Original citation:
Torres, Juan Pablo and Kunc, Martin. (2016) Market opportunity recognition in the Chilean wine industry : traditional versus relational marketing approaches. Journal of Wine Research, 27 (1). pp. 19-33.

Permanent WRAP URL:
http://wrap.warwick.ac.uk/87064

Copyright and reuse:
The Warwick Research Archive Portal (WRAP) makes this work by researchers of the University of Warwick available open access under the following conditions. Copyright © and all moral rights to the version of the paper presented here belong to the individual author(s) and/or other copyright owners. To the extent reasonable and practicable the material made available in WRAP has been checked for eligibility before being made available.

Copies of full items can be used for personal research or study, educational, or not-for profit purposes without prior permission or charge. Provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.

Publisher's statement:
This is an Accepted Manuscript of an article published by Taylor & Francis in Journal of Wine Research on 3 March 2016, available online:
http://www.tandfonline.com/10.1080/09571264.2016.1144584

A note on versions:
The version presented here may differ from the published version or, version of record, if you wish to cite this item you are advised to consult the publisher's version. Please see the 'permanent WRAP url' above for details on accessing the published version and note that access may require a subscription.

For more information, please contact the WRAP Team at: wrap@warwick.ac.uk

warwick.ac.uk/lib-publications

Market Opportunity Recognition in the Chilean Wine industry:

Traditional versus Relational Marketing approaches

Juan Pablo Torres[1]
jtorresc@unegocios.cl
Tel: +56 2 2978 3366
Fax: +56 2 2222 0639

Martin Kunc[2]
Martin.Kunc@wbs.ac.uk
Tel: +44 (0)24 7652 8203
Fax: +44 (0)24 765 24539

[1] Department of Business, School of Economics and Business, Universidad de Chile

257 Diagonal Paraguay, Santiago, Chile

[2] Warwick Business School, University of Warwick

The University of Warwick, CV4 7AL, Coventry, United Kingdom

Paper published at

***Journal of Wine Research (2016),27*(1), pp.19-33.**

Abstract

The aim of this paper is to examine how wine firms implement their marketing strategies based on the recognition of market opportunities by their Chief Executive Officers (CEO). Firstly, we describe the marketing activities in 69 traditional Chilean wine firms. Then, we had in-depth interviews with CEOs of two wineries which were analysed using cognitive maps to uncover the cognitive process responsible for recognizing and executing market activities. Our findings indicate there is similar set of strategic resources across the wineries but CEOs' different perceptions of resources' usefulness in the implementation of marketing strategies let them to select diverse strategies to increase both price per bottle and wine sales. The paper provides three contributions. Firstly, we compare the benefit of implementing traditional and relational marketing strategies in the Chilean wine industry. Secondly, we show that CEO's perception of feedback processes among the available resources affects the recognition of market opportunities and the marketing strategy in wine firms.

Keywords: Opportunity Recognition, Marketing Strategies, Feedback processes, Wine industry.

1. Introduction

Traditionally, the wine industry differentiates two zones of production: the “old world” (France, Italy and Spain mainly) and the “new world” (California, Australia, Chile, Argentina, New Zealand and South Africa). In Europe, and particularly in France, the wine quality system based on local competitive advantages, such as climate, land and winemaking practices, has established a remarkable strategic position in the global wine industry (Orth et al., 2007). French wine firms have also developed technical expertise to make, store and supply world-class wines, e.g. Bordeaux, over years. As opposed to established Old World wine producers, the New World wine industry has been more responsive to changes in global wine consumption through the integration of modern production approaches with international branding and marketing strategies (Orth et al., 2007; Rojas-Méndez & Rod, 2013; Thomas & Pickering, 2013). New World wine producers in Australia, Argentina and Chile have gained market share across the world by increasing the quality of production as well their branding expertise (Hussain et al., 2007).

Since most of the world’s wine is sold through diverse marketing channels, the focus has shifted from production to marketing (Orth et al, 2007). Thus, having a successful wine company is not only related to technical skills but also dependent on the ability of managers to use their resources and capabilities to identify and achieve market opportunities. However, the process of recognising opportunities is a daunting task for any wine manager since wine is one of the most complex product categories: variety in grapes, place of origin, packages, brand and sub-brand names, prices, etc. (Kunc &

Torres, 2014; Orth et al, 2007). Therefore, our research question that guides our study is how do managers identify and achieve market opportunities through marketing strategies in the wine industry?

In this paper, we discuss the role of opportunity recognition in wine marketing and its impact on firm's performance through the development and use of a novel framework, which analyses the CEO’s cognitive structures that lead to identify opportunities and implement a marketing strategy (Short et al., 2010). We employed a sample of 69 wine firms and two contrasting case studies in the Chilean wine industry to illustrate our framework. The structure of this paper is organized as follows. Firstly, we describe the industry structure and the strategies employed by each wine firm. Then we discuss the role of the opportunity recognition process and the marketing strategies in the wine industry. Finally, we show how opportunity recognition affects the strategy process of two similar wine firms and we draw conclusions.

2. Literature Review

The wine industry has a broad range of firms competing with one another, from competitive commodity-type segments (e.g. low-price market segments) to highly fragmented and differentiated luxury segments (Orth et al, 2007; Karelakis el al., 2008). In these segments, the ownership and control structures vary from public firms to private firms, e.g. family-run firms (Orth et al, 2007; Coelho & Rastoin, 2006). Both size and ownership structures affect the ways in which wine firms develop market strategy processes (Kunc & Torres, 2014). Large firms focus competition on broad niche segments by implementing cost leadership and differentiation strategies. Most large firms manage their brands by creating new sub brands to compete in premium niche markets. For example, Concha y Toro, one of the largest wine firms in the world implemented a joint venture with a French wine firm to create a new brand called Almaviva to compete in a premium wine segment worldwide. New brands from large firms are also associated with wine-related lifestyle market segments (Bruwer & Li, 2007), which exploit some sophisticated characteristics such as: limited editions, handcrafting harvest processes, rare grapes, and exotic locations. On the other hand, small and medium-sized wine firms focus their competitive strategies on niche markets due to limited production resources, such as land, capital, employees, vineyards and grape varieties, as well as capabilities (Kunc, 2007; 2014). When small and medium-sized wine firms are located within a well-known wine-producing region, firms look for a broad range of cooperation activities from wine cluster alliances to cooperatives to achieve economies of scale (Kunc and Bas, 2009; Kunc, 2014). In some wine-producing regions, wine clusters develop public private partnerships (PPP) with local governments to create and promote regional wine routes. Examples of internationally well-known wine routes are Saint Emilion (France), Colchagua Valley (Chile), Mendoza (Argentina), Napa Valley (US), Rioja (Spain) or Palatinate (Germany), which exploit the "origin effect" (Geldes et al., 2015; Felzensztein and Deans, 2013).

