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Strategic profiling and the value of wine & tourism initiatives

Exploring strategic grouping of German wineries

Marc Dressler
Department of Viticulture and Oenology, University of Ludwigshafen, Neustadt, Germany

Abstract

Purpose – This paper aims to contribute to the growing body of literature on wine and tourism, as it explores the value contribution of tourism in the context of strategic grouping of wineries.

Design/methodology/approach – A panel of three online surveys about the strategic management of German wine estates served to analyze wine and tourism as potential strategic levers. More than 300 German wineries participated in the surveys.

Findings – Almost 50 per cent of the interviewed wineries planned to extend their tourism services. The implementation rate is high and reaches nearly the level of new product implementation. Tourism is therefore highly relevant. It can serve to profile in the market. Cost leaders and boutique wineries were two strategic groups indicating reluctance to pursue tourism-based strategic initiatives. The data illustrate a potential strategic trade-off between tourism and export management.

Research limitations/implications – The study is neither representative for the German nor for an international winery population. Data were generated in a broader context of strategic and innovation management research. Descriptive analyses dominate the explorative study.

Practical implications – Extending services to win tourists helps to differentiate and to attract new clients. For less differentiated strategies (price-value and quality-leadership), tourism can be a strategic lever to sustainably increase profits. Smaller wineries need to strategically assess their growth option. They may face a strategic dilemma whether to export their goods or to add tourism offer components. Fierce international competition and restrictions due to small size represent export barriers, favoring a strategy to exploit market potentials via tourism. Concerted wine tourism efforts require a more sensitive approach considering the individual strategic motivation of wineries. The strategic value depends on the strategic grouping.

Social implications – Wine and tourism can create regional and thereby social value. Addressing the strategic value of tourism for the individual wineries fosters tourism engagement and encourages a cluster approach.

Originality/value – Literature universally praises the synergetic value of wine and tourism. This research proposes a more sensitive approach reflecting strategic groupings and individual value contribution of tourism activities for the wine estates.

Keywords Strategy, Survey research, Descriptive analyses, Strategic grouping, Wine and tourism

Paper type Research paper

1. Introduction

Wine and tourism (w&t) experiences high attention in academia and in practice (Hall *et al.*, 2002). Clustered regional efforts of tourism and wine are recommended under the generic assumption that all involved organizations will profit from it (Charters *et al.*, 2011; Hira *et al.*, 2013; Porter, 2000). Despite a large wine production industry, Europe, in particular

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Germany, lags in wine and tourism w&t (Koch *et al.*, 2013). European wine tourism is said to be either driven by authorities or to be opportunistically motivated to boost sales (Menival and Han, 2013). The perspective of the wineries is lacking (Charters and Menival, 2011). Indeed, a need for additional empirical exploration of the strategic motivation of wineries to engage in wine tourism is explicitly expressed in the literature (Capitello *et al.*, 2013). The hereby reported study explores w&t in the context of the generic positioning of German wine estates. Work on strategic profiling of wineries with a touristic focus is scarce (Faugère *et al.*, 2013). So far, empirical insights are mainly based on examples of wineries developing tourist attractions or of integrated regional tourism efforts regarding w&t, neglecting the impact for participating wineries (Charters and Menival, 2011).

Germany is characterized by a stable wine consumption. Fierce competition results in wine producers being driven out. A diminishing customer loyalty forces the remaining wineries to win new clients (DWI, 2017; Schallenberger, 2009). Tourism on the other hand is increasing. It can potentially feed new clients to the wineries. Market competitiveness in wine also requires strategic profiling and business model adaptations (Bowman and Helfat, 2001; Campbell-Hunt, 2000; Engelbrecht *et al.*, 2014). Service extension to reach tourists promises to be a viable strategic option for growth and success. Three online surveys on strategy and innovation of more than 300 German wineries were used to explore strategic business models and service extensions with respect to w&t in Germany. The study contributes to the explicitly expressed need for more research on the German w&t market (Koch *et al.*, 2013; Salvat and Boqué, 2009).

