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# Social Sustainability in the Global Wine Industry

## Concepts and Cases

*Edited by*

**Sharon L. Forbes**

**Tracy-Anne De Silva**

**Armand Gilinsky Jr.**

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# PREFACE

## OVERVIEW OF THE GLOBAL WINE INDUSTRY

The product of wine has existed for thousands of years, with evidence dating it back to the Neolithic Age (Phillips, 2017). Whilst today the wine industry is synonymous with nations such as France, Italy and Spain, the earliest wine-producing areas were in China and the Middle East. Over time, wine production has spread around the globe.

The nations that have a history of producing wines for many centuries are often referred to as Old World wine nations: examples include France, Italy, Spain, Portugal, Germany and the re-emergence of China. Wines from these nations were commonly based on the concept of terroir or place. Wines were typically introduced into other nations by early settlers; these nations have a much shorter history of wine production and are called New World wine nations. Examples of New World nations include Australia, New Zealand, the USA, Chile and Argentina. The wine industries in New World nations were based on innovation, branding and marketing. Today, the differences between Old World and New World wines are less distinct. Old World wine producers have realised the importance of branding and marketing, whilst those in the New World have recognised the significance of place.

Statistics provide an overview of the size and nature of the global wine industry (OIV, 2019):

- The total world area under grapevines in 2018 reached 7.4 mha. There has been a fall in vineyard area since 2014, particularly in Turkey, Iran, the USA and Portugal.
- World wine production was estimated at 292.3 mhl in 2018. The top ten wine-producing nations, by volume, are Italy, France, Spain, the USA, Argentina, Chile, Australia, Germany, South Africa and Mainland China.
- Consumption of wine had grown since 2014, but suffered a fall in 2018. This was primarily due to a decrease in consumption in China and the UK. The top ten consuming nations, by volume, are the USA, France, Italy, Germany, China, the UK, Russia, Spain, Argentina and Australia.
- Spain, Italy and France are the dominant wine-exporting nations; together these nations account for around 50% of the world market in terms of volume.
- In terms of wine importing, five nations account for more than half of the total imports, namely Germany, the UK, the USA, France and China.

## SUSTAINABILITY

Although sustainability is not an easy concept to define because a plethora of various definitions appear in the literature (Szolnoki, 2013), it is widely thought to consist of economic, environmental and social dimensions. In other words, sustainable products are those that are derived from production practices that are ecologically, socially and economically viable. In a business context, sustainability is about operating in a way that does not harm future generations. In research with 55 wineries across seven nations, Szolnoki (2013) reported that each interviewee had a different understanding of sustainability in the wine industry, although it was mainly associated with the environmental dimension; this illustrates the lack of a single, consistent definition of the concept among wine industry practitioners.

The concept of sustainability is an important one for the global wine industry for several reasons. Firstly, as wine is an agricultural product it is subject to the same environmental scrutiny as other forms of agriculture. Environmental concerns focus on the use of agrichemicals, loss of natural habitats, water pollution, greenhouse gas emissions and wastes (see Broome & Warner, 2008; Gabzdylóva et al., 2009; Marshall et al., 2005).

Secondly, wine is a luxury product. Carcano (2013) notes that luxury products are associated with exceptional workmanship and being crafted by the hands of skilled artisans. Corporate social responsibility (CSR) actions towards sustainability seem to be a trend in the luxury setting during the most recent decade. If, like other producers and marketers of luxury products, wine businesses enhance and communicate such efforts to potential consumers, they could attract individuals that are concerned about the environment and the welfare of society (Stathopoulou & Balabanis, 2019).

Several authors have noted that sustainability in the wine industry is of growing interest in academic literature and among industry practitioners (Casini et al. 2010; Klohr et al. 2013). Most sustainability research in the wine industry has focused on the environmental dimension and on the wine regions in California, Australia and New Zealand (Casini et al., 2010; Forbes & De Silva, 2012; Marshall et al., 2005). One exception is a sustainability book that focuses on four winery case studies; some of these cases include a focus on social sustainability and not solely the environmental dimension (Gilinsky, 2015). Consumer studies have primarily focused on attitudes towards environmentally friendly wines or behaviour with regard to organic wines (Lockshin & Corsi, 2012). In terms of industry focus, Klohr et al. (2013) report that many of the sustainability programmes that have been developed in specific wine regions or wine-producing nations have focused chiefly on the environmental dimension.

The social dimension of sustainability is centred on people. This book focuses on the social dimension of sustainability, in the context of the global wine industry. In the wine industry, people include employees, the community in which wine businesses operate, wider society, consumers and other stakeholders.

## OBJECTIVES

The concept of sustainability has been well examined in academic literature, with the environmental dimension receiving most attention. The wine business literature has similarly focused on the environmental dimension. This book aims to address the lack of significant focus on the social dimension of sustainability. In particular, it brings together research on this topic, in the context of the global wine industry, from academics in different parts of the world. In addition, this book brings together research based on varying methods, from qualitative case

studies to quantitative surveys of wine producers or wine consumers. This book offers the reader definitions of various key concepts and also explores social sustainability in practice across the global wine industry.

## AUDIENCES

The primary audiences for this book are academics who teach business sustainability courses or those who teach into wine business or wine marketing programmes. In addition, this book will also be a useful resource for undergraduate or postgraduate students studying business sustainability or wine business. Finally, this book may also be of interest to wine industry practitioners who are looking to implement social sustainability practices into their own business and will thus benefit from the insights presented in this book.

## SUMMARY OF CHAPTERS

### *Introduction*

The first section in the book provides further introduction to the topic of sustainability and to the specific dimension of social sustainability.

- Chapter 1 introduces the concept of sustainability and discusses each of the pillars or dimensions. Social sustainability is specifically explored in Chapter 1, including a summary of research focused on this dimension of sustainability. Other key concepts are introduced and discussed, including corporate social responsibility (CSR), philanthropy, social enterprises, CSR communication and cause-related marketing—many of which are explored in subsequent chapters. This chapter ends with a review of sustainability research in the wine industry.

### *Impact on Stakeholders*

Not surprisingly, the largest number of chapters in this book are devoted to the impact of social sustainability in the wine industry on people. Authors have examined social sustainability in terms of various stakeholders, including employees, local communities, charities, artists and tourists.



- Chapter 2 examines the potential for disruption in the South African wine industry due to technological change (i.e. the 4th industrial revolution), economic change and environmental pressures. The impacts of the possible disruption these changes will have on the social and economic sustainability of the South African wine industry are discussed. In particular, this chapter considers the impact of disruption on wine industry employees.
- Chapter 3 provides a case study of a South American winery—Colomé—located in a small town in Argentina. The chapter focuses on the operations of Colomé, including its biodynamic certification, and the contributions of the owner to the winery as well as the community in which it operates. The benefits of these social commitments to the workers employed at Colomé, as well as the local community in Argentina, are discussed. The chapter concludes with a discussion of what led the owner to sell Colomé, and the concerns of the workers and the community as to whether the new owner would, or could, sustain the level of social commitment.
- Chapter 4 examines the topic of disaster resilience among Sonoma and Napa wineries. This chapter is particularly relevant given the recent fire and earthquake disasters that have impacted on the wine industries in California, New Zealand and Northern Spain. The author has determined how well-prepared wineries are for future disasters, as resilience will lessen the impact of disasters on stakeholders such as winery employees and the local community.
- Chapter 5 focuses on wine tourism and its sociocultural benefits. Two case studies from Barossa and Coonawarra in South Australia are presented to illustrate the practical application and implications of the concepts of transformative innovation and cultural landscapes. This chapter provides an understanding on how wine tourism is able to boost the well-being of destinations, communities, wine providers and wine tourists by contributing to their well-being.
- Chapter 6 provides an insight into charity wine auctions with a discussion on a number of well-known auctions around the world and a detailed look at the Hawke's Bay Wine Auction in New Zealand. A history of the charity wine auction is presented with comments from the organisers about future developments. The motives and benefits of the participating wineries are documented, as are views of the recipient—the local Hospice.

- Chapter 7 provides a case study of a Waipara wine business that operates as a social enterprise. This wine business, 27seconds, was established by its owners in 2017 in order to raise funds for Hagar, a non-government organisation. Hagar provides recovery services for survivors of human trafficking, slavery and abuse. The brand name refers to the fact that every twenty-seven seconds someone is sold or trafficked into slavery somewhere in the world. The chapter documents the history of the wine business and some of the challenges faced by owners when starting a social enterprise.

### *Cross-National Studies*

This section of the book contains four chapters documenting studies that have compared social sustainability across nations.

- Chapter 8 continues with the focus on people, as it examines the treatment of migrant workers by wine firms in New Zealand and Australia. This chapter provides an overview of sustainable wine programmes in New Zealand, the wine regions of Western Australia and Tasmania. Data were collected from wineries in New Zealand, Western Australia and Tasmania using a postal survey. This chapter examines the views of wineries with regard to social justice, sustainability, migrant workers' rights and corporate social responsibility. Differences between the Australian and New Zealand wine industries are presented and discussed.
- Chapter 9 examines whether culture has an impact on French and German wine firms in terms of their engagement in philanthropy. This chapter reports on quantitative data gathered from wineries in both nations using an online questionnaire. The authors take an interesting approach by examining the relationship between some of Hofstede's cultural dimensions and how French and German wineries engage in philanthropy. In particular, they explore whether cultural differences can be used to explain the intensity of philanthropic engagement and the spending behaviour in terms of supported beneficiaries.
- Chapter 10 is based on a study of French and Italian wine consumers through the collection of data via an online questionnaire. This chapter examines consumer views of sustainability across these two nations, and in particular whether they consider the social

dimension to be important. Wine consumers were asked to explain what the word ‘sustainability’ meant to them, and thus, the authors were able to ascertain whether consumers were more aware of the environmental or the social dimension of sustainability.

- Chapter 11 explores how the social sustainability of wine regions is impacted by land and water management decisions. This is done using two case studies—one on the Western Cape of South Africa and the other on Napa Valley in California. Each of these wine regions has its own unique challenges and opportunities, many of which are influenced by the governance—policy, planning and management—associated with land and water management decisions. The driving factors, as well as the outcomes, for each wine region are discussed, with lessons learnt having relevance for other wine regions.

### *Communication*

The final section of this book contains two chapters relating to social sustainability and communication.

- Chapter 12 examines the sustainability reporting on the websites of New Zealand wineries. Reporting is examined across four categories—social sustainability; environmental sustainability; both social and environmental sustainability; and sustainability. The quantity of reporting in terms of volume and importance is examined, as is the readability of the reporting. Differences in quantity and readability are found among the four reporting categories.
- Chapter 13 examines French, Spanish, US, Australian and New Zealand wine firms that are engaged in philanthropy to establish whether they are reporting their charitable efforts to stakeholders. A structured questionnaire was used to collect quantitative data via an online survey from wineries in the five nations. Results indicate that there is quite a low level of CSR communication, and this is especially true of wineries in Old World nations. In terms of communication channels, wineries in the New World nations are significantly more likely to use online channels and marketing messages to report on their philanthropy than are their counterparts in Old World nations.

## CONCLUSION

Wine consumers across the globe are at the forefront of a revolution in demanding natural, biodynamic, organic and responsibly produced brands (McMillan, 2019). The compilation of recent research into social sustainability in the global wine industry in this book is an important step in understanding the factors leading to a heightened awareness of the issues of sustainable production and consumption. Social sustainability has received less attention than environmental sustainability in the media, academic literature and from practitioners; this also holds true in the context of the global wine industry. This book thus provides a valuable resource for all who are interested in social sustainability in general and for all who focus more specifically on social sustainability in practice in the global wine industry.

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# Introduction to Social Sustainability

*Azadeh (Azi) Nilipour*

**Abstract** Sustainability is increasingly becoming a major discussion topic globally; yet, it is difficult to define the concept of sustainability. Sustainability is mostly introduced by its dimensions; traditionally known as economic, environmental and social. Of the three dimensions, social sustainability has not been well researched. Although social sustainability has been a necessary business component, businesses have just started noticing that their actions have an impact on society and the world on a larger scale (Ajmal, Khan, Hussain, & Helo, 2018). This chapter provides an introduction to social sustainability from both theoretical and practical points of view. To do so, sustainability is defined, traditional pillars and new dimensions of sustainability are reviewed, and a brief explanation of some key social sustainability areas in research and practice is presented.

**Keywords** Sustainability · Pillars · Philanthropy · Social enterprise · Cause-related marketing · Corporate social responsibility (CSR) · Communication · Wine

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## SUSTAINABILITY

Sustainability is a dynamic term that can be applied to various purposes, and although several different definitions can be found for sustainability in the literature, they all have the same core message. For businesses, sustainability is defined as (World Commission on Environment and Development—known as Brundtland Report, 1987, p. 40): ‘An investment strategy that uses the best business practices to meet the needs of the present stakeholders without compromising the ability of future stakeholders to meet their own needs’.

Although this report specifies that sustainability consists of three areas—economic development, social development, and environmental protection—the concept of the triple bottom line (TBL) was only introduced by John Elkington in 1994 (Elkington, 1994). TBL is an accounting framework which expands the reporting framework—i.e. criteria used to determine items appearing in the financial statements—by adding environmental and social performance to the traditional financial (economic) performance. This model calls for organisations to be responsible for all the stakeholders rather than just shareholders.

TBL identifies three dimensions of sustainability, known as pillars. These traditional pillars are also commonly called the three Ps: profit, planet and people. Although the three traditional pillars of sustainability have been commonplace in the literature, some studies have considered new dimensions, such as cultural sustainability and governance, to address a wider coverage of sustainability. All the above-mentioned dimensions are briefly explained in the next two sections.

### TRADITIONAL PILLARS OF SUSTAINABILITY

#### *Economic Sustainability—Profit*

The economic dimension is the most commonly accepted dimension of sustainability as it is directly related to the primary goal of any business (i.e. creating value for shareholders through economic performance). However, to be economically sustainable, businesses should focus on activities that generate long-term rather than short-term profitability. In other words, economic sustainability is about the impact of the business practices on the economic system focusing on the economic value created by the organisation in a way that supports future generations

(Elkington, 1997). Economic sustainability does not refer to ‘profit at any cost’. Instead, it refers to practices that support long-term economic growth without negatively impacting the social, environmental, and cultural aspects of the community. Economic sustainability performance can be measured through financial activities between an organisation and its stakeholders, or non-financial costs and benefits of economic relations and their effects on stakeholders (Rezaee, Tsui, Cheng, & Zhou, 2019).

### *Environmental Sustainability—Planet*

The environmental dimension of sustainability performance enables businesses to evaluate the impact of their practices on the environment. Environmental sustainability is about organisations being engaged in business practices without compromising the environmental resources for future generations (Elkington, 1997). Environmental sustainability is defined as ‘maintenance of natural capital’ (Goodland, 1995). In other words, it is a process of protecting the quality of the environment in the long term, measuring the environmental effects of business operations, increasing the positive impact of a business on natural resources, and creating a better environment for future generations while creating value for shareholders and maximising their economic profit (Rezaee et al., 2019).

### *Social Sustainability—People*

The social dimension is about conducting beneficial and fair business practices to the human capital—i.e. workforce—society and the community (Elkington, 1997). Social sustainability is about making the company’s mission align with the interests of society by including accepted social values and fulfilling social responsibility (Rezaee et al., 2019). According to the Western Australia Council of Social Services (WACOSS) (n.d.):

Social sustainability occurs when the formal and informal processes, systems, structures, and relationships actively support the capacity of current and future generations to create healthy and liveable communities. Socially sustainable communities are equitable, diverse, connected, and democratic and provide a good quality of life.

Social sustainability performance ranges from delivering high-quality products and services, improving customer satisfaction and increasing employee health and well-being, to contributing to the quality of life for future generations (Rezaee et al., 2019).

## NEW DIMENSIONS OF SUSTAINABILITY

### *Culture*

Cultural sustainability was first introduced as the fourth pillar of sustainability by Jon Hawkes in 2001 (Hawkes, 2001). He argued that to have effective planning, a new framework which evaluates the cultural impacts of environmental, economic and social decisions is needed. Cultural sustainability is a significant component of sustainability. It originally emerged out of social sustainability but has been gradually recognised as having a separate and integral role in sustainable development. Cultural sustainability means change happens in a way that respects cultural values. It contributes to the sustainability concept by adding an element of understanding of culture, as well as the place in which it evolves. Therefore, community and geographic context will not be ignored (Creative City Network of Canada, 2007).

### *Governance*

After the global financial crisis of 2007–2009, companies decided to establish a stronger regulatory framework and improve their corporate governance. To do so, some measures were set and aimed to integrate business sustainability into corporate governance and in the hope of a long-term performance (Brockett & Rezaee, 2012). According to the Financial Markets Authority (FMA) (2018, p. 4), corporate governance is defined as ‘the principles, practices, and processes that determine how an entity is directed and controlled’; thus, corporate governance is at the centre of business strategies. Sustainability is a strategic approach that tries to integrate economic, environmental and social dimensions; therefore, governance should be part of the sustainability concept, along with the other three dimensions (Iribarnegaray & Seghezze, 2012).

## SOCIAL SUSTAINABILITY IN RESEARCH

The social dimension of sustainability has been barely investigated compared to the other dimensions, especially environmental sustainability. The social dimension of sustainability did not emerge from the 1960s environmental movement or the 1970s basic needs approach to economic development (Colantonio & Dixon, 2010), and it is considered a vague area.

Although the social dimension has gained more attention recently with more researchers focusing on this area, there is still limited literature (Colantonio, Dixon, Ganser, Carpenter, & Ngombe, 2009; Dempsey, Bramley, Power, & Brown, 2011). Prior studies have mostly covered legislative issues and health and safety (Hutchins & Sutherland, 2008). There is no clear theoretical conceptualisation and a lack of an international framework for evaluating social aspects resulted in some complexity and uncertainty in measurement as indicators are mostly chosen based on practical understanding (Dempsey et al., 2011; Griessler & Littig, 2005). Social sustainability is recognised as the least quantifiable part of sustainability in the TBL model since it cannot be easily measured through metrics like cost–benefit analysis, gross national product and greenhouse gas emissions. There is no clear understanding of the meaning and interpretation of the social concept (Weingaertner & Moberg, 2011). Davidson (2009) stated the term social sustainability is, in some cases, used to describe the current system of social welfare and policy. Omann and Spangenberg (2002) reported that social sustainability has been approached differently in different countries due to internal political conversation.

## SOCIAL SUSTAINABILITY IN PRACTICE

Various terminologies have been mentioned in the management literature to conceptualise the non-transactional relationship between a business organisation and the society in which that organisation operates. These include, among others, ‘Business Social Performance’, ‘Corporate Ethics’ (Carroll, 1998), ‘Reputational Management’ (McAlister, Ferrell, & Ferrell, 2003), ‘Corporate Social Responsiveness’ (Logsdon & Wood, 2002) and ‘Stakeholder Management’ (Clarkson, 1995). A similar term that gained considerable attraction is that of ‘Corporate Social Responsibility’ or CSR (Carroll, 1991); this term seems to have more

recently evolved into the concept of ‘Corporate Citizenship’ or CC (Logsdon & Wood, 2002). CSR has been described as encompassing the economic, legal, ethical and discretionary expectations that society has of business organisations (Carroll, 1991). Similarly, the concept of Corporate Citizenship has been defined as ‘the extent to which businesses assume the economic, legal, ethical and discretionary responsibilities imposed on them by their stakeholders’ (Maignan & Ferrell, 2001, p. 38). To a large degree, all of the terms mentioned above normatively contend that in addition to maximising profits, business organisations should also pay attention to the interests and expectations of others in society who might be affected by their business activities (Carroll, 1998; Logsdon & Wood, 2002). In other words, the role that a business organisation is expected to play in a society today is significantly different from Milton Friedman’s (1970) assertion that the responsibility of a business is to make as much money as possible. It could be argued that not only there are similarities between the aforementioned terms, but they are also all related to the concept of social sustainability.

### PHILANTHROPY

Carroll (1991, 1999) included philanthropy as one of the core components of CSR, along with economic, legal and ethical responsibilities. While the other components can be thought of as obligations of a business, philanthropy is a voluntary choice and a business that is not performing philanthropic activities is not generally considered to be an unethical one. Although no single definition has been widely adopted, the voluntary nature of philanthropy is typically noted. For example, Payton (1988) defined philanthropy as ‘voluntary action for the public good’. Wartick and Wood (1998) expanded on this in their definition of philanthropy as ‘a voluntary allocation of a firm’s resources to activities that are not business-related and for which there are no clear social expectations as to how the firm should perform’. From their meta-analysis of 162 studies of corporate philanthropy, Gautier and Pache (2015) defined the concept as ‘voluntary donations of corporate resources to charitable causes’. The resources that may be voluntarily given by a business include money, goods, time or expertise. Today, philanthropy is widespread in small, medium and large-sized enterprises around the globe (Gautier & Pache, 2015). In academic literature, the terms ‘philanthropy’, ‘corporate philanthropy’, ‘corporate contributions’ and ‘corporate giving’ have largely been used interchangeably.



## SOCIAL ENTERPRISES

Emerson and Twersky (1996) coined the phrase ‘double bottom line’ to describe the way that social enterprises operate; these businesses have both social and financial motivations. In other words, social enterprises are defined as ‘organisations that seek business solutions to social problems’ (Thompson & Doherty, 2006). Social enterprises have also been defined as ‘not-for-profit private organisations providing goods or services directly related to their explicit aim to benefit the community’ (Defourny & Nyssens, 2008). Peattie and Morley (2008) argued that the concept is still not well defined because social enterprises include different organisational types of various sizes, activities, legal structures, ownership, funding, motivations and degree of profit orientation. According to Peattie and Morley (2008), the only clearly defined characteristics of social enterprises are (1) the primacy of their social aims and (2) the trading of goods or services. Social enterprises are thus businesses that have a significant social purpose, they use assets and wealth to create benefit for society, and they pursue trade in a marketplace.

## CAUSE-RELATED MARKETING

While cause-related marketing (CRM) can be thought of as a form of corporate philanthropy, the donation is more likely to be funded from a marketing budget than from a philanthropic budget (Ross, Stutts, & Patterson, 1991; Varadarajan & Menon, 1988). In addition, CRM campaigns are based on marketing aims (e.g. increasing sales and market share) rather than on any altruistic motivations. In a CRM campaign, a business commits to donating a certain amount of money to a charity per product sold (Moosmayer & Fuljahn, 2010). In other words, CRM directly links sales with a donation to a non-profit organisation or social cause (Chen & Huang, 2016). A CRM effort will typically include an extensive advertising campaign to highlight the non-profit organisation’s beneficial role in the community and to advise the public how they can assist the non-profit by linking fundraising to the purchase of the firms’ products or services (Ross et al., 1991).

## CSR COMMUNICATIONS

In developing any sustainable social strategy, communication is key. CSR-related communications have been used as tools to assess the level of organisational engagement with social sustainability. It is a representation of management commitment to improving social performance (Bebbington, 1997; Genç, 2017). CSR disclosure is not a regulated practice in most countries around the globe. However, governments, regulators, stock exchanges and investor forums have been playing an important role in driving CSR reporting (KPMG, 2017). This type of communication provides organisations with some benefits internally and externally. Adams and Whelan (2009) stated that maximisation of shareholder value, social legitimacy and risk management associated with the corporate reputation are the three main reasons for organisations to get engaged in sustainability reporting practices.

Most organisations select to communicate their practices through official documents, such as a section in their annual report or a CSR standalone report, while others dedicate a section of their official website to CSR disclosure (Du, Bhattacharya, & Sen, 2010). However, CSR information and initiatives have been communicated via different channels, like TV commercials or product packaging. Corporate responsibility reporting has gone mainstream and considered standard practice for large and medium companies around the world. According to a KPMG survey of corporate responsibility reporting (2017), 93% of the G250 companies and 75% of N100 companies worldwide issued corporate responsibility reports, up from about 35% and 24% in 1999. The majority of these reporting organisations G250 (78%) and N100 (60%) included this information in their annual reports as they believe CSR information is relevant for their investors.

Due to a lack of regulations on public disclosure, there is no generally accepted accounting and reporting principles for sustainability reporting. These types of reports are prepared by following global guidelines such as the Global Reporting Initiative (GRI), International Federation Initiative (IFAC), Sustainability Framework, Sustainability Accounting Standards Board and the Integrated Reporting <IR> (White, 2015). The GRI framework has been recognised as the most commonly used reporting guideline globally—it was applied by 75% of G250 and 63% N100 in 2017 (KPMG, 2017).

While disclosing CSR information is supposed to increase transparency by fairly presenting CSR performance, CSR reporting has not fully

satisfied stakeholders and there is evidence of a loss of trust due to a lack of balance and confidence in the published information. This concern has resulted in the creation of an assurance service for CSR reporting. Although the reporting is a voluntary practice itself in some areas of the world, CSR assurance is becoming more common these days and is established as a standard practice among the world's biggest companies (Nilipour, 2016). According to the KPMG survey of corporate responsibility reporting (2017), the assurance rate is rapidly growing among G250 and N100 companies—67% and 45% in 2017, respectively.

### SUSTAINABILITY IN THE WINE CONTEXT

Recent growth in global wine consumption has been followed by an increase in sustainability practices in the wine industry. In some wine-growing countries—like New Zealand, Australia, South Africa, Germany, Chili, and the USA, sustainability programmes and certificates have been designed and implemented for a while. However, most of these programmes focus on environmental aspects primarily (Klohr, Fleuchaus, & Theuvsen, 2013).

Similarly, sustainability studies in the wine industry have heavily invested in the environmental dimension. For example, several studies have examined the drivers of, or the barriers to, increasing sustainable practices (see, e.g., Forbes & De Silva, 2015; Gabzdylova, Raffensperger, & Castka, 2009) and the drivers or efficacy of various environmental management systems (see, e.g., Forbes & De Silva, 2012; Gilinsky et al. 2015; Marshall, Cordano, & Silverman, 2005). Many other studies have sought to examine the links between sustainable wine and consumer perceptions (see Forbes, Cohen, Cullen, Wratten, & Fountain, 2009; Jordan, Zidda, & Lockshin, 2007; Loveless, Mueller, Lockshin, & Corsi, 2010; Nowak & Washburn, 2002; Zucca, Smith, & Mitry, 2009). In their review of wine business literature published since 2003, Lockshin and Corsi (2012) also found that there has been considerable focus on the value of sustainable or 'green' wine practices to consumers.

There is considerably less literature, to date, that has examined the social dimension with respect to the wine industry. One example is a case study of a single New Zealand winery; their implemented social practices included treating staff as stakeholders in the business and establishing information-sharing networks for wine producers in the local region (Thompson & Forbes, 2011). Dodds, Graci, Ko, and Walker (2013)

found that although wineries' sustainable practices are heavily focused on environmental initiatives, more than half of their participants claimed that they contribute to the community by donating to charities and sharing resources with other wineries, and they also train employees in the area of sustainability considerations and awareness. Research with wine producers in the USA, France, Spain, Italy, Germany, Hungary and Greece (Szolnoki, 2013) reported that most interviewed producers primarily associated the term sustainability solely with the environmental dimension. It was reported that small wineries think first and foremost about the environmental dimension of sustainability, while cooperatives or larger companies include economic and social dimensions. The most important principles of the social dimension were responsibility, respect for the next generation, fulfilling the demands of the consumers and the needs of the employees (Szolnoki, 2013).

## CONCLUSIONS

This chapter has introduced the concept of sustainability and discussed the both traditional and new pillars or dimensions. This chapter mostly focused on social sustainability since it has been identified as the least investigated pillar and is the focus of this book. Some key social sustainability areas in research and practice were briefly introduced, while the remaining chapters of this book will explore these areas in a global wine context, using different research methods.

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# An Industry Under Pressure: The Influence of Economic, Technological and Environmental Pressures on the Social Sustainability of the South African Wine Industry

*Elsamari Botha*

**Abstract** The South African wine industry is facing disruption. This disruption is forcing players in the wine value chain to re-evaluate their business models and become leaner. This chapter explores the impact that these major forces of change have on the economic and social sustainability of South African wine producers and vineyards: 4th Industrial Revolution technologies, a three-year drought and changing consumer preferences. The fragile relationship between economic and social sustainability in the 4th Industrial Revolution is highlighted, with a particular focus on the impact of change on employees and labourers.

**Keywords** 4th Industrial Revolution · South Africa · Drought · Technology · Consumer demand

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## INTRODUCTION

The South African wine industry is under pressure: After three years of drought and a slow transition into Industry 4.0, wine producers and wineries are struggling (especially those still partaking in the production of grapes). The 4th Industrial Revolution has dramatically impacted businesses globally, and the wine industry is not immune. Connected consumers' expectations are shifting, competition is no longer defined by traditional industry boundaries, and operating models are under increasing pressure to digitalise in order to remain competitive. In addition, climate change and shifts in consumer demands have forced South African wine producers and wineries to reconsider their business models in order to remain competitive; the industry has become smaller and producers and wineries have to rethink the way they do business.

The economic and environmental impacts of these challenges are evident and will be outlined below; however, the social impact of these challenges remain largely unaddressed. Social sustainability occurs when the “formal and informal processes, systems, structures, and relationships actively support the capacity of current and future generations to create healthy and liveable communities” (McKenzie, 2004). Currently, the future of key stakeholders in the South African wine industry is uncertain. Therefore, while South African wineries and wine producers are struggling to adapt to a new environmental and economic context, the social impact of these challenges also begs investigation. After discussing first the impact of the 4th Industrial Revolution, and then the drought, on South African wineries and wine producers, we explore its impact on employees in the wine value chain.

### WHAT IS THE 4TH INDUSTRIAL REVOLUTION?

In recent human history, there have been four technological shifts that have had a major impact on business and society. The 1st Industrial Revolution occurred around the 1780s when there was a shift from relying on animals, human effort and biomass as primary sources of energy towards the use of fossil fuels and mechanical power. The 2nd Industrial Revolution occurred at the end of the nineteenth century, where major breakthroughs in the use of electricity, wireless and wired communication, the synthesis of ammonia and new forms of power generation brought broad-based change. The 3rd Industrial Revolution

(often referred to as the Digital Revolution) began in the 1950s, saw new ways of generating, processing and sharing information through the use of digital systems, communication and rapid advances in computing power (Davis, 2016).

In 2016, Klaus Schwab, Founder and Executive Chairman of the World Economic Forum, argued that we now find ourselves in the 4th Industrial Revolution, more recently termed 4IR (McGinnis, 2018). While the first three revolutions were concerned with particular technological innovations and infrastructural improvements, the 4th Industrial Revolution concerns the blurring lines between cyber, physical, digital and biological systems (Barclay, 2018). On the wave of rapid breakthrough technological innovations, the role in which technology is embedded in society is changing (Davis, 2016). These technologies include but are not limited to blockchain technologies, cognitive technologies (like artificial intelligence (AI) and machine learning) and new digital realities (like Augmented Reality, Virtual Reality and the Internet of Things) (Briggs, Buchholz, Sharma, Saif, & Mossburg, 2019). Therefore, the 4th Industrial Revolution heralds a series of social, political, cultural and economic upheavals largely because of the convergence of digital, biological and physical innovations (Schwab, n.d.).

All four revolutions have required major shifts in industries. The 1st Industrial Revolution saw steam-powered factories overtake and displace many handmade factories (then called manufactories). The 2nd Industrial Revolution saw the application of science to mass production and manufacturing and with the 3rd Industrial Revolution, many of these processes were digitised. The 4th Industrial Revolution's technologies, like AI, genome editing, augmented reality, robotics and 3D printing, "are rapidly changing the way humans create, exchange and distribute value". This will "profoundly transform institutions, industries and individuals" (Schwab, n.d.).

#### 4TH INDUSTRIAL REVOLUTION TECHNOLOGIES IN WINERIES

The 4th Industrial Revolution has already greatly impacted the wine industry (Marr, 2019). The following vignettes provide only a few examples of how new technologies are already implemented in wineries across the world:

- Artificial intelligence (AI): Artificial intelligence is being used in vineyards through AI-powered machines and sensors that assess water needs and soil conditions for the grapes. AI is also already being used as virtual sommeliers to help consumers make wine pairing decisions; more than 25% of wine drinkers use wine apps to assist in their purchasing decisions (Marr, 2019).
- Fully automated high-bay warehouses can directly connect to production plants where all processes take place on digitally linked networks. These can also boast driverless transport systems (Pilz, 2017).
- Geospatial intelligence through geospatial agents, geospatial decision support systems and geospatial models and genetic algorithms are taking the guesswork out of agriculture: Deep neural networks are used to monitor crops, fruit quality, classify vineyards and more (Marr, 2019). In addition, many of these datasets are being made freely available to farmers and researchers around the world through sites like Planet GIS ([www.planetgis.co.za](http://www.planetgis.co.za)). The GIS data uses satellite imagery to plot every winery.
- Drones are being used not only to check on grapes and soil health, but also to give customers a bird's-eye view of the grape-growing process (Marr, 2019).
- In wine production, powerful grape processors, measuring facilities and harmonised conveyor plants are becoming the norm (Pilz, 2017). The use of sensors in tanks monitors conditions and inventory and suggests actions based on this data (Marr, 2019). Processes that run during the alcoholic fermentation stage can be controlled and monitored (Pilz, 2017). In addition, data about grapes and other properties that influence the aroma, flavour and taste of the wine can identify patterns and insights that might be undiscovered by humans (Marr, 2019).

Incorporating these technologies has an impact on both the size and composition of the workforce, which will be discussed in greater depth at the end of this chapter. But wineries are increasingly being forced to be more efficient with their input, i.e. generate more output for the same amount of input. This can only be done by introducing some of the technologies highlighted above. The measure “overall equipment effectiveness” (OEE) is used to determine how productive production processes are in wine manufacturing. Most wineries function at around

50–60% of a plant’s full capacity (Pilz, 2017). Automation and most of the inventions of the 4th Industrial Revolution promises to increase this figure in order to make wineries more globally competitive. In addition to having to deal with the threats posed by the 4th Industrial Revolution and its technologies, South African wine producers and wineries have experienced two additional threats to the industry in recent years.

### ADDED PRESSURE: THE IMPACT OF DROUGHT AND CHANGING CONSUMER DEMANDS ON THE SOUTH AFRICAN WINE INDUSTRY

South Africa has not been immune to the challenges of digitisation and those presented by the 4th Industrial Revolution. As global competitors enter the market profitably, and as the South Africa area under vines (i.e. wine grape production area) steadily decreases, wine producers are struggling to remain competitive. However, in addition to these challenges, South African wine producers have faced two additional blows: first, a three-year drought that has had far-reaching implications for the industry, and second, a change in the consumer landscape in South Africa. These will each be discussed in turn below, and Table 2.1 provides some key statistics to support the discussion.

#### *Drought*

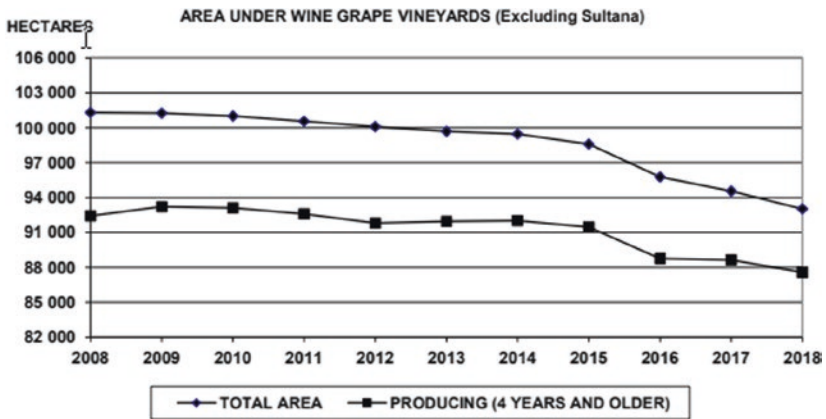
Global warming has meant a change in climate conditions around the world. While there is a global downward trend in wine production, the global area under vines has remained fairly stable according to the International Organisation of Vine and Wine (BusinessTech, 2019). The South African wine-producing regions, however, were of the hardest hit drought areas in the world.