2.1. Marketing Strategies in the wine industry

According to Spawton (1991), the wine marketing is defined as the profitable matching of organisation's resources and capabilities with customers' needs and wants. Spawton's definition of wine marketing involves the following processes: (1) understanding of the marketplace and its business opportunities, (2) management of the branded assets of the wine company, and (3) development of marketing strategies both for corporate growth and competitive advantage.

While there are multiple approaches, which start in the 4Ps, we focus on two of them as indicated in table 1.2 in Hall and Mitchell (2008). Specifically in marketing strategies applicable to wine, managers may have two approaches: traditional focus and wine marketing focus, which we named relational. Traditional way of looking at marketing processes is from a stimulus-response point of view (Arndt, 1979). Arndt (1979) suggests that traditional marketing is something the manager does to the consumer by coordinating all elements of the marketing mix, usually the 4Ps. Marketing from a relational perspective has been defined as the process of identifying and establishing, maintaining, and enhancing relationships with customers involving interactions with them (Grönroos, 1997). Hojman & Hunter-Jones (2012) observed that vineyards use relational marketing strategies by integrating wine tourism to their business models. The most relevant relational activities are festivals and events, cultural tradition activities, food tasting, and cellar door experience (Charters & Ali-Knight, 2002). In several countries, such as France, South Africa, United States and Chile, wine firms are creating very aggressive relational marketing strategies to attract wine customers to their vineyards so that they may form sentimental attachment to the location and loyalty to the brand (Getz & Brown, 2006). However, one issue with the adoption of a marketing approach is the recognition of an opportunity in the market to target.

2.2. Opportunity recognition in the wine industry

Research on opportunity recognition emphases the role of managerial capabilities on the firm performance. These capabilities help managers to use appropriate information to actively search for opportunities (Shane, 2001) and identify new solutions to market and customer needs that do not currently exist (Baron, 2006). The identification of new business opportunities is also associated to cognitive events and processes that lead to such identification. Baron & Ensley (2006: 1332) call this process as *pattern recognition*, which is “the process through individuals identify meaningful patterns in complex arrays of events or trends”. By recognising causal interrelations between apparently lineal events such as changes in marketing trends, customer’s preferences, or shifts in government policies, managers can improve the understanding of emergent patterns that underlie new business opportunities beyond the current market (Baron, 2004). Although several factors can affect opportunity recognition, three should receive most attention in wine marketing studies: (1) engaging in an active search for opportunities, (2) alertness to opportunities, and (3) prior knowledge of a market.

Baron (2006) states that an active search for appropriate information plays a key role in opportunity recognition because enable individuals to find potential sources of profit. Many small wine firms look actively for new distributors or brokers in some countries with consumers who are able to pay a higher price for boutique wines. In contrast, alertness suggests that opportunities can sometimes be recognised by individuals who are not actively searching for them but who possess “a unique preparedness to recognize opportunities (when they appear)” (Gilad et al., 1989: 48). A classic example in the wine industry is when well-known wine firms find a new market where wine customer’s preferences are less sophisticated, for example demand in some Asian countries. In these markets, such firms can compete by combining branding differentiation and economy of scales. Finally, prior knowledge approach emphases that information gathered through professional experience help individuals to recognize potential valuable business opportunities (Shane, 2000). This third factor has been identified by wine studies as especially important to recognize opportunities. Prior knowledge gathered from personal challenge, personal development and a more flexible lifestyle are common reasons for owners to start their wine business (Remaud & Couderc, 2006). Prior knowledge encourages managers to develop a particular set of strategic resources to implement a marketing strategy. These resources can be related to the quality of the wine product that is linked to grape quality, access to capital, wine-making expertise and marketing efforts (Morton & Podolny, 2002). Remaud & Couderc (2006) report that small French wine firms tend to be more terroir-oriented, which means that these firms focus on the specific grape-growing site and wine-making practices of the region. Kunc (2007) also reports similar results in his study on Chilean SMEs.

To summarise, opportunity recognition implies the process of conceptualising the set of strategic resources, which is influenced by different perceptions about the resources available to implement strategic decisions, leading to differences in the performance of the firms (Kunc & Morecroft, 2010). This is observed in contemporary research which has shown that most of our mental models are very often systematically different (Senge, 2006). Managers do not understand feedback relationships, delay effects, and often do not notice all information within their field of vision leading to appreciating different aspects of the reality (Torres, Drago, Aqueveque, 2015). Therefore, updating decision maker’s mental representations in response to changes in external environments is a critical managerial capability (Hodgkinson & Healey, 2011). Different cognitive capabilities has been described in the wine business literature: wineries introducing numerous innovative activities drawn from different sources of information and modes of innovation (Doloreux et al, 2013); Viticulture and winemaking innovation (Pretorius & Hoj, 2005); and market orientation of a wine firm

(Bruwer, 2003; Kunc, 2014) which influences the emphasis and effectiveness of its marketing strategies (Rojas-Méndez & Rod, 2013).

