

# POLITECNICO DI MILANO

## Scuola Ingegneria dei Sistemi

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## MASTER OF SCIENCE IN MANAGEMENT ENGINEERING

### BARBARIAN FIRM: A PHENOTYPE FOR COMPETING IN TURBULENT MARKETS *-A CASE IN THE WINE INDUSTRY-*

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# ABSTRACT

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The importance of strategic management for firms is increasing everyday since technology advancements have turned the dynamic of markets less predictable and harder to plan. Companies must to accordingly move with this dynamic if they want to keep the pace of competence and acquire possible advantages.

This paper propose a complementary approach to the already existing theories about competence, showing the external characteristics (Phenotype) of those companies more likely to succeed in highly-competitive markets: Barbarian Firms. Departing from the book of the Italian sociologist Alessandro Baricco "The Barbarians, an essay about mutation", the main features (characteristics) of Barbarian Companies are depicted; though a previously review of main theories about strategic management (i.e. Five Forces, Strategic Conflict, Resources Based View and Dynamic Capabilities) is developed to find those spots where theories may be limited.

The traits of the Barbarians, namely Barbarian Phenotype leveraging companies to succeed are: attack symbols (totems) unaltered for long time, supporting this attack on technologies innovations or brokering the already existing; acquiring a dynamic motion that permits turn the direction promptly according to market trends; creating new markets, transforming the set of core values for customers, making products and services more easy, convenient, simple and spectacular. The latter is illustrated and analysed with the case of study on the wine industry, which have passed through a lot of transformations in the last decades due to the New World Producers entrance and approach to competition, respect to Old World Producers.

Finally, some conclusion and other cases of study over the same subject, and suggestions about future research to keep studying the Barbarian Firms concept are briefly shown.



## RIASSUNTO

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L'importanza della gestione strategica per le aziende è in aumento ogni giorno a causa delle innovazioni tecnologiche, che hanno trasformato la dinamica dei mercati meno prevedibile e più difficile di pianificare. Le aziende devono muoversi conseguente con questa dinamica se vogliono tenere il passo delle competenze e acquisire possibili vantaggi.

Il presente documento propone un approccio complementare alle teorie già esistenti sulla competenza, mostrando le caratteristiche esterne (Fenotipo) delle aziende con più probabilità di successo in mercati molto competitivi: Aziende Barbare. Partendo dal libro del sociologo Italiano Alessandro Baricco "I Barbari, un saggio sulla mutazione", sono mostrate le principali caratteristiche delle aziende barbariche, ma prima sviluppando un controllo delle principali teorie di competenze e gestione strategica (cinque forze, conflitto strategico, vista basata su risorse, e capacità dinamiche), per individuare quelli aspetti in cui quelle teorie possono essere limitate.

I gesti dei Barbari, cioè Fenotipo, che leva le aziende a succedere sono: attacco ai simboli (totem) che restano inalterati per lungo tempo; sostenuto questo attacco sulle innovazioni tecnologiche o sull'intermediazione delle già esistenti. Così acquistano un movimento dinamico che permette di invertire la direzione prontamente secondo la tendenza dei mercati, creando nuovi, trasformando dei valori i consumatori considera centrali, rendendo i prodotti e servizi più facile, conveniente, semplice e spettacolare. Questo ultimo è illustrato e analizzato con il caso di studio sul settore del vino, cui è passato attraverso molte trasformazioni negli ultimi decenni a causa dell'ingresso e approccio alle competenze dei Produttori dei Nuovi Mondo rispetto ai Produttori dei Vecchio Mondo.



Finalmente, sono brevemente illustrati altri casi de studio sullo stesso soggetto, le conclusioni riguardo al tema, e suggerimenti alle future ricerche sulle Aziende Barbare.



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# 1. INTRODUCTION

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The role of strategic management within organizations has increased its importance since last century. Competition in the global market place transformed organizations' approach towards planning as a required endeavor to keep pace of competition, and possible way to adapt themselves to ever changing conditions.

From Porter (1980) to Eissenhart, Boyle and many other authors, strategic management have been theorized about the optimal firm's core characteristics to compete, focusing specially upon two areas: the impact of strategic planning on firm's performance and its decision making process; second, exploring the organizational processes of strategic formulation (Grant, 2003).

Maybe Michel Porter with his Five Forces framework was the most applied and discussed during the last two decades of 20th century. Porter, that based its theory of strategic formulation in coping with competition raising entry barriers, has been criticized because the theory is very static and sees the market structure as purely exogenous (Eissenhart & Martin, 2000). In the same line, Shapiro theorizes about business strategy as a game of action and reaction of incumbents within a specific market (Shapiro, 1989). The intensity of the rivalry for Shapiro relies in the capability of the firm's to rapidly respond to the different movements of its competitors in an efficient and effective way.

Later, other authors devote more emphasis in the internal structure of companies and settled that its competitive position is depends on its ability to explode internal capabilities, valuable and non-easy to imitate resources (Barney, Mauhanna & Ray, 2004). Resource-based logic suggests that business processes exploiting valuable but common resources are source of competitive parity; business processes exploiting valuable and rare resources can be a source of temporary competitive advantage; and business processes exploiting valuable,



rare, and costly-to-imitate resources can be a source of sustained competitive (Barney, Mauhanna & Ray, 2004).

Nevertheless, companies fail thinking that strategic planning is a calendar driven ritual, and assuming that the future will be more or less like the present (Grant, 2003). Nowadays, increasing volatility of business environments makes the strategic planning process more difficult; rapid change requires strategies to be flexible and creative, thus formalisms in strategy settling become useless.

High-velocity markets are those in which market boundaries are blurred, successful business models are unclear, and market players (i.e., buyers, suppliers, competitors, complementers) are ambiguous and shifting. The overall industry structure is unclear. In these markets, dynamic capabilities necessarily rely much less on existing knowledge and much more (Eissenhart, 2011).

The challenge of making strategy when the future is unknowable encourage reconsideration of both processes of strategy formulation and the nature of organizational strategy. Attempts to reconcile systematic strategic planning with turbulent, unpredictable business environments may include scenario planning, strategic innovation, complexity and self-organization (Grant, 2003).

In this regard, business strategic management to compete in turbulent and dynamic environments becomes more important for firms. In spite of traditional strategic theories such as the five forces (Porter, 1980) or the strategic conflict theory (Shapiro, 1989) had proved efficient to explain how firms could achieve competitive advantage, they appeared however quite inadequate to explain how firms could sustain it under disruptive, fast or complex change. The growing dynamicity of the business environment has therefore led to significant revisions in business priorities, strategic visions, and in the viability of conventional and contemporary models (Shafari & Zhang, 1999).

Markets are now more unpredictable and dynamic. New Technologies have transformed the pace of competence and the way of gaining and sustaining



competitive advantage. Evolutions of markets due to technology advancements force firms to rapidly adapt themselves to new conditions or fail. Therefore, it seems that Charles Darwin's 'Theory of Species' applies to business strategy: new companies adapting their processes, products and services prevail over long lasting incumbents that denied to change or did not understand the signs of markets and consumers. For instance, Nokia was the worldwide cellphone's producer leader, relying its competitive advantage in the reliability of its devices and battery's duration. Today, after five or six years of changes and intense competition, Apple iPhone and Samsung are market leaders with a different value offer, adapting their products including new functionalities, specially in software (operating systems and applications), and transforming those previously core characteristics in secondary, thus less important for customers at the moment of purchase.

In this sense, the main firms features or traits making them to prevail on turbulent markets are now particularly important to be recognized. Characteristics allowing firms to adapt themselves to turbulent and highly competitive environments.

Considering Darwin's theory, species with special set of internal and external characteristics, able to adapt the most to new environment conditions, are those more likely to survive in competitive contexts. Metaphorically speaking the 'Genotype' are the internal characteristics, genes or essential features of firms making possible to survive, adapt and compete successfully within environments where resources (customers) are competed. The latter, portrayed by scholars like Teece and colleagues (1997) as Dynamic Capabilities, associated with a firm-level characteristics and recurrent behaviors like flexibility, velocity, collaboration attitude, ability to create and exploit connections (Frattoni, 2011). In contrast, the external manifestations or 'physical characteristics' of these genetic map, namely 'Phenotype' has not been clearly studied. Successful companies need a set of specific characteristics to survive in harsh environments, characteristics that should be recognized and individualized in order to understand how to compete and sustain advantages in the long term.



Given this discussion, the aim of this paper is to illustrate the firms' external characteristics -Phenotype- making them possible to successfully compete in turbulent and highly competitive environments. In other words, the question to be solved with this research is:

*Which is the observable set of external characteristics within firms making possible to successfully compete in highly competitive environments?*

Departing from the academic work already done by Audran (2010) and Sozzani (2011), published within Politecnico di Milano and Stockholm School of Economics, this research is developed. Taking as a cornerstone the Alessandro Baricco's book "The Barbarians, an essay about mutation", which analyzes the current transformation in society behavior from a sociological point of view, and interpreting it in managerial sense, behavior of firms' able to successfully compete in dynamic markets is conceptualized. Later on, the idea behind the 'Barbarian Firm's behavior' is illustrated through a case of study about the transformation of the wine industry during the last years, showing how the competence and conditions within this industry has changed since the 'Barbarians' entrance in this market area.

The paper is organized in the following schema: First, a brief review about business strategies theories is made, showing their possible limitations, which are intended to be covered by this project with the 'Barbarians' theory. Second, the 'Barbarian' concepts are presented, summarizing the most important parts of Alessandro Baricco's book and conceptualizing them under a managerial point of view. Third, the methodology regarding cases of study as managerial tool to present novel concepts is illustrated. Finally the case of study around the wine industry is presented and analyzed under 'Barbarian' framework to validate these concepts and explain the transformations within the industry.



## 2. COMPETENCE THEORY

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The fundamental question in the field of strategic management is how firms achieve and sustain competitive advantage (Teece, Pisano & Shuen, 1997). Theories about competition are several and they have varied according to different approaches, moments and firms behaviours, some of them considering external factors, others internals, and finally some of them with a mix point of view.

This chapter briefly presents some different approaches to competition and competitive advantage. Departing the most antique theory of competition, Darwin's Natural Selection to Porter's theory (rooted in industrial organization), Shapiro, Teece, Barney and their colleagues, a framework about the most important competition theories will be briefly presented.

In spite of common use and applicability of these theories within strategic management, scholars are continuously asking themselves their validity due to some static underlying assumptions about positioning and entry barriers, which has become it clearly inadequate (Bianchi, Chiesa & Frattini, 2011).

Finally, and having a broad view of these theories, a general idea about why these theories don't fulfil all the requirements to analyse the competition in turbulent environments as we have nowadays is presented.

### 2.1 DARWIN'S NATURAL COMPETENCE THEORY

Darwin's original contributions were the mechanism of natural selection and copious amounts of evidence for evolutionary change from many sources. He also provided thoughtful explanations of the consequences of evolution for our understanding of the history of life and modern biological diversity (Michigan University, 2010).



Talking about competition, Darwin states that competition exists among individuals. Regardless of the rate of reproduction in a species, all of the young do not survive to become reproducing adults. This fact indicates that large numbers of offspring somehow are eliminated from the population. Some certainly die by accident. But most of them succumb to competition with other individuals. The most intense competition may be among individuals of the same species who compete for nearly identical environmental requirements. Competition may be as simple as a race to get a rabbit — the first fox there gets lunch; the others go hungry. Competition may involve obtaining a choice nesting site, or being able to find the last available hiding hole when a bigger fish comes looking for dinner. Those individuals who catch the rabbit or find the hiding hole survive to pass on their genes to the next generation (American Geoscience Institute, 2010).

From one generation to the next, the struggle for resources (what Darwin called the “struggle for existence”) will favour individuals with some variations over others and thereby change the frequency of traits within the population. This process is natural selection. The traits that confer an advantage to those individuals who leave more offspring are called *adaptations* (Michigan University, 2010).

In order for natural selection to operate on a trait, the trait must possess heritable variation and must confer *an advantage in the competition* for resources. If one of these requirements does not occur, then the trait does not experience natural selection. Natural selection operates by comparative advantage, not an absolute standard of design. “...as natural selection acts by competition for resources, it adapts the inhabitants of each country only in relation to the degree of perfection of their associates” (Darwin, 1859).

During the twentieth century, genetics was integrated with Darwin’s mechanism, allowing us to evaluate natural selection as the differential survival and reproduction of genotypes, corresponding to particular phenotypes. Natural





selection can only work on existing variation within a population. Such variations arise by mutation, a change in some part of the genetic code for a trait. Mutations arise by chance and without foresight for the potential advantage or disadvantage of the mutation (Michigan University, 2010).

Metaphorically speaking, Darwin's Theory applies to strategic management; it shows how important are evolution, adaptations and mutations for firms to survive when competing for resources (customers). Nowadays, more companies are likely to fail given that the struggle is even harder: more products, different set of value offers and diverse kind of customers. That's why is very important to recognize, as Darwin's states, the Genotype and Phenotype characteristics of the most capable species to survive in harsh environments.

### **2.1.1 Genotype**

This is the "internally coded, inheritable information" carried by all living organisms. This stored information is used as a "blueprint" or set of instructions for building and maintaining a living creature. These instructions are found within almost all cells (the "internal" part), they are written in a coded language (the genetic code), they are copied at the time of cell division or reproduction and are passed from one generation to the next ("inheritable"). These instructions are intimately involved with all aspects of the life of a cell or an organism. They control everything from the formation of protein macromolecules, to the regulation of metabolism and synthesis (Brooklyn College, 2000).

In this paper, genotype refers to the set of internal characteristics of companies making possible to successfully compete within dynamic markets. Dynamic Capabilities theory, hereafter summarized, applies adequately to describe the companies' genotype competing successfully in turbulent environments; this paper attempts to find out what is the external manifestation of these especial internal characteristics of firms, that's Phenotype.



### **2.1.2 Phenotype**

This is the "outward, physical manifestation" of the organism. These are the physical parts, the sum of the atoms, molecules, macromolecules, cells, structures, metabolism, energy utilization, tissues, organs, reflexes and behaviors; anything that is part of the observable structure, function or behavior of a living organism (Brooklyn College, 2000).

As the purpose of this research is aims to find the firm's external characteristics necessary to successfully compete in dynamic environments, metaphorically the term 'Phenotype' is used from now on. If it is compared the competition among firms to the natural selection proposed by Darwin, the importance of studying the phenotype emerges, since natural selection firstly acts on the phenotype of species modifying their external characteristics (Sozzani, 2011). In this regard, phenotype analysed here to assess the 'physical appearance' of those firms more able to adapt themselves, turn upon markets needs and trends direction, better perform, thereby more able to compete and survive.

## **2.2 PORTER FIVE COMPETITIVE FORCES**

Several theories in Strategic management can be found, all of them widely discussed; during the 80's those theories were highly diffused, especially authors like Porter and Shapiro, which explained the different of forces that should companies consider when seeking favourable position within markets they compete in. Porter (1980), with his five forces model opens a new path to analyse competitive arenas, define corporate positions and how to defend itself against these forces or influence them in its favour (Porter, 1998).

The five forces' main elements can be seen in the Figure 1. Since Porter, most of the analysis that aims to determine intensity in competition within industries, countries, in the academy or in the real world, taking five forces as baseline became common.



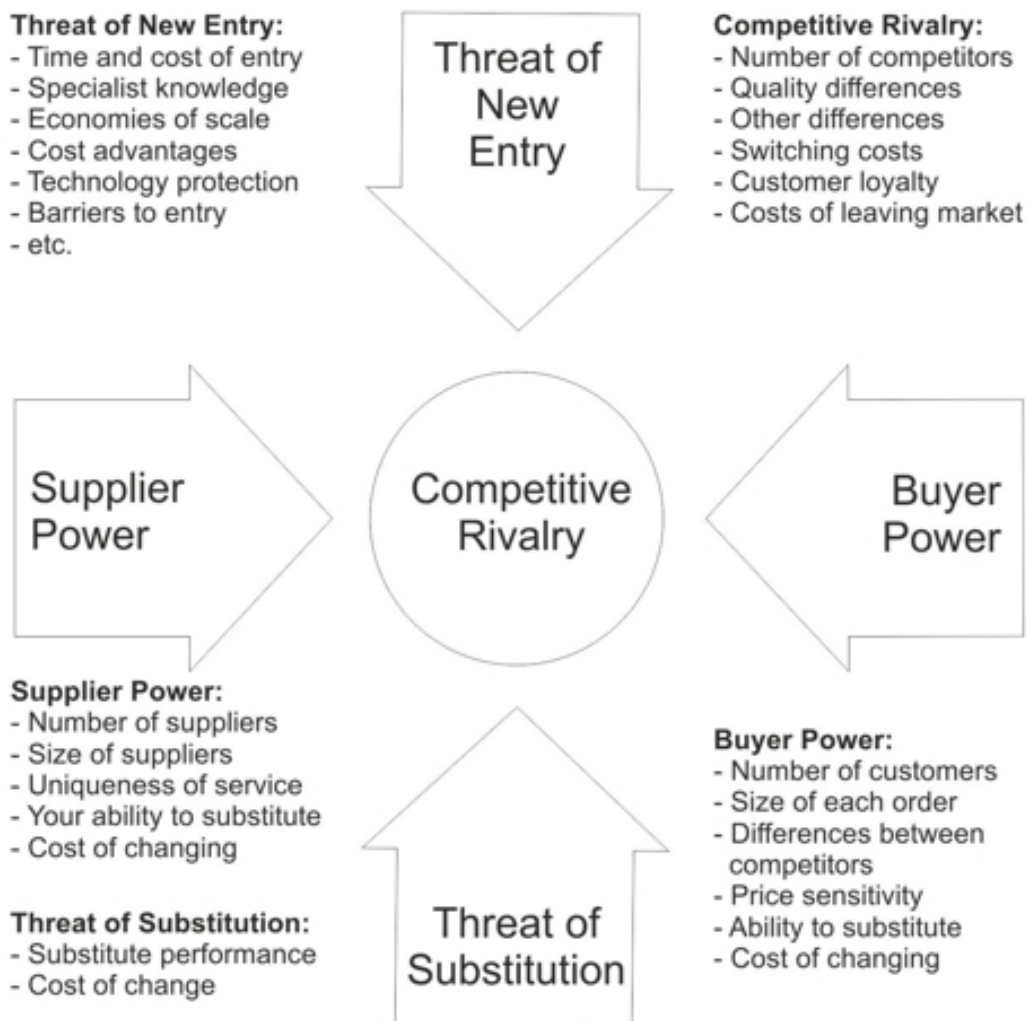


Figure 1: Five Forces Model. Adapted from Porter, 1980.

### 2.2.1 Threat of New Entry

New entrants to an industry bring new capacity, the desire to gain market share, and often-substantial resources. This threat of entry depends on the barriers to entry that are present, coupled with the reaction from existing competitors that the entrant can expect. If barriers are high and/or the newcomer can expect sharp retaliation from entrenched competitors, the threat of entry is low (Porter, 1998).

Six are the major sources of entry barriers: Economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels, cost disadvantage independent of the scale, government policy (Porter, 1998).

### **2.2.2 Intensity of competition among existing competitors**

According to Porter: “Rivalry among existing competitors takes the familiar form of jockeying for position –using tactics like price competition, advertising battles, product innovations, and increased customer service and warranties. Rivalry occurs because one or more competitors either feels pressure or sees opportunities to improve its position” (Porter, 1998).

The most important factors when intensity of competition among existing competitors is analysed are: Number and balance of competitors, industry growth, fixed and variable costs (how high are they?), differentiation and switching costs, capacity augmented in large increments, diverse competitors, strategic stakes, and exit barriers (Porter, 1998).

### **2.2.3 Pressure from Substitute products**

The role of substitute products within an industry is placing a ceiling on the prices firms can charge, limiting returns and thus profitability. The more attractive price-performance alternative offered by substitutes, the stronger the ceiling in the industry profits (Porter, 1998).

### **2.2.4 Bargaining Power of Buyers**

Buyers perform a critical role in competition forcing down the prices, bargaining for higher quality or more services, and playing competitors against each other. The buyer power (or a group of them) is powerful if it holds the following characteristics: it is concentrated or purchases large volume relative to seller



sales; the product it purchases from the industry represent a significant fraction of the buyer's cost or purchases; the product it purchases from the industry are standard or undifferentiated; it earns low profits; buyers pose a credible threat of backward integration; the industry product is unimportant to the quality of the buyers' products or services; finally, if the buyer has full information (Porter, 1998).

### **2.2.5 Bargaining Power of Suppliers**

The power of the supplier relies in the fact that it can raise prices or reduce the quality of purchased goods or services; like this threatening the company or industry position. Powerful suppliers can thereby squeeze profitability out of an industry unable to recover cost increases in its own prices (Porter, 1998).

