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Globalization patterns in the wine industry: a comparative analysis

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Introduction

The effects of globalization and the consequent opening of markets have changed the world in which we live in many ways. The increase in international trade has reshaped the flow of goods in an unthinkable way up to a few decades ago. The wine market that we are going to explore here has not been exempt from these transformations. While some years ago the production of individual countries was much more limited and found an outlet in the domestic market and in the neighboring areas or with countries with which there were bilateral agreements, we can see today how for many areas of the planet this enlargement of markets has become the rule. As Italians it is natural that our vision is primarily focused on European economies, geographically and economically close to one another. The very idea of the European Union, although born with the intention of guaranteeing a period of peace and prosperity following the tragedies of the twentieth century, has evolved and now covers almost all aspects of everyday life for all of us. The European Union is now a source of rights and duties for all citizens of the member states. As such, it is a source of rules aimed at regulating the behavior of individuals on their territory. While it is certainly true that the destiny of each individual country is bound to the others more than ever, it is also true that the opportunities created for each one of us reflect the much wider context in which we operate today. The European Union has given

national companies the chance to extend their own context, the ones that have been able to seize growth opportunities by understanding and exploiting their own characteristics have benefited greatly from the open markets. Scholars basically agree that in order to face new challenges and seize new opportunities for growth and development, each state must necessarily focus on the field in which it recognizes its "Comparate Advantage" to be. Increasingly fundamental has become the ability of states to attract capital from the outside in order to grow. However, these capital flows are not always controlled or controllable but a consequence of the contingent situations that are present or established in different places. Thus legislation plays a fundamental role in the creation of these favorable conditions. Every day we hear journalists talking endlessly about the miracle of Silicon Valley, without however telling us how this much proclaimed miracle is rather the result of a development of an area that well before the foundation of companies such as Facebook and Apple, already had proven its high degree of specialization towards sectors characterized by high technical content. It may certainly be difficult to plan the creation of a Silicon Valley from nothing, what instead is within reach is to investigate the strengths of the different areas and to do what is possible because the social fabric and the conditions that will be created push towards a common direction. This consideration started from afar, aims only to anticipate that we should not think of the investigation that will follow as an "Italian miracle" as many would like to describe it. Here we will read about Prosecco, an important phenomenon in the Italian economy, which however has a centuries-old history and which has been able to innovate and exploit the opportunities that have aroused around the area. The Denomination of Controlled Origin (DOC) for the Provinces of Veneto and Friuli, and the Denomination of Controlled and Guaranteed Ori-

gin (DOCG) for the territories of Conegliano-Valdobbiadene introduced in 2009 are exactly this: an opportunity strongly desired by the protagonists of the sector. Italy is a country of small entrepreneurs and great skills, a country of industrial districts composed of small artisans who make of their own creativity, dedication, attention and care of the product, their focal point. In these years Prosecco has become an ambassador of this Made in Italy around the world. When abroad, the wineries through their sell force narrate the story of this wine, the passion of the people behind it, the processes and elements that make of Prosecco a very successful product. The aim of this paper is to analyze the current situation and prospects in the Prosecco market. My interest in particular is to continue a work started with my Bachelor thesis in which, starting from the general introduction on the wine market, I have deepened the opportunities and the contribution of the DOC to the success of the Prosecco product. DOC and DOCG are two distinct denominations that identify wines produced with grapes grown in different areas. More specifically, the DOCG covers an area, that of the municipalities of Conegliano and Valdobbiadene along with 13 others, incorporated within the DOC area, which instead includes the entire Province of Treviso, the Provinces of Belluno, Padua, Venice and Vicenza in Veneto, as well as the whole territory of Friuli Venezia Giulia. The distinction goes beyond the geographical origin, the two names identify independent wineries which can be found in both categories. These two groups are represented in the respective Consortiums: "Consortium for the Protection of the Denomination of Controlled Origin Prosecco" for the DOC, "Consortium for the Protection of the Conegliano Valdobbiadene Prosecco Superiore" for the DOCG. The underlying purpose of the thesis is not to investigate the reason for this distinction, nor how much one can influence the result of one company or sector rather

than another, however it is important to have a clear picture of the context of which we are going to read about later on. Behind the DOC and DOCG abbreviations there are hundreds and hundreds of people, winegrowers who give the grapes to the producers, the wineries that transform the product through tools to turn still wine into sparkling, all the operators, employed at all company levels that make up the "Prosecco world". Even in the years of economic stagnation and recession, the agro-food sector has represented a fundamental sector for Italy, the wine in this has maintained and consolidated its weight, both in terms of turnover and image. In fact, wine is now considered by all rights an ambassador of Italy in the world, and is associated with the very way of life of Italians, representatives of good taste and good living. In these years, the aperitif concept and the Prosecco product run on parallel tracks, one promoting the other and vice versa. If on the one hand the aperitif has made the Prosecco known to the world, which has in turn contributed to making the world know the Italian meaning of this convivial moment, on the other hand today this also represents a challenge.

In many countries only recently has the concept of aperitif begun to make its way through, furthermore this mainly conveyed in those areas with the highest concentration of Western citizens more or less consciously become ambassadors of their habits and consumption choices. A Japanese couple who wants to order a wine accompanying their meal often will be offered French sparkling wines which are sold by glass as they are more known and therefore with higher turnover. Restaurateurs tend to have a more limited supply of wines sold by the glass, as unsold products would risk damaging over time. Prosecco will therefore be offered only secondly and by the bottle. The detail is not negligible, in fact the couple will have to choose between a bottle of Prosecco and a glass of Champagne or another wine. Faced with this choice,

the couple very often will go for a wine by the glass, with a more contained cost. This type of consideration slows down the development of the product and makes it more complicated to operate in distant markets. The challenge presented today is to pass the message that Prosecco is much more than a simple aperitif wine, it is a "whole meal" wine. The positive momentum of sparkling and semi-sparkling wines has consolidated over the past years, the growing trend of Prosecco can be seen as a symbol of this evolution. If still wines represented the majority of international trade in the sector, in recent years we are witnessing a real switch. The sales of bubbles have never been so high and the trend is growing continuously thanks to international competitions, fairs, tastings all events intended to promote the products worldwide. Tourists themselves, returning from a trip to Europe become vehicles of diffusion of Made in Italy and important factors of development in these "emerging" markets, of which examples are Japan, China, the countries of Southeast Asia, Russia, South America, all countries that have a growing interest in Italian sparkling wine. This thesis therefore sets itself an ambitious goal: to try to understand in which direction the market is moving, prospects and margins of growth, markets in which Prosecco is most appreciated and possible future evolution. I therefore believe it is useful to provide current elements to start with to analyze the future perspectives; I will therefore describe the trend and the current state of the market during these years, and then analyze the evolution and market trends. It is not just a matter of describing numbers and analyzing data, in recent years the sector has grown in a sustained manner and with it has increased the interest and attention of many, even outside the country. Internationalization, having to face an increasingly global market, the role of marketing are only some factors that have distinguished the industry and the companies in these years. In the case

of Mionetto, a company already very present abroad, 2008 represented an important moment in the development of the historic Valdobbiadene winery: the acquisition by the German group Henkell & Co., the inclusion in a context of foreign ownership and the collaboration with over 15 "sister companies" around Europe and America have further expanded Mionetto's horizons. In substance, my colleagues, like many other operators in the Prosecco sector, together with the transformation of the market, have seen a simultaneous transformation of their work and their tasks.

Chapter 1

The global wine market

Fifteen years have passed since "Il Corriere della Sera" in an article-interview to Gianni Zonin highlighted how in the international wine market there were two different approaches that were the result of equally different realities: a first approach was defined as "historical-cultural", typical of the old wine world and therefore of the traditional European producers; then there was a second "entrepreneurial-financial" approach characteristic of a new way of looking at the market, less tied to the territory and traditions but capable of becoming the main engine of the flows and interests that have grown in these years. The internationalization and the acquisition of wineries are interesting points evoked in the article, which explains how large entrepreneurial subjects emerged in the global wine industry, naming some of the most interesting cases of the period. It was also observed that the European wineries were destined to become targets of these wine multinationals, this phenomenon is also the result of the "reputational" factor (Grandinetti, De Marchi, 2012; Zamparini, Lurati, 2012) which enhances the perceived quality of wineries originating in countries traditionally recognized to be at the top in the sector. The origin of agri-food products is in fact a distinctive element that links

"veteran" companies and young companies, which in this sense will be able to exploit what has been previously achieved by others. The quality perception of a product and the "collective reputation" are considered elements of great value in the wine sector (Costanigro et al., 2010) and it is believed that especially for wines positioned in the medium-high segment geographical origin represents a key factor (Caraccioloa et al., 2016), an example of this is the intrinsic value that consumers associate to a Denomination of Controlled Origin when presented with different products to chose. Another factor that plays an equally important role in the perception and evaluation carried out by the market is the price, consumers in fact tend to instinctively associate to a high price an equally high quality of the product (Caraccioloa et al., 2016). In this context, albeit to some extent "safeguarded" by the attention of these multinational subjects due to their relatively small dimension, Italian wineries represented a source of great interest already at the time of the interview to Mr. Zonin because of a number of factors as the high quality internationally associated to Italian wine, the growth possibilities that came along with the opening of the markets and furthermore for the experience of all the operators of the sector that could be easily incorporated as a consequence of the acquisition of a winery. The natural propensity of France and Spain, the other two major wine producers in the world, to preserve the ownership of companies operating in fields considered to be both strategic and representative of their economy, risked placing further attention on Italian companies. In this first chapter we will first try to understand the elements that led to this development of the market, the factors that have allowed this great development of companies that have become "multinationals" and the ones that can enhance the attractiveness of some companies rather than others.

1.1 Globalization and Foreign Direct Investments in the wine industry

Over the years, the wine market has undergone alternate phases and while it is certainly true that international trade and the flow of goods have reached a level unthinkable before the start of the new millennium, it is interesting to consider that this that we are currently experiencing can be considered as a second wave of globalization in the wine sector, as a first wave had already occurred between the end of the 19th and the beginning of the 20th century (Anderson and Nelgen, 2011). In the second half of the nineteenth century, the phylloxera of the vine originating from North America appeared in Europe and devastated European and especially French cultivations. As a consequence, in order to respond to the great domestic demand, France began to import wine from the North African colonies, making of this region one of the world's leading producers, Algeria alone represented 40% of the world's wine exports in those years. Following the outbreak of the First world War, the production of these North African territories was radically reduced and today is almost insignificant compared to those years. The second phase of globalization we are currently experiencing sees other countries protagonists of the evolution of the market. The New world is represented by North and South America, South Africa, Australia, New Zealand, major producers that are radically changing the sector. A big part of this change that is taking place in the market can be explained through Foreign Direct Investments which have determined increasing flows of capitals of organizations and investors seeking to gain and further exploit "location-specific advantages" and "firm-specific advantages". The meaning of this separation is clear, the first ones refer to the geographical sphere, while the latter look

more directly at the companies and their strengths. The desire to reach new possible consumers and to expand their business falls into the first group. The same can be said for the search for factors considered strategic, with this being understood as physical resources such as raw materials, financial resources, as well as human resources when companies consider a key element in the investment decision abroad also the acquisition of skills and experience of new employees. On the other hand, the advantages tied more closely to the corporate situation relate to factors that make a company in particular a target for these capital flows. Example of these elements include the economic result and the financial position of a company, the presence on foreign markets and the effectiveness of its distribution channels, which once acquired can be exploited by the purchasing group as an instrument of penetration for a given market or sector. This factor in particular, as we will see later on, was certainly an important element in the choice made by Henkell & Co. Sektkellerei when in 2008 it acquired Mionetto and with it also its US branch. All these factors are therefore among the main engines of international capital flows that contribute to the creation and development of multinational companies in the various sectors of the contemporary economy. With regard to the wine & spirits sector in particular, large groups have been created, these groups control companies and wineries in different countries, being able to exploit their financial leverage to invest in those places considered strategic for the expansion and development of their own business. Table 1.1 lists some of these multinationals, showing how they have been able to develop in countries other than their own and that now have a direct control on these markets through foreign branches (Hosts). For example, we see that Brown-Forman Corp. controlled 45 different branches in 26 different countries.

Table 1.1: Major MNEs by number of Host Countries

Rank	Azienda	Origine	Paesi Host	Filiali	%
1	Brown-Forman Corp.	USA	26	45	73,3
2	Pernod Ricard S.A.	Francia	25	97	86,6
3	Freixenet S.A.	Spagna	20	34	58,8
4	Davide Campari-Milano S.pA.	Italia	17	30	80,0
5	Belvedere Group	Francia	16	65	49,2
6	Foster's Group	Australia	11	40	35,0
7	Diageo PLC	UK	10	11	81,8
8	Sektkellerei Henkell & Co AG	Germania	9	15	60,0
9	Sogrape	Portogallo	9	15	73,3
10	Vranken-Pommery Monopole	Francia	9	26	53,8
11	Kirin Holdings Company Ltd	Giappone	9	33	39,4
12	Cordorniu	Spagna	8	n.d.	n.d.
13	Vina Concha y Toro S.A.	Cile	7	23	43,5
14	LVMH Moet Hennessy Div.	Francia	7	n.d.	n.d.
15	Constellation Brands Inc	USA	6	42	59,5
16	Sektk. Schloss Wachenheim AG	Germania	6	47	40,4
17	Distell Group Ltd	Sud Africa	6	n.d.	n.d.
18	AdVini (JeanJean/M.Laroche)	Francia	6	27	29,6
19	Miguel Torres	Spagna	5	n.d.	n.d.
20	Soc. des Produits Marnier-Lapostolle	Francia	5	n.d.	n.d.
21	Takara Holdings Inc	Giappone	4	16	62,5
22	Central European Dist. Corp.	USA	3	n.d.	n.d.
23	Australian Vintage Ltd.	Australia	2	29	10,3
24	Henri Maire	Francia	2	13	15,4
25	Laurent Perrier	Francia	2	n.d.	n.d.