2. Literature review

2.1 Destination and cluster management

An extensive body of literature manifests the value of regional wine production in the context of destination management (Dreyer *et al.*, 2011a). Destination management has initially been the driver for research on w&t (Bruwer and Alant, 2009; Bruwer *et al.*, 2013; Charters *et al.*, 2011; Dreyer *et al.*, 2011b; Fäßler, 2008; Getz and Brown, 2006; Getz *et al.*, 1999; Kagermeier, 2011; Nohl, 2001; Skinner, 2000; Thach, 2007). Wine production is acknowledged for a positive impact on the landscape and for its role in expanding touristic offerings (Bruwer and Alant, 2009). Increasing visits create positive economic results for the region (Getz and Brown, 2006). Furthermore, origin can foster not only the brand building of tourism destinations but also of wineries. (Engelbrecht *et al.*, 2014).

A lot of research has focused on the targeted customers. The resulting insights help to better design w&t offerings (Hall *et al.*, 2002; Thomas *et al.*, 2011). That research concentrates on consumer analysis (Brunner, 2011; Capitello *et al.*, 2013; Charters and Ali-Knight, 2002; Charters and Menival, 2011; Getz and Brown, 2006; Mason and Piaggiaro, 2012; Menival and Han, 2013; Orth and Stöckl, 2011) and demonstrated the attractiveness for highly involved wine drinkers who decided travel destinations based on their interest in wine in the competitive tourism industry. Collective regional communication, lighthouse institutions and a synergetic approach are necessary components to win such tourists (Engelbrecht *et al.*, 2014).

The cluster theory motivated substantial research on innovation. It thereby served to explain successful w&t initiatives (Dressler, 2013a). Clusters are concerted efforts of cooperatively acting organizations unified by a joint interest to create competitive advantage. The wine industry of California initially served to develop and illustrate the cluster theory (Porter, 1991). Following research explained that emerging countries used cluster approaches to successfully catch-up against old economies in the global wine business (Hira, 2013; Touzard, 2010). Joint approaches were identified as a fundamental basis for prospering w&t activities (Charters *et al.*, 2011; Giuliani *et al.*, 2011; Kagermeier, 2011). The new world, with Australia serving as benchmark, further demonstrates the value of concerted efforts in w&t (Aylward, 2004, 2006; Cusmano *et al.*, 2010; Dana and Winstone, 2008; Getz and Brown, 2006; Winfree and McCluskey, 2005).

2.2 Wineries' value perspective

The w&t research from a winery perspective is less prominent (Charters and Menival, 2011; Hall and Mitchell, 2010; O′Neill *et al.*, 2002). Charters recognized a rather tactic approach of wineries toward tourism when sales are lagging (Charters and Menival, 2011). While European regional authorities push w&t activities, wineries are more likely to engage in w&t when they face a sales crisis (Menival and Han, 2013). An explorative study illustrates that w&t ranges from focused educational efforts to holistic strategic profiling. The latter can build the basis for a niche strategy to differentiate with w&t. Creating an appealing offering designed to win tourists requires investment and resource dedication (Faugère *et al.*, 2013). Koch's empirical study concludes that smaller wineries tend to be motivated for w&t but with low satisfaction (Koch *et al.*, 2013). Stated barriers are lack of time, resources and knowledge. Additionally, free-ridership potentially harms concerted efforts. Free-ridership means that players profit from the activities of their peers without an individual contribution (Alston and Freebairn, 2001; Kaiser *et al.*, 2008). There is a need for further empirical analyses on w&t to shift focus from production statistics to market orientation (Salvat and Boqué, 2009), especially for Germany (Koch *et al.*, 2013).

Strategic profiling is relevant to customer attraction, especially in competitive markets. The academic discourse on the dimensions of strategic profiling (Fiegenbaum and Thomas, 1990) and resulting strategic groups (Miller, 1986, 1987; Ward *et al.*, 1996; Ward and Durayb, 2000) is ongoing. Porters' two-dimensional model (market scope and source of competitive advantage) is highly acclaimed in academia (Porter, 1980, 1985, 1988, 2002). The resulting generic strategies also provide orientation for practitioners (Campbell-Hunt, 2000). Companies are required to position as either cost leader, differentiator or niche player (Porter, 2000). A lack of clear strategic positioning runs the risk of ending up "stuck-in-the-middle" with lower profitability than the peers (Campbell-Hunt, 2000; Cool and Dierickx, 1993; Dess and Davis, 1984; Speed, 1989).

