**Title**
Dominant business model and strategic resources in the Prosecco industry

**I want to submit an abstract for:**
Conference Presentation

**Corresponding Author**
Carmine Garzia

**E-Mail Corresponding Author**
carmine.garzia@supsi.ch

**Affiliation**
SUPSI - University of Applied Sciences and Arts of Southern Switzerland

<table>
<thead>
<tr>
<th>Co-Author/s</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edoardo Slerca</td>
<td>SUPSI - University of Applied Sciences and Arts of Southern Switzerland</td>
</tr>
<tr>
<td>Francesco Gentile</td>
<td>University of Gastronomic Science</td>
</tr>
</tbody>
</table>

**E-Mail/s Co-Author/s**
edaordo.slerca@supsi.ch
f.gentile@unisg.it

**Keywords**
Prosecco, Business Models, Resources, Innovation, Italian wine industry

**Research Question**
The paper focuses on dominant business models in the wine industry and analyses what characteristics explain why certain business models enable companies to have superior performance

**Methods**
Empirical study on 120 Prosecco companies analysis of production and economic data from 2011 to 2021. Development of econometric model to investigate relations between business model characteristics and firm's performance

**Results**
The analysis shows that there is a dominant model, the trader model, based on the development of strategic production resource sustained by distinctive marketing resources.

**Abstract**
The paper focuses on dominant business models in the wine industry and analyse what characteristics explain...
why certain business models enable companies to have superior performance in terms of growth and return on investment. Starting with an empirical study of producers of Prosecco, one of the most successful global wines we identify strategic resources that explain the rapid development and establishment of these models and under what conditions these models are sustainable for the development of the entire industry. Finally, we analyse long-term economic sustainability of these models, also considering the relationship with companies, operating in the same area and market, that adopt different production models.

The paper presents an empirical study focused on companies of Prosecco, one of the most successful wines globally, with a strong international market presence and a total production of 638 million bottles in 2022, for total estimated sales of 2.7 billion euros in 2022.

The database analyzes a sample of 120 Prosecco-producing companies that adopt two business models, that of the trader focused on bottling and marketing and that of the integrated producer who owns and cultivates the land. It was possible to reconstruct, for all the companies in the sample, the production of Prosecco DOC in terms of hectoliters from 2011 to 2021. The database also contains all economic and financial data referring to the companies (income statement and balance sheet) from 2011 to 2021. Based on the available data, an econometric model was constructed that relates growth performance (in values and volumes) and profitability to the characteristics of the business model, in particular: investment choices (tangible and intangible investments) range of products offered, price positioning of products and choices in terms of productivity.

The analysis shows that there is a dominant model, called the trader model, whereby companies focus on bottling and marketing. The model is based on the development of strategic production resources, which we measured through a rigorous analysis of tangible investments and an in-depth analysis of productivity. The development of a relevant critical mass of production allows companies to implement aggressive pricing policies that enable them to gain market share in all channels and on international markets. Companies that sustain intangible investments in communication and marketing and segment their offerings, while remaining low-price product producers, perform better and can further strengthen their volume-based business model. Intangible investments combined with tangible ones and product segmentation policies explain the superior performance and also the establishment of the dominant model based on large volumes and low prices.

The main managerial implication is that rapid growth in the wine sector is linked to aggressive pricing policies supported by strong production efficiency and investments in production capacity and logistics, however this must be accompanied by communication strategies to support value perception and by an appropriately segmentation of the offer. The trader model has only one element of vulnerability, which relates to prices, whereby a drop in prices pushes down profitability and thus interrupts the virtuous cycle that sustains investment in production capacity and marketing.

Alongside companies that have chosen the trader model remain companies that adopt the integrated model whereby they combine agricultural production with wine production and bottling. These companies have lower performance in terms of both growth and return on investment. The presence of these companies makes a seemingly negligible contribution to the quantitative growth of Prosecco, but these companies offer niche products that allow them to improve the perception of the entire Prosecco product and do productive experimentation both in the vineyard and in the winery that helps to develop new resources, particularly new product innovation know-how that is lacking in companies that adopt the trader model.

However, the analysis of data on integrated producers shows that high pricing policies and attempts to implement differentiation strategies have not resulted in improved profitability, this is an additional incentive to continue on cost reduction and investments in production and marketing.

The question for further study might be to understand how there can be spillover phenomena between the two groups of companies and in particular whether integrated companies can transfer product innovation know-how to trader companies and whether these can strengthen the positioning of these companies by decreasing the risk of them being exposed to market price fluctuations.

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