Source: Outreville and Hanni (2011)

The strong presence of multinationals based in France is worth noting, while Italy is represented in this particular list only by Campari S.p.A. Table 1.1 helps us understand how the business of these global players is branched out, they represent a relatively recent novelty in a traditional sector, which however increasingly needs to rely on international tools and resources, starting from a structured managerial capacity which must aim at exploiting the international vocation of these companies. In order to evaluate the actual attractiveness of a given area of the planet, a further step is needed: to this end, table 1.2 shows a number of countries listed by "geographic intensity" which assigns a value obtained by analyzing the number of branches present in its territory, which is at the same time headed by a foreign parent company. The number of groups to which these branches belong and the number of branches is also an element of analysis in this table.

It is not surprising to find in table 1.2 large countries of the Old and New wine world. At the first place, the United States with a market of over 300 million people and a very high consumption propensity, followed on the second and third steps the United Kingdom and France, both characterized by high consumption in the wine sector. Determinants of market analysis are certainly the supply and demand in the market. Demand and supply of the product then contribute to the definition of the price. In this analysis, therefore, we will be able to see the trend of wine production and consumption, then assessing how much the exports are worth for the various producers. This paper wants to have a particular focus on the state of the export and therefore we will evaluate the exchange prices in reference to the wine sold on foreign markets. Obviously, wine is a wide sector that includes very different types and production methods. This analysis aims to study a specific sector, in fact it intends to describe the trend of the Prosecco market. We

Table 1.2: Countries with the highest concentration of foreign subsidiaries

Rank	Host country	Geographic Intensity	Groups	Subsidiaries
1	USA	63,6	14	22
2	UK	50,0	12	28
3	France	47,1	8	12
4	China	40,0	10	17
5	Australia	39,1	9	29
6	Germany	39,1	9	9
7	Canada	32,0	8	18
8	Brazil	32,0	8	10
9	Japan	30,4	7	8
10	Poland	29,2	7	15
11	Italy	29,2	7	8
12	New Zealand	28,0	7	16
13	Switzerland	28,0	7	8
14	Argentina	24,0	6	12
15	Sweden	24,0	6	8
16	Czech Rep.	20,0	5	9
17	Finland	20,0	5	5
18	Chile	16,6	4	6
19	Mexico	16,0	4	9
20	Belgium	16,0	4	5
21	Spain	13,6	3	8
22	Portugal	12,5	3	5
23	Russia	12,0	3	6
24	Ukraine	12,0	3	5
25	Greece	12,0	3	4
26	Netherlands	12,0	3	3
27	Slovakia	12,0	3	3
28	South Africa	8,3	2	3
29	Bulgaria	8,0	2	7
30	Romania	8,0	2	3

Source: Outreville and Hanni (2011)

will then start from the general, the description of the recent trends in the wine industry and then focus on what was anticipated.

1.2 Active internationalization

We start by asking ourselves how can Italian firms exploit the increasing flows of trade and gain an important position in the global value chains. The key features of Italian wine producers are the strong link of the vineyards with their land of origin and the great expertise created during many year across all stages of wine production. The recent evolution of the industry with concerns to our country can be explained also through two important elements: the small size of the average Italian winery and the already mentioned protectionist approach of other major wine producing countries. These two elements help us understand why we often hear of foreign companies and investors acquiring Italian firms, rather then the opposite. However, we have several cases of Italian firms which have proven capable of exploiting their strengths and have had an active approach and role to this current internationalization trend. Zonin, Conti Antinori, Masi agricola, Campari, Cavit, Illva Saronno Group are just a few examples of successful cases of Italian firms which have been able to broaden their horizons either through the acquisition of foreign companies or the establishment of branches in foreign countries. From South America to China, the investment decisions made by these Italian firms have originated from different desires, which however share a common aim to exploit their knowledge and means to acquire market share, economies of scale or other strategic factors that could be integrated into their value chain. In this chapter we will focus on a few cases that bring interesting starting points and that could be further analyzed by Italian wineries. These cases show how

important Italian players have been consolidating their leading position while also promoting their brands in an attempt to link their history which dates back centuries to their always present capacity to innovate and to propose products to new markets and to new consumers.

1.2.1 Zonin

The afore mentioned companies all have a strong presence on foreign markets which account for a growing share of their business. From the aggregate financial statement of Zonin for fiscal year 2016 we can see that the total turnover of the group was 193,3 million €, 86% of which originating from abroad markets. Zonin is one of Italy's major wine producers, therefore it is not surprising to see how well such a structured company can perform also outside the domestic market. Nevertheless such a high percentage is still worth noting. Further analysing we also find that the group has created local branches in the most important markets both in terms of current wine consumption and in terms of emerging ones. The American branch Zonin1821 USA accounted for 64 million USD, Zonin1821 UK accounted for 39,2 GBP, and Zonin1821 China for 8 million RMB which on January 1st 2017 were worth about 1 million €. In the financial statement then we also find the Barboursville Vineyards, which its website describes as an authentic historic estate offering a complete experience to visitors who can stay at the luxury cottage, enjoy meals at the restaurant and tour the beautiful nature surrounding the estate. What we imagine caught the interest of the Zonin family above all however is the 90 ha of vineyards. This Virginia estate which in 2016 accounted for about 7 million USD in the financial year statement was commissioned by Thomas Jefferson, 3rd President of the United States, and was bought by the Zonin family in 1976. The expertise in winemaking gained

during the years enabled Zonin to prepare adequately to face this American entrepreneurial challenge. The Company was already present on the market through its American branch Zonin1821 USA in Miami which serves as base of the group in the US. However the acquisition of the Vineyards set a turn point in the Company's history as it meant direct involvement in the production process in a land which needed to be studied, understood and interpreted by the experts in order to set out properly the path of this land for the years to come. Through the work of the Oenologists and the winegrowers employed in these vineyards, this estate represents today a case of success in which Zonin was able to successfully widen its horizons following the desire to offer something new in a mixture of European vines and American soil.

1.2.2 Masi Agricola

Another important case of Italian wineries which have been able to exploit their core competencies, expertise and know-how to face an extremely fascinating challenge comes from the Masi Agricola winery. Masi Agricola just as Zonin, is yet another case within many of Italian wineries that made of the close link with its land of origin and its terroir a key factor in its history of success. Based in one of the most important wine areas of Italy, Masi Agricola owes much of its awarded development across the years to high quality productions and premium wines such as Amarone and Recioto, two of the most iconic and representative wines of the Valpolicella area. The red wines produced in this land have gained high appreciation across the world. Masi represents an extremely interesting case study for many reasons being one of the most known producers of the Veneto region, its history dates back to 1772 year of its foundation. As for the Zonin Group, the decision to look abroad not only seeking for new consumers and new target markets, but

also to exploit the current evolution of the wine industry on a global scale has represented a great challenge for the Company and is at a same time an element of interest for the sake of this work. The adventure of Masi in Argentina started about 30 years ago with the foundation Masi Tupungato in the Mendoza region. This estate has 140 ha of land of which 80% is dedicated to the cultivation of red grapes and the remaining 20% to white ones in a mixture of Argentinian vines as Malbec and Torrontes, and Italian ones as Corvina and Pinot Grigio. Again, the great experience gained in Italy along with production processes typical of the Veneto region and in particular of the area of Verona have combined with the characteristics of these distant lands proving once more how great innovation can take place in a traditional industry such as the wine sector. This strategical investment furthermore granted access to the Mercosur promoting the group brand image across all Latin American markets. The access and direct commitment to this important market however is just one of the advantages of this trasnational operation. The evoking and appealing slogan of Masi Tupungato "Argentinian nature, Venetian style" explains more then ever the interest and the aim of the Masi group to offer something new to the market making the best of both Countries. The typical withering of the grapes used in the productions of wine in the Verona area has been exploited and adapted creating new wines that combine different grapes originating both from Argentina in Italy. It would be wrong to consider this Argentinian experience as only a way to penetrate faraway countries offering a product to which the locals are already acquainted to. There is instead a real focus and desire to bring together different experiences and to innovate. The internationalization of production is the mean through which the wineries can go abroad and take advantage of the characteristics of different places exploiting their know-how across the

entire value chain. Furthermore these Argentinian Vineyards property of the winery from Verona have been dedicated to the cultivation of Organic products in an attempt to face and answer the demand for a healthy living and for sustainability. Speaking of Organic products, Italy has been interpreting an important role in Europe and many companies of our Peninsula have proven that strategies that take into consideration this phenomenon find a good answer from the market and their efforts are often rewarded. This is the case for example of Rigoni di Asiago which made its success out of Organic products. In the case of Masi this can be a key factor in its aims to obtain a comparate advantage vis-a-vis its competitors. This is just an additional reason that drives our attention as that of many others to the evolution of products as Corbec, Passo Blanco and Passo Doble produced in the Tupungato Vineyards and which are listed within Masis offering worldwide, Italy included.

1.2.3 Marchesi Antinori

The Antinori family has been active in the winemaking industry since 1385 with Giovanni di Pietro Antinori, making of this family owned company the 10th most ancient one in history. The winery can really be said to have witnessed the evolution of the Tuscan and the Italian society over the 600 hundred years that have past since its foundation. Across the centuries the company has based its success on the most traditional wines from central Italy as for the Chianti, the "Rosso di Montalcino" and the "Vino Nobile di Montepulciano". Piero Antinori, Honorary President of the company, has stated that "the ancient roots play a primary role in our (the company's) philosophy, but this has never limited our innovating spirit". This explains why this winery has been included into this dissertation. Again, a century old

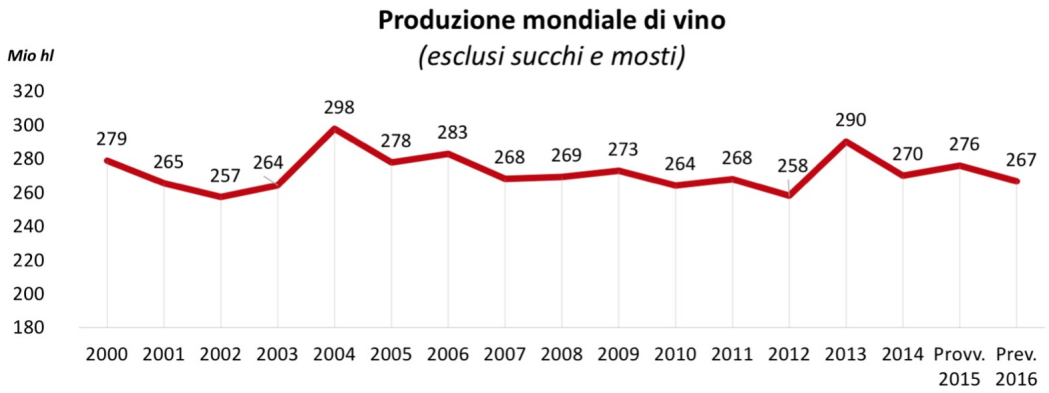
winery which based its success on the most traditional Italian wines shows the importance of innovation in the industry. In accordance to his philosophy, Piero Antinori in 2003 began his entrepreneurial relationship with the Chilean winery Haras de Pirque through a joint venture which has been developed over the years and eventually resulted in the acquisition of the South American company and its over 100 ha of land in July 2017. Through this strategic acquisition, the Tuscan winery has been able to widen the range of products offered on the market while diversifying its production. This has also been achieved while maintaining the high quality associated to the company's history. Investing abroad was not something new to Antinori which now owns land and produces wine also in the USA, Malta, Hungary, and Romania. Just as Argentina, Chile is another important Latin American wine producer whose quality has been recognized universally. The area acquired by Antinori was particularly appreciated given its open wide lands positioned in proximity to the Ocean. The geological characteristics of this land together with the peculiarities of its soils gave birth to Albis, a red wine originating from a mixture of Carmenere vines typical of this area and the European vines of Cabernet Sauvignon. The strategy carried on by Pietro Antinori has evidently depicted an international development path which will express its potential in the years to come. He definitely deserves a high consideration in his family's history as he has proven capable and brave enough to face the challenges of the new era of wine production. However important, it has already been said that this Chilean investment is just one of the many if we consider the over 600 ha owned by the winery in different parts of the planet. Nevertheless this choice underlines once again the growing importance of Latin America for the future evolution of the global wine industry.

1.3 The protagonists of the industry

1.3.1 Major producers

We begin by seeing that during the 2006-2016 decade, production decreased overall from 282.9 to 267 million hectoliters for a variation of around -6%.

