. The founder referred also to isolation, which favourably

impacts information exchange because they feel more solidarity and is a part of their cultural terroir. Of interest is that the cultural or ‘people’ aspects of terroir identified by the participants include the same attributes. This is logical, as both the regional brand and terroir pertain to the place and the people living there which make it and the wines unique. The idea suggests that the congruency of the unique identity of the regional brand and the cultural aspects of terroir is *how* terroir is embodied in the regional brand. This concept significantly expands research on regional branding and terroir.

In summary, in the minds of the participants, the concepts of Central Otago terroir and the regional brand cannot be separated. There is a distinctive, *differentiated* taste associated with the attributes of the region and its people. The cultural aspects of terroir are embodied in the identity of the regional brand as described by the participants, consolidating the two concepts. The upholding of terroir and the regional brand is dependent upon producing quality wine. This is accomplished through collaboration on vineyard and winery management techniques. Collaboration itself is part of the unique Central Otago regional brand identity and one of the cultural aspects of terroir. A representation of the embodiment of the regional brand attributes and the physiological and cultural aspects of terroir are depicted in Figure 6.6.



**Figure 6.6. Elements of the Regional Brand Identity and the Cultural Elements of Terroir**

Of course, this interpretation can only be applicable to Central Otago. One reason the concept of terroir is complex is because presumably, it would differ between wine regions and this model would have to be tested elsewhere. However, this research was significant because the cultural aspect of terroir, which is so ill-defined in the literature, has been defined in this study for Central Otago. Secondly, the link between terroir and place is firm both in the participants', consumers' and wine critics' minds. Therefore, this study suggests that for practitioners considering aspects of developing a regional brand connected with premium wines should take this connection seriously. Also the specific embodiment of the specific elements of terroir in a regional brand has not been researched previously and significantly expands research on regional branding and terroir.



### 6.4.3 Research Question Three: Evaluate the role of geographic proximity in collaboration amongst competing regional firms.

Geographic proximity is cited frequently in business cluster literature as a factor in augmenting inter-organisational relationship development and innovation, as cited in Chapter Two (Corno et al., 1999, Porter, 1990, Dankbaar, 2004, Keeble and Wilkinson, 1999, Knobens and Oerlemans, 2006). This study upheld that concept as well, but themes emerged from the interviews establishing how it was important for collaboration. Although it was not explicitly stated in Phase One of the research, in this phase, all participants in Phase Two spoke of some degree of interaction with neighbours and the importance of proximity. Interaction develops into relationships facilitated and reinforced by frequent face-to-face communication. Relationships resulted in collaboration and sharing knowledge concerning wine production and vineyard management on a daily basis.

Winery personnel new to the region generally established their first contacts with neighbours. Existing wineries were interested in helping new neighbours get established as all wineries benefited from the success of others under the umbrella of the regional brand. Also, neighbours could help new personnel understand the identity or ethos of the region, particularly how open the wineries were to gaining knowledge from each other. Neighbours provided entrées into other networks of relationships, opening doors to additional knowledge and support resources. As the manager from winery eleven said, “Well, it’s such a small country and region, there’s a good chance you’ve actually met or you know somebody who knows somebody, and that sort of referral.” As further stated by these participants:

**Vintner, Winery 5:** *I came here in place of [vintner, 11], so I rang him a bit and still have contact with him. I also saw my neighbours [winery 6 and NP] a lot.*

**CEO, Winery 8:** *The guys down the road just came along and said, “how’s it going?” because of his proximity and he was looking after COPNL at the time, so he made a point of coming over and having a chat on occasion.*

Although some participants reiterated how busy they have gotten and they know their vineyards and wineries better, so communication has been reduced, they generally

acknowledged that proximity and the size of the region assisted in face-to-face communication. They also mentioned that cell phones and e-mail has replaced some of the previous face-to-face communication as the vintner/owner from winery twelve said, “It’s easy to ring people or e-mail, but to taste each other’s wines, of course, we still have to get there, and I think that it is important.” However, especially within sub-regions, there are many planned and chance meetings during which information is exchanged. For example, the viticulturalist from winery eight stated, “It good to be close. You can just ring up and say to people, ‘Could you come and get your bulldozer?’”

This analysis supported the fact that their business and social contacts are mostly with people who are neighbours. Additionally, they feel as if they could call upon anyone as they have developed relationships through proximity. For example, as the owner from winery seven stated:

*I was in Wellington on Sunday. I couldn’t get hold of our viticulturalist who had just arrived and he didn’t have a cell phone. We have had a major sort of water problem and I was able to ring two other local vineyard people who said that they’d look after things, then they gave advice on fixing the problem.*

The winery staff have developed an understanding of each other because they know each other through frequent personal contact. They are also willing to share information and rely on each other because of their relationships. They can observe each other, as described by the viticulturalist at winery, “We can see each other’s vineyards and we ask questions when we want.” These aspects of proximate relationships and observation also result in the ability to compare themselves to each other and strive to be the best, as previously discussed and as noted by Porter (1990).

Likewise, neighbours inspire neighbours to achieve quality. This fits with Porter’s (1990) idea of proximate competitors having a desire to keep up with each other. Also, as they are somewhat familiar with their neighbours’ operations, neighbours tend to call each other when there is an immediate problem and they can travel to the wineries more quickly. There was also more socialisation amongst the winery personnel who were proximate, facilitating information exchange on an informal basis.

Proximity made a significant difference in the transfer of knowledge within the region. However, the idea that the Pinot Noir community is global in scope and knowledge exchange occurs within it indicates that proximity is not necessary for collaboration within an industry. Yet, they have many face-to-face contacts with international winery personnel as they complete vintages in the opposite hemisphere during the off-season. This intermittent proximity assists in interaction.

The findings in this study confirmed that geographic proximity enhances collaboration as is indicated in business cluster literature. This study added to the literature by providing ideas on *how* proximity is involved in collaboration, although proximity is not the only factor in collaboration amongst global firms.

#### **6.4.4 Research Question Four: Determine the marketing implications for the wineries of developing a regional brand and make recommendations for the communication of the regional brand.**

Analysis and interpretation of the data resulted in an in-depth understanding of the attributes of the regional brand and the cultural aspects of terroir as summarised in Figure 6.6. The purpose of research question four was to determine if and how these attributes were communicated to the outside world. Following this analysis, I was able to assert recommendations on communicating the attributes more effectively. The two sources of data for this analysis were marketing collateral and wine-tasting events in the region (Phase Three as described in Chapter Five).

##### **6.4.4.1 Marketing Collateral**

For consistency, the wineries chosen for this phase of research were the 12 wineries represented by the participants from Phase Two of the study. Of the available marketing collateral, websites were mainly used in my analysis as it was found that they contained the richest content. Other marketing collateral (brochures and newsletters), in contrast, did not provide as much insight as I had hoped. Some of the wineries did not have formalised brochures, instead they just had wine lists and prices. In many cases, much of the information was a duplicate of website information. Also, I thought wine bottle labels would provide assistance in analysing marketing messages. However, much of the descriptive content on the labels

consisted of characteristics of the individual wines in the bottles and was not of much use for my study, although ‘Central Otago’ was included on all of the wine bottles of the participants’ wineries. A combination of all winery marketing collateral provided a holistic view of the wineries’ formal written marketing presentation to the outside world.

The list of regional brand attributes and cultural aspects of terrior identified in the study and depicted in Figure 6.6 are :

- Beautiful landscape
- Harsh conditions
- Respect for the land
- Isolation
- Lifestyle
- Pride and passion
- Regional knowledge development and retention
- Solidarity
- Regional and global collaboration
- Risk sharing/pioneers

This list was used in the analysis of the marketing collateral and wine-tasting events. The intent of the analysis was to determine how the wineries portrayed their brand identify and highlight similarities, contrasts, and additions to the findings of Phase Two.

#### **6.4.4.1.1 Beautiful landscape, yet harsh conditions**

There were many citations about the beauty of the Central Otago landscape. Seven out of the twelve wineries had some indication about the natural beauty surrounding them. This would seem to be typical of marketing collateral because the wineries want to encourage people to visit Central Otago, but there is more to it. The perception of the beauty of the landscape is a magnet for the winery personnel and is a reflection upon the region’s individuality and the distinctiveness of the wines produced there. Seemingly in contrast with the beauty of the region, the ability to grow grapes under harsh conditions is an important source of pride in the growers. Seven wineries gave specific information about the hardships they encounter. Some examples are:

**Winery 5, Website:** *Imagine a landscape under a deep blue sky that is gouged by deep rivers, bounded by precipitous mountains, and*

*intersected by tidy rows of vines. Imagine a climate that is harsh enough to make it interesting.*

*Imagine the air perfumed by golden tussock, rosehip, matagouri, wild thyme and flowering vines, air so clear that the landscape stands in sharp relief. This is Central Otago.*

**Winery 8, Website:** *While growing conditions are challenging and yields low in comparison with other areas, the fruit quality and flavour intensity is exceptionally high.*

**Winery 12, Website:** *In Central Otago, every day is a holiday. This landscape is so fantastic and the region is so strikingly beautiful and it's a bonus to grow grapes so well here.*

The pride of having the privilege of living in such a picturesque place is highlighted in these statements. Additionally, four websites have a photo gallery containing many spectacular views of Central Otago and regional photos were used in brochures. Winery personnel want to live there for the beauty it attracts new winery personnel to Central Otago as was identified in Section 6.2.1.2. Additionally, in some of the biographies of wine personnel on websites, recreational activities, such as fishing, boating, and mountain biking are cited.

Pinot Noir is a wine that thrives under harsh climatic conditions (see Chapter Four). The harshness of the climate in Central Otago, is therefore linked to the quality of the wine produced. As winery six described one of its wines on its website:

*A cold and blustery flowering period followed by a classic Central Otago summer lends itself to compact the flavour with concentration and mid-palate drive.*

This challenging environment is what generates the pioneering, entrepreneurial spirit so importantly linked with pride, as was discussed in Section 6.3.1.2. Winegrowers are always working under adverse conditions and are under pressure to produce quality wines. As indicated by the statement above, the climate contributes to the distinctive ‘taste of Central Otago’ as described in Chapter Four. There were no explicit comments about the harsh climate stimulating collaboration, however, there were implicit references to it. For example, winery eight mentions: ‘This equipment (fans to avoid frost) has become a feature of the Central Otago landscape in recent years and acts to draw warm air from above a frost's inversion layer and disperse it around ground level to protect the fruit and tender foliage’. This statement alludes

to regional information-sharing and resourcefulness, as word supposedly passed through the region about the benefits of frost-prevention fans, with the goal of minimizing grape damage and maintaining quality.

The physical attributes of the region – the beautiful landscape and a harsh climate are both appeals for visitors and wine personnel. The environment offers them the opportunity to live in a beautiful place with recreational opportunities and face the challenges of producing distinctive, premium wine. These findings match those identified in Phase Two.

#### **6.4.4.1.2 Respect for the land**

Although only one winery referred openly to the ‘respect’ for the land (winery one), it was interpreted through the analysis:

**Winery 5, Website:** *So, Central is in our blood, and having travelled around New Zealand and the world, we always wanted to come back, because we love the climate and all of its seasons, and the dramatic ruggedness, peace and isolation of the landscape. A love of the land, of Central Otago, and of wine has shaped our thinking.*

**Winery 1, Website:** *This simple biology is the essential framework in producing a wine which is true to its soil and site. With this understanding comes an absolute respect for the land and life therein and it is a reason that [our winery] is run biodynamically.*

**Winery 3, Brochure:** *[Owner] spent the year searching for a piece of land in New Zealand that best emulated the conditions – the “Terroir”- found in some of the greatest vineyard areas of the world – most notably the inland cool climates of Central Europe- Burgundy, Alsace, Champagne and South Germany.*

The respect for the land is also linked to the concept of organic farming as is indicated by winery one above. The vintner/owner stated this during the interviews. They participants see a need to protect and nourish what they have been given and let the expression of terroir come through as will be discussed later. Respect for the land is tied to the pride the personnel have in producing premium wine as was identified in Phase Two.

#### 6.4.4.1.3 Isolation

A surprising finding in the marketing collateral is that the word isolation did not appear. One exception is noted above in the website of winery five when describing the beauty of the landscape. As emerged from the interviews, isolation was key to encouraging collaboration as the wineries felt they had to work together to thoroughly understand and emphasise the differentiation of the region to be successful. However, there were statements that alluded to isolation such as “tiny sliver of land” in the website of winery 11 and “Bannockburn today paints a quiet picture of rural order and tranquillity in a small place”. From a marketing communications standpoint, it is understandable that the concept of isolation was not emphasised. One purpose of the marketing collateral is used to entice visitors to come to Central Otago. The idea of ‘isolation’ could mean that it is difficult to get to or perhaps could have a rustic sense to it and may not appeal to the high-end target market of Central Otago wines. It also could intimate that they have little interaction with the rest of the world, portraying a closed, unfriendly environment.

#### 6.4.4.1.4 Lifestyle

As identified in Phase Two, the idea of lifestyle had much appeal for people who wanted a change in the way they were living – to get away from the hectic pace of city life and live in a tranquil environment. Lifestyle is also emphasised in the marketing collateral and I interpreted that there were two reasons for this. First, the wineries want to develop relationships with customers, so when their personnel are discussed on the websites, often their personal activities and interests within Central Otago are listed in addition to their passion for living there. Secondly, they do want to remind potential visitors that the area has much to offer in addition to the wines. Ten of the wineries mentioned lifestyle:

**Winery 9, Website:** *Lured by big trout, clean air, fewer people and the potential he say for Otago wines [winemaker] returned home later that year to become [winery two's] winemaker. At that time there were 50 hectares of grapes in Otago: today there are over 1600h.*

**Winery 6, Website:** *[The cellar door manager's] hobbies see her curling in winter and then over summer, she enjoys playing golf, mountain biking and walking her pooch through the nearby Bannockburn sluicings.*

As was determined in Phase Two, the participants loved living in Central Otago for the lifestyle it offered. The opportunity and challenge of producing premium wine was a significant addition to the lifestyle.

#### **6.4.4.1.5 Pride and passion**

Pride in producing premium wine and a passion to enhance quality clearly emerged in the interviews. All of the wineries' marketing collateral also reflected that pride and passion:

**Winery 4, Website:** *At the end of the day, we are here to give people a taste of Central Otago, and we are proud to be part of the Kiwi contingent showcasing New Zealand wine to the world.*

**Winery 8, Website:** *She [vitculturalist] has a passion for the land and with growing premium quality wines.*

**Winery 12, Website:** *We have a passion for the creation of exceptional sparkling wine, pinot gris, and pinot noir.*

Passion and pride associated with the love of the land that was given to them is a motivator for the winery personnel to produce premium wine. Although the same sense of internal motivation is not expressed in the marketing collateral as the interviews, all wineries mention pride and passion in various forms. This unanimous declaration of pride and passion to the outside world is demonstrative of its importance to the region.