3. Marketing strategies in the Chilean wine industry

Chile is one of the largest wine producers in Latin America, exporting more than 75% of its wine production. However, Chilean wines have average prices lower than those of its competitors (Felzensztein et al., 2014). Cooperation with foreign wineries over recent years has benefited Chilean wineries in areas of viticulture, winemaking and marketing practices (Kunc, 2007). In fact, Felzensztein and Deans (2013) report that Chilean wine firms, which cooperate in marketing activities designed to attract new customers and strengthen B2B relationship, have more business success. Another source of information that analyse marketing practices in Chile is performed by the Chilean Ministry of Tourism through the national survey of wine tourism in Chile. In order to describe current marketing activities in the Chilean Wine Industry, we collected the last database (2013) that contains information about 69 Chilean wine firms, which represent approximately one quarter of the total number of wineries in Chile (Rojas-Méndez and Michel, 2013), and their marketing activities. We also collected data from wine firms' website and public reports (annual reports) to complete the data for our study. Table 1 shows that 69 wine firms are located in 7 Chilean valleys (Casablanca (27%), Colchagua (24%), Maipo (15%), Maule (12%), Cachapoal (12%), Aconcagua (7%) and Itata (3%)). Casablanca, Colchagua and Maipo valleys are locations with higher number of fulltime employees per wine firms. However, only wine firms located within Casablanca Valley have an average price per bottles above $30USD. This higher price is related to the degree of tourism development, where the average of tours in each firm is 4.7, the consolidation of one wine route within the valley, the proximity of the Santiago international airport, and the international reputation of some wine firms in this valley such Morande, Veramonte, Emiliana, and Indomita.

-- Insert Table 1 here—

Table 2 shows statistics of traditional marketing activities organised by valleys (Hall and Mitchell, 2008). Almost all firms in the sample have website to promote their wines. However, the penetration of digital advertising is 40 % in the seven valleys. Colchagua, one of the oldest Chilean wine valleys, has the lowest rate of newspaper advertising, which is one of the more traditional communicational media in Chile. Even though, TV/radio advertising is the less popular media for Chilean wine firms, Concha y Toro, a famous wine firm from Maipo valley, has several TV appearances all around the world. In 2010, Concha y Toro executives and the British football club Manchester United agreed to mutually strengthen both brands globally. TV advertises and the use of Casillero del Diablo brand in the Manchester United's football shirts are two examples of traditional marketing of Concha y Toro. Wine firms in Cachapoal and Casablanca valleys have higher international exhibition rate. But only exclusive wine firms look for international exhibitions, such as Altair firm located in Cachapoal valley, which belongs to Viña San Pedro. Finally, wine firms in Casablanca have the highest rate of local exhibition.

-- Insert Table 2 here—

Table 3 shows the statistics of relational marketing activities (Hall and Mitchell, 2008).in the seven valleys. Firms in Casablanca, Colchagua and Cachapoal valleys have a strong orientation on wine awards. Awards allow wine firms to increase the quality perception that lead to boost prices. Although Maipo valley has the highest number of wine firms, only 33 % of its firms belong to a wine route. Finally, the service of wine tourism: cellar and vineyard visits have a great acceptance in wine firms in the seven valleys.

-- Insert Table 3 here—

Table 4 shows the ratio of traditional and relational marketing activities intensity. More than 50 % of the wine firms perform less than 25 % of the traditional activities described by this study. However, more than 44 % of the wine firms perform more than 25 % of the relational marketing activities. Both traditional and relational marketing activities were calculated by the arithmetic sum of dummy variables where 1 means the firm performs the activity.

-- Insert Table 4 here--

4. Research Method

This study explores the cognitive process of how wine firms recognize opportunities when they implement traditional and relational marketing. We develop a case study research in the wine industry by following a similar case in the wine industry developed by Benson-Rea et al. (2010). This kind of approaches are particularly useful when exploratory research seeking to scope opportunities for theory development, in this case the cognitive patterns of opportunity recognition that lead to implement a marketing strategy in the wine industry (Yin, 2001). A particularly important theoretical sampling approach is "polar types" in which a researcher samples extreme (e.g., very high and very low performing) cases in order to more easily observe contrasting patterns in the data (Eisenhardt and Graebner, 2007). We used this sampling method because it leads to very clear pattern recognition of the central constructs, relationships, and logic of how managers build both wine marketing activities: Traditional and Relational.

4.1. Sample

We selected two Chilean firms from the national survey of wine tourism and we developed a case study research (Benson-Rea et al., 2010). Similar studies using data from Chilean wine firms have been performed in recent years by Kunc, (2007), Kunc and Torres (2014), Felzensztein et al., (2014), and Felzenstein and Deans (2013), Rojas-Méndez, and Rod (2013) to provide in-depth information about the behaviours of Chilean wine firms.

The first case study considers the R1 wine company, located in the Cachapoal Valley, Chile. Their vineyards produce Cabernet Sauvignon, Merlot, Chardonnay, Sauvignon Blanc, Syrah and Carménère varieties, which are used in the production of a complete range of wines. The top management team consists of four shareholders, a general manager (CEO), and one sales manager. Nonetheless, the current CEO and wine-maker is Juan who has been in this role since 2007. He is an agronomist engineer with an MBA. He is 38 years old and has 12 years' experience of making and exporting wines. He also speaks fluent Spanish, English and French and previously worked for a French wine company for one year. R1 is a small- and medium-sized company because it has less than 50 full-time employees

The second case study examines the R2 wine company. This Chilean family owned wine firm specialises in producing Chardonnay, Syrah and Carménère varieties of wines. It too is located within the Cachapoal Valley. The owner/wine-maker called

Irene leads this company. She is one of the prominent wine-makers in Chile, and her clients include large Chilean wine companies. She is an Agronomist Engineer with an MBA. She is 46 years old and has 20 years' experience in making wines and five years' experience in exporting wines. She speaks Spanish and English. R2 is also considered as a small- and medium-sized company because it has less than 50 full-time employees.

4.2. Data collection and analysis

We used semi-structure interviews with the CEOs of two wine firms that employed different marketing methods to understand their opportunity recognition process (Torres, 2012). Two methods – the interrogation of archival records and direct observation – were employed to complement information extracted from meetings. We held three meetings of approximately two hours each. Simultaneously, we followed up the manufacturing process of these companies by taking notes, video and voice recordings to garner additional information as a supplement to the CEOs sessions. The main output of Meeting (1) was to understand both the wine-making and sales processes. Meeting (2) allowed us to draw cognitive models describing feedback processes (Morecroft, 2007) responsible for the opportunity recognition process and Meeting (3) was a validation session in which we validated models and discussed some strategic initiatives with the CEOs. Cognitive models describing feedback processes represent the perception of the main relationships and feedback processes (Kunc and Morecroft, 2009) that affect the opportunity recognition process and the set of resources deemed strategic for the implementation of the marketing strategies.