A supplier group is powerful if: it's dominated by a few companies and it's more concentrated than the industry it sells to; it's not obligated to contend with other substitute products for sale to the industry; the industry is not an important customer of the supplier group; the supplier's product is an important input to the buyer's business; the supplier group's product is differentiated or it has built up switching costs; and finally if the supplier group poses a credible threat of forward integration (Porter, 1998).

## **2.3 STRATEGIC CONFLICT THEORY**

The strategic conflict theory developed by Shapiro analyzes strategic behavior departing from game theory. For him, only game theory provides a coherent and logical way to analyze firm's behavior, which seeks to maximize profits and performs non-cooperatively; additionally, considering a common knowledge shared by all participants. (Shapiro, 1989).

Defining business strategy, Shapiro says: "By the theory of business strategy I mean the growing collection of models of business rivalry along many



dimensions in concentrated markets. The timing of strategic decisions and the ability of large firms to make commitments are the key to understanding business strategy” (Shapiro, 1989); pointing up the importance of markets’ concentration, time and resource commitments as core issues to define business strategy.

The main thrust of work in this tradition is to reveal how a firm can influence the behavior and actions of rival firms and thus the market environment. Examples of such moves are investment in capacity, R&D, and advertising. To be effective, these strategic moves require irreversible commitments. The moves in question will have no effect if they can be costlessly undone. A key idea is that by manipulating the market environment, a firm may be able to increase its profit. (Teece, Pisano & Shuen, 1997).

In this sense, Shapiro defines the strategic variables to be analyzed when defining or assessing the business strategy of a firm in a given market place:

**Investment in physical capital.** Referring to the investment that tends to reduce marginal costs and also a strategic role cause must be observable by the rival firms. The core intention is to excel in the market forcing rival firms to compete less strongly or step out of the market (Shapiro, 1989).

**Investment in intangible assets.** Activities like learning by doing, R&D, licensing, joint ventures, etc., can give the opportunity to firm to gain competitive advantage especially in high tech industries, since those kind of activities define the dynamic of the competition (Shapiro, 1989). For instance, R&D activities leading to patenting may discourage the potential entry of competitors (Gilbert & Newberry, 1982).

**Strategic control of information.** Having valuable and differentiated information respect to rivals, make firms to affect the beliefs of their rivals about market conditions. For instance, it can be used for purposes of rival’s entry



deterrence, since pre entry actions may affect (potential) entrants' beliefs about the profitability of entering the market (Shapiro, 1989).

**Horizontal Mergers.** When looking for assets consolidations in the industry mergers modify competence's conditions within the market. Mergers lead to synergies, price, and thus profitability modifications (Shapiro, 1989).

**Network competition and product standardization.** Especially in computing and telecommunication sectors, compatibility and standardization became critical forcing firms to modify their strategy and consolidate networks to be able to compete. (Shapiro, 1989).

**Contracting.** Signing long-term contracts became a suitable tool for firms to deter possible competition. Consequently the interest on contracts is increasing as strategic tool with wide utility. (Shapiro, 1989).

**Other dimensions.** Complementary, thanks to the flexibility of business strategies, other dimensions are important to be taken into consideration. For instance switching costs, or product and price selection; aspects that clearly can alter the conditions in which firms are competing and the pressure over the market. (Shapiro, 1989).

## 2.4 RESOURCE BASED VIEW (RBV)

After Porter had a deep impact in business strategy theories analyzing external environment, stating that companies profitability and positioning depends on the industry characteristics; some other authors like Barney, Mauhanna, Ray, Eissenhart, Welnerflet, commenced to discuss about the role played by firm's internal and idiosyncratic characteristics (resources) as a determinant of its position and profitability, as a source of competitive advantage. The latter knew as Resource Based View model that it is briefly summarized hereafter as another approach to competition.



The resource-based approach sees firms superior systems and structures being profitable not because they engage in strategic investments that may deter entry and raise prices above long-run costs, but because they have markedly lower costs, or offer markedly higher quality or product performance. This approach focuses on the rents accruing to the owners of scarce firm-specific resources rather than the economic profits from product market positioning (Teece, Pisano & Shuen, 1997).

Firm resources, defined “as those tangible or intangible assets which are tied semi-permanently to the firm; for example brand names, in-house knowledge of technology, employment of skilled personnel, trade contracts, machinery, efficient procedures, capital, etc.” (Wernerfelt, 1984). Those resources and capabilities working as mean to develop and implement strategies, which together with firm’s business processes accomplish firm’s purpose or objective. (Leonard & Barton, 1992).

Furthermore, differential resources work as mechanism to erect entry barriers, since the holder of a distinctive resource can affect adversely cost and revenues of later acquires. The latter called resource position barriers (Wernerfelt, 1984).

At the most basic level, such resources must be valuable (i.e., rent producing) and non substitutable (Barney, 1991; Dierickx & Cool, 1989). In other words, for a resource to have enduring value, it must contribute to a firm capability that has competitive significance and is not easily accomplished through alternative means. Next, strategically important resources must be rare and/or specific to a given firm (Barney, 1991; Reed & DeFillippi, 1990). That is, they must not be widely distributed within an industry and/or must be closely identified with a given organization, making them difficult to transfer or trade (e.g., a brand image or an exclusive supply arrangement). Although physical and financial resources may produce a temporary advantage for a firm, competitors or new entrants often can readily acquire them on factor markets. Conversely, a unique path





through history may enable a firm to obtain unusual and valuable resources that cannot be easily acquired by competitors (Barney, 1991).

In RBV competitive advantage can be sustained only if resources that are not easily duplicated by competitors support the capabilities creating the advantage. In other words, firms' resources must raise "barriers to imitation" (Hart, 1995). In this regard, sustainable competitive advantage based on the resources perspective depends on the results of the accumulation and deployment managerial choices, combined with the industry factors and market imperfections (Oliver, 1997).

Additionally, scholars like Gautam, Barney, Waleed, Mauhanna establish that resources, by themselves, cannot be a source of competitive advantage. That is, resources can only be source of competitive advantage if are used to "do something" i.e., if those resources are exploited through business processes (Barney, Mauhanna & Ray, 2004).

Finally, the optimal growth of the firm involves a balance between exploitation of existing resources and development of new ones (Wernerfelt, 1984). Firms usually fail to efficiently and effectively translate their resources and capabilities into business processes cannot expect to realize the competitive advantage potential of these resources (Barney, Mauhanna & Ray, 2004).

## **2.5 DYNAMIC CAPABILITIES**

Another approach to competition based in firms' internal capabilities, and that may complement the Resource Based View is Dynamic Capabilities approach. Firstly theorized by Teece (1997) and then commented by other authors as Eissenhart an Martin (2000), aims to explain those capabilities, resources and mechanism a company needs to acquire competitive advantage and sustain it over time. Nonetheless, Dynamic Capabilities left behind the static vision of the Resources Based View, addressing in its analysis rapidly changing environments.



Teece and colleagues define dynamic capabilities as “ the firm ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments” (Teece, Pisano & Shuen, 1997); ability pointing to gain competitive advantage given a specific market position (Leonard & Barton, 1992).

Given the global competition, characterized by the dispersion of the innovation and manufacturing sources, sustainable advantage requires unique and difficult to replicate dynamic capabilities with the purpose to continuously create, extend, upgrade, and protect the relevant enterprise’s asset base (Teece, J., 2007).

In his first discussion Teece set three main roles of the organizational processes required to develop Dynamic capabilities: First, coordination and integration, referred to the understanding of the firm’s processes in order to adapt successfully new technology (static concept). Second, learning through possible partnerships and collaboration as a source of new organizational learning (dynamic concept). And third, reconfiguration and transformation, as the ability to perform the necessary adjustment required by the markets to be ahead of the competition (Teece, Pisano & Shuen, 1997).

Posterior to this first approach, the Dynamic Capabilities theory was enhanced by Teece himself, summarizing with analytical purpose his theory in 3 basic capabilities: (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible assets (Teece, 2007).

### **2.5.1 Sensing Opportunities**

Sensing (and shaping) opportunities for Teece refers to the capability of firms to



be continuously aware, scanning, creating, learning and interpreting market signals (Teece, 2007). Firms detect these opportunities because 2 main factors: entrepreneurs can have access to privileged information (Kirzner concept), or they create new information/knowledge creating opportunities -Shumpeter concept- (Teece, 2007).

In this regard, maybe the most important ability required by managers is how to interpret and develop new events, which technologies pursue and which market segments to target. They must assess how technology will change the landscape, and when the competitors, supplier and customers will respond (Teece, 2007).

Resource Based View emphasizes the development of management capabilities and difficult to imitate combination of organizational, functional and technological internal skills in order to acquire competitive advantage (Eisenhart & Martin, 2007). In contrast, dynamic capabilities recognizes that the time for creating opportunities only with external search and technology acquisition is over, now that as Chesbrough (2003) explains, 'Open Innovations' in now mandate for sense and shape firm's success (Teece, 2007).

### **2.5.2 Seizing Opportunities**

Seizing or exploiting opportunities involves the concept of timing, since once opportunities are available, firm's should heavily invest in the particular technologies and design most likely to achieve marketplace acceptance (Teece, 2007).

Nevertheless, seizing firm's opportunities not only regards to when, where, and how much to invest, but also select and create the business model that describes its commercialization strategy and investment priorities. Dynamic capabilities emerge around the manager's ability to correctly establish decisions rules and resources allocation (Teece, 2007).



### 2.5.3 Managing Threats and Reconfiguration

In order to acquire or maintain the competitive advantage achieved by the identification and exploitation of the market opportunities, manage the common threats and permanently improving is required.

Enterprise's biases can spoil performances and ruin market possibilities, impeding develop radical innovations, since those challenge the status quo. For instance 'anti-cannibalization' bias is a particular manifestation of incentive and structural problems that can thwart innovation in established enterprises (Teece, 2007). To overcome this kind of threats and continuously transform the firm's processes to adapt themselves to customer needs, dynamic capabilities display 3 main necessary abilities into the organizations: (1) decentralization and decomposability, to gain fast decision making processes and avoid biases; (2) cospecialization, since combination of strategic assets can create or enhance special value for the firm; (3) learning, knowledge and corporate governance, which assists the technology flow and protection (intellectual property), retain the more committed talent, design reward systems, and develop corporate culture.

Finally Teece summarizes Dynamic Capabilities approach in a simple but clear way:

"The dynamic capabilities framework endeavours to explicate new strategic considerations and the decision-making disciplines needed to ensure that opportunities, once sensed, can be seized; and how the business can be reconfigured when the market and/or the technology inevitably is transformed once again". (Teece, 2007).



## 2.6 THEORIES LIMITATIONS

It's quite difficult to assess theories from different moments and different contexts, since all of the abovementioned theories are coming when business strategy regards what authors consider more determinant to gain competitive advantages. Nevertheless, the considerations that can be done around those theories consist in their focus, whether they study the external or internal competitive conditions and competences, and whether these theories have a static or dynamic approach.

Within the theories considered, there is not a single one that considers all those elements together, and consolidates a broad theory for strategic management and competitive advantage. The reasons can be numerous, though it can be said that all of them are complementary.

Taking as starting point the paper developed by Sozzani in 2011 about Barbarians Firms and their phenotypic characteristics, hereafter the main critics around Porter, Shapiro, Barney, Eissenhart, Teece and others theories and discussions, are presented in order to introduce the validity of the concept of Barbarians Firms and Alessandro Baricco's theory as significant complement theory, which can enhance the comprehension around business strategy management, specially in highly dynamic and turbulent markets.

Porter states that firms' position and competitive advantage rely in the conditions of the external environment, the dimension and intensity of the five forces running in the market (Porter, 1980). Awfully, Porter's theory does not call attention to two important factors: first, firm's endogenous factors as innovation and learning that are important factors to shape the market place, cope with competition and gain competitive advantage (Teece, 2007); second, Five Forces theory is purely static and does not consider dynamic environments.

Additionally, Porter relies in entry barriers as a basis to protect competitive advantage, though as some scholars have suggested (Namwoon & Hong-Bumm,



Shankar, Carpenter & Krishnamurthi, Greorski & Vlassopoulus) late entrants are able to outperform incumbents depending on the strategies adopted in singular market (Sozzani, 2011). Examples, are many and clear: Blackbuster bankruptcy because Netflix business model; Google, which was not the very first web searcher; Apple's iTunes that produced a revolution in music business, but was not the first selling digital music.

In the same idea line, Shapiro theory underlies in the fact that market concentration depends on the resources commitment of the firm and in the possible actions rivalry firms can develop to respond to determined action.

Shapiro focuses in the external conditions of the competitive market place, and relies in the fact that entry barriers can be erected once managers know where and how commit resources.

In this sense, Shapiro theory has two main points of review: first, as it was stated with Porter's theory, entry barriers in dynamic competitive advantages are not guarantee of long lasting profits. Second, the approach ignores competition as a process involving development, accumulation, combination and protection of internal capabilities, which can be an important source of competitive advantage (Teece, Pisano & Shuen, 1997).

Finally, conflict theory proposes some strategic decisions but does not suggest practical actions, since it does not provide extensive explanation about the phenotypic characteristics of successful firms, which make the theory abstract to managers (Sozzani, 2011).

On the contrary, but equally trying to explain core characteristics of market leading firms, Resource Based View and Dynamic Capabilities theory can be found. Both of them, especially the former, define internal enterprises' resources and capabilities as the key determinants of competitive advantage. It can be said that these theories state their business strategy explanations in a genotypic way.

Resource Based View theory highlight the unique and difficult to imitate resources as the determinant factor to gain and sustain competitive advantage,



given that by these means it can be erected what they call resource positions barriers (Wernerfelt, 1984). Nonetheless, in dynamic environments where knowledge and capabilities are easy transferable, it is not sustainable a competitive advantage only based on this idea. Crowdsourcing, open innovation, telecommunication technologies, connectivity and fast information and assets transference, have revolved the concept of property and the easiness of access to latest innovations. Based on this idea, Resource Based View as only source of competitive advantage is out-dated, given its static standpoint.

Maybe the theory that combines the best a view in both sides, internal and external environment is Dynamic Capabilities theory. This approach focuses in the enterprise's internal capabilities to respond to a dynamic environment. Thus, tries to consider the external competitive market, but not those external dimensions that should be considered to gaining and prevailing in the market place.

In this regard, what it is intended with this paper is explaining through an innovative theory, namely 'Barbarian behavior' depicted by Alessandro Baricco in his book "The Barbarians", the strategic management decisions and actions to gain competitive advantage and overthrow entry barriers erected by large and powerful firms, especially in long lasting markets. Theory that it is not intended to cover the vast field of business strategy, but searches to work as a complement of approaches as Dynamic Capabilities that have commenced to consider turbulent and highly dynamic markets, where every single company has to struggle nowadays.

To conclude, the Table 1 developed by Sozzani in his paper also about the Barbarians Firms, summarizes in a systematic and clear way the different approaches to competitive advantage already discussed, and the blindspots that this paper attempts to cover, illustrating with case of study about the wine industry; in this way aiming to support empirically this new approach.



Theory	Focus	Genotype/Phenotype	Environment
Porter's Competitive 5 F	External	Phenotype	Static
Shapiro Conflict Theory	External	Abstract Phenotype	Static
Resources Based View	Internal	Genotype	Static
Dynamic Capabilities	Internal considering external environment	Genotype	Dynamic
Barbarian Firms	External	Phenotype	Dynamic

**Table 1: Business Strategy Approaches Summary. Source: Sozzani, 2011**



### **3. THE BARBARIANS: BARICCO'S CONCEPT AND MANAGERIAL POINT OF VIEW**

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In this section a brief summary of the Alessandro Baricco's book is going to be exposed. In this regard, those chapters displaying the most important implications from the managerial point of view are showed with the aim of building a theoretical framework for the case of study analysis. The focus of this chapter are the firsts sections of the book, where Baricco explains his theory and shows the main characteristics of the Barbarians, let's call it 'Barbarian Traits'. Obviously, the chapter about wine is paramount, given that the objective of this essay is analysing changes in this industry because of new competitors entrance and performance in the world wine marketplace.

The managerial implications of the book depart from the work done by Sozzani in 2011, basing it on the concepts and ideas depicted by Baricco in his book, proposing a competence's theory and managerial behaviour (phenotype) framework.

This different scheme tries to tackle the problem of analysing the dynamism that characterizes the current business environment taking a different point of view, using "different lenses", Barbarian lenses, to reach answer to this new way of competition (Sozzani, 2011).

#### **3.1 THE BARBARIANS, AN ESSAY ABOUT MUTATION SUMMARY**

The book is the conjunction of different essays about the same subject that Alessandro Baricco wrote during 2006 for the most important newspaper in Italy: La Repubblica.

Baricco as a sociologist, was deeply concern about a series of changes in society, the way people is approaching, for instance, books, music, products, and in general to every kind of experience. Baricco through a diverse kind of examples



and explanations, states that this approach is suffering a transformation, a mutation. This mutation takes place because of the arrival of 'The Barbarians': people who's invading and changing everything around, "changing the map" of what has been known so far (Baricco, 2).

### **3.1.1 Underlying idea of the Book**

The essence of the Baricco's work lies in the fact that there is a current transformation in the culture, but is more than a generational change, is a mutation. The magnitude of the change is so extreme and the consequences so important, that it seem as if a barbarian invasion is taking place (Sozzani, 2011).

According to Baricco's idea, for some 'traditionals' the moment of the apocalypse is arriving; a motion towards the 'lost of the soul', lost of some 'gestures' sense as we have known them so far, which implied nobility: reading a book, listen to music, drinking wine, etc., actions that implied depth, going from the surface to the bottom, and time consume -suffering- in order to have a complete experience.

For instance, reading books have completely changed its own gesture; previously it was a complex activity that required a profound knowledge; nowadays, on the contrary it has lost its profundity characteristic, people is reading book with simpler and immediate languages and more frivolous subjects.

Barbarians don't care about nobility of actions (gestures); Baricco call this fact saying that 'they don't have any soul', because they are mutated; already moved from the world of the civilization, where people looked for the deep meaning of everything towards a world, where the sense of things is embedded in their own motion.

Motion is the Barbarian core. Being permanently in constant movement is their premise, but motion on the surface: surfing. Surfing allow them to trace trajectories in which are able to connect different experiences, and here is the



sense of being in the surface, the more experiences they can connect, the more sense those has. Barbarians don't want to know in deep about just one experience, they don't want to be specialized. Barbarians want to know superficially about many experiences, which they can connect and share.

Furthermore, Barbarian motion is most of the times supported in a technological innovation; as it happens with Google and its innovative searching algorithms; iTunes and its breakthrough business model to deliver music; or Nespresso and its patented technology to produce a typical Italian espresso. All these examples with some factors in common: technology differentiation, convenience and easiness for customers.

In this sense, the mutation occurs since a terrific technological advancement that has completely changed the way in which people perform an experience. The concept of experience has dramatically changed: while in the past the process of experience entailed a deep, time consuming activity of studying books and papers to find out the meaning of things, nowadays such goal can be achieved in much faster way, with some computer clicks (Sozzani, 2011).

Additionally, other important characteristic of this new community is that Barbarians don't care about the rules already established by the old civilization; this is not because they want struggling with past generations or the status quo, they simply disregard it and build their own rules, change the environment and shape it according to their needs and trajectory. For instance, it was though that it was impossible to produce quality wine outside Mediterranean soils, but Barbarians did. The real espresso, was the one from Italian bars mochas, but they created machines for producing them at home.

Hereafter, some examples exposed by Baricco in his book are being presented in order to clarify the main concepts and ideas around his book, which are useful to derive the managerial implications. The latter that subsequently, in the case of study analysis are used to analyse how the underlying idea of Baricco theory is



applicable to some successful firms in dynamic and highly competitive environments.

### 3.1.2 Sack To Villages

**Wine.** Barbarians don't have any soul; they destroy, or at least transform the customs from the past, letting them without a sense. But, one of the most important gestures of these new hordes is their attack not to the capital villages, but the peripherals. The reason is precisely the simplicity of the attack: is quicker, and easier to invade and to induce the mutation bases.

Along the history wine consume has being the habit reserved for some countries. In those countries, production and consumption was extended and traditional, making high quality wines. France and Italy were almost exclusively those who produced wine by then.

After the Second World War this scene changed. Americans, specifically Robert Mondavi, started to produce wine, not wine for Europeans, but for Americans instead.

As Americans were inexperienced producing wine, but they have not taboos, as Europeans has. Americans knew that they should produce a wine for people with no knowledge and tradition about wine. In this sense, the wine had to be different compared with European's, with different a characteristic; that's why Americans produced wine *easy* and *spectacular*: 'Hollywood wine'. The result, United States today consume more wine than Europe itself.