A three-year drought (2015–2018) meant that vineyards had to dramatically change their water consumption where penalties and fees were paid by those who didn’t. Some vineyards had to manage with 50% less water than usual, with a few extreme cases who only had 16% of their normal water allocation (Gosling, 2019). South African wine production hit a 60-year low in 2017, and in 2018, harvests shrunk by 14% more (BusinessTech, 2019; Gosling, 2019). Figures in Table 2.1 considering “grapes crushed” show how 2018 bore the brunt of the drought, and Fig. 2.1 illustrates the steady decline in producing vineyards.

**Table 2.1** Key South African wine statistics

Category	Detail	2016	2017	2018	Unit
Grapes crushed	White varieties	909,902	937,635	792,837	Tons
	Red varieties	434,022	441,749	403,239	Tons
Production	Wine overall	898.4	918.6	824.3	Million litres
	White wine	589.3	600.8	518	Million litres
	Red wine	309	317.9	306.3	Million litres
	Wine for brandy	37.8	47.9	36.5	Million litres
	Distilling wine	116.9	113.6	84	Million litres
Producers' income	Grapes sold to producing wholesalers	362	410.2	360.4	Million Rand
	Wine	4139.2	4752.8	5443.8	Million Rand
	Wine for brandy	145.2	217.3	172.6	Million Rand
Domestic sales	Still wine	362	410.2	360.4	Million litres
	Fortified wine	32.2	33.6	34.8	Million litres
	Sparkling wine	8.9	9.2	9.4	Million litres
	Spirits	121.4	128.2	130.4	Million litres
	Beer	3170	3201.7	3201.7	Million litres
Exports	Still wine overall	424	444	415	Million litres
	White wine	215.5	228.5	213.9	Million litres
	Red wine	174.3	176	151.5	Million litres
	Blanc de Noir/Rose	34.2	39.5	49.6	Million litres
	Fortified wine	0.4	0.3	0.4	Million litres
	Sparkling wine	3.9	4.1	4.8	Million litres

Source SAWIS (2018) with permission



**Fig. 2.1** Wine grape vineyard production (Source SAWIS (2018) with permission)

In 2019, while the drought has somewhat subsided, harvests continued to suffer because of the rollover effect of the drought. According to the 2019 South African Wine Grape Harvest Report, the 2019 wine grape crop will be 1.4% smaller than 2018's drought-hit crop, the smallest crop since 2005 (Vinpro, 2019). Farms continue to yield fewer grapes because vineyards struggle to recover from the three-year drought, bad weather, and declining vineyards as land gets repurposed for more profitable crops (BusinessTech, 2019). The wine grape area shrunk by nearly 6% in the past five years “as wine grape producers who were under financial pressure planted less vines than were uprooted” (Vinpro, 2019) and there has been a cumulative decrease of 8% in the past 10 years (2008–2018) (Floris-Samuels, 2019).

### *Change in the Consumer Landscape: Upward Price Shifts and Changing Consumer Preferences*

The cumulative impact of the above has resulted in an upward shift in the retail price of wine. In 2018, wine prices increased by 24% on average for bulk wine, and 5% for packaged wine (Vinpro, 2019). While this change has been positive for producers, consumers have been less pleased with an overall decrease in sales volumes. Thus, there has been a decrease in the amount of wine consumed in the country, with only 4.3 mhl consumed in 2018 (BusinessTech, 2019).

Consumer demand, however, was not only influenced by the hike in wine prices, but also by competitors outside the wine industry: craft beers and spirits have seen tremendous growth in the past three years. These products are especially popular amongst millennials (Davis, 2018). Table 2.1 also shows that while there was a decrease in the amount of wine consumed, all other alcoholic beverages experienced an increase in sales. A typical characteristic of the 4th Industrial Revolution is that competition can no longer be defined within traditional industry boundaries. Wine producers are now competing not only against other wine brands, but against beer and spirits, especially with innovation in the packaging and distribution of these products. All of these changes have brought the future of the South African wine industry into question.

## THE FUTURE OF SOUTH AFRICAN WINE PRODUCERS?

The above pressures in the South African wine industry have not only affected producers of wine, but also other players in the value chain including those industries linked to agricultural inputs and equipment providers, agricultural financiers and processing companies. However, the stakeholder group most affected by the changes in the competitive landscape have been those employed by the wine producers and vineyards.

### *Impact on Employees and Labourers*

While the economic sustainability of the winery is improved, the social sustainability of implementing these changes is unclear. The first three industrial revolutions each sparked fear amongst workers about being replaced. The 1st Industrial Revolution saw the start of the Luddite movement, where manufactories were burned and workers protested over being replaced by machines (Barclay, 2018). However, with all three previous revolutions, while some workers were displaced in the short term, the net effect on the economy and the workforce was positive with more (and new) jobs being created through technological advancements. Schwab himself warned of its polarising impact on society and the workforce. Schwab wrote that “like the revolutions that preceded it, the 4th Industrial Revolution has the potential to raise global income levels and improve the quality of life for populations around the world”. However, it also has the potential to lead to greater inequality, “particularly in its potential to disrupt labor[sic] markets”, where the job market may become increasingly segregated into “low skill/low-pay” and “high skill/high-pay” roles (McGinnis, 2018).

Therefore, while time will tell whether the introduction of new technologies in the wine industry will result in net job gain or losses, what is certain is there will be a skills-based bias towards more qualified workers and employees. In the retail industry, for example, while many blue-collar workers were retrenched with large-scale automation in manufacturing and warehousing, there was an overall net gain in jobs in the industry with many new types of jobs being created. The majority of these new jobs, however, entail some form of programming, mechanical maintenance, logistics and data analysis capability, making them inaccessible for low-skilled workers. Similarly, in the wine industry, the relatively stable number of employees at vineyards and bottling plants may belie



the shift taking place, where lower-skilled workers are being replaced by those who can interact with, care for and manage the technologies being introduced. In addition, while production outputs are increasing, the number of employees remain relatively stable, which suggests a net decrease in the number of employees if compound growth is considered.

South African wine producers have been slow to adopt many of the 4IR technologies discussed above for various reasons: firstly, with a weak local currency, the cost of many of these technologies remains prohibitive, and secondly, South Africa is a highly regulated and unionised work environment. The drought has added additional pressure to wine manufacturers to lay off staff as the number of grapes being processed has decreased. While this has ensured, to some degree, that workers have been protected from large-scale layoffs, it has also put the economic sustainability of these companies under pressure. However, changes resulting from economic pressures need to be balanced by social sustainability considerations.

### *A Balancing Act Between Social and Economic Sustainability*

The shifts in the economic, environmental and technological landscape described above have greatly impacted the South African wine industry; however, some players in the industry have borne the brunt of these changes. Table 2.2 shows the steady decline in producer and private cellars in the country, while producing wholesalers, on the other hand, have remained relatively stable (if not on the increase).

The latest report from the International Organisation of Vine and Wine (OIV) reported that South Africa has slipped down the global wine producers rankings from 8th biggest producer in the world to the 9th (BusinessTech, 2019). The result has been that South African wine producers and wineries will need to rethink their business models in order to

**Table 2.2** The number of wine cellars in South Africa

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1.	58	57	54	52	50	50	49	48	48	48	47
2.	504	524	493	505	509	493	485	494	493	472	468
3.	23	23	26	25	23	21	25	24	27	26	27

Notes 1. Producer cellars; 2. Private wine cellars; 3. Producing wholesalers

Source SAWIS (2018) with permission

remain competitive. While many move towards higher prices, most still need volume in order to remain viable (Vinpro, 2019). Vinpro (2019) states that “the fact that the harvest is smaller and sales volumes have dropped, undoubtedly puts pressure on these businesses to rethink their business models and consider mergers, acquisitions, and partnerships”. Indeed, the South African wine industry has entered a new phase of repositioning, consolidation and investment (Vinpro, 2019). The economic sustainability and competitiveness of the producers and wholesalers can be improved through the introduction of 4IR technologies. However, the social sustainability of such initiatives remains unclear. How will these companies ensure that communities affected by the vineyards and wine producers remain “equitable, diverse, connected and democratic” and have “good quality of life” (McKenzie, 2004)?

## CONCLUSION

South African wineries will have to reconsider their business models, operating models and customer value propositions in order to survive, and the social impact of these changes remains unclear. What is clear, however, is that key stakeholders, like current employees and consumers, remain at the centre of the transition. Schwab writes that “We cannot foresee at this point which scenario is likely to emerge from this new revolution. However, I am convinced of one thing—that in the future, talent, more than capital, will represent the critical factor of production” (Schwab, n.d.).

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# Sustaining Social Commitments at Colomé

*Daniel Friel*

**Abstract** Colomé is one of the oldest wineries in Argentina. In 2001, Donald Hess, the owner of a Swiss beverage conglomerate, bought it with the intention of making it a leading producer of biodynamic wines. Shortly thereafter he made significant investments in the local town in the province of Salta where this winery is located, leading to significant improvements in the health and well-being of the people living there. This chapter describes the time when Hess is about to sell this winery, asking the reader to evaluate the extent to which its new owner may understand the degree of social involvement required for it to continue to be successful.

**Keywords** Sustainability · Corporate social responsibility · Argentina · Wine industry · Biodynamic

## INTRODUCTION

In 2018, Donald Hess decided to sell Colomé, a winery situated near a small town in Salta, Argentina. He was leaving behind investments of millions of dollars not only in the winery itself but also in

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the community that sustained it. This owner of a Swiss beverage conglomerate, Hess Family Estates, decided to sell this winery and stop his involvement in this town's activities right at the time when a dramatic devaluation in the Argentine peso was making winemaking profitable again in Argentina. He sold this winery despite having weathered years of economic and political uncertainty. He actually bought Colomé at the beginning of a deep economic recession in 2001. His goal at that time was to transform this winery, one of the oldest in Argentina, into a producer of biodynamic wines. Hess was particularly interested in opening this type of winery in Argentina because he knew that there were significant tracks of land that had not been planted using fertilizers or other chemicals, enabling them to be easily certified for biodynamic production.

Hess believed that organic wines naturally tasted better than those made with standard techniques because the herbicides, pesticides and fertilizers used in the production of the latter blocked grapes from absorbing the taste of the soil where they were planted. As consumers became acquainted with these wines, he thought they would demand any bottle of wine costing between US\$20 and US\$30 would have to be made according to organic or biodynamic principles. Hess was particularly attracted to biodynamic principles because they incorporated workers in a nurturing way into the operations of a farm. He believed that this was beneficial not only for the people involved but also for the taste of the wine (Zilber, Friel, & Machado do Nascimento, 2010). His commitment to Molinos, the local town that provided workers to Colomé, went beyond merely what was required by biodynamic guidelines. Hess would come to build its residents new homes and refurbish its local school and church. He also undertook steps to improve its people's health and overall well-being (Estate and Winery Manager, personal communication, July 13, 2018). As word spread in Molinos of the upcoming sale of Colomé, its townspeople became worried that the new owner would not sustain the level of social commitment demonstrated by Hess. Industry observers believed that this type of social involvement by Hess was critical for this winery's success but doubted whether the new owner appreciated the need to continue such activities.

## THE ARGENTINE WINE INDUSTRY

Although the results of a wine tasting competition in Paris in 1976 opened wine markets to new-world producers from all parts of the world, Argentine wineries did not emerge as significant players in this market until the 1990s when economic stability was achieved and government subsidies for the production of low-quality wines were removed. Although economic stability enabled growth in this industry, the exchange rate fixed at one peso to one US dollar in the 1990s undercut the potential growth in wine exports. In 1993, this industry exported US\$25 million. Nevertheless, wineries had to shift their attention to foreign markets because the domestic consumption of wine was declining dramatically. It went from 67.6 liters per capita in 1981 to 33.7 in 2007 (Artopolous, Friel, & Hallak, 2013). Although the economic crisis of 2001 created significant hardships for winemakers in Argentina, the devaluation of the Argentine peso from one US dollar to three US dollars in 2002 effectively reduced labor costs for exporters by two-thirds; this cost is particularly important for biodynamic producers because this form of winemaking requires a significant amount of labor (Zilber et al., 2010). This reduction in costs drove a boom in the exports of Argentine wines. By 2008 exports reached US\$646, an increase of almost 2,400% in 15 years (Artopolous et al., 2013).

Nevertheless, this growth would start to slow down, reaching US\$738 million in 2010 and US\$817 million in 2015 (Bevilacqua, Canitrot, & Giordano, 2016). By 2017, exports reached only US\$825 million ([www.winesofargentina.com](http://www.winesofargentina.com)), representing a growth of almost 11.7% over 7 years. This decline in growth can largely be attributed to changes in the economic policies of the Argentine government. Although the devaluation of the peso in 2002 dramatically increased the competitiveness of the wine sector in Argentina, after 2008 the government began to take increasingly harsh measures to preserve the value of the Argentine peso, while simultaneously ignoring the high rate of inflation. It even openly lied about the real rate of inflation. In order to preserve the value of the peso, in October 2011, the Argentine government prohibited the Argentine peso from being exchanged freely on the open market. This policy and other abrupt changes over the years increased the costs of producing wine in Argentina without enabling producers the means to cover them. Sales declined because world markets did not tolerate the increase in prices needed to cover the increases in costs.

It became almost impossible for Argentine wineries to be able to sell a Malbec at a retail price lower than US\$10 per bottle. Consequently, many of them simply reduced their exports. Only a few wineries decided to take on short-term losses to maintain a solid presence on world markets (Veseth, 2016).

### HESS AND THE BUSINESS OF COLOMÉ

Hess Family Estates was established in Bern, Switzerland in 1844 as a brewing company. Donald Hess represented the fourth generation of this family to operate it. Before he took control of the company, it had concentrated on the production of beer. Donald expanded the operations of this company into wine by buying Mount Veeder, a winery in Napa Valley in 1978 (Zilber et al., 2010). Over the years he bought further wineries in California before expanding his acquisitions to South Africa and Australia. Before coming to Argentina he explored buying a winery in Chile. He did not buy a winery there because he was unable to find a wine he liked (Iglesias, 2018). He bought Colomé in 2001 because he believed that the wine being produced there tasted like an uncut diamond (Zilber et al., 2010). Colomé was originally founded in 1831 by Nicolás Severo de Isasmendi, the governor of the province of Salta at the time. By the end of the nineteenth century, the owners brought Malbec and Cabernet Sauvignon vines from France (Quiroga, 2018). Although Hess paid only US\$1 million for the winery, by 2010 he had come to invest another US\$21 million. He spent this additional money on buying more land surrounding the existing vineyards, building a hotel and a light museum, as well as making improvements in the surrounding community (Zilber et al., 2010).

Four of the 75 hectares of the land planted with grapes at Colomé have the original grapevines from 1844. The other 71 hectares were planted after Hess purchased this winery (Zilber et al., 2010). At the beginning of 2018, Colomé was producing four types of grapes, namely Cabernet Sauvignon, Malbec, Petit Verdot and Tannat. It had the capacity to produce 1,300,000 liters of wine but was only making 900,000 liters in 2018. Its exports at this time were worth US\$3,000,000 (Wines of Argentina, n.d.). These exports went to 30 countries and represented 65% of the winery's production (Quiroga, 2018). After acquiring this winery, Hess initially created four different wines. One was the Colomé Reserva. It was the winery's icon wine and sold for US\$90 per bottle.

Another wine was the Malbec Estate. A bottle of this wine sold for US\$25. In 2008, this wine was ranked 38th in the world by the Wine Spectator, the most important trade magazine that provides ratings of wines worldwide. This was the highest ranking of any Argentine wine in that year. Hess also had a white wine simply called Torrontes. A bottle cost US\$14. Finally, Hess had a mass-market wine called Amalaya that sold for US\$14 per bottle and accounted for approximately 50% of the sales of Colomé. Half of the grapes for this wine were produced at Colomé and the other half were purchased from independent, non-organic vineyards in Cafayate, a town roughly 80 kilometers from Colomé.

Although these independent vineyards were technically not organic producers, many of them had never applied chemicals to their land because they could not afford them. Hess believed that the sales of Amalaya would be undermined significantly if he decided to make it an organic wine because producing Amalaya in that way would increase its price by 50% (Zilber et al., 2010). Hess wanted to produce this wine on the grounds of Colomé but he could not do so because he could not find adequate sources of water on the 26,000 hectares of land he had bought surrounding Colomé. Even his efforts to bring experts from Switzerland specialized in finding water sources proved fruitless (Estate and Winery Manager, personal communication, July 13, 2018). Before running out of sources of water Hess had planted a vineyard at an altitude of 3002 meters and created another wine called Altura Maxima that sold for US\$70 per bottle. The ultraviolet radiation received by grapes grown at such an altitude causes them to have higher levels of tannins and polyphenols, two elements that help clean arteries (Zilber et al., 2010). In 2010, Hess bought another winery in Cafayate that he dedicated to producing Amalaya. At that time, he turned Amalaya into an independent juridical entity, effectively separating it from Colomé (Iglesias, 2011).

### HESS'S COMMITMENT TO BIODYNAMIC PRINCIPLES

The biodynamic method of agricultural production was created by Rudolf Steiner in the late nineteenth century as a means of putting farming in sync with biological cycles. It treated farms as self-contained entities. Therefore, all fertilizers and pesticides had to come from natural sources located on the grounds where an agricultural product was



made. Fertilizers came from livestock. The manure they generated was mixed with a variety of flowers and buried over the winter in a cow horn before it could be used as fertilizer. Pests were controlled by mixing dead specimens of the pest with water and refrigerating it before spraying it over the crop to be treated. Goats were generally used to control weeds (Zilber et al., 2010). Colomé had 450 sheep that is used to address this problem. The milk generated from the sheep was donated to the local school and the wool was given to local artisans (Estate and Winery Manager, personal communication, July 13, 2018).

Humans are also an important pillar of biodynamic farming. After Hess bought Colomé he introduced a policy of employing at least one person from every household in Molinos. Since his winery was the only real employer in the town, he believed it was his obligation to support each of the households there (Zilber et al., 2010). When Hess first arrived in Molinos, there were only 180 people living there. The vast majority of its residents were old people and children. “There was no activity. (It was) practically a ghost town”<sup>1</sup> (Estate and Winery Manager, personal communication, July 13, 2018). By 2018, there were more than 450 residents in Molinos. Many of the additional people were not new residents but rather people who returned to their original homes from working in other towns. Many of them had moved from one short-time job to another in places far away from their homes. Hence, the population of the town more than doubled after Hess introduced this policy even though the number of houses barely changed. Many of them returned because the quality of life was much better than before and now good jobs were available there (Estate and Winery Manager, personal communication, July 13, 2018).

Hess promised anyone that returned to Molinos that he would find him or her a job working on his estate in some capacity or he would train them to take up a new profession needed in the town. For example, he trained people to make leather goods, ponchos and upholsteries for the increasing number of tourists that were coming to Colomé. He also trained people to work in the light museum that he built relying on local people from Molinos. To work in his hotel and in some of the jobs at his winery, residents of this town had to learn English. Hess trained people in a variety of tasks ranging from how to ride a bicycle to how to operate a bulldozer. Of course, he also taught people how to work in his vineyards (Estate and Winery Manager, personal communication, July 13, 2018).

Hess was also interested in the physical and psychological health of people in Molinos. He contracted a full-time nurse for the local emergency care center and even paid for people with more serious health problems to be taken to Buenos Aires when necessary. Psychologists were also brought to Molinos to help people with a variety of problems including alcoholism. Part of Hess's work in this area also involved providing people personal training so that they could set goals and take responsibility for their lives. The focus of all these activities was to give people dignity (Estate and Winery Manager, personal communication, July 13, 2018). Hess also undertook concrete infrastructural projects in the town of Molinos to improve the lives of the people there. He reconstructed a church from the nineteenth century so that the people did not have to have mass in the open air. The local school was also doubled in size from one and a half classrooms to three. It was also given a soccer field and access to electricity.

Hess was particularly interested in improving the lives of people in their homes. Many of them did not have electricity or running water. "Before (these people) had to go with a bucket to get water. Donald put running water in their homes and a purifying plant"<sup>2</sup> (Estate and Winery Manager, personal communication, July 13, 2018). Hess originally proposed an extensive project to rebuild the whole town of Molinos. In the beginning, he wanted to reconstruct it from scratch on an empty piece of land. However, the residents resisted. They did not want to move from their existing homes. Hess undertook several pilot projects of building new homes that were designed just like their previous ones. He even tried to put their homes close to the location of their older ones in order not to undermine the social fabric of the town. In order to make these new houses similar to the old ones, he had them built out of clay. The most significant differences between their previous homes and their older ones were the quality of the construction and the access to water and electricity. After the initial pilot, projects were accepted by the people involved, the project was extended to the rest of the townspeople (Estate and Winery Manager, personal communication, July 13, 2018).

The changes Hess brought to Molinos provided his winery a source of loyal workers willing to help when needed. It was common for the residents of this town to help load containers on Saturdays and Sundays when work had to be completed quickly (Zilber et al., 2010). Despite everything that Hess had undertaken to improve the quality of life in Molinos, an Estate and Winery Manager contended that management at

Colomé would be happy if people left the town for better opportunities elsewhere. Paradoxically, it would be an indication of the winery's success at helping the townspeople (personal communication, July 13, 2018). Nevertheless, a natural disaster that would eventually cause Hess to sell Colomé would perhaps come to cause people to leave this town in search of jobs that would not necessarily have the quality of the ones they once enjoyed.

### THE ANT INVASION AND ITS CONSEQUENCES

The inauguration of Mauricio Macri as President of Argentina on December 11, 2015, increased the hopes of many wineries that Argentina would finally have a sound economic policy that would provide the basis for strong export growth. This government resolved issues about payments of the outstanding international debt of the former government, thereby enabling this country to reenter international credit markets. However, it proved incapable of controlling inflation. By the end of 2018, it had reached over 40%. The inflation rate of the previous government had never reached such a high rate. Nevertheless, the exports of Argentine wineries were helped by the devaluation of the peso by roughly 50% at the end of August 2018.

This devaluation proved a little too late for Hess. In 2012, Colomé witnessed an ant infestation that still affected the firm's operations even six years later. Ants were really the only insect that had consistently created problems for this winery. Typically, they ate roughly 2% of all the grapes grown at this vineyard. However, in 2012 an infestation of ants appeared that destroyed 18% of the grapes of the vineyards at Colomé. The winery could not be profitable with the loss of so many grapes. Consequently, in 2012 the management at Colomé decided to sacrifice their biodynamic certification and apply an insecticide. To minimize the impact on the environment, the management at this vineyard decided to focus their application of this pesticide to the anthills causing this infestation. Managers at this winery did not want to exterminate all of the ants. These creatures were considered part of the natural ecosystem at Colomé. By 2018, the struggle against these ants continued. Consequently, Colomé could not reapply for biodynamic certification (Estate and Winery Manager, personal communication, July 13, 2018). Without this certification, this winery could not claim that its wines were biodynamic. Executives at Colomé knew that their inability to make this

claim would impact some of their sales, requiring it to stress sustainability instead of its biodynamic methods. An Estate and Winery Manager insisted that the winery remained committed to the overall biodynamic philosophy of making wine. “We continue with the same culture, with the same treatments ... except as concerns to topic of the ants”<sup>3</sup> (personal communication, July 13, 2018).

By the middle of 2018, Hess decided that he could no longer continue owning and managing Colomé. Rumors in Molinos were abounded. It was unclear whether the new owner would sustain the level of social commitment to the town demonstrated by Hess over the years. Perhaps the interventions by Hess were enough to put the townspeople on a strong economic and social footing. Maybe extensive intervention in their affairs was no longer necessary. Maybe with new management, this winery could be profitable by only undertaking minimal activities in the area of social responsibility. In the end, Colomé was sold to Jorge Brito, the owner of one of the largest banks in Argentina. Before buying this winery, Brito had made significant purchases in agriculture, renewable energy and meatpacking in Argentina (La Nación, 2017). Nevertheless, a fourth-generation co-owner of a traditional winery in Argentina wondered if Brito understood the type of community involvement that was typical of wineries in Argentina (personal communication, September 18, 2018). Did Brito really understand what he was buying? What are the real costs of successfully operating a winery in Argentina? At some point in the future, Brito will have to decide either to continue Hess’s level of involvement in the local community or reduce it. Meanwhile, people in the town remain nervous as they wonder about the future of the community that had been constructed in Molinos over the past 17 years.

## NOTES

1. In Spanish, the original quote was: “No había actividad. Prácticamente un pueblo fantasma.”
2. In Spanish, the original quote was: “Antes tenía que ir con el balde a rio para buscar agua. Donald pues agua corriente a su casa y una planta de purificadora.”
3. In Spanish, the original quote was: “siguimos con la misma cultura, si las mismas tratamientos... salvo por el tema de hormigas.”

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# Are US Wineries Prepared for the Next 'Black Swan' Event?

*Armand Gilinsky Jr.*

**Abstract** Increasingly destructive natural disasters and human-created crises together have thrust the topic of strategic preparedness to the forefront of managerial conversations around the globe. Stakeholders increasingly expect firms to have plans in place to mitigate disasters and sustain, or quickly resume production and sales. Regional economic vitality relies upon the strategic preparedness of the firms, which operate within their communities. Following recent fire, flood, and earthquake disasters, we investigate perceived organisational preparedness and resilience within the western US wine industry via field research. Four constructs are presented that reveal organisational preparedness, i.e. realising a need, building stakeholder support, securing resources and capabilities, and exemplifying best practices. Comparative case studies and a model for active planning are analysed.

**Keywords** Strategic preparedness · Social sustainability · Culture

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## INTRODUCTION

Managers of wine businesses must find the right balance between planning and remaining operational. No matter how well a plan has been thought out, unexpected events—‘black swans’—happen (Taleb, 2007, pp. 203–204). One of the hallmarks of a successful business is adaptability, regardless of what its business plan might say to do. For some wine businesses, the environment is too turbulent for extensive planning to be beneficial. When a crisis occurs, managers may discover that there is not sufficient, up-to-date information to allow them to follow a comprehensive plan. In this case, a manager’s ability to adapt may be more important than following a careful plan for the future. The contribution of a proactive, healthy organisational culture to a manager’s propensity to adapt quickly to unexpected events is not only vital to good strategy implementation, but also a healthy organisational culture is linked to organisational resilience, particularly in the face of sudden setbacks (Kahneman, 2011, p. 263).

A wine business must not only operate in conformity with its legal and regulatory environments, but also requires a more tacit ‘license to operate’ from the local community in which it resides. Firms in the US wine industry typically encounter both support and opposition in the communities where operations are based (McCuan & Hertz, 2018). As wine firms attempt to build out the event-based and tourism sides of their businesses, they may be viewed as generators of economic development (i.e. wealth creation, jobs, and tax revenues). Yet at the same time, wine businesses remain vulnerable to community opposition (e.g. because of greater vehicular traffic, waste emissions, unruly conduct of patrons, noise pollution, etc.) (McCuan & Hertz, 2018).

Previously, researchers have examined whether or not a wine producer’s environmental practices influence wine consumers’ attitudes towards wine firms (Forbes, Cohen, Cullen, Wratten, & Fountain, 2009; Nowak, Newton, & Gilinsky, 2010) and whether or not philanthropy as a voluntary component of CSR positively impacts a wine producer’s external stakeholders, at least in the short term (Forbes, Gilinsky, & Fuentes, 2018). Other researchers have investigated impact of climate change on sustainable viticulture (Shaw, 2017) as well as how managing organisational commitment to sustainability can improve the chances of sustainability innovations (Signori, Flint, & Golicic, 2017).

**Table 4.1** Economic impact of natural disasters on wine regions, 2014–2017

<i>Event</i>	<i>Region</i>	<i>Date</i>	<i>Economic impact (estimated)</i>
Earthquake	Napa Valley	08/2014	>US\$500 million
Earthquake	Kaikoura (South Island), New Zealand	11/2016	>NZ\$500 million
Fire	Napa Valley and Sonoma	10/2017	>US\$9 billion
Fire	Portugal and Northern Spain	10/2017	>€1 billion

*Source* Compiled from Bridges (2017), Kasler (2018), Macau News Agency (2018)

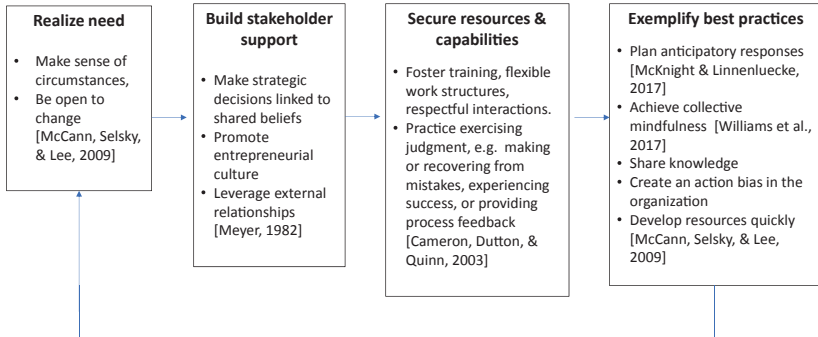
Recent fire and earthquake disasters in California, New Zealand, and Northern Spain have threatened the sustainability of wine businesses and resulted in damage greater than an estimated \$5 billion to the global wine industry and their surrounding communities. See Table 4.1 for a list of recent natural disasters from 2014 to 2017, and their estimated economic impacts on several important global wine regions. Wine firms need to be prepared to mitigate the impact of disasters and sustain or at least quickly resume production and sales to maintain the economic vitality of the communities in which they operate—but how well are wine businesses prepared?

The next section presents a literature review and the proposed conceptual framework for this investigation. A following section presents a survey methodology and rationale for using comparative case studies to compile and compare qualitative data from four Northern California wineries. Findings from the comparative cases are presented and discussed based on the progressive steps of the proposed conceptual framework for strategic preparedness. The final section provides conclusions, guidance for practitioners, the limitations of this investigation, and suggestions for future research.

## LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Long-term investments in resources and capabilities present a potential method of creating value for internal stakeholders, including owners (Barney, 1991; Wernerfelt, 1984). Managers of firms that engage in CSR resource allocation can create value at times for their shareholders through the creation of insurance-like protection (Godfrey, Merrill, & Hansen, 2009, p. 442). Firms able to develop resilience, sometimes





**Fig. 4.1** Resilience adaptation framework

referred to as proactive social and environmental practices (SEP), use those as a buffer against shocks and return more quickly to their pre-crisis status (Ortiz-de-Mandojana & Bansal, 2016). Planning for resilience appears to be helping many firms to ‘pay it forward.’ Over the longer term, firms that invest in SEP may emerge even stronger: they can experience lower financial volatility, have higher rates of survival, and grow faster than rivals that are comparatively less responsive to social and environmental issues (Ortiz-de-Mandojana & Bansal, 2016). Four constructs that reveal organisational resilience, i.e. realising a need, building stakeholder support, securing stakeholder support, and exemplifying best practices, are synthesised and illustrated in Fig. 4.1.

### *Realising the Need to Prepare*

Planning has been defined as ‘a process through which individuals and teams can learn to cope with an unpredictable and rapidly-changing environment’ (Taylor, 1984, p. 57). Planning for resilience requires an organisation to adapt quickly and recover from or cope with any known or unknown changes to that environment and continue its essential functions when faced with any type of disruptive event. Resilience can guide organisations through business disruptions with minimal operational, reputational, and financial impacts (Moore & Bone, 2017). McCann, Selsky, and Lee (2009) recommend that organisations build individual, group, and organisation-level interventions simultaneously because if

planning to cope with unpredictability is non-existent or weak, then individual and team efforts are more likely to fail.

### *Build Stakeholder Support*

In a study of hospitals in the San Francisco Bay Area that had been crippled by a doctor's strike, Meyer (1982) observes how organisational ideologies (e.g. values, attitudes, and beliefs) explain responses better than their contingency plans or even slack resources. Although some organisations in Meyer's study claim financial or administrative resources to help them rebound and return to operations quickly, an ability to make strategic decisions linked to shared beliefs and fluid, entrepreneurial cultures are linked to superior resilience.

### *Secure Resources and Capabilities*

Two building blocks contribute to an organisation's ability to be resilient, according to Cameron, Dutton, and Quinn (2003): *resources* (social, emotional, material, etc.) and past experiences with crises that can lead to the development of capabilities, such as proactive or adaptive routines. Leaders can provide resources through training, flexible work structures, or even respectful interactions. Leaders can develop experiences of resilience by fostering practices whereby staff are able to exercise judgement, such as making or recovering from mistakes, experiencing success, or providing process feedback. Resources in the wine industry have been defined as financial resources, access to markets, wine production and marketing experience, land, and experimentation facilities, while capabilities have been defined as experimentation knowledge, operational knowledge, supply chain management knowledge, relationship building skills, wine production, and visionary thinking (Signori et al., 2017).

### *Exemplify Best Practices*

As McCann et al. (2009) suggest, the best practices of successful organisations include seeking help in making sense of their circumstances, creating and sustaining an openness to change, sharing knowledge, creating a bias for action in the organisation, and developing resources quickly. Organisational resource and capability-building activities are

vital for coping with severe and sudden crises that threaten functioning and performance, such as weather-related or human-initiated disasters (McKnight & Linnenluecke, 2017; Williams, Gruber, Sutcliffe, Shepherd, & Zhao, 2017).

Findings from the comparative case are presented and discussed based on the progressive steps of the proposed model in Fig. 4.1. The next section presents a survey methodology and rationale for using comparative case studies for this investigation.

## METHODOLOGY

The best way to determine how organisations cope with ‘black swan’ events is to ask them. In the words of Sigglekow (2007, p. 21), ‘An open mind is good; an empty mind is not. It is true that one wants to retain the capacity to be surprised, but it seems useful (and inevitable) that our observations be guided and influenced by some initial hunches and frames of reference.’ Using interview transcripts to provide frames of reference for building theory is well established in the management literature (Eisenhardt & Graebner, 2007; Lawrence, 2010; Murray, 1996). Typically, this process involves identification of keywords and phrases in the interview data to determine areas of convergence and gaps that remain to be filled. According to Patton (2002), a content analysis using and comparing structured case studies refers ‘to any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings’ (Patton, 2002, p. 453). These core meanings are called patterns or themes. An advantage of content analysis stated by Weber (1990) is its direct focus on the products of human communication (i.e. the interview transcripts themselves).

The comparative case method applied in this investigation derives from Eisenhardt (1989), Yin (1994), and Sigglekow (2007), scholars that have promoted theory building via grounded field research using structured case studies. Prior investigations into the resources and capabilities in the global wine industry have employed this methodology (Pellicanò & De Luca, 2016; Signori et al., 2017). Inasmuch as most organisations operate in dynamic environments, in which entities evolve, nearly all are compelled to be prepared for or respond to symmetric and asymmetric threats, or at worst, disappear entirely. Unlike event-based,

Table 4.2 Sample characteristics

	Winery A	Winery B	Winery C	Winery D
<i>Demographics</i>				
Location	Stags Leap AVA, Napa Valley	Stag’s Leap AVA, Napa Valley	Dry Creek AVA, Sonoma County	Russian River AVA, Sonoma County
Age (years)	40	19	60	19
Size (cases produced)	25,000	25,000	850,000	8000–10,000
Ownership	Family, private	Family, private, subsidiary of larger producer	Family, private	Family, private
Interviewees	Winemaker Lab technician	Winemaker Director of Communications	VP Production and Procurement Production staff	COO Tasting Room Staff
<i>Preparedness</i>				
Perceived organisational trust	High	High	Low	High
Perceived organisational cohesion	Strong	Strong	Weak	Strong
During recent disaster	Evacuated but returned to front lines	Evacuated but returned to front lines	Did not evacuate/did not share response plan	Did not evacuate/notified all staff to stay home
Emergency plan	None	‘Discovered ours during prep for interview’	‘That’s not my job, but we are working on a plan’	‘No plan – get in our cars and drive away’
Return to normal operations	w/in one week	w/in one week	w/in one week	w/in one week
Market impact	Foregone tasting room revenues	Foregone tasting room revenues and partial loss of crop	Foregone tasting room revenues	Foregone tasting room revenues

Source: Author’s own compilation

cross-sectional surveys, case studies can provide robust qualitative and longitudinal data for comparing organisational responses to dynamic (and often unanticipated) change.