5. Opportunity Recognition and Marketing Strategies: Two Empirical Cases

5.1. *A Traditional Marketing case study*

In 2007, Juan – the CEO of R1 – proposed to shareholders a plan to progressively increase the number of sales through international expansion while retaining the current markets. According to Juan, the performance of small wine companies depends on two critical success factors: branding and wine quality. Even though quality depends on several factors, such as time, storage (guarda), terroir, and grape quality, the wine-maker's skills and experience are crucial factors for differentiating quality levels and customers' preferences. The wine-making process is similar for all varieties of wine. Red wine varieties are made with red grape varieties and white wine varieties are made with green grape varieties. For both kinds of wine, the wine-making process is divided into three steps: (1) harvest and selection, (2) crushing, fermentation, and lab test, and finally (3) filtration and bottling. However, complexity arises when some international customers have different standards to measure wine quality. For example, some markets want strong tasting wines rather than milder ones.

"During the negotiation with a new and large international customer, I (CEO/wine-maker) investigate whether the firm's current wines satisfy the customer's taste. If a project is attractive, I can either modify an existing wine or create a new line of wines that meet the new customers' preference." (Juan, CEO of R1)

Although Juan identifies wine quality as a relevant factor, he focuses its brand management efforts on increasing direct marketing activities, achieving international standards (ISO9001), modifying branding labels (on the bottles) and packaging. Additionally, he teams up with other small Chilean wine groups that export, using a cluster strategy – that is, they compete but share marketing costs in international markets.

5.2. *A relational marketing case study*

This small wine company focuses on producing *author's wines*. That means it produces small quantities of a unique premium wine made by the company's owner (every bottle has a number and the year of harvest). Most of the wine's varieties have a limited production, and the distribution process is controlled by one specialist retailer in each geographic location (e.g. Club de Amantes del Vino (CAV) (Wine Lovers Club)). However, Irene, the CEO and winemaker, also selects some premium customers and independent wine merchants to sell her wines to specialised markets in the United Kingdom, United States, Canada, Belgium, Brazil and Chile. The wine-making and storage processes take place within a small wine cellar close to Irene's home. She monitors the entire wine-making and bottling process, as well as the negotiation process with customers.

"My strategy is based on my experience in advising large firms for 20 years […] To export wine you must have the know-how of running a wine business […] I know how to make wine, I know the current tendencies of wine demand, I know the process of exports […] For example, (in premium customer segments) customers visit my vineyard. Later, they email me showing an interest in my wine. After that, I send wine samples and they (customers) can say whether they like it or they don't like it […] if they like the wine sample, we arrange an agreement and I export the wine." Irene, CEO of R2

R2’s competitive strategy is based on capturing potential premium customers through customers' recommendations and tasting exhibitions. At tasting exhibitions, R2's wines have achieved prestigious awards. In 2008, the CAV awarded the I-latina wine (Syrah variety) the title of the best Chilean Syrah of the year, as well as the best wine launch of the year. During 2009 and 2010, the R2's wine varieties were placed in the top ten list of the CAV's Chilean ranking (www.lacav.cl). These awards allowed R2 to attract and win over those customers who are able to pay higher prices per bottle.

5.3. *Opportunity recognition through marketing strategies*

We asked CEOs of both firms to identify the main resource supporting their strategic marketing decisions. Four common resources were perceived by CEOs as relevant for implementing a marketing strategy: customer portfolio, production (products in process), wine quality, and the CEO's experience. Although the four resources are important for making wine, the interrelated links between these resources and their drivers are conceptualised differently by CEOs, as we discovered after analysing their interviews. Of these four resources, only one – the CEO’s experience – can be considered a resource difficult to imitate (Kunc & Morecroft, 2010).

-- Insert Figure 1 here--

Figure 1 shows the representation of the strategic resources and their feedback processes necessary to implement their marketing ideas. Every representation shows a distinctive marketing strategy for a premium wine firm: (1) traditional marketing and (2) relational marketing. Juan, the CEO of R1 states that from 2007 to 2011, he implemented a traditional marketing strategy (Strategy A, Figure 1). Juan argued that the CEO's experience leads to the firm developing more marketing activities to reach new customers in international markets. The learning acquired from negotiation with customers increased the experience of the CEO still more (see reinforcing process RA1). Reinforcing process RA2 shows that the CEO’s experience is also increased after the development of international marketing activities. Juan suggested that direct marketing activities (email, website, database, labels, round tables and exhibitions) allow him to know the best marketing practices and new supply channels. Although Juan highlighted that wine quality was a key factor for making premium wine, the firm R1 does not have an internal area focused on increasing wine quality. Firm R1 increases wine quality by increasing the number of external training in production and harvest activities (see reinforcing process RA3, Figure 1).

In contrast, Irene, the CEO of the firm R2 (Strategy B, Figure 1), argued that the CEO's experience leads the firm to develop better quality wines. Wine quality increases the chances of getting awards, which are used to reach new customers. Irene’s purpose to develop taste exhibitions is different to Juan’s. Juan develops taste exhibitions and other marketing activities to attract customers (reinforcing process RA1), but Irene develops taste exhibitions to attract specialist wine retailers who can give their customers good recommendations about Irene’s wines, and therefore, firm R2 can increase its customers still more (reinforcing process RB2). The balancing process BB1 suggested by Irene highlights that higher increments in wine production can decrease the number of customers able to pay higher prices for premium wines. Customers of premium wines want exclusive wines; hence, Irene produces a limited number of bottles per harvest.

Although both CEOs connected causally customers and experience, their recognition of the resource system is different, and therefore, the management of resources differs. Both CEO's perception and business performance affect (and at the same time) are affected by the CEO's strategy development. While the opportunities identified by Juan are focused on the reinforcing process RA1 (Figure 1), Irene implements her strategy based on her well-known reputation and expertise in making sophisticated wines (reinforcing process RB1 of Figure 1). Business performance in both cases reinforces the number of opportunities that are recognised by CEOs. However, their opportunity conceptualisation processes are totally different, and, therefore, the result of the strategy process will vary between firms.