Figure 1.1: Global wine production 2000-2016



Source: OIV - Organisation International de la Vigne et du Vin; 2017

Italy, France and Spain alone account for over 50% of world production. Our country, in particular, has been able in recent years to consolidate its leading position of production with 50.9 million hectoliters produced in 2016, for a share on total production which exceeds 19%. In the same period, France saw its production decline by 7% compared to 2015 due to the frosts that occurred in different areas such as Champagne and Borgogne. Despite the decline registered last year, France remains a leader in world production along with Italy and Spain. Behind them there are countries that contribute in an important way to global production. Consider, for example, the United States, whose production has grown over the past 10 years by 23%, reaching 23.9 million hectoliters produced, this should come as no news, as we are

certainly aware of the quality and success of Californian wines. Napa Valley has a leading role in the American wine supply, other than being also a popular tourist destination and attracting wine enthusiast from all over the world.

Table 1.3: Wine production 2006-2016

Production hl/m	2006	2016	Var. %
Italy	52,0	50,9	-2,12%
France	52,1	43,5	-16,51%
Spain	38,1	39,3	3,15%
USA	19,4	23,9	23,20%
Austria	14,3	13,0	-9,09%
Australia	12,6	13,0	3,59%
China	4,1	11,4	181,48%
Sout Africa	9,4	10,5	11,70%
Chile	8,4	10,1	20,24
Argentina	15,4	9,4	-38,96%
Germany	8,9	9,0	1,12%
Portugal	7,5	6,0	-20,00%
New Zealand	1,3	3,1	138,46%
Other	39,5	23,9	-39,49%
Total	282,9	267,0	-5,62%

Source: website "I numeri del vino" `http://www.inumeridelvino.it/`

Looking at table 3.1, the first information that pops to our attention is that in the last 10 years China has increased its wine production to 11.4 million hectoliters, almost tripling its value compared to 2006. The +180% is a surprising figure which read along Table 2.4, describes China as the country that has recorded the most significant increase in land cultivating

vineyeards. Italy in this case is placed second in the world and firmly in first place among the countries of the "Old world".

Table 1.4: Extension of European Vineyards, ha

	2013	2014	2015	2016	Var. 2016/2015
Spain	973	974	974	975	0,8
France	793	789	785	785	0,1
Italy	705	690	682	690	8,2
Portugal	227	221	204	195	-9,0
Romania	192	192	191	191	0,0
Greece	110	110	107	105	-2,0
Germany	102	102	103	102	-0,6
Hungary	56	62	68	68	-0,5
Bulgaria	68	66	67	67	0,5
Russian Federation	62	63	63	63	0,0
Austria	44	45	45	46	1,0
Switzerland	15	15	15	15	0,0
Other EU countries	691	676	672	675	3,0
Total EU	4.038	4.005	3.976	3.978	1,6
Of which EU28	3.362	3.343	3.318	3.319	1,0

Source: OIV - Organisation Internationl de la Vigne et du Vin

Continuing the analysis we can see how Argentina, although having lost part of its share, still represents today a percentage of just under 10% of production. Chile and South Africa are growing, and so is New Zealand although starting from a lower share of the market. All these data are worthy of interest and study. Consider, for example, South Africa, which is one of

Table 1.5: Extension of non-European Vineyards (in ha)

	2013	2014	2015	2016	Var. 2016/2015
China	757	796	830	847	16,8
Turkey	504	502	497	480	-17,0
USA	449	448	443	443	0,0
Argentina	224	226	225	224	-1,0
Chile	208	213	214	214	0,0
Australia	157	154	149	148	-1,5
Sout Africa	133	132	130	130	0,0
Brazil	90	89	85	85	0,0
New Zealand	38	38	39	39	0,0
Other American	93	97	97	98	1,0
Other African	234	234	234	234	0,0
Other Asian	600	602	602	601	-1,0
Total non-European Vineyards	3.487	3.521	3.544	3.543	-1,0

Source: OIV - Organisation Internationl de la Vigne et du Vin

the most secure and tested access doors for foreign investors wishing to do business in the African continent in this sector. The South African Republic in fact, in addition to being an increasingly important player from the point of view of production, represents also a large part of the imports of the continent: much of the product that is sold and consumed in the countries of southern Africa passes through this country. Looking overseas instead, the role of countries such as Chile and Argentina certainly is not new. Former colonies of Spain, for many years these countries have produced excellent quality wines and much of their success is certainly due to the contribution of Italian citizens who in the course of the twentieth century emigrated to these countries seeking new opportunities and better conditions for themselves and their families.

1.3.2 Major consumers

We now focus on the consumption side, which combined with the production aspects seen previously will then provide a basis to analyze wine flows at the level of international trade. The table below shows the consumption figures for the years 2006 and 2016. It is worth noting that many countries that we have found among the major producers also appear in this second list.

Consumption remained substantially unchanged considering the wine market as a whole, not making distinctions between still, sparkling, red and white wines. This figure should not come as a surprise if we consider the production levels of the last decade. Since the two trends, consumption and production are closely related one to another as we can easily sense they go hand in hand. In any case we must not forget that the missing factor of the analysis is the price of the product on the market, but we will discuss this variable in the next chapter. Deepening the analysis on world consumption, we see

Table 1.6: Major wine consumers 2006-2016

Consumi hl/m	2006	2016	Var. %
France	33	27	-18,18%
Italy	27,3	22,5	-17,58%
USA	25,9	31,8	22,78%
Germany	20,2	20,2	0,00%
Spain	13,5	9,9	-26,67%
China	13,3	17,3	30,08%
UK	12,7	12,9	1,57%
Argentina	11,1	9,4	-15,32%
Russia	10,6	9,3	-12,26
Romania	5,5	3,8	-30,91%
Portugal	4,8	4,8	0,00%
Australia	4,6	5,4	17,39%
Canada	3,9	5,0	28,21%
Netherlands	3,5	3,4	-2,86%
Brazil	3,5	2,9	-17,14%
Sout Africa	3,4	4,4	29,41%
Greece	3,2	2,3	-28,13%
Hungary	3	1,9	-36,67%
Other	39,4	47,8	21,32%
Total	242,4	242,0	-0,17%

Source: website "I numeri del vino" `http://www.inumeridelvino.it/`

that while France, Italy and Spain have reduced their consumption, these decreases have been substantially offset by the increase in demand in other markets such as the United States and China. Interesting is the case of the United Kingdom, where wine consumption has remained constant and at sustained levels, a unique case among non-producing countries. We can conclude that wine consumption in the UK is based almost entirely on imports, despite a small niche production of around 4.5 ml of bottles a year.

1.3.3 Major exporters

In the world of wine it is common to divide the producers between "Old world" and "New world", meaning in the first case the traditional European producer countries such as Italy, France, Spain, Portugal, Germany, and in the second case the countries that do not have the centuries-old tradition of the previous ones and which are nevertheless certainly important players in the sector. Among others we can mention the United States, South Africa, New Zealand, Chile and Argentina. While on the one hand the production data are certainly significant, on the other this information is certainly not enough to understand the dynamics on the wine market. To close the circle and better depict foreign trade evolution in the wine industry more clearly, it is now necessary to analyze the major exporters in the sector.

Table 1.7 shows that Spain is the largest exporter of wine in the world with an increase of 60% compared to 2006. Despite Spain's production, as we have seen previously, is not at the level of Italy and France, the lower consumption rates of the Iberian country creates an important surplus of supply in the domestic market which inevitably flows into foreign markets. Only by analyzing the selling price we can have a clearer idea of the perceived value of the wine of different origin.

Table 1.7: Major wine exporters in quantity

Export hl/m	2006	2016	Var. %
France	14,7	14	-4,76%
Italy	18,6	20,6	10,75%
Spain	14,4	22,9	59,03%
USA	4,0	3,8	-5,00%
Argentina	-	2,4	-
Austria	7,6	7,6	0,00%
Germany	3,2	3,6	12,50%
Chile	5,4	9,1	68,52%
Portugal	-	2,8	-
South Africa	2,7	5	85,19%
New Zealand	0,7	2,3	228,57%

Source: website "I numeri del vino" `http://www.inumeridelvino.it/`

Table 1.8: Major wine exporters in value, ml €

Valore export hl/m	2006	2016	Var. %
France	6.269	8.249	31,58%
Italy	3.208	5.622	75,25%
Spain	1.632	2.679	64,15%
USA	665	1.418	113,23%
Argentina	307	743	142,02%
Austria	1.656	1.543	-6,82%
Germany	650	945	45,38%
Chile	767	1.675	118,38%
Portugal	557	727	30,52%
Sout Africa	414	598	44,44%
New Zealand	315	1.017	222,86%
Total	16.440	25.216	53,38%

Source: website "I numeri del vino" `http://www.inumeridelvino.it/`

From the table above we can see how much wine exports account for in terms of turnover in millions of euros for the countries listed. It is to be observed that the positions of the former at this point change. If Spain turned out to be first in terms of export volume, followed by Italy and France, we now see that France, despite a smaller quantity sold, outperforms Spain and Italy as a turnover with the necessary conclusion that the average price of French wine sold abroad is certainly higher. This conclusion is confirmed by the following table, which shows the average sales price per hectoliter of wine.

Table 1.9: Average price per hl

Export euro/hl	2006	2016	Var. %
France	426	589	38,16%
Italy	172	273	58,23%
Spain	113	117	3,22%
USA	166	373	124,46%
Argentina	-	310	-
Austria	218	203	-6,82%
Germany	203	263	29,23%
Chile	142	184	29,59%
Portugal	-	260	-
Sout Africa	153	120	-22,00%
New Zealand	450	442	-1,74%

Source: website "I numeri del vino" `http://www.inumeridelvino.it/`

Observing these data we can clearly see the extent of the distance of France from the rest of the world. The average price of French wine in

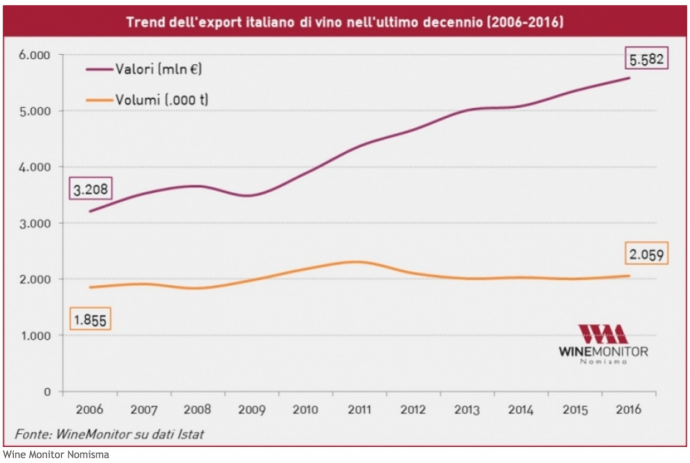
2016 was 5.89 €per liter. In the same period Italian wine was exported at an average price of 2.73 €. Despite Italy in the decade that ended in 2016 register a considerable increase of 58%, compared to a stability of the average Spanish price that suggests a drop in demand, there is still a long way to go to compete with our French neighbors. This data confirms the ability of France to propose itself as leader of the sector, proving that even today French wine is the most valued. This should not discourage excessively Italian producers. Over the years we have recovered even in this respect, the increase in the quality of the wine produced has pushed the average price to the level we see today and this path is to be followed in the future. There is a growing interest in our wines as proved during the 2017 edition of Vinitaly. Vinitaly is the most important Italian trade fair in the sector and one of the most important ones in Europe; over 128,000 visitors attended to the fair, over 30 thousand accredited buyers coming from abroad. It certainly was a positive year for Vinitaly which witnessed the strong presence of professionals of the Italian and international wine sector back to the center of the fair with participants from over 140 countries in the world. In his speech, the President of the Italian Union of Wines (UIV) Antonio Rallo expresses his satisfaction about the key numbers of the event and yet speaking of the state of health of the wine sector, he also underlined that there is still much space for improvement. Still wines have recorded a -4.5% decline in exports in 2016 and this figure must be a starting point to evaluate how to move in the years to come. However, once again the excellent results of Prosecco around the world were mentioned by Mr. Rallo. In the following chapters we will see how in recent years the investments made in the Prosecco sector have allowed producers from Veneto and Friuli to propose an absolutely competitive quality / price combination that is being appreciated all over the world.

1.4 Export situation of Italian wine

Wine turnover in Italy reached 10.1 billion euro, up 4% compared to 9.7 billion in 2015. Of these 10.1 as many as 5.6 billion result from export, while the remaining 4.5 result from the domestic market. This means that foreign markets now account for over 55% of total industry turnover. The great importance of the exports in this industry has proven to be a valuable asset also during the most recent economic world crisis. In fact, despite a financial recession which heavily affected the spending capacity of Italian families and Italian economy as a whole, the wine industry could still seek opportunities to expand their business abroad, exploiting the experiences and the international approach which has proved successful over the past years. Foreign trade experts and internationalization professionals were and still are key figures in this industry, as in many cases they have proven able to rearrange their targets and adapt their strategies to the country they were focusing on and to the situation they were facing, while looking to promote their products on emerging markets. Export means creating jobs and wealth for producers and employees but also for the many satellite activities connected to it. Valdobbiadene is just one example of dozens if not hundreds of towns and areas around Italy whose past, present and future is solidly linked to evolution of wine industry. Coldiretti estimates that 1 million 300 thousand Italians were employed in 2016 in wineries, vineyards or whose work was directly related to wine. These are just some of the figures that help us understand the importance of the sector for our country's economy. The graph below shows the trend of Italian wine exports. The divergence between the value and volume trends immediately catches the eye. The first shows a steady growth reaching the 5.6 billion of 2016 mentioned earlier. The second one describes a rather flat line to indicate that the volumes exported in the decade from

2006 to 2016 have not undergone significant changes.