The difference between European and American wines is clearly noticeable for an inexperienced consumer: while drinking the former you may need time and some food as companionship to enjoy the sensations given by the wine; with the later, you'll think to have found the wine you have been looking for your whole life. That's it, easy and specular, without any need of depth, complexity, nobility or history.



The changes introduced by The Barbarians in the industry respond to a different traits or movements. First, the thirst for profits makes the industry turns towards a marketing boom. Second, technology innovation “break down the privileges of a class that held the primacy of the wine art” (Baricco, 16). Third, a linguistic revolution: Robert Parker an American wine critic, transform the way in which people approach to wine. With a modern language: simple and understandable, people could refer wines without complexity, common in Europeans denominations.

In this point is important to highlight wine acquire a new value: ‘spectacularity’, and not only is new, but the most important one.

Baricco summarizes this wine attack like this: “with the complicity of a technology innovation, an cultural Imperialism (American) aligned group of people accesses to a previous forbidden field, taking it in an instinctive way to a immediate ‘spectacularity’ and to a modern linguistic universe; in this way achieving an amazing commercial success”.

**Soccer.** Baricco states that since the incorporation of the digital TV to the soccer market, the essence of the Sunday’s ritual around the matches disappeared. Barbarians precisely strike the sacredness, substituting for a different gesture, a more secular one. Nowadays, soccer is not only Sunday, can be Monday, Friday, live, highlights, etc. Soccer is not a ritual anymore.

On the other hand positions, rhythm, player’s role, and velocity also changed, looking for results, better results. The system for the Barbarians has to be continuously moving, otherwise is dead.

**Books.** Barbarian’s logic around books keeps the same track as the others topics already seen: commercialization. This trade logic is core in Barbarians sacks; they are constantly looking for the most suitable market to sell different kind of books, to please a consumer, that nowadays not that demanding anymore.

Novels were the barbaric gesture in a market sheltered during the eighteen century just for an elite, almost only those who were able write a book were



those who were allowed to read books. Novels shake the market, people without high education accessed to read them: “if they could afford books, thus they could read them”.

Pocket books appeared in the 20<sup>th</sup>. Century and became a success, opened markets doors, maybe sacrificing quality, changing the conception and essence, but in any case a commercial conquest.

Also books have derived its conception to a simplistic one, even its language become simpler, embraced and understood by everyone; not because ancient books were easy to read, it’s just because Barbarians translate them into a “television” language.

Finally, traders (barbarians) do not create the needs, they create satisfactions, and they sacrifice royal and noble gestures to make them more dynamic.

**Google.** At the very beginning Google started just as the two Stanford students’ philanthropic effort to make knowledge accessible to everyone, in an easier, quicker and cheaper way.

Nevertheless, the most important contribution was not the creation of the website per se, maybe the outstanding idea was the logic of the system: the most relevant websites for a specific search are those indicated by the highest number of links. Page and Brin (Google’s creators) were convinced that a link, as in a scientific essay, is more useful when is more referenced in other essays. Additionally, the validity of the website is closely related with the number of links that lead to that website. This is the Google Logic: acceptable knowledge is derived by the capability of that knowledge to be in sequence with other concepts. This is, the knowledge is that one suggested by millions of trajectories (links), maybe not the deepest, but the quickest and accepted. People substitute the search in the depth by the surface, look for knowledge everywhere.

Google show us the change in the way of experiencing. Before, it was totally related with the way of approaching to experiences, one by one, intimating, going



always deeper, studying and analysing. Nowadays, the approach is different: complete and unique, quick, just spending the time necessary to have an impulse to finish and change to a different one. It has to be recognized that this is a paramount mutation.

**Traits.** What Baricco wanted to expose with this examples and with the rest part of its book (not included in this summary because the space limitations and are already stated in those), maybe can be listed in the Barbarian traits, that characterizes the essence of this new way of thinking. Briefly those traits are:

- Attack to Totem: pulverize everything considered as sacred, novel, educated.
- Technology innovation that breaks a small community (cast) privileges.
- Commercial boom to conquer the marketplace.
- 'Spectacularity', simplicity, superficiality and velocity as fundamental values.
- New language adoption, easier and accessible.
- Peaceful adjustment to an American (Imperialism) model.
- Pleasure prevails over effort. In the past, the more deep and difficult the experience was, the more it was appreciated. Barbarians don't look for those kinds of experiences.
- The intrinsic value of everything is given by its framework sequence of experiences; in other words, its connexion and relation with other experiences.
- Multitasking instead of specialization.

Barbarians got with all these traits, is a systemic break down of every mental tool inherited form the nineteenth century, romantic and bourgeois generation, attacking every single sacred totem.

What is going to be saved from this attack are not those belongings we keep from time; but those that we allow to mutate, in order to transform themselves together with new times.



Finally, Baricco develops an interesting idea around The Great Chinese Wall, analysing the usefulness of this colossal construction from the military point of view; the history demonstrates his point: China was invaded and conquered by barbarians, Mongols from north. Nonetheless, the separation between the barbarians and the Chinese empire was what made meaningful the Wall. The Wall was created not to protect China against the barbarians, but to be differentiated from them.

Summarizing, Table 2 developed by Sozzani and complemented by the author of this paper, compares the past attitude and the Barbarian attitude presented by Baricco in his book.


Concept	Past Attitude	Catalyst	Barbarian Attitude
Core	Stillness: specialization		Motion: several experiences. Multitasking.
Access	Close Elite		Open to anyone
Experience Sense	Time consuming, Deep		Superficial
Gesture	Complex		Immediate, Easy
Pace	Slow		Fast, Rapid
Totem	Object of worship		Object to be attacked

Table 2: Past attitude versus barbarian attitude. Source: Sozzani, 2011. Complemented by the author.

### 3.2 THE BARBARIANS TRAITS: MANAGERIAL IMPLICATIONS

From a behavioural point of view, Baricco's essay (being him a sociologist) gives some highlight how current civilization is transforming every single aspect of its live. How is behaving to reach their goals and expectations.





Furthermore, from Alessandro Baricco's ideas can be drawn a series of managerial implications given the dynamic character of the competitive marketplace in which companies are embedded.

The Barbarian traits can be found, when analysing, in several successful products, companies and industries, which have transformed themselves and the markets within they are competing. Is a different point of view, a different way of attacking long lasting and already saturated markets, and in this regard, even more difficult to be conquered.

Here I make reference to the analysis performed by Sozzani (2011), where he depicts the central and most critical Barbarian traits and translate them under a managerial point of view: Barbarian Phenotype. Those are summarized with a related managerial theory in the Table 3.

Phase	Barbarian Traits	Attributes	Supporting Theories
<b>Target Identification</b>	<i>Attack to the totem: Commercial Boom.</i>	<ul style="list-style-type: none"> <li>- Compete with long unaltered product.</li> <li>- Opportunity to innovate.</li> <li>- Weak incumbents counter action and less competition.</li> </ul>	<ul style="list-style-type: none"> <li>- New product launch strategies.</li> <li>- Corporate entrepreneurship.</li> <li>-Blue oceans.</li> </ul>
<b>Warfare</b>	<ul style="list-style-type: none"> <li>-Fast Pace</li> <li>-Lateral Motion</li> </ul>	<ul style="list-style-type: none"> <li>- Co-development technology</li> <li>- Combining existing technology in innovative ways.</li> </ul>	<ul style="list-style-type: none"> <li>- Absorptive capacity.</li> <li>- Strategic agility.</li> <li>- Technology Brokering</li> <li>- Open innovation.</li> </ul>
<b>Weapons</b>	<ul style="list-style-type: none"> <li>-Superficial experience</li> <li>-Immediate gesture.</li> <li>-Simplicity and Easiness.</li> <li>-New Language.</li> </ul>	<ul style="list-style-type: none"> <li>- Products offer other performance dimensions: simplicity, immediacy, convenience, portability, fashion.</li> </ul>	<ul style="list-style-type: none"> <li>- Disruptive Innovations.</li> </ul>

**Table 3: Barbarians Traits. Source: Sozzani, 2011.**

Departing from this analysis, a complementary exploration about the managerial implications of the Barbarians behaviour is performed in this chapter; trying like this to enhance the theoretical framework in which the wine case of study is analysed later.

### 3.2.1 Target Identification

*Attack to the Totem: Commercial Boom, Marketing and Entrepreneurship*

One of the main characteristics of the Barbarians is its ability to monitor the external environment and analyse it in terms of their own interest and opportunities. Barbarians carefully chose the target market to attack by identifying those areas with lack of innovation for a long time. The latter, together with its entrepreneurship and strategic agility allow them to exploit markets opening possibilities and changing everything established before. (Sozzani, 2011).

As Baricco shows in his book, those markets for many years unaltered are more likely to be attacked by Barbarians. They know these marketplaces host spaces and opportunities to be exploited given the position of the incumbents. As in the example of the wine industry, highly traditional in essence to give itself charm and distinction values, those incumbents rely in the current customers, trying to exploit them at maximum and losing opportunities to innovate their products, convinced to have created a safe nest to be exploited (Christiansen & Bower, 1996).

In fact, leading companies don't properly oppose new entrants because they don't consider them as potential competitors, they are only concentrated in current competitors (Sozzani, 2011); additionally, because they trust in the entry barriers built over the years given its market dominance (Porter, 1998). However, what is expected from Barbarians is precisely attack those villages in the periphery, not the capital city. Barbarians at the beginning attack niche markets, those unattended or at least not properly served by incumbents. Thus, develop its market with a different value proposition, imposing a new idea, bringing down those sacred rituals or traditions distinctive in mainstream markets.

Corporate entrepreneurship is a Barbarian characteristic for excellence. The latter defined as the process by which individuals inside organizations pursue



opportunities without regard to the resources they currently control (Stevenson, Roberts & Groubseck, 1999). It has been recognized as an important mean to stimulate and sustain corporate competitiveness (Doubiene, 2008) especially when firms operate in a dynamic and heterogeneous business environments (Miller & Freise, 1984, Coivn & Slevin, 1990).

Furthermore, Barbarians know how to explore and exploit new possibilities through their marketing and commercial capabilities that complement their entrepreneurship vision.

A clear example of this behaviour can be found in Netflix. Blackbuster erroneously trusted in the entry barriers it had built over the years with its brick and mortar model; thus, underestimate the arrival of what it considered to be a simple barbarian, the kind of which could not understand the profound sense and sophistication of the industry it dominated.

Netflix, animated by an uncivilized vision identified the frustration that many people had when they could not find a good old film in the reduced collection owned by the traditional video stores, which represented a huge opportunity. Consequently, commenced by satisfying movie fans, those who cannot find all the movies titles in Blackbuster (Sozzani,2011).

Additionally, they impose the all-you-can-eat business model in the rental movie industry, something completely different at this moment in this marketplace. They outpaced Blackbuster thanks to the fact of a different business model (blue ocean). Then they change consumption habits, changed the language in which the business talked.

Finally, some of the blue ocean strategy can be perceived as Barbarian characteristics, since they create new demand rather than fought over, where there is ample opportunity for growth that is both profitable and rapid (Kim & Mauborgne, 2011). Additionally, they never use competition as a Benchmark, since Barbarians are fighting with different weapons compared with the regular used by incumbents. They reject the traditional trade off convention between



value and cost (Kim & Mauborgne, 2011). Barbarians try to successfully pursue differentiation and low cost simultaneously.

### 3.2.2 Warfare

#### *Movement on the Surface: Strategic Agility and Technology Brokering*

Rather than going deep, Barbarians move quickly switching from one experience to another. Rather than committing themselves with heavy vertical investments and therefore suffer organizational inertia when volatile market conditions change, they prefer to stay abroad to better respond to alterations in the turbulent external environment (Sozzani, 2011). This is strategic agility: firm's flexibility and attitude to change direction when signals from the external environment suggest doing so (Doz & Kosonen, 2008). This is given the current urgency of firms to respond to mutable conditions not only on the product level but also and particularly on the organizational level adopting different business models (Doz & Kosonen, 2008).

Traveling on the surface *-surfing-* is what Barbarians like, not going deep but remaining above, being able to change to a different experience faster.

This is the way in which consumers respond nowadays: not only the companies are Barbarians, but also their consumers. In this regard, companies must move dynamically and effectively to capture customers, gaining share or even creating new markets.

Consequently, strategic agility is vital to survive for the Barbarians, part of their Phenotype; since they know that should move dynamically, adapting strategic decisions in its core business, as a function of ambitions and circumstances, creating not only new products or services, but also new business models and innovative ways to create value (Doz & Kozonen, 2008).

Additionally, this radical and agile change is leveraged by the Barbarians' technology brokering capacity; defined as the ability to combining already existing technology and use it successfully and efficiently for other purposes,



compared to those it was originally designed for (Hargadon, 2005), offering maybe not a superior performance, but another attributes as convenience and immediacy (Sozzani, 2011). For instance IDEO, the product design firm, exploits its network position, working in at least 40 industries, to gain knowledge of existing technological solutions in various industries. It acts as technology broker by introducing these solutions where they are not known and, in process, creates new products that are original combinations of existing knowledge from disparate industries (Hargadon & Sutton, 1997).

Keeping the same track, Barbarians are not willing to invest heavily in R&D, suffering from the inertia of large structures. Since Barbarians need to move faster than incumbents, trust in the power of other models as open innovations, in which the development costs of innovation are minimizes by the use of external technology (Cherbrough, 2003). Additionally, through licensing fees, joint ventures and spinoffs, companies are able to develop new products or services reducing significantly R&D expenditures (Chesbrough, 2003), include complementary assets and competencies, increase flexibility, sharing of risks and costs, learning opportunities and creation of shared standards (Frattoni, 2011).

In this sense, sharing and connecting with others (firms, research institutions, universities) are foremost to compete for Barbarians. As in the Google case, the value of the things is not in the exact meaning, but in the trajectories and links that meaning can provide us. The value of something relies in its capability to connect us with others.

Eventually, given the dynamics and turbulent conditions in the environment, Barbarians know that learning from the external conditions and translate those lessons rapidly and efficiently into new products, allows them to move constantly, making less mistakes and harnessing easily market opportunities. The latter is what Cohen and Levinthal (1990) has called as Absorptive Capacity that has supreme importance for ensure sustained competitive advantage. In IDEO the abovementioned example, absorptive capacity also can be perceived, since market awareness becomes fundamental to accomplish and improve its work.



### 3.2.3 Weapons

*Disruptive Innovations: New set of values, and linguistic Revolution.*

As Baricco affirmed in the book, all this revolution or mutation is catalysed by technology innovation and disregard for the rules of the Barbarians. Innovations with the main purpose to achieve those values characteristics of the Barbarian culture: convenience, easiness and 'spectacularity'. The latter, that Baricco define as the '*shortest*' path between the experience and the pleasure. Different from the experiences for past generations (civilized generations), where the profundity, time and difficulty made the experience even more appreciated.

Barbarians do not offer products that provide the best experience along those attributes that were considered "core" by customers, but they provide superior performances in other dimensions (Sozzani, 2011). For instance, METRO the free newspaper distributed on weekdays in more than 150 major cities; the concept being a 20 minutes newspaper to be reading during professionals and students commuting time. Given this concept, news are relatively short, reporting rather than analysing, making it very easy to read and convenient, giving commuters something interesting to do while waiting.

Conquering new customers in already established or new markets is not an easy task, even harder when you are attacking totems as Barbarians do. The attack has to be performed with different weapons, since the incumbents already know those usually used in the marketplace, and have erected walls against them. Barbarians perform their attack with product or services that comply with a new set of values, Disruptive Innovations. Concept introduced by Christensen in 1997, to indicate product or services of certain newly entered firm who, thanks to a particular technological innovation, create new markets and eventually cause failure of leading firms. These firms, as they are focused in the existing market only enhance its capabilities and technologies along the current characteristics important for customers, to sell them in a higher price (Scott & Christensen, 2005).



Regarding this new set of values, Barbarians group them and create a new experience for the customer: spectacular, open, convenient, and easy. As a consequence, transform the language in which the experience is spoken and transmitted.

Another easy example to be explored is Nespresso again, a coffee machine created by Nestle to produce Italian espresso, radical innovation that brings some lessons about changing the market place disregarding rules long lasting existing.

Producing a real espresso was not that easy; Italians attribute espresso quality to coffee and barista expertise, since it has a series of rules to be followed to deliver an original espresso. What Nespresso did was precisely 'hide' behind a technological innovation (Nespresso Machine) the necessary optimal conditions to produce a quality coffee. Therefore, people are able to conveniently have their own espresso at home, easily and quickly.

Nespresso broke down the elitist knowledge of barista, the 'only one' who knew about quality espresso preparation. Nespresso also went beyond, offering a wide set of options, not only the possibility of having an espresso at home, but also 16 different coffee varieties that customer can choose.

Finally, Barbarians recognize in those markets, incumbents with long lasting control and the low level of innovation, this giving them possibilities to get extraordinary financial outcomes, even if the margins are shrinking. Nevertheless, Barbarians know that the value proposition must be completely diverse.

Explore new markets aiming not only to get already existing customers, but also new ones, requires a different value proposition, appealing them with a different product, service, values and language, in summary a diverse experience. Departing from niche markets, but based in consumer trends, anticipating customer expectations and also, as in the case of Apple's iPod iTunes, creating a



totally new business model: convenient, simple, different and wide open (Sozzani, 2011).

Marketing oriented strategies combined with corporate entrepreneurship are chief weapons to fight Barbarians war. That is the only way to bring down the entry barriers, using an important amount of resources (time or money), as the Mongols when invading China: they should ride until the end of the wall or destroy it to enter.





## 4. CASE OF STUDY METHODOLOGY

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In order to illustrate the Barbarian's behaviour, case of study methodology was used in this paper, specifically within wine industry, which has had a lot of transformations during last decades.

In this chapter the basic concepts of this research methodology are presented, which were taken into consideration to develop the case of study. The selection of this methodology obeys to the fact that is one of the most useful when talking about in management issues, especially to present novel subjects.

The main authors that support this theory are Yin and Eissenhart, who did an extensive work explaining the core features of the methodology and which most of the other authors take as baseline.

### 4.1 CASE OF STUDY DEFINITIONS AND USES

Scholars have used case studies to develop theory about topics as diverse as group process (Edmondson, Bohmer, & Pisano, 2001), internal organization (Galunic & Eisenhardt, 2001; Gilbert, 2005), and strategy (Mintzberg & Waters, 1982). Papers that build theory from cases are often regarded as the "most interesting" research (Bartunek, Rynes, & Ireland, 2006).

Case studies are rich, empirical descriptions of particular instances of a phenomenon that are typically based on a variety of data sources (Yin, 1994).

Cases can be historical accounts, but they are more likely to be contemporary descriptions of recent events. The central notion is to use cases as the basis from which to develop theory inductively.

Central to building theory from case studies is replication logic (Eissenhardt, 1989b). That is, each case serves as a distinct experiment that stands on its own



as an analytic unit. But while laboratory experiments isolate the phenomena from their context, case studies emphasize the rich, real-world context in which the phenomena occur. A major reason for the popularity and relevance of theory building from case studies is that it is one of the best (if not the best) of the bridges from rich qualitative evidence to mainstream deductive research. Its emphasis on developing constructs, measures, and testable theoretical propositions makes inductive case research consistent with the emphasis on testable theory within mainstream deductive research (Eisenhart & Graebner, 2007).

Despite this skepticism about case studies, they are widely used because they may offer insights that might not be achieved with other approaches. Case studies have often been viewed as a useful tool for the preliminary, exploratory stage of a research project, as a basis for the development of the 'more structured' tools that are necessary in surveys and experiments. (Rowley, J. 2002)

When using theory building from cases as a research strategy, researchers also must take the added step of justifying why the research question is better addressed by theory-building rather than theory-testing research.

Table 4 (based on Yin, 1994) summarizes the different kinds of research questions and methods that are most appropriate. Who, what and where questions can be investigated through documents, archival analysis, surveys and interviews. Case studies are one approach that supports deeper and more detailed investigation of the type that is normally necessary to answer how and why questions. (Rowley, J. 2002).

More broadly, theory-building research using cases typically answers research questions that address "how" and "why" in unexplored research areas particularly well (Edmondson & McManus, 2007).



<i>Strategy</i>	<i>Form of research question</i>
<b>Experiment</b>	How, why
<b>Survey</b>	Who, what, where, how many, how much
<b>Archival analysis</b>	Who, what, where, how many, how much
<b>History</b>	How, why
<b>Case study</b>	How, why

**Table 4: Choosing a Research Strategy. Source: Yin, 1994.**

It is important to clarify that the purpose of the research is to develop theory, not to test it, and so theoretical (not random or stratified) sampling is appropriate. (Eisenhart & Graebner, 2007).