Four wine firms, two in Napa Valley and two in Sonoma County, California, were identified through purposeful sampling and administered the questions in the Appendix. Table 4.2 presents the demographic characteristics and key findings from the eight interviews conducted during August–September 2018, just shy of one year after the devastating October 2017 fires in Napa Valley and Sonoma County. Structured interview questions, shown in the Appendix, were based on a survey instrument developed for an earlier investigation into disaster preparedness (Fowler, Kling, & Larson, 2007). One winery was larger and older relative to the others; one winery was larger and younger; one winery was smaller and younger; and one winery was smaller and older. Within each of these wine firms, we interviewed two individuals, one employee and one manager, to ascertain if there were any discernible differences in how upper-level managers perceived resilience compared with a lower-level employee in the same organisation.

### *Realise a Need*

The very act of preparing for and being interviewed perhaps had an unintended result: some respondents reported greater preparedness *as a result of* this investigation, i.e. preparation for the interview had an observed tendency to trigger a need for planning:

I just wanted to know how people were. It was one of those things where I was lying in bed and I couldn't sleep and I just wanted to try to make sure people were okay...I guess technically I shouldn't (have done that) but I felt that I need to go and do that.

I [subsequently] found out is that each winery is required by law to have an emergency response plan.

We have an emergency “pre-fire plan box”, which allows for the gate to open if there is no power. The fire department knows about it to get inside, but I realise people could be trapped *inside* the gate with no way to get out. We need to make sure our employees know where the box is and how to use it.

Thanks to this interview, I now know where our fire extinguishers are! We haven't done fire extinguisher training in a few years and we will be doing that training next week.

### *Build Stakeholder Support*

Resilience seemed less a function of size or age than the congruity of company culture, which appeared to breed trust and clear communication among stakeholders. Nearly every response to disaster was communication-based. Phone trees to communicate with stakeholders became critical. Information was pushed out to employees and key suppliers, but only one winery had a central number for customers and suppliers to call to seek information updates. By contrast, one winery appeared to have less cohesion and we noted a stronger sense of hierarchy and a clear hesitation to express one's ideas. Respondents reported:

I haven't seen an emergency plan or our executives haven't gone over it [with us]. We don't have an active plan. A plan that is at least 50% successful would be beneficial. It is on my "to do" list but with our culture it's not a priority issue to address.

Nope, we had no plans. I guess its lazy and wishful thinking on our part. I feel safe here, very safe...I don't know exact safety training that happens. Most long-term employees are trained but they haven't been done in a while, so I guess the plan would be to evacuate and drive away, just to leave.

One cool thing that happened is that [the president] would write daily updates to everyone in the organisation, not just the California side but [HQ] as well. We relayed updates on employees and what was happening at the office and it was a simple way for everyone to know what was going on. I had friends that work for large organisations who were panicking because they only got radio silence. They had no idea what was going on. Even small communication helps even if the communication is the smallest bit.

Wine is wine, but human life is human life, and that the most important thing for us to do is to stay safe and not to worry about what is happening at the winery.

The stronger the degree of stakeholder support, the greater the drive to see with one's own eyes that a potentially disastrous situation was well under control. As one Napa winemaker put it:

We cried with relief to see the winery was still standing... I told the sheriff I was a wine maker and that I needed to check on the winery; he said it wasn't safe. I told him I lost my home already; the winery is all I have.

To maintain stakeholder support (inasmuch as many winery staff also resided in the communities where they worked), nearly all respondents reported that their employers continued to pay workers during times when their operations were shut down and made it clear that human safety was the only thing that mattered.

### *Secure Resources and Capabilities*

No matter how well prepared, wineries that experienced recent impacts were clear about the need to secure their businesses. Emergency planning in the aftermath of the disasters appeared to be iterative. One respondent reported moving his company's data storage to the cloud; another added family members to its emergency telephone tree; another moved up the schedule to create an emergency plan; and another strongly advocated for the purchase of an emergency electricity generator. Other respondents recounted:

Our vineyard manager and [external vineyard team] were there and they got everyone out. Full bins [of fruit] were left in the fields. It was a no-brainer.

Supervisors told us that if we didn't feel safe we didn't have to come to work.

We have friends that lived in Fountaingrove [a residential and commercial area devastated by the October 2017 fires, located in the city of Santa Rosa in Sonoma County], just down the hill and they have a daughter that goes to Cal Poly with my son. Their daughter is the girlfriend of my one of my son's friends. So, my son called his friend to call his girlfriend and she then called to her parents to make sure that they were safe. They had no idea that the fire was happening and then they were evacuated shortly after that. It is interesting that it took a call from their daughter to learn that a fire was going on and that they had to evacuate.

If our winery has burned down, been flooded out, or destroyed by an earthquake and no longer exists, are we still considered a business?

### *Exemplify Best Practices*

Many Napa and Sonoma County vintners overrode competitive policies to assist competitors who had been affected by natural disasters, e.g. Winery A sold fruit to other wineries:

...other growers and us in (our AVA) sold our fruit to a winery that lost their production facility. We sold the fruit at the average Napa grape price instead of the (AVA) price. That...never happens.

Winery C bought, stored, and processed fruit for other wineries, even mixing other fruit into their own county-labelled blends, while Winery B has pledged to keep a small adjacent winery afloat until they are self-sufficient again:

...a fellow [grower's association] board member lost her home, her vineyard, everything. She only makes about 300-400 cases. I told my owner that I am going to sell her one ton of fruit to help keep her business afloat...for as long as she needs to get her back on her feet.

Only Winery D, which shut down for a few days during the fires because of power outages and general transportation impacts but was otherwise unaffected, seemed surprised when asked about helping wineries that had been affected by the fires:

I don't know wineries that were terribly affected. We could have opened production but we didn't hear that anyone needed it or was looking for it.

We learned from a lower-level employee that she had breached the security of her winery's human resource database in order to reach her colleagues and ensure that they were safe. When asked if she had considered whether she might be reprimanded for breaking the rules, she responded,

Are we ready [for another fire]? No, but one thing that was impressive was how the industry banded together. Tragedy always bands people together.

This response illustrated a high degree of organisational trust. Tan and Lim (2009, p. 45) define 'trust in organizations as an employee's willingness to be vulnerable to the actions of the organization, whose behaviour and actions he or she cannot control.' According to Starnes, Truhon, and McCarthy (2010, p. 6), 'Organizations with high levels of cultural trust...recruit and retain highly motivated employees, (who)...make their own decisions; take risks; innovate...and display organizational citizenship behavior (e.g. helping a co-worker in need).'



The concluding section provides guidance for practitioners, the limitations of this investigation, and suggestions for future research.

## CONCLUSION

We observed a clear difference in both strategic preparedness (and even the sense of urgency to have a plan) and the sense of community strength and resilience; it remains unclear whether these are a function of the region itself, i.e. Napa versus Sonoma, or a function of impact from recent disasters.

Despite the fact that the organisational preparedness instrument proposed by Fowler et al. (2007) has been adopted in the corporate social responsibility literature for over a decade, no intervening study has attempted to unpack the different constructs included within this instrument. We have explored and proposed organisational resilience constructs within this instrument, which can further our understanding of strategic planning in the wine industry. Organisational resilience may also possess interactive effects on perceived strategic preparedness (Bhamra, Dani, & Burnard, 2011; Kantur & İşeri-Say, 2012).

### *Implications for Practitioners*

Wine businesses that engage in CSR resource allocations for preparedness can create value for their stakeholders, of which stockholders and owners are a subset, through the creation of insurance-like protection (Godfrey et al., 2009, p. 442). Good deeds and careful long-term planning appear to be helping some wine businesses to ‘pay it forward.’

Paying it forward can be said to be a core competence for the wine business. The resource-based view of strategy provides a helpful conceptual framework to assess the preparedness of a wine business (Barney, 1991; Wernerfelt, 1984). See Fig. 4.2. According to that view, organisational investments in preparedness in conjunction with employees who are empowered to take action in times of crisis are necessary. These resources and capabilities ameliorate the preparedness and resilience of firms and present a potential method of creating value for internal stakeholders, including owners, particularly in the face of environmental turbulence. Abel and Bressan (2015) adapted the resource-based view framework to categorise adaptation and resilience strategies from a sample of 273

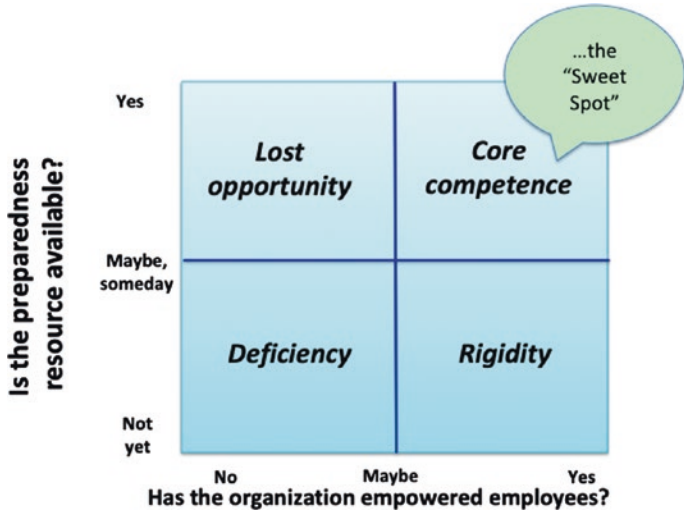


Fig. 4.2 Applying the resource-based view of strategy concept to preparedness (Source Author’s own compilation)

micro- and small Italian wine firms, all facing systemic crises such as globalisation, increasing competition, and declining domestic demand.

One might well consider an opposing viewpoint, namely that preparedness should be viewed as detrimental to the sustainability to a wine firm (or any other business) (Hamel & Valikangas, 2003). In that view, voluntary actions to contend with crises and disasters, while potentially leading to innovations, could be neutral with respect to or even have adverse impacts on a firm’s financial and social performance (Akgün & Keskin, 2014). That there appears to be a trade-off between the costs and benefits in the short term relative to the long term is a central issue for achieving both business and societal sustainability (Ortiz-de-Mandojana & Bansal, 2016).

*Future Research*

Future researchers could pursue a number of alternative directions.

First, although there has been prior research correlating cohesive organisational culture and the degree of organisational trust in

the communities in which they operate (Hosmer, 1995; Rao & Greve, 2018), as well as demonstrated correlations between a cohesive organisational culture and employee performance (Huhtala, Feldt, Lämsä, Mauno, & Kinnunen, 2011), scant evidence exists regarding the correlations (if any) between cohesive organisational cultures and their propensity to foster exemplary resilience (Akgün & Keskin, 2014, p. 6930), i.e. anticipatory disaster preparedness and post-disaster responses.

Second, location may play a role in resilience. For example, in our investigation, significant differences were observed in terms of two Sonoma wineries' perceptions of preparedness for threats. Future researchers could investigate the impact of location on resilience, as some geographical regions may be more or less disaster prone than Northern California.

Econometricians could attempt to quantify the model in Fig. 4.1 in order to develop an 'Index of Resilience and Sustainability' that enables a wine firm to benchmark itself against industry best practices.

Other potential research studies on the topic of organisational resilience should test whether organisational size or age (years in business) explains greater variance in firm- and employee-level predictors and outcomes across different groups of wine businesses and employee groups in different regions of the United States as well as in other countries. Furthermore, research studies in industries other than wine should test whether the validity of our construct factors holds in other industries, as well as the extent to which there are differences between the results of our study and those of studies based on firms in other industries.

### *Limitations*

Several major limitations have been associated with the comparative case research methodology. The drawbacks include the tendency of the businesses under investigation to be heterogeneous rather than homogeneous in terms of industry sector (Kenyon-Rouvinez, 2001). Prior studies have also taken note of the lack of generalisability of samples that have been restricted to respondents from family businesses (McCann, Leon-Guerrero, & Haley, 2001; Upton, Teal, & Felan, 2001).

Due to the sensitive nature of some of the questions in our survey instrument, our sample size was limited. Thus, results may or may not be representative of all US wine businesses, wine regions, or attributes of these businesses.

Additional work is needed to quantify the relationships between an employee’s sense of trust in their employer and their perceptions of empowerment, as well as between cohesive organisation cultures and perceived preparedness and resilience, in order to identify key indices of these potentially moderating variables.

Although ours is an exploratory cross-sectional investigation into those behaviours in the aftermath of a disastrous and tragic event in Northern California, strategic choices to engage in long-term strategic preparedness activities within the wine firm to cope with adversity are of great importance to understanding firm behaviour, and future researchers need to consider longitudinal studies of strategic preparedness.

Communities in which wine businesses operate and to which those businesses provide economic benefits nevertheless face the prospect of more extreme, frequent, and damaging natural disasters and possible resilience failures (McKnight & Linnenluecke, 2017). Inasmuch as firms are community stakeholders, these businesses are instrumental to the resilience of communities. Business plays a central role in supporting communities impacted by natural disasters, e.g. by delivering essential products and services during a natural disaster, and supplying inputs crucial for disaster recovery (Ballesteros, Useem, & Wry, 2017). Nevertheless, a gap remains to be crossed between the public policy literature that focuses on community-level resilience (Ballesteros et al., 2017; McKnight & Linnenluecke, 2017; Weick, 1977; Weick & Sutcliffe, 2007), and disaster-oriented management research that focuses on firm-centric reactions to natural disasters (Larson & Fowler, 2009; Lengnick-Hall, Beck, & Lengnick-Hall, 2011).

## APPENDIX

### *Interview Questions*

Name: \_\_\_\_\_

Function: Distribution, marketing and sales, management, growing/  
production

Company: \_\_\_\_\_

Primary Business: Grower, Fully integrated winery, Virtual winery, Wine distributor, Winery equipment supplier, Wine services, \_\_\_\_\_

How many years organisation is in business? \_\_\_\_\_

How many full-time people the business employs? \_\_\_\_\_ Part-time people? \_\_\_\_\_

How many 12 × 750 ml wine produced annually? \_\_\_\_\_

- a. How many years have you worked for the company? \_\_\_\_\_
- b. In that time has your organisation experienced a crisis or disaster?  
If no, go to 'c'. If yes:
  1. Can you briefly describe what happened and how your organisation responded?
  2. Were any operational or training changes made following the incident?
  3. Do you feel more or less secure at work since the most recent crisis or disaster?
  4. Were employees in danger of losing their jobs?
- c. How would your organisation respond now if a crisis or disaster occurred?
  1. Would you continue to receive employee benefits (e.g. health insurance)?
  2. Would employees be in danger now of losing their jobs?
  3. Would you still be paid until you could reopen?
- d. Do feel the security at your workplace is adequate?
  1. How easy do you believe it would be for a potentially threatening non-employee to gain access to this workplace?
  2. Do you know where the nearest emergency exits and/or fire extinguisher are to your desk?
- e. How has your organisation prepared for a serious crisis or disaster? For instance, do they pay volunteer employees to be trained in basic life support techniques? create and train employees on a preparedness plan? stage rehearsals to execute this plan? provide employee with practical tools, such as smoke mask, flashlight, etc.?
- f. Are you familiar and conformable with the plan? Are your colleagues?
- g. If a serious crisis or disaster were to occur at my organisation, how would information be communicated to:
  1. employees, including those at scattered or remote locations?
  2. local fire and police departments?
  3. family members?
- h. How do you think your customers and suppliers would fair if you suffered a serious crisis or disaster?

1. How would your organisation continue its operations?
2. Would you still have access to the data that I need to do your job?
3. Would they know how and still be able to contact our organisation for information?
4. Would your customers be covered if you were to suffer a disaster?
  - i. Have you been in a position to either help an organisation in the wine industry or receive help following a crisis or disaster? Could you tell us more about that experience?
  - j. What is your sense of the resiliency of the wine industry as a whole? Of the North Bay?
  - k. What kinds of tools would you welcome to help you build strategic preparedness and resiliency in your organisation, industry and region?
  - l. Who do you know in the industry with interesting stories to tell about crisis, disaster and preparedness? Would you be willing to introduce us to them?

Source Adapted from Fowler et al. (2007).

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# The Transformational Power of Wine Tourism Experiences: The Socio-Cultural Profile of Wine Tourism in South Australia

*Marianna Sigala*

**Abstract** Wine tourism research mainly emphasises the economic impacts of wine tourism at the expense of its potential socio-cultural benefits. This chapter adopts the concepts of transformative innovation and cultural landscapes to provide theoretical underpinning and understanding on how wine tourism can boost the well-being of destinations/communities, wine providers and wine tourists alike by contributing to their economic but also social, emotional, cognitive and psychological well-being. To generate such multi-dimensional and multi-level socio-economic benefits, wine tourism experiences need to embed the socio-cultural elements of winescapes and wine culture into their design. Two examples from Barossa and Coonawarra (wine regions in South Australia) are analysed to better illustrate the practical application and implications of these concepts.

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**Keywords** Wine tourism · Socio-cultural benefits · Social sustainability · Transformational tourism · Experience · Co-creation · Art · Well-being

## INTRODUCTION

Wine tourism has evolved to experiences more than simply visiting wineries, tasting and purchasing wine (Kim & Bonn, 2016). Wine tourism also goes beyond the cellar doors of individual wineries (Mitchell & Hall, 2004) to being an activity (social practice) that is performed in and shaped by, but also shaping, the ecosystem of the wine terroir and the wine destination. Wine tourism experiences are the *raison d'être* of wine tourism, and so their evolution has been driving the development of wine tourism. Nowadays, wine tourism experiences relate not only to the products, but also to the economic space, the socio-cultural elements and the people behind the winescape (Sigala, 2019a). This is well argued by research stressing the importance of winescapes in the development of wine tourism (Bruwer & Lesschaeve, 2012) and by studies arguing how to synergise wine with the socio-cultural elements of winescapes for enriching wine tourism experiences (e.g. Sigala, 2019a, 2019b). As a result, wine tourism can have profound multi-dimensional and multi-level impacts on all the constituents of wine destinations, namely the individual operators at the micro-level (such as wineries and tourism suppliers), the destinations and their communities (the macro- and meso-level), as well as the tourists themselves.

However, although research has started to recognise the multi-faceted profile of wine tourism, studies have failed to analyse and provide holistic evidence of the multi-dimensional impacts of wine tourism. So far, wine tourism research has primarily focused on examining the economic impacts of wine tourism, at the expense of identifying, measuring and proposing ways to manage and valorise its socio-cultural impacts (Bonn, Cho, & Um, 2018). For example, numerous studies focused primarily on the micro- and macro-level economic benefits of wine tourism by examining how wine tourism can be used as a tourism development strategy supporting the following benefits: generate several economic benefits to wine tourism suppliers such as tourism operators, wine producers, farmers; foster multiplier economic effects by supporting sectoral synergies and networks (e.g. collaborations of food, cultural/events and wine operators) (Harrington & Ottenbacher, 2016); boost

entrepreneurship, job creation and regional development through the development of wine tourism trails and routes (Bruwer, 2003; Hall & Prayag, 2017); and contribute and enhance the brand image, appeal and attractiveness of destinations (Bruwer, Gross, & Lee, 2016). On the contrary, research investigating the role of wine tourism in supporting social sustainability (encompassing social justice, social capital, community development, and social responsibility, e.g. Dempsey, Bramley, Power, & Brown, 2011) is scant (Sigala, 2019c).

Wine tourism research is also limited in studying the impacts of wine tourism from a supply perspective, failing to identify its impacts on the demand side, i.e. the wine tourists. Studies increasingly show that wine tourists' satisfaction and future intentions are driven by their participation in wine tourism experiences that provide them not only aesthetic and hedonic value (Thanh & Kirova, 2018), but also help them to develop their skills, and rethink, re-discover and transform their identities, perceptions and social values (Joy, Belk, Charters, Wang, & Peña, 2018; Sigala, 2019b). Recent research has started investigating on how to design such transformational wine tourism experiences for contributing to wine tourists' self-development and well-being (Sigala, 2019c). By embedding the socio-cultural elements of winescapes into wine tourism, transformational wine tourism experiences can also contribute in social sustainability at a macro- and meso-level by supporting community well-being and quality of life, cultural richness, social equity and visitor fulfilment (Asmelash & Kumar, 2019; McKenzie, 2004). However, research has largely failed to identify and measure the impact of transformational wine tourism experiences on the socio-cultural, psychological and cognitive well-being of the wine tourists and wine tourism operators (micro-level), as well as the social sustainability of wine destinations and communities (macro- and meso-level).

To address these gaps, this chapter adopts a transformative innovation and cultural landscapes perspective for identifying and discussing the socio-cultural but also economic impacts of wine tourism on both the supply and demand side of this sector (i.e. wine tourism suppliers, wine destinations and wine tourists). By drawing on transformational service research, the chapter debates the impact of transformational wine tourism experiences on the socio-cultural, psychological and cognitive well-being of the wine tourists and other actors involved in the co-creation of wine experiences. To achieve that, the chapter starts by explaining the concepts of transformative innovation, cultural

landscapes and transformational tourism experiences by providing a brief review of the related generic literature as well as the emerging research applying these concepts within the wine tourism context. The chapter continues by analysing two wine tourism case studies from South Australia (one from Barossa and one from Coonawarra wine valley) in order to provide some more practical insight into the industry application of the theories. Overall, both examples emphasise that wine tourism should not be solely viewed as a way to achieve economic development and benefits. Instead, policymakers, destination managers and wine tourism suppliers should also use wine tourism as a tool for building a value co-creation ecosystem whereby various actors (such as wine tourists, wine suppliers, tourism operators, local residents) can exchange and integrate physical, socio-cultural and economic resources with the aim to enhance the (financial, socio-cultural, physical and cognitive) well-being of themselves and of their surrounding communities.

#### TRANSFORMATIVE INNOVATION AND CULTURAL LANDSCAPES: THE THEORETICAL UNDERPINNING OF THE SOCIAL PROFILE OF WINE TOURISM

Wine tourism experiences are the *raison d'être* of wine tourism providing a competitive advantage and brand image of wine destinations. However, research and industry practice in wine experiences has been dominated by a plethora of studies (e.g. Quadri-Felitti & Fiore, 2012; Thanh & Kirova, 2018) examining wine tourism experiences based on the 4Es framework (Escapist, aEsthetics, Educational and Entertainment). On the other hand, recent research emphasises that in order to provide compelling, memorable and meaningful wine experiences, suppliers need to design wine experiences that can provide more than emotional, sensational and functional benefits (Sigala, 2019b). In addition, to better compete in the highly international and intense global wine industry, wine operators need to develop red ocean strategies by differentiating and innovating their practices. To achieve this, recent studies debate the need to embed the socio-cultural and physical elements of the winescape within the design of wine tourism experiences in order to upgrade and convert the latter from sensorial, aesthetic and cognitive experiences to also transformational experiences (Sigala, 2019c). It is the use of the socio-cultural elements of the winescape that can trigger and

inspire the spiritual engagement of wine tourists, which is currently missing from the 4Es framework of wine experiences. By triggering spiritual engagement (e.g. what is the purpose and meaning of life, why we value things?), wine tourism experiences can deliver developmental and transformational benefits that make people discover, rethink, re-form and re-build their identities, connections and attachment with the socio-cultural elements and humanware of winescapes. Overall, it is this transformational power of wine tourism that can contribute to the uplifting of the socio-cultural, cognitive, psychological and not only financial well-being of the wine tourism stakeholders.

Two theoretical approaches provide justification and underpinning on why and how to embed socio-cultural elements into wine tourism experiences in order to boost the social and transformational impacts of wine tourism. First, research on wine purchase reveals that consumers' preferences are determined by three product attributes namely physical, credence and cultural. Physical attributes include factors such as taste and texture. Credence attributes relate to factors such as animal welfare and environmental stewardship. Cultural attributes include soft factors such as indigenous authenticity, long-history of winemaking tradition, a passionate family-run enterprise and wine culture elements. Consequently, the concept of transformative innovation has been proposed as a way to drive radical innovation and create differential advantage within the highly international and competitive wine (tourism) market. Transformative innovation in food and wine is defined as the inclusion and synergetic combination of all the three attributes (physical, credence and cultural) into wine products in order to enhance their value and appeal and extract a higher price and preference from consumers (Hall, 2016).

Within the wine tourism context, Sigala (2019a) explained how a local winery in Greece has implemented transformative innovation for building the brand image of its winery and its wine destination, developing transformative wine tourism experiences and boosting not only the economic but also the socio-cultural and environmental frontiers and benefits to the wine destination. By reviving a lost indigenous grape varietal (Arioussios Wine), the winery used storytelling to communicate and frame its business model and wine tourism experiences (e.g. wine tasting, a wine folklore museum, wine festivals and events) around the three elements of Arioussios Wine: its physical attributes (e.g. high quality wine with medical capabilities and texture as documented in the homer

poems); its credence attributes including an old wine cultivation technique, authentic wine terroir and the adoption of environmental biodiversity techniques; and cultural attributes related to local mythologies of rurality, the history of rural land use and ownership, and the authenticity, long wine history, and culture of the family winery and its grape varieties. In this way, Ariousios Wine experiences enable its consumers to learn, appreciate and preserve not only the Greek wine but also the Greek (wine) culture and heritage.

The second theoretical approach relates to the concept of cultural landscapes and their relation to winescapes. Wine tourism is inextricably linked with and shaped by the socio-economic evolution and cultural geography of their landscape within which people live, work and perform their social practices (Sigala, 2019b). In short, the wine tourism experiences are formed and shaped out of the cultural fabric of the winescape's ecosystem. Consequently, an increasing number of studies stress the need to conceptualise and manage winescapes as cultural landscapes (Sigala, 2019b, 2019c). Cultural landscapes are different from social systems as they also include factors relating to the physical environment, the land use and human interaction with the place, thereby recognising landscape as a cultural construction. Cultural landscapes can also afford numerous aesthetic, cultural, educational attainment and ecological values to the actors experiencing and interacting with their elements (Millennium Ecosystem Assessment, 2005) such as, spiritual enrichment (e.g. sacred, religious), cognitive development (e.g. educational, learning), reflection, recreation, entertainment, and aesthetic experience, knowledge systems and social relations. For example, vineyards serve as a motive for creating and/or consuming artwork, as well as places for spiritual activities and social practices such as weddings, meditation and rehabilitation (Sigala, 2019c).

Winescapes represent the important context and factor that attracts and drives wine tourism demand, but they can also significantly determine the quality, the values and satisfaction derived from wine tourism experiences. Research increasingly views winescapes as cultural landscapes in order to stress their cultural significance and (symbolic) meaning as well as to facilitate the design of transformational services and to uplift socio-cultural well-being benefits. By understanding winescapes as cultural landscapes, winescapes may either be the cultural landscape themselves (e.g. the Alto Douro wine region is recognised by the UNESCO as a world heritage geosite) or they may provide the context/place in

which (wine) cultural features and elements are located and formed. In both cases, the management of winescapes as cultural landscapes enables researchers and practitioners to identify the (tangible and intangible) cultural elements that can be used for designing wine tourism experiences and also to identify the transformational values and socio-cultural impacts that wine tourism experiences can provide to their stakeholders and their communities/destinations. For example, several studies have used the concept of cultural landscape for debating the cultural and heritage value of winescapes and justifying the bid/achievement of a UNESCO World Heritage designation, which in turn can be used for gaining benefits such as, cultural/heritage protection and valorisation for increasing the appeal, promotion and development of the (wine) tourism destination (Sigala, 2019d; Visentin & Vallerani, 2018). Studies have also used the cultural landscape theoretical lense for explaining how to synergise wine and culture for augmenting and enriching wine tourism experiences (Sigala, 2019b, 2019c; Torquati, Giacchè, & Venanzi, 2015; Winkler & Nicholas, 2016). In all cases, by examining the links and synergies between wine and culture, the studies debate and provide evidence of the generally ignored socio-cultural impacts of wine tourism.

To conclude, research has started to recognise the socio-cultural benefits of wine tourism that go beyond its use as an economic (tourism/regional) development tool. Overall, wine tourism can be a way to protect, valorise and promote the socio-cultural elements of the winescape; to create awareness, understanding and appreciation of these elements; and to design transformational experiences that contribute to the socio-cultural well-being and development of stakeholders. Additionally, wine tourism can contribute to current conceptualisations of these socio-cultural elements.

### SEPPELTSFIELD: BOOSTING THE SOCIO-CULTURAL BENEFITS THROUGH MULTI-SECTORAL SYNERGIES

Seppeltsfield ([www.seppeltsfield.com.au](http://www.seppeltsfield.com.au)) is a multi-award winning cellar door at Barossa (South Australia). It offers a variety of multi-sensorial, learning and transformational experiences that enable visitors not only to taste, but also to connect with and develop themselves by interacting with and learning from the local socio-cultural elements and the humanware (i.e. local artists, producers and residents) of the winescape.



The wine tourism experiences of Seppeltsfield expand beyond its cellar door wine tasting. To achieve this, the estate is the home of three other organisations with which it has built collaborations and synergies: Fino Seppeltsfield (the restaurant); the Vasse Virgin (beauty products creator); and the JamFactory (an arts and craft organisation). By co-locating these organisations, the wine estate has developed a wine ecosystem and platform enabling various stakeholders to exchange and integrate (socio-cultural, physical and knowledge) resources for co-creating various types of values that in turn contribute to the economic, socio-cultural and psychological well-being of the estate's stakeholders and their communities.

Fino Seppeltsfield (<https://fino.net.au/>) provides meal experiences that are based on local products and recipes. By sourcing and using local suppliers, the restaurant does not only support local food producers economically, but it also creates awareness and appreciation of the local eating habits and culture. Currently, the restaurant revived a Shiraz Barossa pie, a recipe originating from Barossa, that aims to introduce and familiarise guests to the local cuisine/food culture and the symbolic meanings of this icon recipe (GlamAdelaide, 2019).

In addition, the Events Executive Chef for Seppeltsfield, Owen Andrews, is driving a renaissance of traditional food culture at Fino Seppeltsfield. Owen revives and embeds cultural artefacts into the design of its dining experiences. For example, he recently recommissioned an old Smokehaus—not used at the estate for 80 years—for the preparation of smoked butters, bacon and salt and ageing prosciutto in old wine cellars. Guests experience old traditions, but they can also be inspired by the chef's creative mind and learn how to recycle and/or reuse and bring into life again cultural artefacts for producing value.

The JamFactory (<https://www.jamfactory.com.au/>) is a unique not-for-profit organisation supported by the South Australian Government and recognised globally as a centre for excellence for supporting and promoting innovative and outstanding craft and artists. The JamFactory has two sites, one in Adelaide city and one housed in the restored historic horse stables of Seppeltsfield Estate (<https://www.seppeltsfield.com.au/index.php/experience/craft-design-and-beauty/jam-factory-at-seppeltsfield>). The Seppeltsfield site is a home with a symbolic meaning of: an exhibition space, a retail shop and studio spaces

for local artisans related to knife making, ceramics, millinery, glass and leather. Hence, the Seppeltsfield site is a creative hub for supporting and promoting contemporary craft and design in the Barossa, with a unique regional focus. All purchases made from JamFactory directly support the organisation's training programme, which significantly contributes to the revitalisation of the local craft cultural history and design talent. Local professional artisans get access to a studio space to work, but also to a sustainable business model to follow their passion and excel in their skills. Through a special walkway, the visitors are allowed to meet the makers, view their skills in action, talk and learn from their life and profession. Public workshops enable visitors to have a hands-on experience of craft art, develop their skills but also learn and appreciate the value and the meaning of craft design and artwork. Curated exhibitions in the gallery showcase local and national work of leading artists and embed visitors into the transformative learning power of art to inspire creativity, communicate concepts and enable people to see more things and see things differently.

Vasse Virgin Barossa (<https://vassevirgin.com.au>) produces all-natural handmade skin and body care products but it is a business with a unique vision. It was founded by two entrepreneurial spirits, Louis and Edwina Scherini, who after being diagnosed with eczema and advised by doctors against the use of soap or shampoo, have been experimenting and finally came up with different recipes, ingredients and natural products. Through their business venture, the founders aim to communicate the value and the need to learn how to produce and use natural and healthy products.

Vasse Virgin uses local Australian products and traditional processes in order to "educate" consumers about the value of natural and handicraft products. The business offers various interactive and highly engaging transformational experiences for enabling the visitors to learn about the benefits of producing and using natural products in their daily life. For example, the visitors can experience the feel of olive oil skincare, learn about its therapeutic benefits, sample and taste a wide gourmet food range, or join DIY style informative workshops and masterclasses for producing natural soaps, beauty products, accessories, homewares crafted from authentic olive wood and other creations.

PENOLA COONAWARRA ARTS FESTIVAL: SYNERGISING  
ART AND WINE FOR GENERATING SOCIO-CULTURAL  
AND TRANSFORMATIONAL BENEFITS

Since 1991 each May, the Penola Coonawarra Arts Festival (<https://artsfestival.com.au/penola-coonawarra/>) (a non-profit organisation) realises a three-day Arts Festival within the wine region of Coonawarra, South Australia. The organisation brings together a network of partners, friends (including local businesses, residents and festival supporters) and volunteers for implementing the annual event. The Arts Festival aims to celebrate, promote and support the various genres of local art, the local artistic culture and lifestyle and the talented local artists. With food and wine being an integral part of the region's lifestyle, the festival also features many events to promote the local food and wine cultural heritage and products. Indeed, the festival's programme always reflects and supports the region's rich cultural heritage and lifestyle. For example, during the 2019 festival, participants revealed, shared and enjoyed secret recipes, nostalgic memories were invigorated, chocolate and wine lovers were treated, while a new regional quince product range was launched. Each year, the programme features a great variety of events (usually more than 80 including competitions, exhibitions, farmers markets, food and hospitality events, live performances, workshops) in order to appeal and satisfy the artistic preferences and interests of different demographic profiles and tastes including a special kid's programme. The festival generates attention and buzz in traditional and online (social) media. It also attracts many interstate and international visitors and overnight stays (almost half of the festival attendees) which in turn contribute to the local economy directly (by their local spending) and indirectly by becoming ambassadors of the local culture, beauties and lifestyle.

Coonawarra is considered one of the best Cabernet wine regions of the world and is home to over 19 cellar doors. Through the festival, a reciprocal, symbiotic, synergetic and mutual beneficial relationship is built between the art and wine tourism sectors delivering socio-economic value to all stakeholders involved. Indeed, the micro- and macro-winescapes of Coonawarra (i.e. the cellar doors and the whole wine valley) are an integral part of the Arts Festival. The winescapes (and all the constituent elements of their cultural landscape) play the following important roles during the festival:

- the home/setting of events (e.g. art exhibitions, workshop locations);
- a context for artists and participants to get inspired and boost creative thinking;
- a setting to create and sell tourism related artistic objects (e.g. souvenirs, photography, books and movies);
- a place for artists to perform (e.g. music festivals, books' reading, craft making); and
- an opportunity for people to actively immerse themselves into art, develop and excel in their artistic skills and creative thinking (e.g. co-creation workshops such as DIY craft, cooking classes, painting/photography classes and competitions).

Art and wine are living entities and throughout the festival, they shape and they are being shaped by each other. According to Sigala (2019c), the festival events reflect all the following four ways for building co-creation relations between art and wine in order to design wine tourism experiences that can generate socio-economic benefits to all participating stakeholders at a micro- and macro-level. These four ways are art to be consumed, art to be commodified, art to be co-created and art as a catalyst of the mind. The following events during the 2019 Arts Festival better illustrate how art is embedded into and synergised with wine in order to deliver meaningful, transformational and beneficial wine tourism experiences to the participating stakeholders and the communities of the Coonawarra wine region.