Figure 1.2: Italian wine export trend 2006-2016



Source: website "Wine Monitor - Nomisma" `http://www.winemonitor.it/`

Considering the graph, the conclusion as previously anticipated, is the increase in the average selling price of wine considered in general. Obviously this increase is due to different factors, such as the role of demand, the performance of the world economy, contingent situations of the main importing markets and so on; these are examples of factors that Italy as a whole has a relative control on. However, the trends described in the chart below certainly demonstrate that the production chain of made in Italy is a great protagonist. In fact, in these years there has been an important increase in the average quality level of Italian wine, also certified by a significant increase in DOC and DOCG throughout the national territory (REPORT - Vini a denominazione di Origine). This trend in the industry results in greater care, further investments and controls throughout the process that starts from the grapes and reaches the table of consumers all over the world. Looking at the chart, we can safely say that this is the right path to be pur-

sued. In an increasingly globalized and borderless world, competition and free trade are destined to redesign future flows of goods, capital and people in an unpredictable way. Political and economic factors, absence / presence of stability and social coexistence, availability of resources, migratory flows are just some of the elements of the evolution of human relationships. In this rapidly changing environment Italy must focus on what distinguishes: quality, passion, culture must become terms more and more often associated with Italy.

Chapter 2

International market of sparkling wine

2.1 Description of the market

According to a survey carried out in the first quarter of 2017, out of 700.000 hectoliters of Italian sparkling wine were sold abroad. Among thee, 384.000 hectoliters were Prosecco, for a total share of 55% with peaks of 75% for the United Kingdom, a market of primary importance for this wine. The context of Italian sparkling wine supply obviously goes far beyond Prosecco; however, the success of this product in recent times is indisputable, having also outperformed in terms of quantity and turnover excellent rivals such as Moscato d'Asti and Franciacorta. In an article published in July 2017 by Corriere Vinicolo, Alessio del Savio, spokesman for the Management Board of Mionetto, underlined how in these recent years its quality and history have made of Prosecco the most appreciated and sold sparkling wine in America. How has the global sparkling wine market changed over the years? There are many factors that make predicting the future difficult and very risky. Here we

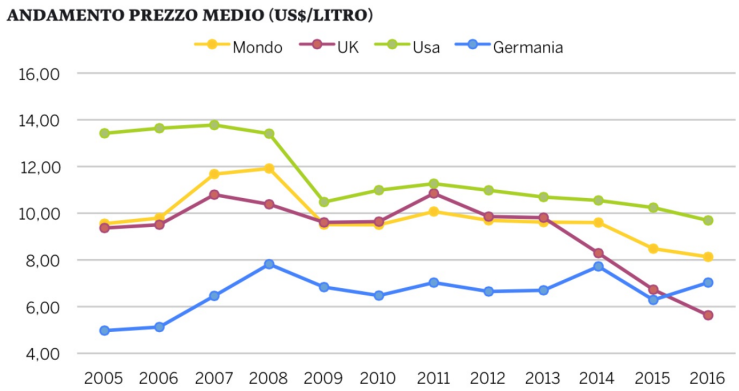
analyze the trends of recent years and take into consideration different factors that will certainly influence the market in the years to come. Protectionist policies in the United States, the uncertain effects of Brexit and the constant push made by many states, as the United Kingdom, towards domestic production are some of these factors. These markets are of particular importance for Prosecco, representing two of the three most important target markets for our exports. In the United Kingdom the great attention that Prosecco has been able to earn is also due to the wide range of different wineries that have been competing for several years now, affecting the margin of these companies. The analysis made by Wine by Numbers, a project by Corriere Vinicolo that describes the wine market with all its major players and trends, explains how Italy differently from France and Spain, in recent years has focused strongly on Europe and America, with a well structured and targeted offer especially towards these geographical areas. The choice more or less conscious of Italian producers obviously has pros and cons. Italy has been able to gain extremely important shares of consumption in markets such as the USA, the United Kingdom, Germany and the Central European states. Italy has been outperformed by its competitors and now finds itself chasing France and Spain, which have arrived earlier and that have exploited these years of advantage to consolidate their position in the market. This does not mean that we are destined to low performance forever in these areas of the world; it rather means that Italian producers need to be more goal-oriented, making the most of every opportunity to promote and properly advertise our national wine industry. This thesis has its focus on the Prosecco industry and indeed this sector is experiencing years of continuous satisfactions and excellent results. However, these years are characterized by a strong expansion in the consumption of sparkling wines in general, those who managed to

enter the market with a competitive offer are certainly reaping the benefits. Still wines that accounted for most of the consumption until not many years ago are now slowing down, giving the chance to sparkling and semi-sparkling wine producers to exploit this change and gain the interest and trust of consumers on international markets. However, it would be wrong to relax, it is necessary to consolidate the results obtained in Europe and America disappointing if necessary those who see Prosecco as a transitional phenomenon, and at the same time it is also necessary to accept the challenge and confront the competition on a wider ground, more focused on the East. The sparkling wine market is rather complex and presents trends that are more easily understood only if analyzed as a whole. This type of wine is experiencing an increasing interest in the world market. There is a continuous growth in demand and in international trade, also due to the average price of sparkling wine considered in general, which is settling on a lower level if compared to the past, making sparkling wine a more accessible product than it was a few years ago. As said, every sparkling wine has its characteristics that make it more or less requested and consequently more or less expensive. The best known Champagne presents a significantly higher price than the average market one. Our French competitors can offer the market a product that has certainly contributed to the name and appreciation of the entire category, while creating a strong link in the minds of consumers between Champagne and general sparkling wines often bringing consumers to associate these two terms. The market is of course much wider and has much more to offer. Traditional wine producing countries such as France, Italy and Spain are still in a leading position in this market, with an interesting element here that sees countries such as Germany and Russia as growing producers. However, for both countries the almost totality of production is directed to the internal

market. Domestic demand has been exceeding internal supply capacity, so that the two countries also need to look outwards in order to meet their demand. This means that while Germany and Russia are important consumers of sparkling wines, their contribution to international trade is mainly visible on the import side; furthermore the success of their wine on international markets is all but certain having to compete with the well established traditional European producers previously mentioned. Despite this, Germany has a long standing tradition in the wine industry and German companies have been performing very well in recent years, especially in the sparkling sector. An important share of German production is based on the import of still wine from other European producers, while local wineries have focused on the transformation and commercialization aspects. Germany can therefore count on several producers that have been able to exploit their success on the domestic market and have then reinvested abroad through acquisitions and targeted operations of various kind such as mergers and joint ventures. Germany can therefore be considered a key player in the industry. The United States and the United Kingdom are the other two most important destinations in terms of export profits of sparkling wine. The UK is today the largest importer in terms of quantity, however the United States remains firmly the top importer in terms of value. In fact, if the sparkling wine shows a decreasing average selling price, as shown in the graph below, this trend is much more evident in the British market compared to the other markets considered.

Among the major consumer countries, the only one that shows a price increase during 2016 is Germany, which however had a lower starting level in 2005, first year considered in the analyzed table. Prosecco has been able to grasp the preferences and demands of the market by entering in that quality-

Figure 2.1: Average price of sparkling wine 2005-2016



Source: AAVV (2017b)

price range that today is rewarded, offering a trendy product at a competitive price. As previously stated, the sparkling wine industry is characterized by the presence of many producers and a large supply base. For the purpose of this dissertation, it was decided to analyze more specifically the three most appreciated sparkling wines that can be found on the markets: Prosecco, Champagne and Cava. These wines have gained a high recognition in consumer preference and are present and known now internationally. It is worth therefore to analyze more in detail the recent trends of these three products, also in consideration of the success that Prosecco is meeting in recent years especially in foreign markets; we will try to understand if and how this success has influenced the progress of the other two. Shared and differentiating elements will be highlighted. These 3 sparkling wines are greatly different from one another, however all three have been able to earn a great success at an international level. We will see that our Prosecco is still very tied to traditional markets, in particular the US and UK account for 60% of the exports of this product, in the other two cases the demand is more fragmented and emerging markets such as Asian countries represent an important share

of sales.

2.2 Competition in the sparkling wine industry

What kind of competition does Prosecco face on the domestic and foreign markets? This question, with an apparently easy answer, in reality is not as immediate as one may suppose. To understand which competitors it is facing, we need to focus on the market, try to identify with the consumer and evaluate the different options that are given to the target client. However investigating individual consumer preferences in all its declinations would be impossible, therefore in order to give direction to the work, we must limit ourselves to introducing the general issue of competition, bringing some examples at the sector level, without going into the details of the individual wineries. In this paper we deal in particular with two different aspects of competition, i.e. two macro areas to start from to better understand the context we are writing about: internal competition and external competition. The first one is the competition that the single winery faces inside the "Prosecco world". This can be further subdivided taking into consideration products with the same denomination, for example two bottles of sparkling Prosecco DOC; or between producers that have competing products in a supermarket chain with a Prosecco Superiore di Conegliano-Valdobbiadene the first, and a Prosecco DOC the other. For the sake of a correct understanding, it should also be noted that there are several wineries in the Province of Treviso that produce wine under both denominations. Returning to the first macro area, it becomes important first of all to ensure that consumers are able to appreciate the differences between products to avoid confusion.

The second macro-area of competition is made up of all the products that can be perceived as substitutes by the market: the discussion could be extended to most of white sparkling or semi-sparkling white wines. However, in this dissertation the analysis aimed at representing the current trend of the market. The wines selected for the purposes of the market analysis are, in addition to Prosecco, French Champagne and Spanish Cava. Thus, the goal is to compare the best known Italian sparkling wine with two of the best known competitor sparkling wines on the international markets. Despite being the most appreciated sparkling wines worldwide, the three products are perceived in a very different way from the market. Figure 2.1 resumes effectively the most important figures related to the export of the three wines we are dealing with. The table shows very clearly the distance between the products under different points of view. First of all we see that the total exported quantity of Prosecco in 2017 almost equalled the sum of the total of Champagne and Cava together. In the same year Prosecco accounted for about 60% of the total national production of Sparkling wine. Going deeper into table 2.1 we see how the total value of the export for 2017 was of 804 milion €. The total value of production of Cava was of 372 in the same year, which already anticipates a higher average price of the Italian sparkling wine as we can see from the third row of the table. What however is even more surprising is the line dedicated to Champagne. Despite recording the lowest amount of exported quantity considered in milion of hectoliters, we see how the total revenue of the industry was not far from 3 bilion €in 2017. Jumping into the third row we finally see how the average price of Champagne is way above the average price of the other two sparkling wines. The great performance of Prosecco both on national and international markets have pushed the average price of Prosecco above the one of Cava, when it

comes to the export these two are in fact separated by 0,77 €per liter. in the same year however the average price of Champagne sold outside France was of 25,07 €. The wide gap in the average price between Champagne and the other two in particular represents perfectly the uniqueness of the French sparkling wine. Despite the success of the Italian and Spanish wines on the international arena, these figures underline once more how Champagne still firmly holds its leading position in consumer preferences.

Table 2.1: Production and average price of the three sparkling wines

	Prosecco	Cava	Champagne
Quantity (mln hl)	2,0	1,2	1,1
Value (mln €)	804	372	2.815
Average price (euro/liter)	3,92	3,15	25,07

Source: Il Corriere Vinicolo; 2018

2.2.1 Champagne

Having underlined how Champagne outperforms its competitors under a value perception point of view, it is worth asking ourselves what this gap is really due to and to investigate why this wine is still today associated to very idea of celebration. Jones Rokka from Emlyon Business School has studied the history of Champagne in an attempt to explain precisely its origins in his study "Champagne: marketplace icon". Rokka enlists the different myths and personalities that have played a major role in the success of this French wine. In fact, it is true that no other wine can be associated to such a past, made of emperors, kings, artists, revolutionaries, monks and so on, that have contributed to creating a quasi mystical aura surrounding this French wine.

