

5th International Scientific Conference on IT, Tourism, Economics, Management and Agriculture



Diversification strategy in Portuguese wine industry: a wine tourism case study

Dora Almeida: dmfa1982@gmail.com

José Massuca: jose.massuca@gmail.com

Ana Fialho: afialho@uevora.pt

Andreia Dionísio: andreia@uevora.pt

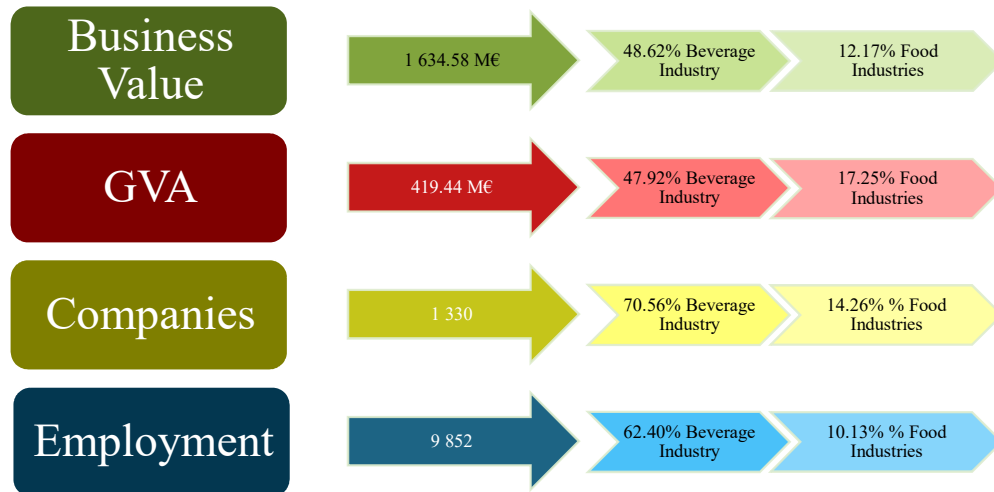


This work is financed by national funds through the FCT - Foundation for Science and Technology, I.P., under the project UIDB/04007/2020

October 21, 2021

Motivation

Wine sector



- Importance of **wine** and **tourism** sectors in Portugal
- The tourism sector represents about 13% of the Portuguese annual GDP
- The important role played by **cooperative wineries** in the Portuguese wine sector
- Cooperative managers must balance the individual associates' short-term interests with long-term collective patrimonial value construction (Couderc & Marchini, 2011) – a new management model is emerging face to competition in the wine industry

Some other issues:

- The lack of integration across sectors in terms of strategies, policies and implementation has been perceived as one of the main pitfalls of previous approaches to sustainable development (Le Blanc, 2015).
- The sustainability of cooperatives in the wine sector, the recovery and projection of material and immaterial heritage and the business diversification strategy are the starting points of this investigation



- Transdisciplinary study. Fundamental pillars: **Tourism, Agribusiness, Economy, Management**
 - The constitution of the research team in terms of scientific backgrounds, multidisciplinary is **one of the motivations for starting this line of research.**
-



Research questions

- What kind of **management model** cooperative wineries could adopt to achieve competitiveness in national and international markets?
 - Why cooperative wineries in southern Portugal should bet on a **differentiation strategy**?
 - Which factors should be explored to achieve it?
 - How could a cooperative winery achieve **sustainable growth** by **business diversification**?
-



Methodology

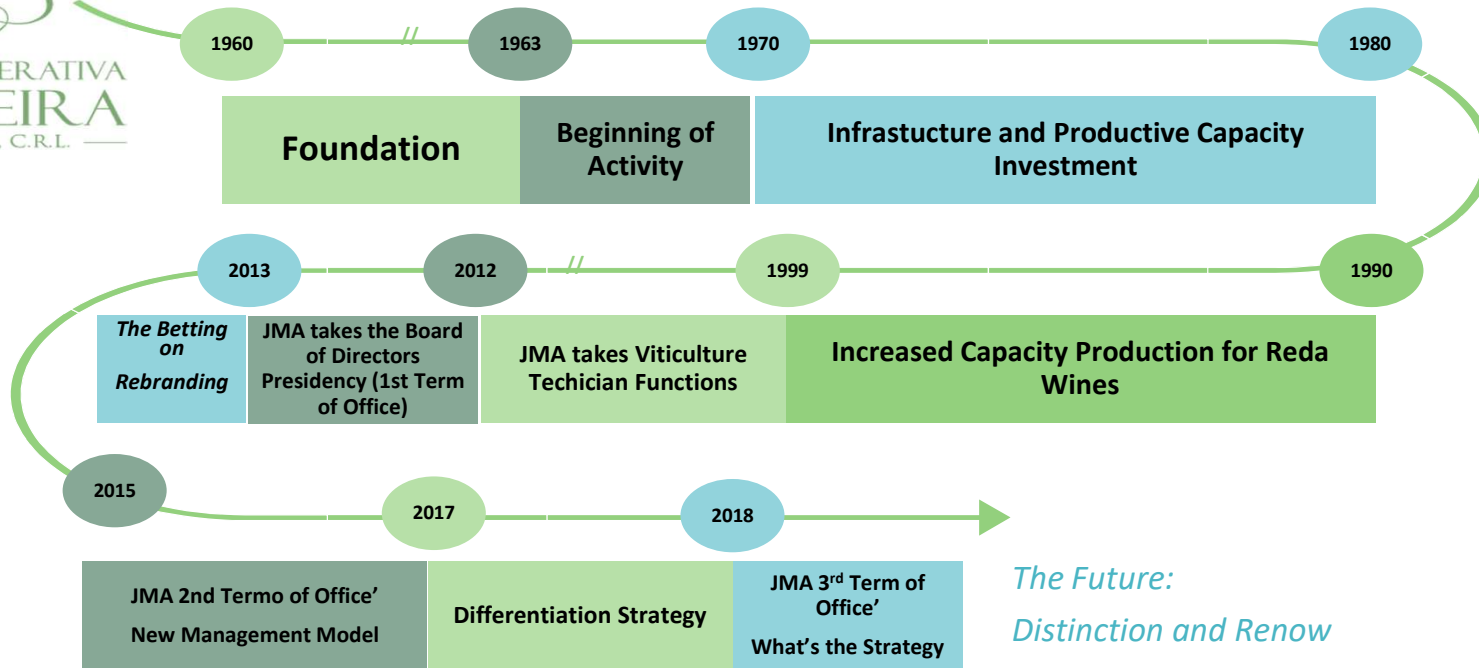
- In order to answer our research questions, we perform a **case study** on a Portuguese cooperative winery (Adega Cooperativa de Vidigueira Cuba & Alvito – ACVCA).
 - This method encourages broad exploration and **provides a rich and in-depth understanding** of empirical phenomena (Yin, 2014).
 - The case study is well suited to studying the **management strategy practices in a cooperative from the wine sector** as they **have not been sufficiently studied** in this sector.
 - The data collection instruments were the **website**, the **annual reports** from three years, 2015/16/17, and two **online interviews**. One interview with the leader of the ACVCA board of directors and another with the Communication and MK Director.
-