### *Art to Be Consumed*

This approach uses art as an object to be embedded into organisational components (i.e. products/services, workplaces, processes) with the purpose of the aesthetic appeal of servicescapes and the business value that can be generated from that. Typical examples include beautification projects that use art to design and decorate a space in order to create rich, multi-sensorial and experiential wine tourism experiences, and also artistic performances/exhibitions whereby artists find a home to perform and exhibit their artwork. Through such art-based ventures the interests of various stakeholders are served; visitors passively consume art and gain aesthetic, sensorial and hedonic values that boost their experiences; businesses can attract the attention, enhance customer satisfaction and their

brand appeal and image; artists get the opportunity to promote their artwork and support their living and careers; and local art and cultural heritage are preserved and revitalised.

The 2019 festival included several such events as:

- Local artists beautifying cellar doors with their artwork inspired by local (wine) landscapes and culture, such as paintings
- Artists performing at cellar door enriching the servicescape as well as delivering a unique wine tourism experience, such as performances by singers, stand-up comedians and movie screenings.

### *Art to Be Commoditised*

This approach of using art in business means: (1) art is turned into a commodity to be bought as memorabilia of the wine tourism experience; or (2) wine-related artefacts and infrastructure are turned into art and cultural heritage which are in turn commoditised for consumption and/or merchandising. By this approach, visitors can get tangible evidence of their experience to increase its memorability and/or generate word-of-mouth, while retailers, artists and wine producers can get some extra revenue and attention. The Arts Festival provided numerous opportunities for visitors to buy local food/wine and other cultural heritage or craft items. Food markets are a major part of the festival as well. In addition, festival events also provide examples of the artification and/or heritagisation of wine-related artefacts in order to attract attention, create a wine experience to sell, revitalise and preserve a resource by increasing its artistic or heritage value. For example, Parker Estate featured an ornamental exhibition of handcrafted metalwork traditionally used for winemaking and grape growing; Majella Wines hosted an exhibition of mixed media (sculpture, photos, paintings, art textiles, monoprinting) all inspired by the theme of “after the harvest”; Katnook Estate “commodified” the cultural and spiritual landscapes of its vineyards to host “yoga in the vines” followed by wine and nibbles; and a local photographer ([www.stevechapplephotography.com.au/](http://www.stevechapplephotography.com.au/)) was invited to take photos of the wine tanks at Rymill Estate and then, exhibit them in order to educate the audience about winemaking. In other words, various cellar doors have converted and exhibited wine-related objects into artwork and heritage assets as part of the Arts festival activities.

### *Art to Be Co-created*

In this case, winemaking and other wine-related activities are turned into an art making/creative process, and the customers are empowered to actively participate and co-create their experiences. By doing this, participants do not only get emotional, hedonic and social benefits specifically when they participate in team-based co-creation activities, but they also satisfy their self-developmental and self-actualisation needs contributing to their cognitive and psychological well-being. The 2019 Arts Festival featured numerous co-creation activities and workshops (even competitions), whereby the participants had to cook their own food and wine pairing experience, create their own wine-related artwork. For example, cellar doors featured activities such as cooking classes, chocolate making, chocolate and wine matching (e.g. pairing masterclasses at Majella Wines), basket weaving, painting, mixed media, photography, paper making and making structure from stone and wood.

### *Art as a Catalyst of Transformative Value*

Apart from using art to inspire people to co-create value, art can also be used to stimulate people's thinking and cognitive abilities to think differently and see things differently in order to generate transformative value in terms of the purpose and the way they live and their value system. By transforming people's minds, perceptions and lifestyles, such art-based ventures can uplift one's well-being. For example, the 2019 Arts Festival included a workshop aiming to not only teach people how to recycle but also to make them rethink about the concept of recycling and sustainability as part of their daily lifestyle (e.g. what is recycling, why it is important, what and how we can recycle). The event was called the "art of up-cycling" and included a workshop to jazz-up old furniture and homeware. Various local examples were exhibited to inspire participants how to recycle, while tools to do the re-work were also available for sale. Overall, the events were very critical in developing the people's skills, knowledge but also attitude, perceptions and understanding of recycling. Having the appropriate human and social capital is important in achieving long-term sustainability, because people should not be forced to recycle as a habit and/or enforced activity. Instead, recycling should happen automatically and be embedded into the people's daily routines, lifestyles and social value system.

## CONCLUSIONS

Wine tourism has been exemplified as a way to generate economic (regional) development and generate multiplier economic effects. In this vein, the socio-cultural impacts of wine tourism have been neglected by research and practice. This chapter used the concepts of transformative innovation and cultural landscapes to provide theoretical underpinning and understanding on how wine tourism can boost the well-being of destinations, communities, wine providers and wine tourists alike by contributing to their economic but also social, emotional, cognitive and psychological well-being. To generate such multi-dimensional and multi-level socio-economic benefits, wine tourism experiences need to embed into their design the socio-cultural elements and the wine culture of the winescape. Two examples from Barossa and Coonawarra (wine regions in South Australia) were also analysed to better illustrate the practical application and implications of these concepts. In general, both examples show how wine tourism can be used as a way to support social sustainability by generating benefits related to (Asmelash & Kumar, 2019; McKenzie, 2004):

- Social equity: enabling diverse local actors, professionals and communities to equally participate and benefit from wine tourism as well as to connect and exchange resources; enabling local communities and wine tourists to equal access wine tourism activities.
- Visitor fulfilment: tourists learning, understanding and appreciating local culture; supporting quality-based tourists-hosts interactions; wine tourists enhancing their well-being by consuming wine tourism experiences.
- Local community empowerment and control; locals participating in wine tourism experience design and delivery, controlling the development of their region and lives as well as portraying their culture to tourists.
- Community well-being: retention of local lifestyles; quality of leisure and developmental opportunities for locals.
- Cultural richness: retention and revitalisation of local cultural resources and values for wine tourism development.

However, although research has started discussing the socio-cultural impacts of wine tourism, there is still a lack of evidence and knowledge

on how to measure the impacts of wine tourism on the well-being of destinations, communities, suppliers and tourists alike. Research is required to develop the appropriate instruments for collecting and measuring this evidence.

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# The Hawke's Bay Wine Auction: History, Motivations and Benefits

*Sharon L. Forbes and Tracy-Anne De Silva*

**Abstract** The Hawke's Bay wine region, located on the East Coast of the North Island, is New Zealand's oldest and second largest wine-producing region. In 2018, the region consisted of 72 wineries, over 145 grape growers and a vineyard area of approximately 4700 hectares ([www.hawkesbaywine.co.nz](http://www.hawkesbaywine.co.nz)). Production in the region is centred on premium red wine varieties (i.e. Merlot, Cabernet Sauvignon and Syrah) and Chardonnay. Wineries in the region have been supporting the Hawke's Bay Wine Auction since its inception. This chapter introduces readers to the Hawke's Bay Wine Auction and examines the motivations of the wineries who donate, as well as the benefits they perceive they gain from their participation in the auction. This chapter also introduces readers to other annual charity wine auctions held around the world.

**Keywords** Charity · Wine · Auction · Motives · Benefits

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## INTRODUCTION

The Hawke's Bay Wine Auction is the oldest, largest and most prestigious charity wine auction held in New Zealand ([www.hawkesbaywineauction.co.nz](http://www.hawkesbaywineauction.co.nz)). The annual auction was established in 1991 and provides financial support for the Cranford Hospice. The Cranford Hospice is the only hospice in the Hawke's Bay region and has been providing care for terminally ill patients and their families since 1982. The Hospice has 85 paid staff, 400 volunteers, and provides care for around 750 patients and their families each year ([www.cranfordhospice.org.nz](http://www.cranfordhospice.org.nz)). The auction raised \$265,500 in 2018, bringing the total raised for the Hospice to over \$3 million in the past 27 years. Given the long history of the Hawke's Bay Wine Auction, and the generosity it receives from wine producers, the auction has been likened to the Hospices de Beaune held in France each year.

The Hospices de Beaune, along with other well-established wine auctions, shows there is a strong and historically long-standing relationship between the global wine industry and support given to charitable causes through wine auctions. Despite this, the subject has received no attention in academic literature. In particular, there has been no examination as to why these charity wine auctions were originally started and why wine producers choose to donate to them. Wine producers normally compete against each other in the marketplace, and thus, a charity wine auction is an odd phenomenon in which competitors work together to support a common cause. The reasons for this behaviour and the benefits that it provides to wine firms have not been previously addressed, nor has any prior literature examined a charity wine auction from the viewpoint of the benefitting charity. Whilst there is some literature around charity auctions in general (see, e.g., Carpenter, Holmes, & Matthews, 2008; Chua & Berger, 2006; Popkowski Leszczyc, Qiu, Li, & Rothkopf, 2015; Popkowski Leszczyc & Rothkopf, 2010), most has focused on the behaviour of bidders or on identifying the optimal auction format, but no literature has been found to examine charity wine auctions specifically. This chapter aims to address these aforementioned gaps by exploring the Hawke's Bay Wine Auction with a focus on the motivations and benefits gained by those who participate.

## CHARITY AUCTIONS

Charity auctions rely on the donation of goods by businesses. These goods are then sold at an auction, and the proceeds are given to a charitable cause. Businesses who donate products to a charity auction are thus engaged in philanthropy. Early definitions of the concept define philanthropy as consisting of voluntary actions for the public good (Payton, 1988). Ricks (2005) defined philanthropy as “discretionary responsibility of a firm that involves choosing how it will voluntarily allocate resources to charitable or social services activities in order to reach marketing and other business-related objectives for which there are no clear social expectations as to how the firm should perform” (p. 122). More recently, Gautier and Pache (2015) defined philanthropy simply as the “voluntary donations of corporate resources to charitable causes” (p. 344). What is similar across these definitions is the voluntary or discretionary nature of the giving by businesses to charitable causes. Previous research suggests that the philanthropic activities undertaken by businesses are varied and may include cash donations, gifts of products or services, use of facilities or managerial experience, volunteerism and employee-matching grants (Carroll & Buchholtz, 2003; Seifert, Morris, & Bartkus, 2003).

Whilst a variety of motivations for philanthropy have been advanced (Seifert et al., 2003), the literature has primarily focused on two motives: altruistic and strategic. Lahdesmaki and Takala (2012) define altruism as being an unselfish concern for others, and thus, philanthropy may be motivated by a desire to give without a wish for any business reward. Conversely, philanthropy may be driven by strategic motives such as profit maximisation, political power, legitimacy and firm reputation (Lahdesmaki & Takala, 2012). Brammer and Millington (2005) opine that philanthropy may serve both the needs of society *and* the financial performance of a business. Whilst motivations are the reasons why a business will choose to engage in philanthropy, benefits are advantages that a business might obtain because of their philanthropic activities. Of course, those firms that engage in philanthropy for purely altruistic motives will not be seeking to gain any business benefits from their actions.

Prior research has sought to identify the business benefits that can arise from philanthropic actions. Several authors have reported that philanthropy may lead to business benefits such as improved company

reputation, differentiated brands, increased market share, greater brand loyalty, better employee morale and favourable management of important stakeholders (Bloom, Hoeffler, Keller, & Basurto Meza, 2006; Maignan, Ferrell, & Ferrell, 2005; Porter & Kramer 2002; Seifert et al., 2003). Schaper and Savery (2004) state that “businesses rely on the community to purchase their products and services, so activities that enrich society and improve its welfare will, indirectly, also help the firm” (p. 241). It may be the indirect nature of possible benefits that has led to inconclusive or mixed results in terms of verifying a link between firm social performance and financial performance (Amato & Amato, 2007; Godfrey, 2005; Porter & Kramer, 2006; Seifert et al., 2003; Wang, Choi, & Li, 2008).

Charity auctions, in which all or a portion of revenue is given to a charity, are an increasingly popular method for raising funds for social causes (Popkowski Leszczyc et al., 2015); online charity auctions are particularly on the rise (see, e.g., Carpenter et al., 2008; Haruvy & Popkowski Leszczyc, 2009; Reis & Clohesy, 2001). These auctions provide charities or social causes with an opportunity to raise funds. At the same time, they are used by firms to meet their corporate social responsibility goals. One reason that firms invest in socially responsible initiatives is to improve their reputation as a good corporate citizen (Popkowski Leszczyc & Rothkopf, 2010).

The academic literature reveals that several prior studies have considered the topic of charity auctions. Many of these studies have examined the behaviour of bidders at these charity auctions and in particular have considered whether bidders spend more for charity. It has been argued that bidders in charity auctions are buying out of altruistic motives (Chua & Berger, 2006) and would thus be expected to spend a higher amount. There is some support for this in the literature (Elfenbein & McManus, 2010; Engers & McManus, 2007; Haruvy & Popkowski Leszczyc, 2009; Popkowski Leszczyc & Rothkopf, 2010; Popkowski Leszczyc et al., 2015). However, others have reported that bidders do not expend more in charity auctions. For example, in a study of charity and non-charity auctions on e-Bay, Chua and Berger (2006) found that more money was not raised in the charity auction site.

Other studies have sought to evaluate the relative performance or effectiveness of various charity auction formats. The differing formats include the more common winner-pay auctions (also known as ascending or English auctions), Dutch auctions and the less utilised all-pay

auctions. In a winner-pay auction, the highest bidder wins the object, whilst all bidders pay irrespective of whether they win the object or not in an all-pay format (Goeree, Maasland, Onderstal, & Turner, 2005). Some studies have reported that all-pay auctions are the optimal fund-raising format as they are augmented with an entry fee and reserve prices (Goeree et al., 2005; Schram & Onderstal, 2009). However, others argue that the winner-pay format will generate more revenue (Carpenter et al., 2008).

As can be seen from the above brief review, the focus of the previous charity auction literature has been on either (a) examining bidder behaviour, especially expenditure, or (b) comparing the effectiveness of different charity auction formats. Little prior research was found to have examined the motivations of those who participate in charity auctions (i.e. organisers, donors or beneficiaries). Similarly, the benefits that these different entities gain from their participation in charity auctions have not been adequately examined. Further, no prior research has been identified that has examined charity wine auctions in particular. This paper aims to address these gaps.

## CHARITY WINE AUCTIONS

A number of long-standing charity wine auctions exist globally. However, no prior research has been found to have examined the motivations for, or benefits of, being involved in a charity wine auction. Famous charity wine auctions include the Hospices de Beaune, Auction Napa Valley and the Naples Winter Wine Festival, as well as a plethora of other wine charity auctions held annually around the world.

The Hospices de Beaune is a former charitable almshouse in Burgundy, France. It was founded in 1443 as a hospital and refuge for the destitute, elderly, disabled and sick. Today, the original listed buildings are a museum, and a modern hospital on the site continues to provide care for those in the Beaune community. Thanks to benefactors, the Hospices was gifted a Domaine of 61 hectares of vineyards, which today has become one of the most prestigious Domaines in Burgundy. The Hospices de Beaune charity wine auction has taken place annually since 1859 and is the most famous wine auction in the world ([www.beaune-tourism.com](http://www.beaune-tourism.com)). It is part of an annual three-day festival that celebrates the food and wine of Burgundy. The auction, typically held on the third Sunday in November, has been organised by Christie's since 2005

and attracts some 500 wine buyers from Europe, Asia and the USA. The auctioned lots typically earn well in excess of their commercial value, with a total of €13.5 million raised for charity in 2017 from 787 barrels ([www.decanter.com](http://www.decanter.com)). After a maturation period of 12–24 months, the wines go into traditional Burgundian bottles with special labels issued by the Hospices. Proceeds from the auction go to medical treatments at the Hospices de Beaune, to the maintenance of its historic buildings and to charities chosen each year by celebrity guests.

Another well-known charity wine auction, the Auction Napa Valley, is a four-day annual fundraiser that was started by the Napa Valley Vintners in 1981 ([www.auctionnapavalley.org](http://www.auctionnapavalley.org)). In 2017, the event hosted over 900 guests and raised more than US\$14.2 million, with the proceeds going to support non-profit organisations providing community health and education programmes in Napa County. To date, the event has invested approximately US\$180 million to support the local Napa community, including a US\$10 million grant to establish a Disaster Relief Fund related to the recent Californian wildfires that impacted the region. Non-profit organisations that benefit from the auction support the Napa community from birth through to old age and include those that provide health care for migrant workers, mental health care, family support services and early education. The event consists of a number of vintner-hosted dinners or parties, a barrel tasting and auction and a main auction in which some of the wine lots are paired with exotic travel or unique experiences in the Napa Valley.

The Naples Winter Wine Festival is another renowned charity event that has run annually since 2001 in Florida. The four-day event includes hosted dinner parties and an auction that includes both wine and other luxury experiences ([www.napleswinefestival.com](http://www.napleswinefestival.com)). All proceeds from the auction go to the Naples Children and Education Foundation which provides services and support to children in the local community. More than US\$15 million was raised through the event in 2017.

There are many other charity wine auctions operating in the USA. For instance, the iSalud! Oregon Pinot Noir Auction is an annual event that has been running for over 25 years ([www.saludauction.org](http://www.saludauction.org)). The auction was started by a group of Oregon wineries and physicians with the aim of providing basic healthcare services to vineyard workers and their families. In 2017, more than 40 wineries provided unique, one-of-a-kind Pinot Noir cuvees for the tasting, dinner and auction events. Also in the USA, the annual Tres Bonne Annee event in Pennsylvania was started in 2001.



Tres Bonne Annee is a series of wine dinners, tastings and auctions and has become one of the largest charity wine auctions on the East Coast ([www.tresbonneannee.org](http://www.tresbonneannee.org)). The event has raised US\$5.4 million in the past 16 years, and all proceeds go to the Whitaker Center for Science and the Arts.

In New Zealand, the Hawke's Bay Wine Auction is the most prominent charity wine auction. Like the Hospices de Beaune, Auction Napa Valley, Naples Winter Wine Festival, ¡Salud! and the Tres Bonne Annee, the Hawke's Bay Wine Auction is held annually and is a long-standing charity event. Although these charity wine auctions all have different formats, as discussed above, most of them donate their proceeds to a single benefactor. The Hawke's Bay Vintners Group was responsible for the original idea and implementation (N.B. this group has been replaced today by the Hawke's Bay Winegrowers Organisation, which falls under the national industry body, New Zealand Winegrowers). The auction was the centrepiece of the Hawke's Bay Food and Wine event which also started in 1991. The auction has since emerged as a stand-alone event, and the organisation of the event now sits under the Hawke's Bay Wine Charity Trust.

### COOPETITION IN THE WINE INDUSTRY

Whilst academic literature on charity wine auctions appears to be scarce, some prior research has focused on the topic of coopetition in the wine sector. The term coopetition describes situations in which firms simultaneously cooperate and compete with competitors (Brandenburger & Nalebuff, 1996). Crick (2018) states that wine firms across the world "have been found to be highly cooperative and competitive" (p. 368). Firms in the wine sector often join regional clusters. Whilst individual firms within a regional cluster are competitors to each other, evidence of collaboration or cooperation between wine firms has been found (see, e.g., Aylward & Glynn, 2006; Harfield, 1999; Montaigne & Coelho, 2012). In their study of the Waipara wine cluster, Dana, Granata, Lasch, and Carnaby (2013) report that firms both compete and collaborate, with the collaboration providing education, promotion and marketing functions. Crick (2018) suggests that coopetition can assist with obtaining resources and capabilities, safeguarding regional reputations and improving wine tourism offerings. Coopetition is common amongst micro-firms in the French wine industry and has been found to assist with improved competitiveness and growth (Granata, Lasch, Le Roy, & Dana 2018).

Given the absence of literature examining charity wine auctions, this research aims to address the following research questions:

1. How has the Hawke's Bay Wine Auction developed and evolved?
2. Why are wineries motivated to be involved in the Hawke's Bay Wine Auction?
3. How do wineries benefit from their involvement in the Hawke's Bay Wine Auction?

## METHOD

The case study method was adopted in order to comprehensively examine the motivations and benefits of various entities involved in the annual Hawke's Bay Wine Auction. Yin (1989) described the case study method as being an effective technique for investigating a contemporary phenomenon and one that is particularly appropriate for an in-depth exploration of a small number of subjects. In addition, Chetty (1996) notes that the case study method allows examination of the decision-making processes within an organisation (i.e. the "how" and "why" questions) and is thus ideal for use in this exploratory research.

Semi-structured interviews were used to obtain qualitative data from various people involved in the Hawke's Bay Wine Auction. The researcher travelled to the Hawke's Bay in May 2018 to interview the respondents in person, usually at their place of business. A total of fourteen respondents were interviewed (NB. Some of the respondents had dual roles as both winery owners and members of the 1991 organising committee). The interviews typically lasted 60–90 minutes in duration. Each interview focused on identifying the history of the interviewee's involvement with the auction, their motivations for participating and the perceived benefits they receive from the auction. The respondents represented various entities that have a role in the Hawke's Bay Wine Auction. These include:

- Two members of the current Hawke's Bay Wine Auction organising committee,
- Two members of the original 1991 organising committee,
- The CEO of the Cranford Hospice,
- Owners, winemakers or managers of nine Hawke's Bay wineries.

The interviews were recorded and transcribed verbatim prior to thematic analysis being undertaken. A process of open coding followed by axial coding was employed to aid in the identification of themes (Cavana, Delahaye, & Sekaran, 2001). The initial themes assigned to the data were re-examined and compared to other themes to eliminate any overlap that existed. Once the interview transcripts were coded to appropriate themes, the themes were structured into groups to allow for further analysis and interpretation.

## RESULTS AND DISCUSSION

### *History of the Hawke's Bay Wine Auction*

The Hawke's Bay Wine Auction has grown in size since the inaugural auction in 1991, as can be seen from Table 6.1. In particular, there has been growth in recent years.

The Cranford Hospice was the chosen charity right from the inaugural auction and has remained the sole beneficiary throughout the Auction's 27-year history. One of the original organisers of the auction stated that the Hospice was chosen as the beneficiary because of "the tradition of wine regions supporting Hospices" (i.e. in the likes of Burgundy and Napa). In addition, the Hospice was chosen because it was available to support everyone in the community, with no entry criteria or requirement to pay, and this was important to the auction organisers.

The auction primarily sells wine. However, a link between the auction and artwork was established in the first year, and subsequently, some of the winery lots have included a piece of artwork, sculpture or jewellery. In some years, a local artist had been commissioned to produce

**Table 6.1** Winery participants and auction proceeds

<i>Year</i>	<i># of Winery Donors</i>	<i>Proceeds (NZ\$)</i>
1991	Not known	60,000
...		
2014	Not known	100,000
2015	40	140,000
2016	41	180,000
2017	42	202,000
2018	42	265,500

an artwork for the auction, and this piece has been depicted on a special label which some of the wineries choose to use on their wine bottles. Also of note is that most of the wines donated to the auction have been unique or special in some way and cannot be purchased through any retail outlet. Some wineries choose to produce a special blend for the auction, some allow a winning bidder to visit the winery to do the blending, and some use large-format bottles or special packaging.

The format of the auction has changed and evolved over time. In the early years, a formal black-tie dinner was held preceding the auction itself, usually in one of the participating wineries. However, the expensive ticket price for the dinner was found to affect attendance and subsequent bidding. Consequently, the event has developed to the format used in 2017, which included a pre-auction tasting with canapés, followed by the auction itself. A debrief function has also been added in recent years, as a way to get together and thank the wine donors, partners and sponsors. Winemakers pour their wines and get to socialise and discuss their wines with potential bidders at the pre-auction tasting. The attendees pay just \$50 per ticket to attend, with numbers being limited to between 600 and 700 tickets. Tickets sell out every year, indicating a strong demand for this event. In terms of composition of the bidders, around half are professionals from the Hawke's Bay area, with the remainder travelling to the auction from the major cities of Auckland, Wellington and Christchurch. Typically, the bidders return each year, but the organisers are starting to see some bidders from Australia and also younger bidders are starting to attend. Those who have successfully bid in the past are in a database of contacts who are regularly communicated with and are offered preferential tickets before the public release date. Another observed change in recent years is the decline of individual bidders and the growth of corporate or syndicate bidding on the lots; this has also helped to drive up the price paid for each lot. The location of the event has also changed over the years, with some venues proving more popular than others.

Another major change that has occurred over time is the emergence of auction sponsor partnerships. For the past few years, the auction has run with a break-even budget due to these sponsors, and this allows for 100% of the auction proceeds to be given to the Hospice. The organisers have worked to gather a team of sponsors who support the event with funds or services. However, it is by no means a one-way relationship. Firstly, these sponsors attend the pre-auction tasting and auction itself,

and many bring their important customers along to the event. Secondly, businesses involved with the auction, including the Hospice, often choose to do business with those who are sponsors. Finally, the auction organisers also arrange a series of business networking events through the year. These events are held at a sponsor's premise; the sponsor can invite their own customers to attend, and those businesses involved with the auction can also attend and network. Some of the respondents noted that these networking events with sponsors and the sponsors' customers could result in reciprocal business. For example, one winery respondent noted that the business-to-business extension activities raise awareness of their business to others, and consequently, several sponsors had chosen to host functions at his winery. The auction organisers only allow one sponsor partner in any given sector (e.g. only one bank, one marketing agency, one hotel, one automotive dealership). These sponsors typically remain supporters of the Auction, and there is in fact a waiting list of other businesses wanting to become sponsoring partners.

### *Motivations*

The original aims of those who founded the auction were twofold: (1) to promote and showcase the premium wines of the Hawke's Bay wine region and (2) to give back to the local community by providing support to the Cranford Hospice.

The motivations of the individual donating wineries were found to stem from three areas. Some of the respondents solely mentioned an altruistic motivation, with statements such as "giving to the local community", "to give back" and "to help others". Only a few respondents focused solely on strategic motivations, and these included "free and easy advertising", "promotion of winery" and "to support our brands". The majority of the respondents mentioned both altruistic and strategic motivations and were thus strongly aligned with the original aims of the auction when it began in 1991. The combination of altruistic and strategic motives that were mentioned by the donating wineries also aligns with Brammer and Millington's (2005) view that philanthropy can serve both society and business.

The third motivation centred on the feeling of collaboration within the wine industry in the region. Respondents' statements included "support for the industry", "everyone doing the same thing together" and "being part of an industry good activity". This third motivation was not

specifically identified by the auction founders back in 1991, but many of the wineries are clearly motivated to be a donor because they feel they are part of a bigger, industry-wide, collaborative effort. The success of the auction is based on the power of the collective goodwill of many that serves as a motivating force for action. This is an important lesson to learn from this research. No previous literature has been found to have identified collaboration with other businesses as a motive for engagement in philanthropy.

### *Benefits*

Many of the winery respondents indicated that they did promote their support for the auction and for Cranford Hospice, on their winery website, on social media or in communications to customers on their databases. Some issued messages both before and after the auction. However, it was clear that most of the wineries did not have a planned communication strategy based on their participation in the auction, and thus, some of the benefits that arise from their philanthropic actions are not being fully realised. Indeed, one winery respondent stated that in terms of lessons learnt, they “should justify it by promoting it” and others admitted that they are “not enormously” or “not heavily” publicising their involvement in the auction.

Respondents were questioned about the direct and indirect benefits that wineries received from their participation in the auction. Many of the benefits discussed were thought to have impacted future sales, albeit in an indirect manner. Responses about benefits included “heightened profile”, “auction lots are purchased by influential people who spread our brand story”, “being seen to be donating”, “recognition”, “positive customer feedback at the tastings”, “more awareness of your brand”, “brand awareness amongst local businessmen”, “having the brand in a public arena (at the pre-auction tasting)” and “raises the awareness of your business to others”. Some of the winery respondents noted that their participation in the auction was viewed positively by their employees, with one stating that it was “good for company culture”. In terms of future sales, some of the respondents stated that their lots were often purchased by the same bidder and that this person would usually make additional purchases from the winery at a later date. These findings support earlier studies on philanthropy and corporate social responsibility (CSR) that have reported business benefits such as enhanced

firm reputation, favourable relationships with stakeholders, improved employee morale, enhanced marketing efforts, increased brand recognition and greater brand loyalty (see Bloom et al., 2006; Brammer & Millington, 2005; Maignan, et al., 2005; Porter & Kramer, 2002; Seifert et al., 2003). These benefits may indirectly affect the financial performance of a firm. It should be noted that no winery respondent rated tax benefits as an influencing factor in their decision to donate wine to the auction.

Finally, several of the respondents noted that working with other wineries was a benefit with comments such as “getting together with others in the wine industry”, “nice to be part of the community”, and some noted that “communications with others in the wine industry” could lead to possible future collaborations. This final benefit is related to the third motivation that was mentioned by the respondents. Whilst it would seem logical that producers in the same industry, especially in the same regional location, would be natural competitors and unlikely to work together, the findings provide evidence that this is not the case. It is likely that this result relates to the co-opetition that has been commonly reported to exist amongst wine firms in regional clusters (Crick, 2018; Dana et al., 2013; Granata et al., 2018). The respondents are not only motivated to participate in the auction because of the collaboration with other wine producers, but they view this opportunity for collaboration as an important benefit. This result may relate to the unique character of those who own or work in the wine industry or to the idea that individual winery success is tied to the accomplishment of the wine region as a whole. Further research would be needed to fully explore the reasons why collaboration for a charitable cause is viewed by wine producers as a motivation and as a benefit.

Respondents were also asked to identify any benefits they thought the auction brought to the Hawke's Bay region. All respondents perceived that there were positive benefits for the wine region as a whole. For example, comments from the winery respondents included “attention on the wine industry and coverage in the media nationally”, “good vibe from wineries coming together for one event”, “draws people into the Bay” and “showcases the diversity of the Hawke's Bay wines and region”. The Hospice respondent also noted that the auction “brings people into the Bay”, whilst the organisers stated that the auction brings huge exposure and is “the only thing that markets the Hawke's Bay wine region”. Again, this result ties into the prior research on co-opetition in the wine

industry, with some of the reported benefits residing at a regional level, such as improved reputation and tourism offerings (Crick, 2018).

In terms of the Hospice itself, the financial benefit from the auction is enormously important. Indeed, the auction is its largest single fund-raising source each year, and the money raised helps to bridge the shortfall in government funding for the Hospice. Furthermore, the Hospice respondent stated that the auction generates positive publicity for the Hospice. In addition, the Hospice has benefited from the business relationships it has developed with the auction sponsors.

## CONCLUSIONS

The research reported on in this chapter is one of the first examinations of charity wine auctions reported in academic literature and provides some key findings. Firstly, the review of the history of the auction makes it clear that the event has changed over time. Most of the changes have been positive and have been made to increase the success of the auction in terms of the amount raised for the charity. These changes are not surprising, given that few events will remain completely unchanged over time; this suggests a need for organisers of similar annual charity auctions to review the event each year and to be open to making changes to increase future success. The Hawke's Bay Wine Auction holds an annual debrief for all those who are involved in the auction and is open to making future changes when necessary.

Secondly, this research provides practical information for organisations in other wine regions around the world who are considering starting an annual charity wine auction. It is clear that there is a strong history of wine regions offering support for Hospices and other charitable causes. The motivations and benefits identified in the case study reported on in this research may help to inspire others in the global wine industry to begin a similar legacy of charitable support.

Finally, working collaboratively with others in the wine industry was identified as being both a motivation and a benefit for the wineries involved in the auction. This is an interesting finding, as it was not considered a motivation by those who had initially founded the auction back in 1991. Further research would be required to understand why collaboration is viewed as being beneficial to those in the wine industry and to examine whether this degree of collaboration amongst competitors would be possible in other industries through similar mechanisms as a charity auction.



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## 27seconds: A Wine Brand as a Vehicle for Social Change

*Joanna Fountain and Sharon L. Forbes*

**Abstract** This chapter presents a case study of 27seconds, a wine brand that has been established to achieve both social and financial goals, and as such fulfils the definition of a social enterprise. After outlining previous research on social enterprises, the chapter presents a case study of the origins, emergence and ongoing development of 27seconds since it was first launched in 2017 with the goal of raising funds for the charitable organisation Hagar. The chapter argues that while the initial success of the brand owes a great deal to the passion of the two owners, the groundswell of industry and public support for this endeavour, and the strong sense of pride and community interest, has been achieved in part due to the opportunity 27seconds offers to drink good wine while supporting a charitable cause.

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**Keywords** Social enterprise · Wine · Charity fund-raising · Marketing · Distribution

## INTRODUCTION

“A vineyard, wine and human trafficking; it’s not a natural fit”; these were the words of Pete Chapman, a North Canterbury viticulturist, who along with his wife, Alanna, in 2017 established the wine brand 27seconds. The 27seconds wine label was set up as a social enterprise, with the goal to raise funds to combat the global issue of human trafficking and slavery. The name—a suggestion from Alanna—refers to the fact that every 27seconds a person is sold or trafficked into slavery somewhere in the world. The Chapmans entered this venture with the words of Mother Theresa in their minds: “Never worry about the numbers. Help one person at a time”. This chapter outlines the origins of this social enterprise and the practicalities, opportunities and challenges of managing a wine label that aims to make life a little bit better for some of the world’s most vulnerable people.

## SOCIAL ENTERPRISES

Social enterprises are businesses which operate to achieve both social and financial motivations. These businesses are established in order to provide support to people and the community. There is therefore a clear relationship between social enterprises and the concept of social sustainability.

The topic of social enterprise emerged in the 1990s (Defourny & Nyssens, 2010), and since this time has been the subject of numerous academic projects. Early work defined a social enterprise as a business that trades entirely for a social purpose (Haugh & Tracey, 2004) or a business undertaken for a significant social purpose (Dees & Anderson, 2006). Other authors have described social enterprises as being businesses that have both a social and economic bottom line (Dart, 2004; Fruchterman, 2011). Similarly, Thompson and Doherty (2006) note that social enterprises are organisations that seek business solutions to social problems. More recently, the Social Enterprise Alliance (2014) defines social enterprises as being businesses that use their revenue to combat social problems. Social enterprises differ from other socially

oriented organisations and non-profit organisations that bring benefits to society but don't seek to operate as businesses. Despite the growth in academic literature relating to the topic, some authors argue that there is no commonly accepted definition or consistent application of the term "social enterprise" (Grant, 2008; Peattie & Morley, 2008).

Some literature has attempted to document the key characteristics of a social enterprise (Thompson & Doherty, 2006). Thompson and Doherty (2006) suggest that the first, and primary, characteristic is that the venture has a social purpose, and associated with this, assets and wealth are used to create community benefits. Another important characteristic is that, as a business, the wealth is generated at least in part through trade in the marketplace, but instead of profits and surpluses being taken by owners or stakeholders, these are used for social good. Because of this social focus, the enterprise is accountable to members or employees, who are often given some role in decision-making and governance, and to the wider community. In this way, underpinning all decisions and actions is a double or triple bottom line paradigm. Defourny and Nyssens (2010) approached the characteristics of social enterprises somewhat differently, focusing on four economic and entrepreneurial criteria of social enterprise, namely: (a) actively producing goods or services, (b) high degree of autonomy, (c) significant level of economic risk, and (d) a minimum amount of paid work. The authors also named five indicators that encapsulate the social dimension of these enterprises: (a) explicit aim to benefit the community, (b) an initiative launched by a group of citizens, (c) decision-making power not based on ownership, (d) a participatory nature, and (e) a limited profit distribution (Defourny & Nyssens, 2010). In New Zealand, the Department of Internal Affairs (2013) has formally defined a social enterprise as consisting of three main elements: (a) a social, cultural or environmental mission that achieves community benefit, (b) a substantial portion of income derived from trade (50% or more), and (c) reinvestment of the majority, or all, of profits or surpluses to fulfil the organisation's mission.