#### **6.4.4.1.6 Regional knowledge and retention**

Although the factor of regional knowledge development and retention was unequivocally expressed as important for the enhancement of quality and terroir in the region, this concept did not appear in the marketing collateral. This is perhaps understandable because the wineries are providing accolades about their own wineries and wines. Winery six did comment in their newsletter that one of their assistant winemakers accepted a position at another Central Otago winery: "While we were sad to see [Assistant Winemaker] leave after four vintages with us, we are also very proud of him to be accepted for the winemaker position at the new [NP] winery." This statement supports the idea of the movement of personnel identified in the interviews



and how this strengthens the spiral of knowledge within the region, but this concept was not emphasised in the collateral.

#### **6.4.1.1.7 Solidarity**

Regional knowledge and retention was not well-reflected in the marketing collateral, but solidarity or the demonstration of a united regional front to the outside world was. Several examples were evident in the marketing collateral indicating that wineries presented a unified portrayal of Central Otago to the world. First, eight of the wineries discussed a particular ‘regional taste’ that Central Otago was known for.

**Winery 6, Website:** *A characteristic Central Otago scent of violets and thyme, followed by an intense concentration of dark cherry and plum fruit, mark this beautifully crafted wine.*

**Winery 8, Website:** *They [wines] are more mineral, definitely far closer stylistically to their historic benchmarks in Europe, yet always showing the unique signature of Central Otago.*

*A combination of climate and soil gives Central Otago wines their unique qualities and regional characteristics. While growing conditions are challenging and yields low in comparison with other areas, the fruit quality and flavour intensity is exceptionally high.*

**Winery 7, Website:** *Wines have grace, the taste, the distinctive style of Central Otago*

It is evident that the wineries feel it is important to link Central Otago with a distinctive style of wine. Also, the region’s natural, physical aspects (the physiological elements of terroir) have much to do with the quality of wines produced as established in Chapter Four and Section 6.4.2.2. Additionally, there is a consumer connection to this ‘taste’ and they must strive to attain that particular style in their wines, and stay true to it. This is tied to quality and their pride in producing this distinctive, premium taste. One thing is for certain, the style of wine is well known as Central Otago by the rest of the world and was mentioned by four wineries:

**Winery 11, Website:** *Central Otago is tiny sliver of land within New Zealand's harsh southern mountain country...a rugged land, awesomely beautiful. A land becoming known for its ability to produce world class Pinot Noir and equally powerful aromatic white wines.*

**Winery 8, Website:** *Central Otago is developing a world-wide reputation for producing quality wines.*

**Winery 7, Website:** *Central Otago wines are fast gaining international reputation for quality and finesses.*

These statements indicate an understanding that they are new and just beginning ('developing' and 'gaining') to achieve regional recognition internationally. The feeling of amazement is also portrayed as the smallness of the region is featured. These statements also indicate that international regional recognition is important to their marketing success, as was determined in Section 6.2.2.2 and they highlight their achievements in the marketing collateral.

Ten wineries discuss Central Otago wines, not just their individual brands:

**Winery 6, Newsletter:** *While 2002 was a terrific vintage in Central Otago, the wines of 2003 have a more restrained elegance and perhaps more of what we call "pinosity" about them.*

**Winery 2, Website:** *Quote of Bragato [Government official in the 1800s] "There is no better country of the face of the earth for the production of Burgundy grapes than Central Otago."*

The marketing collateral has the purpose of promoting individual wineries' brands. Therefore, although they were very straight-forward in their declarations about collaboration in Section 6.3.1.2, I did not expect much indication in the marketing collateral of wineries collaborating in developing quality wines or taking risks together. However, there was some indication in that the wineries do collaborate in their marketing efforts. For example some collaborative activities were mentioned by five of the wineries:

**Winery 12, Website:** *Central Otago Pinot Noir Celebration 2002, Chairman; International Pinot Noir Celebration Wellington 2004, Board Member [Events in which the owner/vintner participated]*

**Winery 8, Website:** *In October, Winery Eight will be going to Australia with a cluster of other Central Otago wineries, again with a view to raising the profile of our quality wines; the venues will be in Melbourne and Sydney.*

The important idea demonstrated by the statements is that there is a focus by the wineries on marketing Central Otago as a region, not just individual wineries. The fact that they openly discussed co-operation in these events in their marketing collateral demonstrates a desire to present a unified front to the

world. Also, winery six mentioned this in their 2003 newsletter: ‘1999 Block 3 was the wine selected to represent Central Otago in the formal tasting of New Zealand Pinot Noirs from each region and was very well received in such a strong line-up.’ It is uncertain what event is being discussed, but clearly the winery is not just representing itself, but all of Central Otago. Therefore, that fact that they were ‘very well received’ not only helps their winery, but enhances the prestige all of the wineries associated with the Central Otago name.

Winery collateral sometimes carried references to more informal activities, such as these:

*Winery Six website: We are not sure why Jancis Robinson [renowned international wine critic] made a comment in the Financial Times about young Central Otago winemakers and their ‘late-night carousing’.*

*Winery Five website: For benchmarking (and for enjoyment) we continuously taste our Central Otago colleagues’ wines as well as wines from other regions and around the world.*

These two statements infer that the wineries socialise, thus encouraging communication and relationships with colleagues across the region. Also, the fact that they taste each other’s wines demonstrates how serious they are about maintaining quality not just for their own wines, but for the entire region. These issues were mentioned in Section 6.3.1.2, as well. The first statement also refers to the factor of ‘young’ winemakers and how important they might be to the region, another theme emerging in sub-groups in (Section 6.3.1.2).

A hint of global collaboration occurred in the marketing collateral in the form of listing the international credentials of the winemakers. Nine of the wineries listed the outside experience of the winemakers:

**Winery 2, Website:** *Our new winemaker, [Name] has southern roots in Hawkes Bay, and Otago University. He was also with Sileni Estates in Oregon before coming back to New Zealand*

**Winery 10, Website:** *He [winemaker] has worked over 40 vintages including New Zealand, California, France, Oregon and Australia.*

Most often expressed was experience in the premium Pinot Noir wine producing areas of the world – Burgundy, Oregon, and California. The implication is that the winemakers learnt the ‘right way’ of producing premium Pinot Noir and brought that knowledge back to Central Otago. This experience facilitates the acceptance of new people because winery personnel trust the newcomers as sources of information. Other outside contacts were noted frequently by the winemakers in the marketing collateral, indicating the existence of a global Pinot Noir network exists in which information is exchanged, as described in Section 6.3.1.2

The outside collaborative contact apparently also inspires the wineries to continue to improve quality. As winery six indicated in their newsletter:

*These trips [international] are not only about seeing different viticultural ideas and methods; they are hugely inspirational and help us to continue to push the quality of our vineyards and wines.*

Not only would this knowledge help and inspire individual wineries, but based on findings in Section 6.3.1.2, information is then shared throughout the region. This statement also supports the idea that these *outside* contacts motivate the producers to produce top quality Pinot Noir, also part of the findings in Section 6.4.2.2.

Risk taking was surprisingly not specifically stated in the collateral with the exception of one winery. Winery eight stated “Central Otago is small and cohesive. The influence of the pioneers and commitment to quality, willingness to share information and risk-taking, resourcefulness and perseverance resulted in a strong consensus to produce quality wine.” This was somewhat surprising as the statements analysed in Section 6.3.1.2 revealed that risk taking and experimentation were key factors in the continual enhancement of quality. Perhaps the idea of risk-taking could be seen negatively by outside viewers.

However, they did equate the risk-taking attitude of the pioneers in the gold-digging era with their pioneering experiences in the wine industry, as was expressed by winery eight above. They empathise with the risks the gold-miners took in their efforts, as they had their own struggle with growing grapes and refer to themselves as ‘wine pioneers’. This link to the gold-digging environment did not emerge as strongly in the interviews, because the discussions centred on the current environment

In addition to the above discussed elements of the regional brand identity, the marketing collateral had much text dedicated to the physiological aspects of terroir as established in Figure 6.6. In-depth, technical information did not arise frequently in the interviews as the focus was on interaction and collaboration amongst people in the region. The amount of information provided on the physiological elements of terroir is understandable because consumers of Central Otago wines are high-end and knowledgeable about wine. Also, many of their customers have not visited Central Otago, so the marketing collateral provides them with the in-depth information they require about the wines. The elements discussed are in two categories – Vineyard and Vineyard Management and the Wines as outlined in below:

### **Vineyard management**

- Small parcels of land, soil, climate, and aspect (nine wineries)
- Sustainability and organics/biodynamics (eight wineries)
- Winery control over their vineyards (six wineries)
- Cloning (nine wineries)
- All vineyard maintenance is done by hand, not by machine (eight wineries)

### **Winemaking**

- Single-vineyard wines (seven wineries)
- Quality and consistency (ten wineries)
- Limited production (nine wineries)
- Winemaker non-interference (eight wineries)

#### **6.4.4.2 Summary of Marketing Collateral Analysis**

Analysis of the marketing collateral proved to be enlightening from the standpoint of the how the wineries chose to highlight and communicate the elements of the brand identity from Figure 6.6. Included in the marketing material was mention of the beautiful landscape, yet harsh conditions in which to grow grapes, respect for the land, lifestyle, the pride and passion the personnel had in producing premium wines, solidarity, and regional and global collaboration. Missing from the list is isolation, regional knowledge and retention, and risk sharing.

Winery eight's brochure said it the most succinctly:

*The Central Otago wine industry is still small with a remarkable degree of cohesiveness. It reflects, amongst other things, the influence of the industry's pioneers and their commitment to quality, willingness to share information and risk-taking, resourcefulness and perseverance. This has resulted in a strong consensus around the need to consistently produce top quality no-compromise wine, and to price and market accordingly.*

*The 'hard won' aspect can be linked to Central Otago's striking visual appeal. Not only is the wine superb but Central Otago, with its spectacular landscapes, is an attractive place to visit and spend time. This offers significant advantage, first from a branding perspective and second, from the point of view of developing an associated wine tourism business.*

There was also much emphasis on the physiological aspects of terroir depicted in Figure 6.6. A recommendation to enhance the communication of the regional brand identity by the wineries can be found in Section 6.4.4.4, after the analysis of the wine-tasting events.

#### **6.4.4.3 Analysis of Wine Tasting Events**

In addition to the analysis of the marketing collateral, I also observed and recorded wine-tasting events in the region. The purpose was to determine how the winery personnel *verbally* presented attributes of the regional brand to the outside world and to determine similarities and contrasts with Phase Two interviews. I was fortunate enough to be invited to three significant tasting events occurring in Central Otago during the data collection, as described in Chapter Five. The people attending these events were wine aficionados and were very knowledgeable about wines. Information was exchanged during these events about Central Otago, as well as particular vineyards and wines, depending upon the event.

Initially, public wine tastings held at the cellar door of wineries were to be used to respond to research question four. Upon attending several of these events, I found they would be inadequate for the study. A variety of scenarios occurred during the nine tastings in which I participated and observed. For example, one winery provided samples of four wines and suggested the customer take them outside to enjoy the

scenery and said nothing about the wines or the winery. The others had specific wines they were providing for tasting that day. They described those wines without much detail. Also, some of the cellar door personnel did not appear to have in-depth knowledge about the wines, the winery, or Central Otago. However, the subsequent special wine tasting events proved to be an excellent source of data to achieve the purpose of this phase of research.

The data from the private wine tasting events was entered into NVivo7®. This was an efficient tool because I had developed codes, patterns, and themes in Phase Two, and the databases provided an effective means of comparison.

The first part of this section includes an explanation and interpretation of each event. To synthesise the findings, I have included a table at the end of this section summarising the themes identified in the wine-tasting analysis

#### **6.4.4.3.1 Sommelier Summit**

The first event was the Sommelier Summit as described in Chapter Five. The location was winery eleven in an old wool shed on the property, presenting as aspect of history of the region.<sup>18</sup> This was a two-day event in Central Otago for approximately 50 sommeliers from the U.S.A. sponsored by a non-participant winery. The Central Otago event was hosted by the vintners from wineries nine, eleven and twelve. This was a good example of collaboration, as the winemaker from the sponsoring winery did not lead the discussion. Instead, those vintners (wineries nine and twelve) who had established reputations in the global wine world were chosen to best represent the region. Sommeliers are experts in wine and it was a very serious tasting, therefore, the event was formal and there was little communication. The Central Otago vintners provided an overview of the region and the sub-regions and let the sommeliers know which wines they were drinking. The sommeliers tasted, took notes, and asked questions, as appropriate. The tasting consisted of 15 wines of the region (2003 and 2006 vintages). A bound document was provided containing the schedule for the two-day event, an overview of the history of winery eleven, biographies of the vintner hosts, history of the region, an in-depth presentation of the physical aspects of

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<sup>18</sup> The staff at winery eleven wear merino wool jerseys with their logo on them made by Icebreaker, a popular New Zealand clothing brand. The manager indicated it shows their respect for the sheep farming history of their property.

growing grapes in Central Otago, and a technical description of the sub-regions. Also included were technical notes on the wines presented at this event as well as those to be offered with lunch and dinner. The use of this document replaced the need for extensive conversation during this event. Also, the sommeliers had arrived late and were on a tight schedule, so the hosts wanted to start the wine tasting quickly.

The vintner from winery eleven introduced the other vintners this way:

*I would like to introduce you to our facilitators  
[owner/vintner winery 9 and owner/vintner, winery 12] two  
of our best known winemakers of the region.*

These two vintners were the first vintners in the region and they command much respect in the global world of wine. Even though winery nine does not presently belong to COPNL, his reputation is such that he is in demand to support the region in these types of events. As established, even though this individual has chosen a different marketing strategy not including COPNL, he still supports the regional brand (see Section 6.3.1.2). The three winemakers, although competitors, were all collaborating to best present Central Otago wines to a group of prestigious potential buyers.

The first vintner (winery nine) began with an overview of the region.

*Welcome to Central Otago. Central Otago is the southernmost wine region in the world and it's proven to be an excellent place for Pinot Noir. We have a semi-continental climate with hot summers and cold winters, which makes it challenging to winemakers, but it's Pinot Noir country. We're where we are because of growers experimenting over the years in a real pioneer sense and that still goes on today. Our soils are mainly formed from schist or mixed schist-greywacke alluvium giving the wines of Central a special taste.*

This statement provides insight into the pride of members of the region in producing premium Pinot Noir. Also, the pioneering idea comes across and the fact that they are still experimenting; still learning and are pioneers. He also claimed that the region, because of its soils, produced a specific Central Otago taste or regional terroir. Clearly, discussing the distinctive characteristics of the region or the regional brand



identity and associating it with a specific terroir is important to members of the region and to serious Pinot Noir wine experts (see Section 6.4.1.4).