The work of Rokka has the goal to analyze and explain the elements and factors that brought to such a high consideration of Champagne. First of all, we need to consider that before the success of what is universally considered to be the most famous wine, the economy of the Champagne region was mostly based on wool. Local inhabitants produced and consumed a red wine whose appreciation is not documented elsewhere, it was in fact given as a gift to potential wool purchasers at the trade fairs. In this context, an important part in the wine production was played by local Benedictine monks who saw wine as a mean to raise funds for their communities and who could have also enjoyed the use of their own production during the Mass. Dom Perignon in Reims was one these monks, his contribution to the development of the fermentation process which then became known as "Champenoise" is one of the factors that brought great value to the image of Champagne through all these centuries, as the direct involvement of the monks is certainly something fascinating in that early phase of the industry. However some interesting facts behind Dom Perignon's story are un-known to the most. Firstly a sparkling wine would have not been appropriate for the purposes of the Mass, therefore he put some real effort in trying to prevent the formation of foam (Kladstrup and Kladstrup 2005, 25). Secondly the wine produced in his monastery was red, far from becoming the Champagne we know today. Nevertheless the Champenoise method set a turn point for sparkling wine, as there was a real improvement in the taste, color and aromas of the wine. The sparkling wine resulting from the foaming process gained the appreciation of the wool producers' clients who were still receiving the wine as gifts. Many of the growers eventually decided to produce sparkling wine of their own. This is when families such as Moet and Clicquot decided to invest in this interesting business rather than in the wool business which was already well supplied

by the locals. Another event that can be considered among the other quasi mystical events that brought success to Champagne is the baptize of Clovis in 496 near Reims. This date set the starting point of a tradition, as from that moment on all French monarks were coronated in Reims. As to the celebrations following these events, the monarks looked at the local productions that the area surrounding Reims could offer, thus introducing Champagne to the Royal court. The favor encountered by the monarks for Champagne played a fundamental role in the future success of this wine, along with the connections that important producers were able to set with the elite of the French society. Champagne was also appreciated by the protagonists of the major evolutions of the French history and society that followed, such as Voltaire and Napoleone. All these elements make of Champagne's history something hard to imitate as the path of this wine is made up of both great capacity and a good part of unpredictable events. The second half of the XIX century witnessed the fast growth of Champagne which could exploit an increasing railroad structure which gave an important impulse to many industries. In the second 50 years of XIX century, the sales of Champagne went from 5.9 million bottles to 28 million (Guy 2003, 17). Those years represented a first Golden Age for established Champagne producers which were able to consolidate their brands also outside French borders. The increasing trade flows between European economies set the name of Champagne aside from the other sparkling wines across Europe, as Italian, Spanish and German ones. In order to grant a sustainable future, the Maisons de Champagne more and more underlined the connection of the French wine with its glorified past. Advertising played a primary role in this strategy and important personalities were used to promote the Champagne brand in those years. This allowed the Maisons to be perceived in a different way from other sparkling

wine producers across Europe. There was however a need to protect the name of Champagne from imitations and to empower some organization so that it could give vision and direction to the community of producers, this need eventually concretized in the creation of a common organization which brought together the different protagonists of the industry, as we will see in the following chapter.

Going deeper into the Champagne industry, table 2.2 depicts a situation in which the total quantity of Champagne has decreased from 322 mln bottles in 2008 to 307 mln in 2017. However in the same period the total turnover of the industry has increased from 4,4 bln €to 4,9 bln. This means that the average price of a bottle of Champagne sold in the past decade has increased of over 2,20 €, a 16% price increase in the considered period. Despite a decrease in the sold quantity, Champagne has increased its market value, positively affecting the total turnover of the industry. This was certainly due to an increase in the perceived quality of the product. As we will see, the contraction of sales can be mostly associated to a steady situation of European market. We might also suppose that the growing competition of European competitors has had a greater impact in the common market. When expanding the analysis on a wider scope, we will see however how the positive trend of Champagne in Eastern markets has helped the French sparkling wine to hold to its leading position.

From table 2.3 we see how the sales in terms of quantity have decreased of about 11% in the last 10 years. Sales' volume has negatively performed in some of the most important markets such as the UK. In the United Kingdom in fact the sales passed from 35.997 thousand bottles down to about 28.000 thousand, a 23% decrease. In the same period, the domestic market passed from about 181 milion bottles to 153 milions, in this case the decrease is of

Table 2.2: Average price per bottle of Champagne 2008-2017

	sold quantity thousand bottles	total turnover bln €	average price in €
2008	322.637	4,4	13,64
2017	307.314	4,9	15,84

Source: Comité Champagne (2017)

about 15%, but in consideration of the importance of the national market, this decrease has a greater impact on the total trend. In fact France has reduced its consumption of Champagne of about 30 mln bottles in the past decade. Considering that the rest of Europe has also expressed a downward trend with regards to volume consumption, the only Western major consumer which has shown a progress in the past year is the United Stated with a +34% which however cannot balance the loss of the previously mentioned markets. We can therefore say that under a quantitive perspective, these contries have negatively contributed to the trend of the sales of Champagne in the analyzed period.

In order to have a clearer picture of the Champagne industry however, we must consider that an important impulse has come from the Eastern world. As for these emerging consumer markets, table 2.4 shows a substantial progress in these markets, meaning that in the past decade Champagne has been able to consolidate its position. Japan, Australia and the Chinese speaking countries enlisted together accounted in 2017 for about 26 milion bottles, while in 2007 their contributio was of about 14. The total increase rate of about 83% is the result of a focused strategy brought forward by the industry.

Table 2.3: Sales of Champagne towards major Western markets 2008-2017, thousand bottles

	France	UK	EU (ex. France)	USA	Total
2008	181.388	35.997	85.497	17.187	284.072
2009	180.388	30.517	70.804	12.552	263.744
2010	185.132	35.494	80.614	16.935	282.681
2011	181.623	34.534	82.295	19.370	283.288
2012	171.250	32.450	76.412	17.689	265.351
2013	167.355	30.787	74.718	17.853	259.926
2014	162.253	32.675	77.609	19.151	259.013
2015	161.860	34.155	80.157	20.508	262.525
2016	157.713	31.189	77.597	21.805	257.115
2017	153.842	27.762	76.564	23.097	253.503
'08-'17	-27.546	-8.235	-8.933	5.910	-30.569
'08-'17 %	-15%	-23%	-10%	+34%	-11%

Source: Comité Champagne (2017)

Table 2.4: Sales of Champagne towards major Easter markets 2008-2017, thousand bottles

	Japan	Australia	China, Hong-Kong, Taiwan	Total
2008	8.332	3.648	2.028	14.008
2009	5.134	2.932	1.571	9.583
2010	7.465	3.687	2.553	13.705
2011	7.964	4.863	2.944	15.771
2012	9.063	5.407	3.919	18.389
2013	9.674	6.023	3.589	19.286
2014	10.428	6.524	3.701	20.653
2015	11.799	8.110	3.467	23.376
2016	10.946	7.386	3.508	21.840
2017	12.873	8.534	4.269	25.676
'08-'17	4.541	4.886	2.241	11.668
'08-'17 %	+54,5%	+134%	+110,5%	+83%

Source: Comité Champagne (2017)

Table 2.5: Weight of Western markets (G1) vs. weight of Eastern markets (G2) 2008-2017

	Total	Group 1	Group 2	G1/TOT.	G2/TOT.
2008	322.637	284.072	14.008	88%	4%
2017	307.314	253.503	25.676	82%	8%

Source: Comité Champagne (2017)

As one can see from table 2.5, the relative weight of the thirst group of traditional consumers has passed from 88 to 82% in a decade. Vicersa, the second group of consumers in the same period of time has doubled its weight passing from 4 to 8%.

2.2.2 Cava

Cava was born in Catalonia and since then it spread over time also to few other regions of Spain. Initially the wine produced in Catalonia was very much linked to Champagne as the same grape varieties were used and it was sometimes also marketed as Champagne. The strenghtening of the regulamentations that aimed at preserving the uniqueness of the different wines and their connection with their land of origin was the first element that eventually set the path of the Spanish sparling wine towards its independence from Champagne. However a most disrupting effect in the evolution of Cava was in 1887 when the filoxera devasted the grapes of the area causing the loss of most of the production of that year. Sparkling wine was produced already before this year, however the effects of this desease of the grapes set a new start for the local wine production industry: local grape varieties were chosen in substitution of the ones that were cultivated before 1887, therefore it is from this moment on that we can speak of Cava as we know it today. Cava is nowasays considered to be the Spanish sparkling wine par exellence, however as for Champagne and Prosecco, production of this wine is possible only in limited areas of the country. Cava in fact has its founding bases in Catalonia, and in particular in area called Penedes. Many of the traditional producers are located in the surrounding of Penedes. The regulatory organization of Cava that will be described later on, was in fact established in Penedes as this area represents still today the heart of the Denomina-

tion. The most important place for the production of Cava is considered to San Sadurni de Noya, a small town in the Penedes province. In attempt to associate the two towns, we could consider that Valdobbiadene stands to Prosecco as San Saturni stands for Cava, as these two relatively small towns with a comparable number of inhabitants which is slightly above the 10.000 units each, represent the heart of a very succesful and international product. The most important grapes used to produc Cava are the Macabeu, Parellada and the Xarello, while smaller quantities of other wines as Pinot and Chardonnay may also compose the final cuvee. Not only is the history of this wine strongly connected to Champagne, but the two are also connected under a technical point of view. Both sparkling wines in fact can be found in a wide range of versions defined by their sugar content. Differently from Prosecco which is mainly produced in the Brut and Extra-dry versions, the other two can more easily be found in a wider range that goes from Brut Nature to Sweet. However the most important point of connection between the French and Spanish wines can probably be found in the production method used which in both cases is the Classic method or Champenoise as already mentioned, however this second definition is only allowed for the production of Champagne.

2.2.3 Common and distinctive elements

Table 2.6 shows the total production of Champagne, Cava and Prosecco in 2017. As we can see the total production of Prosecco alost equals the sum of the other two sparkling wines. When observing the data conserning the Italian sparkling wine, one must consider that the total amount of Prosecco is given by the sum of the three different Denominations of Origin: Prosecco DOC: 410 mln; Prosecco DOCG Conegliano-Valdobbiadene: 90 mln;

Prosecco DOCG Colli Asolani: 1,7 mln.

Table 2.6: Total production of the three most important sparkling wines in 2017 in mln bottles

	2017
Champagne	295
Cava	252,5
Prosecco	541,7

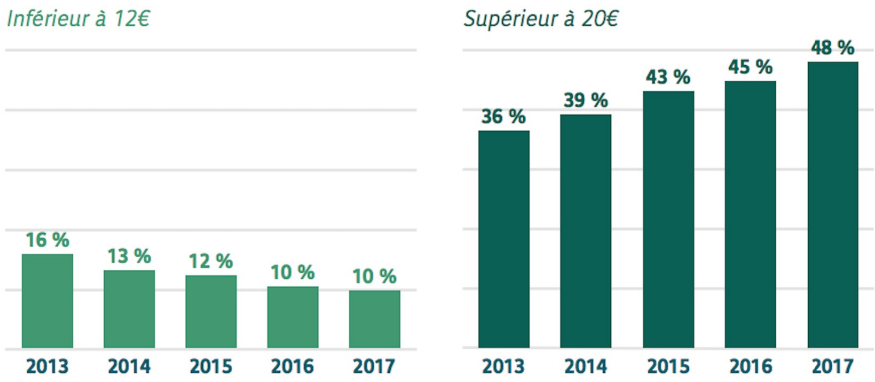
Source: Comité Champagne (2017); Consejo regulador DO Cava; website "I numeri del vino" `http://www.inumeridelvino.it/`

Having already mentioned how Cava and Prosecco can be mostly associated under a market positioning point of view, we can better understand how the Spanish wine has been more affected by the strong competition of French and Italian wines. However, the quality and fame of this product are undeniable making it an ambitious competitor of our Prosecco in some important markets such as China. Italian wines are starting to gain recognition there only recently in terms of preference, having to face French and Spanish competition. This aspect deserves careful consideration, whereas for the majority of the other markets, Italian and French wines compete for the first and second place in terms of value of exported wine. It should be noted that this comparison has the only purpose of drawing a clearer picture of what the sparkling wine market is; as we will see, however, consumers attribute a value and therefore have a very different reserve price for these different products. The positioning of the three products on the basis of price is a very important factor to investigate the relation between the market trend of one of them in respect to the others.

As mentioned above, French wines are marketed at higher prices, also because of what they represent. The success of Prosecco has undoubtedly had a greater reflection on the sales trend and the average price of Cava; in fact although this wine shares the production method with the French sparkling wine, it is more similar to Prosecco from a positioning and price range point of view. In traditional markets therefore, we can expect the trend of these two wines to have a greater correlation if compared to the impact they might have on the performance of Champagne. This however does not mean that the success of Prosecco has had no effect on Champagne at all, it rather means that having to face a choice between a Champagne not-premium valued and a Prosecco, customers are chosing more often the latter. Figure 2.2 compares the trend for different segments of Champagne. One can clearly see that Champagne has been able to increase sales in the higher level, meanwhile however it is slowing down in the lower segments. Has Prosecco played any role in this? According to an article publish at the end of 2017 by Le Monde titled "Quand c'est trop, c'est Prosecco!", it definetely has. Prosecco in fact has grown in French supermarkets by an outstanding 80% between 2015 and 2016; in 2010 Prosecco accounted for about 1% of the sales of sparkling wine in France, six years later in 2016 it accounted for 26%.

Once again, we see how Prosecco has been perfoming very well in Europe. The table 2.4 shows how the export flows of Prosecco are highly concentrated on few large importers, the two most important destinations which are the United States and the United Kingdom together account for over 60% of the total exported quantity of the Italian sparkling wine. Following the US and the UK, we find Germany and Switzerland but their relative weight is well below the one of the first two destinations. Pie-chart 2.4 depicts a situation

Figure 2.2: Champagne trend in the off-trade segment 2013-2017

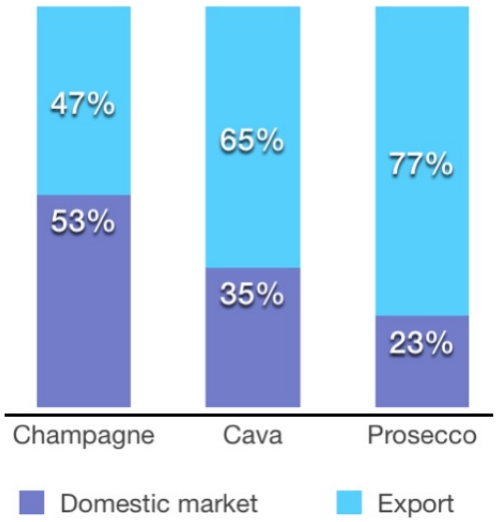


Source: Comité Champagne (2017)

of highly concentrated export flows towards Western countries, no Asian economy is listed within major importers of Prosecco. From Figure 2.3 we can see the sales distribution of the three different products divided between the abroad markets and the domestic one. This gives us an immediate visual idea of the difference between these products. As we can see, Champagne is very much related to its home market, which accounts for more than half of its total sales. The quantity of Cava sold on the domestic market is about one third of the total amount, the remaining two thirds are sold on the international market. When it comes to Prosecco, Italy absorbs only 23% of the total sales of the Italian sparkling wine, while the remaining 77% is sold abroad.