The ACVCA ...why?

- The 2nd oldest cooperative winery in southern Portugal and the only one that brings together three municipalities
- Geographical location and microclimate
- The history of the village of Vidigueira and Vasco da Gama - Earl of Vidigueira, known explorer and discoverer from the 15th century.
- Vila de Frades and ruins of São Cucufate
- Prize for Vidigueira wines at the Berlin exhibition (1988)
- Tradition, culture and customs: inclusion in a network to promote the region's heritage.
- Heritage material: centenary varieties and *talhas*
- Intangible heritage: *talha* wine production process



The ACVCA ...brief history





The ACVCA ... in numbers (2017)

- 26 employees
 - 302 associates
 - Five departments (technical; production and logistics; economic-financial and administrative; wine tourism; marketing and communication)
 - Production: 55% red wines vs 45% white wine
 - Litres of wine sold: 1.686.249 (white wine) and 2.785.510 (red wine), 98% in the national market and 2% in the international market.
 - More than 50 awards were received, including 11 gold medals
-



Main findings

- The paradigm shift that has taken place in ACVCA's management model since 2012 has boosted its growth, affirmation and distinction, both in the national and international markets.
 - Current management of the winery is guided by business management assumptions and principles, with strategies being designed considering the prevailing paradigms in business sciences. How:
 - Commitment to organizational restructuring, the hiring of qualified technicians,
 - Technological requalification, the quality improvement and certification of its wines,
 - Market segmentation strategy (through innovation) aims to maintain and increase its competitiveness (in marketing, communication, and image).
-

Strategies and segments	Strengths	Weaknesses	Opportunities	Threats
<i>Production</i>	Good know-how level; Good and well-prepared installations; Material and immaterial heritage; Microclimate Historical Reference	Good know-how level; Good and well-prepared installations; Geographic localization of production	Increase market share; Strong demand; Export opportunities	Wines of equal or superior quality; Pressure from substitute products; Storage and transportation costs; Entry of wines from other countries; High bargaining power of large supermarkets and distributors
<i>Internationalization</i>	Quality of wines Terroir of wines	Large investment; Limited raw material; Weak bargaining power with international distribution chains; Low performance of promotional campaigns in potential distribution markets	Promotion of Portuguese wines in several countries; Participation in high-quality communication and promotion actions; The emergence of niches in international markets; Growing liberalization of world trade	Strong competition; High bargaining power of large distributors
<i>Innovation / Design</i>	High performance of marketing and communication department	Large investment	New technologies and communication networks	High competition
<i>Diversification / Wine Tourism</i>	Microclimate Diversified product offering; Traditions and customs; Know-how	Large investment; Associates' conservatism; Low renown	Wine tourism network in the region; Good facilities; Establishment of partnerships with tour agents	Strong competition; Tourism seasonality

Main findings



Some considerations

- Wine tourism can be an strategy for diversification in wine industry;
 - Winery cooperatives need to be management with model based on business management paradigms.
 - Can thematic routes connecting wineries, vineyards, and many tourism-related sites be developed to improve wine tourism sustainable development strategy? Can this also contribute to social and local communities' sustainable development?
 - Should wineries invest in certified Organic, Natural, or Biologically wines to benefit sales overall and improve the perceived quality value and the winery brand?
 - Can the certification of these products be a way to promotion?
-

5th International Scientific Conference on IT, Tourism, Economics, Management and Agriculture



Thank you!

Suggestions and comments are welcomed



Dora Almeida✉ - dmfa1982@gmail.com

PhD. Student, CEFAGE, University of Évora, Portugal

FCT Fundação
para a Ciência
e a Tecnologia

 **CEFAGE**
centro de estudos e formação avançada em gestão e economia

This work is financed by national funds through the FCT - Foundation for Science and Technology, I.P., under the project UIDB/04007/2020