Literature offers limited insights on strategic grouping and w&t. Targeting tourists with an extended and attractive offering can constitute a niche strategy (Faugère, 2013; Santini *et al.*, 2014). Cost leaders on the other hand are characterized by straight-forward offerings and refrain from offering non-value-added components because of inherent costs (Duquesnois *et al.*, 2010; Gilinsky *et al.*, 2014). For differentiation strategies, contradictory insights were identified. Koch proposes that differentiated boutique wineries are the cornerstone to leapfrog German w&t (Koch *et al.*, 2013), whereas Charters and others identify the lower motivation of premium wineries to engage in tourism (Charters and Menival, 2011; Choisy, 1996; Menival and Han, 2013).

2.3 Wine and tourism in Germany

Germany enjoys a stable wine consumption of more than two billion liters annually (DWI, 2013, 2017). Sixty per cent of the wine consumed is imported. The global pole position in wine imports of 1.5 billion liters serves both consumption and re-exports. About 15 per cent of the imported wine is processed to then be shipped out of the country. Germany has regained international recognition for its wines as prices are increasing, but the volume of German wine exports is declining (Trick, 2009). The two million hectoliters of exports in early 2000 has been halved to date (DWI, 2011, 2017). On a constant grapevine area of about

100,000 hectares, Germany yields eight to ten million hectoliters of wine annually. Germany ranks at the end of the 15 leading grapevine countries, but due to high productivity positions, it is ranked number 10 in terms of the volume of wine produced (OIV, 2012, 2013). Wine is produced in 13 wine regions with characteristic regional vine portfolios, wine styles, differing business models (e.g. cooperative penetration), strong regional pride and assertiveness.

The supply side of wine in Germany is characterized by fierce internal competition. Additionally, suppliers suffer from customers' price sensitivity (OC and C, 2013; Rabobank, 2012) and intensive wine imports. As a result, the number of wine growers has declined by half in the past 30 years (BMELV, 2011). Despite a loss of producers, wine production remains a fragmented industry with almost 50,000 active wine growers (BMELV, 2012; DWI, 2017). About 10,000 wine estates pursue an integrated business model of growing, producing and marketing wine. While the world population is growing, Germany's is forecasted to shrink (Statistisches Bundesamt, 2017). Wine consumption is not expected to grow. There is a great diversity of wine consumption patterns, from home consumption to private events to on-premises consumption or public events where wine is served (Hodgson, 2009). Consumer segments characterized by modern norms and values are growing (DWI, 2003). Wineries can profit from an overall growing interest in wine, but need to adapt to the changing environment. Multichannel buying behavior, e-business and changes on the consumer side diminish customer brand loyalty. As rivalry is expected to prevail w&t opens strategic opportunities to win or keep customers (Brunner, 2011).

Tourism represents an important industry for Germany. More than 7 per cent of German employees depend on growing tourism. International tourists spend about 34bn Euros in Germany and contribute 1.4 per cent to the gross domestic product (GDP) (Bundesbank, 2017; Eurostat, 2017). Germans spend more than double that amount when traveling internationally and German in-country tourism reaches more than seven times the spending of foreign tourist in Germany (DAPD, 2012). Daytrips make up for 60 per cent of that budget. German wine tourism hence strongly depends on short trips and in-country tourists. An increase in accommodation and in short-term trips illustrates the growing market (Fäßler, 2008).

German wine estates profit from direct customer sales and pick-up of customers. About 50 per cent of their revenues stem from direct-to-consumer (DTC) business. DTC is of paramount importance for smaller sized wine estates. This sales approach allows precious personal contact with the clients. Traffic in the wineries justifies investments in sales rooms and supporting sales infrastructure. Wineries open new sales facilities (Göbel, 2012), add a wine bar to the winery, offer bed and breakfast, serve wine in local wine counters or sell at wine festivals (Dreyer *et al.*, 2011a; Koch *et al.*, 2013). Germany is not only famous for beer but also for a great variety of wine festivals (Cohen *et al.*, 2008).

For the Franken wine region, the economic value of w&t is substantial (Kolesch, 2009; Kolesch, 2010; Kolesch, 2013; Miller, 2007):

- about 66 per cent of Franken's visitors plan to buy wine prior to their departure;
- additionally, 17 per cent of the visitors spontaneously buy wine;
- one-third of the visitors spend more than 200 € on wine;
- hospitality customers of wineries buy on average 18 bottles of wine; and
- tourist offerings (e.g. guided wine tours, bike and wine, mobile home parking at the winery) feed new customers to the wineries.