5.4. *Wine marketing strategies and business performance*

Both firms are similar in terms of resources such as: number of employees, business locality, wine varieties, and CEOs, but have implemented dissimilar marketing strategies between 2007 and 2011: (a) Traditional Marketing and (b) Relational Marketing. Wine business performance will vary between firms because the strategy development of both firms is led by different perceptions of their resource systems and the feedback processes driving the implementation of their strategies (Kunc & Morecroft, 2009, 2010).

-- Insert Figure 2 here--

Figure 2 shows the business performance of both wine firms R1 and R2 between 2007 and 2011. Most of the premium wine firms, which are SMEs, tend to internationalise their activities and penetrate new markets. Figure 2 (Graph I) shows that when a wine firm implements a direct marketing approach, it increases the number of international markets faster than a strategy orientated to branding. Limited production, due to firm's production capacity (balancing process BA2, BB2) and customers' preference for exclusive wines (balancing process BB1), reduces the firm's capacity to internationalise. Firm R1 increased slightly the number of markets between 2007 and 2009, then experienced two years' growth plateau (2009–10). In 2011 there was a slight growth. On the other hand, Firm R2 had a high diversification in the number of international markets between 2007 and 2009. Similar to firm R1, R2 experienced a two-year growth plateau, which affected the firm (2009–10). Although firm R2 left two markets in 2011, the number of international markets reaches was 14.

Figure 2 (Graph II) shows that sales of firm R1 are higher than those of firm R2, but R1's sales have a downward trend and R2's sales have an upward trend. The balancing process BB1 (Figure 1) can partially explain the decline in sales in 2011. Irene had to reduce the number of bottles produced in order to increase wine prices from $88USD/box to $100USD/box (see Figure 2, Graph III). Limited production and brand quality were two factors explaining the explosive growth of prices for the wine sold by firm R2.

Once we had analysed the opportunity recognition process, the feedback systems of marketing strategies and the performance of the firms, we asked the CEOs to reflect on and define strategic initiatives for improving performance (Table 3). Using Figure 1 in the last meeting we had with him, Juan, the CEO of firm R1, suggested three initiatives. The initiatives show that Juan was interested in developing the firm's customer portfolio by increasing traditional marketing activities. Irene, the CEO of firm R2, identified three initiatives for improving performance using relational marketing.

-- Insert Table 5 here--

The strategic initiatives were aligned to their cognitive structures about the best marketing strategies which influenced their opportunity recognition process. R1's initiatives were focused on improving labels, increasing training and developing customer services (all elements of traditional marketing activities). However, R2's initiatives were focused on developing the networking and limiting the number of bottles, specialist retailers and wine exclusivity which were related to relational marketing aspects.

6. Discussion

In the world of wine the role of owners and managers is fundamental for the development of wine firms. They engage in two clear processes: the recognition of opportunities existing in the market, and the implementation of marketing strategies through developing resources and capabilities (Kunc & Bas, 2009; Kunc & Morecroft, 2010; Kunc & Torres, 2014). Thus, the success factors and challenges facing entrepreneurial wine firms are strongly connected with the strengths and weaknesses of the resources. In other words, wine owners and managers select their marketing strategies based on an ideal conceptualisation of their winery either completely new or inspired by other wineries. Managerial convictions impact the process of selecting the wine marketing strategies, which consequently, constrain the wine firm strategy in the future as specific resources accumulate over time creating path dependence. Therefore, entrepreneurial wine firms develop not only marketing strategies to achieve a distinctive value proposition but also to find opportunities to reinvent themselves.

7. Conclusion

This paper provides an empirical examination of the linkages between marketing strategies, opportunities recognition and wine firm behaviour. It is clear there are different practices in marketing strategy (relational and traditional) in the Chilean wine industry leading to diverse results. However, we formulated a simple question that guided our case study: How do managers identify and achieve business opportunities through their marketing strategies? We found exploiting opportunities is affected by diverse marketing strategies. Although we provide detailed evidence, there is no consensus that the opportunity recognition process is either the result of managerial experience and training or simply a good networking – that means to be in the correct place and time and to know the right people with which to do new business. Thus, further research needs to corroborate these issues to provide more precise managerial recommendations to the wine industry. For example, in Chile, agronomist engineers with MBAs have taken higher managerial positions in large- and small-size wine firms, with the expectation they will find opportunities and a set of resources to implement marketing strategies more efficiently.

Additional research may also evaluate the impact of other opportunities not directly related to reacting to market challenges, e.g. technological improvements in oenological processes or new viticulture techniques.

8. References

Arndt, J. (1979), "Toward a concept of domesticated markets", Journal of Marketing", Vol. 43, No 4, pp. 6975.

Barney, J. (1991), "Firm resources and sustained competitive advantage", Journal of Management, Vol. 17 No. 1, pp. 99-120.

Baron, R. (2006), "Opportunity recognition as pattern recognition: How entrepreneurs "connect the dots" to identify new business opportunities", Academy of Management Perspectives Vol. 20 No. 1, pp. 104-119.

Baron, R. (2004), "The cognitive perspective: A valuable tool for answering entrepreneurship's "why" questions", Journal of Business Venturing, Vol. 19, pp. 221-240.

Baron, R. and Ensley, M. (2006), "Opportunity Recognition as the Detection of Meaningul Patterns: Evidence from Comparisons of Novice and Experienced Entrepreneurs", Management Science, Vo. 52 No. 9, pp. 1331-1334.

Benson-Rea, M., Little, V. and Dufour, Y. (2010), "Enterprise diversity in the business of wine: What is a business case study?", International Journal of Wine Business Research Vol. 22 No. 2, pp. 90-101.

Bruwer, J. (2003), "South African wine routes: some perspectives on the wine tourism industry's structural dimensions and wine tourism product", Tourism Management Vol. 4 No. 24, pp. 423-435.

Bruwer, J. and Li E. (2007), "Wine-related lifestyle (WRL) market segmentation: Demographic and Behavioural factors", Journal of Wine Research, Vol 18 No 1, pp. 19-34.