Theoretical sampling of single cases is straightforward. They are chosen because they are unusually revelatory, extreme exemplars, or opportunities for unusual research access (Yin, 1994). Thus, single-case research typically exploits opportunities to explore a significant phenomenon under rare or extreme circumstances. This research is often termed “qualitative” simply because it relies significantly on qualitative data.

According to this view, qualitative research is highly descriptive, emphasizes the social construction of reality, and focuses on revealing how extant theory operates in particular examples. But case data cannot be so tightly summarized, because much of it consists of rich qualitative detail. (Eisenhart & Graebner, 2007).

In a single-case study, the challenge of presenting rich qualitative data is readily addressed by simply presenting a relatively complete rendering of the story within the text. The story typically consists of narrative that is interspersed with quotations from key informants and other supporting evidence. The story is then intertwined with the theory to demonstrate the close connection between empirical evidence and emergent theory (Eisenhart & Graebner, 2007).



For example, the management system of Udinese Calcio is studied because it is particularly suitable for illuminating the antecedents of strategic agility at the firm level. Or the history of FIAT during the 1990's is studied because it is paradigmatic of how radical changes in the approach to innovation takes place (Frattoni, 2011).

The differentiation between single case and multiple case designs needs to be clearly made. A single case design is akin to a single experiment. Single case studies are appropriate when the case is special (in relation to established theory) for some reason. This might arise when the case provides a critical test to a well-established theory, or where the case is extreme, unique, or has something special to reveal. Single case studies are also used as a preliminary or pilot in multiple case studies. (Rowley, J. 2002)

Within their use in research case studies are employed in the following ways with different objectives (Boutellier & Grassmann, 2008):

- **Descriptive** case studies are used to describe an event/process in its natural ambit. The main objective is to answer how, who and what questions (Yin, 2003).
- **Inductive** or **explanatory** case studies are used to illustrate a research field with few theoretical knowledge (Siggelkow, 2007). Exploratory cases are a mean to develop a new theory in a field where "not much is known" (Eisenhardt, 1989). However one has to be cautious about developing a completely new theory, as fields described as "uncharted waters" can turn into well known ones through minimal effort in literature research.

As will be seen in the next chapters, explanatory type of case of study was chosen as the most suitable structure for the case of study about the Barbarians and their behaviour within the Wine industry. This is given that it is a novel subject, which only Sozzani (2011) and Audran (2011) started to address from



the managerial point of view, with their works for Stockholm School of Business and Politecnico di Milano.

- **Exploratory** case studies try to validate, confirm, falsify or adapt a given theory. Especially this use of case studies is often regarded with certain skepticism as generalization and validation is a field where quantitative research and experiments are seen as the only appropriate methodologies by many researchers (Yin, 2003).

It is important to highlight, as it was theorized by Eisenhart and Graebner in 2007, single cases can enable the creation of more complicated theories than multiple cases, because single-case researchers can fit their theory exactly to the many details of a particular case. Theory building from case studies is an increasingly popular and relevant research strategy that forms the basis of a disproportionately large number of influential studies.

In this regard, given that the Theory of Barbarian Firms is a novel approach to strategic management, which is a complicated subject to be addressed because of its multiple views and applicability, a single case of study methodology was chosen. Furthermore, working on a single case of study offers the opportunity to draw more details about a developing concept, and as it will be seen later, the vast literature about the wine industry allows delivering a complete analysis on this case.

But like the adherents of any research method, its adherents face some predictable challenges, some of which have, ironically, emerged precisely because research relying on rich qualitative data is becoming more common. The good news is that these often very legitimate challenges can be mitigated through precise language and thoughtful research design: careful justification of theory building, theoretical sampling of cases, interviews that limit informant bias, rich presentation of evidence in tables and appendixes, and clear statement of theoretical arguments. The result is fresh theory that bridges well from rich

qualitative evidence to mainstream deductive research. This is the hallmark of building from case studies. (Eisenhart & Graebner, 2007).

What it is matter of discussion relies in the generalization possibilities from case of studies, that in general terms can be summarized as follows:

Case study allows for *analytical generalization*, not statistical generalization. The results from case study *cannot be generalized to any populations of firms*, but they are used to build new understanding/clarifications regarding the phenomenon of interest, that need to be tested in future confirmatory research.

Very often the results take the form of *research propositions* that inspire future confirmatory research. (Frattoni, 2011).

In this sense, here has to be said that this paper does not intend to generalize the concept of Barbarian Firms, since the case of the wine industry and the other cases developed by Sozzani and Audran, are not statistically significant allowing applicability to every firm. Nevertheless, this research complements the abovementioned works and adds some validity, giving insights to future investigation around the concept.

## 4.2 DATA SOURCES

Typically case studies draw on multiple sources of evidence. These include documents, archival records, interviews, direct observation, participant observation, and physical artefacts. Each of these different sources require different approaches to their interrogation, and are likely to yield different kinds of insights. Each source has its strengths and its weaknesses, and the richness of the case study evidence base derives largely from this multi-faceted perspective yielded by using different sources of evidence. (Rowley, J. 2002)

Documentations and historical records are the sources of data selected in this paper to build the case of study, given the possibilities to access to the



information (academic databases) and time and resources constraints, which didn't allow exploring other kind of data sources, like interviews or direct observations.

Documentation offers possibility to have stable, unobtrusive, exact information about the study purpose. Nevertheless, it also can have retrievability, biased selectivity, and difficulties to be accessed, depending on what is the object of study. In general, documents are used to corroborate and augment evidence from other sources, as historical data (Frattini, 2011).

The historical analysis consists in the process of assembling, critically examining, and summarizing the records of the past (articles, books, business reports, periodicals, etc.), all publicly available, published sources of information (Frattini, 2011).

The main advantages of this method are that it focuses on information collected at the time events occurred (not retrospective); uses information gathered from multiple sources (i.e. different reporters, scholars, market experts), allowing to collect primarily factual data (not interpretative); it is particularly well suited for studying the chronological dimensions of past events; and finally, it is particularly well suited to study the reasons behind business and managerial collapses (Frattini, 2011).

In order to select the best select historical records to develop a case of study, some criteria has to be taken into account (Frattini, 2011):

- **Competence:** "is the informant able to report correct information?". Relying on highly regarded sources that were written or based on information written at the time the phenomenon happened
- **Objectivity:** "is the informant willing to report correct information (i.e. no vested interest?)": relying on sources of information that were written by disinterested third parties



- **Reliability:** “is the informant a trusted sources of accurate information?": using information from sources that have been well respected for a long time
- **Corroboration:** “is there confirmatory evidence from a similar source?": Using information from multiple data sources.

Consequently, considering that the research was conducted in base of the revision of the vast documentation and historical data regarding to strategic management theory and wine industry, the criteria above mentioned was followed to conduct a quality work. This revision can be divided in four sections: first, the most influence theories about strategic management in the last years are studied, from Porter to Eissenhart and Teece. Second, theory about Barbarians is studied, departing from the book of Alessandro Baricco and the theories on which the managerial implications are supported. Third, the knowledge about case of study methodology also is reviewed in order to build a solid case about the wine industry. Finally, all the data about the wine industry changes in the decades was revised. Obviously, not all of the documents reviewed were included in this research, since some of them were not suitable to illustrate the objective pursued. Hereafter the data details and sources are given to show the validity of the research.

In general, data for this paper was consulted through the official academic databases accessible from the Politecnico di Milano. Especially three of them were used, given that are the most used for business and management academic subjects: JSTOR Business and SCOPUS, from most of the papers read were downloaded; moreover, LEXIS NEXIS were used to search for news and magazines, especially when looking for information about the wine industry. These three sources show the reliability of the research given the journals, news and magazines available in those databases are recognized for academic purposes. Some others journals were downloaded, especially for the wine industry research, using Google Scholars and verifying the validity of the journal.

In order to develop the Strategic Management issues, especially about competence, 40 papers were revised; most of them published by the Strategic





Management Journal, qualified as Q1 (highest quality) in the SJR Rank. Other publications for this subject were used as The Academy of Management Review, The RAND Journal of Economics and Harvard Business Review.

Obviously for the Barbarian concept the Alessandro Baricco's book "The Barbarians, an essay about mutation" was taken as a cornerstone. Additionally, to develop its managerial implications another 20 journals were revised, also being the most important the Strategic Management Journal.

To develop the theoretical part about case of study methodology 10 papers were revised from more mixed sources, but being the most important the book written by Yin (1994) and the papers published by Eissenhart and Graebner (2007) in the Academy of Management Journal (Q1 in SJR Rank).

Finally, given the extensive literature in the wine industry almost 50 sources were reviewed, being the International Journal of Wine Business Research (Previously International Journal of Wine Marketing) the most cited, which is published by Emerald Insight and recognized as a reliable source by the Academy of Wine Business research. Other sources were The British Food Journal, International Business & Economic Research, International Journal Business & Globalisation, Publications of Universities as Wollongong, Adelaide, California, Bordeaux.

The research tries to balance the concepts between the literature about Europeans and, Americans and Australians (later on Old and New Wine World) in order to give objectivity to this paper.

Finally, the statistical section of this paper around the wine industry was taken from the book written by Anderson & Nelgen (2010), where historical numbers of the industry are clearly organized. These statistics were confronted with OIV's (International Wine Organization) finding not significant differences, in fact is the most used source in the compendium by Anderson & Nelgen. Therefore,



given that the latter had all the data until 2009 very well summarized and structured, this source was taken.

### **4.3 STRENGTHS AND WEAKNESSES OF THEORY BUILDING FROM CASES**

As Eissenhart stated in 1989, taking into considerations previous literature, these are the most substantial strengths and weaknesses about case of study:

Theory building from cases is its likelihood of generating novel theory. Creative insight often arises from the juxtaposition of contradictory or paradoxical evidence (Cameron& Quinn, 1988).

Building theory from case studies centres directly on this kind of juxtaposition. That is, attempts to reconcile evidence across cases, types of data, and different investigators, and between cases and literature increase the likelihood of creative reframing into a new theoretical vision (Eissenhart, 1989).

A second strength is that the emergent theory is likely to be testable with constructs that can be readily measured and hypotheses that can be proven false (Eissenhart, 1989).

A third strength is that the resultant theory is likely to be empirically valid. The likelihood of valid theory is high because the theory-building process is so intimately tied with evidence that it is very likely that the resultant theory will be consistent with empirical observation (Eissenhart, 1989).

Another important strength of case studies is the ability to undertake an investigation into a phenomenon in its context; it is not necessary to replicate the phenomenon in a laboratory or experimental setting in order to better understand the phenomena. Thus case studies are a valuable way of looking at the world around us. (Rowley, J. 2002)



However, some characteristics that lead to strengths in theory building from case studies also lead to weaknesses. For example, the intensive use of empirical evidence can yield theory that is overly complex. A hallmark of good theory is parsimony, but given the typically staggering volume of rich data, there is a temptation to build theory that tries to capture everything. The result can be theory, which is very rich in detail, but lacks the simplicity of overall perspective. Theorists working from case data can lose their sense of proportion as they confront vivid, voluminous data. Since they lack quantitative gauges such as regression results or observations across multiple studies, they may be unable to assess which are the most important relationships and which are simply idiosyncratic to a particular case (Eisenhart, 1989).

Another weakness is that building theory from cases may result in narrow and idiosyncratic theory. Case study theory building is a bottom up approach such that the specifics of data produce the generalizations of theory. The risks are that the theory describes a very idiosyncratic phenomenon or that the theorist is unable to raise the level of generality of the theory (Eisenhart, 1989).

#### **4.4 APPLICABILITY**

There are times when little is known about a phenomenon, current perspectives seem inadequate because they have little empirical substantiation, or they conflict with each other or common sense. Or, sometimes, serendipitous findings in a theory-testing study suggest the need for a new perspective. In these situations, theory building from case study research is particularly appropriate because theory building from case studies does not rely on previous literature or prior empirical evidence. In sum, building theory from case study research is most appropriate in the early stages of research on a topic or to provide freshness in perspective to an already researched topic (Eisenhart, 1989).



## 4.5 CASE OF STUDY QUALITY

There are numerous criteria to assess the rigor of field research, including case studies. These criteria depend on what authors subscribe to as the preferred model of science. In the positivist tradition, four criteria are commonly used to assess the rigor of field research: internal validity, construct validity, external validity, and reliability (Gibbert, Guigrok & Wicki, 2008).

**Construct validity.** The ‘construct validity’ of a procedure refers to the quality of the conceptualization or operationalization of the relevant concept. Construct validity needs to be considered during the data collection phase. As such, construct validity refers to the extent to which a study investigates what it claims to investigate, that is, to the extent to which a procedure leads to an accurate observation of reality (Denzin and Lincoln, 1994).

**Internal validity.** ‘Internal validity’ is also called ‘logical validity’ (e.g., by Cook and Campbell, 1979; Yin, 1994) and refers to the causal relationships between variables and results. Here, the issue is whether the researcher provides a plausible causal argument, logical reasoning that is powerful and compelling enough to defend the research conclusions.

**External validity.** ‘External validity,’ or ‘generalizability,’ is grounded in the intuitive belief that theories must be shown to account for phenomena not only in the setting in which they are studied, but also in other settings (e.g., Calder, Phillips, and Tybout, 1982; McGrath and Brinberg, 1983).

Analytical generalization is a process separate from statistical generalization in that it refers to the generalization from empirical observations to theory, rather than a population (e.g., Yin, 1994, 1999). How, then, can case studies allow for analytical generalization? In her widely cited paper, Eissenhardt (1989) argues that case studies can be a starting point for theory development and suggests that a *cross-case analysis* involving four to 10 case studies may provide a good basis for analytical generalization.



**Reliability.** 'Reliability' refers to the absence of random error, enabling subsequent researchers to arrive at the same insights if they conduct the study along the same steps again (Denzin and Lincoln, 1994). The key words here are transparency and replication.

Thus, there is a hierarchical relationship of validity types, with construct and internal validity acting as a *conditio sine qua non* for external validity.

Besides citing the general quality requirements of case study research in his "ten ingredients for a good case study" Abell (1997) has a special focus on the "soft success factors" of a case study (Boutellier & Grassmann, 2008).

*Relevance for the audience:* A case study has to be written in a manner that the recipients, the *readers* of the article, book or dissertation, perceive the importance of the described topic. This seems to be self-evident but has to be stated.

*Voyage of discovery:* The reader's interest in the topic when the readers of the case study are taken on a "voyage of discovery" and face unexpected or even contra- intuitive insights. This will also improve the impact of the publication (Boutellier & Grassmann, 2008).

*Controversies:* A case study that excludes every evidence that is controversial to the theoretical state of the art can appear unrealistic. It is therefore important to describe the case as close as possible to reality and not to omit contradictory perspectives and circumstances (Boutellier & Grassmann, 2008).

*Include all necessary data but not too much:* A case study has to include all data to convince with internal validity. There is however a risk researchers that were working intensively on a topic tend to include too much data in their case studies as everything appears essential. If overloaded with important amounts of not necessary data a case study will turn into a huge and unreadable documents,



which is often criticized by objectors to case studies in social science research (Boutellier & Grassmann, 2008).

*Formal structure and elaboration:* Case studies should be written in a manner that the reader does not quit reading after few lines. Therefore a clear structure and a well-written text is a basic requirement for a case study. Another important formal success factor case study is its size. As long as necessary information is displayed there is a simple message to observe: "Less is more" (Boutellier & Grassmann, 2008).

#### **4.6 WRITING A CASE OF STUDY**

A key factor in determining the coverage and presentation of the case study report is the intended audience. Case studies have a range of potential audiences, including academic colleagues, policymakers, practitioner professionals, the general public, research supervisors and examiners, and funders of research. These different audiences have different needs. For example, for non-specialist audiences, the story that the case study tells may be most engaging, and they may seek in the case study a basis for action. For a dissertation assessor, mastery of methodology, and an understanding of the way that the research makes a contribution to existing knowledge will be important. (Rowley, J. 2002)

As a summary, Table 5 shows how Eisenhart (1989) the process of building a case of study, underlying in for each step the main activities and what it is accomplished performing those activities, and assuring the quality criteria established by Yin (1997) for case of study.

Taking all this considerations and the needed elements to build a solid case of study. In the next section the most relevant changes in the wine industries are shown, with especial emphasis in the most transcendent aspects influencing the competitive environment of the industry in the last years; moreover, those traits highlighting how the Barbarian model applies as a mean to enter, acquire and



sustain competitive advantage in long lasting markets are drawn into consideration.

*Process of Building Theory from Case Study Research*

<b>Step</b>	<b>Activity</b>	<b>Reason</b>
Getting Started	Definition of research question Possibly a priori constructs	Focuses efforts Provides better grounding of construct measures
Selecting Cases	Neither theory nor hypotheses Specified population	Retains theoretical flexibility Constrains extraneous variation and sharpens external validity
	Theoretical, not random, sampling	Focuses efforts on theoretically useful cases—i.e., those that replicate or extend theory by filling conceptual categories
Crafting Instruments and Protocols	Multiple data collection methods	Strengthens grounding of theory by triangulation of evidence
	Qualitative and quantitative data combined Multiple investigators	Synergistic view of evidence Fosters divergent perspectives and strengthens grounding
Entering the Field	Overlap data collection and analysis, including field notes	Speeds analyses and reveals helpful adjustments to data collection
	Flexible and opportunistic data collection methods	Allows investigators to take advantage of emergent themes and unique case features
Analyzing Data	Within-case analysis	Gains familiarity with data and preliminary theory generation
	Cross-case pattern search using divergent techniques	Forces investigators to look beyond initial impressions and see evidence thru multiple lenses
Shaping Hypotheses	Iterative tabulation of evidence for each construct	Sharpens construct definition, validity, and measurability
	Replication, not sampling, logic across cases Search evidence for “why” behind relationships	Confirms, extends, and sharpens theory Builds internal validity
Enfolding Literature	Comparison with conflicting literature	Builds internal validity, raises theoretical level, and sharpens construct definitions
	Comparison with similar literature	Sharpens generalizability, improves construct definition, and raises theoretical level
Reaching Closure	Theoretical saturation when possible	Ends process when marginal improvement becomes small

**Table 5: Process of Building a case of Study. Source: Eissenhart, 1989.**



## 5. CASE OF STUDY: WINE INDUSTRY

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### 5.1 MARKET OUTLOOK

#### 5.1.1 Production

In order to understand the different major players in the world wine market and their position's changes along the last decades, in this section the main numbers of the Old and New World wine producers will be scanned.

Old World producing countries, defined as those within Europe, have a long and in uninterrupted history of production and wine consumption (Cholette, Castaldi & Frederick, 2005). Though wine market is highly fragmented, and Europe still dominates the global wine industry. In 2009, almost 65% of the world's production and consumption take place in Europe, with four countries alone (France, Italy, Spain and Portugal) accounting for one-half of the world's supply of wine (Roberto, 2011). Countries basing its competitive advantage in ancient tradition translated in experience producing high quality wines.

New World wine producing countries are defined as those outside Europe. Five of the largest and most established New World producers are United States, Australia, Argentina, South Africa and Chile (Cholette, Castaldi & Frederick, 2005). In 2009, the market share for the new producers accounted for a 26% of the world wine production (Anderson & Nelgen 2009).

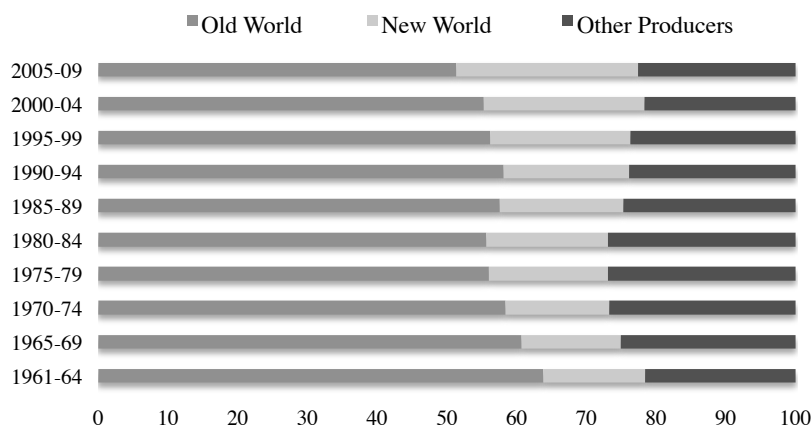
The wine business is characterized by an overall degree of oversupply. Production is extremely fragmented, especially in the old world where the number of labels and producers on the market is extremely high. Production is concentrated in the hands of a few leading countries. The degree of competition has increased and some environmental forces are shaping wine business towards a progressive globalization. (Santini & Rabino, 2012).