Wine and its production have a positive impact on the touristic value of German regions (Szolnoki, 2015). Steep hills planted with vines or charming ancient buildings originally providing shelter represent unique tourist attractions (Dreyer *et al.*, 2011a). Referring to Bruwer, nature-related factors are the most significant determinant for destination choices (Bruwer *et al.*, 2013). Besides the landscape, regional food and wine add value to attract tourists. They are viable components in regional branding and marketing (Charters *et al.*, 2011). All German wine regions base their marketing campaigns on regional culture, nature, attractions and wine. The wine region Franken, the benchmark in German wine region destination management, communicates that through their cluster management (Kagermeier, 2011; Kolesch, 2010), every one euro of additional wine sales due to wine tourism yields nine Euros of regional value (Miller, 2007).

3. Research approach

More than 2,000 German wine estates with an integrated business model of production and sales were invited to participate in a study on innovation and strategy. To date, the study consists of three online surveys conducted in 2012, 2014 and 2016. Every survey generated about 300 responses with 75 per cent of repetitive participation. The online surveys collected descriptive information on the estates (age, size, region . . .). All wine-producing regions of Germany are represented. The questionnaires then addressed the generic strategies, the perception of the environment, strategic actions to counter environmental challenges and the innovation portfolio. Participating estates named their generic strategy (Porter, 1988). Our questions on strategic measures and environmental perception leaned on an international benchmarking study (BCG, 2009; McDaniel and Kolari, 1987). Pretests identified a minor need to adjust for the wine-specific application. A third part of the interviews contained success measures as dependent variables. Following literature several performance indicators (revenue, personal satisfaction, market share, etc.) were assessed (Santini *et al.*, 2014). Indeed, personal satisfaction (Scott Morton and Podolny, 1999) and self-assessment (Deimel, 2008; Santini *et al.*, 2014) have proven to be valuable proxies for performance of small enterprises (Maruso and Weinzimmer, 1999). Insights into the questions, the variables and scales are provided in the Appendix. In the following, the results of the descriptive, uni- and multivariate analyses using SPSS are presented.

Overall, the analysis intended to deliver insights on the potential strategic lever of w&t and the population of motivated versus reluctant wineries. Three research questions guided the explorative studies:

RQ1. Do German wineries perceive w&t to be a relevant lever to counter market challenges?

Despite the economic value creation of w&t (Kagermeier, 2011), not all wine suppliers strongly engage in tourism. Wineries' prime interest is selling their wine (Hall *et al.*, 2002). As identified in the course of the literature review, German wineries seem to neglect the strategic potential of w&t. This study therefore assessed strategic measures that the estates implemented to counter external market pressure and the relevance of w&t to these measures:

RQ2. Which strategic groups and w&t levers characterize the market?

Creative approaches on the basis of tourism pursued by one winery might not work for others. Causal relationships and strategic measures need to be evaluated in more depth to generate solid arguments for the development of wine tourism attractions (Menival and Han, 2013). Indeed, wineries' touristic engagements should be strategically motivated (Dreyer *et al.*, 2011a). Strategic motivation is expected to depend on the strategic grouping:

RQ3. Do estates face a potential strategic dilemma of growth options?

The controversial discussion on w&t engagement of boutique wineries pointed to a potential trade-off of w&t and export engagements.

4. Results

4.1 Environmental perception and strategic measures

In accordance with Hall, the revenue generation of the analyzed wineries is wine focused (Hall *et al.*, 2002). Eighty per cent of the wineries state that wine sales determine 90 per cent or more of their revenues. The wineries are aware of a changing environment and the need to react strategically. Their perceived priority of external forces differs from general business perception. Changing consumers, bureaucracy and ecological challenges dominate in the wine industry (BCG, 2009; Dressler, 2013b). A significant correlation of customer centric innovation and winning new customers manifests the relevance of extending services in an increasingly competitive market where customer loyalty is jeopardized (Table I). The w&t hence can contribute to counter the wineries-stated primary challenge to win new customers.