Charters, S.; Ali-Knight, J. (2002), "Who is the wine tourist?" Tourism management, Vol. 23, n. 3, p. 311-319.

Coelho, A. M. and Rastoin, J. (2006), "Financial Strategies of Multinational Firms in the World Wine Industry: An assessment", Agribusiness Vol. 22 No. 3, pp. 417-429.

Doloreux, D., Chamberlin, T. and Ben-Amor, S. (2013), “Modes of innovation in the Canadian wine industry”, International Journal of Wine Business Research, Vol. 25 No. 1, pp. 6-26.

Eisenhardt K. and Graebner, M. (2007) “Theory building from cases: opportunities and challenges” Academy of Management Journal, Vol 50, pp. 25-32.

Felzensztein, C. and Deans, K. (2013) "Marketing Practices in Wine Clusters: Insights from Chile", Journal of Business and Industrial Marketing, Vol. 28, No 4, pp. 357 – 367

Felzensztein, C., Stringer, C., Benson-Rea, M., Freeman, S. (2014) "International Marketing Strategies in Industrial Clusters: insights from the southern hemisphere", Journal of Business Research, Vol. 67, No 5, pp. 837-846.

Geldes. C., Felzensztein, C., Turkina, E., Durand, A. (2015) “How does proximity affect interfirm marketing cooperation? A study of an agribusiness cluster”, Journal of Business Research, Vol. 68, pp. 263-272.

Getz, D.; Brown, G. (2006) “Critical success factors for wine tourism regions: a demand analysis”, Tourism management, vol. 27, n. 1, pp. 146-158.

Gilad, B., Kaish, S. and Ronen, J. (1989), “The entrepreneurial way with information”. In S Maital (ed), Applied Behavioural Economics (pp. 480-503). Brighton: Wheatshaef Books.

Grönroos, C. (1997). “Value-driven relational marketing: from products to resources and competencies.” Journal Of Marketing Management, Vol 13 No 5, pp. 407-419.

Hall, C. M., and Mitchell, R. (2008). “Wine marketing: A practical guide”. Oxford: Butterworth-Heinemann.

Hodgkinson, G. and Healey (2011), “Physiological foundations of dynamic capabilities: reflexion and reflection in strategic management” Strategic Management Journal Vol 32 No 13, pp. 1500-1516.

Hojman, D.; Hunter-Jones, P. (2012) Wine tourism: Chilean wine regions and routes. Journal of Business Research, vol. 65, n. 1, p. 13-21.

Hussain, M., Cholette, S. and Castaldi, R.M. (2007), "An analysis of globalization forces in the wine industry: implications and recommendations for wineries", Journal of Global Marketing, Vol. 21 No.1, pp. 33-47.

Karelakis, C., Mattas, K. and Chryssochoidis, G. (2008), "Greek Wine Firms: Determinants of Export performance", Agribusiness Vol. 24 No. 2, pp. 275-297.

Knight, G. A. and Cavusgil, S. T. (2004), "Innovation, organizational capabilities, and the born-global firm", Journal of International Business Studies Vol. 35 No. 2, pp. 124-141.

Kunc, M. (2007), "A Survey of Managerial Practices in the Chilean Wine Industry", International Journal of Wine Research, Vol. 18, pp. 113-119.

Kunc, M. (2009), "Forecasting the development of wine tourism: The case of Chile", International Journal of Wine Business Research, Vol. 21, pp. 325-338.

Kunc, M (2014), "Mapping Value Creation in Champagne / Representer La Creation De Valeur Dans Le Champagne". In Charters, S. and Michaux, V. (eds) Stratégies des territoires vitivinicoles : Clusters, gouvernance et marque territoriale, Management & Prospective, MPE / EMS

Kunc, M., and Bas, T. G. (2009). "Innovation in the Chilean wine industry: the impact of foreign direct investments and entrepreneurship on competitiveness." American Association of Wine Economists (AAWE) working paper, 46.

Kunc, M. and Morecroft, J. (2009). "Resource-based strategies and Problem Structuring: Using resource maps to manage resource systems". Journal of the Operational Research Society, Vol 58, pp. 191-199.

Kunc, M. and Morecroft, J. (2010), "Managerial Decision Making and Firm Performance user a resource-based paradigm", Strategic Management Journal Vol. 31 No. 11, pp. 1164-1182

Kunc, M and Torres, J.P. (2014), “Entrepreneurship and leadership in the wine industry” In Charters S. and Gallo, J (eds). Wine Business Management (pp.85-98) Montreuil: Pearson France.

Morecroft, J. (2007), “Strategic Modelling and Business Dynamics: A feedback system approach”. Chichester: Wiley & Sons Ltd.

Morton, F. and Podolny, J. (2002), “Love or money? The effects of owner motivation in the California wine industry”, Journal of Industrial Economics Vol. 50 No. 4, pp. 431-456.

Orth, U.R., Lockshin, L. and d'Hauteville, F. (2007), “The global wine business as a research field” International Journal of Wine Business Research, Vol. 19 No. 1, pp. 5-13.

Pretorius, I.S. and Hoj, P.B. (2005), “Grape and wine biotechnology: Challenges, opportunities and potential benefits”, Australian Journal of Grape and Wine Research Vol. 11 No. 2, pp. 83-108

Remaud, H. and Couderc, J.P. (2006), “Wine Business Practices: A New Versus Old Wine World Perspective”, Agribusiness Vol. 22 No. 3, pp. 405-416.

Rojas-Méndez, J.I. and Rod, M. (2013), “Chilean wine producer market orientation: comparing MKTOR versus MARKOR”, International Journal of Wine Business Research, Vol. 25 No. 1, pp. 27-49.

Senge, P. (2006), “the fifth discipline: The art and practice of the learning organization” 2nd ed, Random House Business Book: London.

Shane, S. (2000), “Prior knowledge and the discovery of entrepreneurial opportunities”, Organizational Science, Vol. 11 No. 4, pp. 448-469.

Shane, S. (2001), “Technology opportunities and new firm creation”, Management Science Vol. 47 No. 2, pp. 205-220.

Short, J., Ketchen, D., Shook, C., Ireland, R. (2010), “The concept of opportunity in entrepreneurship reaearch: Past accomplishments and future challenges”, Journal of Management Vol 36 No 1, pp. 40-65.