The second vintner reiterated some points the first vintner had made:

*With our rugged landscape and climate, our winegrowing conditions are rewarding and challenging. Because of this, we have been able to attract winemakers with passion and determination and a pioneering spirit. We feel this passion is reflected in our wines.*

The challenging environment in which the grapes are grown and the pride in being able to attract talented winemakers are connected. The wine is made with passion because it is such a precarious situation. The pioneering spirit emerges, as well. As earlier findings indicated, this encompasses the regional brand identity and cultural meaning of terroir in that the people and their passion are a part of it (Figure 6.6).

He went on to say:

*On page nine is a map of the region with the sub-regions [referring to the booklet]. We are just beginning to pick out the differences between the sub-regions. We make very good wines and sell a lot into the UK. The 2003 is what put Central Otago on the map. It's better than the 2002, in spite of the intensity in the fruit and the appearance of structure qualities. Today we will be looking at four different wines: Mt. Difficulty from Bannockburn, Kawarau Estate from Cromwell Basin, Peregrine with a blend of Cromwell and Gibbston grapes, and Nevis Bluff, the same. It will give you an idea of the different sub-regions. Next is eleven 2006 wines representing all the sub-regions of Central Otago.*

The regional brand of Central Otago is used when he indicated the 2003 vintage put the region on the map. Pride continues emerge in stating that they are able to sell a lot of wine to the UK, reflecting their international recognition. Also, the region is beginning to emphasise sub-regions more, but all under the umbrella of Central Otago, as was determined in Section 6.3.1.2.

There was only one question posed during the tasting by a sommelier:

*Sommelier: Wines of the 2003 vintage seem to be vastly different in style in comparison to the 2006. Why is that?*

*Vintner (12): From a winemaker's point of view, we are getting to know our grapes better, and we don't have a lot of influence over the wine, we let it go by itself.*

This supports what was found in the interviews. They are gaining experience and confidence in what they know about their vineyards. Also, of importance to quality and staying true to their terroir is the idea of non-interference by the winemaker, another theme identified in the interviews and the marketing collateral. Although the term 'regional brand' is not stated, the vintners presented a unified regional stance. Attributes of the region discussed were soils and harsh climate, the pioneering aspects of wine production resulting in passion and pride in the wines, and the distinctive taste of Central Otago, all part of the regional brand identity.

#### **6.4.4.3.2 Private wine tasting at a participant winery**

This event occurred as a result of the Sommelier Summit discussed above in November 2007. One of the sommeliers was familiar with a particular Central Otago winery (winery one) and requested a private tasting there. The owner/vintner of winery one was generous in inviting me to attend to collect data for this study. It was a casual event as the sommelier had his wife and child with him. Initially, there was an extensive tour and overview of the vineyards and property. Again, as the sommelier is an expert in the wine field, much of the conversation was highly technical. However, the vintner/owner spent time discussing the history and background of Central Otago:

*So my father went over and sort of pulled all these guys together and created the COWA. They set down the cannon, the philosophy, of quantity over quality. It helped get Central Otago ahead quickly and it's still pertinent today. We have support and solidarity in the region, through all the different winegrowers here.*

He specifically states how the solidarity of supporting quality for the entire region helped and continues to help the regional brand of Central Otago. He went on to discuss how Central Otago gained recognition and began to grow:

*[Vintner/Owner, 12] was our first winemaker here and he was the first qualified winemaker in the region and he created some very special wines for us in the early 90s. This*

*kind of put Central Otago and Pinot Noir on the map because we were entering competitions, something we don't do anymore. But it stirred things. People thought something might happen down here. So others in the industry began recognizing that something could work down here. And then in 1991 we got a gold medal in the Easter Show for red wine. Then in 1992 got the medal for New Zealand's best red wine. So that's the first time a Pinot Noir had ever done that, so that put Central Otago on the map.*

This narrative establishes winery one's role in developing the regional brand and how it grew from there. It demonstrates the lack of concern that the vintner (12) is no longer with them and has started his own winery, which is the winery personnel movement and formation of new companies identified in Section 6.3.1.2. Also, this established how Central Otago wineries started to gain domestic and international recognition so crucial to their growth. Winery One has chosen not to pursue awards; two approaches have taken the place of striving for awards. Many of them have an established a reputation and with it a customer mailing list. As discussed with winery six, they have such a high demand and limited production, they have a customer waiting list. Those wineries minimizing the focus on awards have also changed their focus to their terroir and the desire to more fully express the individual aspects of their wines as seen in their business strategies identified in Section 6.3.1.2. He also indicated that the concept of producing premium wine should continue in the region in spite of the growth:

*In Central Otago, we should be able to maintain it. I've been asked whether it's scary to us with all that happening, but I think for us, if we do knuckle down and we are responsible, and we carry on with this idea of solidarity, then we can actually maintain the quality and attention to detail down here with planting and keep Central Otago where it should be.*

The solidarity of the region behind the regional brand and terroir and upholding quality will be key factors to continued success for the region. The sommelier mentioned that the Marlborough region of New Zealand did not seem to have that solidarity that Central Otago is known for. The owner/vintner's response:

*Yes, again my father was instrumental in pulling everyone together and laying that down right from the very start, so the industry has been built around that centre rather than disparate groups coming in. And obviously, just the nature*

*of Pinot Noir itself engenders that kind of togetherness.  
When we started, there were no tractors and there was  
nothing that could fit down these rows, there was nothing,  
we really had to pull together to make it work.*

His statement of solidarity is very strong and supports the regional brand. Also he mentions the entire Pinot Noir industry reflecting the notion garnered from the interviews that the Pinot Noir industry is global and producers have a form of network (see section 6.2.1.2). The solidarity of Central Otago is well-known as was evidenced by the sommelier being able to compare it to other New Zealand regions. These kinds of statements from outsiders reinforce the concept of solidarity to the outside world and to the Central Otago wineries themselves, encouraging them to continue in that spirit. From here, the owner/vintner discussed the particulars of his vineyards and how his vineyards contrasted and compared to other Central Otago sub-regions. The particular attributes of the region he was articulating were quality, the uniqueness of Central Otago, and the solidarity of the people behind the brand. These characteristics comprise the identity of regional brand and cultural elements of terroir as identified in Figure 6.6.

#### **6.4.4.3.3 Private Wine Tasting and Dinner at a Participant Winery**

A group of 25 wine enthusiasts from Auckland, New Zealand booked a week tour of South Island wineries. When they arrived in Central Otago, they were advised that a restaurant they had booked for dinner in Cromwell one evening had closed. Winery seven found out about their dilemma through another winery and agreed to host them at their winery/restaurant. The owner of winery seven invited me to the event as he thought it would be an ideal way for me to gather data. The wine tasting preceded dinner and was very informal, held outdoors and moved inside as it progressed. The facilitator was the viticulturalist/owner of winery seven. This represented a different research environment from the other two events as I was a one of the participants and had an opportunity to extemporaneously hear what was being said by other participants about Central Otago wines. Although the group was very knowledgeable about wine, this event had a much less technical focus than the other two.

This event was disappointing as related to research question four, as Central Otago was not discussed by the facilitator. This was understandable, because I gathered after talking to several participants that they have been to Central Otago several times (one

person indicated she came every three to four months) and knew about the wineries and the collaborative efforts of the wineries. Therefore, I will first examine comments from the participants about Central Otago, then refer to a comment made by winery seven concerning Central Otago. I should mention that there were great limitations in the collection of this data. It was recorded, but it was a highly energised crowd, they all knew each other, and were very talkative (and, there was wine!). Therefore, background noise made it very difficult to decipher the content of the recording.

The first comment about Central Otago by a wine-tasting participant captured the entire idea of the regional brand:

*People here are proud of their product and they are just developing, so there is no need not to include everyone. There's a lot of enthusiasm. If you don't have that, things fall apart.*

*Yes, the brand, Central Otago is well known. When you are growing as wickedly as they are, it's important to keep quality. They are quite experienced having done vintages elsewhere. You have to understand your competitor.*

Many themes captured in Figure 6.6 were restated in these few sentences. This person was perhaps echoing things he had heard from other Central Otago wineries over time and had experienced them in visiting the region. First, the enthusiasm, passion, and pride the producers have in their wines are clearly projected to the public. This person also had the sense of collaboration happening in the region because of its infancy. He knew that they were branded specifically as Central Otago and how important it was for them to maintain wine quality to continue to project a favourable image of the region. He also understood the importance of winery personnel receiving outside knowledge in doing vintages elsewhere, as well as knowing competition in an effort to differentiate. His information was not received from simply reading brochures or other materials, as most of these issues were not discovered in the marketing material, therefore collaboration was discussed in verbal marketing messages. To this person, the regional brand and collaboration as part of the regional brand were communicated by the winery personnel.

Then, another person joined this conversation and also asked me a question:

*If they started marketing seriously, they just couldn't keep up.  
If you buy Central Otago wines, the sub-regions are quite  
distinct. Do they brand themselves as Central Otago overseas  
or do they go it alone?*

She knew that limited growth and production was part of Central Otago, therefore the wineries had a 'boutique' aspect to them. Their size and limited production is something that is emphasised in their communication to the outside world, as described above. She also noted the differences in the sub-regions, something that was beginning to emerge at the time of data collection, as described. As a New Zealander, the participant knew the wineries as Central Otago, but perhaps had not thought about how they present themselves internationally. This demonstrates that their domestic recognition was important in addition to international recognition, as identified in Section 6.3.1.2.

Another participant mentioned something similar to the first participant:

*The wine industry in New Zealand is quite young. In Central  
Otago, they've learnt from other people's mistakes and they all  
have other experiences. Even the winemakers here collaborate  
and talk and compare.*

The idea of collaboration is obviously stressed in verbal marketing communication to the public. Also, he mentioned outside experiences, so that is another aspect of their backgrounds that is emphasised. This is also one reason why they have grown so quickly and established an international reputation. They were able to see what other New Zealand wineries did and decided on a unified approach. As stated in the Phase Two analysis, outside knowledge was critical in their fast growth and success and people knowledgeable about the region know that. Therefore, they were able to establish a reputation quickly because the Pinot Noir consumer world knew they had this borrowed experience and had attracted talent.

The only thing the owner/viticulturalist said about Central Otago also reflected collaboration and the regional brand. When she was introducing the Reisling she said:

*We call it Josephine because the symbol for our wines is the bent knot. This is the Carrick Mountain Range and there's a knot called the Carrick Bend and Josephine is another name for the Carrick Bend and it's a more feminine name for a more feminine wine. The knot refers to the wineries in the region working together.*

This winery developed their logo around the concept of collaboration of the wineries. It provides them with a story about this collaboration and solidarity each time they present their wines, emphasising its importance in the region.

Although the data gathered during this event was quite limited, it reinforces the fact, in the words of the participants, that the wineries present themselves as Central Otago, the regional brand. Also, the pride and passion they have in the region and in producing premium wine is projected and understood by outsiders. Collaboration amongst the wineries is something that also is emphasised to the public because knowledgeable wine people, such as the Auckland group and the sommeliers, were very familiar with it and knew how it differentiated the region.

In summary, the analysis of these three events was very valuable in reinforcing findings in Phase Two and the marketing collateral analysis. In these three events, I found no discrepancies in comparing what was found in Phase Two interviews and the communication in the wineries' marketing collateral in addition to what was discussed in the interviews, although all of the themes determined in Phase Two were not communicated. The following table summarises the themes communicated in Phase Three:

| Theme  | Event                                     |
|--|---|
| <b>Collaboration</b>   |   |
| Those with international recognition and reputation for producing exemplary wines are asked to events. | Sommelier                                 |
| Three winemakers collaborated to host the event and it was sponsored by a non-participant winery       | Sommelier                                 |
| Solidarity for the region  | Winery One, Winery Seven                  |
| Creation of COWA   | Winery One                                |
| Gaining experience and knowledge with their own vineyards  | Sommelier                                 |
| Sharing equipment resources in the early days  | Winery One                                |
| International Pinot Noir community and experience in other Pinot Noir producing areas                  | Winery One, Winery Seven                  |
| Have to work together due to the challenges  | Sommelier<br><br>Winery One, Winery Seven |
| <b>Regional Brand</b>  |   |
| History and tradition  | Sommelier                                 |
| Challenging environment to grow grapes   | Sommelier                                 |
| They consider themselves pioneers and are still experimenting  | Sommelier                                 |
| Passion in producing quality wines   | Sommelier, Winery Seven                   |
| Ability to attract young talent to the region  | Sommelier                                 |
| Determination and pride  | Sommelier                                 |
| Domestic and international recognition   | Sommelier, Winery One, Winery Seven       |
| Personnel switching and new SME formation  | Winery One                                |
| Maintaining the regional brand through quality wine  | Winery One                                |
| <b>Terroir</b>   |   |
| Central Otago physical aspects of terroir - the taste of Central Otago                                 | Sommelier                                 |
| Sub-regional differentiation   | Sommelier, Winery Seven                   |



|                                     |                          |
|-------------------------------------|--------------------------|
| Non-interference in winemaking      | Sommelier                |
| Maintaining quality                 | Winery One, Winery Seven |
| Differentiation against competition | Winery Seven             |
| Limited production                  | Winery Seven             |

**Table 6.5 Summary of Themes**

#### **6.4.4.4 Recommendations for Effective Communication of the Regional Brand Identity**

Most of the wineries websites at the time of the study were in the early stages of development, particularly wineries nine and twelve. The owners admitted to not focussing on this as they should. All of the participants were striving to enhance their marketing collateral, including websites. Also, as indicated, the majority of the information concerned the physiological elements of terroir depicted in Figure 6.6. As noted, this makes sense for the wineries because their consumers are highly sophisticated and knowledgeable buyers and expect that level of detail. Also, because the wines are of premium status, such technical information is merited to project an image of wines with complexity and individuality.