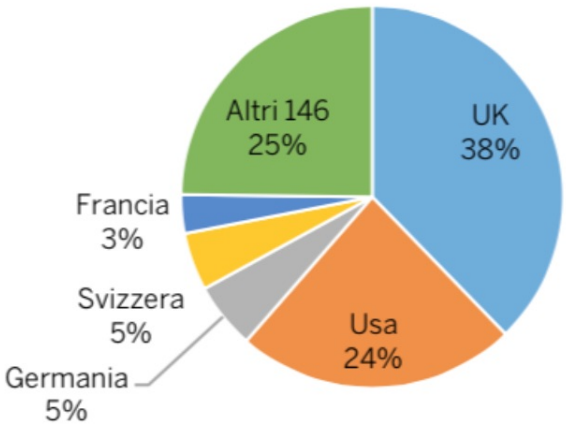
Table 2.3 describes in an easy way the diverging situation and the different segmentations of these products. In order to investigate the different destinations for the export flows of the three sparkling wines, figures 2.4 and 2.5 help us understand towards which countries the export percentages already expressed in table 2.3 are directed to.

Figure 2.3: Sales segmentation of Export vs Domestic market in 2016



Source: AAVV (2017b)

Figure 2.4: Major destinations of the exports of Prosecco in 2016

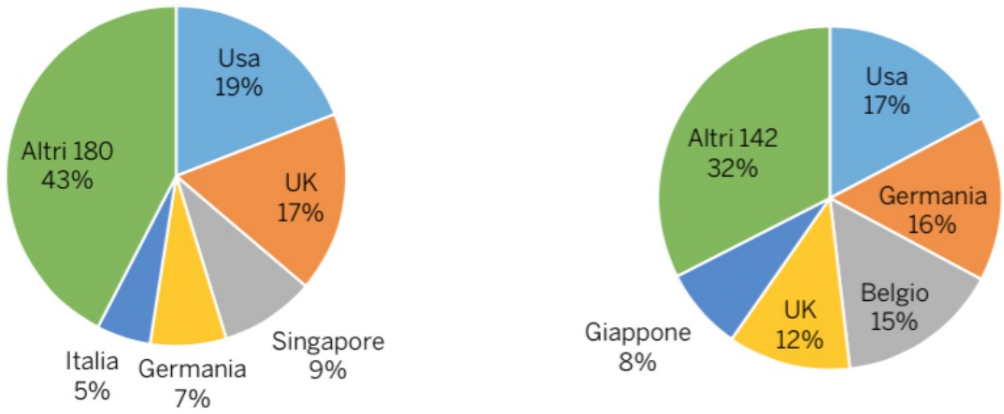


Source: AAVV (2017b)

Observing the situation of export destinations for Champagne and Cava from the tables below, we see a quite different situation. For the French sparkling wine in particular, we note a quite higher fragmentation of sales, as the first five destinations together account for 57% of the total. Other than this five, the remaining 43% is made up of another 180 countries which import Champagne, highlighting once more the capacity of this French wine to penetrate foreign markets at a global level. The high number of importers of French wine is not surprising if we take into consideration the historical tie that France has maintained with its former colonies which grants it a preferential communication channel. In this list of countries Singapore holds third position representing 9% of abroad sales in terms of quantity. This performance makes us imagine a direct French commitment towards this booming Far-Eastern economy which back in the '90s was associated to Taiwan, South Korea, and Hong Kong in an aim to represent these fast developing countries as the Four Tigers of Asia. Moving on to Cava, the first five destinations of its sales abroad sum up to 68% of the total, living the remaining 32% to a group of 142 countries. The gap between the most important importers in this case is less evident than for the other two analyzed products. Again, we see an important Asian country listed withim them, 8% of the abroad flows of Cava are directed to Japan.

To resume the elements highlighted above, from these pie charts we have seen how Italian Prosecco is still more dependent on traditional markets and it is in some cases slightly behind the other two in markets that represent an increasingly important part of world wine consumption such as China, Japan and, more generally, the Far East markets. This relevant differentiating point is more visible when considering separately European and Asian economies as for Figures 2.6 and 2.7.

Figure 2.5: Major destinations of the exports of Champagne and Cava in 2016

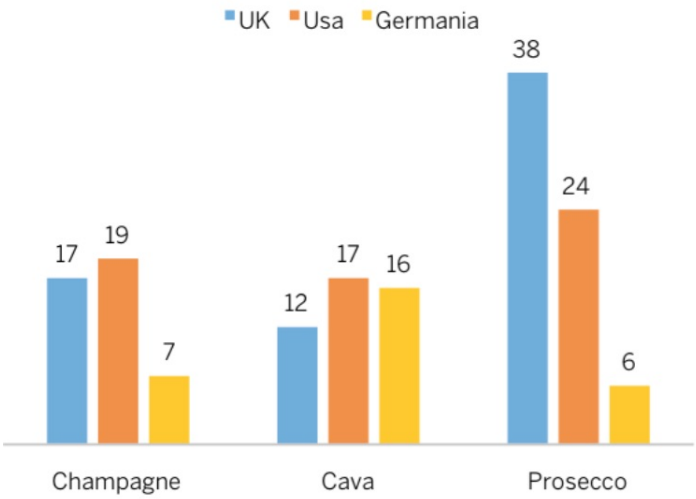


Source: AAVV (2017b)

Another interesting element that we can observe from the pie charts 2.4 and 2.5 is that France and Italy are listed also within each others major destinations, respectively with 5 and 3%. If Italians' appreciation of French Champagne is not something new, over the recent years we can notice an increasing interest of French consumers towards our Prosecco.

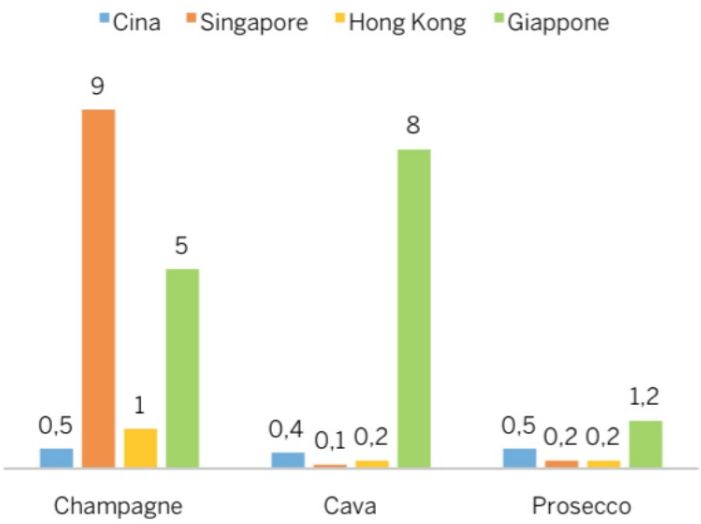
Another fundamental characteristic that distinguishes Prosecco from Cava and Champagne is the method adopted for the foaming process starting from base wines, or "cuvee". The method used in the production of Cava and Champagne is the Classic method, also known as "Champenoise", while Prosecco is almost entirely produced through the method called Martinetti, or Charmat. The main difference is in the second fermentation, a process during which carbon dioxide is released, turning the base wine into a sparkling one. In the case of the Charmat method the selected sugars and yeasts are prepared in big autoclaves to which the wine is added. The fermentation process is very rapid and can be concluded in 15-20 days, with the possibil-

Figure 2.6: Major European destinations of the three sparkling wines in 2016



Source: AAVV (2017b)

Figure 2.7: Major non-European destinations of the three sparkling wines in 2016



Source: AAVV (2017b)

ity of keeping the product inside the autoclaves for a longer period of time in order to enhance its organoleptic qualities. Following the transfer to another autoclave held at the same pressure as the previous one to avoid losses of carbon dioxide, the filtered wine is ready for bottling and capping. Overall these phases take place in a period of time ranging from 30 days to 6 months. This method is preferred because it is more suitable to maintain the aromas deriving from aromatic vines which will then characterize the final product. The shorter production process allows among other things, to contain the costs compared to the sparkling wines obtained from the Champenoise method, which however do not affect the quality obtainable however high. This method is used for the two most successful Italian sparkling wines Moscato d'Asti and precisely Prosecco, as the most suitable grapes for this type of fermentation in autoclave are the Moscato and the Glera, vines at the base respectively of the first and second. The Champenoise method, so defined as it is adopted for the sparkling wine that first made it known and appreciated around the world, is more complex as it consists of several phases that require a greater processing time. It provides for the fermentation of sugars and yeasts into the bottle which, mixing with the wine, will create carbon dioxide, resulting in the creation of bubbles and foam that distinguish the final product. In the "remuage" phase the bottles are kept upside-down on specially designed shelves. The bottles are rotated so that the residues of the yeasts are deposited on the cap making it easier to eliminate them at the end of this phase. In order to remove the lees from the wine, the bottles go though the "degorgement" process in which the cap is removed. In this phase some of the wine contained inside the bottle is also lost, before the final corking Champagne producers need therefore to replace the lost liquid and they do so through adding a wine and sugars in the desired amount.

Some producers also state that this is a foundament step in the production of Champagne as this solution added right before the final capping consitutes the secret of the recognition of a particular Champagne and thefore the recipe is often kept as a secret from the different "Maison de Champagne". We have seen that the three analyzed wines all have established organizations which are aimed to preserving and promoting these wines. However they have been set and work in a very different manner, especially when it comes to the extent of their effective capacity to give direction and take important decisions for the future of the industry. The case of the Comite Champagne in particular is very interesting and could represent an important evolution for the Italian sparkling wine too, which could definitely benefit from a strategy that focuses on the creation of value and recognition in strategic markets, thus being recognized as a long standing presence in these markets.

Chapter 3

Institutional framework

As one can imagine, the wine industry is particularly complex and therefore the regulamentation that defines its framework is as well very articulated. As markets are getting more and intertwined and dependent on one another and the barriers to export are generally decreasing, the society and the actors feel the raising need to protect local productions and typical products. The desire to establish limits to the production and use of certain names or brands dates back centuries. In the case of the Italian wine production however a first real improvement with concerns to an involvement of the lawmakers in this sector can be found only in the 1930s. At that time, the Ministery of Agriculture decided to define and limit the areas of cultivation of the so-called "tipical wines", however this regualtion was still very general and the link of a particular wine and its land of origin was still very weak. The "Denomination of Origin" finds its first application in 1963 with the definition of three different levels of DO: "simple", "controlled" and "controlled and guaranteed". These three specifications came along with different rules and controls that the production chain had to comply with. In order to control the quantity and quality of the production, the "Disciplinari di

produzione" which consist of rules set by the lawmakers were established. These rules define precisely each and every element of the production that must be followed in order to obtain the denomination of origin. Maximum amounts of production were established depending on several elements as the geographical position of the land and the qualiy of its soil were. The different qualifications of the wines can be represented through a pyramid at the top of which we can find the DOCG which identifies the highest quality wines in Italy. With the increasing importance of the European Union over the past decades, the regulatory environment has also changed. New institutions have been created to control and regulate the life of the EU citizens. In an attempt to increase the alignment of the different member states, the EU set a number of regulations that aimed at simplifying the framework of the industry. As for the agro-food industry in general, it was decided that the wine industry would also be characterized by the presence of two denominations only: DOP and Igp. However Italy decided to keep the possibility for Italian producers to identify their wines with the DOCG and DOC denominations which would have otherwise been incorporated in the more general DOP segment. The EU also established a set of rules which concern the bottling and labelling processes that must be followed by the memeber states, these aimed at granting a higher level of transparency and traceability across the EU common market. As anticipated, the wine industry is particularly complex and there is an increasing attention of the institutions towards this industry. In this context, the different Consortia have the objective of protecting and promoting the wine, controlling that both the winegrowers and the wineries comply with the rules. However the level of involvement of these organizations varies a lot from case to case, from nation to nation.

3.1 The three Consortia of Prosecco

In the case of Prosecco we have three different Consortia which represent the three different denominations of origin: Prosecco DOC, Conegliano-Valdobbiadene Prosecco Superiore DOCG, and Asolo Prosecco Superiore DOCG. This differentiation within the Prosecco world constitutes a very important element if we consider the distance between DOC and DOCG. In fact these are represent by its own Consortium, making it sometimes difficult to present the wine on the market in a coherent way. Although it is true that the products are different, in consideration of the higher quality of the latter, under a consumer point of view the definition Prosecco shared by the different wines might end up creating some confusion while generating competition between the products. Up to this day the price of the two products is clearly linked, meaning that a price shock in one of the products will most likely affect the second one.