Thomas, A. and Pickering, G. (2003) “Behavioural segmentation: a New Zealand wine market application”, Journal of Wine Research, Vol 14, pp.127-138.

Torres, J.P., (2012) “Supporting the internationalisation strategy of small organisations” PhD thesis dissertation, Warwick Business School, The University of Warwick, United Kingdom.

Torres, J.P., Drago, C., Aqueveque, C. (2015) “Knowledge inflows effects on middle managers’ ambidexterity and performance”, Management Decision, Vol 53, pp. 2303-2320.

Villanueva, J., Yoo, S., Hanssens, D. (2008), “The impact of Marketing-induced versus word-of-mouth customer acquisition on customer equity growth”, Journal of Marketing research, Vol 45 pp. 48-59.

Viot, C., Passebois-Ducros, J. (2010) Wine brands or branded wines? The specificity of the French market in terms of the brand. International Journal of Wine Business Research, Vol 22, No. 4, pp. 406-422.

Yin, R.K. (2009) “Case Study Research. Design and Methods, Applied Social Research Methods series”. California: SAGE.

Table 1 Summary statistics of the sample by Valley

	Summary statistics (Mean) by Valley					
Valley	Firms (*n*)	*Average* of Full time Employees (*n*)	*Average* Price (USD$)	*Average* Sales (Bottles x 10e6)	*Average* Tours (*n*)	Wine cluster routes (*n*)
Aconcagua	5	5.9	14.5	77.7	3.4	2
Casablanca	12	22.4	36.2	255.9	4.7	1
Colchagua	11	15.8	10.2	182.7	3.5	4
Cachapoal	5	10.2	7.6	73.1	3	1
Itata	3	3.8	5.14	15.1	1	1
Maipo	21	17.3	17.1	221.6	2.8	2
Maule	6	4.5	8.2	57.6	2.1	1
Others	6	3.67	8.1	31.36	1.8	0

Source: Original calculations based on data collected in 2013.
Sample size 69 firms. The symbol "n" means number

Table 2 Summary statistics of the Traditional Marketing Activities by Valley

Summary statistics of Traditional Marketing (%) by Valley							
Valley	Firms	Website	Digital Advertising	News paper	Tv/radio	Int. Exhibitions	Local Exhibitions
Aconcagua	5	100.0%	40.0%	40.0%	20,0%	40.0%	40.0%
Casablanca	12	100.0%	41.6%	75.0%	33.3%	75.0%	91.6%
Colchagua	11	100.0%	45.4%	18.1%	27.2%	27.2%	36.3%
Cachapoal	5	80.0%	40.0%	20.0%	0.0%	80.0%	80.0%
Itata	3	100.0%	33.3%	33.3%	33.3%	0,0%	66.6%
Maipo	21	95.2%	38.1%	33.3%	9.5%	23.8%	47.6%
Maule	6	100.0%	33.3%	50.0%	1.66%	1.66%	33.3%
Others	6	100.0%	33.3%	33.3%	0.0%	1.66%	33.3%

Source: Original calculations based on data collected in 2013. Sample size 69 firms. We count 1 if the firm has the activity, else 0.

Table 3 Summary statistics of Relational Marketing Activities by Valley

		Summary statistics of Relational Marketing (%) by Valley			
Valley	Firms	Awards	Wine cluster route	Cellar visit	Vineyard visit
Aconcagua	5	20,0%	60,0%	100,0%	100,0%
Casablanca	12	50,0%	75,0%	83.3%	100,0%
Colchagua	11	45.5%	81,0%	100,0%	90.9%
Cachapoal	5	40,0%	100,0%	100,0%	100,0%
Itata	3	0,0%	66,0%	100,0%	66.6%
Maipo	21	38.1%	33,0%	95.2%	95.2%
Maule	6	1.6%	83,0%	83.3%	100,0%
Others	6	33.3%	0,0%	66.6%	83,0%

Source: Original calculations based on data collected in 2013. Sample size 69 firms. We count 1 if the firm has the activity, else 0.

Table 4 Summary statistics of Marketing Activity intensity in Chile

	Marketing Activities Intensity			
	Traditional MKT intensity		Relational MKT intensity	
	Firms	Percentage (%)	Firms	Percentage (%)
Activity intensity				
In the lower 10%	1	1.4%	1	1.4%
In the lower 25%	34	49.3%	14	20.3%
Average	10	14.5%	23	33.3%
In the top 25%	19	27.5%	28	40.6%
In the top 10%	5	7.2%	3	4.3%
Total	69	100.0%	69	100.0%

Source: Original calculations based on data collected in 2013. Sample size 69 firms. Marketing Activity Intensity was calculated by the arithmetic sum of dummy variables where 1 means the firm performs the activity, else 0

Table 5. List of strategic initiatives suggested by the CEOs related to the two types of marketing strategies

Firm	Strategic Initiatives	Description
R1	New label	To eliminate labels of wine varieties which identifies brand, wine variety, type of wine and harvest year (eg R1 - Merlot - reserve - 2009). The idea was to use a specific name and logo for every wine variety without mentioning the type of wine.
	Increase training	To increase training of fulltime employees for improving the work environment.
	Increase marketing	To increase marketing activities abroad
	Develop customer service	To develop customer services (after sales services) and tourism services
R2	Register of every bottle	To include the register of every bottle in the label. For example, Bottle 1 of 100 bottles, harvest year 2008.
	Increment activities with current retailers	To increase participation in the specialist retailers' customer portfolio
	Increase relationships with new international retailers	To increase relationships with new international retailers in new markets