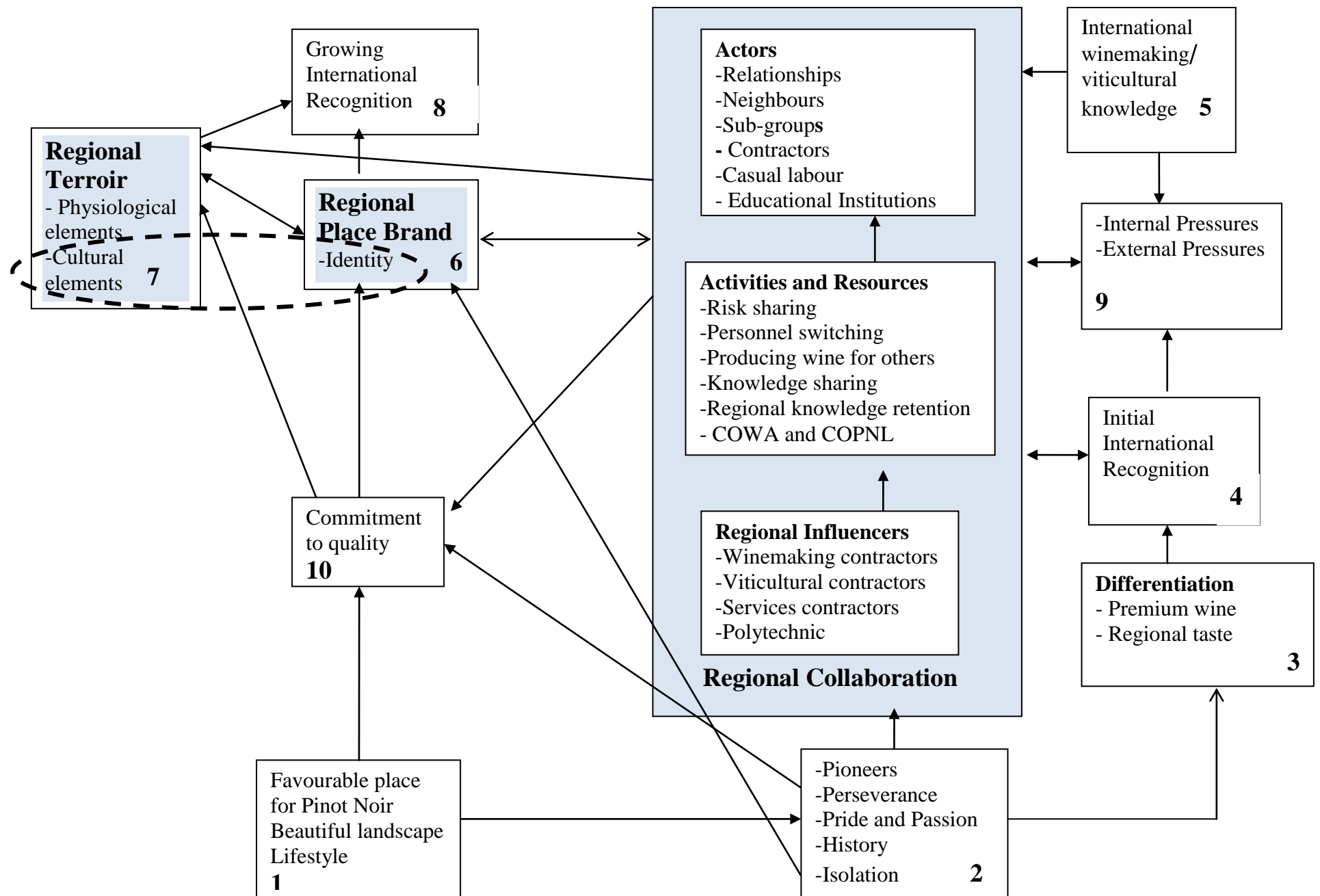
The majority of the wineries discussed the history of their wineries, but also the history of Central Otago because this would be of interest to the consumers. They want to know about the link to the place where the wine was produced. As was identified in the findings from the analysis of the marketing collateral, most of the region brand identity elements were discussed by the majority of the wineries with the exception of isolation, regional knowledge development and retention, and risk sharing. However, I determined in Section 6.4.1.4 that a significant differentiator of the region is ideology of collaboration and working together for the betterment of all the wines coming from the region. I did not sense that this was described fully in the marketing collateral, although somewhat better during the wine tastings. The participants themselves, for example, the sommelier and a participant in the wine-tasting, enumerated collaboration as the differentiating factor for the region. It is understandable that wineries are attempting to feature their own wines in their

marketing material, but not emphasising this critical element of collaboration as a point of differentiation is a weakness in the collateral and wine tastings.

Also missing from the list linked to collaboration is isolation. This was not mentioned, yet it is tightly linked to why the wineries chose to collaborate in the first place. They had to work together and present the regional brand in a united way as they were far away from other wine regions and were unknown. Also tied to collaboration is a willingness to take risks, which they also did not emphasise. It should be highly important to consumers and wine critics that the wineries are willing to continue to try new techniques to enhance their wines because of collaboration. They also did not mention that knowledge exchange and collaboration within the region results in a base of regional knowledge which is retained because people love the region and they have career opportunities. There is only so much information that can go into a website, a brochure, or a verbal commentary at events such as wine-tastings. However, I believe the wineries are missing an opportunity to emphasise some important differentiating elements of their region.

## **6.5 Integrated Model of Research Components of Collaboration**

The findings of the study indicated that the process of collaboration within the region was straightforward and matched the literature. However, because the process of collaboration was viewed from such an in-depth perspective in my study, much insight was gained in specifically how firms exchanged knowledge and resources to benefit everyone in the region not previously addressed in the literature. More importantly, a comprehensive understanding was attained about the idiosyncratic *nature* or characteristics associated with Central Otago collaboration, making their process of collaboration unique. This has not been accomplished in previous research and significantly expands network and business cluster literature. The following model depicts the integration of the components of collaboration within Central Otago and its link to the development of a regional brand.



### Figure 6.7 Components of Collaboration

Early wine pioneers in Central Otago were attracted to Central Otago (box one) and overcame the odds to produce premium wines through perseverance, pride, and passion (box two). They began to be noticed by domestic and international consumers, wine critics and Pinot Noir producing areas around the world (box three). They realised they had to collaborate in the production of quality wine and in developing and marketing the regional brand. The process of collaboration in the region is dependent upon outside information. Vintners have international experience working in other Pinot Noir areas of the world and the fact that they are isolated encourages them to seek outside knowledge (box five). This outside knowledge enters the region and through regional collaboration is shared with new and existing wineries. They established a regional brand of Central Otago and socially constructed its identity (box six). In turn, COPNL was formed to provide regional marketing. They emphasised their differentiation as a region and with it, as an evolving concept, their own terroir (box seven). The attributes they defined as their regional brand identity are also embodied in the cultural elements of Central Otago terroir. Their distinctive wines under the regional place brand advanced their reputation quickly in the Pinot Noir global community (box eight). Internal pressures through passion and pride, regional pressures to not falter in producing exemplary wine, and international pressure from consumers, wine critics, and global Pinot Noir producers motivate them to commit to quality (box nine). Quality is enhanced through collaboration and information sharing particularly through formal organisations such as COWA and COPNL and through informal, social means (box ten). The process of collaboration in the regional system is motivated by a global expectation of quality, distinctive wines and the concept of collaboration is part of their regional brand identity. They also expect it of themselves through pride and passion to produce the best wine possible in a place they respect. A communal commitment to a regional brand is fulfilled through collaboration.

## **6.6 Chapter Summary**

Phases One, Two, and Three of the research proved to provide an excellent means of understanding, expanding upon, and verifying the nature, process, and role of collaboration within Central Otago. The AAR framework was useful in identifying exactly how actors interacted and with whom, what activities occurred to enhance

collaboration, and the resource, particularly knowledge shared in the collaboration process, the primary focus of the study. I was also able to determine the role of collaboration in establishing a regional brand and maintaining wine quality in the interviews of Phase Two, research questions one and two. Findings related to the additional research questions revealed how proximity assisted collaboration in the region (Research Question Three). The analysis also identified how and if the regional brand identity was communicated by the wineries in their marketing collateral and wine tasting events with a subsequent recommendation to improve their marketing communications (Research Question Four).

Chapter Seven includes a summary of the conclusions drawn in the study and the contribution to research. Additionally, limitations of the research and future recommendations for research are included.

# Chapter 7

## Conclusions and Implications

### 7.1 Introduction

This thesis explored the primary research objective: to understand and evaluate the nature, process, and role of collaboration amongst competing firms in a region. Responses pertinent to the subsequent research aims were also analysed and discussed:

1. Examine collaboration and the role it plays in the development of a regional brand identity.
2. Understand and analyse the link of collaboration to wine quality assurance.
3. Evaluate the role of geographic proximity in collaboration amongst competing regional firms.
4. Determine the marketing implications for the wineries of developing a regional brand and make recommendations for the communication of the regional brand.

The context of the study was the Central Otago Wine Region in the South Island of New Zealand.

The literature reviewed in Chapters Two and Three indicated the gaps in the literature concerning the primary aim of the study and the research questions. The gaps included studying business clusters from a relationship perspective, examining interaction amongst actors, with shared activities and resources providing a clear, in-depth picture of the nature, process, and role of collaboration amongst regional competitors. Also, the development of a regional brand was studied from the viewpoint of competitors collaborating and socially constructing the brand identity, including the cultural elements of terroir. Likewise, product quality maintenance to uphold the prestige of the region was researched from the lens of collaboration. Next, how the brand identity attributes were

verbally communicated by the winery personnel provided a perspective of regional integrated marketing communication. These areas had not been previously researched.

Chapter Five provided the research methods for the three phases of the study. Chapter Six presented and discussed the findings for the three phases of the research.

A model depicting the integration of the elements of the study based on the findings and results was included in Chapter Six (Figure 6.7). In this chapter, conclusions for the primary aim of the study are incorporated. These conclusions are drawn from a comparison of the findings with the literature indicating the contributions to the literature. Second, conclusions for the four research aims are provided with indications of the contributions to research. Implications for business cluster, network, and regional branding, and wine marketing research in academia are developed. Additionally, implications for managers in providing insight into collaboration amongst competitors are discussed. Limitations of this research are identified, and possibilities for future research are suggested and an overall conclusion to the thesis is presented.

## **7.2 Main Aim of the Study – To understand and evaluate the nature, process, and role of collaboration amongst competing firms in a region.**

Because the process of collaboration was studied from such an in-depth perspective in my thesis, much insight was gained into specifically how firms exchanged knowledge and resources to benefit everyone in the region. More importantly, a comprehensive understanding was attained about the idiosyncratic *nature* or characteristics associated with Central Otago collaboration, making their process of collaboration unique (see Figure 6.7). Also, the role of collaboration was so important in the region that it has become part of the participants' brand identity. This comprehensive, in-depth perspective of collaboration within a region was not identified in cluster or network literature.

### 7.2.1 Research Contributions – Main Aim of the Study

Table 7.1 summarises the key findings of the study concerning the primary aim of the study and their contribution to the literature with an explanation following:

| Findings                           | Page   | Contribution to the literature               | Level of contribution |
|------------------------------------|--------|--|-----------------------|
| Heterogeneous marketing strategies | p. 158 | Business cluster, network, regional branding | Expansion             |
| Global collaboration               | p. 149 | Business cluster, network, regional branding | Expansion             |
| Attracting talent                  | p. 163 | Business cluster                             | Confirmation          |
| Long-term relationships            | p. 164 | Business cluster                             | New                   |
| Trust in information transfer      | p. 165 | Business cluster                             | New                   |
| Sub-groups of interaction          | p. 155 | Business cluster                             | Expansion             |
| Movement of personnel              | p. 168 | Business cluster                             | Confirmation          |
| Reduce risk to advance innovation  | p. 169 | Business cluster                             | Confirmation          |

**Table 7.1. Primary Aim - Findings and Contributions to the Literature**

Several key components of Central Otago collaboration emerged from the study, filling gaps in the literature concerning the nature and process of collaboration in a region. The themes generated confirmed, expanded or were new to the literature, as indicated above.

**Heterogeneous marketing strategies.** The findings indicated that there are individual winery and regional marketing strategies occurring in the region. Although Grängsjö (2003) and Bengtsson and Kock (1999) discuss various forms of collaboration within business clusters, this study identified specifically how different marketing strategies, therefore different forms of collaboration, contribute to the region. The disparate marketing strategies strengthen the perception of premium quality in Central Otago wine, thus supporting the regional brand. This finding expands both regional branding and business cluster research by identifying how collaboration works in a regional setting.



**Global collaboration.** The significance of outside knowledge coming into a wine region is argued by Giuliani and Bell (2005). This study identified that information enters the region from other global Pinot Noir producing areas. However, a critical factor with this knowledge transfer is that it not only circulates throughout the wineries in Central Otago, but is then transfers back into the entire global Pinot Noir community from Central Otago. In this case, the spiral movement of knowledge posited by Nonaka and Takeuchi (1995) applies not only to the business cluster, but throughout the world. This is a new understanding of collaborative knowledge transfer and expands network and business cluster research.

I interpreted that these outside contacts and global collaboraiton accelerated the success of Central Otago in another way. Because the global wine people interacting with Central Otago wine personnel are aficionados of and experts about premium Pinot Noir, when they extended the word about the region's wines, wine critics and consumers paid attention to what they had to say. Other producers provide credible word-of-mouth marketing communication about the Central Otago regional brand. This idea also expands business cluster, network research, and regional branding research.

**Attracting talent.** The ability of successful business clusters to attract talent has been discussed in the literature (Porter, 1990, Rosenfeld, 1997). Likewise, Central Otago has been able to attract talented winemakers and viticulturalists who want to be a part of working in a challenging, embryonic wine region, enhancing the reputation of the region and confirming other business cluster research. This supports the concept of collaboration within the region and reflects previous business cluster research

**Long-term relationships.** Much of the business cluster literature discusses the enhancement of interaction within a region due to long-term relationships amongst the people living there (Wilk and Fensterseifer, 2003, Porter, 1990, Bramanti and Ratti, 1997, Camagni, 1991). However, the participants in the study did not have long term relationships within the region with the exception of the owners from wineries one and four. This finding was in direct contrast with previous business cluster literature,

therefore is new to this body of research and has a direct implication for trust, as discussed next.

**Trust in information transfer.** Trust, due to long-term relationships is often emphasised in business cluster literature and trust is deemed important in information transfer (Porter, 1990, Maskell and Lorenzen, 2003, Lawson and Lorenz, 1999). This study, however, proved that trust was not dependent upon long-term relationships as the region is comprised of many newcomers. In other words, Central Otago has developed its own definition of trust. Central Otago trust is derived from the competency and experience of newcomers and understanding that information is adapted differently winery to winery. The concept of a unique type of Central Otago trust deviates from the literature, therefore is a significant new contribution the understanding of the process and nature of collaboration within a region.

**Sub-groups of interaction.** Giuliani and Bell (2004), in their study of the Colchagua Wine Valley in Chili, discussed the concept of sub-groups based on the knowledge base and absorptive capacity of individual wineries. However, my discovery in this study is that three sub-groups of interaction existed within the region and were important factors in developing and retaining knowledge specific to the sub-regions and region. The concept of sub-groups has not been addressed in this manner in business cluster research, therefore represents an important expansion of the literature and determining how collaboration works in a region.

**Movement of personnel.** The movement of personnel between firms and SME development within business clusters has been researched (Keeble and Wilkinson, 1999, Sternberg and Litzenberger, 2004, Porter, 1990). Likewise, in this study, winery personnel moving and receiving advancements to other wineries was commonplace, thereby confirming other findings in business cluster research. It was further identified how the movement of personnel improved and helped retain the knowledge base within the region, therefore was a key factor in regional collaboration, expanding business cluster research.