One of the challenges of characterising social enterprises is the different forms they take within and between nations; a point highlighted by Hockerts (2006). For example, Harding (2004) suggests that social enterprises can take the form of everything from not-for-profit organisations, through charities and foundations, to cooperative and mutual societies. Similarly, the term social enterprise is used to describe a specific ownership structure, fund-raising ventures and social-purpose business

ventures (Hockerts, 2006). In their comparison of European and American social enterprises, Defourny and Nyssens (2010) report that the dominant form of social enterprise in Europe through the 1990s was employment creation initiatives, usually based on a cooperative structure. In contrast, American social enterprises were primarily foundations that used commercial activities to support non-profit organisations. Grant (2008) lists the variety of social enterprises in New Zealand as including employment schemes for those with mental illness or disability; community development in remote areas; youth and family services; Māori and Pacific Island organisations providing health care; and community cooperatives that produce fruit and vegetables. There have been few studies to date that have examined the way in which social enterprises operate in the wine industry.

## METHOD

As there has been little theoretical development in the area of social enterprises, a case study method was chosen as the best way to examine in depth an example of a social enterprise based on wine. Yin (2003) stated that a case study is an ideal method to examine a complex, real-life situation such as a business operation. In addition, Chetty (1996) notes that the case study method allows for examination of the decisions made within an organisation (i.e. the “how” and “why” questions) and is thus ideal for use in this research. Similarly, De Massis and Kotlar (2014) state that an exploratory case study should be used when the aim of the research is to understand how or why a phenomenon takes place, and Siggelkow (2007) opines that a single case study can richly describe a phenomenon. While some prior literature has examined social enterprises using case studies, most have focused primarily on what these enterprises are doing. This chapter provides a case study of the 27seconds wine brand and examines aspects of this social enterprise such as (a) its history, (b) governance and structure, (c) costs incurred, (d) benefits gained, (e) distribution, (f) the customers, and (g) challenges and future plans. Finally, this chapter provides a summary of the differences between non-profit organisations, for-profit organisations and social enterprises such as 27seconds.

A semi-structured interview technique was used to obtain qualitative data from Pete Chapman, one of the co-founders of the 27seconds wine brand, with follow-up questions sent to the other co-founder,

Alanna Chapman. The telephone interview was conducted in February 2019. The interview was supplemented by documentary analysis of newspaper and television items on the venture, other presentations by the Chapmans, and social media campaigns and consumer engagement. 27seconds is a wine brand that is based in Waipara in the North Canterbury wine region, and is located one hour's drive north of the city of Christchurch in the South Island of New Zealand.

## 27SECONDS CASE STUDY

The 27seconds case study provides an excellent example of a company that is a social enterprise, and highlights the opportunities and challenges this type of enterprise faces in the wine industry. It fits the definition of a social enterprise because it has both a social and an economic bottom line (Fruchterman, 2011) and it is a business that trades for a social purpose (Haugh, 2005). It adheres to the New Zealand government's formal definition of a social enterprise in that it has a social mission that provides community benefit, it derives income from trade, and a majority of the profits are reinvested to fulfil the mission (Department of Internal Affairs, 2013).

### *The Beginning*

The 27seconds wine brand was born from a trip that Alanna and Pete Chapman made to India. Both had a heart for charity work, and Alanna was employed in a marketing role for the non-government organisation, Hagar, for four years. Hagar is an international charitable organisation committed to the provision of recovery services for the survivors of human trafficking, slavery and abuse. The services provided by Hagar include a safe place to live, counselling, case management, legal support, education and jobs. Hagar has provided individualised care for more than 17,000 survivors since its formation in 1994 (<https://hagarinternational.org/>). The 2018 Global Slavery Index estimates that over 40 million people are subject to slavery today ([www.globallslaveryindex.org](http://www.globallslaveryindex.org)).

While visiting friends in India, the Chapmans were driven down a back road to avoid the crowds. Here, as in many parts of India, they saw a number of women working as prostitutes, but they noticed that five or six of them looked quite different from the others and commented on the fact. Their friend informed them that these girls had been trafficked



from Nepal and sold into slavery as sex workers. This incident struck them; both knew that modern-day slavery existed, and through her job Alanna had heard sad stories, but here it was right in front of them, and the issue “suddenly became real”. They went home committed to do something to help.

The opportunity came early in 2017, when Pete, who worked as the viticulturalist on his family property (Terrace Edge, North Canterbury), mentioned to Alanna that it looked like there would be a bumper harvest of Riesling that vintage. While Pete admits that “the links between wine and slavery are not obvious”, they had resources in terms of wine and that is what they could use to make a difference. Two cyclones in the lead-up to vintage meant that the excess of grapes did not eventuate, but by that time they were fully committed to the idea. In its first year, 27seconds produced around 10,000 bottles of Riesling, Sauvignon Blanc, Pinot Noir and Rose from Terrace Edge grapes, purchased at a discounted price. The Chapmans received significant support for the social enterprise from others in the local wine industry. The harvester offered to mechanically harvest the grapes for free. Local winery, Greystone Wines, made the wines at a heavily reduced cost. The label design, bottle caps and boxes were donated at no cost, while they received discounts on the bottles and labels. When they ran out of wine, an “encore” wine was produced with neighbour’s grapes. This support continued into the second vintage, when production of wine for the 27seconds brand increased.

From the outset, it was envisaged that this would be an ongoing venture, rather than a “one off” vintage. The goal for establishing 27seconds was for it to become “a sustainable vehicle for change”, and for this to occur, wine quality was important. As Pete describes it, they wanted to produce “high quality wine at a good price for a good cause” and this remains a cornerstone of the brand. The Chapmans aim to continue to grow the company and would like to see it become a household name. In terms of measuring the success of the social enterprise to date, Pete assesses a number of factors. While this includes getting sales, making a profit, building a following, gaining brand awareness, and a high degree of enthusiasm for the brand, Pete acknowledges that he and Alanna want to see awareness beyond the wine: “far greater than the money we raise is increasing awareness and profile of the [slavery] issue globally”.

### *Governance and Structure*

The 27seconds venture started out as a limited liability company and had the help of a number of mentors through the Pathway Charitable Group's Social Enterprise Hub in the set-up phase (Steele, 2017). More recently, the enterprise changed its legal status to charitable company, on the advice of these mentors. This change of status meant they do not have to pay tax on profits to the New Zealand government, which allowed them to maximise the donation they make to Hagar. Alanna, Pete and two business mentors retain ownership of assets and the brand name.

### *Costs and Benefits*

As mentioned above, some suppliers have provided free services or products to 27seconds, and others have charged for services or products at a discounted rate. The company has also invested in building a website that tells the story of the 27seconds brand and provides a portal for online sales direct to consumers, which is their preferred method of distribution. There were also financial costs incurred from establishing a presence on Facebook, as well as Alanna's time involved in managing this social media presence. Alanna and Pete continued to work voluntarily for this social enterprise and have not paid themselves a wage. They have also had some help from volunteers putting labels on bottles, and they hosted a Harvest Day event for volunteers to help with harvest in 2019.

The most direct benefit from this social enterprise has been funds for Hagar. So far, approximately \$NZ 230,000 of wine has been sold under the 27seconds brand in the first 15 months of operation, and \$NZ 25,000 from the first years' profit was donated to Hagar. Because of the long lead time in the wine industry, a substantial proportion of the money earned was ploughed back into growing the business to ensure more wine would be produced in the next vintage, in order to realise more profit in the future. Some funds have to be retained in the company also in order to cover the costs of the next vintage, including bottling, labelling and distribution.

Pete notes that other, more indirect, benefits were also achieved. Firstly, he and Alanna gained a huge degree of personal satisfaction from 27seconds; the social enterprise successfully brought together two of

their passions, wine and helping others. In addition, they have benefitted in terms of the development of their entrepreneurial skills and knowledge. They also believe that there has grown a degree of goodwill and brand awareness for 27seconds which may extend to the Terrace Edge and Greystone brands that support the social enterprise.

### *Distribution*

Initially, all wine sales were made directly to consumers through the 27seconds website or through Facebook, and it was assumed this would continue to be the primary sales channel. Early on, they established a Wine Club that consumers could join and receive communication and offers via email, with the aim for club members to purchase six bottles every three months. Since late 2018, they have also attended events and festivals, such as the North Canterbury Wine Festival and the South Island Wine and Food Festival. Following participation in the latter event in December 2018, they were contacted by several restaurants in Christchurch and Wanaka who have stocked 27seconds wines. The 27seconds wines are also available in the Terrace Edge tasting room in Waipara.

Although the Chapmans had no initial plans to sell their wines through supermarkets or bottle stores, consumer support and pressure resulted in a change in their supply chain. In late 2018, and based on public pressure, the Chapmans were contacted by some liquor stores and supermarkets wishing to stock 27seconds wines. The wines are now available in fourteen New World supermarkets and Henry's bottle stores around the South Island. There is an expectation that this number will continue to grow as wine brand awareness and volumes of available wine increase over time. Pete and Alanna acknowledge that they are somewhat surprised to learn the power of the consumer movement and the groundswell of support which has seen this rapid retail presence, so that instead of them knocking on doors, "our consumers are doing the work for us".

### *Customers*

The Chapmans report that they have a relatively diverse market for their wine among "people with a social conscience" (A. Chapman, personal communication, 12 December 2018), but 70% of wine purchases are

made by females, and the majority are Canterbury residents aged 25–45, although bigger orders tend to be placed by older people. New consumers will typically make their first purchase because of the story behind the brand, while loyalty and repeat purchasing is driven by the quality of the wines. As Pete says: “It’s all about the cause on the first purchase, then they come back because it is actually good”. They have found that their customers like the idea of drinking wine and doing good for other people, although they acknowledge potential ethical issues in encouraging people to “drink more wine, help more people”, so while they haven’t used this message in their marketing, they are aware that via social media their consumers proudly make this claim. Their customers have also expressed shock via social media about the slavery statistics they highlight in social media and on their website, as the issue has low visibility in New Zealand.

### *Challenges and Future Plans*

The greatest challenge faced has been around the availability of time. Both Pete and Alanna have other jobs, and a young family to raise, and are limited in the amount of time they can spend managing 27seconds, particularly in a voluntary capacity. They are aware that they cannot take advantage of every opportunity they are offered, simply because they do not always have the time. This is a potential barrier to growing the 27seconds brand, although they acknowledge that their growing base of loyal consumers willing to donate their time has made this more manageable.

Another issue has been the availability of funding to grow the company until it is big enough to sustain itself. As outlined above, one workaround has been to retain a portion of profits to reinvest in the subsequent vintage and to grow the volume of wine produced. The Chapmans are investigating the use of crowdfunding in order to achieve growth.

Finally, Alanna and Pete have witnessed the power of consumers to pull the brand along the supply chain and into retail stores and restaurants. Many manufacturers rely on strategies whereby they try to push their product out through distribution channels and into the marketplace. In the case of 27seconds wines, the consumers have taken the brand to heart and have been responsible for new distribution opportunities opening up.

## CONCLUSIONS

This chapter provides a case study example of a social enterprise, through an examination of the wine brand 27seconds. Previous work has compared the differing business characteristics of non-profit organisations and for-profit organisations (Dees, 1994). This chapter extends knowledge by comparing both types of organisations to social enterprises, using data from the 27seconds case study (as shown in Table 7.1).

In a short space of time, the social enterprise wine brand, 27seconds, has developed a loyal following of consumers who have become passionate ambassadors for a brand whose social mission they believe in, and whose wine they love. There is no doubt that in creating the brand, Pete and Alanna Chapman have established a business that fulfils the characteristics of a social enterprise as outlined in the literature (e.g. Defourny & Nyssens, 2010; Fruchterman, 2011; Social Enterprise Alliance, 2014; Thompson & Doherty, 2006). The origins of the enterprise were explicitly a desire to tackle the serious social issue of modern-day slavery in a way that took advantage of the talents and resources that they had at their disposal. While decision-making for the business is not shared with the wider community, as suggested in some definitions of social enterprises, there is among 27seconds's community of customers a sense of ownership in social media posts celebrating the brand's successes. There is no doubt either that this consumer support is shaping the distribution of the brand through their advocacy to get it into supermarkets and other retail outlets. While the goal of the Chapmans is for all profits to go to Hagar to support their work, at the present time a relatively small amount has been donated due to the need to build capacity for future vintages, and because a significant amount of capital is carried in stock, in tanks and bottles. It may be important to educate the consumers about this feature of the wine industry to counteract any potential negativity about the delay in the sharing of profits. Managing these expectations, and ensuring that expansion of the brand remains true to its focus, must be priorities for the Chapmans going forward.

**Table 7.1** Comparison of non-profit organisations, for-profit organisations and social enterprises

<i>Characteristic</i>	<i>Non-profit organisations</i>	<i>For-profit organisations</i>	<i>Social enterprises</i>
Primary objective	Social mission with mixed objectives	Economic value creation (create wealth for owners/principals and value/cost proposition for customers)	'Double bottom' line, with focus on financial profit <i>and</i> serving a social cause
Method of operation	Greater emphasis on non-financial rewards Relationship contracting /mixed rewards	Interpersonal exchange relationships through arms-length bargaining	Mix of financial and non-financial rewards, with the former facilitating the latter
Funding/capital sources	Philanthropic donations/grants. Below market-rate debt and equity	Capital market rate on equity and debt	Philanthropic donations. Some profit is reinvested in the social enterprise for continued growth
Work force motivation	Volunteers with high commitment to the organisation's social mission	Paid employees with contractual commitment and primary focus on financial rewards	Volunteers with high commitment to the charity supported by the social enterprise
Consumer contributions	Partial fees. Beneficiaries pay less than cost	Consumers pay full cost (including return to capital)	Consumers pay full cost
Governance	Mission constrained; self-perpetuating board with stewardship responsibilities. Membership governed on a democratic basis	Board elected by owners with fiduciary. Responsibilities grounded in property rights	Charitable company (i.e. no tax is paid on profits) with control in hands of individuals

Source Adapted from Dees (1994)

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# Migrant Workers' Rights, Social Justice and Sustainability in Australian and New Zealand Wineries: A Comparative Context

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**Abstract** This chapter focuses on sustainable practices from the perspective of current social sustainability issues involving the rights of migrant workers within the New Zealand wine industry. A comparative context from the Australian wine industry is also provided using the cool climate winegrowing areas of Western Australia and Tasmania. Migrant workers' rights and social justice were two areas which featured in the

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2015 and 2016 National Wineries Survey that was conducted across all three of these regions and was designed to examine wine producers' perceptions towards sustainability and wine tourism. This study found that in terms of the social aspects of sustainability and the treatment of migrant workers that very different opinions existed between Australian and New Zealand wineries. Wineries in both Tasmania and Western Australia saw social sustainability as impacting on their business practices, while their New Zealand counterparts were seemingly somewhat ambivalent towards this issue.

**Keywords** Migrant workers · New Zealand · Australia · Social justice · Cross-nation

## INTRODUCTION

Despite the fact that wine, as well as wine regions and businesses, is often promoted in terms of its environmental attributes, winegrowing is an industrial process with substantial resource use, chemical inputs and waste. As a result, many wineries and wine regions are not only seeking to make their wine production more sustainable but are also looking to use sustainable practices as a point of brand and product differentiation in an otherwise congested and highly competitive market (Carmichael & Sense, 2012; Hall & Gössling, 2013, 2016). However, although the environment is central to sustainability, the economic, political and social dimensions of business practices are critical to any comprehensive understanding of sustainable food systems, including sustainable winegrowing (Gössling & Hall, 2013). Therefore, social sustainability issues within the context of sustainable winegrowing should also be concerned with issues of labour conditions, regulation and rights. This may be particularly important because the seasonal demand for labour has implications for short-term and casual labour contracts and labour availability, which may have to be addressed, for example, by the use of non-local, foreign and migrant labour as a result of labour shortages during the harvest period (Bailey, 2014; Barrientos, 2013).

This chapter focuses on sustainable practices from the perspective of current social justice issues involving the rights of migrant workers within the New Zealand wine industry. A comparative context from the Australian wine industry is also provided using the cool climate

winegrowing areas of Western Australia and Tasmania. Migrant workers' rights and social justice were two areas which featured in the 2015 and 2016 National Wineries Survey that was conducted across all three of these regions and was designed to examine wine producers' perceptions towards sustainability and wine tourism.

This chapter is structured into six sections. Firstly, definitions of what constitutes cool climate winegrowing, wine tourism and sustainable winegrowing are provided. Secondly, a brief overview of the literature within the field of social justice and migrant workers' rights is given before noting the method used in this study. The fourth section compares the Australian and New Zealand survey results and is followed by a discussion of the implications of these results. The final section details the conclusions drawn from this study.

### COOL CLIMATE WINEGROWING

Jackson and Schuster (1987) suggest that a key characteristic of cool climate wine regions is that they have 'the capacity to produce table wines of distinction [despite] variability in quality between seasons' (p. 5). Given the degree of sensitivity that grapes possess when considering the climatic conditions in which they are grown (Becker, 1985), the majority of studies into cool climate winegrowing focus on temperature and other climatic variations which dictate whether or not a particular region is suitable for quality table wine production (Anderson, Jones, Tait, Hall, & Trought, 2012; Becker, 1985; Jackson & Schuster, 1987; Jones & Davis, 2000). Suitability is measured using seasonal average temperatures dependent on whether the wine region is located in the Southern or Northern hemisphere (Jones, 2007; Jones, Duff, Hall, & Myers, 2010). Whether these temperatures fall within acceptable upper and lower temperature limits dictates whether or not the region is regarded as a cool climate winegrowing region (Anderson et al., 2012; Jackson & Schuster, 1987; Jones, 2007; Jones et al., 2010).

### SUSTAINABLE WINEGROWING

Although sustainable winegrowing practices have the potential to supply added value to winegrowers, the reality is that substantial economic, social, environmental, political and marketing issues exist with respect to sustainability and the business of wine. Sustainable winegrowing has

been defined as ‘growing and winemaking practices that are sensitive to the environment (environmentally sound), responsive to the needs and interests of society-at-large (socially equitable), and are economically feasible to implement and maintain’ (California Sustainable Winegrowing Alliance [CSWA] 2001, cited in Zucca, Smith, & Mitry, 2009, p. 190).

Underpinning this chapter is also the fact that the wineries surveyed are businesses that operate not only within the wine industry, but also within the tourism industry as well, given the importance of cellar door sales and winery visits. This means that it is not only important to find out what the reality is that is being experienced by Australian and New Zealand winegrowers on the ground in terms of sustainable practices, but also to consider how wine tourism connects with sustainability.

### SUSTAINABLE WINEGROWING GOVERNANCE IN NEW ZEALAND

The evolution of industry-focused initiatives to promote sustainable winegrowing within the New Zealand wine industry on a systemic basis began in 1995 with the development of the Sustainable Winegrowing New Zealand (SWNZ) programme (New Zealand Winegrowers, 2018a). The SWNZ scheme was first introduced commercially in 1997 with the expectation that it would be adopted by winegrowers from all grape-growing regions (New Zealand Winegrowers, 2018a) and coupled with the introduction of winery standards in 2002 (New Zealand Winegrowers, 2018a) aimed to underline an industry-wide commitment to sustainable production practices and techniques. The goal of this initiative was initially to have full participation in the scheme by all New Zealand winegrowers by 2012, and steps to ensure this were taken by making SWNZ membership mandatory for all wineries if they wish to take part in trade shows and export their products under the Wine New Zealand banner (New Zealand Winegrowers, 2018a). Enforcement is also undertaken through external auditing of sustainable practices by SWNZ appointed agents (New Zealand Winegrowers, 2018a). However, the goal set in 2012 of 100% participation from New Zealand-based winegrowers was not met.

### SUSTAINABLE WINEGROWING GOVERNANCE IN TASMANIA

VinØ is a best practice management system which aims to help wine through the use of a reporting tool to provide Tasmanian wine producers with the ability to monitor, report and improve practices

(Wine Tasmania, 2018a). Members of the programme receive feedback on their progress in the form of an annual benchmarking report, and this details the areas where performance is strong and areas which need to be improved (Wine Tasmania, 2018b). VinØ also gives members the ability to gauge their performance against other members of the programme (Wine Tasmania, 2018c). The reporting criteria dictate the minimum requirements to attain achievement of progress towards sustainability. VinØ was initiated to accomplish two objectives (Wine Tasmania, 2018c, para 6):

1. To provide a template for all Tasmanian winegrowers to assess and improve their own sustainability against a set of best practice parameters and recognised metrics; and
2. To provide the evidence to the greater community that Tasmanian winegrowers take their stewardship of the landscape seriously.

## WESTERN AUSTRALIAN SUSTAINABLE WINEGROWING GOVERNANCE

Western Australia lacks a structured state-wide sustainable winegrowing programme (Discover Sustainable Wine, 2019), such as the aforementioned VinØ programme in Tasmania. If Western Australian wineries wish to become known for adopting sustainable winegrowing practices, then the options available to them are to become part of either the Entwine national sustainable winegrowing programme, or the Sustainable Winegrowing Australia (SAW) programme, which is provided under licence by McLaren Vale Sustainable Winegrowing Australia (MVSWSGA) (Discover Sustainable Wine, 2019). This lack of a state-wide sustainable winegrowing programme means that communication around what constitutes sustainable practices at the vineyard level is being driven by national schemes which fail to focus specifically on regional sustainability issues.

## SOCIAL JUSTICE AND MIGRANT WORKERS' RIGHTS

Short-term labour availability is critical to the winegrowing industry and can often only be addressed via the availability of foreign and temporary migrant labour (Bailey, 2014; Barrientos, 2013). Australia and

New Zealand, for example, provide specific visas to enable seasonal work in the agricultural and horticultural sectors, as well as providing young adult working-holiday visas. Such measures mean that the area of workers' rights, and particularly that of migrant workers, is one that has risen to the forefront of debates concerning winegrowing practices in recent years (Dakin & Moyles, 2016; James, 2011; Radio New Zealand, 2016).

Concerns regarding the exploitation of migrant workers in terms of payment for hours worked alongside health and safety issues have seen labour inspections conducted within the New Zealand wine industry (Radio New Zealand, 2016). An example of this occurred during 2016 in the Marlborough wine growing region of New Zealand where Ministry of Business, Innovation and Employment [MBIE] representatives found that several wineries were in serious breach of New Zealand employment law due to their failure to meet minimum wage and record-keeping requirements (Radio New Zealand, 2016). There have been concerns raised that the reputation of the New Zealand wine industry could be in jeopardy with overseas customers refusing to purchase wine produced in a way that does not meet ethical standards in terms of employment rights (Radio New Zealand, 2016).

In the Napa Valley Wine Region in California, affirmative action to support migrant workers has been undertaken with the provision of affordable housing for workers whether they are in the country legally or not (James, 2011). The bulk of the workforce at vineyards within the Napa Valley is made up of migrants, with an estimated 12,000 seasonal workers requiring support (James, 2011). Historically, within the California wine regions migrant workers had been victims of exploitation through poor working conditions and abuse (Dakin & Moyles, 2016; James, 2011). Although the provision of subsidies and support has begun in Napa Valley, the uptake of such social justice initiatives within the international wine industry is still in its early stages.

## METHOD

The cross-national survey used in this study was based on primary data obtained from participants who represent each of the 558 winegrowers located within New Zealand, 125 winegrowers located in Tasmania and 241 winegrowers located in Western Australia as of 2015 (Winetitles, 2015). These wineries all received copy of the survey via post, producing a combined total cross-national sample size of 924 wineries.

From the 558 surveys that were sent out for New Zealand, 145 surveys were received back. Of these 145 wineries, 80 responded that they had gone out of business since the publication of *The 2015 Australian and New Zealand Wine Industry Directory* (Winetitles, 2015), but as these were still judged as valid responses, these surveys were still included in the overall response rate. The remaining 65 wineries who responded then provided the data that this study was based upon. This yielded a New Zealand response rate of 25.9%.

Out of the 125 surveys sent out to Tasmanian wineries, a total of 25 were returned. From these surveys that were returned, 15 were complete and 10 responded that they had gone out of business since the publication of *The 2015 Australian and New Zealand Wine Industry Directory* (Winetitles, 2015). This yielded an overall response rate of 20%. Overall 241 surveys were sent out to Western Australian wineries, and a total of 60 were returned. Out of this, 33 surveys were completed while 27 were listed as being return incomplete due to the winery concerned no longer being in business. This yielded a response rate of 24.9% and a combined Australian response rate of 23.2%.

## RESULTS

In order to investigate the impact that social justice issues were having on New Zealand, Tasmanian and Western Australian wineries, questions were based around how winegrowers perceived social justice and sustainability, the importance of migrant workers' rights and also their perceptions of what constituted corporate social responsibility. These questions were based around a five-point Likert scale (1 = No impact, 5 = Major impact). The results of these responses will now be examined in turn.

### *Sustainability and Social Justice*

Both Tasmanian and Western Australian wineries felt that social justice issues had some impact when considering how organisations defined sustainability, reporting figures of 46.7 and 50%, respectively, in this category (Table 8.1). Some impact from social justice issues was also felt by 33.3% of Tasmanian wineries, while a further 13.3% reported that they believed that social justice issues had a major impact on how their organisation viewed sustainability. Interestingly, the second highest category in this regard for Western Australian wineries was the belief that social

**Table 8.1** How Tasmanian, Western Australian and New Zealand wineries perceive the impact of social justice issues on their sustainable business practices

	# TAS	% TAS	# WA	% WA	#NZ	% NZ
No impact	1	6.7	8	25.0	23	35.4
Little impact	5	33.3	6	18.8	8	12.3
Some impact	7	46.7	0	0.0	10	15.8
A lot of impact	0	0.0	17	50.0	18	27.7
Major impact	2	13.3	2	6.3	6	10.8

$n = 15$  (Tasmania),  $n = 33$  (Western Australia),  $n = 65$  (New Zealand)

justice issues had no impact whatsoever (25%), while 18.3% reported that social justice issues had little impact on their views on sustainability. Only 6.8% stated that they felt this area had a lot of impact. Clearly for Western Australian wineries, this was an area which caused a degree of polarisation in opinions. New Zealand findings showed that social justice issues were an area where the opinions of wineries were also divided. The fact that social justice issues recorded their highest response (35.4%) in the ‘No impact’ category out of all the groups surveyed in New Zealand is pertinent given current wine industry issues in terms of the treatment of workers.

### *Importance of Sustainable Practices in Terms of Migrant Workers’ Rights*

When asked about the importance of migrant workers’ rights in the context of sustainable practices (Table 8.2), 53.3% of Tasmanian wineries reported that they believed this issue to be very important, while 26.7% went even further by stating their belief to be that this was extremely important. The remaining 20% of Tasmanian wineries surveyed indicated that they also believed that this issue was important. No Tasmanian respondents stated that migrant workers’ rights were either somewhat important or of no importance. Western Australian wineries also deemed this issue to be very important with 45.5% of respondents stating that they felt migrant workers’ rights were very important. A further 33.3% of respondents indicated that they felt this issue was important, while the remaining 9.1% stated their belief that this issue was somewhat important.



**Table 8.2** Importance of migrant workers' rights for Tasmanian, Western Australian and New Zealand wineries

	# TAS	% TAS	# WA	% WA	#NZ	% NZ
Not Important	0	0.0	2	6.3	31	47.7
Somewhat Important	0	0.0	3	9.4	9	13.8
Important	3	20.0	11	34.4	17	26.2
Very important	8	53.3	15	43.8	3	4.6
Extremely important	4	26.7	2	6.3	5	7.7

$n = 15$  (Tasmania),  $n = 33$  (Western Australia),  $n = 65$  (New Zealand)

New Zealand wineries reported the highest level (47.7%) in the 'Not important' category out of all three groups of survey respondents when considering migrant workers' rights. The difference in attitude towards this topic between New Zealand and Australian wineries can also be seen through the figures reported in the 'Very important' category; New Zealand reports 4.6% in this category, compared to Tasmania (53.3%) and Western Australia (43.8%), suggesting marked differences in attitudes between the countries.

## DISCUSSION

Although Western Australian and Tasmanian wineries viewed the topic of migrant workers' rights as being very important, New Zealand wineries appeared to regard this issue as a low priority. These results may reflect the time at which the New Zealand survey was undertaken when visa changes to encourage more short-term migrant workers had only been operating for a short period of time. However, in the light of recent events which have occurred within the New Zealand wine industry where winery owners have been fined for exploiting seasonal migrant workers (Radio New Zealand, 2019a, 2019b; Skerrett, 2019), this finding is very pertinent, especially given that the New Zealand wine industry and the New Zealand Government are looking to form legislation that is designed to protect these workers. At the time of writing, these matters are going through a consultative process (New Zealand Winegrowers, 2018b). However, these issues are not being integrated into the wider sustainable winegrowing framework used by Wine New Zealand and which is the basis for branding New Zealand wine

internationally. Sustainability in the New Zealand context is narrowly conceived in environmental terms. The SWNZ programme, which primarily focuses on environmental dimensions, fails to encourage New Zealand wineries to think about their actions in terms of social sustainability. This seemingly relative lack of concern with social justice in the New Zealand wine industry, including in comparison with Australia, means that the New Zealand approach towards sustainable wine practices remains substantially different from those that operate in key markets for New Zealand wine, such as the United States. This has possible implications for brand acceptance in the longer term if labour exploitation by the wine industry becomes more well known.

## CONCLUSION

This study found that in terms of the social aspects of sustainability, there were very different opinions between Australian and New Zealand wineries. Wineries in both Tasmania and Western Australia saw social justice issues as impacting on their business practices, while their New Zealand counterparts are seemingly somewhat ambivalent towards this issue. Given that the New Zealand wine industry has recently encountered significant problems with the exploitation of migrant winery workers (Radio New Zealand, 2019a, 2019b; Skerrett, 2019), this is very concerning, hence the need for further research in this area. It is possible that these issues are only made worse by the high rate of business closure in the wine sector which suggests that substantial economic issues exist for many winegrowers creating pressure on outgoings such as wage, but, again, this remains something that requires further investigation.

Different perceptions were also shown to exist between Australian and New Zealand cool climate wine producers when considering the treatment of migrant workers; New Zealand wine producers appeared dismissive of the importance of this issue, whereas Australian wine producers thought the wellbeing of workers was of great importance. Throughout the results presented in this chapter, it is pertinent to note how attitudes towards sustainable practices changed depending on whether wineries were forced into a situation whereby the schemes were of a mandatory nature (such as the SWNZ scheme) or voluntary (such as the nationwide Australian Entwine programme or the VinØ sustainable winegrowing programme in Tasmania). This reflects the importance of the role of governance and regulatory requirements in shaping how sustainable winegrowing is constructed in different jurisdictions.

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# Does Culture Show in Philanthropic Engagement? An Empirical Exploration of German and French Wineries

*Marc Dressler and Coralie Haller*

**Abstract** Philanthropic behaviour is of high actual relevance. It has predominantly been researched by analysing individuals and their motivation to act charitably (Bekkers & Wiepking, 2011; Katz & Greenspan, 2015). In light of obvious societal shifts from a short-term shareholder perspective to a long-term stakeholder paradigm, sustainability, corporate social responsibility, and thereof philanthropic engagement of companies gain in relevance. Often, such engagement serves marketing purposes. Philanthropic research concentrates on large companies with a tendency to neglect entrepreneurial and cultural perspectives (Onder, 2011; Seifert, Morris, & Bartkus, 2004). In order to contribute to the research gap of entrepreneurial philanthropic activities in the context of cultural differences, an exploratory evaluation of an industry of predominantly

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small enterprises of two different countries in Europe was conducted. Empirical data, derived from surveys with wineries in Germany and in France, allowed an assessment of philanthropic activities and their characteristics in light of cultural dimensions. The explorative investigation supports that cultural differences explain not only the intensity of philanthropic behaviour but also the spending behaviour. An overview of the linkages of philanthropic portfolios and cultural dimensions is provided as possible orientation for future research.

**Keywords** Philanthropy · Social entrepreneurship · Wine industry · Cultural dimensions · Sustainability

## INTRODUCTION

Philanthropy describes voluntary actions for public purposes (Payton, 1988). Despite long-standing, ongoing controversial discussions about the essence, effects, motivation, and whether altruism and philanthropy (co)exist, the intention of “making a difference” results as a commonality of all publications on philanthropy (Duncan, 2004). Philanthropic engagement is not a new phenomenon (Bremner, 2017). The motivation of individuals to donate has been intensively analysed (Bekkers & Wiepking, 2011; Katz & Greenspan, 2015). The early philanthropic research focus on individuals and their motivation was enlarged by research analysing corporate engagement, mainly observing large companies (Seifert et al., 2004). Corporate philanthropy differs from commercial sponsorship in that it involves donations made without expectations of direct commercial rewards. Philanthropic engagement was found to serve marketing purposes (Bennett, 1998), and few studies evaluated the impact on performance (Cameron, Bright, & Caza, 2004). Research exploring the organisational perspective discovered the need to design organisations to fit the environment and to support strategic perspectives (Kieser, 1974; Lawrence & Lorsch, 1967; Zahra & George, 2002). Furthermore, a significant relevance of organisational culture was manifested, especially in an international context (Hofstede, 1983, 1993, 1994; Katz, Swanson, & Nelson, 2001; Kreiser, Marino, Dickson, & Weaver, 2010; Lewis, 2002; Williams, Han, & Qualls, 1998; Wursten & Fadrhonc, 2012).

In the course of the growing interest in the concept of strategic management, organisational design and behaviour, social reach evolved

as a fundamental strategic component. Strategic planning entails acknowledgement of the environment as well as consideration of diverse stakeholders when making managerial decisions (Ansoff, 1965; Hamilton & Nickerson, 2003; Porter, 1986; Wischnesky, 2004; Zahra & George, 2002). Corporate welcoming of strategic planning promoted research on firms' interaction with the environment and the need to satisfy expectations beyond pure stakeholders' financial ambitions—hence social aspects of commercial activities. Massive external pressures (e.g. climate change) as well as profound challenges in the world (e.g. starvation, diseases, wars...) motivated turning away from shareholder centrism. The paradigmatic transition is characterised by far-reaching calls for traceability of company behaviour, consumer interest in fair trade, increasing request for sustainable provision and diminished exploitation of scarce resources to maintain a worth-living perspective for following generations (Lubin & Daniel, 2010; Melnyk, Sroufe, & Calantone, 2003; Nicholls & Murdock, 2012). Indeed, questioning the value of growth and an increasing relevance of long-term orientation vitalise corporate actions for public purposes (Kyrö, 2001). Philanthropy, with a fundamental long-term strategic perspective and constituting a field of activity in the social dimension of sustainability and Corporate Social Responsibility (CSR), has become an inherent part of entrepreneurial activity (Simon, 1995).

Few studies have analysed philanthropic activities in a cultural context (De-Miguel-Molina, Chirivella-González, & García-Ortega, 2016; Onder, 2011). Cross-national analysis of philanthropic behaviour has mostly concentrated on comparing the spending as percentages of revenues by country of origin (Bekkers, 2016; Katz-Gerro, Greenspan, Handy, Lee, & Frey, 2015; Wiepking & Handy, 2015). Another pool of interest was the altruistic activities of wealthy people (Eisenberg, 2006; Frumkin, 2008; Madden & Scaife, 2008; Wang, 2014). This study builds on research examining cultural differences on business design and managerial practice in an international comparison. Our investigation explores philanthropic behaviour from a cultural perspective, assuming that cultural values and norms determine social behaviour and managerial decisions (McDonald & Scaife, 2011). Indeed, prior studies point out the relevance of culture in the context of firm performance (Venaik & Brewer, 2010) and corporate social behaviour (Katz et al., 2001). The literature also reveals the relevance of cultural effects on philanthropy (Stojcic, Kewen, & Xiaopeng, 2016). National differences in CSR

practices were identified but with contradictory findings (Del Mar Miras-Rodríguez, Carrasco-Gallego, & Escobar-Perez, 2015). While some studies report corporate philanthropy to be particularly prevalent among US companies (Gjølberg, 2009; Palazzo, 2002), other studies conclude that France and Germany show higher valuation of socially responsible businesses than their US peers (Maignan, 2001; Salamon, 1999). Surely, as consumers drive CSR behaviour with differences by country, such an analysis of culture and philanthropy promises value for practitioners in their ambition to reach consumers and to optimise resource allocation. Furthermore, as Hustinx, Cnaan, and Handy (2010) noted "... the complex question of how the larger socio-cultural context or macrosystem impacts individual volunteering has received the least attention among scholars in the field" (p. 16).

