Chapter 10
Collaboration:
The Path to SME Performance Increase – A Case Study in a Portuguese Wine Region

Maria João Lima
Polytechnic Institute of Setúbal, Portugal

Luísa Cagica Carvalho
Universidade Aberta, Portugal & Universidade de Évora, Portugal

ABSTRACT

The inherent characteristics of a globalized market have imposed new competitiveness challenges on companies, particularly for SMEs. The wine sector didn't stay immune to this global phenomenon. The emergency of new wine producing countries have significantly increased competition for the European ones. The definition of collaborative relationships seems to be an effective way to increase the competitive potential of companies and guarantee their sustainability. This chapter describes the impact of collaborative relationships on corporate performance in the wine sector and is supported on a case study. Also, the perception of stakeholders about the operationalization of the network collaboration concept and its impact for the sector competitiveness are addressed. The study revealed that intensification of collaboration between wine companies could increase their competitiveness in the markets, due the benefits it endorses. However, some factors were revealed as conditioners to the operationalization of a deeply collaboration, restricting it to just a few activities.

INTRODUCTION

In the last three decades, we have witnessed not only the emergency of new wine-producing countries: USA, Argentina, Australia, South Africa and Chile, with a massive production of wine varieties with consistent quality, but also, with an increasingly important position in the internationalization of their wines.

DOI: 10.4018/978-1-5225-3525-6.ch010

This has considerably increased competition to the European wine producers, the designed "old world wine countries", such as Spain, France, Italy, Germany and Portugal. The wine market is no longer only in the hands of the traditional products countries, today it is totally globalized. But this globalization also opens doors to new markets, constituting as an opportunity that must be taken advantage of by the European wine producers.

The globalization of the wine market, results on a growth of the supply and increasing the volume and the easy access to the correlated information. These factors increase the demand and improve the conscious and exigency of customers. Nowadays, especially non-traditional consumers, but not exclusively, are more open to the novelties and consumer buying decisions are influenced by new tastes and preferences. And these patterns of consumption can be modified, to some extent, by marketing campaigns and by leader opinion makers in the area.

The market data sheets on the sector published by the IVV[1] for the year 2016 shows that although a wine with a lower price potentially have a wider range of buyers which is also confirmed by Cembalo, Caracciolo and Pomarici (2014, p. 374) particularly "…in traditional wine producing and consuming countries…," the value that consumers are willing to pay per bottle depends on the occasion, the place of purchase (supermarket or restaurant) and the category of wine. It also appears that people with a high income consume all categories of wine in terms of price and not just the most expensive ones, the designated premium categories (Cembalo et al., 2014). This means that for a daily consumption, consumers remain to claim the maximum satisfaction with the least allocation of his income. According to the same authors, wine consumers still to seek the best balance between quality and price.

In this scenario mainly driven by the price or by the perceived value, companies are increasingly challenged with the need to respond with innovation, quality and efficiency to the new form of market performance. Particularly, in the case of SME which represent the majority of European wine producers, the identification of possibilities to achieve economies of scale, namely through collaborative networks, is crucial to them. Not only to reduce production costs, but also as a way to access to international markets that tend to contribute to increase their competitiveness. They also should keep investment on the product quality, differentiation and marketing strategies adapted to the specific markets. The product differentiation could promote the shopping experience. Koch, Martin, and Nash (2012) and Randall and Mitchell (2015) identified that regional collaborations effectively help to develop brand identity, and enhance winery businesses' visibility nationally and internationally. Although the traditional benefits provided by network collaboration (Stank, Keller & Daugherty, 2001; Bititci, Martinez, Albores & Parung, 2004; Zacharia, Nix & Lusch, 2011, as examples), the author Koch et al. (2012) verified in a network which involves wineries, that collaboration allows "the necessary critical mass for market presence; the credibility to break into distribution channels; and the legitimacy needed to justify innovation and the development of new products." The topic of innovation, understood in the definition given by the OECD[2], is particularly important as it is considered as a key factor for competitiveness in all kind of business and also in wine industry it has been considered strategic to the enhancement of its performance (Cembalo et al., 2014; Doloreux, Shearmur & Guillaume, 2015). And as the authors Doloreux et al. (2015) attested in a case study, the achievement and sustainability of innovation in wine industry can be accomplished through collaboration.

However, the development of collaborative processes between companies is not always easily to achieve. Added to a plurality of barriers in the organizational structures, there are a number of factors related to the external environment and to specific characteristics of the industry which leads many companies to a marginal position in defining strategies aligned with collaborative practice with stakeholders in the sector.