However, the wine international market has not been always like this. The New World increased its share of the global market especially in the past two decades, while wine consumption declined dramatically in Europe (Roberto, 2011), critically changing the marketplace and closing gap between the two groups of producers.

While in the period 1961-64, the Old World biggest (France, Italy, Spain and Portugal) produced almost 65% of the worldwide wine, contrasting with only a 15% produced by the New World; in the period 1985-89, New World (here United States, Australia, Argentina, South Africa and Chile) had reached an 18% and Old World continued in decline to a 58%. Finally, by the period 2005-09 the later had fallen in a 51%, and the former had gotten a 26% of the total market (Figure 2).



**Figure 2: Share of World wine production. % Volume. Source: Anderson & Nelgen, 2009.**

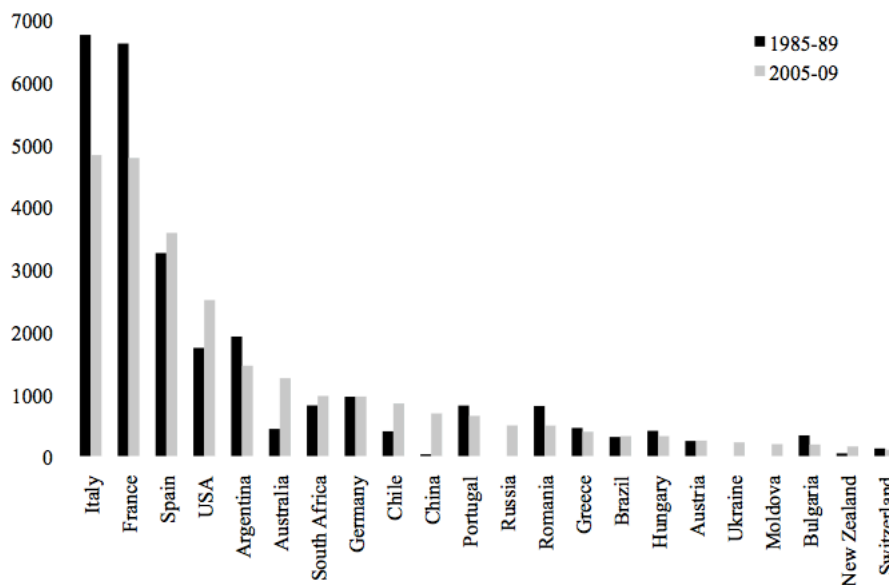
This surge in the new world wine comers mainly leveraged by United States and Australia, which from the period 1985-89 to 2005-09 have increased its wine production in volume 1,4 and 2,85 times respectively. Contrasting this data with France and Italy that had reduced the production more than a 30%. (Figure 3).

Old World producers were the first to define tastes and quality standards and have traditionally been supported by a strong local consumer base. The New World has had to work hard to build their wine industry, both in infrastructure and reputation. Per-capita consumption also lags that of the Old World countries.



Yet New World producers have recently been successful in producing consistent quality wine and in capturing global market share. The Old World countries are gradually losing market share as New World producers increase the scale and quality of production as well as branding expertise (Cholette, Castaldi & Frederick, 2005).

**Figure 3: World Wine Production by Nation, million litres. Source: Anderson & Nelgen, 2009.**



### 5.1.2 Consumption

From the demand point of view, the world consumes approximately 236 million hectolitres of wine each year (Felzensztein, 2011). Typically, countries with production tradition are those with the largest wine consume.

After eight years of weak world growth in consumption, the level felt again in 2008 and 2009 as a result of the world economic crisis. The European Union decreased its demand, which was partially compensated by an increase in demand from North America and Asia. Although the primary wine-consuming countries are USA, France, Italy and Germany, the market trend has been toward a decreasing consumption in the large Western European producing countries and an increasing consumption in new consumer countries in Asia and Latin



America, which still have a very low per capita consumption rate. (Felzensztein, 2011).

France, Italy and Spain historically countries with the highest level of consumption per capita, halved in a lapse of 30 years (Table 6), forcing them to develop other markets, especially within Europe. In this sense, countries like Germany, United Kingdom, Netherlands, Denmark, Ireland, Finland and Sweden traditionally not producers, dramatically raised wine consumption in the same lapse of time, compensating in part the decline of the three largest. However, from their south neighbours, still far away in per capita consumption.

Germany and United Kingdom became as the key markets for not only for Old World producers, but also for New World's ones, given the quantities and the purchase power of its consumers (Campbell & Guibert, 2006).

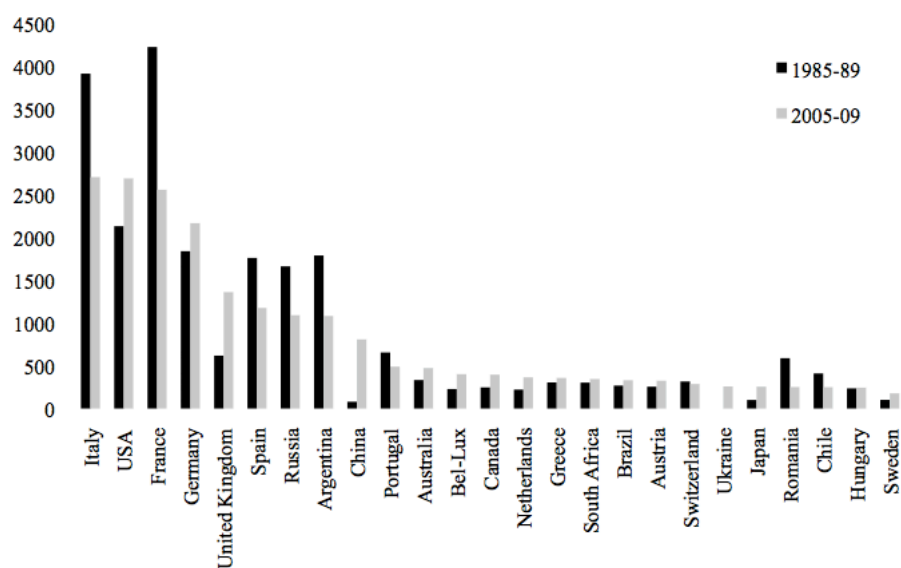
**Table 6: National Wine consumption per capita, litres. Source: Anderson & Nelgen, 2009.**

Country	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09
<b>France</b>	86,9	75,4	61,8	54,5	55	41,4
<b>Italy</b>	84,9	68,7	56,3	48,8	47,7	45,6
<b>Portugal</b>	78,3	65,6	54,9	49,7	47,2	46,3
<b>Spain</b>	57	45,6	33,6	30,3	28,4	26,8
<b>Austria</b>	36,1	34	31,5	28,3	29,9	39,4
<b>Bel-Lux</b>	20,6	22,6	23,5	22,3	23,5	26
<b>Denmark</b>	17	21,4	22,7	26,4	29,4	30,8
<b>Finland</b>	5	5,2	7,8	11,1	13,7	11,6
<b>Germany</b>	25,5	23,5	20,9	21,3	23,2	26,3
<b>Sweden</b>	10,4	12,3	11,8	12,8	17	19,7
<b>Switzerland</b>	49	48,6	43,4	39,7	38,4	38,6
<b>United Kingdom</b>	8,1	10,9	11,2	12,8	19,4	22,3
<b>Ireland</b>	2,5	4,1	4,6	7,2	13,6	17,6
<b>Netherlands</b>	13,8	15,3	16,7	18,7	20	22,3
<b>Australia</b>	19	20,6	17,8	18	20,1	22,8
<b>New Zealand</b>	13,4	15	14,9	15,6	17,6	20,7
<b>USA</b>	8,3	8,7	7,2	7,4	8	8,7
<b>Argentina</b>	72,4	57,6	45,6	36,4	32	27,5
<b>Chile</b>	44,7	33	21,7	15,9	15,1	15,2
<b>South Africa</b>	8,8	8,9	8,1	8,8	8	7,1
<b>China</b>	0,1	0,1	0,2	0,2	0,3	0,6
<b>Japan</b>	0,6	0,8	0,9	1,8	2	2
<b>Singapore</b>	0,9	0,4	0	0,8	1,1	1,4



In absolute terms, the picture has turned very different from the one in the 80's, when France and Italy were very far from United States. While the two largest consumers drank on average 4000 millions of litres per year approximately, US just accounted by 2000 millions of litres. For 2005-09, these three countries had almost the same total wine consume, given the dramatic decline in consumption already indicated in Italy and France and a continuous increase in North American consumption (Figure 4).

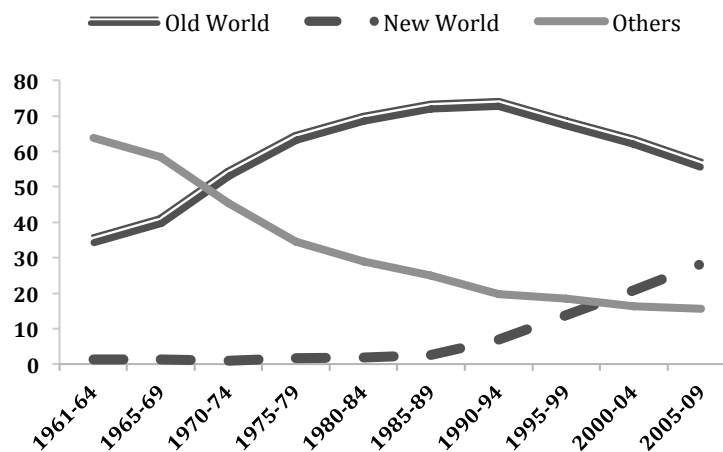
**Figure 4: Volume of Beverage wine consumption, millions of litres. Source: Anderson & Nelgen, 2009.**



Given the market-consuming decline over the last decades, producers have opted for selling its surpluses in the international market. Consequently, globalization of the wine industry has become a reality and exports as a percentage of the world wine production has continued to rise, from 25 to 32 percent between 2001 and 2009. For the big four European wine exporters it rose by one-fifth (from 30 to 35 percent), while for the New World exporters it doubled (rising from 20 to 40 percent between 2001 and 2007), before falling back to 37 percent in 2009. For Australia and Chile those shares are now more than two-thirds. Thus in both Old and New World wine exporting countries, production is growing faster or falling less than consumption (Anderson & Nelgen, 2009).

New World producers world exports share had a skyrocket rise since 1985-89 when just with a 2 per cent market share of the world exports market, contrasting with Old World producers who had almost a 70 per cent. For 2005-09 the picture had changed, New World has reached a 28 per cent of this share, while Old World share reduced to 56 per cent and other countries to a 28 per cent (Figure 5). This behaviour is completely similar in terms of value, but Old World keeping a 63 per cent of the value for the period 2005-09 and New World with 23 per cent; indicating the Old World trend towards selling high priced wines (Anderson & Nelgen, 2009).

**Figure 5: Share of world wine exports, % Volume. Source: Anderson & Nelgen, 2009.**



In terms of quality, consumers have shown a tendency to experiment and taste quality wines. In the largest importers, like United Kingdom, Germany and Austria volumes increased on average 2,8 per cent yearly, while value increased 8,1 per cent during the period 2000-2009 (Anderson & Nelgen, 2009), indicating the preference of importers for quality rather than quantity (Campbell & Guibert, 2006).

Considering price ranges, directly related with quality, wine market can be divided in 3 categories: Non Premium wines those under 3 €/bottle, Commercial Premium between 3 and 7 €/bottle, and Up Premium higher than 7 €/bottle.

Considering these categories, in 2009 United States shows itself as not only the largest producer, but also consumer of Up Premium Wines, follow by France in



both aspects (Table 7); interesting aspect, considering that these countries are the largest world wine consumers, which explains the trend towards quality consumption.

**Table 7: Share of world wine production and consumption by quality in value, 2009. Source: Adapted from Anderson & Nelgen, 2009.**

Country	Share of global production (%)					Share of global consumption (%)				
	Still wine			Sparkling wine	Total wine	Still wine			Sparkling wine	Total wine
	Non Premium	Commercial Premium	UP Premium			Non Premium	Commercial Premium	UP Premium		
France	11.8	13.7	26.0	54.4	<b>23.1</b>	11.0	8.0	18.7	40.8	<b>16.3</b>
Italy	18.9	14.5	6.5	8.1	<b>11.6</b>	16.9	6.0	4.4	3.6	<b>6.8</b>
Portugal	3.3	2.9	1.6	0.1	<b>2.1</b>	3.4	1.7	0.8	0.3	<b>1.5</b>
Spain	9.8	7.8	2.4	5.4	<b>6.0</b>	5.6	4.3	2.0	1.6	<b>3.4</b>
Germany	9.1	0.9	1.6	13.1	<b>4.1</b>	11.9	3.3	1.9	15.9	<b>5.8</b>
United Kingdom	0.0	0.0	0.0	0.0	<b>0.0</b>	1.3	16.1	0.9	5.5	<b>7.4</b>
Austria	1.0	1.7	4.7	0.4	<b>2.4</b>	0.9	1.5	4.9	0.9	<b>2.5</b>
Russia	3.7	3.9	0.8	7.9	<b>3.4</b>	4.3	4.8	0.9	9.0	<b>4.0</b>
Australia	3.0	5.5	3.3	2.9	<b>4.0</b>	1.6	2.4	3.0	2.8	<b>2.5</b>
New Zealand	0.5	0.9	1.8	0.3	<b>1.1</b>	0.2	0.5	0.6	0.4	<b>0.5</b>
Canada	0.0	0.0	0.0	0.0	<b>0.0</b>	1.8	3.0	3.9	0.8	<b>2.8</b>
USA	9.2	11.9	30.3	6.0	<b>16.8</b>	9.2	17.5	32.6	9.3	<b>20.1</b>
Argentina	3.1	4.0	0.3	1.3	<b>2.3</b>	2.9	2.5	0.2	1.2	<b>1.6</b>
Brazil	1.1	1.6	1.9	0.7	<b>1.5</b>	1.1	2.0	1.9	0.9	<b>1.7</b>
Chile	2.6	3.2	1.0	0.1	<b>2.0</b>	1.2	0.4	0.6	0.1	<b>0.6</b>
South Africa	2.5	3.0	1.0	0.5	<b>1.9</b>	1.4	1.7	0.9	0.3	<b>1.2</b>

In the next sections of this project, several reasons that explain the radical changes in the world wine marketplace are being presented. From the technological point of view to the marketing and branding oriented strategies of New World producers. Aspects giving them a significant share in a traditional and long lasting market. Finally, in order go in deep, a Barbarian Firms perspective analysis is performed, displaying the most important traits of these 'Newcomers' that explains the main characteristics of its competitive strategy.



## 5.2 CHANGING THE WINE INDUSTRY

### 5.2.1 Technology Innovation: Air Conditioning, Standardization, Large Scale Production, New Packaging

Respect for a noble tradition is what characterizes Old World wineries production process such as France, Italy and Spain, countries with high recognition all around the world by their wine's quality, being the France most famous and recognized among them.

The highest-quality French wines belong to regulated categories Appellation d'Origine Contrôlée (AOC, or controlled denomination of origin), or Vin Délimité de Qualité Supérieure (VDQS, or higher-quality wine from a given area). These certified quality labels guarantee that the wines in question have been produced in a traditional (and regulated) manner in one of the famous wine regions such as Alsace, Bordeaux, Burgundy, Beaujolais, Champagne, Côtes du Rhône, Languedoc, Loire and Provence. These regulations are strictly supervised by the competent authority in France, forcing French producers to keep the traditional methods and grape varieties without variations, which were successful during long time (Anderson, 2004). Similar quality guarantee control has Italy over its geographic locations and production conditions under which wine is produced: Denominazione D'Origine Controllata e Garantita (DOCG) and Denominazione D'Origine Protetta (Anderson, 2004). Both countries producers market leaders during long time and which have based their success and production strategy in these controls and guarantees.

In spite that this strategy worked for long time, the Big four (France, Italy, Spain and Portugal) have seen erode its volume market share due to the aggressive strategies of the New World comers, losing more than 20 points of share in a couple of decades (Anderson & Nelgen, 2009).

Wine-making in the New World differs from the Old World in many ways. New World producers invest much more heavily in technology and automation. These



investments and innovations enable them to enhance the consistency and the quality of their wines and to reduce operating costs considerably. For instance, New World producers rely increasingly on machines to harvest the grapes in their vineyards, while most European wineries continue to hand-pick their entire supply of grapes. The New World also has more extensive and well-developed markets for grapes, making it easier for wineries to find multiple avenues for sourcing their most critical input. The level of outsourcing differed markedly by region. California wineries, for instance, outsource 70-85% of their grapes, while French winemakers grow nearly all of their own fruit (Roberto, 2011).

But, what is all this change about? First, let's see what is written about the New World producers success and in contrast, the Old World drawbacks that has driven its lost in market position.

So many factors have been attributed to this spectacular growth of the New Producers; we will try to summarize the most significant of them from the strategic point of view, in an attempt to show those traits that made this strategy successful.

Reasons attributed to this phenomenon can be numerous, but a transfer in demand is the obvious determinant. Customers are showing an increasing preference for New World wine with a perception that it offers uniqueness, value for money, quality and innovative blending. These are obvious factors contributing to the shift, but other, less tangible factors, include the level of Research and Development (R&D) within the industry and the transmission of that R&D between industry bodies, government organizations and firms at local, regional and national levels (Aylward, 2003).

In this regard, it can be said that New World producers are competing with diverse weapons respect to Old Producers. Wine newcomers knew that the experience cumulated for many years can't be beaten with the same strategy; then during years New World wine producers specialized themselves in producing wines with simplicity stable quality taste, something that Old World





producers could have been unable to obtain (Lévy, et. al., 2008), since their wine varies among harvests, no matter if the producer is the same. Aspect that makes difficult for the consumer brands or wineries identification.

New World producers adopted a radical different approach to wine identification. Those opted by an easier classify wines by the grape variety; for instance, Chardonay, Merlot, Cabernet, Pinor, etc.; and in the same way those are marketed: consumers are now encouraged to ask for a California Red or an Australian Chardonay. Also are now able to recall brands as Gallo, Paul Masson, Blossom Hill or Jacob's Creek. (Balestrini, P., Gamble, P., 2006).

The variety-brand production system is almost perfectly the opposite of the Denomination of Origin (DO) production system. It is based on wineries, which are massive producing and are not obliged to respect numerous normative regulations existing in the EU. Wineries are gradually becoming a production and organization system of wine making and marketing, alternative to the European DO system. This wine system, derived mainly from the strategy developed by large corporations in the Australia and United States as the group E&J Gallo, is quite different from the Old World countries produce. The triumph of this 'new wine' in the United States market explains in a large extent its diffusion toward Anglo-Saxon market such as the British market (Green, Pierbattisti & Rodríguez, 2003).

Additionally, since New World producers by definition, are not locked into the localized viticultural and oenological traditions of many European producers there is a greater readiness to embrace and experiment with new technologies (Aylward, 2003).

This production new system, called by authors the homogenization of the wine market is perceived as a breakthrough into a world hitherto characterized by a wide variety of traditional methods and customs (Bernetti, Casini & Marinelli, 2006).



The so-called homogenization is due to the fact that New producers has a different approach to the traditional producing methods, they have adopted a more industrial approach that uses technology to develop new cultivars, improve existing cultivars, and obtain standardized products (Campbell & Guibert, 2006). Other practices as grape varieties blending that has been very successful to the New World producers and not allowed for Old World producers due to their strict denomination and appellation system, gave the former possibility to access also to a more cost efficient vineyards more resistant and stable in quality (Lévy, et. al., 2008). Even genetic engineering has been incorporated to cultivars practices in order to fight against pests and diseases without the using of pesticides or resistant rockstocks (Bisson, et. al., 2002).

Moreover, the incorporation of stainless steel barrels replacing traditional oak wood ones, gives producers opportunity to control fermentation temperature during the whole process and like this producing a wine that preserves its taste (Lévy, et. al., 2008). Due to this alternative types of practices New World producers could yield economies of scale giving them competitiveness in the international wine market, being cost effective and obtaining large margins; contrasting with the high fragmented and small scale production that makes difficult to the Old World producers to continue being very profitable, with higher costs, allowing no margins to exercise promotion, market research and product development (SP consultant, 2009). For instance, there are scale economies in bottling and packaging. Small wineries pay as much as \$2.00 per bottle for packaging, corks, glass, etc. Larger firms pay as little as \$0.30 per bottle for this material. In addition, firms with multiple brands and product lines can re-use the oak barrels in which the wine is aged. Oak barrels are a substantial capital cost for wineries. French oak barrels, employed to age high-end wines, typically cost \$550-\$600 each. A French oak barrel houses 225 liters of wine, or the equivalent of 300 bottles. Thus, the capital investment in French oak barrels runs approximately \$2 per bottle. This is substantial particularly because the oak barrels cannot be re-used to make high-end wine. However, large wineries, with multiple brands and product lines, can re-use these barrels when aging lower-priced, lower-quality wines. This enables the larger firms to amortize their



capital investment in barrels more effectively than small, focused firms that produce only the highest quality wines (Roberto, 2011).