In order to contribute to fulfilling this research gap of culturally rooted entrepreneurial philanthropic activities, a survey on philanthropy within an industry of predominantly small enterprises was carried out. The empirical investigation of wineries allowed a comparison of philanthropic portfolios of German and French entrepreneurs. The succeeding section details the motivation as well as the approach of the study, followed by a section on cultural distance of the two researched nations. Then, the survey results are explored with cultural dimensions where France and Germany show significant gaps.

## RESEARCH APPROACH

Two online surveys on philanthropic activities conducted in 2017 resulted in 187 and 67 responses from German and French wineries, respectively. The wine industry suited the analysis for entrepreneurial philanthropy as prior studies discovered that agricultural enterprises pursue a high level of philanthropy (Hensche & Lorleberg, 2011), and the wine industry of the two nations is highly entrepreneurial (Dressler, 2017; Haller, Santoni, Barth, & Augarde, 2017). Choosing an industry of small entrepreneurs—the wine industry—in two comparable wine-growing nations allowed data retrieval to exclude possible factors of distortion of prior studies (e.g. educational distortion).

Germany and France, although neighbouring states in Europe sharing a borderline of 450 kilometres, differ from a cultural perspective. Their historical evolutions are manifested in different cultures. Whereas France looks back on a strong unified citizenship—indeed, the notion



of “la nation” rooted in French history—combined with administration, Germany developed more recently into a unified territory and is characterised by more decentralised regional development (Berger, 1997; Brubaker, 1990; Brücher, 1997; Hobsbawm, 2012; Langewiesche, 2000; Marcussen, Risse, Engekmann-Martin, Knopf, & Roscher, 1999). This cultural difference was evident in previous management studies that explicitly focused on France and Germany (Festing & Barzantny, 2008; Rosoux, 2001). Under the assumption that culture matters in entrepreneurial context and decision-making, a framework measuring the cultural distance of the two nations, Germany and France, built the basis for exploring the predominant research question of this study, whether philanthropic engagement can be explained by culture?

### CULTURAL DISTANCE BETWEEN FRANCE AND GERMANY

In 1980 in his seminal research on how culture differs across nations, Geert Hofstede outlined four cross-cultural dimensions that described cultures in specific countries (Hofstede, 1984). He later added a fifth and a sixth dimension (Hofstede, 1993, 2011). The six cross-cultural dimensions are “power distance”, “individualism”, “masculinity”, “uncertainty avoidance”, “long-term orientation” and “indulgence”. Applying Hofstede’s 6-D model for the specific purpose of our study to France and Germany, the two countries score with wider gaps in “power distance”, “uncertainty avoidance”, “masculinity” and “long-term orientation” (see Table 9.1).

The dimensions where scores of Germany and France deviate significantly are evaluated in the context of philanthropy.

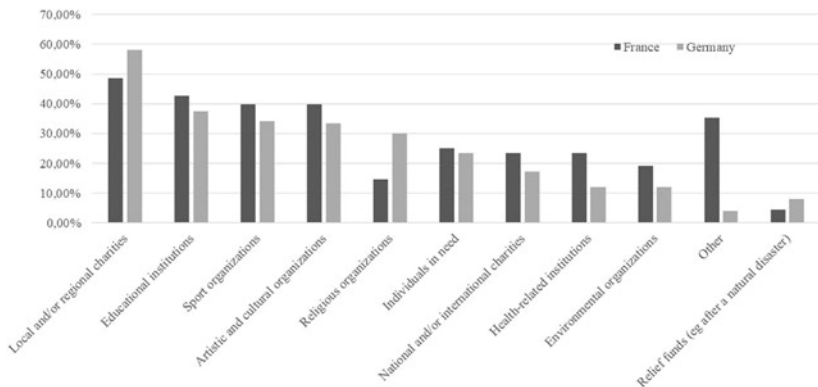
**Table 9.1** Cultural characteristics for France and Germany

<i>Culture Dimension</i>	<i>France</i>	<i>Germany</i>	<i>Distance</i>
<b>Power distance</b>	<b>68</b>	<b>35</b>	<b>33</b>
Individualism	71	67	4
<b>Masculinity</b>	<b>43</b>	<b>66</b>	<b>23</b>
<b>Uncertainty avoidance</b>	<b>86</b>	<b>65</b>	<b>21</b>
<b>Long-term orientation</b>	<b>63</b>	<b>83</b>	<b>20</b>
Indulgence	48	40	8

*Sources* Values from Hofstede (1984, 2019); Hofstede Insights (2019)

## PHILANTHROPY IN THE GERMAN AND FRENCH WINE INDUSTRY

In line with expectations from the literature, the survey results speak for a high level of social engagement of wineries in both nations. All German and more than 80% of the French wineries interviewed reported philanthropic engagements. The fact of belonging to an agricultural-based industry (Hensche & Lorleberg, 2011) as well as being entrepreneurial and predominantly family-owned (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Björnberg & Nicholson, 2012; Gomez-Mejia, Cruz, Berrone, & De Castro, 2011; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuente, 2007) foster philanthropic engagement. Wine donations dominate the giving in this industry (Forbes, Fernandez, Gilisinky, Dressler, & Corsi, 2017) as they accounted for 77% of the French wineries' activities and for 86% of the German ones. Since France and Germany both show expected high engagements (Preston, Rey, & Dierkes, 1978; Salamon, 1999), it was less the extent of philanthropy that motivated this research, but rather comparing the two nations in terms of philanthropic approaches and especially the allocation of resources. The analysis, therefore, concentrates on the beneficiaries of charitable donations. As Fig. 9.1 illustrates, the recipients of philanthropic engagement of the two countries contrast:



**Fig. 9.1** Charitable donation of wine businesses in France and Germany by type of donation

Comparing the French and the German spending profiles, French wineries donate more to educational, sports, cultural, health and environmental organisations. Germany's wineries show a stronger engagement for religious institutions in their philanthropic activities. Whereas German entrepreneurs have a higher regional focus of philanthropy, French wineries show a broader scope with more national/international engagements. This renders the French spending portfolio more diverse. These observations are in line with a prior analysis of the non-profit sector in both nations which showed divergent scopes in donations with a German bias towards spending for religious institutions and a French bias for cultural organisations (Salamon, 1999).

### EXPLORING CORPORATE PHILANTHROPY ENGAGEMENT BY CULTURAL DIMENSIONS

Hofstede's measures for cultural differences (Hofstede, 1993, 2001) serve to explore the different philanthropic activities as reported in the surveys:

**Power distance** deals with acceptance of inequality in a society (Venaik & Brewer, 2010). This measure captures the extent to which less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally (Hofstede Insights, 2019). France's high score of 68 illustrates that inequality is generally accepted. As a result, destiny within the society depends on one's individual efforts, observable in the characteristic philosophy of "existentialism" (Baring, 2010; Sartre, 1947). To the contrary, the German system is more equality driven. Germany's score of 35 on power distance ranks it at the lower end of all observed nations (Hofstede, 1993). The gap in power distance between Germany and France is apparent in managerial practice. A French management style is characterised as predominantly autocratic and paternalistic (Lane, 1989, p. 104). The existence of elitist "cadres" representing accepted leadership speak for high power distance. Indeed, French companies frequently entail more hierarchical levels than comparable German companies. To the contrary, in Germany control is disliked and headship is often challenged. It is less the rank but more the level of expertise that secures leadership (Hofstede, 1993). German managers hence rely more on direct and participative communication and attach much importance to co-determination of rights (Hofstede Insights, 2019).

In regard to the assessed portfolio of beneficiaries of philanthropic activities of Germany versus France, a high “power distance” explicates a stronger commitment within the French population towards individuals. In power distant countries, high-status individuals prefer donating money to lower-status groups to substitute direct, own activity (Luria, Cnaan, & Beohm, 2015), as obvious in the portfolio of France. The observed bias in the surveys for educational organisations in the philanthropic portfolio of French institutions finds explanation in maintaining a system of high-power distance: the French university system with “grandes écoles”, where an acceptance and study at a few famous universities serves as entry into the privileged societal network with advantages for one’s career, is highly elitist (i.e. high power distance) (Festing & Barzantny, 2008; Hofstede, 1993).

The divergent scores on power distance also elucidate a distortion of scope of beneficiaries (local/regional focus of philanthropy for Germany vs. national/international for France) and for religious organisations in Germany. Higher power distance explains more centralisation in France whereas Germany is a federal country with self-governed local communities. Local governments in Germany had to cooperate with local charities, non-profit organisations or social entrepreneurs (Sachße, 1995; Zimmer & Speth, 2009). Statism, state control and centralisation are constant factors in French history (Archambault, Priller, & Zimmer, 2014). An inclined national and international scope of philanthropic allocations of French wineries compared to a more local orientation in Germany hence reflects historic cultural roots. Furthermore, the German heterogeneity in terms of religious groups alongside accepted regional and cultural differences also finds justification in the power distance as diminished central governance allowed more freedom in choice. France, on the other hand, with a high degree of central authority and low local government autonomy resulted in a more homogeneous religious society. Its powerful administrative elite tried to restrict or align beliefs and substitute the unifying boundary to be the idea of citizenship and nation (Archambault et al., 2014). French history, principally shaped by a Jacobin government that declared social responsibility in accordance with the Rousseauist principle and a strong Catholic focus, lowered individual support for religious diversity (Archambault, Gariazzo, Anheier, & Salomon, 1999). Hence, the cultural dimension power distance explains a tendency of German wineries to donate to religious organisations, reemphasising Onder (2011): “...religiosity has a significantly positive effect on nonprofit sector capacity”.

German wineries' bias for religious organisations can also be explained by a tendency for **long-term orientation** (Priller, Zimmer, Anheier, Toepler, & Salamon, 1999). Studies have shown that generosity and prosocial behaviours are affected by a society's short- or long-term orientation (Van Lange & Joireman, 2008; Van Lange, Klapwijk, & Van Munster, 2011). Long-term orientation describes societal links with its own past while dealing with the challenges of the present and future (Hofstede Insights, 2019). High-scoring countries take a more pragmatic approach to prepare for the future. Low-scoring societies are more reluctant to change. Germany's high score of 83 indicates people believe that truth depends very much on the situation, context and time. Indeed, German business favours long-term planning based on thorough analysis (Harris & Mossholder, 1996). Moreover, in societies with long-term orientation people expect to have more interaction with others and are consequently more willing to help others. Indeed, the surveys speak for more intensive philanthropic engagement of German wineries with all wineries being engaged compared to 80% of the French winery population.

Germany is considered a masculine society according to Hofstede's masculine–feminine dimension with a score of 66 compared to France with a score of 43 tending more towards feminism. Masculinity manifests in behaviours driven by competition, where achievement and performance are highly valued. Success in masculine societies drives winning or being the best in the field, a paradigm that prevails in sports. Hence, the preference of the German wineries for sports organisations can be traced to the masculine cultural roots. Feminine countries emphasise the quality of life and caring for the weak (Hofstede, 1984). Indeed, France is world-known for the “French lifestyle” where the quality of life is celebrated and quality consumption (e.g. high-class restaurant dinners) speaks for personal achievements and success. The “feminine characteristics” of France explain the observed bias for art organisations as beneficiaries of philanthropic engagement. In fact, the French welfare system, a 35-hour working week, five weeks of holidays per year, speak for strong societal drive for work-life balance and cultural focus, incentivised by the government (Archambault et al., 2014). French people enjoy nice food in good restaurants and could spend hours tasting wines and sharing tasting notes of wines. A preference for health organisations in the French donation portfolio compared to Germany is also rooted in the feminine characteristics: studies have discovered that women are

more disposed, or feel more obliged to care (Wilson & Musick, 2003). A strong development of social entrepreneurship especially for health provision in France finds illustration in the example of “medecins sans frontières”, a French initiative of global medical provision, which was awarded the Nobel Peace Prize (Archambault et al., 2014).

**Uncertainty avoidance** measures the tolerance for uncertainty and ambiguity (Hofstede & Hofstede, 2005). It reflects whether the society feels threatened by ambiguous or unfamiliar situations with a desire to avoid uncertainty (Hofstede Insights, 2019; Stojcic et al., 2016). Both France and Germany show high scores on “uncertainty avoidance” of 86 and 65, respectively. In high uncertainty avoiding countries, stability and certainty are valued together with the implementation of mechanisms that increases a sense of security in uncertain situations (Friedman, 2007). Illustrated by the French need for structure and planning before meetings or negotiations, as they don’t like surprises, uncertainty avoidance from an institutional level is seen in laws, rules, and regulations to structure life, though it does not mean that French people follow those rules. Indeed, German business culture as well rests on norms of efficiency, precise organisation, careful planning and aversion to risk with a characteristic strive for a systematic planning in detail (Hofstede Insights, 2019). The devotion of resources for environmental care with a slightly higher proportion in the French surveys illustrates the care for the future and the aim to reduce risk stemming from climate change.

In line with the literature, uncertainty avoidance is suitable to analyse philanthropic engagement and to explore the intensity of philanthropic engagements. Studies support that “... low uncertainty avoidance is leading to a prevalence of non-profit activities” (Luria et al., 2015; Onder, 2011; Smith, 2015). Stojcic et al. (2016) demonstrate that a higher uncertainty avoidance level correlates with lower pro-social behaviour. The stated more extensive engagement of German wineries (100% commitment versus 80% for France) is in line with the correlation of higher uncertainty avoidance with lower philanthropic engagement. This impact of uncertainty avoidance is explained by the cultural tightness/looseness paradigm, which refers to the degree to which norms are clearly defined and reliably imposed in cultural systems (Chan, Gelfrand, Triandis, & Tzeng, 1996). Countries with high “uncertainty avoidance” and hence tight cultural systems possess social norms that limit the range of expected and acceptable behaviour across social situations (Gelfrand, Bhawuk, Nishii, & Bechtold, 2004). This is the case for France as there

**Table 9.2** Influence of cross-cultural dimension on philanthropy engagement

<i>Philanthropic engagement</i>									
Culture dimension	Scope (local)	Education	Sport	Art	Religion	Individual needs	Scope (national/ international)	Health	Environment
Power distance	Germany	France			Germany	France	France		France
Masculinity			Germany	France				France	
<i>Uncertainty avoidance</i>					<i>Intensity of engagement</i>				
Longterm Goal					Germany				

is little flexibility and risk-taking based on accepting behaviours and the discretion of individuals. In tight societies, helping the needy is likely a duty of official services rather than volunteers (Luria et al., 2015).

The observed philanthropic engagement in light of cultural dimensions allowed the creation of the following table of influences (see Table 9.2). This overview of linkages between philanthropy and culture discloses the explanatory power of culture in the survey results.

The finding that philanthropic portfolios and especially the beneficiaries of philanthropy can be explained by culture invites further research on societal entrepreneurship and cultural dimensions. Limitations of this study are the number of questionnaires, the focus on two European countries, as well as the creative, exploratory nature of the presented analysis.

## SUMMARY AND OUTLOOK

By exploring empirical data of German and French wineries, this chapter linked the philanthropic behaviour of small entrepreneurs in two countries to cultural dimensions. A comparison of the philanthropic engagement of wine estates of the two nations supports prior research that cultural differences clarify the spending behaviour of companies and explain the intensity of philanthropy. The analysed data illustrates France's spending bias for arts, education and health in line with higher "power distance", "uncertainty avoidance" and "femininity". An observed bias in the German wineries' philanthropic portfolio for sports and religion meets expectations as Germany scores high on the two cultural dimensions "long-term orientation" and "masculinity". Furthermore, bias for local engagements in Germany and a broader scope of national spending in France are in accordance with cultural dimensions and historic evolution.

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# What Does ‘Sustainable Wine’ Mean? An Investigation of French and Italian Wine Consumers

*Roberta Capitello and Lucie Sirieix*

**Abstract** While academics and wine industry practitioners have focused on the topic of sustainability, especially the environmental dimension, little research has assessed what the concept of sustainability actually means to wine consumers. This chapter examines whether wine consumers mention the social dimension when they describe what sustainability means to them, and whether social sustainability is important to them. Data for this research on French and Italian wine consumers was collected using an online survey.

**Keywords** Sustainable wine · Wine consumer perceptions · Pick-any approach · Old wine world countries

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## INTRODUCTION

Consumers have become more health and environment conscious (Thøgersen, 2017). However, eco-labels do not currently play a major role in consumers' food choices (Carrington, Neville, & Whitwell, 2014; Mann, Thornton, Crawford, & Ball, 2018). Several recent studies in the wine sector have demonstrated that consumers are generally interested in wines that are environmentally friendly or socially responsible (Forbes, Cohen, Cullen, Wratten, & Fountain, 2009; Pomarici & Vecchio, 2014). However, consumers perceive that wine is already 'green' and 'natural' compared with food products. Thus, claims of the sustainability of wine do not appear to be an important element of differentiation for consumers (Remaud & Sirieix, 2012; Sogari, Corbo, Macconi, Menozzi, & Mora, 2015). Hence, the sustainability characteristics of wines are used only as peripheral cues by consumers and can be overshadowed by other criteria (e.g. origin or brand) or can have low credibility for consumers (Grunert, Hieke, & Wills, 2014). In addition, most studies have focused on the environmental dimension of sustainability, and little is known about consumer concern for social sustainability.

From the business perspective, wine producers are embracing sustainability as a new opportunity to increase value proposition and obtain competitive advantage (Adams, Jeanrenaud, Bessant, Denyer, & Overy, 2016; Gilinsky, Newton, & Fuentes Vega, 2016). As a result, in the past decade, sustainability-certification frameworks have appeared in many wine-producing regions around the world, and these generally attest to eco-efficiency (Flores, 2018). However, other aspects of sustainability (e.g. social impact or local development) have gained importance for wine consumers and producers (Moscovici & Reed, 2018). The search for differentiation has led many wineries to introduce various products that claim to be sustainable (e.g. biodynamic wines, fair-trade wines or wines supporting social initiatives) (Schäufele & Hamm, 2017). However, wine producers are uncertain about the market success of such initiatives and fear that investment in sustainability will not lead to a satisfactory economic return given that the product has an unclear differentiated image for the wine consumer.

Consumer perceptions of sustainability in relation to wine remain under-investigated. The meanings that consumers attribute to sustainable wines in general and to different types of sustainable wine are of great



interest for wine producers who are considering investing in sustainable practices and claims (Remaud & Sirieix, 2012). While the environmental soundness of sustainable wine is confirmed by many studies (Sogari, Mora, & Menozzi, 2016), the effect of social responsibility on consumer perceptions of wine remains little understood. In this changing market environment, the present chapter seeks to offer new insights into the sustainable-wine market by exploring the concept of sustainability from the consumer perspective. The chapter aims to contribute to understanding the conceptual meanings and differences that consumers attribute to sustainable wines. More precisely this chapter aims to explore whether the social dimension of sustainability is perceived as important by consumers.

### OBJECTIVE

The objective of this chapter is to investigate the meaning of the words 'sustainable wines' and analyse consumers' awareness of the different types of sustainable wine. The chapter also seeks to understand the product–attribute associations that consumers attach to sustainable wines.

The study was conducted in France and Italy, both of which have a long tradition of wine consumption and production. Given that sustainable consciousness among wine producers and consumers around the world has recently begun to increase, it is interesting to investigate how consumers in countries with a long tradition of wine consumption and production perceive wines that highlight characteristics of sustainability. The study answers the following specific research questions:

1. What meanings and features do French and Italian consumers associate with sustainable wines?
2. Which specific product–attribute combination characterises sustainable wines according to consumers' perceptions?
3. To what extent is the social dimension of sustainability important for consumers?
4. Do consumers consider the social dimension of sustainability when they define sustainable wines?

## METHOD

To achieve the research objective, two online surveys by questionnaire were administered in France and Italy to collect data from wine consumers. The questionnaire has two sections: (1) open-ended questions to define consumers' conceptions of sustainable wine; (2) questions using a pick-any approach to examine consumers' perceptions of sustainable wines and discover their product–attribute associations.

The introductory question—‘Have you already heard of “sustainable wine”?’—allowed us to distinguish respondents who were familiar with the term ‘sustainable wine’ from those who were unfamiliar with the term. Respondents were then asked to freely express words and concepts that they associate with the term ‘sustainable wine’. Finally, familiar consumers were asked to state the characteristics they expect to find in a sustainable wine.

In the second section of questions, we used the pick-any technique to measure consumers' perceptions of sustainable wines (Driesener & Romaniuk, 2006). Respondents were asked to state which attribute(s) they associate with each wine. They could freely link any, all or no wine to each attribute.

The list of attributes included 18 items representing four different groups of wine characteristics: (1) concrete characteristics (i.e. good value for money; more expensive; low quality; genuine taste; distinctive taste); (2) image characteristics (i.e. traditional; luxurious; innovative; linked to its origin; requires education to appreciate); (3) benefits for consumer (i.e. does not cause headaches; good for health; pleasurable and fun; trendy); (4) benefits for society (i.e. harmless to the environment; a more responsible winemaker; supports local production; respect for ethical values).

The list of wines cited the following six wines that are defined as sustainable and are accessible to consumers in both countries (CBI, 2016; Mariani & Vastola, 2015; Remaud & Sirieix, 2012; Sirieix, Delanchy, Remaud, Zepeda, & Gurviez, 2013): (1) organic wine; (2) biodynamic wine; (3) wine with no added sulphites; (4) natural or sustainable-development wine promoted by producers' organisations (e.g. VIVA ‘Sustainable Wine’ in Italy, ‘Vignerons en Développement Durable’ in France, and VinNatur in both countries); (5) fair-trade wine; (6) carbon-neutral wine.

The questionnaires were administered from June to October 2016; the sample included 148 valid questionnaires in France and 210 valid questionnaires in Italy. The French respondents were mostly female (63%) and students (50%), while most of the Italian respondents were male (54%) and workers (68%). Respondents were generally young (two-thirds of the samples are aged 40 years or younger) and regular wine drinkers (86% and 74% of respondents consume wine at least several times per month from the French and Italian samples, respectively).

We used the SPSS 22.0 software and correspondence analysis to elaborate information collected through the pick-any technique; product-attribute associations were represented through perceptual maps. We used NVivo 11.4.2 to analyse information collected through the open-ended questions.

## RESULTS

### *Consumer Awareness and Top-of-Mind Perceptions About Sustainable Wine*

Responses to the introductory question—‘Have you already heard of “sustainable wine”’—demonstrated that the French respondents appear to be more familiar with this term than are Italian respondents. Specifically, 54.7% of the French sample, but only 40.5% of the Italian sample, had already heard about sustainable wine.

Table 10.1 presents the level of awareness for each sustainable-wine category in France and Italy. Organic, biodynamic and wine with no added sulphites have the highest levels of awareness in France. In addition, the French respondents show higher levels of awareness of these wines than do the Italian respondents. For natural or sustainable-development wines promoted by producers’ organisations, fair-trade and carbon-neutral wines, respondents have a lower degree of awareness than they do for the other wine categories, but the Italian respondents are more familiar with these wines than are the French respondents.

The level of consumption is logically lower than the level of awareness, and lower among the Italian respondents than among the French respondents. Organic, biodynamic and wine with no added sulphites are the most widely consumed sustainable wines in the past six months for both samples.

**Table 10.1** Familiarity with categories of sustainable wine

	<i>Already heard about ... (%)</i>		<i>Consumed in the past six months (%)</i>	
	<i>France</i> ( $N_F=143$ )	<i>Italy</i> ( $N_I=210$ )	<i>France</i> ( $N_F=143$ )	<i>Italy</i> ( $N_I=210$ )
Organic wine	100.0	87.6	76.2	49.0
Biodynamic wine	72.7	43.8	46.2	16.7
Wine with no added sulphites	91.6	87.1	50.3	49.0
Natural or sustainable-development wine promoted by producers' organisations	23.1	33.8	18.9	11.0
Fair-trade wine	45.5	56.2	13.3	11.0
Carbon-neutral wine	2.1	32.9	10.5	9.0

We conducted two separate analyses for familiar and non-familiar consumers to highlight potential differences in perceptions of the concept of sustainable wine (Tables 10.2 and 10.5). For the respondents familiar with the term 'sustainable wine', top-of-mind perceptions across both countries show that respondents mainly associate sustainable wine with the words 'environment' and 'respect'. Some respondents also mention specific types of products (e.g. organic) (Table 10.2).

Interestingly, respondents used also quite different terms between the two countries to define sustainable wine. The French respondents focused on the production process and associated sustainable wine with specific methods, practices or norms. French respondents also expressed terms related to the sphere of production and its outcomes, and to a lesser extent, to the economic and sociocultural aspects. In contrast, the Italian respondents made more connections with the inherent characteristics of the product, which they perceive primarily as natural, genuine and craftmade. The Italian respondents also indicated low levels of pesticides, certification frameworks and traceability. These respondents further express their trust in sustainable wines as quality, healthy and tasty products.

**Table 10.2** Most cited words connected to understanding concept of 'sustainable wine' among familiar consumers

<i>France (N<sub>F</sub> = 81)</i>		<i>Italy (N<sub>I</sub> = 85)</i>	
<i>No. words<sup>a</sup> = 1046</i>	<i>No. times</i>	<i>%</i>	<i>No. words<sup>a</sup> = 258</i>
Environment	37	3.5	Environment
Respect	32	3.1	Bio, organic, biodynamic
Bio, organic, biodynamic	28	2.7	Respect
Method, practice, norm, principle, procedure	18	1.7	Natural, genuine, craft
Agriculture	16	1.5	Pesticides
Sustainable	15	1.4	Certification, traceability
Reasoned	14	1.3	Earth, air, water
Product	13	1.2	Nature
Production	11	1.1	Ecology
Vines	11	1.1	Health, well-being
Issue	11	1.1	Impact
Development	9	0.9	Quality, taste, good
Economic	9	0.9	Green
Social	9	0.9	
Culture	7	0.7	
			<i>No. times</i>
			<i>%</i>

<sup>a</sup>Composed of at least three letters

These results clearly show the dominance of environmental aspects when consumers are asked about what is sustainable wine. The word ‘social’ only appears in the word associations of French respondents and with only 9 occurrences.

Hence, with the aim of specifically answering the research question ‘To what extent is the social dimension of sustainability important for consumers?’, we analysed the word associations that respondents made with the term ‘respect’ (Table 10.3). We found that the French respondents principally use the term ‘respect’ in association with concepts related to environmental protection and responsible and controlled production processes. However, these respondents also highlight respect towards workers, supply-chain actors and more generally towards human beings involved in wine-production processes. The Italian respondents connect the term ‘respect’ with environmental protection, nature and the concept of ‘natural’. Further, concepts expressed by the Italian respondents are related to product quality, such as organic, taste, healthy and controlled. The terms ‘social’ and ‘eco-fair’ are less important for the Italian sample and are used in combination with the term ‘respect’ as general concepts without any additional specification.

We also asked familiar consumers what they believe are the main characteristics of sustainable wines (Table 10.4). The absence of chemical

**Table 10.3** Word associations with the term ‘respect’ among familiar consumers in France and Italy

<i>France</i> ( $N_F=81$ )	<i>Italy</i> ( $N_I=85$ )
Environment	Nature/natural
Reduction of environmental impact	Environment
Responsible way	Organic
Cultivated vines	Eco-friendly
Produced wine	Low environmental impact
Without any additional input	Without any chemical input
Eco-friendly package	Eco-fair
Sustainable-development rules	Social
Economic performance	Produced according to precise rules
Workers	Taste
Human and actors	Terroir
Issues	Healthy
	Zero-mile product
	Controlled

**Table 10.4** Most cited words connected to characteristics of sustainable wine among familiar consumers

<i>What are the main characteristics of a 'sustainable wine'?</i>					
<i>France (N<sub>F</sub> = 81)</i>			<i>Italy (N<sub>I</sub> = 85)</i>		
<i>No. words<sup>a</sup> = 861</i>	<i>No. times</i>	<i>%</i>	<i>No. words<sup>a</sup> = 206</i>	<i>No. times</i>	<i>%</i>
Chemicals	32	3.7	Natural	28	13.6
Respect	15	1.7	Healthy	26	12.6
Product	14	1.6	Organic, biodynamic	25	12.1
Treatment, input	14	1.6	Good, tasty	21	10.2
Environment	13	1.5	Clean, genuine	20	9.7
Bio, organic	11	1.3	Ecological	10	4.9
Less	11	1.3	Respectful	9	4.4
Method	11	1.3			

<sup>a</sup>Composed of at least three letters

**Table 10.5** Most cited words connected to understanding concept of 'sustainable wine' among non-familiar consumers

<i>What do you understand by 'sustainable wine'?</i>					
<i>France (N<sub>F</sub> = 67)</i>			<i>Italy (N<sub>I</sub> = 125)</i>		
<i>No. words<sup>a</sup> = 1851</i>	<i>No. times</i>	<i>%</i>	<i>No. words<sup>a</sup> = 366</i>	<i>No. times</i>	<i>%</i>
Organic, biodynamic	32	1.7	Organic	53	14.4
Respect	27	1.5	Ecological	32	8.7
Environment	18	1.0	Environment	21	5.7
Agriculture	12	0.6	Natural	18	4.9
Vines	9	0.5	Quality	10	2.7
Product	9	0.5	Respect	9	2.5
Reasoned	8	0.4	Economic	9	2.5
Sustainable	8	0.4			

<sup>a</sup>Composed of at least three letters

inputs and the respect of the production process are the characteristics most noted by the French respondents, confirmed by subsequent words connected to the production process (e.g. raw materials and agricultural practices). In contrast, the Italian respondents highlight wine characteristics (e.g. natural, good, tasty, clean and genuine) and the benefits

received (e.g. healthy, ecological and respectful). For Italian consumers, sustainable wine is mainly an organic or biodynamic wine.

Table 10.5 sets out the meanings that unfamiliar respondents associate with the term ‘sustainable wine’. In both countries, respondents associate sustainable wine with an organic (or biodynamic) wine. They cite words similar to those of the familiar consumers, such as ‘respect’, ‘environment’ and ‘ecological’. French consumers also cite terms that can be connected with the production process (e.g. ‘agriculture’ and ‘vines’) and Italian consumers cite terms that can be connected with the product (e.g. ‘natural’ and ‘quality’). Another difference between the two groups of respondents is that while the French respondents associate the terms ‘reasoned’ and ‘sustainable’ with the concept of sustainability, the Italian respondents associate the ‘economic’ aspect with sustainability. For the sub-samples of non-familiar consumers, the social dimension of sustainability plays a marginal role, and it is rarely mentioned by respondents.

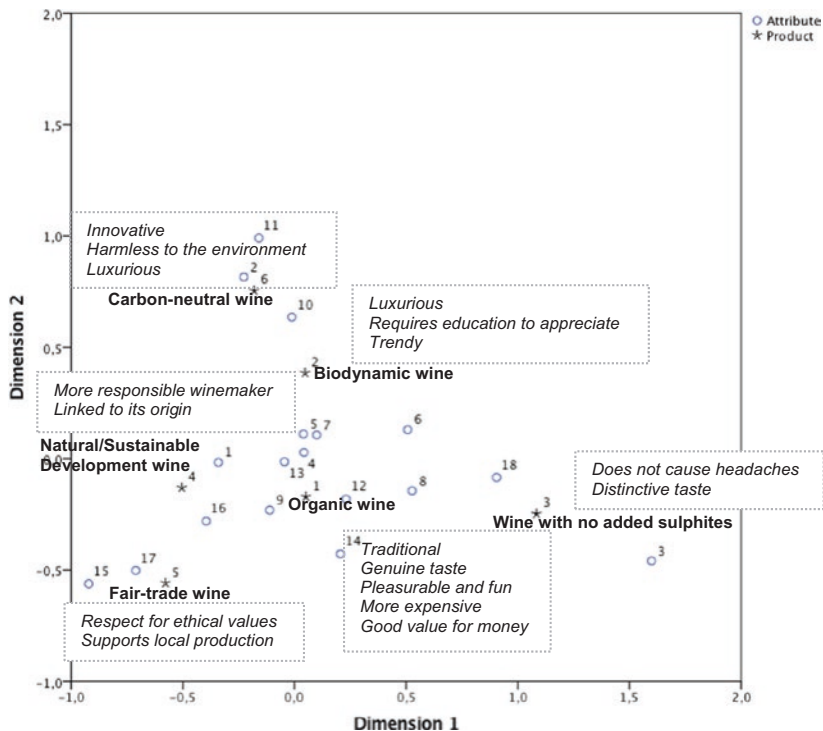
### *Product–Attribute Associations*

Figures 10.1 and 10.2 present perceptual maps of product–attribute associations for the French and Italian respondents, as elicited through the pick-any technique and elaborated through the correspondence analysis.

The maps demonstrate some similarities between the two groups of respondents in relation to the two latent dimensions extracted by the correspondence analysis and the attributes ascribed to the six types of sustainable wine (i.e. organic wine, biodynamic wine, wine with no added sulphites, natural or sustainable-development wine promoted by producers’ associations, fair-trade wine and carbon-neutral wine).

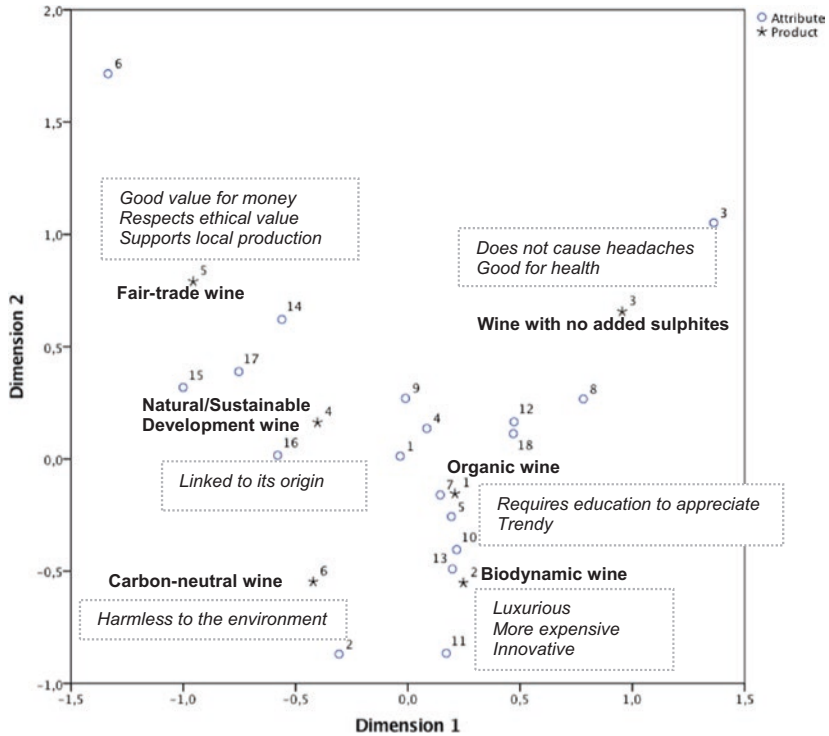
In both of the groups, the two latent dimensions explain approximately four-fifths of the variance, which is very good. The first latent dimension represented by the  $x$ -axis of the perceptual maps covers 57.5% of the explained variance for the French sample (Fig. 10.1) and 49.6% of the explained variance for the Italian sample (Fig. 10.2). It distinguishes perceptions connected to health and the sensory benefits of sustainable wine (positive  $x$ -axis) from perceptions connected to the benefits for society of sustainable wine in relation to supporting local production and respecting ethical values (negative  $x$ -axis).