An attempt to enhance the cooperation in the Prosecco industry has concretized in the establishment of the "Sistema Prosecco" in 2014. This insitutiton which brings together the 3 actors of the industry up to this moment has had its main goal in organizing a shared vision towards the phenomenon of counterfeiting which constitutes a major damage to the industry as a whole. The shared investment to preserve the authenticity of Prosecco is of about 500.000 €per year. Other than this main goal, this organization might help enhancing the contacts between the different Consortia which could benefit from a further collaboration which might include also other aspects of the industry.

3.2 Comite Champagne

The terroir and land of origin can be considered only one of the reasons that make us associate Champagne to a product of great quality. Having described the key elements in the evolution of this product, the role played by the different subjects both inside and outside the industry has probably been just as important. The "Comite Champagne" was established in 1941 with the aim of bringing together the winegrowers and the Maison de Champagne. This semi-public entity played a fundamental role in the development and research for sustainability of the Champagne industry. In fact the organization deals with all sorts of issues, representing the industry as a whole when dealing with national and international interlocutors. From the productive aspects to the commercialization of the final product, the Comite has its focal point in the valorization of Champagne worldwide. Not only does it represent a desire to grant economic sustainability for the region and its members, but it is also an engine that moves the entire industry forward as for its foresight towards environmental and social sustainability. The Comite has land of its own used to experiment new products more respectful of these issues and having been empowered by the national lawmakers, it can set new standards that must be followed by the industry. Along with the protection of the quality of the product, the organization has the critical goal to protect its name from imitators and whichever sort of abuses that might arise from subjects that try to exploit in an improper way the success of Champagne. As to its networking and public relation function, other than in France, abroad Bureax of the Comite have been established in eleven foreign countries that represent strategic markets for Champagne. This broad network represents and promotes the French sparkling wine in the different areas of the world, organizing events for both professionals and the general public of potential

consumers who are interested in gaining a direct insight in this fascinating world. This means that Champagne is presented abroad not only through a local salesforce coordinated by the wineries, but also through an organized web of experts which supports their work granting recognition to the whole industry. Among the many initiatives that were brought forward by the Comite we can think of the preliminary analysis that eventually brought to the candidacy of the most representative places in the Champagne region to UNESCO World Heritage which was finally accepted in 2015.

3.3 Consejo regulador del Cava

The bases for the creation of the "Consejo regulador" were set in 1959, when the first regulations concernig the trade of sparkling wine were defined. The organization depends on the Spanish government, in particular on the Ministry of Agriculture, bringing together representatives of the central government with representatives of the different realities of the industry as the winegrowers and the wineries. An important element that differentiates this industry from Prosecco under an institutional point of view is that this is the one and only organization entitled to represent and set rules on the production side. This means that although there are differences both in quality and typology within the Cava industry, still all this sparkling wine's production and internal regualation is connected to the Consejo regulador. Cava in fact can be found on the market labelled as "Tradicional", "Reserva" and "Gran Reserva", the latter being the most valuable. The difference in this case is due to the processing time which underlines the organoleptic qualities of the base wine. The presence of one unique organization representing the entire industry positively affects the approach to the market of the different winer-

ies which can market their products in a coherent way. The regulatory board overlook the production phase definitions and guarantees for the quality of the final products as all the wineries must comply with its rules. As for Champagne and Prosecco, its tasks including the control of an improper use of its name.

Chapter 4

Prosecco DOC and DOCG

The first reference to the term Prosecco dates back to around 1200 when it was used to distinguish different vines coming from the area of the current province of Trieste. The term would originate from "cut forest", indicating precisely the need to work the land to make it cultivable. Prosecco is therefore the name of a locality in the Trieste area, among whose cultivations, particular importance has the glera vine. However, there are several claims of the origin of the name and of the first news concerning Prosecco, which however agree in tracing the first traces of this wine to ancient times. The Prosecco wine must be produced for 85% by glera grapes, while the remaining 15% can be obtained from different vines, however present in the area, such as verdiso, bianchetta, perera. This is also due to the fact that, in some parts of some fields, however included in the DOC areas, where glera cultivation is more difficult, it is sometimes possible for winegrowers to cultivate other grape vines. This concession means that during the harvest, the grapes do not necessarily have to be distinguished but can be collected at the same time, this concession however is in a certain way balanced from the necessary adherence and respect of the percentage limits defined by the law, as well

as by the respective Consortia. This specification is fundamental: contrary to what many consider, in fact, only a part of the wine from the wineries of Valdobbiadene and Conegliano, as well as more generally the areas defined in the DOC, is Prosecco. If over the centuries Friuli has focused its production more on other wines, such as Ribolla, and today the most important province for the production of Prosecco is by far Treviso with over 90% of total production, it is also true that lawmakers together with the protagonists of this sector, have chosen to recognize its historical importance and the long bond with Friuli as well as Veneto. It is because of this historical and cultural tie that within the DOC area the provinces of Treviso and Trieste can use a further qualification: the wines originating from these two provinces can be identified in the label as "Prosecco DOC Treviso" and "Prosecco DOC Trieste". Until recently, today's Prosecco DOC was produced under the name IGT and was therefore subject to specific production requirements. However, there were no strict limit concerning the areas of production and bottling. This meant that the Triveneto was facing competition from producers who had little to do with the tradition and culture of Prosecco. In 2009, however, lawmakers meeting the requests of local producers willing to undergo greater controls and the definition of more stringent quality standards, recognized some areas of Veneto, Friuli and more generally those territories that could prove their link with Prosecco as Denomination of Controlled Origin (DOC). Moreover, in order to mark the peculiarities of some restricted areas with favorable geological conditions within the province of Treviso where Prosecco DOC was already being produced for at least 5 years, two Denominations of Controlled and Guaranteed Origin were established, highest qualitative level recognized in Italy: the DOCG "Conegliano-Valdobbiadene" and the DOCG "Colli Asolani". The factors of diversity between the DOC and the

DOCG need to be further investigated: first of all the areas of origin of the grapes. The DOCG area is in fact included in the larger DOC area. The first is composed of only 15 municipalities in the Province of Treviso, while the second is defined by the areas of 9 provinces of which 5 are in Veneto and 4 are in Friuli. Important distinction for these areas is the location: for the DOC most of the land is in the open countryside, while the characterizing element of the two DOCG denominations are the hills. This difference is of great importance if we consider the cultivation methodologies associated to different areas. In the countryside many processes are automated, many machines are used during the harvest season in support of the winegrowers and their work. The reality typical of the hills is very different instead: touring around the hills of Valdobbiadene the slopes of the vine-covered hills immediately catch the eye, these slopes heavily affect the winegrowers' work. During the harvest, speed is an essential factor: in fact, the grapes need water as nourishment, therefore the rain is essential, however the absorbed water can not be too abundant as the lowering of the sugar level in the grapes would cause a decrease in the value of the grape itself. The difficulties encountered by winemakers push some to define "heroic harvesting" the harvest of the grapes in these slopes. The yield per hectare is another distinguishing factor between the two areas; in order to guarantee the desired quality level of the final product, maximum quantities of land yield have been defined even within the same DOCG area, where among the different hills, Cartizze is an outstanding reality which represents the very best quality of Prosecco. This hill in fact has peculiar characteristics because of its history and exposure, which make the grapes particularly appreciated. The same applies to the Rive, selected hills or small local entities, that thanks to their geological characteristics ensure quality wine which is sold under the definition of "Rive

di" followed by the name of the municipality or of the restricted area of origin of the grapes (e.g. Rive di Santo Stefano). The Rive is entirely originated from grapes of the hills necessarily named on the label and they always state the "millesimo", which is the year in which all the grapes present in the final product have been harvested. Prosecco comes in three different types, however the sparkling version is the one that is encountering the highest appreciation on the markets in recent years, as sparkling wines in general are experiencing a positive momentum which has been characterizing the recent evolution of the wine market.

Table 4.1: Evolution in the typology of Prosecco production 2010-2017

	2010	weight % in 2010	2017	weight % in 2017
Sparkling	567.398	53,37	2.703.510	81,98
Semi-sparkling	488.062	45,90	592.598	17,97
Still	7.758	0,73	1.610	0,05
Total	1.063.218	100	3.297.718	100

Source: Veneto Region Harvest Report; 2018

For all three types the legislation provides a minimum 85% glera. Cartizze is an exception, since all the sparkling wine produced with this label must come from glera grapes. To give an idea of how much this sparkling wine is appreciated, just think that the 107 hectares that constitute the Cartizze area are among the most expensive lands in Italy; the price of 1 hectare is in fact estimated to be around 1.5 million €. The yield per hectare of glera-cultivated land varies according to the cultivation areas. In particular, they are established as follows:

- Prosecco DOC: 180 qli/ha
- Prosecco DOCG Conegliano-Valdobbiadene and Colli Asolani: 135 qli/ha
- Prosecco DOCG Rive: 130 qli/ha
- Prosecco DOCG Superiore di Cartizze: 120 qli/ha

This means that to fall into the categories mentioned above, producers can not produce limitless, but must necessarily comply with the limits set. Otherwise, the quality of the wine produced might be affected by this over-exploitation of the land, the consequence of this is the loss of the denomination of origin that could be used if these limits were followed. This would subsequently cause a depreciation of the grapes and therefore of the wine originating from these grapes, as a generic "sparkling wine" will be sold at a lower price than a Prosecco. Still in the market sparkling glera wine can be found, but this should be kept under control as this phenomenon risks damaging the image of Prosecco: controls must be made particularly on the on-trade market as when ordering a Prosecco we might be given something different, despite similar in taste, but of a lower quality. As previously mentioned, if an intensive use of the land allows producers to make the most of it, the quality of the grapes will be affected. The consequence of this is that the wineries might end up competing not only one with another but against the Prosecco market as a whole, causing a downward effect on prices. Furthermore the introduction of the DOC in 2009 was intended to link the denomination to a territory, ensuring the use of the term "Prosecco" only to those who cultivate, transform and bottle in the areas previously listed. However, no limit was set on the cultivation and selling of other types of wines originating also from glera, therefore the competition that producers risk having to face should the demand move towards a more economical

sparkling wine made of glera would have no geographical boundaries, as anyone growing glera would have the right to sell this sparkling wine. The danger is real and it is necessary that the Consortia together with the wineries deal with this phenomenon with a common approach. As seen, the yields for the different land vary greatly because of the different quality of the grapes that they must guarantee. But does the economic return guaranteed to growers by their work also reflect the marked distinction between countryside and hills? Table 4.1 which can be found in the appendix shows the average prices of the grapes from the 2016 harvest. Observing the data we will see how the average price of 1 kg of grapes suitable for the production of Prosecco DOC was 1.13 €, while the average selling price of 1 kg of grapes suitable for producing Prosecco Superiore DOCG was 1.50 €. Therefore on a theoretical level the revenues deriving from 1 hectare of land in these two areas were equal to 20.340 €for the DOC and 20.250 for the DOCG denominations Conegliano-Valdobbiadene and DOCG Colli Asolani. This evidence is in some ways surprising if one thinks of the time and effort involved in cultivating on steep ground with respect to the countryside, where growers are supported in many phases by automated machinery. What about Cartizze? If the yield per hectare is further reduced to 120 quintals, the average grape price of the 2016 grape harvest of 2.50 euro per kg guaranteed the growers an income which can be estimated to be around 30.000 €. What about quantities? Table describes the evolution of each typology of Prosecco in the recent years.

From table 4.2 we see how in 2017 there was an important drop in the total quantity of grapes collected. Based on the data of the Veneto region we see how the Prosecco Superiore di Conegliano-Valdobbiadene is the one that suffered the most, the quantity loss compared to the previous year is of about

Table 4.2: Quantity of grapes resulting from the harvest 2013-2017

Denomination/Year	2013	2014	2015	2016	2017
DOC	2.592	2.549	3.663	3.707	3.417
DOCG Conegliano-Valdobbiadene	842	864	956	1.117	975
DOCG Colli Asolani	24	71	88	126	133
Total	3.458	3.485	4.707	4.950	4.524

Source: Veneto Region Harvest Report; 2018

13%, while for the generic Prosecco DOC the decrease was of nearly 8%. Although still relatively very limited compared with the other two, the Prosecco DOCG Colli Asolani was the only one to keep a positive trend throughout the analyzed period; in these last five year this typology of Prosecco has expressed a +450% progress having passed from 24 quintals to 133. The total amount of glera grapes collected shows a positive trend of over +30% in the five years also thanks to the enlargment of the DOC area that was allowed over the past years in order to increase the supply in consideration of the steady growth on the demand side on the market. When considering the period 2013-2016 only the increase expresses an outstanding +43%.