**Reduce risk to advance innovation.** Lawson and Lorenz (1999) and Porter (1990) discuss how business clusters reduce the apprehension of members to take risks, therefore accelerating innovation. This idea was found to be true in the Central Otago cluster, as well. My findings in this area confirm other business cluster research and risk reduction was important in their collaborative process to support the region.

## **7.3 Contribution to the Literature for the Additional Research Aims**

### **7.3.1 Research Aim One: Examine collaboration and the role it plays in the development of a regional brand identity.**

The process emerging from the findings of the study of developing a regional brand through collaboration was forthright. The initial five wine producers in the region had few resources. Not only did they have minimum knowledge about growing grapes and producing wine, they had little equipment and had to pool resources and collaborate to survive. This notion of SMEs collectively pooling resources to innovate or gain awareness of their products is addressed in the literature (Keeble and Wilkinson, 1999, Rosenfeld, 1997, Mytelka and Goertzen, 2004, Tambunan, 2005). The wineries also determined that, as boutique wineries with little brand recognition, they could gain faster acclaim by branding themselves under the regional name of Central Otago. What emerged from the interviews was not only how the regional brand was formed, but how the wineries maintain the prestige of the regional brand through collaboration, which in many ways is more challenging than establishing it in the first place.

Unique in the findings was the identification of how the winery personnel developed their meaning or identity of the regional brand (the nature of collaboration). As stated in the literature, developing a regional brand identity by individual firms with their own goals is difficult (Seaton and Bennett, 1996, Hankinson, 2007, Hall, 2002). However, my conversations with the participants allowed me to elicit what the brand identity is for the people, or the meaning they applied to it. These attributes, are discussed and explained in Section 6.4.1.4.

These attributes motivate them to produce quality wine and represent the ethos of the region. I interpreted that a regional brand identity cannot be simply fabricated with a subsequent marketing plan supporting it. The regional brand has to be derived from the feelings the people have about living in a place and producing products representing the place. In this study, the ill-defined ‘people’ aspect of a regional brand in the literature (Johnson and Bruwer, 2007, Henschion and McIntyre, 2000) was defined for Central Otago by the *people* within the region, not consumers, and is a significant expansion of regional branding literature. Interpretation of the findings of this study helps to fill the gap in the literature of understanding the process and nature of collaboration in the formation of a regional brand identity.

### **7.3.2. Research Aim Two: Understand and analyse the link of collaboration to wine quality assurance**

Much of the collaboration in the region is centred on wine quality to support the regional brand. The knowledge shared and generated is about winery and vineyard management techniques. This process was discussed in Section 6.3.1.1.

However, collaboration to preserve quality would not occur in the region without motivation, related to the *nature* of collaboration to maintain quality, the focus of this specific research question. I interpreted that there were two sources of motivation for the winery personnel to attend to quality – internal and external. Table 7.2 provides an overview of the components of internal and external motivation and how this study contributed to the literature.

| <b>Findings</b>                                 | <b>Page</b> | <b>Contribution to the literature</b>  | <b>Level of contribution</b> |
|---|-------------|--|------------------------------|
| <i>Internal</i><br><br>Personal<br><br>Regional | p. 181      | Business cluster,<br>regional branding | Expansion                    |
| <i>External</i><br><br>Consumers and wine       | p. 182      | Business cluster,                      | Expansion                    |

|                         |        |                   |  |
|-------------------------|--------|-------------------|--|
| critics                 |        | regional branding |  |
| International producers | p. 184 |                   |  |

**Table 7.2 Motivation for Quality**

Researchers have stated the need to maintain the quality of products in regional or destination branding (Seaton and Bennett, 1996, Thode and Maskulka, 1998, Hankinson, 2007). How this is specifically accomplished was missing in the literature. I interpreted that the key factor in collaboration for quality is motivation, which is derived from several sources as discussed in Section 6.4.2.2. and summarised in table 7.2. The region is self-regulated relying upon personal and professional integrity. The concept of internal and external sources of motivation is new to the literature and expands the understanding of the role of collaboration in maintaining product quality in the region, supporting the regional brand.

Also determined in the interpretation of collaboration linked to wine quality, was the importance of terroir. Although not all wineries have integrated terroir into their winery practices (see Figure 6.5), they all recognise the significance of differences in tastes of wine from various places in their vineyards. In the discussion of maintaining wine quality, the physiological aspects of terroir including vineyard management and winemaking techniques (see Figure 6.6) are the determinant factors of quality. Two findings emerged from the research:

| <b>Findings</b>                                       | <b>Section<br/>6.4.2.2</b> | <b>Contribution to the<br/>literature</b> | <b>Level of<br/>contribution</b> |
|---|----------------------------|---|----------------------------------|
| Terroir is a differentiating attribute for the region | p. 189                     | Regional branding, terroir                | Expansion                        |
| Terroir is embodied in the regional brand             | p. 198                     | Regional branding, terroir                | New                              |

**Table 7.3 Terroir in Central Otago**

Central Otago has the specific physical characteristics associated with terroir in Pinot Noir wines (see Chapter Four). For Central Otago, its terroir is a form of *differentiation*,

both for the regional brand and the wines produced there. The idea that specific places tied to terroir is an important factor to serious Pinot Noir consumers and wine critics is not new to the literature (Thode and Maskulka, 1998, Cullum, 2006, Hancock, 1999, Wilson, 1998). However, the concept of linking the differentiating factor to the regional brand expands both regional branding and wine marketing literature.

In addition to the regional brand attributes discussed in Section 7.3.1, additional cultural aspects of terroir were identified in the study (Section 6.4.2.2). The ‘people’ or cultural aspects of terroir are ill-defined in the literature (Johnson and Bruwer, 2007, Henchion and McIntyre, 2000). From my discussions with the participants, I ascertained that the cultural aspects of terroir emerging were also part of wineries’ collective ideology, just as the regional brand attributes are. Therefore the regional brand identity also includes the cultural elements of terroir, further differentiating Central Otago from other wine regions. Collaboration in the region maintains wine quality, enhances terroir, and supports the regional brand. These findings are all new to regional branding and wine marketing research.

### **7. 3. 3 Research Aim Three: Evaluate the role of geographic proximity in collaboration amongst competing regional firms**

Geographic proximity is cited frequently in business cluster research as a key factor in enhancing interaction (Porter, 1990, Keeble and Wilkinson, 1999, Dayasindhu, 2002). As was discussed in Section 6.4.3., neighbours have frequent social and business contact. Although the winery personnel have gotten busier, they all indicate how important it was to maintain face-to-face contact and how easy it was to collaborate with neighbours. This confirms previous business cluster literature.

### **7. 3. 4 Research Aim Four: Determine the marketing implications for the wineries of developing a regional brand and make recommendations for the communication of the regional brand**

Skinner (2005), Anholt (2002), and Morgan et al. (2003) discuss the importance of an integrated marketing communication plan in promoting a region brand. However, developing a regional brand and a promotional plan is done by a consortium of people

within the region, making the implementation of a plan difficult. Also, as was established in Section 6.3.1.2, disparate marketing strategies exist within the region and not all wineries are focused on promoting the regional brand.

The results from the analysis of marketing collateral and wine-tasting events indicated that, based on the regional brand attributes in Figure 6.6, the wineries presented most of the aspects of the regional brand. However, what was found to be lacking was information concerning isolation, regional knowledge development and retention, and risk sharing. One of the most important distinguishing characteristics of the region is collaboration amongst the wineries and that is strongly communicated to the outside world. There was no previous research on the exact nature of integrated communication plans associated with regional branding and I consider this new to the literature.

## **7.4 Implications for Academia**

This research contributed to marketing theory by supplying an in-depth understanding of inter-firm collaboration and interaction within networks of relationships, the process of knowledge exchange, and the development and maintenance of a regional brand. Several gaps had been identified in the literature within areas that appear to be logically connected but had not been studied holistically. First, clusters had not been studied from the B2B interaction approach (noted exception is tourism) examining interaction amongst actors, with shared activities and resources (AAR), providing a clear picture of the nature and process of collaboration. Also, the development of a regional brand was studied from the perspective of competitors collaborating and socially constructing the brand identity, including the cultural elements of *terroir*. This is new to regional branding and wine marketing research. Likewise, product quality maintenance to uphold the prestige of the region was researched from the viewpoints of the nature and process of collaboration. Next, how the brand identity attributes were verbally communicated by the winery personnel provided a perspective of regional integrated marketing communication, expanding regional brand literature.

## 7.5 Implications for Managers

Firms in a regional environment can benefit from this research by seeing how a regional brand can be developed through collaboration of competitors. Collaboration and knowledge transfer also enhance product quality management, thereby augmenting the regional brand image. A regional brand represents differentiation. The unique attributes of the regional brand identity are best socially constructed by the various actor firms in a region in order to gain continual support of the regional brand. Construction of the regional brand identity in this manner encourages ownership of the regional brand. Also, because it is 'their regional brand', sustainability of the brand is embraced by the people. This thesis explained specifically the nature, process, and role of collaboration which can be helpful to other regional entities. Information from the outside is extended to firms in the region, creating a constant source of knowledge generation and renewal, specific to the region, therefore continuing to enhance quality and terroir. Information coming into the region could be in many forms including new vineyard management techniques or various means of highlighting a particular vineyard's terroir in the winery. Outside collaboration is something that should be considered by a regional entity attempting to develop a regional brand and produce quality products. Collaboration also encourages existing and new firms coming into the region to accept and support the idea of quality and to understand the unique attributes of the region.

It is also important to indicate that it is not necessary to have every firm in the region adhere to the same marketing strategy. Firms can have their own goals and strategies. However, the important issue is the upholding of quality of the products produced, which, in turn, supports the regional brand. In other words, there will be some principles or elements underpinning the regional branding strategy, in this case, quality wine. These principles can be upheld through collaboration.



## 7.6 Limitations

There were a number of limitations in this study. The first is the context of the wine industry. Premium wine producers could be unique in business cluster research because Pinot Noir (in this case) is not a commodity and each winery around the world offers a unique product. This differentiation of products throughout the region facilitated collaboration because each winery used information differently. Also, the region is embryonic and the wineries are boutique, meaning that there are relatively few wineries producing wine with their own vintners. While sample size is not a primary concern in interpretive research, it is acknowledged that there were not many qualified wineries to comprise the respondent list. Another limitation associated with this is role duality of the winery personnel. For example, participants who were solely vintners or viticulturalists provided different perspectives than those who vintner/owners or viticulturalists/owners. Those who have dual roles wanted to be involved with all aspects of the winery or vineyard. However, this is part of the nature of wine production. As the quality of the wine is dependent upon the quality of vineyard management, it is understandable that a vintner would have an in-depth understanding of what is happening in the vineyard, for example. In contrast, these aspects could be seen as positive as the study captured the context and struggles of a developing region.

The Central Otago Wine Region is isolated. The participants recognised this early in the region's development, therefore sought outside knowledge from the international Pinot Noir community which significantly enhanced their growth. It would be interesting to conduct this study in a different context, perhaps in a more mature wine region or one not so isolated and one in which personnel had more defined roles. Using the findings in this study to compare to results in a different context would test their relevance and utility.

This study did not have the focus of the consumer viewpoint of co-creation of the regional brand or the meaning with consumers. This perspective would be important research to establish a different lens on the development of a regional brand and terroir.

## **7.7 Recommendations for Further Research**

This study identified specifically the nature, process, and role of collaboration with the Central Otago Wine Region. It also determined the role of collaboration in the development of a regional brand identity and maintaining product quality to uphold the regional brand. The findings were very specific to Central Otago and they would probably differ in other contexts. In addition to conducting the study in a different wine region, it could be beneficial to test the results other industries, such as food production, other consumer goods manufacturing, or services. These studies, particularly if conducted in different countries, could be compared to identify similar or disparate results. This could add significantly to business cluster and regional branding research.

Related to this, I studied regional brand development from the viewpoint of the Central Otago wineries in connection to their wines. The 'Central Otago' regional brand identity in the context of other industries or activities in the region – bungy jumping or snow skiing, for example, could be different. Additionally, as this study did not have a tourism focus, it would be interesting to see if and how tourism had an impact on how the image of Central Otago is created by the consumer.

I identified the existence of outside pressures of the consumers, wine critics, and global Pinot Noir producers on Central Otago wine personnel to maintain quality. A study providing an in-depth analysis of this pressure and perhaps the role these entities had in co-creating the regional brand would expand knowledge on the development of regional brand and global collaboration. Global collaboration research in other business cluster contexts would be merited. It would be of interest to determine if this type of collaboration only occurs in the Pinor Noir producing areas, or if it occurs in other wine or industry contexts.

Each winery in Central Otago receives information and re-engineers it to fit their environments. Therefore, the provider of information does not feel that s/he is relinquishing a competitive advantage. As this contradicts other business cluster research,

it would be interesting to conduct an in-depth study of the definition of trust in other business cluster or collaborative network environments.

I determined the cultural elements of Central Otago terroir and how they were embodied in its regional brand identity. Studies in other wine contexts could help explain the complicated concept of terroir and how it is associated with a regional brand. It also could follow that terroir extends beyond wine and could be applied to other food products as have been suggested on a limited basis (Amilien, 2005) and would be in interesting area of future research.

I studied the contribution of collaboration to the development of a regional brand. The opposite question of ‘How does an established regional brand contribute to collaboration?’ is intriguing and should provide important results.

## **7.8 Concluding Remarks**

This research investigated the nature, process, and role of collaboration amongst competing firms in a regional context. The study also identified the role of collaboration in developing a regional brand identity and maintaining product quality to support the regional brand. Collaboration was so significant in the region that it became part of their brand identity, as did passion and pride in the place and in producing a quality product. Moreover, this research provided a richer insight into the need and desire of the wineries to establish terroir and enhance both the physiological and cultural elements of it through collaboration. It also proved that the attributes of the regional brand identity and the cultural aspects of terroir were embodied. Finally, it was determined how these attributes were communicated to the outside world with a recommendation on how the communication process could be more effective. In brief, this research significantly contributed to the extant regional branding, business cluster, network, and terroir literature and provided direction for further research.