**Fig. 10.1** Perceptual map of French consumers' associations with sustainable wines (N=148) (*Note* Attributes: 1=More responsible winemaker, 2=Harmless to the environment; 3=Does not cause headaches; 4=Pleasurable and fun; 5=Trendy; 6=Low quality; 7=Requires education to appreciate; 8=Good for health; 9=Traditional; 10=Luxurious; 11=Innovative; 12=Genuine taste; 13=More expensive; 14=Good value for money; 15=Supports local production; 16=Linked to its origin; 17=Respect for ethical values; 18=Distinctive taste. Products: 1=organic wine; 2=biodynamic wine; 3=wine with no added sulphites; 4=natural or sustainable-development wine promoted by producers' organisations; 5=fair-trade wine; 6=carbon-neutral wine)

The second latent dimension (21.3% of the explained variance for the French sample and 30.4% of the explained variance for the Italian sample) represents, for both samples, product innovativeness and eco-friendliness on one side of the  $y$ -axis, and good value for money on the other side of the  $y$ -axis.



**Fig. 10.2** Perceptual map of Italian consumers' associations with sustainable wines (N=210) (*Note* Attributes: 1 = More responsible winemaker, 2 = Harmless to the environment; 3 = Does not cause headaches; 4 = Pleasurable and fun; 5 = Trendy; 6 = Low quality; 7 = Requires education to appreciate; 8 = Good for health; 9 = Traditional; 10 = Luxurious; 11 = Innovative; 12 = Genuine taste; 13 = More expensive; 14 = Good value for money; 15 = Supports local production; 16 = Linked to its origin; 17 = Respect for ethical values; 18 = Distinctive taste. Products: 1 = organic wine; 2 = biodynamic wine; 3 = wine with no added sulphites; 4 = natural or sustainable-development wine promoted by producers' organisations; 5 = fair-trade wine; 6 = carbon-neutral wine)

The French and Italian respondents associate specific attributes with each product. Only organic wine is positioned near the origin for both samples, demonstrating that respondents are less able to associate specific attributes with this product than they can for the other types of

sustainable wine. This may be because organic wine is the most common type of sustainable wine. Organic wine has the highest level of market penetration of all the six categories of sustainable wine (see Table 10.1). This is particularly the case for French respondents, who associate organic wine with the most widespread characteristics attributed to a wine, regardless of whether it is sustainable (e.g. traditional and genuine taste) (Fig. 10.1). French respondents hardly consider characteristics connected to sustainability for organic wine.

For the Italian sample, organic wine is also close to the origin of the axes but associated with the attributes 'requires education to appreciate' and 'trendy' (Fig. 10.2), which is consistent with the lower awareness and consumption of organic wine in this sample.

The French and Italian respondents have similar perceptions of sustainable wine, as outlined below:

- on the positive side of  $x$ -axis, wine with no added sulphites is perceived as not causing headaches; for the French sample it also has a distinctive taste, while Italians associate it with health benefits
- on the negative side of the  $x$ -axis, natural or sustainable-development wine promoted by producers' organisations are perceived by both groups of respondents as being linked to their origin, and the French respondents associate these wines with a more responsible winemaker
- on the  $y$ -axis, fair-trade wine is associated by French and Italian respondents with respect for ethical values and supporting local production and is positioned far from carbon-neutral and biodynamic wines, at the opposite side of the axis
- carbon-neutral and biodynamic wines share a similar position in the perceptual maps of both groups of respondents: the French and Italian respondents perceive that carbon-neutral wine is eco-friendly and that biodynamic wine is luxurious
- French respondents perceive biodynamic wine as trendy and requiring education to appreciate, while the Italian respondents perceive it as expensive and innovative
- innovative and luxurious are the product traits most associated with carbon-neutral wine only by French respondents.

The social dimension appears as a distinctive aspect of sustainable wine in both surveyed samples, in particular with the attributes 'Supports local production' and 'Respect for ethical values'.

## DISCUSSION

The results demonstrate that the top-of-mind perceptions of consumers are similar in both countries; however, French respondents are more focused on the positive social and economic benefits of sustainable wine, while Italian respondents are more focused on the benefits of sustainable wine in relation to product quality and individual health.

For both samples, the product–attribute association spaces are highlighted in the two dimensions of perception: (1) the first latent dimension of sustainable wine opposes benefits for society (different types of sustainable wine, mainly fair-trade, natural and carbon-neutral wines), to health and sensory benefits (wine with no added sulphites and to a lesser extent, organic and biodynamic wines); (2) the second dimension of perception opposes benefits for the environment (carbon-neutral wine), to ethics and social values (fair-trade and natural wines).

For the French sample, the results of this study were compared with the results in Remaud and Sirieix (2012). The positioning of and familiarity with organic wine has changed: such wine no longer perceived as more expensive by French consumers. This is consistent with the growing market share of this wine, and the resultant decreasing price gap with conventional wines. The positioning of wine without sulphites has not changed.

For the Italian sample, the results partly confirm previous studies on the Italian sustainable-wine market (Mariani & Vastola, 2015). Among the product–attribute associations, Italian respondents attach importance to respect for the environment and ethics, but personal benefits appear to be more important to these consumers.

The social dimension of sustainability appears to be relevant for consumers to the extent that the term ‘respect’ mentioned by consumers refers not only to respect for the environment but also to respect for producers. In addition, this social dimension appears to be more important to the French respondents than it is to the Italian respondents, who place more importance on the personal benefits of sustainable wine. Finally, the social dimension of sustainability is generally associated with fair-trade and natural or sustainable-development wine promoted by producers’ organisations. Producers making these wines should emphasise this dimension in their communications strategies.

## CONCLUSION

The purpose of this chapter was to explore the concept of sustainability in the wine industry from the perspective of wine consumers. The study investigated the meaning of the words 'sustainable wines' and analysed consumers' awareness, consumption and perceptions of different types of sustainable wine in order to understand the importance of the social dimension of sustainability for consumers. Although this study used small samples, its results help to better understand the sustainable-wine market and have practical implications.

The study found quite similar perceptions of sustainable wines in both samples, but with a focus on the positive social and economic effects of sustainability in the French sample and a focus on product quality and individual health for the Italian respondents. This result has some practical implications for wineries. That is, wine marketers should be aware of the different consumer expectations for benefits in different markets. In addition, wine marketers should also consider that different types of sustainable wine are associated with different attributes. This finding can be used to support marketing strategies that highlight sustainable production practices and their connection with environmental, health and social benefits from the perspective of the target market. One factor that could play a crucial role in the future competitive strength of sustainable protocols is the measurability of adopted sustainable practices (environmental, social and economic) and the transparent communication of achieved benefits to consumers. The concepts freely expressed by French and Italian consumers in this research can be considered the most relevant attributes that consumers associate with different types of sustainable wine, thus producers of sustainable wine should consider these attributes when developing their communication strategies.

Regarding more precisely the social dimension of sustainability, this study clearly shows that consumers are less aware and less sensitive to the social dimension than to the environmental dimension. This might be due to the fact that environmental concerns are often related to individual concerns such as health, whereas the social dimension of sustainability is oriented towards others. But this might also be due to the greater focus of most academic studies, media and businesses communication on the environmental dimension of sustainability, and

the lack of association of ethical and social benefits to sustainability by both consumers and businesses.

Our study's findings confirm previous research arguing that information about a product's social sustainability is of some importance for consumers (Schäufele & Hamm, 2017; Shao & Ünal, 2019). However, further work must be done to explore if social claims, acting as peripheral cues, are able to generate willingness to pay a premium price for wine consumers (Grunert et al., 2014; Shao & Ünal, 2019). Schönborn et al. (2019) studied the correlation between social sustainability culture and financial performance in businesses across several sectors, and they observed that social sustainability could positively affected performance. Sharpe and Barling (2019) highlighted that, unlike environmental sustainability that is easily communicated by businesses because of the wide spectrum of eco-friendly and low-impact practices recognised by the consumer, social sustainability is more difficult to define, assess and communicate. Therefore, ethical behaviours and social benefits are not always associated by businesses or consumers with sustainability (Sharpe & Barling, 2019).

There is thus a need for academics and industry to work together to further explore the social dimension of sustainability to increase its importance in business practices and communication activities in order to make it more visible and important for consumers.

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# Addressing Social Outcomes in Land and Water Management for Global Wine Regions

*Erin Upton and Max Nielsen-Pincus*

**Abstract** Land use planning and water management decisions impact both social and environmental sustainability. In wine-producing regions, preserving industry goals and natural resources like land and water can produce trade-offs that impact the social sustainability of those regions. This chapter draws on two case studies to illustrate how land use planning and water management decisions are impacting social sustainability outcomes in the wine regions of the Western Cape of South Africa and the Napa Valley in California. Social challenges for each case study's wine industry range from shortages of affordable housing to economic empowerment of disadvantaged labourers. The land and water management in each wine region is discussed, as are the social outcomes of such decisions.

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**Keywords** Land use planning · Water management · Natural resources · Governance

## INTRODUCTION

Social and environmental dimensions of sustainability are both impacted by land use planning and natural resource management decisions. In contrast to environmental sustainability, social sustainability is often characterised as ensuring that people's basic needs are fulfilled, creating and maintaining social capital and justice, and preserving and enhancing important sociocultural identities and institutions in the face of change (Vallance, Perkins, & Dixon, 2011). In wine-producing regions, preserving industry goals and natural resources like land and water can produce trade-offs that impact the social sustainability of those regions. Social sustainability is impacted by issues like access to agricultural land and water, farmland preservation in the face of development pressures and conflict between tourism and the needs of local residents. All of these issues are impacted by policy, planning and management (i.e. governance) decisions. In the context of wine regions, current and past research on social sustainability has often focused on economic and labour considerations relevant to individual farm-scale management decisions (Santiago-Brown, Metcalfe, Jerram, & Collins, 2015; Szolnoki, 2013; Thompson & Forbes, 2011). In this study, we consider the role of governance in wine regions, by examining how institutional arrangements, governmental authorities and citizens collectively make decisions about resources like land and water at a regional scale (Lubell, 2017). We ask the question, how are land use planning and water management decisions impacting social sustainability outcomes in wine regions?

## CASE STUDY APPROACH

To answer our question, we draw on two case studies to provide real-world examples of the relationship between governance and social sustainability outcomes. In this chapter, we focus on the Western Cape of South Africa and the Napa Valley in California. The wine industries in both regions have unique challenges and opportunities specific to their geographical, historical and political contexts, as well as environmental stressors like drought. Social challenges for each case study's

**Table 11.1** Number of interview participants from Napa Valley, California and Western Cape, South Africa

<i>Key informant perspectives</i>	<i>Napa Valley</i>	<i>Western Cape</i>
Winery, vineyard owners, winemakers, viticulturists	6	6
Academic researchers	1	2
Conservation or environmental organisation representatives	3	1
Industry representatives (marketing, research)	2	2
Government planners	2	1
Total	14	12

wine industry range from shortages of affordable housing to economic empowerment of disadvantaged labourers. The two case studies provide a snapshot of how land and water management decisions directly impact the social dimensions of sustainability in wine regions. The policies highlighted in these case studies are not comprehensive, but rather depict regional examples impacting the wine industry.

Each case study was constructed through semi-structured interviews with key informants in each region, field visits in 2016 and analysis of secondary archival data. Interviews were conducted to obtain perspectives from vineyard owners, wine industry professionals, government planners, academics and representatives of regional conservation organisations (Table 11.1). The archival data analysis focused on governance (i.e. policy, planning and management) documents at a range of governance scales. Interviewee quotes are shared throughout to introduce and illustrate a range of topics highlighted by regional stakeholders in their own words.

### CASE STUDY 1: NAPA VALLEY, CALIFORNIA

The Napa Valley American Viticulture Area (AVA) is located in Napa County in Northern California on the west coast of the United States (Fig. 11.1). In 2017, Napa had approximately 700 grape growers and 475 wineries. Over 18,000 hectares of grapevines are planted in the Napa Valley AVA. The tourism group Visit Napa Valley reported in 2016 that over US\$80 million of tax revenue is generated by wine tourism annually. Industry groups state 44,000 jobs are created by the wine industry in Napa County. The Napa Valley AVA has a global reputation



**Fig. 11.1** Map of Napa Valley AVA (*Source* Authors' own compilation)

as a premium wine-growing region. Prime vineyard land is worth over US\$500,000 per hectare in Napa Valley. Wine grapes from the Napa Valley AVA can sell for upward of US\$8000 per ton, as compared to US\$300 per ton in nearby Fresno, California. Yields of Napa Valley AVA grapes topped 66,000 tons in 2017.

### *Land and Water Management in Napa Valley*

In 1968, residential and commercial development pressure was mounting in Napa County from the nearby San Francisco Bay Area. In response, the local citizens implemented one of the first farmland conservation

legislative efforts of that time, the *Agriculture Preserve Act*, known locally as the Ag Preserve. This county ordinance used zoning rules to limit land use to agricultural purposes with minimal allowances for residential or other types of development. The legislation specified minimum parcel sizes and prohibited subdivisions of land ownership. The continuity of the Ag Preserve was strengthened in 1990 with the passage of Measure J. This measure ensured the Ag Preserve ordinance could only be voted out by the citizens of Napa County, and any vote would need a two-thirds majority to pass. Residents voted to pass Measure P in 2008, which guaranteed Measure J would remain law at least through the year 2058. Following the enactment of the original legislation, the Napa Valley AVA's international reputation grew as a successful and exclusive fine wine-producing region. This reputation resulted in agricultural land in the Napa Valley being planted nearly entirely with wine grapes. As the monetary value of wine grapes climbed skyward in the Napa Valley, production grew, and wine tourism became a major industry in the region.

When people want to come in and put vineyards in, this is still America. You buy a property, you own it, you have rights, you apply for a permit, you do everything legally. Do I want more vineyards? No. We prefer the forest, sure. I think everyone would say that. At least all the neighbours up here. But that is what rules and regulations are for.

As wine tourism grew in the region, some residents resisted the focus of the local industry shifting from grape growing and wine production to tourist activities. A belief took hold that increased tourism meant more crowds, more traffic and a change to the rural character of the region. As a result, the *Winery Definition Ordinance* (WDO) was voted into law in Napa County in 1990. The WDO imposed a minimum parcel size of four hectares for wineries and limited the type and amount of permissible marketing and visitor activities in the region (County of Napa, 2007). In other fine wine regions around the globe, tasting rooms with amenities such as restaurants or overnight accommodations are commonplace. However, these types of establishments, in addition to events associated with commercial wine development, like concerts and weddings, are tightly restricted in the Napa Valley.

There are a lot of people who have farms here, still, who grow grapes, who consider themselves sons and daughters of the earth. And so, their belief has always been that Napa is an agricultural area, and that without

the grapes there wouldn't be any wine, and without the wine there wouldn't be any tourists. The grapes are premier and foremost. And that's the highest and best use, and what the focus should always be on-agriculture.

Nearly, every parcel of land suitable for wine grapes on the valley floor in Napa County has been planted. The high prices for grapes, along with the premium reputation of the Napa Valley AVA, have led to new vineyards being planted in the surrounding hillsides. These new vineyards have to be approved by the Napa County Planning Division and meet county, state and federal legal requirements to ensure minimal negative environmental outcomes. However, a variety of issues have arisen in recent decades challenging these hillside developments. The main concern is soil erosion impacting surface water quality, but also the potential for negative impacts to underground aquifers through the removal of existing forests. As a response, the Napa County enacted the *Hillside Ordinance* in 1991, resulting in increased scrutiny of the suitability of slopes and hillsides for new vineyard developments.

The Sierra Club [*an environmental preservation organisation*] sued Napa County, saying that our regulations, when converting woodlands or grasslands to vineyards up in the hillsides, in particular, weren't stringent enough. And that the sediment coming off the erosion was effecting the waterways and impacting anadromous fish species. They were successful in that lawsuit... [as a result] my informal assessment is that putting in an agricultural crop in Napa is probably more expensive and time consuming than almost anywhere else in California.

### *Outcomes*

In 2016, according to the local tourism promotion organisation Visit Napa Valley, tourism makes up the majority of wine industry-related jobs in Napa Valley, employing people in service jobs in hotels, restaurants and wineries (Visit Napa Valley, 2016). Due in part to the strict zoning laws of the Ag Preserve restricting residential development, there is a considerable shortage of available housing in Napa County. As land values increase and higher-income earners relocate to the area for its prestige as well as fine food and wine culture, most workers are forced to live in and commute from neighbouring counties.

The prices “up valley” have gotten to be fairly crazy. Napa is a wine producing region, but it has also taken on a secondary personality in the last 15 years of being a high-end tourist destination. It has done very well marketing itself as a lifestyle, so now we are attracting people who are not involved in the wine industry at all, but they come here for the lifestyle. You know, we are selling the sizzle, not the steak anymore.

Geographically, most of the grape growing in the county occurs “up valley” in the northern part of the region. The two main population centres are the city of Napa and the city of American Canyon. Both cities are located in the southern end of the region. Proponents of limiting or stopping vineyard development in the hillsides have targeted awareness-raising efforts in the voter-dominant southern part of the county. Proponents of limiting hillside vineyards characterise the land cover change from forested hillsides to vineyards as potentially harmful to the underground aquifer and present the argument of increased risk to drinking water security. American Canyon, as the youngest city in the region, is the last on the list of municipalities in the county to receive water allocations from the California State Water Project (SWP). The SWP transports drinking water across the state from the Sierra Nevada mountains in the east to population centres in the west of the state. In recent years, drought has resulted in reduced water availability and American Canyon has not received their full water allocation. One way the city can address the drinking water shortage is to pump available groundwater.

Voters control the future of county land and water legislation, and there is a growing awareness in the “up valley” industry that if the voter base becomes disconnected from the wine industry, “down valley” voters will have the power to vote to restrict vineyard development. Voters could also vote for the removal of the Ag Preserve all together, which could increase future affordable housing opportunities. The trade-offs between land use restrictions, access to water, promotion of the Napa Valley identity and the availability of affordable and equitable housing present social sustainability challenges that impact the future of the identity, environmental and economic status of the Napa Valley wine region.

In terms of real social issues, I think it’s the job-housing issue. That’s also a tough one because the county can’t develop because of the Ag Preserve. So, it falls on the cities, and the cities don’t want to build affordable

housing, it's a money loser. So, we are probably working more with American Canyon and [*the city of*] Napa to try to provide more housing opportunities where it's a little cheaper and they are a little more open to the possibility of lower priced housing. But that also has an unintended consequence, as does everything, ultimately, we are pushing more and more of the population to the south part of the county. Which means we are putting more and more voters to the south part of the county. Which means that they are divorced from the wine industry.

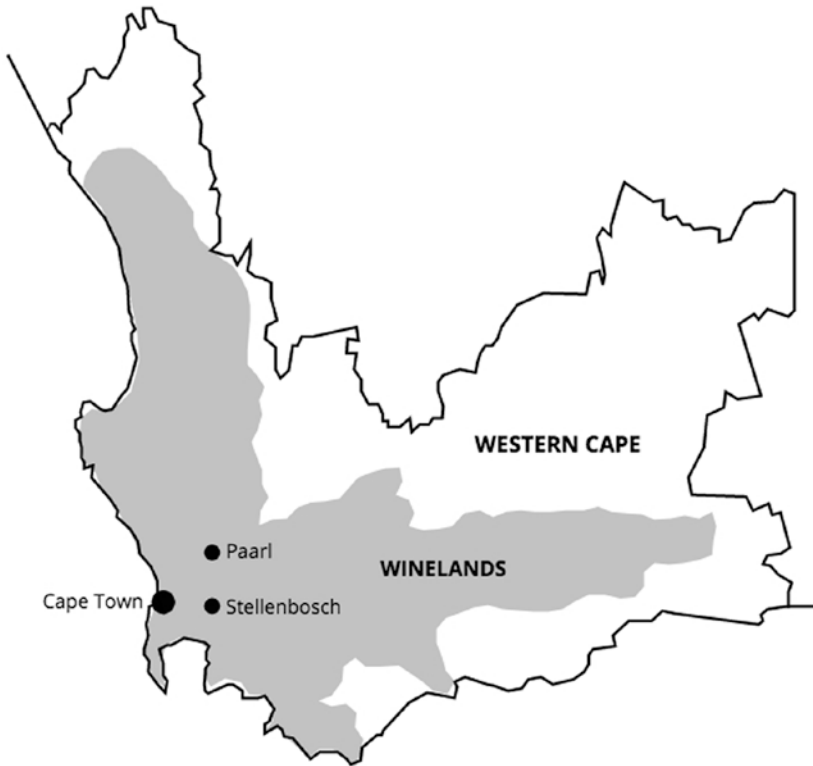
## CASE STUDY 2: WESTERN CAPE, SOUTH AFRICA

The Western Cape of South Africa has produced wine since the mid-seventeenth century (Fig. 11.2). As of 2016, South Africa, with 95,000 hectares of vineyards, produces nearly 4% of the world's wine. The wine industry in the Western Cape is dominated by grape growers, with upward of 3000 growers and 546 wineries in 2017. The industry group Wines of South Africa reported that 300,000 people were employed both directly and indirectly through the wine industry in 2015 (Wines of South Africa, 2015). Nevertheless, the wine industry in the Western Cape has low profitability for grape growers and wine producers. Growers have been able to earn almost double the price for their grapes by selling to bulk wine producers compared to premium wineries. South Africa's wine industry has a long history of challenging social issues, beginning with slave labourers, followed by twentieth-century Apartheid rule and paternalism (Ewert & Du Toit, 2005). The region's serious economic and social issues have had lasting implications for the wine industry, even at present following more than two decades of democratic governance in the post-Apartheid era.

### *Land and Water Management in the Western Cape*

Governance in the Apartheid era used “command and control” tactics to run the South African wine industry. The KWV (Koöperatieve Wijnbouwers Vereniging, Afrikaans for Cooperative Winemakers Union) backed by the authority of the federal government and controlled all aspects of wine grape growing and selling in the Western Cape, including what grape varieties farmers could plant, production yields and the locations of vineyards. The lasting consequences of the KWV's actions have contributed to current challenges facing the wine industry





**Fig. 11.2** Map of Western Cape, South Africa (*Source* Authors' own compilation)

post-Apartheid. During the KWV era, the international reputation of the South African wine industry was as a mass-producer of low-quality, cheap, bulk wine, with production dependent on the exploitation of low-wage farmworkers. Many vineyard sites also proved to not be well suited to grow the KWV-mandated grape varieties, or even for growing wine grapes at all (Ewert & Du Toit, 2005). The combination of a past reputation for low-quality wine, the legacy of Apartheid-era international boycotts of wine exports and current global economic drivers has resulted in low profitability for the South African wine industry. Industry bodies and producers continue to work on building up new markets

focusing on quality and social improvements, but at present profitability is not within the sights of 80% of the industry.

Up until the late 1980s the industry was really in trouble. Generally speaking, the quality was really bad. The industry was very tightly controlled. It was the sort of Cooperative [*KWV or Cooperative Winemakers Union*] that quite weirdly had statutory powers. The government had an act which backed it up, which gave it the ability to intervene in the market. You couldn't plant vineyards without having a quota. And you couldn't get a quota unless the KWV decided you could. This Cooperative, they had a monopoly on exports. Nobody else would export under their own name because of the [*Apartheid era induced*] boycotts and sanctions.

Post-Apartheid, the new democratically elected government went through a comprehensive effort of “*de-regulation*” and “*re-regulation*” of the country's policies and legislation regarding labour, agricultural land use planning and water resource management (Ewert & Du Toit, 2005). One new focus of the democratic government was a nationwide water licence system which did not exist during the Apartheid era (van Koppen & Schreiner, 2014). Water is a very scarce resource in the Western Cape, and in recent years, the region has experienced serious drought conditions and water shortages. Prior to 1994 when Apartheid ended, water was controlled by the rich, white minority who held all of the political, social and economic power. As new legislation was enacted, there was a focus on redistribution of access and on equity and empowerment of previously disadvantaged black South Africans. One of these initiatives is the *Broad-Based Black Economic Empowerment (B-BBEE) Policy* (van Koppen & Schreiner, 2014). Some of this legislation directly impacts agricultural operations, including water access for new vineyards.

You cannot have a new dam unless it's approved. Runoff is calculated that you won't take another dam's water, and keep the winter store going as well. If you don't do a black empowerment deal on your farm, you are not likely to get permission for a new dam. It's part of developing the social side of the previously disadvantaged people.

### *Outcomes*

One result of the legacy of social and financial difficulties in the wine industry in South Africa is a shift in land use. Wine farms are

diversifying their offerings to visitors to use tourism to increase income. Supplementary income is generated through other activities on the wine farms including guest houses and holiday accommodations, restaurants, garden shops and coffee shops.

We are sitting in this heritage area of Stellenbosch of 300 years of wine farms, which cannot actually financially survive just on wine production.

Another outcome of financial challenges in the wine industry is the permanent loss of farmland. When farming is not sustainable to landowners, other land uses make more financial sense, like subdividing and developing the land for luxury housing. The Western Cape is known for its natural beauty, and the wine region is in close proximity to the city of Cape Town. Regional planners and wine industry citizens speak of the increase in “lifestyle migrants” and “lifestyle farms” in the area.

People want this lifestyle, the small farm, that we also don’t encourage, because it is really nothing else but a large residential property. So, we just say it’s like a piece-meal. You lose a bit, then a little more. You sterilize actually our whole area, cumulatively.

One challenge related to “re-regulation”, or the development of new policies in the democratic, post-Apartheid era, is difficulty in implementation, monitoring and enforcement of laws and policies. The difficulties have been attributed to multiple factors, including political interference and corruption, as well as poor strategies for ensuring accountability. The governance transition was largely a transformation of political freedom and affirmative action. Scholars and citizens have observed that true socio-economic structural transformation in South Africa has proven to be elusive. Recommendations for addressing these issues vary and include a reassessment of B-BBEE policies to ensure alignment with other economic policies, such as the National Development Plan. Another recommended approach to help safeguard against abuse of B-BBEE procurements or corruption is a focus on local governments monitoring and evaluating the national level policies (Shava, 2016).

Yes, the water, looking at quantity of water but also the social costs, the economics of this water [...] We’ve got some of the best water legislation in the world. Unfortunately, the policing and the implementation of this is terribly shocking.

## CONCLUSIONS

The case studies of Napa Valley, California and the Western Cape of South Africa provide a deeper understanding of the role of governance in wine regions. Lessons learned in these regions have broader generalisability for other wine regions in the exploration of the relevance of land and water management decisions on social sustainability. Each region, globally, will have unique outcomes dependent on the specific context of place. In Napa Valley, geography and population growth pressures are driving factors of policy and management decisions, while in contrast, two major drivers in South Africa are wine industry profitability challenges and a need to address the social history of farmworker oppression. A common trend in many wine regions today is the shift of land use planning and water management decisions to urbanised populations. As urban populations grow and their decision-making responsibilities for rural areas increase, urban dwellers' real-world connections to rural landscapes decline, which may result in negative outcomes for rural identities and wine industry goals.

Another universal question to ask as the wine industry considers social sustainability, is "sustainability for whom"? Can benefits extend to the regional community as a whole, versus advancing or sustaining only those with access to existing monetary, land and water resources? Consideration of land and water management in the wine industry has the potential to contribute to social justice outcomes and preservation of sociocultural regional character in times of environmental, political and economic change.

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# Sustainability Reporting by New Zealand Wineries

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**Abstract** Many organisations have realised the need to engage in sustainable practices, and the benefits from doing so. This engagement includes communicating sustainable practices with stakeholders through web pages. The quantity of web page reporting varies by winery and by reporting category, as does the ease of reading (i.e. readability). This chapter discusses sustainability reporting and sustainability in the New Zealand wine industry, introducing readers to the nine key focus areas of Sustainable Winegrowing New Zealand (SWNZ), of which only one focuses on social sustainability. The quantity and readability of web page reporting of 433 New Zealand wineries are examined with differences

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found between the four reporting categories—social sustainability reporting, environmental sustainability reporting, social and environmental sustainability reporting, and sustainability reporting. There is room for improvement in the readability scores of all the reporting categories, although social sustainability reporting is slightly more readable.

**Keywords** Social sustainability · Web page reporting · Readability · Quantity · Sustainable Winegrowing New Zealand (SWNZ)

## INTRODUCTION

Regardless of the industry, sustainability impacts organisations. Sustainability—environmental, social, and economic—affects organisations from both an input perspective and also an output perspective. Issues such as climate change, resource usage, and employee rights impact operations, while the impact operations have on the world includes resource wastage and pollution (Flores, 2018).

Many organisations have realised the need to engage in sustainable practices, and the benefits from doing so. Business engagement with sustainability includes adopting environmental and/or social management systems, adopting certification, measuring sustainability performance, as well as adopting tools for communicating with stakeholders including product labelling, marketing campaigns, and reporting information via annual reports and websites. The benefits of engaging in sustainable practices have been recognised by businesses and include reductions in negative environmental impact, better engagement with stakeholders, improved production processes, increased customer satisfaction, improved product quality, positive social image and reputation, profitability, and market value (Flores, 2018; Ngai, Law, Lo, Poon, & Peng, 2018; Qiu, Shaikat, & Tharyan, 2016).

Globally there is a dominance of environmental sustainability in practice and in research, and this has carried through to reporting which is dominated by environmental information. However, despite the growth in environmental sustainability research, there remains a lack of development of social sustainability practices (Ajmal, Khan, Hussain, & Helo, 2018; Kamali, Borges, Osseweijera, & Posadaa, 2018), which is also accompanied by a lack of studies examining social sustainability reporting. Further, prior studies have found that social disclosures matter

more to investors than environmental disclosures (Qiu et al., 2016). This situation also applies to businesses in the wine industry as well, where prior studies have found that sustainability practices in the wine industry are dominated by environmental sustainability (Szolnoki, 2013).

Past research has examined the sustainability reporting practices of New Zealand companies as well as the corporate social responsibility capabilities and practices (see Australian Centre for Corporate Social Responsibility, 2017). However, these studies have not been specifically focused on website reporting or reporting in the wine industry. Further, many of the studies examining sustainability in the wine industry focus on aspects such as drivers and benefits (Dodds, Graci, Ko, & Walker, 2013), practices (Gabzdylova, Raffensperger, & Castka, 2009), and environmental management systems (Flores, 2018; Forbes & De Silva, 2012; Hughey, Tait, & O’Connell, 2005), with few, if any, studies examining reporting or information disclosure to stakeholders. One specific aspect of sustainability reporting that has been examined recently is readability (Abu Bakar & Ameer, 2011; Nazari, Hrazdil, & Mahmoudian, 2017; Smeuninx, De Clerck, & Aerts, 2016; Wang, Hsieh, & Sarkis, 2018), with prior studies generally finding readability to be poor (Richards, 2011; Smeuninx et al., 2016).

Given these research gaps, this chapter addresses the following research questions:

1. What is the readability of sustainability reporting by NZ wineries on their websites?
2. What is the quantity of sustainability reporting by NZ wineries on their websites?

## SUSTAINABILITY REPORTING

Sustainability reporting enables an organisation to be accountable to its stakeholders. Communication to stakeholders is vital to ensure organisations demonstrate how and/or why their actions and activities do, or do not, align with society’s changing perceptions (Newson & Deegan, 2002). A failure to do so can lead to a loss of a social licence to operate, image and reputation, and legitimacy.

Numerous organisations have recognised the need to communicate sustainability information to stakeholders as reflected by increases in sustainability reporting (KPMG, 2017). Sustainability reporting can,



and does, take many forms. While sustainability reporting is voluntary in a number of countries, guidelines—such as the Global Reporting Initiative (GRI) Standards (Global Reporting Initiative, 2019) and the United Nations Global Compact Sustainable Development Goals (United Nations Global Compact, n.d.)—exist, and a number of countries have mandated, at least some aspects of, sustainability reporting or Integrated Reporting <IR> (Folkens & Schneider, 2019; The International Integrated Reporting Council, n.d.). Various titles exist for published stand-alone reports (see Fifka, 2014) including ‘corporate social responsibility report’, ‘sustainability report’, and companies also disclose sustainability information as part of their ‘annual report’ or ‘annual review’. While the publication of these reports is largely undertaken by listed companies and large organisations, other communication mediums may also be used by these companies to provide stakeholders with sustainability information, as well as by unlisted companies, small and medium-sized enterprises, and other organisations. One of these communication mediums is websites (Fifka, 2014; Lodhia, 2006). Corporate websites can provide duplicates or replacements for printed reports, however, websites also include supplemental information to the formal report, and in some cases they are the only form of communication to stakeholders (Morhardt, 2009). While concerns have been raised in prior studies about the effective use of website reporting (Shepherd, Abkowitz, & Cohen, 2001), and about the selective nature of website reporting with a general lack of negative environmental information found by Patten and Crampton (2003), there are a number of benefits of website reporting including timeliness, accessibility, improved presentation, and efficient organisation (Lodhia, 2006).

Sustainability reporting, in part due to its predominantly voluntary nature, is mainly subjective and there are large variations in the quantity and quality of sustainability information reported (KPMG, 2017; Nazari et al., 2017). The quality of the information reported impacts the quality of the decisions made by stakeholders, particularly those made by shareholders, and this is an important factor to consider. Information quality can be affected by quantity including coverage of key topics, as well as readability. Thus, both quantity and readability should be considered by organisations reporting information to the public (Wang et al., 2018) regardless of the communication medium.

### *Readability*

*Readability* refers to the ease of reading (Harris & Hodges, 1995; Smeuninx et al., 2016), with some researchers defining readability as a text characteristic of what makes a text easy and fast to read (DuBay, 2004; Schroeder & Gibson, 1990). Often the concept of readability has a focus on ‘understandability’ and ‘comprehensibility’ (Klare, 1963; McLaughlin, 1969). However, Smith and Taffler (1992) believe understandability is distinct from readability in that it is about the interaction between the text and its reader and could be affected by prior knowledge.

### *Quantity*

Prior sustainability reporting studies looking at quantity have typically taken one of two approaches: (1) measuring the volume of reporting; or (2) measuring the coverage of particular items (Morhardt, 2009). Some researchers argue that measuring volume is more informative than coverage (e.g. Unerman, 2000). Volume is usually measured on the basis of sentences, words, and/or number of pages, while coverage is based on a presence-absence checklist of a predetermined list of categories with some studies also extending this to include an index that aims to measure elements of the information reported and provide further insights as to the quality of the information (Morhardt, 2009).

## SUSTAINABILITY IN THE NEW ZEALAND WINE INDUSTRY

The global wine industry has acknowledged that it has an impact on, and is impacted by, sustainability. Numerous frameworks and certifications have been developed in the wine industry that enable businesses to monitor and mitigate their negative sustainability impact (Flores, 2018). These include sustainability programmes mandated by wine industry bodies as well as voluntary sustainability programmes (see Flores, 2018 for an overview).

In New Zealand, the national organisation for the grape and wine sector is known as New Zealand Winegrowers (New Zealand Wine, n.d.a). Sustainability is important to the grape and wine sector globally as well as in New Zealand (Flores, 2018; Szolnoki, 2013). New Zealand Winegrowers developed and introduced an industry-wide certification programme known as Sustainable Winegrowing New Zealand (SWNZ) (New Zealand Wine, n.d.b). SWNZ “ensures members meet

international standards for sustainability practices while helping the environment, businesses and local communities to thrive” (New Zealand Wine, n.d.b). SWNZ was adopted in 1997 by grape growers, and by wineries in 2002 (see Sautier, Legun, Rosin, & Campbell, 2018 for a review), and was developed with the following objectives:

- “Provide a ‘best practice’ model of environmental guidelines for the vineyard and winery.
- Guarantee better quality control from the vineyard through to the bottle.
- Assure consumers that products are made with minimal impact on the natural and social environment” (New Zealand Wine, n.d.b).