Not surprisingly, product centrism characterizes the portfolio of strategic actions. Wine production is the core of their business: 70 per cent stated that they planned to create new products with an implementation rate of 80 per cent. This focus on product is explained by the fact that wine estate leaders are predominantly educated in wine production. In second and third places in the innovation portfolio are new services and new sales approaches, respectively. Koch's identified barrier for w&t, unprofessional internet communication by German wineries (Koch *et al.*, 2013), is obviously also addressed by the wineries. Furthermore, the estates develop new approaches to win customers and to improve their profile in the market. Almost half of the participants planned to offer new services. The service extensions target on tourism by offering hospitality or events. The degree of execution of these tourism-based service extensions nearly reach the level of new product implementation. It is therefore above the average implementation rate (Figure 1). Tourism hence is increasingly understood to be a strategic lever turning away from the opportunistic short-term sales booster. Engagement in tourism strategically serves to counter market pressure and potential loss of clients or revenues.

4.2 Strategic grouping insights

More than 75 per cent of the surveyed population claims to position primarily on price-value or on quality leadership. Premium strategy is next in order (12 per cent). Niche strategies build the generic orientation for 10 per cent of the wineries and cost leadership for only 2 per cent. Overall, product-centrism dominates the strategic profiling (Koch *et al.*, 2013). The German wine estate landscape is not yet characterized by a strong population of players intending to position via a niche (Santini *et al.*, 2014) on the basis of innovation, regional scope or pure w&t focus (Touzard, 2010). Premium and niche groupings are highly discriminant. Price value and quality leadership are not. The predictive classification of

ANOVA analysis	Sum of squares	df	Mean square	F	Sig.
Between groups (combined)	66.4	5	13.3	8.064	0.000
Within groups	331	201	1.7		
Total	397	206			

Table I. Customer centric innovation and new customer acquisition price value and quality strategies is less accurate than for the other strategic groups, supporting the idea that their proponents risk being "stuck in the middle". Size of the estates and strategic groupings correlate significantly (Table II). Comparatively larger estates aim for price value or cost leadership and niche players tend to be rather small. Premium differentiation is pursued by medium to larger wineries. In regards to organizational parameters, family wineries favor niche strategies, wine cellars cost leadership, managed wineries premium strategies and cooperatives strongly profile as price value leaders. Age

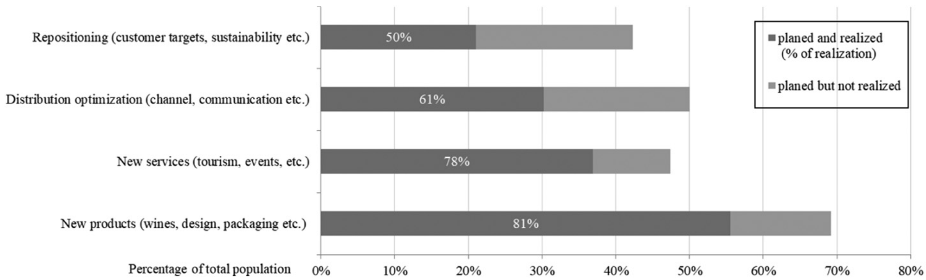

Figure 1.
Relevance of customer centric innovation

Table II.
Discriminant analysis and classification results

Variables	Tests of equality of group means Wilks' lambda	F	Sig.
Total vineyard area in ha	0.951	6.617	0.000
Total production in hl	0.962	5.005	0.001
Number distribution channels	0.936	8.732	0.000
Average price	0.851	22.400	0.000
Revenue	0.976	3.078	0.016
Profit	0.952	6.475	0.000
Capital structure	0.972	3.664	0.006
Costs	0.959	5.409	0.000
Market share	0.986	1.787	0.130
Product quality	0.961	5.126	0.000
Service quality	0.962	5.005	0.001
New customers acquisition	0.978	2.878	0.022
Customer loyalty	0.972	3.627	0.006
Positioning	0.966	4.532	0.001
Development new markets	0.921	10.995	0.000
Personal satisfaction	0.935	8.906	0.000

Classification results[a]

Strategic nominal	Predicted group membership Cost leader	Price value	Quality leader	Premium	Niche target	Population distribution (%)
Original %						
Cost leader	*80.0*	20.0	0.0	0.0	0.0	2
Price-value	12.6	*36.9*	25.2	10.8	14.4	49
Quality leader	0.0	27.4	*40.3*	12.9	19.4	27
Premium	0.0	14.8	11.1	*59.3*	14.8	12
Niche target	0.0	9.1	13.6	9.1	*68.2*	10

Note: [a]47.5% of original grouped cases correctly classified turns out to be less significant, whereby niche strategists are younger, supporting prior research (Koch *et al.*, 2013).