Economies of scale and R&D activities have been the flag of the New World producers, specially for countries as Australia and USA; industrialization that transform them into real threats for the traditional wine makers, transformed the approach to wine growing and wine making turning it into a science (Heien & Martin, 2003).

Driven by the success with its different approximation to the wine's world, New Producers have innovated in every possible element in the business. In this sense, the most important change has been their new approach to the labeling and packaging, responding to different kind of needs, setting new values, thus enhancing customers' range. Labeling is going to be developed later in this document due to the importance of this aspect.

Packaging is one of the boldest business change bets, given that one of the most representative traditions of wine making is always related with the glass bottle, specially for the finest wines. But New World's producers in USA, for example, are selling wine in box; someone can say that this is not an innovation, since long time ago wine is been sold in boxes. Although, what Americans are selling is not table wine in box but premium wine in 3 liters size, something that maybe would be difficult to imagine from a French or an Italian winery.

For instance Black Box, an American company bet first for this new way of selling premium for the American consumer. In 2005 Black Box was selling 1,5 millions of boxes, giving to the customers different attributes as easiness (not corkscrew needed, and easy storage and disposal) and value for money. Also, for the producer this option optimized its transportation and storage costs, giving them the opportunity to improve its margin. Subsequently, others wineries noticing the success of this no nostalgic point of view start producing different premium wine brands in box as Delicato, Corbet Canyon and the Australian Hardys Stamp (Santini, Cavicchi & Rocchi, 2007).



Another clear example about this irreverence of the New World producers was the Mendoza's (Argentina) wineries, which since 2005 are selling wine cans be (Lévy, et. al., 2008), and followed by the Australians and Chilean with relative success in specific markets as US, China and Japan. Australians that guarantees the quality of its wines by patented wine packaging technology system: VinSafe. (Winecans, 2012). These characteristics showing a totally different strategy and market approach, letting back tradition and targeting a diverse customer base.

The market is changing, maybe the wineries belonging the Old World producers can keep selling their wines around the wine world to the nostalgic market that prefers preserve tradition. However, this market maybe has not the same potentialities than markets outside Europe, which have barely started to drink wine with a different perspective.

### **5.2.2 Change In Consumption**

Historically, traditional wine consumer countries have characterized its consume by local wines, called table wines, with low price and scarce differentiation as main attributes. Basically, European countries drink these wines as a part of its daily Mediterranean diet. The focus was towards quantity instead of quality (Lévy, et. al., 2008).

The wine consumption landscape has changed during recent years. Consumers are more and more interested towards quality wine consumption, segments known as premium and super premium wines increase the demand, while the demand of table wines have had a important decrease in sales (Lévy, et. al., 2008).

During the 1990's there was a pivotal change in wine consumption in non-traditional wine consumers, specially in USA; some authors attributes this boom thanks to the CBS program '60 minutes', which hinted that red wine consumers were less likely to have cardiac diseases, known as the "French paradox". Additionally, added to the fact that baby boomers generation had more leisure



time and money for wine exploring (Anderson, 2004). Derived from this peak arise with high importance a different kind of consumer, an occasional consumer, with high importance for the industry.

Actually, not only in USA but also in the traditional wine consumers countries as France and Italy, the consumers are becoming more occasional, with some different explanations: aggressive anti-alcohol campaigns and driving restrictions set by local governments, lack of marketing strategy (SP consultants, 2012); faster-paced urban work culture, wider range of beverage choices and the image that wine is old-fashioned and elitist (Richburg, 2001). Lets say that the market is changing to a different timing and consumer.

In France, one of the largest wine consumer countries in 2009, as a matter of benchmark, young people are drinking less wine than their parents, who routinely sipped it with every meal (Richburg, 2001). In the period 2006 to 2009 the total amount of wine consumption in this country had declined 14,2%. Italy, another traditional consumer had declined 10,5% in the same period of time (Anderson & Nelgen, 2009).

Moreover, consumer trends are changing. First, there is a marked tendency for wine drinkers to experiment rather than stick with traditional labels. Thus, whereas in 1990 almost all the most popular brands were Old World wines, the competition has increased to incorporate about 26 wine-producing countries; the most popular brands currently come from the New World. Moreover, most purchases are made in supermarket chains. Second, whereas the market value of wines sold in Britain (one of the world largest importers) increased by 43.2 per cent between 1996 and 2001, the volume sold increased by only 26.2 per cent, indicating a movement towards the consumption of better quality wines rather than a price inflation, which has been held back by a fiercely competitive marketplace (Campbell & Guibert, 2006).

Those who do drink wines often are limiting it to festive occasions, like holidays or receptions. Increasingly discerning consumers select more expensive, higher-



quality vintages. People are drinking less but better wine, as a consequence they do it once or twice a week, deferring from past generations who have it every day (Richburg, 2001). This Anglo-Saxon wine consuming model that is more oriented upon discovering and having new experiences every time (Lévy, et. al., 2008).

New consumers are intelligent; they seek good value and spend more time socializing at home, especially as a result of the global economic crisis. They are trading down for personal consumption, but trading up with friends and family. For example, 53 per cent of the consumers in the USA are dining at home more often. Television food channels and food-related blogs are increasing in popularity. Once the crisis has passed, we can expect that these consumers will return to higher priced wines, although they will not reach the same levels they did in the late 1990s and early 2000s. Moreover, a new segment has appeared. (Felzensztein, 2011).

For instance, the “Millennials” are consumers from 21 to 29 years of age and represent 70 million consumers in the USA alone; 40 per cent of the wine they drink is imported. A generation that learn and communicate on-line; new consumers drive the new trends (Felzensztein, 2011).

Going deeper, maybe of the most important aspects of the wine consumer approach change concerns to the denominations of origin or “terroir” -the specific locality where wine is produced and its characteristics-; this concept has been historically associated with quality (Bernetti, Casini & Marinelli, 2006). However this concept has been “cryptic” for the new world consumers; besides people like sophistication of the Old World wines but not so considerable the taste, wines which taste needs to be acquired: more acidic, dry and harsh, and as a consequence of the strict rules of the appellation controlee with quality fluctuations year after year, interfering with wine quality stability (Aylward, 2003). On the other side, New World wines are by dissimilarity easy to drink: less acidic, clean, sweet and fruity, being like that more accessible to a wider range of consumers (Heien & Martin 2003). Furthermore, for the new



consumers who don't have any experience with wine and the appellations of origin (as the American consumer), to know about the grape varieties is less complex and more convenient (they even have taste descriptions and meal suggestions), associating quality with the grape variety and other characteristics like price, brand, country and even packaging and labelling (Lévy, et. al., 2008).

When analyzing genders, wine have had more male appeal in the Old World, they lead consume in comparison with women; although the downward in trend consume in the last years seems to be alike (Richburg, 2001). In the New world, countries like USA male beverages are usually stronger like beer or whisky, and wine has not the same association with masculinity, giving wine more interest among women. This is the case like in Argentina where Merlot Rose has been developed as the first wine with women as its specific target market (Lévy, et. al., 2008).

Finally, we should accept as globalization has opened the doors for many new wine producers, in vast new markets. This is also true for another kind of beverages; people are drinking Coca-Cola for lunch, and Martini for clubbing. Therefore the competence is not only among winemakers but also against all of those who produce any kind of beer, soda, spirit, cocktail, and others, because wine is being replaced everywhere.

### **5.3 COMMERCIAL BOOM -MARKETING AND BRANDING-**

The market arena in a globalized world is getting stronger for companies; for these reason weapons to fight there should be different from those traditionally used. For example, as we stated before competition in this new scenario is tightly linked to consumer perception of quality, which in turn, can be analysed with a different marketing approach. While quality has been associated with the "terroir" concept, consumers are currently associating quality more with price. This opens a new scenario in terms on marketing strategies based on promotion and branding (Bernetti, Casini & Marinelli, 2006).



One of the main reasons explaining why New World producers have taken market share from Old World producers is derived from the fact that the former have aggressive marketing and effective branding, consistent with quality and reliable supply. Old World producers still trust in the reputation and charm acquired during years based in its experience and tradition (Anderson, 2004).

Inexperienced consumers in new markets find it much easier to associate the flavour of the wine with a particular variety of grape rather than a geographic region. New World wineries invest heavily in activities designed to educate consumers about wine. They hope to raise per capita consumption by enhancing the level of product knowledge among New World consumers, and by removing some of the “mystique” associated with winemaking. They also spend more money on advertising and promotion in order to build brand equity. After developing a well-known name, many firms extend the brand to an entire line of products, each serving a different market segment (Roberto, 2011).

Segmentation also played a fundamental role in this globalized scenario. For instance, New Old producer like Australians wanted to approach to the low price and mass market of premium wines. Thus, in 1996 was released a long-term plan to achieve this scope: Australia 2025. Since then Australia have doubled vineyards in comparison with 1990's and consolidated big corporations through mergers and acquisitions to exploit marketing and production economies of scale and efficiencies (Anderson, 2004). Australians, have developed markets abroad in neighbour countries like Singapur, Taiwan, Hong Kong, China e India based on this strategy; countries with very low wine tradition but increasing purchasing power (Balestrini & Gamble, 2006).

In other markets like UK and Germany, Australians wine producers arrived aggressively with bulk wines, competing with low prices to bring down entry barriers and consolidate position and defeat Europeans competitors (Anderson, 2004).





Once New World Producers consolidates a position on a new market, evidence suggests that marketing strategies concentrate on premium wines where margins are higher; while Old World producers maintain a wide gamut ranging from cheap (basic segment) to high quality wines -icon segment- (Bernetti, Casini & Marinelli, 2006).

Non-traditional wine consumer countries are the focus; those are wide open to explore given the current decline in consume in the traditional markets. In unexplored markets where wine has been no part of the gastronomic tradition marketing efforts become definitively important, specially because consumer have not deep knowledge about wines characteristics, and maybe they don't want to have a deep knowledge about it. In this regard, extrinsic characteristics of wines become every day more important: indicative labels, bottle, price and promotion rise as new decision making factors, as important as wine quality -intrinsic- (Lévy, et. al., 2008).

As it was stated before the concept of "terroir" start to be less important for consumers, especially for those that not are used to buy wines. Consumer is becoming less regular and more occasional. When the product has 3 seconds in the shelf to have customer's attention, 'differentiation' rises as cornerstone: labels easily understandable (less cryptic) about wine's taste, attractive packaging designs, and brand recognition. Decision making about what kind of wine to drink are evolving, closer to products as beer, Coca-Cola and other drinks associated to music, fun, partying, culture or lifestyle. In this regard, marketing of wine should be more focused in marketing of demand. (Lévy, et. al., 2008). Furthermore, young people are part of the market already lost by winemakers that should be conquered again: new tastes, price accessibility, fun packaging, and simplicity ascent as main attributes to be marketed about and make this task possible (Howard, 2005).

Such facts demonstrate that in general wine world firms must be more market-oriented, perceiving new opportunities and anticipating competitor's actions, and to attract and keep customers especially by delivering different value (that



may be perceived superior by customers) and encouraging brand loyalty (Jordan, Lockshin & Zidda, 2007).

This increased emphasis on branding and advertising creates the potential for scale and scope economies. First, with regard to advertising, larger firms may have more negotiating and bargaining power with advertising agencies, broadcast networks, and print media. Second, larger firms can leverage a brand image first established by creating a prestigious high-end wine by then extending the brand to offer a full range of wines at various price points. For instance, Californian winery Beringer's Wine Estates has effectively leveraged the brand they built in the ultra and super premium segments of the market to then create a lower priced product that has become very popular. Similarly Mondavi, other of the largest American winery, has leveraged its brand name, first established by offering quality products under the Robert Mondavi Winery brand, to then offer lower priced wines under the Robert Mondavi Coastal and Woodbridge by Mondavi brands (Roberto, 2011).

#### **5.4 DISTRIBUTION CHANNELS**

Since 1970's supermarket became the main distribution channel to sale wine in the most important markets around the world. For instance, England became one of the world largest wine importers given the permission to sale wine through this retail. Baby boomers generation was given the opportunity to experiment with posh products like wine that had a hitherto been the preserve of the upper class. By the mid-1980s, supermarkets -dominated by Sainsbury's, Marks & Spencer, Waitrose, and Tesco- accounted for more than half of all retail wine sales in Britain (Anderson, 2004).

Later on, by the mid 1990s, 70 per cent of wine purchases in Britain were from supermarkets, which offer a wide range of good quality wines and train staff to advise customers specifically on wine choices, as opposed to 13 per cent in specialist alcohol or wine retailers and 6 per cent in discount shops. By 2003,



further structural consolidation resulted in around ten major retailers controlling about 80 per cent of off-premises sales –giving supermarkets enormous power over suppliers- (Campbell & Guibert, 2006).

In U.S., largest wine consumer nowadays, supermarkets accounted for a 41% share of US retail wine sales in 2000. Wholesaler consolidation has made it increasingly difficult for smaller producers to get their product to market. Wholesalers prefer to distribute only the top selling brands, in lieu of small or new labels, since their profits come from mark-ups on products they are able to replenish quickly, and wine turnover is notoriously slow (2.4 turns/year), compared to the churn generated by liquor (50 turns/year) and beer (70 turns/year). Distributors wish to avoid products that may sit on the customers' shelves too long and prefer products that are proven bestsellers, relying on the pull from the consumers. Of course only brands that engage in push advertising or have shelf presence have sufficient consumer recognition (Cholette, Castaldi & Frederick, 2005).

The shift to supermarkets and the high-volume wines stocked upon their shelves is no longer solely an American phenomenon as the International Wine Investment Fund estimates 60% to 80% of global wine sales now occur through supermarkets. As a result, tens of thousands of international wine brands fight for space on the store shelves of these fewer, larger, and more powerful supermarkets (Anderson & Nelgen 2011).

In this marketplace, pressure felt by growers and wineries from increasingly dominant supermarkets are squeezing producer profit margins not only on branded wines, but also on bulk wines purchased for own-store labels. Insofar as the supermarket revolution is encouraging consolidation of large wineries to enable them to better negotiate with retailers, it is simultaneously strengthening those wineries' bargaining power over grape growers (Anderson & Nelgen 2011).



Remarking this situation Matt Kramer, a Wine Spectator columnist, commented on the impact of these changes: “Today, the problem isn’t making fine wine. There’s plenty of talent available. The problem now is selling fine wine...distribution, you see, is the real problem...we’re seeing wine diversity slowly being strangled” (Roberto, 2011).

Largest wine market participants are diversifying even their sales force, in order to adapt themselves to a struggling competition. For instance, Constellation Brands, one of the largest wineries in US, has chosen to employ four separate sales forces for its different product lines. One sales force focuses on the beer and spirits business, while another markets the company’s jug and popular premium wines. A third sales force focuses on the imports distributed through Pacific Wine Partners, and another dedicated team markets the company’s super and ultra premium wines. (Roberto, 2011).

As a result, the role played by in inclusion of supermarkets in the distribution network has some fundamental aspects to be highlighted:

First, by including supermarkets in the distribution network, wine essentially has gone to the masses. Although not everyone does not consume wine and all wine drinkers are not alike (Thomas, 1993), supermarkets have standardized the consume making it more accessible to all classes of consumers.

Second, supermarket retailers through the development of their wine categories have done a lot to help educate a vast array of consumers on some aspects of wine (Thomas, 1993). At least giving them the fundamentals about wine consuming: grape varieties, production regions, food to combine with, etc. In this aspect, supermarkets, as opposed to other retail outlets, put particular pressure upon wine producers. Because, most of the times no intermediary interacts with customers at the moment of purchase, then the “messages” that the product itself is capable of signalling to the consumer are pivotal in the purchasing process. Of critical importance to sale are signals about the quality of the wine on offer. Not only the brand and the geographical origin but also the



design of the label have an impact on how the consumer perceives the quality of the product. Supermarkets are strong brand policies ideal environment (Bernetti, Casini & Marinelli, 2006).

Third, but maybe the most important aspect about this topic, with wine 'supermarketing' becoming more and more common, and concentration of ownership of supermarkets also increasing, the competitiveness of firms able profitably supply large shipments to such markets is only going to strengthen relative to that of the smaller wineries. The supermarket chains' increasing domination of retailing is not only altering the sharing of profits along the supply chain, but is also starting to alter where firms sell. In Australia, for example, where the two main supermarket chains (Coles and Woolworths) have raised their share of domestic wine sales to more than 40 per cent, wineries have begun to look even more to export markets because their margins are being trimmed so much on the home market (Anderson, 2004).

In this general context it can be prevised in the future wine market will have three different subdivisions because of the distribution channels trends:

The first, devoted to mass markets specially supermarkets: channel where bargaining power of the participants become a powerful factor due to the structure of the large retail chains. Mergers and acquisitions consolidating wine multinationals take more importance, due to margins for wineries will keep struggling.

The second, devoted to small wineries in which the direct contact with the customer is the core differentiation point. This channel targeting those nostalgic customers that want to have a deep experience with wine, maybe being not that price sensitive and giving better margins to wineries.

And finally, wine on-line sales will become an important distribution channel, even though is currently not enough positioned. Social networks (Facebook, Twitter and blogs) are increasingly important and allow low-cost, high frequency



communication with bloggers and consumers around the world (Felzensztein, 2011). This will make better-informed consumers that together with high brand awareness will be more willing to make their wine purchases on-line.

## **5.5 NEW WORLD LARGE CORPORATIONS**

Within the framework of worldwide food activities restructuring and globalization, the beverages sector has been amongst most industries where enterprises have changed their commercial profile. Beverages firms have increased their critical size and have enhanced the internationalization of their activities (Green, Pierbattisti & Rodríguez, 2003).

Comparing the producing structure between New World and Old World producers we can find critical differences. In principle, Small family-owned vineyards produce most of the wine within Europe; while many larger publicly traded firms compete in New World markets. European governments often provide subsidies to their small vineyards to support the production process. Moreover, many European families continue to make their own wine for household consumption, while Americans and Australians purchase nearly all of the wine that they drink (Roberto, 2011).

Already since the beginning of the 1980's, a period of substantial restructuring of the alcoholic beverages sector has been started. This period has culminated at the end of that decade with the constitution of a limited number of large multinationals, amongst them could be highlighted the Allied Lyons group (at present Allied-Domecq), the groups Guinness and GranMet (merged in 1997, currently operating under the label Diageo), and the group Moët- Hennessy Louis Vuitton (currently LVMH). Between 1986 and 1988 almost 10.000 million dollars have been invested in restructuring the beverage industry (Green, Pierbattisti & Rodríguez, 2003).

Nevertheless, Old World wineries have remained tied to a traditional structure of



production and commercialization characterized by small family vineyards or huge cooperatives supported by the already stated government subsidies. On the contrary, New World producers respond more to a different model, more let say: Anglo-Saxon model, offered by few big companies with high capital and strong marketing orientation (Anderson, 2004). Differences in the market concentration structure between New World producers and Old World producers are quite clear; while in the former the 4 largest companies account in most of the cases for more than 50% of the market, being specially concentrated in Chile; in the latter, those didn't even reach the 20% at the end of 2009 (Table 8).

**Table 8: Share of national wine sales volume by the 4 largest firms, 2009, %. Source: Adapted from Anderson & Nelgen, 2009.**

Country	Largest	2nd	3rd	4th	Remainder
France	10,5	3,8	0,9	0,7	<b>84,1</b>
Italy	6,2	1,8	0,9	0,8	<b>90,3</b>
Portugal	8,1	7	4,8	4,7	<b>75,4</b>
Spain	11,5	4	3,6	1,9	<b>79,0</b>
Australia	23	18,4	14,3	6,6	<b>37,7</b>
New Zealand	24	11	6,7	6,2	<b>52,1</b>
USA	21,4	16,2	12,7	5,7	<b>44,0</b>
Argentina	28,5	14,3	11,8	5,9	<b>39,5</b>
Brazil	6,3	3,4	3	2,5	<b>84,8</b>
Chile	30,5	29,3	21,2	na	<b>19,0</b>
South Africa	33,6	1,8	1,1	0,6	<b>62,9</b>

New World producers have understood that integration, economies of scale and bargaining power are tools to gain market share from Old World wineries and acquire position in the new ones. For example in U.S., top three wineries — Gallo, The Wine Group, and Constellation — account for over 50% of the volume of U.S. wine that is shipped. In the current phase of industry consolidation, larger wineries are buying smaller ones, in part to improve their bargaining position with retailers such as Costco. Consolidation enables one producer to market many labels, gaining shelf space in retail stores and facilitating exports and joint ventures (Heien & Martin 2003).