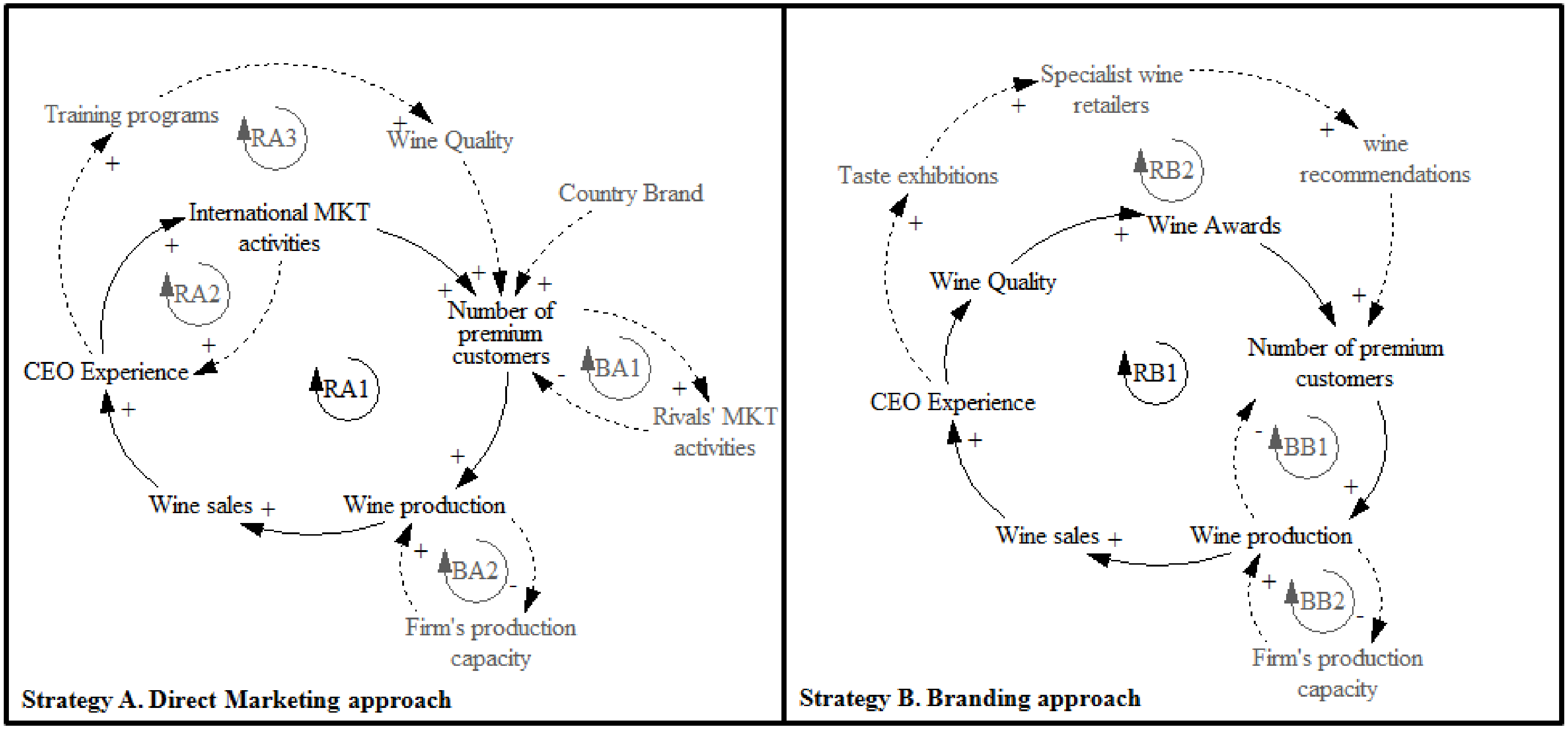

Figure 1. Wine Marketing Strategies based on the CEO's opportunity recognition. Strategy A was implemented by Juan (CEO wine firm R1 left side) and Strategy B was implemented by Irene (CEO wine firm R2 –right side).

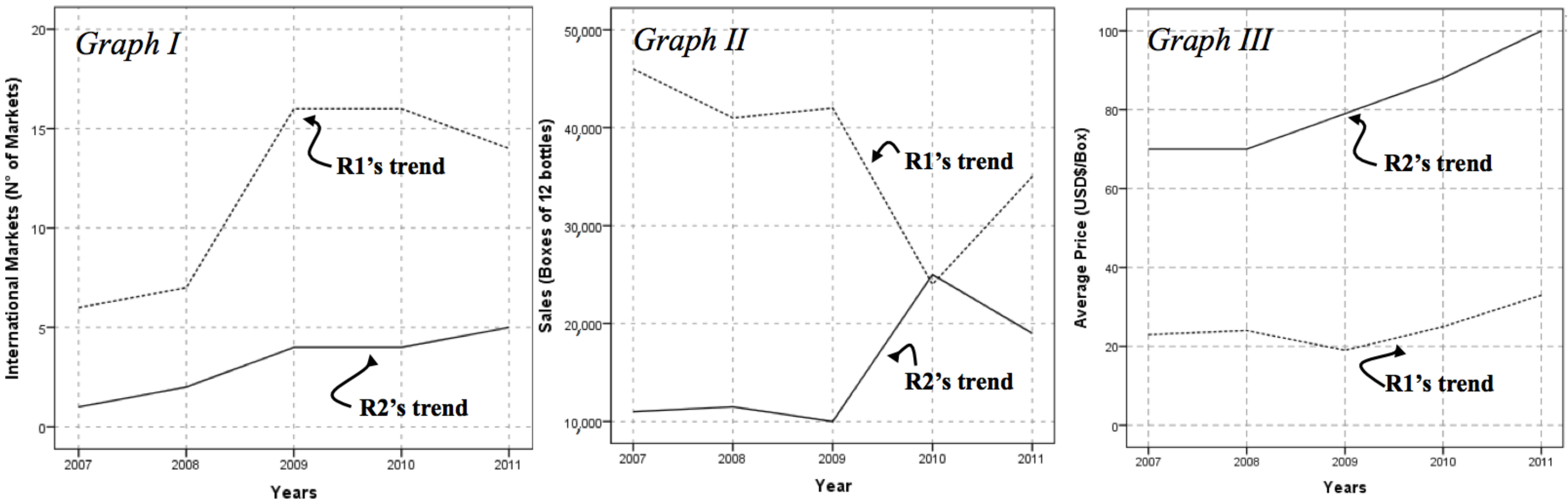

Figure 2. Wine firms' performance of two marketing strategies from 2007 to 2011: (1) Traditional Marketing approach (firm R1) and (2) Relational Marketing approach (firm R2).