The significance of environmental variables by strategy groups discloses that quality leaders are puzzled by increasing competition and economic uncertainty. Niche and price value strategists stated changing consumers and HR resource constraints as their primary challenges, with niche players worrying the least and price value strategists the most about technological changes. The premium strategy cluster stands out as sustainability, climate change and increasing complexity are their main drivers (Table III). Quality leaders and price value strategies apparently suffer from high competitive pressure and an increasing curiosity of clients for new products and channels (Schipperges, 2013).

Niche strategists show the highest motivation for tourism engagement of all the strategic groups. Price value and premium groups were hesitant to offer tourism-based services, quality leaders slightly more active. As expected, few cost leaders engage in tourism. Analyses of the performance variables signpost that the value creation of tourism depends on the strategic grouping. Quality leadership and price value display almost identical performance. They underperform in regards to "winning new customers". For both clusters, less than 10 per cent of their population rated "very good" or "good" at winning new clients. Obviously, product focused strategies lack attractiveness and differentiation. Tourism allows them to address their environmental and performance challenges.

Business literature advises to offer solutions instead of products (Kotler, 1986; Kumar, 2004). Niche-based value-adding strategies allow businesses to differentiate and to win over increasingly demanding customers (Bloemer and Ruyter, 1999; Carù and Cova, 2003; Ravald, 1996). Niche strategies show the best results for service quality and new customer acquisition in the surveys. This strategic group scores high on creativity and innovation. The w&t supports solution-oriented as well as niche offerings. As expected, cost leaders perform low on winning new clients. They report a strong focus on process innovation to optimize their business. Tourism is of no importance for them, as their business model requires to refrain from frills. While premium strategists score high on all success dimensions and the strategy certainly suits market expansion, just 40 per cent of the population is successfully leveraging their positioning into the premium prices needed to compensate for the costly premium delivery. Characterized by innovation and export agility, some boutique wineries stated that they struggle to deliver a winning service offering to match the high expectations of customers. Hence, the observed reluctance of premium wineries to engage in w&t, fearing to blur their positioning (Menival and Han, 2013), finds reinforcement. Indeed, one flagship winery, for example, stated that tourists are destroying the valuable wooden floors of its chateau dating back to the end of the fifteenth century. Other boutique wineries communicate that they lack the reputational real estate to focus on w&t.

4.3 Strategic channel trade-off

A significant but negative correlation between export and direct sales supports Charters' observation that export activity reduces motivation for tourism (Charters and Menival, 2011) (Table IV). But the overall low export intensity illustrates no real barrier for tourism. Half of the respondents report no export activities, and for an additional 15 per cent, exports contribute less than 5 per cent to the revenues. Only about 10 per cent of the interviewed wineries state that 50 per cent or more of their revenues stem from international business.

Table III.
Environmental challenges by strategies

% within	$ strategies	Quality-leader		Cost-leader		$ strategies Price value		Premium		Niche targeting	
		Phi-Value	*Appr. Sign.*	*Phi-Value*	*Appr. Sign.*	*Phi-Value*	*Appr. Sign.*	*Phi-Value*	*Appr. Sign.*	*Phi-Value*	*Appr. Sign.*
Challenges	Bureaucracy	*0.121*	*0.033*	0.075	0.186						
	Changing consumers	0.093	0.104			*0.183*	*0.001*			0.142	0.013
	Sustainability	0.092	0.105					*0.138*	*0.015*		
	Climate change	*0.115*	*0.044*					0.088	0.120		
	Increasing competition	*0.105*	*0.064*	0.085	0.135						
	New technology					*0.120*	*0.035*			−0.088	0.122
	Economic uncertainty	*0.140*	*0.014*								
	HR competition					*0.117*	*0.040*			0.093	0.101
	Increased complexity							*0.110*	*0.054*		
	Globalization										
	Alcoholism							*−0.097*	*0.087*		
	Liberalization			*0.101*	*0.077*						

Wine tourism builds upon direct sales. A grip on the customer, cellar door sales and brand creation are important levers for the wineries to succeed (Dressler, 2012). Estates appreciate the segment "direct customers" as they pay premium prices (Thach, 2007). All of the interviewed wine estates serve customers directly. In contrast to the new world, this sales approach has strong historic roots in Germany (Gilinsky *et al.*, 2014). The DTC business model greatly profits from tourism-oriented service extension (Faugère *et al.*, 2013). Winning DTC-oriented business models include innovation, integration of clients in the world of production and enrichment of the clients (Bloemer and Ruyter, 1999; Brunner, 2011; Grün and Brunner, 2002; Holbrook and Hirschman, 1982; Kotler, 1986), resulting in a unique buying experience. Niche players communicate a strong reliance on DTC for more than 60 per cent of their revenues with very low exports. Next come price value and quality leadership-oriented wineries with almost 60 per cent DTC and about 5 per cent of exports. Premium strategist score the highest on export intensity, but with only 40 per cent stemming from direct sales. They are more multichannel (Figure 2).