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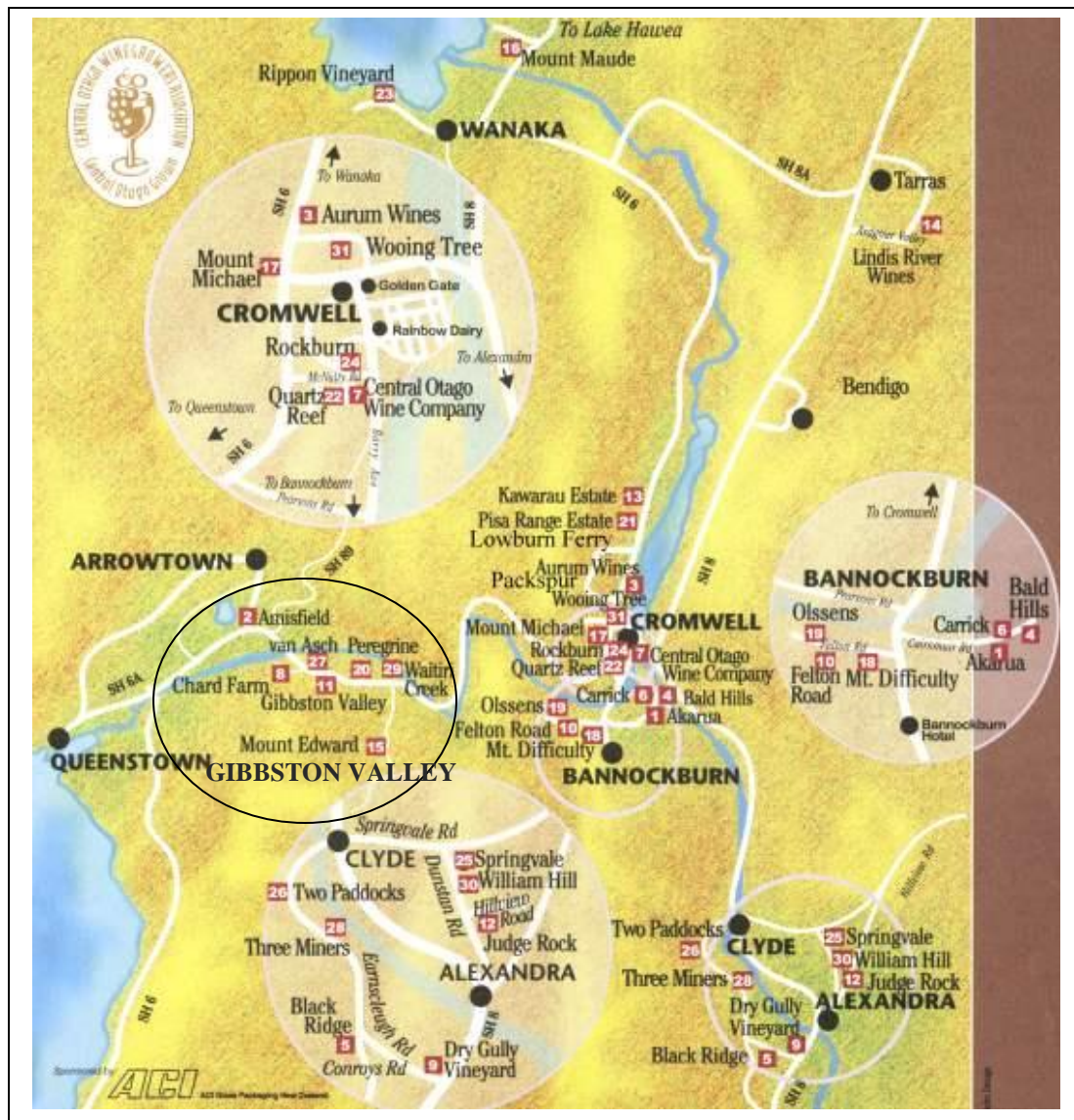
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## Appendix A: Central Otago Wine Map



Source: Central Otago Wine Cellar.  
<http://www.otagowine.com/winetrail/winetrailmap.html>



## Appendix B: Awards and Accolades for Central Otago Wines

Source: Central Otago Wine Cellar. Available at [www.otagowines.com](http://www.otagowines.com) [Accessed 14 December 2009].

3 December 2009:

**Lowburn Ferry Pinot Noir 2008** has won a coveted **Top 100 Award** in addition to a **Blue-Gold** at one of the world's most exceptional wine shows. The **Sydney International Wine**



**Competition** is unique among international wine shows in that the wines are first judged on wine quality before being judged alongside food. Only wines that score high enough to be awarded a Gold Medal in each judging qualify for the unique Blue-Gold (or double Gold)



Medal. The 100 wines which score the highest number of aggregate points in both judgments are then given The Top 100 Wine Award. Trophy winners from the Sydney International Wine Competition 2010 will be announced in February.

( [read more here...](#) )

16 November 2009:

Central Otago's Peregrine Wines have broken a 13-year Australian dominance in **Winestate** magazine's wine of the year awards. **Peregrine Pinot Noir 2007** was last week named **Grand Champion** in this widely read magazine, chosen from 10,000 wines in the past 12 months; the first time a New Zealand wine has won the award...

"This is the world's toughest competition for Australian and New Zealand wine with the highest number of wines judged and for the overall high quality of the entries," said **Winestate** magazine publisher Peter Simic. .... now available only in our Pinot Lover's Selection

13 November 2009

There have recently been some great results from Central Otago wines in wine shows and the press lately, and more sure to come: **Wild Earth Pinot Noir 2007** was recently listed **TOP WINE** in the Cuisine Magazine pinot noir tasting - see our **HOT DEALS PAGE**.

Central Otago wines are once again good contenders scoring 10 gold medals at the **Air New Zealand Wine Awards** in Christchurch.

Gold medals: **Archangel Pinot Noir 2008**, **Davishon Pinot Noir 2007**, **Valli Bannockburn Vineyard Pinot Noir 2008**, **Wooing Tree Pinot Noir 2007**, **Tarras Vineyards Pinot Rose 2009**, **Amisfield Lowburn Terrace Riesling 2007**, **Olssens Annieburn Riesling 2009**, **Georgetown Vineyard Pinot Noir 2007**.

Silver medals include: **Lowburn Ferry Pinot Noir 2007** and **Lowburn Ferry Pinot Noir 2008**.

All trophy winners and elite gold medal winners will be announced at the awards dinner on Saturday 21 November 2009.

And Wooing Tree Pinot Noir 2007 rolls on with further successes including 2 trophies in Hong Kong International Wine Challenge (see our **TOP PICKS**) ....

16 October 2009

Once again a Central Otago pinot noir has won the trophy for Pinot Noir at the prestigious UK-based **International Wine and Spirit**

**Competition (IWSC)**, beating contenders from across the world. The Competition - one of the world's most highly regarded and longest running - awarded the Bouchard Finlayson Trophy for Pinot Noir to **Mount Dottrel Central Otago Pinot Noir 2007**.



Also a stunning result, six Central Otago pinot noir wines from the 2007 vintage won gold medals at the competition this week: **Mount Dottrel Central Otago Pinot Noir 2007**, **Brennan Central Otago Pinot Noir 2007 (Best in Class)**, **Peregrine Central Otago Pinot Noir 2007 (Best in Class)**, **Domain Road Central Otago Pinot Noir 2007**, **Remarkable Gibbston Pinot Noir 2007**, **Wooing Tree Central Otago Pinot Noir 2007**.

New Zealand-based wine critic, Jo Burzynska, who was part of the panels judging the IWSC's

New Zealand classes this year said that she was impressed by the standard of the 2009 vintage. "I tasted some wonderfully fresh and vibrant wines, which promise well for the quality of the vintage," she noted. "The 2007 Pinots also really shone."

#### *24 August 2009*

Central Otago once again dominated the medals and trophies for pinot noir wines at the NZ Winegrowers Bragato Wine Awards held in Napier last weekend.

The Mike Wolter Trophy for CHAMPION PINOT NOIR went to Aravin Wines, from Alexandra, for the **Aravin Pinot Noir 2007**, which also received the Richard Smart Trophy for RESERVE CHAMPION WINE, and a gold medal.

Other gold medal winners from Central Otago were: **Black Quail Estate Pinot Noir 2008, Gibbston Valley Pinot Noir 2008, Le Mineur d'orient Pinot Noir 2008 (Gibbston Valley Wines), Rockburn Pinot Noir 2008, Domain Road Pinot Noir 2007, Mount Dottrel Pinot Noir 2007**, and **Olsens Slapjack Creek Pinot Noir 2007**.

The Bragato Wine Awards are named in honour of the Italian born viticulturist Romeo Bragato who from 1895 until 1912 was employed as Head of the Viticultural Division of the Dept of Agriculture. He was a perfectionist who fully recognized that "good wines are grown in the vineyard". The Bragato Wine Awards salute that vision.



#### *12 August 2009*

Central Otago winemakers are being urged to position themselves in key overseas export markets ready for an economic recovery, likely to occur sooner than expected. Overseas experts speaking at the Wine Exporters Forum in Christchurch last week told winegrowers that, in spite of the economic recession, they should not stop their marketing pushes into major export markets, as the economic recovery would be sooner than thought. Pinot noir is one of the fastest growing wine varieties being imported in the United States.

New Zealand Winegrowers Association deputy chairman Steve Green said this was great for Central Otago, as almost 80 per cent of its plantings were pinot noir. Australia was another very strong market for New Zealand winegrowers and one where Central Otago pinot noir was doing "exceptionally well", Mr Green said.



### **AMISFIELD WINERY BISTRO A FINALIST**



Amisfield Winery Bistro has been named as a finalist in the high profile 2009 Cuisine NZ Restaurant of the Year Awards for the third time, endorsing again the Central Otago restaurant's reputation for quality and consistency.

The Lake Hayes restaurant won the 2006 and 2007 Best Winery Restaurant categories ahead of strong competition throughout New Zealand, but was ineligible to enter in 2008 as the company's general manager was a judge.

Amisfield is a casual but sophisticated dining place, housed in a contemporary, rustic complex, which has attracted significant architectural awards, and has a stunning courtyard setting overlooking Lake Hayes.

The winners of the Cuisine NZ Restaurant of the Year Awards will be announced in Auckland on August 18.

#### *June 2009*

Wooing Tree Pinot Noir 2007 has won gold at the Hong Kong International Wine Challenge 2009 - Hong Kong's first ever wine challenge which blends interesting elements of Chinese provincial



cuisine as a way to promote wine matching with food. The winning entries, selected by judges during the pre-show judging period, were displayed in the show hall of fame during the 13th Asia Food and Drink Exhibition, (HOFEX). Wooing Tree Pinot Noir 2007 won gold in the Cantonese wine and food match. It has also become the first New **INTERNATIONAL WINE CHALLENGE (IWC) AWARDS**

Congratulations to the following Central Otago wine winners at the 26th International Wine Challenge (IWC) – the world's most prestigious and influential independent wine competition:  
**GOLD MEDALS: Peregrine Pinot Noir 2007, Domain Road Pinot Noir 2007, Sandihurst Central Otago Pinot Noir 2007, Hinton Estate Vineyard Barrel Selection 2007**  
**SILVER: Lowburn Ferry Pinot Noir 2007, Waitiri Creek Pinot Noir 2007, Hinton Estate Vineyard Pinot Noir 2007, Wild Earth Pinot Noir 2007, 2008 Mud House Swan Central Otago Pinot Noir 2008, 2008 Waipara Hills Southern Cross Selection Central Otago Pinot Noir 2008**

The International Wine Challenge is acknowledged as the most influential blind tasting in the world.

27 May 2009

**Bald Hills Vineyard** from Central Otago has won a *Gold Medal* for its **2007 "Single Vineyard" Pinot Noir** at the prestigious **2009 Decanter World Wine Awards**. In the latest international competition more than 10,000 wines were judged by a team of experts, and a Bronze Medal was awarded to the earlier vintage, the 2006 "Single Vineyard" Pinot Noir. Previously Bald Hills scooped the pool with its 2005 Pinot Noir when it won Decanter's International Pinot Noir Trophy in 2007.

2 April 2009

**Happy Easter!** Harvest time has arrived in Central Otago, with wine growers gearing up for another good vintage.

Quartz Reef has been bringing in grapes for their Methode Traditionelle wines over the past couple of weeks, and will start the harvest for pinot noir wine next week. Winemaker Rudi Bauer said wineries in the Cromwell area were looking at harvest next week or the week after Easter. A cold spell a fortnight ago had growers nervous but the settled weather and warm autumn days had now brought everything back on track. Helicopters, wind machines and sprinklers have been fighting frosts in the region over the past couple of nights, and more early morning frosts are expected this week.

Some wineries in the Bannockburn area have also begun harvesting this week. Lowburn Ferry Wines viticulturalist Roger Gibson said frosty nights had not so far caused a problem and fruit was progressing well and flavours were developing nicely - he was also expecting to harvest shortly after Easter.



2 March 2009 **Drumsara wins at Sydney Show**

Central Otago boutique vineyard Drumsara has capped an outstanding run with its 2007 Pinot Noir receiving the celebrated Best Pinot Noir Trophy at the 2009 Sydney International Wine competition.

The vintage received a blue gold medal and was named in the Top 100 wines, highlighting the best wines across the board entered in the Sydney show, before being named Best Pinot Noir at the awards ceremony on Saturday (February 28).

The 2007 Pinot Noir has previously won three gold medals at international wine shows including the 2008 UK International Wine and Spirit competition.



*Coming up:*

A relaxed and fun afternoon for the whole family -- entertainment, games for the kids, food and wine. Come celebrate the grape harvest with the Gibbston community.

The fourth annual Gibbston Harvest Festival once again toasts the spirit of a community that transformed itself from a sleepy sheep farming valley to a high profile winemaking area. Proceeds will benefit a local charity. 18 wineries and 15 local restaurants.  
Date: 21 Mar 2009 Time: 11am to 4pm

*5th February 2009:*

### **CENTRAL OTAGO PINOTS UNIQUE**



**Wine writer Neal Martin tasting wine during the Central Otago Pinot Noir Celebration**

Central Otago's pinot noir's regional identity was rapidly taking shape on the world stage and its producers should try to retain that unique style, says American wine writer Patrick Comiskey, a guest at the Central Otago Pinot Noir Celebration last week.

The region was now one of the more exciting places producing pinot noir in the world and had become increasingly popular overseas, Mr Comiskey, who writes for the Los Angeles Times, Wine and Spirits and Bon Appetite magazines, said.

Central Otago had such a unique style that some of its producers should be careful not to "try to be like everyone else". The winning combination was right here, Mr Comiskey said. The world's pinot noir elite from around the world, including British master of wine Jancis Robinson, Burgundian expert and master of wine Jasper Morris and influential United States wine writer

Robert Parker's taster Neal Martin were amongst the distinguished guests and 180 delegates visiting Central Otago last week.

*24th November 2008:*

### **AIRNZ TROPHY FOR ROCKBURN (again)**

Cromwell's Rockburn Wines 2007 pinot noir has won two of the 18 trophies awarded at the 2008 Air New Zealand Wine Awards. Rockburn won the JF Hille-brand New Zealand Ltd Champion Pinot Noir Trophy and the Fairfax Media Champion Open Red Wine Trophy.