Nine key focus areas are identified in SWNZ as pillars of sustainability (New Zealand Wine, n.d.c). They are (1) Biodiversity, (2) Air, (3) Water, (4) Pest & Disease Management, (5) Soil, (6) Energy, (7) Byproducts, (8) People, and (9) Business. As can be seen from this list, seven areas cover environmental sustainability, one area covers social sustainability, and one area covers economic sustainability. This imbalance has been identified as one of the reasons why some wineries have sought guidance from other sustainability and environmental management systems (Forbes & De Silva, 2012; Hughey et al., 2005).

Expanding the *people* focus area, there are four key topics: (1) Community contribution; (2) Employee and employment support; (3) Education and training; and (4) Compliance. While only one of the nine key focus areas, *people* are important to “the success of New Zealand’s wine industry [as it] depends strongly on the commitment and passion of the employees behind it” (New Zealand Wine, n.d.d).

## METHOD

### *Sample Selection*

After conducting an Internet search, a list of 612 New Zealand wineries was obtained from the New Zealand Wine website in September 2018. From this list, 179 wineries were eliminated because they were listed in more than one wine region or because they did not have an accessible website. This resulted in a sample of 433 wineries across the 12 New Zealand wine regions.

### *Data Collection*

Many prior sustainability reporting studies have used annual reports and/or stand-alone reports as the source of sustainability reporting. These reports are available from listed companies (the population for many of these prior studies) due to reporting regulations and are not typically available from other organisations. Nevertheless, website reporting has been used as the focus in some prior sustainability reporting studies and is recognised as a valid source of reporting (Morhardt, 2009). Nearly all New Zealand wineries are non-listed companies and thus they have no requirement to produce a publicly available annual report. Therefore, websites were used as the source of sustainability reporting.

The websites of the sample wineries were searched for sustainability information through keywords related to ‘sustainability’, ‘social’, and ‘environmental’ during September 2018. The search resulted in 229 wineries reporting sustainability information on their websites. The sustainability information identified was manually extracted and saved in MS Word for analysis purposes and ease of use in the readability software. Reporting was classified into four categories: (1) Social Sustainability; (2) Environmental Sustainability; (3) both Social and Environmental Sustainability; and (4) Sustainability. Category 4 refers to information that is generic in regard to the objectives set by the SWNZ programme (as noted in the section “[Sustainability in the New Zealand Wine Industry](#)” above). Once the sustainability-related reporting was extracted, content analysis was applied to examine reporting coverage and the importance and dominance of reported information among the wineries.

### *Reporting Readability*

Readability software was used to determine readability scores and volume of reporting. In line with Smeuninx et al. (2016), this research assumes that when a text’s features make it easier for the reader to extract the desired information, the text is more readable. An online readability software tool—*ReadablePro*—was used to increase the efficiency and accuracy of computing the readability indices. This text analysis software programme considers a number of factors in the computation of each readability index including the number of characters, number of syllables, number of words, and number of sentences.

Five readability indices were used. For each index, a lower score indicates the text is more readable than text with a higher score, and thus it will be more easily read by readers with lower comprehension skills than text with a higher score.

*Flesch-Kincaid Grade Level (FKGL)* is the most common and easiest readability index used in prior studies. This index indicates the minimum level of education required in order to understand the subject material by quantifying the years of education that the text requires of the reader (Kincaid, Fishburne, Rogers, & Chissom, 1975; Smeuninx et al., 2016). *Gunning Fog (FOG)* is another common readability index used in prior studies introduced by Gunning (1952). This index computes the years of formal education, or grade level, required to understand the text. While similar to the FKGL score, the Gunning Fog score places more emphasis on the percentage of complex words (i.e. words with three or more syllables) in the text (Li, 2008). *Coleman-Liau Level (CL)* computes the formal education, or grade level, required to understand a document based on sentence length and word length (letter count). The *SMOG* index calculates the years of formal education, or grade level, required to understand a text based on the number of complex words in the selected sentences. Finally, *Automated Readability (AR)* index measures the years of formal education, or grade level, a reader requires to understand a text based on sentence length and character count. As suggested by prior studies, the average (AVG) of all readability indices was also calculated (Nazari et al., 2017).

## RESULTS AND DISCUSSION

Of the 433 wineries in the sample, 52.9% (229 wineries) report sustainability information on their websites. Calculated readability scores for 229 wineries are shown in Table 12.1.

Although each of the readability scores has a different formula and considers various aspects of a text, they all present consistent results in this research. The average scores computed in this research fit into the range 10–13 which highlights a need for further improvements in the readability of sustainability information since any text should aim for a readability score of around 8 to be readable by the general public (Readable, n.d.).

In contrast to a prior study by Richards (2011) on the readability of corporate communications of New Zealand and Australian companies,

**Table 12.1** Sustainability reporting readability scores

<i>Reporting category</i>	<i>Number of wineries</i>	<i>Readability scores</i>					
		<i>FKGL</i>	<i>FOG</i>	<i>CL</i>	<i>SMOG</i>	<i>AR</i>	<i>AVG</i>
Social sustainability	8	9.74	11.46	10.30	11.80	9.86	10.63
Environmental sustainability	137	11.14	13.25	12.99	13.44	10.63	12.29
Both social and environmental sustainability	24	11.34	12.89	13.12	13.38	11.10	12.37
Sustainability	60	11.47	12.12	13.88	12.76	10.49	12.14

the findings of this research do not indicate extremely difficult readability scores. The study presented very poor readability scores (extremely difficult)—from 15 to 18—and poor readability scores (difficult)—from 13 to 14—requiring readers to have Honours or Master’s degrees and Bachelor’s degree, respectively.

As shown in Table 12.1, readability scores are slightly lower (more readable) for the social reporting category than for the other reporting categories. Further analysis also indicated that the median IELTS grade required for readers to understand the social reporting was lower than that for other reporting categories—6.8–8 as opposed to 8–9.

A brief analysis on the tone and sentiment of the extracted texts indicated that 94% of the wineries used a *formal* tone instead of a *conversational* tone, and 99% of them used a *positive* form of language.

### *Reporting Quantity*

Similar to prior sustainability reporting studies, this research examined the volume of reporting for all reporting categories and also analysed the importance and dominance of sustainability information to provide further insights. In addition, for the two reporting categories that included social information, the coverage of particular items was explored.

#### *Volume of Reporting*

As shown in Table 12.2, ‘environmental’ and ‘social’ were identified, respectively, as the most and the least common reporting category

**Table 12.2** *Sustainability reporting quantity analysis*

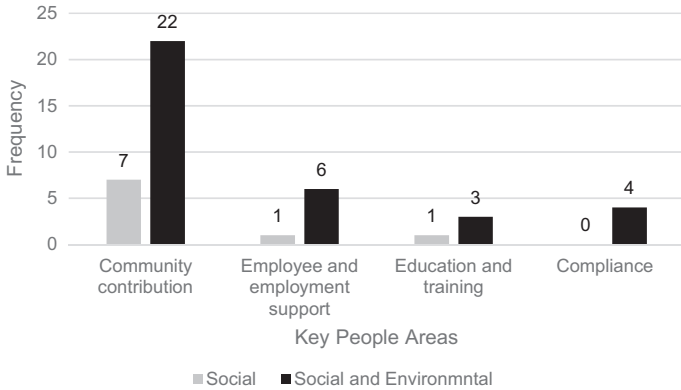
<i>Reporting category</i>	<i>Number of wineries</i>	<i>Character count (letter)</i>	<i>Syllables count</i>	<i>Word count</i>	<i>Sentence count</i>
Social sustainability	8	937.75	307.88	193.50	11.50
Environmental sustainability	137	1156.31	389.38	224.09	14.69
Both social and environmental sustainability	24	4049.17	1359.96	757.96	51.75
Sustainability	60	381.72	129.60	92.17	5.75

among wineries. This imbalanced finding was expected as the SWNZ programme identifies seven out of nine key focus areas as environmental in contrast to only one key focus area related to social sustainability.

The longest disclosures published by wineries covered both ‘social and environmental’. In contrast, 60 wineries provided the shortest and least informative disclosures to their stakeholders by simply rewording the objectives of SWNZ. Although these wineries mentioned ‘sustainability’, in general, they did not provide any details about their focus or the extent of their sustainable practices.

#### *Reporting Importance and Dominance*

Consistently across all four reporting categories used in this research, the sample wineries placed high importance on their sustainability disclosure, with approximately 40% (38–43%) of the wineries reporting their sustainability-related information on their home page and the remainder under a section directly linked from the home page. However, the section titles were not clearly named to easily direct interested readers to the sustainability-related information. Sustainability disclosures were mostly published under the following titles: About us; Our place; Our vineyard/Our wine; Our story/Our history; Our environment/Our land; Organic; or Sustainability/Responsibility—*About us*, and *Our vineyard/Our wine*, were the most commonly used section titles. Other than *Sustainability/Responsibility* which was used by only 17 out of 229 wineries, section titles were not sustainability-focused titles.



**Fig. 12.1** Social sustainability reporting coverage ( $n=32$ )

### *Coverage*

Figure 12.1 reflects the result of content analysis for the two reporting categories that included social disclosures. The findings identified ‘community contribution’ as the dominant area of social sustainability reporting by the wineries—reported in almost 90% of wineries in both the social sustainability reporting category, and social and environmental sustainability reporting category—with the other three areas covered minimally. Similar to the findings of this research, Dodds et al. (2013) found that although sustainable practices in wineries revolve around environmental initiatives, they also encompass some social practices that fall under the scope of community contribution and staff training. Specific examples of these practices that were reported by wineries include sponsorship, fundraising, donations, supporting community events and initiatives, supportive workplace environment, work experience for tertiary students, staff training, health and safety, and employee benefits.

## CONCLUSIONS, IMPLICATIONS AND FUTURE RESEARCH

The research reported in this chapter examined sustainability reporting on the websites of New Zealand wineries. Web page reporting is one of the main communication mediums for New Zealand wineries as few publish publicly available annual reports. The research focussed on key



aspects of sustainability disclosure including readability and quantity and looked at the balance between environmental and social reporting.

Given the importance of sustainability to the New Zealand wine industry as highlighted by SWNZ, the information reported by wineries needs to be accessible and readable. Readability is not about making the information simpler but rather about making the information clearer for a broader audience. This research finds that there is room for improvement in the readability score across all four reporting categories, although social reporting is slightly more readable. One possible reason for this could be the lower volume of the disclosure—the volume of social reporting was lower than the volume of environmental reporting, and considerably lower than the volume of social and environmental reporting.

As highlighted by prior studies (e.g. Klohr, Fleuchaus, & Theuvsen, 2013), social and economic sustainability aspects need to be brought into focus. One way to do this is through a rebalancing of the key focus areas in the SWNZ programme so that more attention is given to social and economic sustainability practices by wineries. Increases in these sustainability practices should then result in an increase in the volume of social reporting and a broadening of the coverage of reporting, which is currently focussed primarily on one key area—community contribution. With this increased volume comes a need for New Zealand wineries to focus on improving readability.

In addition to the need to increase readability and volume of disclosure, the accessibility of the reporting could be improved through the use of more intuitive web page section titles. Although a high importance has been given to sustainability reporting, as evidenced by the position of the reporting on the home page or a section directly linked to the home page, more sustainability-focused titles could be used.

This research, as with any study, has its own limitations. Although this research computed all the common readability indices, it should be noted that these indices are considered only as estimating tools. The sustainability disclosures extracted from winery web pages were evaluated manually which could have created a level of subjectivity. Future research could explore the reasons why wineries have a lack of focus on social reporting and could also be extended to a cross-country comparison with other wine-growing countries.

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## Philanthropic Wine Firms and Their CSR Communication

*Rosana Fuentes Fernández and Joshua Aboah*

**Abstract** Philanthropy involves voluntarily donating a business's resources to others and is a growing practice in the wine industry. Wineries are motivated to engage in philanthropic activities for different reasons, and these motivations lead to decisions about how to communicate philanthropic activity to stakeholders, also referred to as corporate social responsibility (CSR) communication. This chapter reviews the literature pertaining to philanthropy and CSR communication. An examination of whether philanthropically active wine firms are communicating their actions to stakeholders, and if so, the media channels used, is discussed. Quantitative data was collected from wine firms in France, Spain, the USA, Australia and New Zealand using an online questionnaire.

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**Keywords** Philanthropy · CSR communication · Wine · Media channels

## INTRODUCTION

This chapter examines whether philanthropically active wine firms are communicating about their actions to stakeholders. This practice is referred to as corporate social responsibility (CSR) communication in the academic literature. This chapter also identifies the media channels used for CSR communication by wine firms across five nations. It can be argued that business benefits will not arise from philanthropic activities if a firm does not communicate their actions to important stakeholders. Thus, the importance of communication is obvious, especially to firms that are motivated by strategic reasons to engage in philanthropy. The aim of this chapter is to identify whether those wine firms that are engaged in philanthropy are also engaged in CSR communication. This chapter begins with an examination of the literature pertaining to philanthropy and CSR communication. The method for collecting data across five nations is then explained, followed by a presentation of the results and conclusions.

## LITERATURE REVIEW

Philanthropy is defined as voluntary action for the public good (Payton, 1988) and is thought of as the discretionary component of CSR. In a business sense, philanthropy is ‘a voluntary allocation of a firm’s resources to activities that are not business related and for which there are no clear social expectations as to how the firm should perform’ (Wartick & Wood, 1998, p. 75). Academic literature has primarily examined two motivations for businesses to engage in philanthropy: altruistic and strategic. Altruistic philanthropy is motivated by an unselfish desire to do what is right for society with no thought about firm profitability (Lahdesmaki & Takala, 2012; Moir & Taffler, 2004). In contrast, Siiia, Carroll, and Buchholtz (2003) describe strategic philanthropy as an example of a firm targeting their resources at societal problems that resonate with the firm’s core values and mission. Strategic philanthropy is focused on the creation of benefits to both the firm and society (Maas & Liket, 2011; Porter & Kramer, 2002). The motivations that drive

philanthropic behaviour may influence whether CSR communication is engaged in or not.

Morsing (2006) defines CSR communication as ‘communication that is designed and distributed by the company itself about its CSR efforts’ (p. 171), and Hooghiemstra (2000) states that CSR reporting is a public relations action to influence people’s perceptions of a firm. Birth, Illia, Lurati, and Zamparini (2008) state that the aim of CSR communication is to provide information that legitimises a firm’s behaviour by trying to influence the image of the company held by stakeholders and society in general. For consumers to form positive opinions and attitudes about a firm, it is essential that the firm communicates about their CSR activities. Du, Bhattacharya, and Sen (2010) argue that business returns from CSR are contingent upon important stakeholders being aware of a firm’s CSR activities. Schmeltz (2012) also notes that the value of ‘CSR in a corporate context is, however, limited if the engagement is not communicated to relevant stakeholder groups’ (p. 30), while Tata and Prasad (2015) declare that ‘organisations today recognise that it is not only important to engage in CSR, but that it is also equally important to ensure that information about CSR is communicated to audiences’ (p. 765). In other words, firms that do not communicate about their philanthropic activities will be unlikely to gain benefits from their responsible social behaviour.

Prior research indicates that there are business benefits to be gained from communicating about a business’s societal efforts. For instance, how a firm communicates about CSR activities may be reputation enhancing (Surroca, Tribo, & Waddock, 2010). Indeed, Jahdi and Acikdilli (2009) note that communication is essential for business survival, for maintaining an ethical image or reputation and for safeguarding any competitive advantage built through CSR. Other authors report that positive CSR beliefs held by consumers are associated with greater purchase intentions, brand loyalty, strong relationships and advocacy behaviours (see Bhattacharya & Sen, 2004; Bhattacharya, Sen, & Korschun, 2008; Du, Bhattacharya, & Sen, 2007). Additional benefits of CSR include product differentiation, community support, and the attraction and retention of employees (see Booth & Matic, 2011; Patino, Pitta, & Quinones, 2012; Yan, 2011). Research also indicates that consumers will not only reward good corporate citizens, but will also punish poor performers. For instance, 85% of American consumers will consider switching brands because of a firm’s negative corporate responsibility practices, and 66% will boycott the brand altogether (Cone, 2007).



Several stakeholder studies report that awareness of a firm's CSR activities is typically low among both external and internal stakeholders (see Bhattacharya et al., 2008; Du et al., 2007; Sen, Bhattacharya, & Korschun, 2006), suggesting that the practice of CSR communication is limited. Some firms shun CSR communication because they are not comfortable about communicating their views on corporate responsibilities or because they are oblivious of the importance of this communication (Schmeltz, 2012). Other authors suggest that companies face conflicting expectations of stakeholders, such as shareholders who want to earn maximum profit versus community members who want support for their charitable endeavours, and thus choose not to communicate (Carroll, 1991; Porter & Kramer, 2002). In a study of Fortune 500 companies and their response to Hurricane Katrina, Greer and Moreland (2007) report that only 45% of companies provided philanthropic information on their websites; the authors suggest that more companies were contributing to the disaster but were not communicating about their actions. Similarly, Chalmeta and Viinikka (2017) found that around a third of companies engaging in philanthropy did not disclose this activity on their websites; this was especially the case when donations were made with products rather than cash. Others argue that CSR communication has been limited due to its predominantly voluntary nature, and that it has largely been the preserve of large corporations (Ziek, 2009). In their study of the top 150 FTSE-4Good companies, Knox, Maklan, and French (2005) report that only the largest firms communicate effectively about their CSR investments. It could be assumed that larger firms have greater resources, including employees in dedicated corporate communication roles, and thus, a higher level of CSR communication would be expected.

There are various channels that can be used for CSR communication. Kim and Ferguson (2014) note that the channels include those that are controlled by the firm (e.g. advertising, website, social media, newsletters, annual reports or product packaging) and those that are not controlled by the firm (e.g. news media, expert blogs or other websites). Some have suggested that CSR actions should be communicated through a firm's mission, vision and values statements (Porter & Kramer, 2002; Zadek, 2006). Others report that around 70% of analysed websites include a section devoted to CSR (Capriotti & Moreno, 2007). Birth et al. (2008) state that social reports, websites and advertising are the three channels that play the most prominent role in CSR communication.

Prior research has reported that differences in philanthropic performance and practices exist across nations. For example, Gjolberg (2009) found that nationality of a firm matters in terms of philanthropy, and that the USA has a particularly strong tradition of corporate philanthropy. The prevalence of philanthropy in the USA may relate to tax incentives. Similarly, Palazzo (2002) reported that European businesses are less likely to engage in philanthropy than are US firms. In terms of CSR communication, a study of corporations in eight nations found that country of origin had a significant influence over the disclosure of CSR information on the Internet (Wanderley, Lucian, Farache, & de Sousa Filho, 2008). In a study of the top 300 companies in Switzerland, BIRTH et al. (2008) found that CSR communication was performed by two-thirds of the respondents; the companies used a range of channels but the most used were internal ones such as websites or social reports. Bortree (2014) states that more research is needed in order to identify differences in CSR communication across borders.

Gilinsky, Forbes, and Fuentes-Fernández (2018) examined published research in specialist wine business journals over a 15-year period and found few studies (about 4%) with a focus on CSR or sustainability. Mueller-Loose and Remaud (2013) explored consumers in five nations, and their response to CSR claims on wine products using a discrete choice experiment. The results of the study suggest that consumers perceive social and environmental claims similarly in terms of awareness, penetration and trust, but their marginal willingness to pay (WTP) is three times higher for wines labelled with an environmental claim compared to a social claim. In exploratory research of a small number of American, Spanish and New Zealand wineries, all were found to engage in philanthropic activities and these were primarily driven by altruistic motivations (Forbes, Fuentes-Fernández, & Gilinsky, 2018). There is also scant prior research on CSR communication in the wine industry. In a study of wineries in Southern Italy, those that were most active in CSR activities and CSR communication were found to be wineries who were also most active in their use of social media to interact with stakeholders (Galati, Sakka, Crescimanno, Tulone, & Fiore, 2019). In terms of communication channels and wineries, several studies have reported significant differences across nations. For instance, Stricker, Summer, and Mueller (2003) reported that US wineries are more likely to sell wine through their websites, whereas German and Australian wineries use their websites to provide information about their wines. In their

cross-national comparison of social media usage by wineries, Hoffmann, Szolnoki, and Thach (2016) found that US wineries (87%) were more likely to communicate with customers via social media than were German wineries (34%). Further research on social media usage by wineries in four nations have suggested a difference across Old World versus New World wineries (Szolnoki, Dolan, Forbes, Thach, & Goodman, 2018). New World wineries in the USA (87%), Australia (64%) and New Zealand (62%) were more likely than German wineries (46%) to use social media as a communication channel, with German wineries favouring traditional channels such as post and phone.

The following four research questions are examined in this chapter:

1. Do wine firms communicate about their engagement in philanthropy?
2. Is there a significant difference in the communicating of philanthropic activities across wine nations (and between Old World versus New World firms)?
3. Which channels do wine firms use to communicate their engagement in philanthropy?
4. Is there a significant difference in the channels that are used to communicate philanthropic engagement across wine nations (and between Old World versus New World firms)?

## METHOD

Researchers in five nations collected data from wine firms using an online survey in late 2016 and early 2017. These countries included the Old World wine nations of France and Spain, and the New World wine nations of New Zealand, Australia and the USA. A total of 303 wine businesses, across the five nations, participated in the online survey. The questionnaire used to collect quantitative data in the survey was developed following a phase of initial interviews with wineries in Spain, the USA and New Zealand. The questionnaire began by asking wine firms if they engage in any form of philanthropy and subsequent questions were used to examine which philanthropic activities they do, what drives their engagement and what benefits they gain from philanthropy.

This chapter focuses on data from a sub-section of the online questionnaire; specifically those questions relating to CSR communication and media channels. Respondents were asked to indicate their level of

agreement on a six-point Likert scale, where 0, 1, 2, 3, 4 and 5 represent ‘don’t know’, ‘strongly disagree’, ‘disagree’, ‘neutral’, ‘agree’ and ‘strongly agree’ (NB. ‘don’t know’ responses are not reported in this chapter). The Likert scale was applied to four statements examined and presented in this chapter: (a) we don’t broadcast our philanthropic activities to others, (b) we include/mention our philanthropic activities on our website and social media sites, (c) we include/mention our philanthropic activities in our marketing messages and (d) we include/mention our philanthropic activities in our annual report.

Kruskal Wallis tests were used to establish the difference in response to the questions across wine firms in France, Spain, New Zealand, Australia and the USA. When the  $p$ -value of a test is greater than 0.05, the null hypothesis is rejected for the alternative that a significant difference exists at the nation level. Further pairwise comparisons were conducted to identify where the exact differences exist across nations.

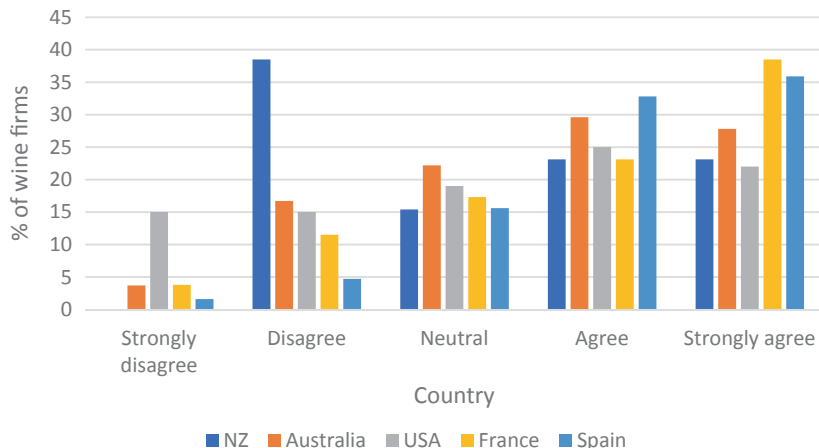
## RESULTS

This section provides statistical results to answer the four research questions outlined previously.

### *Communicating Philanthropic Engagement*

Out of the total sample (and disregarding those respondents who answered ‘don’t know’ or ‘neutral’) around 73% of wine firms ‘agree’ or ‘strongly agree’ that they do not communicate about their philanthropic actions to others; only 27% of wine firms do perform CSR communication. In other words, there are a greater number of wine firms that choose not to communicate about their philanthropic activities, than those that do.

Details of the results relating to the statement ‘we don’t broadcast our philanthropy activities to others’ are presented, by wine nation, in Fig. 13.1. In New Zealand, 39% of the surveyed wine firms indicated that they communicate their philanthropic activities and 46% did not. For Australia, 20% choose to communicate their philanthropic activities and 57% did not. Similarly, US wine firms that do not communicate about their philanthropy (47%) is greater than those that do (30%). Also, 62% of wine firms in France do not communicate their philanthropic



**Fig. 13.1** A comparison of CSR communication across wine nations

activities and only 15% of firms do. In Spain, only 6% of wine firms indicated they communicate about their philanthropy, while 69% do not.

### *Differences in Communicating About Philanthropy Across Wine Nations*

Some of the differences in CSR communication across wine nations were significant. The results of a Kruskal-Wallis H test yielded a significant  $p$ -value (0.042). A subsequent pairwise comparison across the nations was conducted to detect where the differences were. The paired nations that are significantly different in terms of philanthropy communication are USA–France and USA–Spain. In these paired nations, significantly more wine firms in the USA communicate their philanthropic activities than do those in France and Spain. Further analysis revealed that wine firms in the Old World wine nations are significantly less likely to communicate about their philanthropy than those in New World wine nations.

### *Media Channels Used to Communicate Engagement in Philanthropy*

This section identifies which media channels are used by wine firms to communicate about their philanthropic activities. Results from the total

sample (and disregarding those respondents who answered ‘don’t know’ or ‘neutral’) reveal similarly low levels of CSR communication through all three of the examined media channels: online platforms (38%), marketing messages (38%) and annual reports (34%).

Figure 13.2 illustrates the responding wine firms use of their website and social media platforms to communicate about their philanthropy. All of the respondent wine firms in New Zealand use their online platforms to communicate about their philanthropic activities. For USA, Australia, France and Spain, 83, 64, 43 and 25% of the wine firms, respectively, use online platforms. The results indicate that online platforms (website and social media) are most widely used as a channel to communicate about philanthropic activities by wine firms in New Zealand and the USA.

Figure 13.3 illustrates the respondents who communicate about philanthropy in their marketing messages. Of note, none of the surveyed Spanish wine firms mention their philanthropic activities in their marketing messages. In descending order, 80, 73, 36 and 29% of wine firms in New Zealand, the USA, Australia and France, respectively, use their marketing messages as a channel to communicate their philanthropic activities. These results indicate that marketing messages are widely used as a channel for communicating philanthropic activities by wine firms in New Zealand and the USA, and seldom used by those in Spain or France.

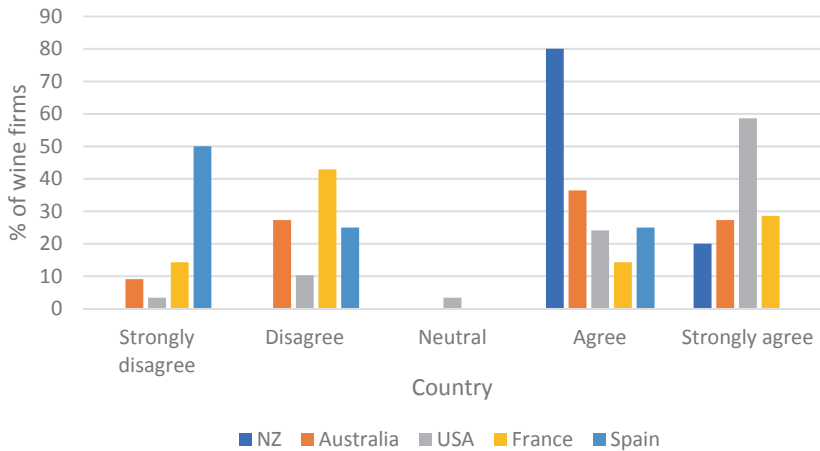
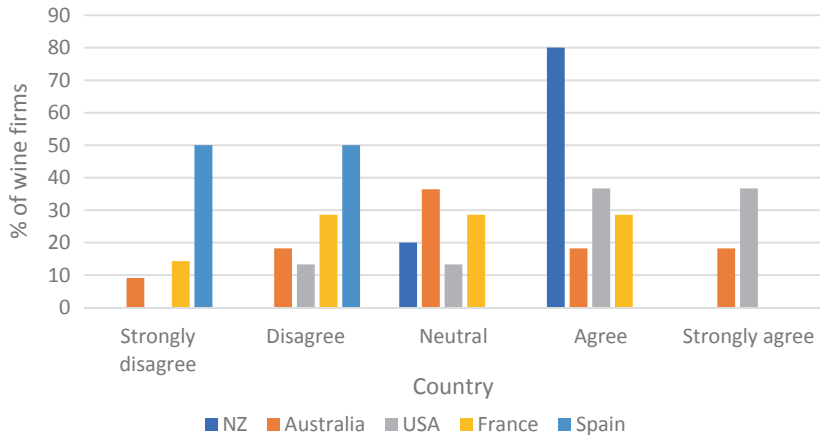


Fig. 13.2 Communication of philanthropy on websites and social media

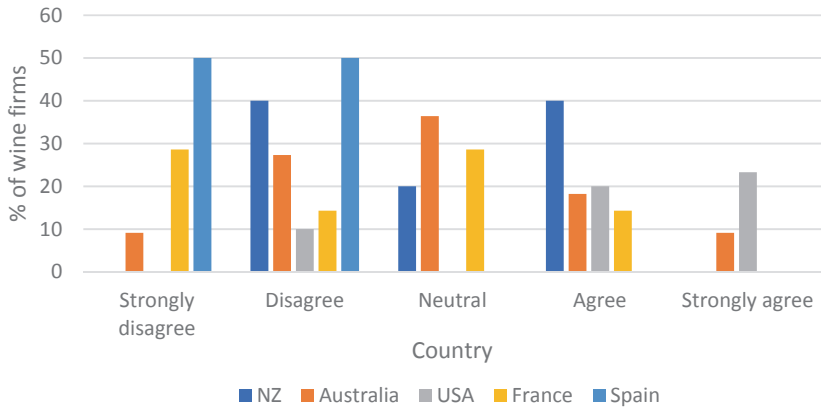


**Fig. 13.3** Communication of philanthropy in marketing messages

Again, none of the Spanish wine firms mention their philanthropy in their annual reports (see Fig. 13.4). In descending order, 43, 40, 27 and 14% of wine firms in the USA, New Zealand, Australia and France, respectively, use their annual reports as a channel to communicate about their philanthropic activities. In New Zealand, Australia and France, fewer firms include philanthropy in their annual report, than those that do not.

### *Differences in Media Channels Across Wine Nations*

Some significant differences were found in the use of both online platforms and marketing messages as channels to communicate about philanthropy across wine nations. There was no significant difference across nations in the use of annual reports as a communication channel. A subsequent pairwise comparison, focused on the use of websites and social media, indicated a single significant difference between wine firms in the USA and those in Spain. This indicates that the remaining paired nations are somewhat similar in their use of online platforms as a channel to communicate about their philanthropy. The wine firms that use online platforms across the nations are more than those that do not, except for Spain where the majority of wine firms do not use this channel to communicate their philanthropic activities. A further pairwise comparison



**Fig. 13.4** Communication of philanthropy in annual reports

showed that wine firms in NZ–Spain, USA–Spain, Australia–Spain and USA–France are significantly different in terms of their use of marketing messages as a channel to communicate about their philanthropy. The wine firms in New Zealand, the USA and Australia are more likely to include mention of their philanthropy in their marketing messages than those in Spain or France. Further analysis revealed that New World wine firms are significantly more likely to communicate about their philanthropy in online platforms and in marketing messages, than are firms in Old World wine nations. This result may be explained by previous studies on the communication channels used by wineries that suggest there is more prevalent use of social media among New World wineries than those in the Old World (Hoffmann et al., 2016; Szolnoki et al., 2018). There are no significant differences between firms in Old World and New World nations in terms of communicating about philanthropy in their annual reports.

## DISCUSSION AND CONCLUSIONS

Given that prior research has linked CSR communication with benefits such as image, reputation, competitive advantage, employee retention, purchase intentions, brand loyalty, differentiation and even business survival (see Bhattacharya & Sen, 2004; Booth & Matic, 2011; Du et al., 2007; Jahdi & Acikdilli, 2009; Patino et al., 2012; Surroca et al., 2010;



Yan, 2011), our results are somewhat surprising. In effect, a greater number of wine firms are choosing to not undertake CSR communication to tell stakeholders about their philanthropic activities, than those that are choosing to communicate. Since the potential value from CSR is contingent upon communication to stakeholders (Du et al., 2010; Schmeltz, 2012), this chapter suggests that under a third of global wine firms are even attempting to extract value from their philanthropic activities. This result is, however, consistent with earlier findings that stakeholder awareness of a firms CSR activities is typically low (Bhattacharya et al., 2008; Du et al., 2007; Sen et al., 2006), thus suggesting that CSR communication is also low.

This chapter has not examined the reasons for this low level of communications about philanthropy, but it may, at least in part, be explained by the motivations for engaging in philanthropy. Prior exploratory research with American, Spanish and New Zealand wineries revealed that most were philanthropically active due to altruistic motivations (Forbes et al., 2018). Wineries who are not seeking to gain strategic benefits from their philanthropic activities will be less likely to communicate about their charitable efforts. Alternatively, the results may suggest that wine firms, many of which are small and family owned, lack the resources needed to report on their philanthropic activities. This result provides support for Ziek (2009) who argues that large corporations generally perform better at CSR communication. There is an argument that large companies are more socially observable and exposed to greater public scrutiny; hence, they are more likely to provide information on how they are acting in a socially desirable way (Branco & Rodrigues, 2006). In addition, Chalmeta and Viinikka (2017) reported that businesses are less likely to communicate about their philanthropy when they donate products rather than cash; exploratory research with wineries across three nations suggests that their most common form of philanthropic activity is the donation of wine (Forbes et al., 2018). On the other hand, Schmeltz (2012) states that firms who do not perform CSR communication might not be comfortable sharing this information or might not recognise the importance of doing so; our results suggest that wine firms may be affected by these limitations. Finally, mandatory CSR or sustainability reporting in some of these nations does not specifically require philanthropic activity to be reported. Further research would be needed to understand the reasons for the low level of communication. Regardless of the reasons, these results suggest there is untapped

potential for wine firms to use CSR communication in order to achieve greater business benefits from their engagement in philanthropy.

This chapter suggests that the use of CSR communication differs based on country of origin. Significantly lower levels of philanthropic communications were found across wine firms in Old World nations (i.e. France and Spain) than among wine firms in New World nations (i.e. Australia, USA and New Zealand). This finding coincides with the earlier research of Gjolberg (2009) and Palazzo (2002) who both noted higher levels of philanthropic engagement in US firms than in European firms. It appears that not only are the levels of philanthropic engagement higher in USA than European firms, but the propensity for CSR communication is also higher. One of the reasons that philanthropy is practised to a greater degree among US firms is because of the associated tax benefits. With a longer history of giving, it is likely that stakeholders have expectations of US firms in terms of their philanthropic contributions, and thus a higher degree of CSR communication could be expected.

Finally, this chapter has identified that communications about philanthropy are made through channels including wine firms' online platforms, annual reports and marketing messages. Websites and social media are being used by wine firms to communicate about their philanthropic activities. Annual reports are the least used channel; this may change as legislation is introduced in some nations to make CSR reporting mandatory,<sup>1</sup> although this regulatory change will centre on registered companies and may therefore not be applicable for many small, family owned, wine firms. Significant differences across nations were also found in the use of these various channels, with Old World wine nations being less likely to communicate through marketing messages and online platforms.

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## NOTE

1. Further information about mandatory sustainability reporting in various nations is included in Chapter 12 of this book.

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