Also in Australia, market conditions have stimulated a number of mergers and acquisitions among Australian's wine firms that resulted in several large and four very large wine companies. This has provided the opportunity to reap large economies of scale not only in grape-growing and winemaking but also in viticultural and oenological R&D, in brand promotion and related marketing investments, and in distribution, including through establishing their own sales offices abroad rather than relying on distributors or in enhancing their bargaining power with wholesalers or retailers (Anderson, 2004).

In this regard, New World wine producers aggressively arrived in many markets breaking down prices, what expulse incumbents with low bargaining power and capital. (Calderón & Blanco 2005).

If we take a look on the top 10 World largest firms by volume in 2009, largest 4 come from New World producers: Constellation, E & J Gallo and Wine Group from U.S. and Foster's Group from Australia (Table 9).

Nonetheless, world wine market keeps being very fragmented, only the 8,5% of the total world share is concentrated among the top 4, and 14,3% among the top 10; contrasting with the beer market where in 2010 more than 50% of the market is among 4 Multinationals (Roberto, 2011). Facts showing the existing room for new mergers and acquisitions in the close future.

Furthermore, transnational character of the New World Firms, where Constellation and Foster's have are among the top 4 largest firms in U.S., Australia and New Zealand, markets highly dynamic from production, exports and consumption point of view, specially U.S., and showing a trend of consolidation big companies in countries with not large winery tradition (Table 10).





**Table 9: Share of World Wine sales volume by 10 largest firms, 2009, %. Source: Adapted from Anderson & Nelgen, 2009.**

Rank	Firm	2003	2004	2005	2006	2007	2008	2009
1	<i>Constellation Brands (USA)</i>	2,3	2,8	2,9	3,4	3,4	3,0	3,1
2	<i>E &amp; J Gallo Wineries (USA)</i>	2,4	2,4	2,4	2,4	2,4	2,5	2,5
3	<i>The Wine Group (USA)</i>	1,2	1,2	1,2	1,2	1,3	1,6	1,6
4	<i>Foster's Group (Australia)</i>	0,6	0,7	1,3	1,4	1,4	1,3	1,3
<b>Subtotal, top 4 global firms</b>		<b>6,5</b>	<b>7,1</b>	<b>7,8</b>	<b>8,4</b>	<b>8,5</b>	<b>8,4</b>	<b>8,5</b>
5	<i>Les Grands Chais (France)</i>	0,9	1	1	1,1	1,1	1,1	1,1
6	<i>Pernod Ricard Groupe (France)</i>	0,5	0,5	1	1	1	1,2	1,1
7	<i>Peñaflor</i>	0,9	0,9	0,9	1	1	1	1,1
8	<i>Viña Concha y Toro (Chile)</i>	0,5	0,6	0,6	0,7	0,8	0,9	0,9
9	<i>Castel Groupe (Argentina)</i>	0,9	0,9	0,9	0,9	0,9	0,9	0,9
10	<i>Bacardi &amp; Co. (Bermuda)</i>	0,7	0,7	0,7	0,7	0,7	0,7	0,7
<b>Subtotal, top 5 to 10 global firms</b>		<b>4,4</b>	<b>4,6</b>	<b>5,1</b>	<b>5,4</b>	<b>5,5</b>	<b>5,8</b>	<b>5,8</b>
<b>Total, top 10 global firms</b>		<b>10,9</b>	<b>11,7</b>	<b>12,9</b>	<b>13,8</b>	<b>14</b>	<b>14,2</b>	<b>14,3</b>

**Table 10: Four largest firms in each country, 2009. Source: Adapted from Anderson & Nelgen, 2009.**

Country	Largest	2nd	3rd	4th
<b>France</b>	STET	Castel	Grands Chais de France	Domaines Listel
<b>Italy</b>	CAVIRO	Coltiva Scarl	Italiano Vini	Santa Margherita
<b>Portugal</b>	Sogrape	CARM	Adega Coop. De Redondo	Esporão
<b>Spain</b>	García Carrion	Pernod Richard	Félix Solis	Miguel Torres
<b>Australia</b>	Constellation	Foster's	Pernod Ricard	McGuigan Simeon
<b>New Zealand</b>	Pernod Ricard	Constellation	Villa Maria	Foster's
<b>USA</b>	E & J Gallo	Wine Group	Constellation	Foster's
<b>Argentina</b>	Peñaflor	FeCoVitA	RPB	Bodegas y Viñedos Garbin
<b>Brazil</b>	Coop. Vinícola Aurora	Vinhos Salton	Vinícola Miolo	Bacardi
<b>Chile</b>	Concha y Toro	Santa Rita	Cía Cervecerías	-
<b>South Africa</b>	Distell	DGB	Co. Of Wine People	Boland Kelder

Internationalization and globalization of wine industry is given, the market 's doors are now being opened for powerful competitors: West European firms are investing in Eastern Europe, South America, Australia, New Zealand, and China. U.S. firms are investing in France, Italy, and South America. And Australian firms are investing in North America and Europe (Anderson, 2004). A worldwide struggling battle started.



## 6. ANALISYS UNDER BARBARIAN FIRM FRAMEWORK

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In this chapter the case of study about the wine industry, based on the facts already presented in the previous sections is analysed. To perform this analysis the Alessandro Baricco's theory about "The Barbarians" applied from a managerial point of view was taken into consideration.

The chapter is divided in the three Barbarian attributes identified in the previous chapter: Target Identification, where it is shown how the sacredness of the wine industry and its totems were attacked by newcomers; Warfare, in which some characteristics of strategic agility and technology brokering will be tried to be identified; and finally Weapons, where those possible disruptive innovations are identified and how these changed the set of values within the whole industry.

Discussion with the aim of explaining the success achieved in the last years by the New World producers, rising as a clear threat for Old World producers all around the world. Facts extracted by the outline presented in the previous chapters in which is shown how the wine industry have mutated during the last decades due to barbarian attack.

### 6.1 TARGET IDENTIFICATION

#### 6.1.1 Attack To Totem

There are few traditional industries as the wine industry. In fact, most of its charm has been based on the ancient tradition of growing grapes and cottages for producing wine. In this sense, Old World wine producers (Europeans) have had the oldest tradition and experience, giving them the possibility to lead the market for many years with almost a monopolistic market structure. Obviously, this position gave them the chance to erect entry barriers believing that natural



conditions given by the Mediterranean lands were unbeatable in producing quality wines.

Consequently, European wine was perceived as the totem, since its long tradition and natural location gave them a unique position in world marketplace, though as it was shown in the previous chapters not immune to competition.

Wine in Europe was idolized, fixed in two main groups: The first, related with the food, namely table wines that were only drunk while eating. The second group, were those wines more elaborated and more expensive, reserved for an elite that relied on its deep knowledge and tradition to preserve it as exclusive beverage.

This situation changed in the last decades due to the entry of new competitors with important results, namely New World producers. The latter, recognizing a market with large room for changes, since have remained unaltered for so long, and based on technological innovation, a deep customer approach through marketing and labelling strategies (commercialization), entrepreneurship sense. All of this, combined with a new set of values: simplicity, easiness, convenience, and 'spectacularity', surpassed the existing entry barriers, acquiring market share all around the world. Set of characteristics exposed by Alessandro Baricco in his book as the 'Traits' of 'The Barbarians'; way in which from now on in this analysis are called the New World wine producers.

Even in France, largest world wine producer and consumer, Barbarians' attack was recognized as a foremost threat. In 2001, France's Agriculture Ministry declare: "Until recent years wine was with us. We were the centres, the unavoidable reference point. Today, the barbarians are at our gates: Australia, New Zealand, the United States, Chile, Argentina, South Africa" (Anderson, 2004).

Robert Mondavi, pioneer of the Barbarian invasion to the wine industry started to produce wine in United States by without any taboo, mastering this process reserved only for Europeans with generations of tradition. By 1976, Mondavi was wining a contest in Paris where American wines competed with Europeans',



showing his entrepreneurship ambition and capacity of challenging the once-predominant position.

For that time, European position in world market place was still far above from wine Barbarians, and as we will see this was an ultimate mistake for traditional producers. Some incumbents fail to proactively recognize new trends in society because of two reasons: first, they rely on existing customers and therefore take a passive approach believing to have built a safe nest that protect themselves from competition; second, they do not explore new innovative ways to better serve both, existing and prospective customers with products that incorporate available technological advancements (Christiensen, 1997). And that's what exactly happened with Europeans producers, which because of their desire to keep stick to an ancient tradition have lost market share because of the barbarians attack all around the world.

Since one of the core attributes of these newcomers is their disregard for rules, most of the elements recognized by industry incumbents until that moment as sacred, which made part of the industry charm and tradition, and then its appeal, was challenged.

From the beginning Barbarians demystified the most basic elements of the industry; for instance, the traditional oak barrels in which the wine is fermented. Barbarians harnessed technological advancements and use stainless barrels with controlled temperature, giving them the possibility to acquire economies of scales, thus competitiveness.

Derived from this change, Barbarians overthrow other totem of the industry: variation in quality among harvests. Given that conditions in oak barrels were so difficult to control, wine quality of Europeans producers depends on the ancient expertise of wineries, quality that always varies from harvest to harvest. Therefore, wine consumers had to know in deep about results of those every year. In contrast, thanks to the technology controlled conditions wine Barbarians specialized in stable quality, minimum variations among harvest, namely 'wine homogenization' a complete breakthrough in the industry.



In Europe, wine industry is characterized by being highly fragmented, family-owned wineries, with a large number of producers, each one with its own label. For them label and denomination of origin are extremely important and work as quality seal and tradition; as a result there is a large number of denominations in France and Italy, difficult to be recognized for inexperienced consumers.

In this regard, Barbarians have a totally different gesture; they adopt grape varieties, too much easier to be recognized for consumers. Additionally, especially in non-premium market segment, they don't care labelling, they even produce for other who sells the wine with its own name or brand. For example, Australians wineries produce bulk wines that are bottled with the brands of the largest retailers in England, Tesco and Sainsbury, or The Rolling Stones sells Californian wines harnessing its brand loyalty and recognition (Figure 6).



Figure 6: Examples Wine sold with different brand respect its producer.

Almost 100% of the times someone refers to wine implicate the word 'bottle'. This means that is one of the icons of the industry. Nevertheless, even the sacredness of the bottle has been overcome. American Company Black Box, who

sells Premium wine in box with success in its country; Argentinians, New Zealanders and Australians who already are selling wines in can or with screw cap, shows other options adapted to younger consumers with a different lifestyle, more convenient and fast (Figure 7).

All this facts that shows the 'lack of respect' of Barbarians, for the old rules imposed by the traditional way of selling wine. They don't care about constraints. Barbarians are responding to a different generation needs.



Figure 7: Wine in can and box

Barbarians changed every element they consider should facilitate consumer's decision-making process and reduce the historic fear towards wines. For instance, changing in labels was the first exceptional step; cause the cryptic labelling used by Europeans was a first barrier for customer too complex to overcome.

Evidently also taste was different, characterized for being "fresh, clean, fruit-driven" is definitely easier to understand and pleasanter to enjoy for inexperienced consumers, that's why Baricco gave this wine the attribute of "spectacular" or "Hollywood wine", cause it was a direct way towards quick pleasure. Those sensations consistent (stables) in Barbarians wines thanks to the homogenization of production, therefore product.

Eventually, with the purpose of summarize this attack to the totem(s) performed by the Barbarians, and how they changed the competitive marketplace; Kim Anderson, recognized Australian researcher from Adelaide University expressed:

*“Will the New World really send wine the way of colas and hamburgers? Will a small number of large winemaking firms dominate global markets by churning out ever-larger volumes of standardized products under their own brand or that of large supermarket and discount chain? If so, that drive small winemakers and wine retailers out of business?”*

By comparing wine with colas and hamburgers Anderson clearly shows how the sacred sense of wine is being questioned, challenged, since seems to be adapting to an American model, standardized and globalized.

### **6.1.2 Entrepreneurship: Globalization And Commercialization**

One of the main characteristics of the Barbarians is its desire to conquer new lands at any cost. From Mondavi to Australians pursuing new markets is a need since the their own markets were not that large as the traditional consumers ones.

Per capita wine consume in European countries is in clearly declining (halving in the lapse 3 decades in the main consumers, France and Italy). This would have been understood as and obstacle to Barbarians to get into wine market. Nevertheless, New World producers had a different strategic point of view: all along the history wine consumption, it was concentrated in Europe, the rest of the countries outside there consumption were clearly marginal. Thus the strategy was to conquer those countries with growing purchasing power and low wine tradition, clearly interested in wine given its appealing and snob identity.

To gain market position in both, new and traditional markets, New World producers adopted a closer customer approach. Departing from the point that marketing of the demand is essential, instead of waiting for consumer as it have been traditional in Old World producers given their higher cost avoiding them to



invest in advertisement and marketing campaigns. In contrast, Barbarians move faster and support their raising and success in their strong marketing system, allowing them to perform branding strategies gaining brand recognition and customers loyalty.

Sustained in a labelling system more familiar and easy to understand by the consumers, New World producers had opportunity to overcome the fears towards wine identification. Complemented with marketing and branding push strategies; for instance, proficient staff located in supermarkets to teach and advice consumers about wine, TV wine displays and advertising, internet blogs and comments; elements that grabbed a market eager to have different kind of experiences.

Elements that show the entrepreneur as a paramount attribute of Barbarians phenotype, which are always searching for new markets, different approaches to the customer, and different formulas to fulfil customer expectations.

Wine Barbarians have now a highly developed marketing and commercialization system, not only capable to satisfy consumers' likes with an awareness system adapted to every market, but also has been able to introduce new and different tastes. This is the way in which Barbarians operates, they attack the villages and completely change the landscape.

## **6.2 WARFARE**

### **6.2.1 Strategic Agility**

If there is something clear about the Barians behaviour is their constant motion. Baricco states that moving on the surface is extremely important for them, remaining on the surface avoiding depth, since that takes time, which can be used to live other experiences.





In the same way, Barbarian Firms agility becomes one of the most important characteristics of its phenotype. Nowadays firms need with urgency to be aware responding to mutable conditions in the markets, not only on the product level but also and particularly on the organizational level adopting different business models (Doz & Kosonen, 2008). Vertical integrated firms suffer from because those systems are harder to change the direction whenever market conditions require.

In the case of the Barbarians in wine industry some attributes of strategic agility can be found. Besides, technology-brokering capabilities were clear along the period of time New World producers have been competing in this market arena. Both aspects with radical importance for wine Barbarians to gain significant share.

Firstly, agility trait can be recognized in the fact that New World producers, especially Americans and Australians, downsized their value chain outsourcing grape supply. As it was presented before, Californian wineries have outsourced 85% on average this part of their value chain, giving them possibility to find several options to produce and reduce procurement costs and risks.

Furthermore, partnerships among wineries are becoming regular through joint ventures. For instance, Americans wineries like Gallo Group and Constellation have partnership with Australians, with strategic purposes as sharing product and market knowledge, access to distribution channels and technology. In the same way French wineries signed joint ventures with Chilean and South African also to develop emerging markets and sharing risks.

Instead of vertically integrations wineries preferred to share commercial and distribution capabilities through merger and acquisitions. This was the case of large wineries as Pernod-Ricard, Allied-Domecq, Diageo, LVMH, and Constellation. This strategy responds in part to the fact that since the 1970's, supermarkets began to dominate the distribution channel (70% on average of the wine is sold in this retail varying according to the country), where bargaining



power is radically important. Because of this wineries were suffering not only because of squeezing margins; in a market inundated by different brands from everywhere, struggling for space in shelves, and with a product with low rotation compared with beers and spirits; large corporations have bargaining power to push wines in the retail, since now they are offering the latter a whole portfolio of beverages.

Furthermore, under current demand conditions, where decline in traditional consumers countries is evident, and with a lot of potentialities in 'ignorant' markets, marketing investments pushing demand to acquire new customer and avoiding exit of the existing ones becomes paramount. Resources that only large corporations are willing to invest and one of the reasons why Old World producer have lost international market given its highly fragmented structure. The latter, maybe has been one of the most evident problems faced by France and Italy wineries: their structure around small family-owned wineries associated in a Cooperative system, and supported by government subsidies; the first element, causing a divided and complex decision making process, with numerous and dissimilar interest among incumbents; the second, not enough to invest in marketing strategies given their high cost production structure, thus compete with the same weapons.

Finally, in this regard can be said that large wineries consolidations through mergers and acquisitions have given those firms dynamic to compete in a changing market place. The competition for wineries is not only among themselves any longer, but also with spirits, beers and colas, industries even more globalized and higher market concentration.

### **6.2.2 Technology Brokering**

Considering technology, New World producers used every technological possibility they have had available, showing another phenotypical attitude typical of Barbarians. As Baricco states, they prefer moving fast than being stuck



to traditions; for that reason, Barbarians are technology adopters, even more if those advancements conduct them to profits.

By definition, Technology Brokers rather than choosing wholly new ideas, focus on recombining old ideas in new ways (Hargadon, 2005). Companies such as IDEO, Netflix, Apple, or even Ford recombined technologies already existing, inventing nothing, but with dramatic effects (Hargadon, 2005)

For instance, Barbarians did not create temperature controls for food or beverages, they adopted this technology to stabilize fermentation process achieving a stable process and product; additionally, gaining economies of scale allowing them to reduce cost, thus competitiveness. For the same reasons implemented automated harvest picking from the cultivar. Thanks to this strategy Australian wines, which attack the British market with low price wines (bulk), becoming in the lapse of 30 years leader exporter in quantity towards of one of the largest importers all around the world.

New World producers also developed genetic engineering within R&D activities as a common practice, supported in Australia and United States by researching centres such as Adelaide University and California University. Grape blending is a common practice giving them more resistant cultivars, new tastes and options to improve the production process. In this regard, New World producers transform through the years wine in a science more than tacit knowledge inherited from generations.

In contrast, Old World producers are still ruled by strict denomination of origin and production control, aiming to preserve its ancient tradition, baseline of its competitive advantage; but crippling possibilities to reduce cost and, as was stated before, develop marketing capabilities required in the globalized context.



## 6.3 WEAPONS

### 6.3.1 Disruptive Innovations –Values Change-

From previous of this chapter, the structure of technological advancements within the wine industry can be understood. There were not just one technological development what have done possible a transformation of the wine industry, giving New World producers to gain market share, in a competitive arena monopolized by Europeans until some decades ago.

For Baricco, Barbarians' legacy of is the change in the values' set. The current barbaric generation is searching for the velocity, moving from one experience to another; thus, old values as profundity and time consume, are replaced by easiness, convenience and instant pleasure, namely by Barico as 'spectacularity'.

Disruptive Innovations are the mean used by Barbarians to attack totems; innovations that do not provide a better performance in the once-core dimensions of products (Christensen, 2007). However, either because market maturity or because customer preferences change, there once-core dimensions become just sufficient and customers look for other characteristic such easy, convenience, immediacy (Sozzani, 2011). The example is evident in Google: based in a technological innovation, people searching for knowledge rather than in precision and extent, are interested in easiness and linkages that knowledge can provide. Clearly, Google performs not as well in the core dimension, but add others important for users.

Wine coming from Old World has highly recognized core dimensions: body, tradition, acidity, softness, and flavours that most of the times should be complemented with food. The features Mediterranean lands particularities of and generations of experience gave those characteristics. While New World wines have a different approach, supported by technology they achieved more fruity, intense and less acid; characteristics that, as it was already stated, made them more accessible and convenient.



Here, it can be said that wine coming from New World producers is not per se a Disruptive Innovation in the whole dimension of the definition, since these wines do not have inferior performance in the core dimension: taste. Barbarian wines have different performance, since has diverse attributes in its flavour, adapted to a different kind of public: ignorant, occasional, faster-paced, urban, and so on.

What certainly match with disruptive innovation capability of the Barbarian wineries are the facts that the recombination of technologies, not jus one but several, creates a totally new market with a new set of values: convenience, easiness, value for money, disregard for tradition or ancient rules, and customer oriented.

Barbarians created such a new wine market in countries as United States and Australia where people didn't use to and didn't know how to drink wine; today the former is largest wine consumer all around the world. Barbarians open a new wine marketplace where scotch and beer are major players. Moreover, wine New World producers have had to create a new set of values to succeed in an extremely competitive environment, different from those previously imposed by incumbents. Tradition, complexity, knowledge and exclusivity (core features of the European wines) are being overcome by simplicity, convenience, easiness, and 'spectacular' taste.