This is the second year in a row that Rockburn has won the Fairfax Media Champion Open Red Wine Trophy

*20th November 2008:*

### **LOWBURN FERRY CONTINUES GOLD MEDAL RUN**

Lowburn Ferry pinot noir wines, from Central Otago, are showing continued consistency in quality. Every vintage made under the main label has now attained gold medal standard. The latest result was announced last week for Lowburn Ferry Pinot Noir 2006 which has been awarded a Gold Medal at the Air New Zealand Wine Awards. The 2007 still very much in its youth was awarded Silver.

*13 November 2008:*

### **Air NZ Wine Awards results:**

Central Otago wines once again star in the Air NZ Wine Awards - where they won 14 gold medals in the 2008 competition - 12 for Pinot Noir. The awards attracted a record 1751 entries from New Zealand's 10 winegrowing regions with the 26-strong expert judging panel, chaired by Steve Smith, Master of Wine (MW). Trophy winners and elite gold medal winners will be announced at the gala dinner in Wellington on Saturday 22 November.

Central Otago gold medal winners were: **Mount Dottrel Pinot Noir 2006, Peregrine Pinot Noir 2007, Lowburn Ferry Pinot Noir 2006, Nevis Bluff Pinot Noir 2006, Hinton Estate Vineyard Pinot Noir 2007, Sallys Pinch Pinot Noir 2007, Judge Rock Pinot Noir 2007, Leaning Rock Pinot Noir 2006, Rockburn Pinot Noir 2007, Bannock Brae Estate Barrel Selection Pinot Noir 2006, Tarras Vineyards The Canyon Pinot Noir 2007, Brennan Pinot Noir 2007; Mt**

**Rosa Pinot Gris 2007, Lamont Pinot Gris 2008; Misha's Vineyard "The Gallery" Gewurztraminer 2008; Elephant Hill Rose 2008; Desert Heart Riesling 2007.** Email us for availability of any of these wines: [wine@otagowine.com](mailto:wine@otagowine.com)

6 November 2008:

**Rockburn Winemaker Wins Wine Society Sommeliers Choice Award in Australia**

**Central Otago winemaker Malcolm Rees-Francis**, from Rockburn Wines, was awarded **The Australian Wine Society Young Winemaker of the Year Sommeliers Choice Award** for the **2007 Rockburn Pinot Gris** at a lavish dinner on 1 November in Sydney.

The award, chosen by 10 of Australia's top sommeliers, makes Malcolm the first New Zealander to win a Young Winemaker title since the competition began eight years ago.

Established in 2001, the Wine Society Young Winemaker of the Year Awards recognise the extraordinary talent of Australia's and New Zealand's most promising young winemakers. Rees-Francis joined Rockburn Wines at their new Cromwell winery for the 2006 vintage, having spent four vintages as assistant winemaker at Felton Road Wines.

Another Central Otago winemaker, Matt Edwards, was a close runner-up in the awards for his **Devine Pinot Noir 2006**.



Malcolm Rees-Francis

1 October 2008:

**New Central Otago Pinot Noir label takes trophy at IWSC in London.**

A brand new Central Otago label has scooped an international trophy in London.

The **Remarkable Gibbston Valley Pinot Noir Central Otago 2006** has just won the Bouchard Finlayson Pinot Noir Trophy at the International Wine and Spirit Competition (IWSC).

Founded in 1969, the International Wine and Spirit Competition (IWSC) is one of the premier competitions of its kind in the world and aims to promote the quality and excellence of the world's best wines, spirits and liqueurs.

Gold medal winners from Otago were: **Remarkable Gibbston Valley Pinot Noir Central Otago 2006, Drumsara Ventifacts Block Pinot Noir Central Otago 2007, and Mount Difficulty Roaring Meg Pinot Noir Central Otago 2007** - see our hot deals page to order!



Remarkable Wines owner  
Richard Guthrey  
celebrates international  
success with vineyard  
rabbit control officer  
Lexie

The 2006 sold out, but Wild Earth Wines has released their latest vintage and claims it could be their best yet! Scoring 94 points in Taste magazine- Bob Campbell describes it as "hearty midwinter drinking - with or without food."

30th September 2008:

**Central Otago wines shine at NZ International Wine Show**

Several new release Central Otago wines won gold medals at the NZ International Wine Show held in Auckland last week.

**Aurum Pinot Noir 2007, Bannock Brae Estate Barrel Selection Pinot Noir 2007, Domain Road Central Otago Pinot Noir 2007 Drumsara Central Otago Pinot Noir 2007, Lowburn Ferry Central Otago Pinot Noir 2007, Olssens Jackson Barry Pinot Noir 2007, Rockburn Pinot Noir 2007, Waitiri Creek Pinot Noir 2007, Wild Earth Central Otago Pinot Noir 2007.** With 2273 entries, the 2008 New Zealand International Wine Show is far and away the largest wine competition ever held in this country and is one of the largest wine competitions in the

Southern Hemisphere.  
See our Hot Deals for a selection of award winners!

*3rd September 2008:*

### **Wild Earth Wines takes TOP RED WINE TROPHY AT IWC**

Wild Earth Wines, a Central Otago winemaker, has just been awarded the Trophy for Top Red Wine at the International Wine Challenge, the world's largest competition. It beat 31 other red wine trophy winners from around the globe in the final judging round, announced on Wednesday night (3 Sept) in London. With almost 10,000 wines in contention, International Wine Challenge is the world's premier wine competition. The Wild Earth Pinot Noir 2006 took five trophies in total at the event, taking the trophy count for this wine to an astonishing six awards - well done. This makes it 2 years in a row that a Central Otago Pinot noir has taken Champion red at this show

*25 August 2008:*

### **CENTRAL OTAGO WINE CHAMPION AT ROMEO BRAGATO WINE AWARDS 2008**



A Central Otago Pinot Noir has taken top honours at this year's Romeo Bragato Wine Awards held in Christchurch, winning the prestigious **Bragato Trophy for Champion Wine of Show**.

Olssens Garden Vineyard produced the winning **Olssens Jackson Barry Pinot Noir 2007**, which was also awarded the **Mike Wolter Memorial Trophy** and Champion Pinot Noir. The unique Awards recognise the importance of the grapegrowing process and celebrates viticultural excellence, so the awards go to the viticulturalist.

"The Central Otago region consistently produces top quality Pinot Noir, so it's no surprise that the area has produced this year's Champion Wine of Show," said Chairman of judges, Larry McKenna.

The Mike Wolter Memorial Trophy has particular significance in Central Otago in remembering one of the pioneering winemakers in the region, Mike Wolter. It was carved by another wine pioneer, the late Rolfe Mills, of Rippon Vineyard.

Viticulturalist Karen Olssen had previously won the trophy in 1999 and 2000. Two other Central Otago recipients have been Robin Dicey (Mt Difficulty) in 2004 and Roger Gibson (Lowburn Ferry) in 2005, both of whom, like Karen this time, went on to win the Bragato Champion Wine of Show.

*[enquire here for availability of these wines](#)*

Renowned New Zealand winemaker Claire Mulholland has been appointed by Amisfield Wine Company.

Claire is widely recognised as a leader in her field and her appointment is a coup for Amisfield. Claire was brought up in Central Otago and recently returned to her roots as winemaker at Anthem vineyard in Gibbston Valley. She is best known for her role as Martinborough Vineyard's winemaker, a position she held for seven years until her return south.

Jeff Sinnott, who has been Amisfield's winemaker since the inaugural vintage in 2002, has taken on a new role as the company's consultant winemaker.

*[...click here for full story](#)***25 July 2008:**

Congratulations to all those who moved on our Wild Earth Pinot Noir offering last month - it sold out very quickly following all of the international accolades for this wine. We have saved the last few bottles for our Serious Cellar Selection - which also has some other hard-to-get premium labels from Central Otago (including Felton Road) and throughout New Zealand. Be in quick! And for those wanting some top wines in a lower price bracket, see our HOT DEAL on Roaring Meg Pinot Noir 2007, which just won a gold medal at the London International Wine Challenge. Keep warm....

**WILD EARTH BEST IN WORLD ?**



18 June 2008

**Wild Earth Pinot Noir 2006**, which retails for only NZ\$36.95 at otagowine.com, can arguably be said to be best Pinot Noir in the world having just taken 4 trophies including **International Pinot Noir Trophy** at the most prestigious wine event of the year, the **International Wine Challenge** in London.

The IWC web site lists the following trophies for this wine from its 2008 competition:

- International Pinot Noir Trophy
- New Zealand Red Trophy
- New Zealand Pinot Noir Trophy
- Central Otago Pinot Noir Trophy

Gibbston Valley Reserve Pinot Noir 2000 and Bald Hills Pinot Noir 2005 have both previously won the IWC trophy for Best International Pinot Noir .

### WILD EARTH WINES TAKES TROPHY IN WORLD'S LARGEST WINE SHOW



6 June 2008: **Wild Earth Wines**, a young Central Otago winemaker, has just been awarded the Trophy for **Top New Zealand Pinot Noir** at the **Decanter World Wine Awards** in London. This competition is the world's largest with over 9,000 entries and is regarded as the toughest wine judging event globally.

In addition to the Trophy award, the **Wild Earth Pinot Noir 2006** was awarded **two Gold Medals**, one at the **Decanter** competition and the other in the concurrent **International Wine Challenge 2008**, also judged in the United Kingdom.

### RECORD VINTAGE

6 June 2008: Pruning is happening across the Central Otago region now the grapes are in. The region has produced a record vintage in 2008 - with estimates of between 8000 and 10,000 tonnes of grapes harvested, more than double the previous biggest vintage in 2006. New Zealand Winegrowers official statistics for the 2006 vintage were 4612 tonnes, and 3434 tonnes for 2007 - cool weather at flowering had resulted in poor fruit set and smaller berries last year. This year several new wineries came on stream producing their first commercial crops, and berry and bunch sizes across the region were generally bigger. Some winemakers have likened the vintage to that in 2003 which produced some very good wines. Rudi Bauer, from Quartz Reef, said there were yield variations across the region and expected those with lower yields would produce some very good wines. He estimated about 25% of the grapes produced had gone outside of the region.

### RIPPON GETS RATED

**RIPPON** has notched up some fantastic ratings for their Pinot Noir from one of the world's most influential wine writers - Bob Parker's "The Wine Advocate" - reviewed by Neal Martin. The 2006 and 2004 vintages were both rated 95 points (outstanding) while the 2005 vintage scored 91 points



### PISA RANGE SHORTLISTED



Also just this week the UK Sommelier Awards have been released, with **Pisa Range Estate Black Poplar Pinot Noir 2006** shortlisted. Judged by 44 of the top sommeliers, restaurateurs & wine consultants in the UK. These awards are a unique view on what the restaurant industry regards as the best wines on the market by those who have to list them, recommend them and pour them on a daily basis.



### SYDNEY PINOT NOIR TROPHY FOR GIBBSTON HIGHGATE PINOT NOIR

*March 5th 2008:* The Sydney International Wine Competition is one of the few wine competitions in the world to award trophies to wine for their compatibility with food. The Air Sea Global Perpetual Trophy for Best Pinot Noir of the Competition was awarded to **Gibbston Highgate Estate 'Soultaker' Pinot Noir 2006**.

### CENTRAL OTAGO PINOT NOIRS POPULAR CHOICE

*6th December 2007*



From a list of 15,000 wines worldwide, **Amisfield Pinot Noir 2005** is the sole New Zealand red to make it on to Wine Spectator's prestigious list of the Top 100 Wines for 2007. The **Amisfield Pinot Noir 2005**, has been ranked No 22 by the most influential wine magazine in the United States. This is the second time Amisfield has gained this honour, the 2005 list acknowledging the **Amisfield Pinot Noir**

**2003.**

**Peregrine Pinot Noir 2006** has also been awarded 92 points and "Editors Choice" in both the USA magazines, Wine Enthusiast and Wine Spectator and has also been rated 96/100 in Gourmet Traveller Wine Magazine.

### AIR NZ WINE AWARDS 2007 TROPHY WINNERS



*26th November 2007:*

Two wines from Central Otago won trophies at the Air NZ Wine Awards announced on Saturday night. **Rockburn Pinot Noir 2006** took out the **Fairfax Media Champion Open Red Wine Trophy**, and a newcomer, **Crawford SP Rise-n-Shine Central Otago Pinot Noir** from Kim Crawford, won the **Air Sea Global Champion Pinot Noir Trophy**. Rise-and-Shine Creek is the home of gold mining in Bendigo, Central Otago. The grapes for this wine came from the Clearvue Vineyard on the northern end of the Bendigo Loop Road.

[....read the full story here](#)

See our Hot Deals page to purchase these wines!!

### OLSENS TAKE WINESTATE TROPHY

*26th November 2007:* Also this weekend the Winestate Magazine Wine Awards were announced in Australia, where **Olsen's of Bannockburn Slapjack Creek Pinot Noir 2005** won the **Winestate Pinot Noir Wine of the Year 2007**.

Over 10,000 wines were tasted throughout the year with only 20% being rated by Winestate. (Unfortunately 2005 was a very small vintage and stocks are all gone).



WIN A 6-PACK OF FINE OTAGO WINES - From now until Christmas, each order of a dozen wines from OTAGOWINE.COM qualifies for one entry in the draw! (free delivery in NZ)

### AIR NZ WINE AWARDS 2007

13th November 2007:

Hot off the press today are the results of the Air New Zealand Wine Awards 2007. Central Otago **gold medal** winners include:

Gibbston Valley Pinot Blanc 2006, Lake Hayes Pinot Gris 2007, DeVine Wines Pinot Noir 2006, Goldfields Pinot Noir 2006, Lamont Pinot Noir 2005, Hawkdun Rise Pinot Noir 2006. and Rockburn Pinot Noir 2006. Mondillo Pinot Noir 2006 also won a "**pure gold**" medal in the new class for sustainable wines.

Organised by New Zealand Winegrowers, the awards attracted 1,540 entries this year. Trophies will be announced on Saturday, November 24, 2007....[read more here](#)

International judges included (from left to right) Tom Carson, James Rodewald, Peter McCombie MW, and Mike de Garis.

Please enquire for availability of any of the above wines...

### CUISINE WINE TASTING:

17th October 2007: "*New kid on the block*" - Judge Rock, a small family winery from Alexandra has leapt into the limelight with five stars - Best Buy in Cuisine magazines NZ Pinot Noir tasting this month! At \$29.95 **Judge Rock Pinot Noir 2006** is a great value pinot - "...this elegant wine by winemaker Carol Bunn is built around a good core of authentic Pinot Noir flavours of earth, cherry and spice."

