

BEHAVIOURAL DETERMINANTS OF EXPORT INTENTION IN SPANISH WINERIES

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ABSTRACT

Changing market trends, mainly in demand and trade, have triggered a profound transformation of the wine industry. As domestic demand preferences turn towards quality wines, and overall consumption levels decline, a shift of focus towards foreign markets is gaining in importance as a strategic option for traditional wine producers. Improved quality in wine for export and an emphasis on bottled wines with *Denominación de Origen* (Designation of Origin, DO henceforth) versus bulk and table wines, are just two features of this trend. Due to trade liberalization and economic globalization, the wine producing sector has attracted new countries, whose aggressive marketing techniques are pushing aside traditional winemaking countries and raising competitive stakes in the main markets worldwide. Additionally, the reform of the common market organization of the wine sector has exerted heavy pressure on producers to adapt, to the extent that the traditional management practices of the domestic market have been all but eliminated. The economic crisis is also taking its toll, not only on the financial position of many firms but also on domestic consumption. Thus, further approximation towards foreign markets, while far from easy, appears inevitable.

For many Spanish wineries, with their strong territorial leanings and a local and domestic marketing focus, opening up to foreign markets represents a major break from their usual business

approach. An understanding of the driving forces behind these decision-making processes and the variables leading winemakers to undertake them might shed some light on the situation.

The above considerations provide the framework for this paper, whose primary purpose is to identify the explanatory factors of the export behaviour of Spanish wineries. In the context of internationalization processes, many authors have signalled the importance of attitudes in the development of international market opportunities and the degree of success in exploiting them. Then, within the framework provided by the theory of planned behaviour, the aim was to explain firm behaviour in terms of export intentions as determined by attitudes and other significant factors. The implicit assumption behind the analysis is that winery owners' attitudes towards foreign markets are influenced by a range of variables including both economic and social/institutional factors, many of them interrelated, some specific and internal to the individual winery and others varying with the immediate, and less immediate, environment in which it is placed. Using this approach, we hope to be able to show that, in order to increase exports, firms might need to respond to a large set of diverse variables.

The information was collected in a postal survey distributed at the beginning of 2008 to a representative set of wineries situated at various locations across Spain. The sample universe was the 469 wineries listed in the Alimarket database (2008). In all, 113 valid replies were obtained, giving a response rate of 24% and a sample error of 8.2%, both of which are considered acceptable levels in this type of survey.

Taking all these considerations into account, we first performed a descriptive analysis of the replies to the survey and the distribution of the Likert-scale responses. Specific export intentions were then predicted by means of a two-stage procedure:

Stage 1: The different types of export intention were established by conducting a factor analysis on the survey replies, which enabled us to reduce the number of variables considered while acknowledging the multidimensional nature of firms' export commitment suggested in the literature.

Stage 2: To explain how intentions are formed from attitudes, subjective norms, perceived behavioural control and past behaviour, an equation was estimated by means of ordinary least squares, using a stepwise technique, where each of the factors in turn was used as the dependent variable and the explanatory variables were those previously defined.

The main conclusions are the next ones.

Exporting is a key issue for most wineries, as manifested in a continuous search for new markets, export development efforts, specific export promotion budgets and commitment to export training for their management teams. Although exports are believed to enhance a firm's image and diversify risks, the domestic market continues to be the main production outlet for most of the wineries that do not see foreign markets as the key to their future viability.

This more dynamic action is also reflected in the importance attached to innovation, both in terms of label and bottle design, the use of marketing techniques geared for competing in hotly disputed markets, and the perception of product development, as a means to adapt to ever more sophisticated consumer demand.

Other variables reflecting these opinions are the value that Spanish wine producers attach to quality and specificity as a means to gain competitive advantage over other wine-producing countries. Price is found to be significant only in explaining the more traditional approach. This marks a major change in the export attitude of Spanish wineries, who are increasingly switching their focus to the search for better quality and showing pride in the specific characteristics of their wines, in contrast to the traditional approach where Spanish wines aimed at the low price segment, now dominated by bulk table wines.

The results cast some doubt on the role of Denominations of Origin to promote more dynamic export activity. Although DO membership is generally rated positively, respondents place more trust in the promotion of the winery's own brand as a way to increase sales abroad.

Regarding the explanatory variables of the different export intentions identified, several features are worth noting. Firstly, the removal of legal barriers and the reduction of administrative

costs would inspire both active and incipient export intentions. This suggests the need for potential public action. According to these results, policies designed and implemented to pursue these goals would help to promote more dynamic export behaviour. Institutional support for export promotion schemes emerges as another key factor.

Finally, it is worth noting the role played by country image in explaining more active export intention. Country image, associated to cultural values and a way of life, is a potentially useful element in generic promotion campaigns.