Barbarians knew that its value propositions should be different. For a market "ignorant" about wine, they produced a different wine: easy to drink, easy to "understand" by customers, simple and convenient, that could be drink at any time during the day and without any restriction; characteristics opposite to those of traditional Old World wines. That's why decided to produce a wine less acidic, clean, sweet and fruity, being like that more accessible to a wider range of consumers because it was easier to understand, it was not necessary a ritual for being drank as the French ones.



Maybe the most disruptive change in wine industry was the grape variety approach of labelling. Labels represent the first company's approach to customer. Australians, introducing this system, revolutionized the market from customer orientation point of view, replacing the difficult to understand denomination of origin system with a system easily understandable, removing fears of approaching from customers (convenience).

In this regard, labelling and marketing strategies adopted by New World producers facilitate customers' purchasing process. Grape varieties are easy to recognized, since are not that much as denominations of origins; additionally, wine programs in TV and supermarkets educational campaigns have approached even more consumers to the industry.

### **6.3.2 Linguistic Revolution**

Baricco in his book presents one of the intangibles, but maybe one of the clearest evidences of the Barbarian wine revolution: language's change.

Recognized as a cryptic and difficult to understand, Denomination of Origin system identifies European wine, giving it a sophisticated and exclusive charisma. Nevertheless, this system was totally unreadable for new consumers, since the labels on the bottle, containing the geographic location didn't say that much about wine quality and characteristics to first-time wine consumers, which pushed by a snob trigger, were eager to meet this culture.

Australians, one of the Barbarians, use the grape variety to identify the wine set the solution. This system easier to understand that preserves part of wine charm and distinction approaches even more non-expert consumers to wine culture.

Changing the language of a centurial tradition culture is indeed one of the greatest attacks performed by Barbarians. New World producers knew the need of easier approach to new markets, then create its new understandable language



to catch a market scared by the difficult European denomination method, and tired of always drinking beer and scotch.

In this regard, columnists and wine bloggers as Robert Parker, American wine critic who wrote about wine in an easy and direct way had an important role. Parker qualifying wines by numbers (from 50-100) got the most accessible way for inexpert consumers to differentiate and know wine qualities. Actually, was him the one that dare to attack French wines referring to them as “too complex, inaccessible... very idolized: more sophisticated than good”.

Thanks to this change wine consumers, people not also in United States and Australia, but also in totally new markets as China and India refers to wine in terms of the varieties and brands, easily to be recognized and remembered within a market every day changing, and struggling with more powerful competitors as beers and sprits, which based its marketing competitive strategies in brand equity and brand loyalty.

## **6.4 SUMMARY TABLE**

Summarizing, Table 11 shows the different attributes in concordance with the managerial implications derived from the Baricco’s book and the case of study in the wine industry. In this way, as the purpose of this research, it is illustrated the main reasons explaining the performance of New World Wine Producers, and its market share acquired in the last three decades.



Activity	Attributes	New World Producers -Barbarians-
<b>Target Selection</b>	<ul style="list-style-type: none"> <li>- Compete along unaltered products.</li> <li>- Opportunity to innovate.</li> <li>- Weak incumbents counter-action and less competition.</li> </ul>	<ul style="list-style-type: none"> <li>- Totem: Traditional and cottage industry, natural competitive advantage given by geographic location.</li> <li>- Trend: Occasional wine consumer, with snob wish and less time.</li> </ul>
<b>Lateral Movement</b>	<ul style="list-style-type: none"> <li>• Agile organization structure.</li> <li>• Ability to sense market opportunities.</li> <li>• Recombination of multiple technologies: Technology brokering.</li> </ul>	<ul style="list-style-type: none"> <li>• Agile Phenotype: Downsizing in supply, merger with spirits to acquire bargaining power and move quickly in retails. Partnership with some retails to get important markets.</li> <li>• Marketing orientated strategy firms.</li> <li>• Technology recombination of multiple technologies: genetic engineering, temperature control, automated picking, packaging, labelling. Transforming industry approach to science.</li> </ul>
<b>Disruptive Innovation</b>	<ul style="list-style-type: none"> <li>✓ Different performance in core dimension.</li> <li>✓ New set of values.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Different wine: fruity, less acid, sweet, and quality stable.</li> <li>✓ Values: convenience, easiness, 'spectacularity', pleasant, fast.</li> </ul>

**Table 11: Summary Barbarian Behaviour Wine Industry. Source: Developed by the author.**



## 7. CONCLUSIONS

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### 7.1 ABOUT THE TOPIC IMPORTANCE

Nowadays competing and acquiring competitive advantages is becoming even harsher for companies. Therefore, Planning has turned out harder, since markets are unpredictable changing its direction to new paths, where companies have not gone before. In this regard, strategic management has been the tool used by firms to set their movements and make decisions pursuing entering into a new market, share, eliminate or control rivals competition.

This paper addresses the role of strategic management within organizations as compass to lead their direction and achieve their goals, especially in the medium and long term. Consequently, having the wrong compass firms are condemned to fail, not matter if they have raised entry barriers or have been market leaders during so many years.

Strategic management research has developed theories around the firms' most important features to successfully compete within diverse market arenas. Since Porter (1980), the 'recipes' for triumph over competitors have trust in raising entry barriers and protect position. Nevertheless, now these approaches are more a more questioned given the current technological advancement pace that changes market conditions promptly, easily throwing down entry barriers and forcing companies to introduce in their internal and external characteristics dynamic behaviours to follow or initiate those transformations.

The purpose of this research is showing how firms might successfully compete in turbulent and highly competitive environments. Departing from the sociological analysis of the current society transformations made by Alessandro Baricco and tuned up in a managerial perspective; the specific set of external characteristics here called as 'Barbarian Traits' belonging to 'Barbarian Firms' were shown and explained. Exemplified with the case in the wine industry, where New World



producers are rapidly taking share and opening new wine markets in countries with no tradition, this research showed how the different Barbarian phenotypical characteristics work as the strategic track to compete in highly competitive markets.

In the practice, characteristics of companies more able to survive and succeed in highly competitive markets are blurred, difficult to identify. The latter given industries diversity, where practices' significance are assorted (what is determinant for one industry maybe is irrelevant for other). In this sense, portraying at least in general terms those firms' characteristics, gives managers concepts about directions their organizations should, what kind of capabilities should develop, and how those capabilities should be exploited.

To do so, cases of study are a very useful and interesting tool to conduct managerial research. Describing contemporary facts cases of study gives the opportunity to develop theory inductively, enriching the argument with a determinate context, conditions and changes along a time frame. In the case of the Barbarian Firms' Phenotype cases of study methodology was the most suitable, since is a in-building theory, which needs exploratory research in its early stages.

The case in the wine industry was developed supported on other previous studies developing the Barbarians firms' idea within the entertainment and food business. Therefore, enhancing the industries were the model would be applied gives it validity, principally from the qualitative point of view, offering managers different insights about how this novel theory behaves in different contexts.

## **7.2 ABOUT THE RESEARCH**

It is important to remark that this research was intended to cover some limitations of the existing theory about strategic management exposed in the second chapter. Porter theory trusts in the raised entry barriers to protect



companies against competition, being very static. In the same line, Shapiro's Strategic Conflict theory also relies in entry barriers accomplished by the resources commitment. Those two theories now out-dated, since entry barriers are not guarantee of sustained competitive advantage once the market conditions change because of the arrival of a technological breakthrough. This was clear when analysing the case of Blackbuster bankruptcy because of Netflix competition, when a newcomer with a different business model completely changed the competitive landscape.

Obviously, the Barbarian Phenotype approach does not cover all the necessary strategic management topics to be considered by today's organizations to compete successfully in highly competitive environments. As it was shown, derived from Darwin's theory, species more likely to survive are those with a set of characteristics both internal and external, which give them competitive advantage over the others, and resulting from the mutation or transformation because of the environment conditions. Those characteristics are 'Genotype' and 'Phenotype', the latter external manifestation of the former.

Derived from this analysis, identifying the genotypical characteristics of those firms more likely to succeed in highly competitive markets turn out to be extremely helpful for managers to shape the firms' business processes. In this regard, conclusions derived from the Teece's theory about Dynamic Capabilities are interesting, since it considers the dynamic of competition, market changes, and trends, contrasting with the former theories that did not consider these aspects.

Particularly Dynamic Capabilities can be considered as the best internal approach to compete in highly competitive environments, understanding the process to adapt new technology, continuously learning from partnership and collaboration to enhance capabilities, and finally perform the necessary adjustments to go ahead in competition. Consequently, Teece, Eissenhart and others summarized the theory in three internal behaviours:



- Sensing opportunities: market awareness, scanning, learning and interpreting market signals.
- Seizing opportunities: exploit opportunities once recognized and available, with the right timing.
- Transform and reconfiguring: changing every time market trend and technologies demands to do so, in order to keep the pace of competition or maintain competitive advantage.

In the other hand, the Phenotypical behaviours of the firms were drawn by the illustration of the Barbarian Phenotype, which intends to complement the Dynamic Capabilities approach. Like this, a comprehensive approximation of strategic management theoretical framework was portrayed, and demonstrated in analytical terms through cases of study. In this sense, offering managers a tool to guide their firms across competition, gaining and sustaining competitive advantages.

Subsequently, the Barbarians' traits identified in this research departing from the Alessandro Baricco's book, and 'translated' into managerial perspective are summarized hereafter.

## **7.3 ABOUT BARBARIAN PHENOTYPE**

### **7.3.1 Attack to totem**

Thanks to their genetic ability to monitor the environment and to scan opportunities, Barbarians attack targets identified as vulnerable given its long lasting control and lack of innovation. They know in these marketplaces host opportunities to be exploited. Frequently incumbents are not interested in these new entrants since they rely in the entry barriers risen during years. Nevertheless, Barbarians always attack the peripheral villages; first they start with niche or unexplored markets where competitors' retaliation is insignificant,



and attacking sacred symbols (totems) Barbarians show their corporate entrepreneurship and disregard for the imposed rules. Additionally, attack with a different business model, since they want to create a new market, discover blue oceans. In this sense, New World Wine producers did not attack the already existing but declining wine market in first time; they opted by creating a market in America, where beer and scotch are leaders, and consumers didn't know about the 'custom' of drinking wine, thus they could shape the demand giving a different experience with new value proposition.

### **7.3.2 Lateral Movement**

Motion is the supreme characteristic of a Barbarian. In this regard, firms' strategic agility can define its fate, the difference between failing, surviving and competing successfully in highly dynamic environments. Today firms must have the capability of constantly adapt their business model, incorporating new information, trends, and technologies.

By observing the market, it is clear that also the consumers are suffering the same mutation; actually, are the companies that are adapting to respond to this changes and appropriating their practices within them as a living creature. The mutation consists in a current lack of interest for going deeper, people don't want specialization in one experience, they just want to go rapidly from experience to experience, and in the same way firms have to constantly adapt their value offer.

Accordingly, Barbarians having to move rapidly cannot invest too much time developing technology; they prefer to take the already existing and assembling it for their own purposes. In this way, they learn and from partnership and collaboration, absorb additional capacities and commit fewer resources. Therefore, it can be said that Technology Brokering leverage in networks, is the complement of the Barbarians' strategic agility philosophy.

In the practice, New World Wine producers and even some in the Old World have understood the importance of moving fast in a globalized market, where



opportunities are in those 'wines ignorant' marketplaces, and the consume is very low, but customers have a snob desire to taste wine; thus partnership, joint ventures, mergers and collaborations have become extremely important to compete everywhere committing fewer resources.

### **7.3.3 Disruptive Innovations**

Finally, once Barbarian have defined the target attack with a different value offer, maybe not with the best performance in the core characteristic of the product or service offered, but providing superior performance in other alternative dimensions, transforming Barbarians products and services, and giving them new set of values, Barbaric values: convenience, easiness, openness, immediacy, and 'spectacularity'. These new set of values leveraged by a technology innovation that makes that transformation possible and accessible for customers.

Examples of this kind of Barbarian behaviour are several, iTunes, Netflix, Nespresso, give clear sample about how technology innovations transformed the set values expected by customers, and how what has been established before is not longer important for them.

Within the wine industry consume has turned out more occasional; consumers are not tied to table or food tradition to drink wine. The way in which people drink wine is being transformed and differently created in new markets, less time consuming, and with multiple options to choose. In this sense, wine for these markets must be simply, easy and spectacular, if new generations are the target, since it has to compete with spirits and beers; otherwise, wine will be a beverage for a nostalgic niche.

In summary, Figure XX shows the relation between the Genotype (Dynamic Capabilities) and the Phenotype (Barbarian) of firms able to succeed in turbulent markets. This is the genetic code and the external manifestation of this structure influenced by the competitive environment.



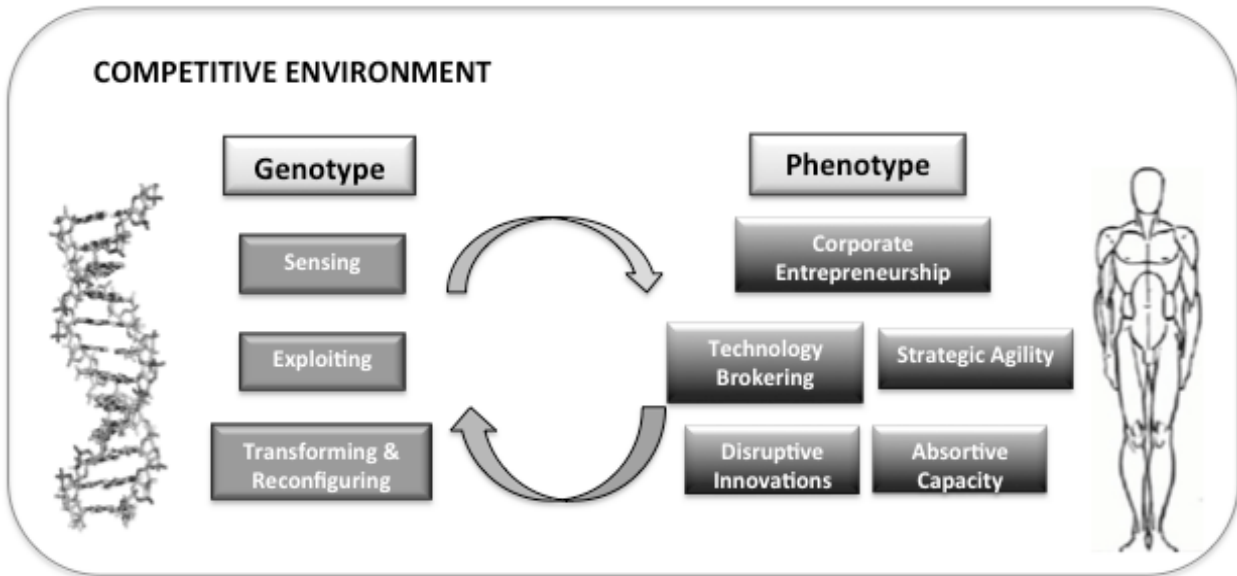


Figure 8: Successful Firms Genotype and Phenotype. Source: Developed by the author

## 7.4 ABOUT THE WINE INDUSTRY

It is clear that wine industry is passing by a series of transformations on its competitive environments. Since the entrance of the New World Producers, the struggle for markets changed and the dominance of Europeans is questioned.

New World Producers have demonstrated they know how to produce wine, and quality wine. Its different approach to every single element of the industry, from the inclusion of science in grapes production (genetic engineering), to the marketing and branding efforts in the distribution channels, changed radically the competitive environment.

Old World producers will have to mutate together with the consumers, keeping the pace of transformations. Especially, they will have to reconfigure the structure of the industry to gain competitive power and agility to compete in a highly globalized market, configuring larger companies with marketing capacities to be able to enter in new markets and compete with Cocas, beers and spirits. Otherwise its market will limited to a nostalgic niche, maybe very profitable and loyal, but shrinking everyday, let's say in threat of extinction.

In this sense, mergers, acquisitions, joint ventures with large spirits companies would lead wine industry by the path of this required transformation. Tradition in this industry would have to be considered as one more value, not 'the value', as it has been so far. Convenience, easiness, and simplicity are values maybe more important for those customers that already have not taste wine, and which should be the target market for wineries.

#### **7.4 GENERALIZATION AND LIMITATIONS**

The cases around these transformations in competitive behaviour are now more considerable; in this paper empirically illustrated in the Wine Industry, and complementing Sozzani's (2011) and Audran's (2011) cases of study. The former analysing the entertainment industry: Apple iTunes, Netflix and Metro; the latter, with his case about Nespresso. Table 12 summarizes what these cases are about, illustrating the Barbarian traits. This is in order to show the validity of the research and importance for future works.

As it said by the theory, the purpose of this research is to develop the theory, not to test it. Therefore, these cases of study allow analytical generalization, not statistical generalization. The result are not generalizes to any population of firms, but it was very useful to illustrate and clarify the concept of the Barbarian firms as a successful competitive behaviour, which would be interesting to be statistical tested in the future.

Yin and Eissenhart stated that generalization departing from cases of study might lead to mistakes and criticism; nonetheless, with the abovementioned cases and this research as empirical tests, it can be said that the characteristics or behaviours of companies more able to succeed in highly competitive markets are now clearer. Due to technology advancements and transformations they involve, pace of competence is now different, customers now expect for different offers with different experiences, firms have to sense those changes in trends and promptly adapt their strategies to acquire share and competitive advantage.





<i>Case of Study</i>	<i>Tottem Attacked</i>	<i>Lateral Movement</i>	<i>Disruptive Innovation</i>
<i>Netflix</i>	BlackBuster: Brick and mortar strategy.	On-line streaming as delivery system. Partnership with studios and technology producers.	Easy recommendation system. Immediate, easy and convenient delivery.
<i>iTunes</i>	Retails: Control of music sales.	Music on-line downloading to deliver. Partnership with music labels.	User-friendly interface. Fixed price. Immediate experience.
<i>Metro</i>	Paid Newspapers: Information source.	Wide availability around cities. Adoption of franchising model to reach more cities.	Free. Short and Fast to read. Easy language.
<i>Nespresso</i>	Barista espresso: good coffee preparation knowledge.	Pass from offices to household business. Partnership with machine producers and designers.	Easy to prepare. Machine does everything. Stylish Design of machines and capsules.
<i>Wine New Wold Producers</i>	Old World Wine: quality wine.	Applying technologies available to gain scale and efficiency. Downsizing in supply. Partnership with some important retails.	Easy to purchase and drink. Immediate enjoy experience. Quality stable.

**Table 12: Barbarian Firms -Cases of study- Source: Developed by the author from Sozzani (2011) and Audran (2011).**

Additionally, This research tries to yield theory in a low complex way. In fact, the framing the Barbarian behaviours in already existing supporting theories, aims giving managers tools to develop the stated capabilities within their firms, thus compete in highly dynamic environments.

Obviously, Barbarian Firms approach does not pretend to replace or overthrow previous theories of strategic management; this is a complementary approach, especially to Dynamic Capabilities theory, which shows the set of *internal* characteristics of companies to compete in turbulent markets, while Barbarian approach shows the externals.

## 7.5 ABOUT FURTHER RESEARCH

Since there are now several cases of study about the Barbarians' behaviour, it would be interesting to develop further research in order to give statistical validity to the concept. It is suggested to try to find the correlation between the market share gains in the last years and the extent in which companies have identifiable Barbarians' traits.

For instance, could be interesting to survey wineries within both competitors, New and Old World Producers, aiming to test in what extent the dynamic capabilities are incorporated in the Genotype of the firms, and how those are represented in their Phenotypical characteristics, hypothesising about its company entrepreneurship, absorptive capacity, strategic agility, and disruptive innovations. Obviously, not all of them will be found in every single company as it was showed in the research, but within the industry are present, especially in the New World producers. Therefore, correlate these characteristics with market share and companies profitability.

Finally, further research to continue testing the Barbarian concept should be conducted to show its applicability and improve generalization. In this regard, develop an analysis over the *publishing and book industry* is proposed, given the paramount changes experienced in this marketplace due to the technology breakthroughs introduction. Everyday is more common paperless books (digital versions), Internet has become the source of information and the main books' delivery channel, making them very accessible (even in illegal conditions -pirate copies-), changing the whole pricing and profits system.

In this regard, it would be very interesting to study the case of **Amazon**, company that have moved within this industry very quick, growing up dramatically since 1994 when it was founded as an online bookstore, and which now controls a large share of the publishing industry in United States and is very important World player. Additionally, to analyse the role of technologies as the Kindle that



revolutionized the book's market and has transformed the approach of people to reading books.



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