Apparently, wine estates tend to win new clients either via an extended DTC business models also exploiting tourism or by intensifying exports. The potential strategic dilemma can be explained by resource constraints of small enterprises. (Degravel, 2012; Forsman, 2011).

5. Managerial implications

In a competitive environment with decreasing customer loyalty, product centric strategies risk leaving wineries stuck in the middle. These predominantly price value and quality strategists can successfully differentiate and win attractive clients by adding services to targeted at tourists. Wine tourism can build their strategic lever as these businesses tend to be too small and suffer a lack of brand to sustainably win foreign markets. Premium

Variables	Measures	Export	Direct sales
Export	Pearson correlation	1	−0.382**
	Sig. (2-tailed)		0.000
Direct sales	Pearson correlation	−0.382**	1
	Sig. (2-tailed)	0.000	

Note: **Correlation is significant at the 0.01 level (2-tailed)

Table IV. Correlation results: export versus direct sales

Figure 2. Mean revenue shares of export and direct sales of strategic clusters

strategists require special attention. Their export orientation and the fear of jeopardizing their prime reputation potentially reduces interest in wine tourism. Winning flagships wineries promotes concerted tourism efforts though (Kagermeier, 2011). As not all of the observed premium wineries are able to realize premium offerings, a strategic reorientation in favor of w&t offers value-creation potential. Wineries furthermore need to seize the opportunity for niche strategies. Niche positioning and a symbiotic offering designed for w&t allows them to differentiate with an appealing mix of product and service innovation. Such a focus does not ignore the resource constraints of the wineries predominantly being small and medium enterprises (Barney, 1991; Barney, 2001).

The organizational resistance to change for more w&t has to be overcome (Abrahamson, 2000). Wineries need to understand that tourism-based business models create value. This strategic lever further allows them to strengthen their closeness to the customer (Antonioli *et al.*, 2010; Caputo *et al.*, 2002; Freel, 2005; Harrison, 1994; Julien and Ramangalahy, 2003; Khan and Khan, 2009; Scozzi *et al.*, 2005). Despite historic tradition, w&t represents an innovative approach for wineries to position and act in a competitive market.

Cluster activities to market regions and their wineries are fashionable. These efforts require a more sensitive understanding of individual strategic contributions. Cooperative behavior and cluster initiatives in w&t need intrinsic motivation on the part of the participants (Hall and Mitchell, 2010; Porter, 2000). By addressing the individual advantages for the participants, increasing the transparency of positive impact, and manifesting the benefits, clustered efforts will find more intrinsically motivated supporters.

6. Limitations

There are numerous limitations to this study. Only German wineries were analyzed. The empirical data is representative of neither the German nor an international population. While the study followed requests to include cooperatives in empirical approaches (Koch *et al.*, 2013) the population of wine cellars (i.e. larger wine producers with marketing but usually no grape cultivation) remains underrepresented. As wine cellars are cost-leaders by nature, this limitation does not skew the results. The data were generated in a broader context of strategic and innovation management. The surveys were explorative in nature and the quantitative analyses mainly descriptive.

Future research could address whether price value and quality-leaders evolve into niche players on the basis of tourism, or if such an evolution creates value. Furthermore, an in-depth case analysis of a boutique winery suffering to deliver prime value and turning to a tourism centered niche strategy elucidates the above-proposed transition. The strategic dilemma of export versus DTC with a w&t focus also invites case study-based empirical analysis with performance assessments. An international analysis of the strategic groupings and w&t motivation would allow for cross-cultural comparison.

