Title
Evolution of Performance and Business Models in the Italian Wine Industry: A Comprehensive Analysis of Financial and Strategic Trends

I want to submit an abstract for:
Conference Presentation

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Keywords
Business models, Italian Wine Industry, Integrated Producers, Traders, Cooperatives

Research Question
Traders, integrated producers and cooperatives: which business model delivers the best performance in the Italian wine industry?

Methods
Balance sheets analysis of a sample of 207 Italian wine-producing firms over the last decade. Multivariate regression with year fixed-effects on the corresponding panel database.

Results
Integrated producers experience higher revenue growth and ROS relative to traders and cooperatives. Traders' indebtedness is highest, followed by cooperatives', and it is much lower for integrated producers.

Abstract
This paper delves into the dynamic evolution of performance and business models within the Italian wine sector,
sheding light on key economic and financial aspects. The study encompasses data from 207 major Italian wine companies, collectively responsible for approximately 8.9 billion euros in revenues, constituting 25 percent of the industry’s overall turnover. Additionally, the research includes a meticulous examination of acquisitions and mergers to map the landscape of external growth in the sector.

The Italian wine industry is currently undergoing a notable process of supply concentration, resulting in the formation of diversified groups with distinct appellations and geographical presence. This diversification has given rise to three primary business models: integrated producers, traders, and cooperatives.

Integrated producers engage in the complete winemaking process, from cultivating the land to marketing the final product. In contrast, traders who do not cultivate grapes focus on bottling and marketing. The trader model relies on strategic production resources, that can be measured through the analyses of tangible and intangible investments. The development of a critical mass of production enables these companies to implement aggressive pricing policies, gaining market share across channels and on the international stage. Companies sustaining investments in communication, marketing, and product segmentation while remaining low-price product producers exhibit superior performance, achieving growth organically or through strategic acquisitions.

To counter the growth of traders, integrated producers have responded by developing multi-brand and multi-product groups, primarily through acquisitions of other premium integrated producers. The increase in the average size of firms, observed across each business model, is sustained by the ongoing process of concentration within the sector.

Significant differences in growth performance, profitability, and financial structures exist among the three business models. Integrated producers consistently experience higher revenue growth and return on sales (ROS) compared to traders and cooperatives. However, from 2018 onward, traders have successfully narrowed the gap, reducing their revenue growth and ROS differential relative to integrated producers. Traders carry the highest levels of indebtedness, followed by cooperatives, while integrated producers maintain significantly lower debt levels. Notably, over the last five years, traders have managed to reduce their debt, in contrast to cooperatives.

The paper also employs an econometric model, utilizing available data to relate growth performance and profitability to specific business model characteristics, particularly investment choices and product range, in order to disentangle managerial decisions that enabled traders to catch up with integrated producers over the last five years.

The main managerial implication derived from this research emphasizes that rapid growth in the wine sector critically depends on the adopted business model. For traders, aggressive pricing policies supported by production efficiency and investments in production capacity and logistics are pivotal. This must be complemented by effective communication strategies and a strategic segmentation of offerings. In contrast, integrated producers, engaging in both agricultural and winemaking processes, drive innovation through experimentation in the vineyard and winery, particularly in new product development—an aspect lacking in trader-modeled companies.

The qualitative polarization evident in the sector is substantial, with integrated producers focusing on premium and super-premium products, traders dominating the mass market and displaying international competitiveness, and cooperatives showcasing a diverse range of quality levels dependent on individual strategies.

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