Also with 5 stars, from Central Otago, were

- **Rockburn Pinot Noir 2006** - described by international wine judge Dineen as "*almost text-book perfection. Rich, with an intense, savoury, velvet texture. Silky, fleshy and fragrant with fantastic use of oak.*" The 2006 Rockburn Pinot Noir was the first for winemaker Malcolm Francis. He joined Rockburn at their new McNulty Road winery/cellar door in Cromwell for the 2006 vintage, having spent four vintages as assistant winemaker at Felton Road.
- **Valli Gibbston Vineyard Pinot Noir 2006** - "A more masculine style, beautifully put together, with an alluring violet-tinged aroma and black-fruit richness."
- **Bald Hills Pinot Noir 2005** - "Jam jars full of ripe plums on the nose...firm yet appropriate tannins plus great weight and intensity."  
Both of the last 2 wines were made by Grant Taylor.

See our [SERIOUS CELLAR NZ PINOT NOIR SELECTION](#) - and our [TOP PICKS](#)

### CENTRAL OTAGO PINOT NOIR NAMED BEST IN THE WORLD

3rd October, 2007 - Bald Hills Vineyard from Central Otago has won six trophies at two of the world's most prestigious wine shows including Champion Red at the International Wine Challenge.

Winning a **Regional** and an **International Pinot Noir Trophy** at the **Decanter World Wine Awards 2007** was a thrill for Central Otago's Bald Hills Vineyard, but when this success was repeated the following week with



**Bald Hills Pinot Noir 2005** taking out the **Champion Red Trophy at the International Wine Challenge (IWC)** Dr Blair Hunt and his wife Estelle realised their vineyard was producing something very special.

The 4th Decanter World Wine Awards Dinner, held in London's Victoria and Albert Museum early in September, saw winemakers from across the globe celebrating in style amongst the expansive canvases of the museum's Raphael Room. The New World triumphed with a sizeable collection of awards including a groundbreaking win for New Zealand over Burgundy in the Pinot Noir category with **Bald Hills Pinot Noir 2005** claiming the **International Pinot Noir Over £10 Trophy**, having earlier secured the **Regional New Zealand Trophy**.

The following week at a prestigious gathering at the Grosvenor Hotel in London's Park Lane, the **IWC** announced their top 9 Champion awards to the very best wines in the 2007 competition as well as other industry awards. Earlier in this competition, as judges tasted and assessed the 9,358 wines that had been submitted, in what has become the world's largest blind tasting, Bald Hills Pinot Noir 2005 had been named a regional winner with the **New Zealand South Island Pinot Noir Trophy**. It was also one of 19 international award winners with the **International Pinot Noir Trophy**. However the ultimate accolade was announced during the awards ceremony where Bald Hills stole the limelight with their Pinot Noir being hailed as the **International Wine Challenge 2007 Champion Red**.

The final honour was still to come with the announcement of the **IWC Planet Earth awards** which have been introduced to reflect an important trend in consumer demand, as well as rewarding those who not only excel in winemaking but also put the planet at the heart of their wine making activity. Once again Bald Hills took centre stage and claimed their second champion title with the **Planet Earth Sustainability Trophy** [Enquire for availability](#)

## DECANTER RELEASES RATINGS

UK magazine "*Decanter*", just released, lists two five-star ratings for Central Otago pinot noirs - **Peregrine 2003 Pinot Noir** and **Mt Difficulty Roaring Meg Pinot Noir 2003** - while four stars (highly recommended) went to the following pinot noir wines: **Lowburn Ferry 2003**, **Carrick 2002**, **Cornish Point 2003**, **Mount Michael 2002**, **Mount Difficulty 2003**.

## TRIPLE SCOOP IN WINE AWARDS FOR LOWBURN FERRY



Lowburn Ferry Vineyard in Central Otago scooped three of the top trophies, including **CHAMPION WINE OF SHOW** at the Bragato Wine Awards held in Gisborne on Saturday night. The winning wine was Lowburn Ferry Pinot Noir 2003, made from the first vintage harvested on the 3ha vineyard in the Lowburn Valley, 5km north of Cromwell in Central Otago.

The Bragato Wine Awards 2005 were held in conjunction with the annual grape and wine industry Romeo Bragato Conference in Gisborne. These awards are unique in New Zealand in that they recognise the grapegrowers, the vineyard and excellence in viticultural practice. Viticulturalist Roger Gibson also picked up the coveted Mike Wolter Memorial Trophy for Champion Pinot Noir Table Wine, and the trophy for Champion Red Table Wine. [\[click here for more\]](#)



## OTAGO WINES TAKE GOLD AT BRAGATO WINE AWARDS 2005

26th August 2005: Three top Otago Pinot Noir wines have won gold medals at the Bragato Wine Awards, held in conjunction with the annual grape and wine industry Romeo Bragato Conference in Gisborne. These awards are unique in New Zealand in that they recognise the grapegrowers, the vineyard and excellence in viticultural practice.

Golds were awarded to: *Lowburn Ferry Pinot Noir 2003*, *Desert Heart Pinot Noir 2003*, and *Mt Difficulty Target Gully Pinot Noir 2003*

## **Appendix C: Interview Outline for Phase One Interviews**

### **General Background**

1. Describe the background of your winery (CO tradition)
2. Tell me about your personal background in relationship to the wine industry (where were you before \_\_\_\_\_?).
3. What are your feelings about the region?

### **Collaboration and Information Exchange**

1. Who do you talk to most frequently?
2. Who do you talk to in solving problems?
3. What regional formal and informal events do you participate in and why?

### **Central Otago Wines**

1. What makes Central Otago wines different in the market place?
2. Are your wines different from other Central Otago wines?

### **Wine Quality Maintenance**

1. How does the region as a whole maintain quality in its wines?
2. How do you maintain quality in your winery?

## **Appendix D: Introduction Letter to Participants**

ON UNIVERSITY LETTERHEAD

[17 October, 2007]

[Winery Owner]

[Winery]

[Address]

Dear [       ],

I am writing to introduce myself and the research in which I am involved. I am Sue Callahan and am completing my Ph.D. in Marketing at the University of Otago. The focus of my study is to gain an understanding of relationships among Central Otago wineries. I am aiming to undertake interviews with 12 wineries involving winemakers and viticulturalists and observations of wine-tastings. It is exciting research as it could help the Central Otago wine region in furthering communication and the sharing of resources to effectively promote the region and its quality wines. This research has not been conducted previously, so should provide some fresh insights into the workings of the region. I will be happy to summarize the findings in a report for your use. My supervisors are Maree Thyne and David Ballantyne.

I know your time is extremely precious and I will make the process as expeditious as possible. Your participation would be extremely valuable to me and the interview should last no longer than an hour. I will contact you shortly to establish a meeting time. If you would like to talk to me before that, I can be reached at 03 477 3991 or e-mail at [scallahan@business.otago.ac.nz](mailto:scallahan@business.otago.ac.nz).

Thank you in advance.

Sincerely,

Susan M. Callahan

## **Appendix E: Interview Protocol**

### **General Background**

1. Describe the background of your winery (CO tradition)
2. Tell me about your personal background in relationship to the wine industry (where were you before \_\_\_\_\_?).
3. What do you see for the future? (Sub-regions, environment, organic) (end of interview)?
4. What are your individual philosophies of winemaking/viticulture? (ex. Organic, non-interference, experimentation)

### **Primary Objective**

The main aim of this study is to evaluate the nature, process, and role of collaboration among competing firms in a region.

1. Who (winery personnel) was important to you in the beginning – now? (Actors)
2. What sorts of things did you rely on other people for – equipment, advice, contacts, etc.? (Resources)
3. How are new wineries accepted by the established wineries? (Actors, activities)
4. What formal associations do you participate in about winemaking/viticulture? (Activities)
5. What other regular or formal activities are you involved in that would somehow help the region as a whole? (Activities)
6. Informal activities? (Activities)
7. How do you individually contribute to the region's success? (Activities)
8. It strikes me that the wine people in CO must have great social lives in that you are close to each other and wine is involved! Would you care to share information about that? (Activities)
9. What impact has isolation had on the region?
10. What role, if any, does your constant struggle of “wines on the edge” have in collaboration between the wineries?
11. How do you feel about the movement of personnel from winery to winery? About producing wine for each other?
12. What importance would you place on having young people moving into the CO wine industry?

### **RQ 1. Examine collaboration and the role it plays in the development of a regional brand identity.**

1. If the region works together to have a brand, how is that done?
2. What does Central Otago mean to you? What brought you here/keeps you here?
3. What image is projected to the outside world about CO by your winery?
4. How is the image of CO communicated together by the region?
5. Clearly you have made a resource commitment to the unified idea of Central Otago. Is it worthwhile?

6. If the region continues to grow, how will that impact wine quality and the image of CO, especially since part of the strategy is producing limited quantities?
7. What attracts young winemakers to CO?
8. Does pride and tradition from the early wine pioneers effect relationships in the region?

**RQ 2. Understand and analyse the link of collaboration to wine quality assurance.**

1. How did the desire to produce quality wine in Central Otago come about?
2. I've noticed that many of the winemakers and viticulturists have backgrounds that include either Oregon or Burgundy. What impact on your winemaker/viticulture practice does this have?
3. How do you get new wineries to "buy into" the idea of quality?
4. How does Central Otago regionally maintain a high level of wine quality?
5. There are not too many wineries producing their own wine. What do you think about regional quality when much of the wine is made by either VinPro or Central Otago Wine Company?
6. Discuss experimenting with clones (vineyard managers).
7. What do you think of the idea of terroir?
8. How does it fit with your winery's strategy?
9. Do you work with other wineries to somehow enhance terroir?

**RQ 3. Evaluate the role of geographic proximity in collaboration among competing regional firms.**

1. Describe to me the people you would run into on a daily basis.
2. How do the people you mentioned in question one impact you in the wine business?
3. Do you conduct more business with people who are neighbours?
4. Do you socialise more with people who are neighbours?
5. What impact do people "down the road" have on you versus people, let's say, in another sub-region?
6. Is the knowledge shared by neighbours different than the knowledge shared with other people?

**RQ 4. Determine the marketing implications for the wineries of developing a regional brand and make recommendations for the communication of the regional brand.**

Interpreted from data analysis of marketing collateral and wine tasting events.

## Appendix F: Contact Summary Sheet

### Winery 8

**Interview:** CEO

**Place:** CEO's office, winery

**Date:** 16/10/07

| Salient Points  | Themes                 |
|---|------------------------|
| "We do contract winemaking, as well. We have been doing that for 3-4 years now."  | Making wine for others |
| Came from the brewery industry with no co-operation. The Central Otago co-operative environment was refreshing              | Co-operation           |
| Central Otago figured out that people had to work together to get traction and 'mass'.                                      | Unified position       |
| People in Central are approaching their businesses on more of profitability basis   | Business approach      |
| Bannockburn has status  | Sub-region importance  |
| Cowa helped him make contacts   | Formal Activities      |
| Relationships with neighbours   | Proximity              |
| He has pulled back from the Central Otago idea and is doing more on his own. They are able to stand more on their own, now. | Business approach      |
| He still believes in Central Otago unification  | Unified position       |
| Maintaining regional wine quality is precarious, but they have young, committed winemakers                                  | Passion<br>Young       |
| They don't "fall back" on terroir   | Anti-terroir           |
| Winemaker uses minimum interventions  | Non-interference       |
| Have a second label they sell in supermarkets   | Second label           |

Comments: He is very much a business person and bases his decisions on profitability. However, according to the viticulturalist's comments, he is very involved day to day and comes and talks to the vineyard workers at length at least once a week. Also, people who come back year after year to work at winery eight's vineyards said that at the end of the harvest as they walked out, he saluted all of them. It made them feel special and important.

## Appendix G: Documentation Summary Form

### Winery Two

#### Description of Document

Website

Very commercialised – about 70 pages

Sparse information – a lot about their wines and selling

Not as much about other wineries. They seem quite individualised in their marketing approach

Heavy into events

#### Summary of Contents

| Content   | Code  |
|---|---|
| Award winning producer in CO region   | AWARDS<br>REGIONAL THEME  |
| Boutique winery   | SIZE  |
| Have restaurant, wine tours, tasting events, conference and incentive location, weddings, wine cave; xxx Valley Cheese Co. next door  | COMMERCIALISATION   |
| First commercial wine producers in CO, est. 1987  | ROOTS   |
| Our Otago pinot noir  | REGIONAL THEME  |
| Summer 2006 Newsletter<br>Three seasons of roller coaster – down here in the south – very different vintages<br>2004 description – low yield<br>2005 even worse –<br>2006 great – high yield<br>Intro to new winemaker, Christopher Keys-southern roots (Hawkes Bay, Otago univ. Sileni Estates, OR   | PLACE HARSHNESS<br><br>LIMITED QUANTITIES<br><br>ROOTS  |
| Autumn 05 Newsletter<br>2003 pinot – Blue/Gold at Sydney International wine competition; rated 5 star in Winestate along with two other vintages<br>Hard to do with pinot – harsh climate – don't see if often even in Burgundy<br>Shows winery two has expertise and talent to craft wines of outstanding quality and unwavering consistency<br>No reserve in 2003 or 2004 – decided by Grant Taylor<br>Received over 30 awards in their wine releases<br>2005 reserve – gold metal in SF and Japan International Wine Competition<br>2006 Gold River – no extended cellaring – lower end? | AWARDS<br><br>PLACE HARSHNESS<br><br>QUALITY<br>CONSISTENCY<br><br>AWARDS<br><br>DIFFERENT BRANDING |

|   |  |
|---|--|
| MANY types of wine  |  |
| History of Otago – generic – Feraud and Bragato; present – all about winery two   | ROOTS<br>COMMERCIALISED  |
| Info on cellaring- connected with wine cave   | COMMERCIALISED   |
| is flagship of Queenstown vineyards   | INDIVIDUALISED   |
| Image gallery – CO – contains southernmost vineyards  | PLACE BEAUTY<br>REGIONAL THEME   |
| Almanac – shows process of grape growing  | QUALITY  |
| Award winning wines from CO<br>Quote of Bragato: “There is no better country of the face of the earth for the production of Burgundy grapes than CO”<br>Other quotes by wine writers<br>Then right into Gibbston Valley                                   | REGIONAL MARKETING MESSAGE<br><br><br><br>INDIVIDUALISED   |
| “history and pedigree of the place demands it” (quality)<br>Right grapes, right areas, full control of vineyards<br>For pinot noir, it’s a delicate balance between intervention and hands off<br>Infrastructure to maintain and constantly improve wines | ROOTS<br>QUALITY<br>REGIONAL SIGNIFICANCE<br><br>CONTROL<br><br>INTERVENTION<br>NO INTERVENTION<br>CONTROL |
| Lots of info on tasting, tours and wedding.<br>Relate to picturesque region<br>Looks like the offer CO wines in restaurant  | PLACE BEAUTY<br><br>SELL OTHER CO WINES  |
| Tour includes history of CO<br>Why we specialise in the varieties – climate and terroir<br>Local practises<br>Different wine styles of the world<br>Testimonials on caves and events  | ROOTS<br><br>TERROIR<br>REGIONAL THEME   |
| Gift page<br>Terms and Conditions   | COMMERCIALISATION  |