7. Summary

The w&t draws a lot of attention in the literature. In that body of knowledge, the strategic winery management perspective lags destination management or consumer behavior. This article provides empirical insights on the strategy and innovation of German wineries in the context of w&t. Wineries are increasingly aware of a need to change and adapt, especially when relying on direct to consumer sales. While it is still common for German wineries to have consumers pick up at the winery or estates deliver personally to their customers, the estates face decreasing loyalty. Rivalry is expected to intensify given a disadvantageous population outlook and an ongoing inflow of imported wines. Tourism offers the potential for a valuable lever to profile and to attract new customers. Indeed, all German wine regions are increasingly engaged in marketing their destination as an attractive w&t region. Wineries are pushed by authorities and experts to increase tourism activities. Still, tourism-centric strategic positioning of the wineries is not yet strongly developed. Prevailing product centrism, scarce niche approaches, generic strategies like cost leadership and anxiety that tourism activities might harm premium strategies explain why tourism still offers potential for strategic positioning and w&t in Germany.

The innovation portfolio of the analyzed wineries illustrates a potential strategic motivation for w&t depending on the strategic grouping of the estates. Wineries increasingly discover tourism as an opportunity to profile and differentiate. While a cluster of "(supposedly) negatively impacted" boutique wineries undervalues tourism "state-of-the-art tourism strategists" profit from it to differentiate and profile in the market. The latter realize a holistic approach of hosting, eating and experiencing. Active integration of clients and exploitation of regional differentiation thereby allows these wineries to create a unique customer experience. As a result, wineries face a strategic trade-off between direct sales via tourism and exports.

Clustered activities as joint regional efforts need to consider the individual strategic motivation of the wine estates. A sensitive strategic approach should substitute current petitionary appeals for w&t. Considering strategic grouping in the design and communication of joint w&t activities will result in more effective collective efforts. Tourism can thereby contribute to overcoming product centricity of the German wine industry.

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Appendix. Questionnaire - online survey

Questionnaire - Online Survey

I. Estate characteristics and descriptives

1. Which wine region do you belong to?
Simple choice out of 13 German wine regions

2. How old is your estate?
Simple choice
- o less than 10 yrs
- o first generation
- o second generation
- o several generations
- o historic estate (established before 1850)

3. What is the organization of your estate?
Simple choice
- o owner / family managed
- o manager

Simple choice
- o wine estate / bottled wine
- o wine estate / bulk wine
- o cooperation

4. How many employees do you have?
Simple choice
- o none/only family members
- o 1-3 employees
- o 4-10 employes – more than 10 employees)
- o more than 10 employees

5. Please give us some numbers concerning the size of your estate:
Open answer
- ___ Your total vineyard area in hectares?
- ___ Your total production in hecto litres?
- ___ Your revenues last year in Euros?

II. Strategy

1. Please choose the strategy that describes your business strategy best (Generic strategy)?
Simple choice:
- o cost-leader
- o price-value
- o quality-leader
- o premium
- o niche-targeting

2. What is your average gross price (Pricing strategy)?
Open answer
- ___ Amount in Euro per bottle of 0.75 liters

(*continued*)

3. What are your distribution channels with what share of your total revenues (Distribution strategy)?

Open answer percentage of revenue (total sum 100):

___ direct to consumer
___ internet / e-business
___ wine retail
___ supermarkets
___ restaurants
___ exports
___ agencies
___ Others

4. What customer centric innovative changes did you plan and did you realize them (Innovation)?

Simple choice:

New products (wines, design, packaging etc.)
o planed and realized o planed but not realized o no changes

Distribution optimization (channel, communication, sales activities etc.)
o planed and realized o planed but not realized o no changes

New services (tourism, events, etc.)
o planed and realized o planed but not realized o no changes

Repositioning (customer targets, new markets etc.)
o planed and realized o planed but not realized o no changes

III. Success

1. How do you judge your success?

Self-assessment by managers; Likert-scale

revenue	o very high o high o medium o low o very low
prfit	o very high o high o medium o low o very low
capital structure	o very high o high o medium o low o very low
costs	o very high o high o medium o low o very low
market share	o very high o high o medium o low o very low
product quality	o very high o high o medium o low o very low
service quality	o very high o high o medium o low o very low
new customers acquisition	o very high o high o medium o low o very low
customer loyality	o very high o high o medium o low o very low
market positioning	o very high o high o medium o low o very low
development new markets	o very high o high o medium o low o very low
personal satisfaction	o very high o high o medium o low o very low

Corresponding author
Marc Dressler can be contacted at: marc.dressler@hs-lu.de