Title
Anatomy of Exporting Wineries in Argentina

I want to submit an abstract for:
Conference Presentation

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Keywords
wine, exports, innovation, quality, value chain

Research Question
How can wineries in medium-income countries upgrade product quality and innovate to target opportunities in premium sectors of the export market?

Methods
A survey was distributed along all wine regions of Argentina and among 230 wineries; the representative sample under analysis is made up of 26.2% of the total identified Argentine wineries.

Results
Argentine exporter wineries adopt a set of business practices to access premium markets that require them to significantly change their business model in terms of product, production, and marketing practices.

Abstract
This research seeks to describe and explain the process of export emergence of a quality differentiated good, Argentine wine. Wine is a typical example of a product where differentiation matters as quality and origin command a premium.

The first hypothesis is that steady wine exporters, mid-exporter wineries, and fundamentally high-exporter wineries, in this case, adopt a set of business practices that are different from those that stay in the domestic
market. Accessing premium markets may require wineries to significantly change three areas of their business model: the product component, the production component, and the marketing component. The second hypothesis is that key firm capabilities such as human capital and technology (understood in a broad sense to include not only productive but also organizational and commercial knowledge) play a key role in quality upgrading and the participation of firms from both emerging and developing countries, like Argentina, in global wine markets. The wine export development of Argentina seems steady and solid. Even when volume exports have somehow improved in the last decade and seem stabilized in the last couple of years, relative prices have increased, showing an enhanced quality of local wines. Record volumes of bottled wine exported, especially Malbec, which today represents more than half of Argentine wines exported, and varietal wines (including Malbec) with 90 percent of total exports, shows an export business conditioned to red wine, bottled, and improved quality. However, the levels of competitiveness of Argentine wines are low compared to world competitors. Their export growth was at a rate below the world average, Chilean wine exports continue to double those of Argentina, and Argentine wine exports are highly dependent on the exchange rate and the peculiar macroeconomic conditions of the country. Besides this macroeconomics that condition Argentine wineries' business context, the question remains, and it is focused on the exporting wineries' characteristics that may show a path for progress in a steadily growing industry. There are relevant differences between exporting and non-exporting wineries in Argentina. From considering a wide variety of factors that can create these differences, this research shows Argentine exporting wineries controllable factors that have offered them their greater export capacity. The way exporting wineries of Argentina manage their core value chain functions provide them a chance to compete worldwide and differentiate themselves from the non-exporting wineries of Argentina; this circumstance showcases the main barriers existing by the wineries not engaged in exports. Most exporting wineries come from Mendoza, are corporations (Sociedad Anónima), some foreign-owned, and have more permanent employees and more academically prepared employees than the ones not exporting. They use traditional and/or conventional production systems (with some environmental awareness), but as they move to export their wines, they incorporate organic and biodynamic production systems. Most Argentine wineries plant and manage their vines manually; however, the more they export, the more mechanized these activities become, where drip irrigation systems are mostly preferred and in place. Exporters tend to vinify more grapes and differentiate their wines, focus on selling premium wine abroad, and choose direct export channels, an importer or distributor based in the target export market. They work heavily in word-of-mouth as a source of promotion, direct marketing, public relations, online marketing, and the internet, and have engaged in wine tourism activities, where restaurants are becoming a complementary activity to the winery. The more wineries export, the more competitive it becomes in terms of not only product differentiation but also access to distribution channels and promotion strategies; exporting wineries in Argentina tend to be more innovative, technologized, and open to exploring new wines and complementary activities to support and preserve their traditional core characteristics related to their distinguishing Malbec presence in the world. Scale has shown to be an important element in creating the cluster environment that allows real chances for feasible exports. Results seem to corroborate the importance of the leading ten exporting companies’ business models' influence on the rest of the local wineries: bottled Malbec wine of quality from Mendoza at an affordable American middle-class consumer target seems to be the industry exports orientation; this scope may present some constraints and challenges in the immediate future.

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