4.1 Definitions and Denominations of Origin

2016 was an important year for Conegliano-Valdobbiadene DOCG, a year full of satisfactions. In fact, in 2016 the 50th anniversary of the "Strada del Prosecco Superiore" have been celebrated, this was the first wine route in Italy, 120 kilometers connecting the hills of Valdobbiadene to Conegliano. In this year the candidacy of the Prosecco Hills as UNESCO world Heritage Site

was formalized. Furthermore, in 2016 the DOCG area was nominated "European Capital of Wine 2016", an acknowledgment that once again underlines the interest and appreciation that Prosecco has been able to gain on foreign markets. What are all these awards given to the world of Prosecco due to in the wide range of excellent quality wines spread all over the continent? The cultivation of wine grapes in these territories dates back to ancient times. For centuries, the peculiarity of these areas has been recognized, the quality of the grapes is enhanced by different geological factors that make the soil rich in minerals, ventilated, with a perfect exposure to the sun, all elements that contribute to the quality and to the organoleptic characteristics of the wines produced in this area. One of the figures that contributed most to the evolution of Prosecco is certainly Antonio Carpene. He might have been the first one to understand the potential of the territory which offered excellent land for cultivation, and to invest in it. The area had been devoted to the cultivation of grapes for years, and had a well rooted wine culture by the mid-1800s. In 1868 Carpene together with some partners founded what would become the Carpene-Malvolti, the first producer of Prosecco. In 1876 he contributed to the birth of the first Italian oenological school in Conegliano. So from Conegliano, the foundations of the future success of the sector had been outlined. In fact, the School still now represents a fundamental "supplier" of expert oenologists able to carry on and contribute to the development of this industry. Valdobbiadene has widened its boundaries, supporting the international growth of Prosecco. At the top of the qualitative pyramid of the denomination stands the Cartizze, 107 hectares of land that represent the very best of the denomination in terms of quality of the vines, the best that the Prosecco world can offer. These lands are among the most expensive in Italy; in fact the price of one hectare of Cartizze is estimated between 1.5

and 2 million €, however this is an estimate as the owners are far from giving up this land. To better understand the great value associated to this small area, one must know that the average price of one hectare of land cultivated with wine grapes is around 36.000 €. These elements help us understand why the municipalities of Conegliano and Valdobbiadene have been chosen as the representatives of this wine in the context of the introduction of the denomination of controlled and guaranteed origin, identified precisely by the name of these two towns. The aim was to underline the historical and qualitative importance of these places to bring greater prominence to the entire denomination, which is made up of 13 other municipalities of the Province of Treviso, in addition to the two already mentioned: Cison di Valmarino, Colle Umberto, Farra di Soligo, Follina, Miane, Pieve di Soligo, Refrontolo, San Pietro di Feletto, San Vendemiano, Susegana, Tarzo, Vidor, Vittorio Veneto. The territory as a whole was able to organize itself giving life to the Consorzio Superiore di Tutela Conegliano-Valdobbiadene, which played a decisive role in limiting the personalistic instinct of growers and wineries that would have led to fractions among producers. Today the organization's primary function is the protection of Prosecco DOCG in Italy and abroad and the promotion and the organization of events and sector studies elaborated and made available to the public through its Annual Report.

4.2 Prosecco Superiore DOCG, Rive, Cartizze

Conegliano-Valdobbiadene Prosecco Superiore or Conegliano-Valdobbiadene Docg is one of the most important names in the Italian wine scene. Term born in 2009 to meet the need to differentiate that historical area in the hills, DOC since 1969, from the new and much wider DOC area which includes 9

provinces in Veneto and Friuli Venezia-Giulia regions. Prosecco Superiore as previously anticipates, is produced exclusively in the hilly territory including only 15 municipalities, including the most famous Conegliano (heart of the first Italian Wine School born in 1876 and in 1923 home to the first Experimental Institute for Viticulture) and Valdobbiadene (the productive heart par excellence of Prosecco Superiore), for a total of about 5,000 hectares of vineyards.

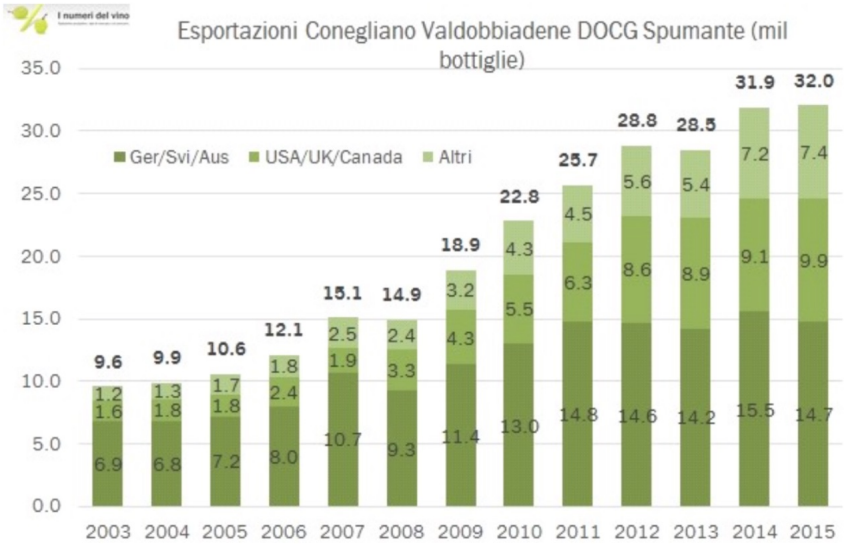
Figure 4.1: DOC and DOCG areas

Source: website of Ruggeri winery `http://www.ruggeri.it/`

Born from precise rules that guarantee the continuation of an ancient tradition, this wine is characterized by a strong, unmistakable identity. It is divided into still, semi-sparkling and sparkling, with the latter being the most successful on national and international markets in recent years. Sparkling "Extra-Dry" Prosecco is the most appreciated particularly in Italy as an aperitif wine, the second fermentation is interrupted when the sugar content

is within the range 12-20 gr / l, while in the "Brut", the second fermentation is maintained almost until the end so that the sparkling wine becomes drier, the sugar content in this case falls in the range 0-12 gr / l). In 2016 the share of Extra-Dry was 70% of total production, followed by Brut with 24%. The other variants of sparkling wine were produced in relatively small quantities, as per the Dry variant. In terms of exports, the DOCG finds much of its output in Germany, Austria and Switzerland, which account for about 15 million bottles in recent years, compared to 9 million bottles for the UK and USA.

Figure 4.2: Export trend of Prosecco Superiore Conegliano-Valdobbiadene DOCG 2003-2015

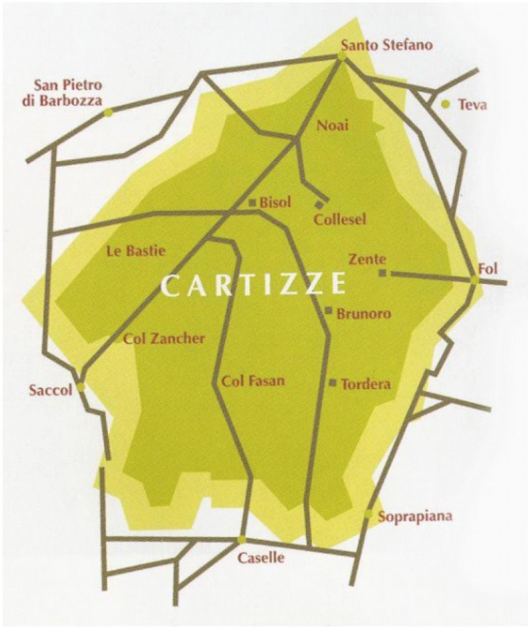


Source: website "I numeri del vino" `http://www.inumeridelvino.it/`

The success that the DOCG is gaining is also due to the highly attractive and trendy products offered by the wineries with focused campaigns which take advantage of the opportunities offered by the market. Prosecco Superiore di Cartizze and Rive in 2015 show a significant growth in terms of sales

and value created and are therefore gaining even further consideration in the wide offer of the Conegliano-Valdobbiadene area. Producers have become more aware, aiming more and more at enhancing those categories and elements that can educate consumers on the prestige of a brand and the value of a product that can be found on the market. Located near the hills of Santo Stefano, San Pietro di Barbozza and Soccol, the Cartizze is a very small area in the general Prosecco Docg (7.195 hectares) and also when compared to that of the Rive Docg (226 hectares) which we will discuss later on.

Figure 4.3: The Cartizze area



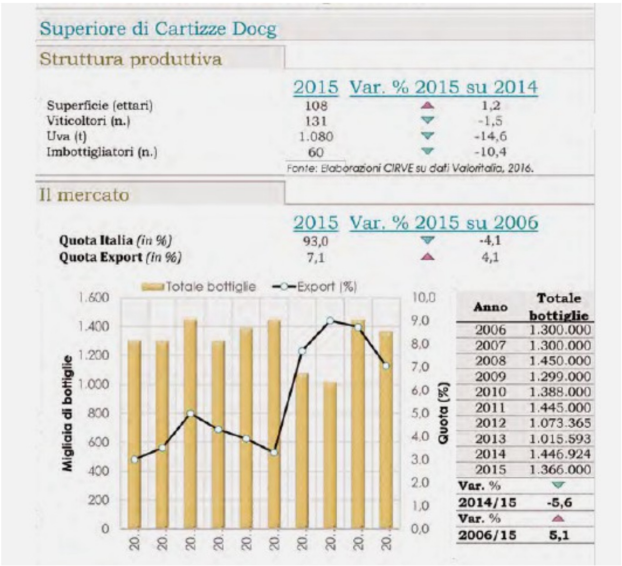
Source: website of Bastìa winery `http://www.bastiavaldobbiadene.it/`

Characterized by an intense color, full-bodied aromas ranging from apple to pear, apricot and citrus, the Cartizze Superiore presents a full flavor with an almond aftertaste. These characteristics are due to the elements present in the soil that are exalted by a late harvest compared to the rest of the

DOCG area, the grapes are collected when the first signs of natural drying can be found. The wine that originates from these grapes has greater intensity of aromas, which highten its scents. Cartizze must be produced using exclusively glera grapes, differently from DOCG or DOC Prosecco generally considered, no other grape variety is allowed. A fundamental characteristic of this hilly area is the clay soil that allows the drainage of rainwater, guaranteeing the ideal amount of water to the vines. When the grapes begin to absorb the water, the ripening phase begins, here the grapes are enriched with sugary elements and lose some sour substances such as malic acid. Having spoken about the several characteristics that contribute to prominent role of Cartizze in the Prosecco sector, we now ask ourselves what is the perceived value of this wine and therefore at which price it is marketed. According to the Economic Report of the DOCG Consortium, prices have raised in 2015 compared to previous years both in direct sales channels and in intermediate channels. The sales volume in the 14-16 euro price range increased by 6% compared to 2014 and the sales percentage for bottles above 16 €was around + 3,5

"Rive" is the other important and growing reality in the Prosecco industry, as mentioned this name refers to the steep terrain of certain hills in the Conegliano-Valdobbiadene area. The definition Rive can be used only for sparkling wine and only for grapes coming from the same vineyard harvested by hand. The Rive must obligatorily report the indication of the "Millesimo" which is the year in which the grapes have been harvested. The maximum production allowed is of 13 tons per hectare and the alcoholic rate must be above 9.5 vol. The names of the municipalities from which the grapes originate must be associated with the name Rive. This implies that Rive can be found with 43 different definitions, deriving from the name of each of the

Figure 4.4: Trend of the Prosecco Superiore di Cartizze



Source: Annual Report Distretto Conegliano - Valdobbiadene DOCG; 2017

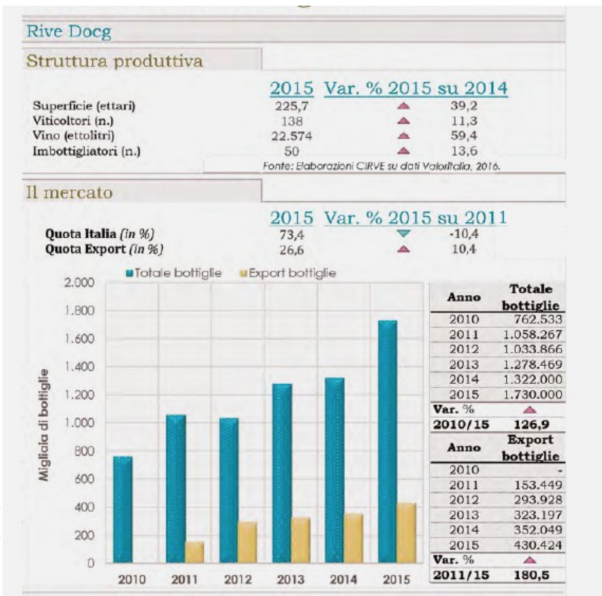
12 Municipalities (including Vidor, Miane, San Pietro di Feletto) in addition to each of the 31 villages included. In 2015, the number of sparkling wine companies increased by 13% compared to 2014 and even doubled compared to 2010, reaching 50 units.

4.3 Analysis of the distribution channels

4.3.1 Traditional distribution channels

In 2016 the total production of Prosecco DOCG reached 90,4 million bottles, for a total value created of nearly 500 million €. The number of bottles absorbed by international markets has shown a three fold progress since 2003, reaching about 40% of total production. The domestic market still accounts for the remaining 60%, which means that Italy still firmly holds the

Figure 4.5: Trend of Prosecco Superiore Rive DOCG



Rive Docg

Struttura produttiva

	2015	Var. % 2015 su 2014
Superficie (ettari)	225,7	39,2
Viticoltori (n.)	138	11,3
Vino (ettolitri)	22.574	59,4
Imbottigliatori (n.)	50	13,6

Fonte: Elaborazioni CIRVE su dati Valoritalia, 2016.

Il mercato

	2015	Var. % 2015 su 2011
Quota Italia *(in %)*	73,4	-10,4
Quota Export *(in %)*	26,6	10,4

Anno	Totale bottiglie
2010	762.533
2011	1.058.267
2012	1.033.866
2013	1.278.469
2014	1.322.000
2015	1.730.000
Var. % 2010/15	126,9

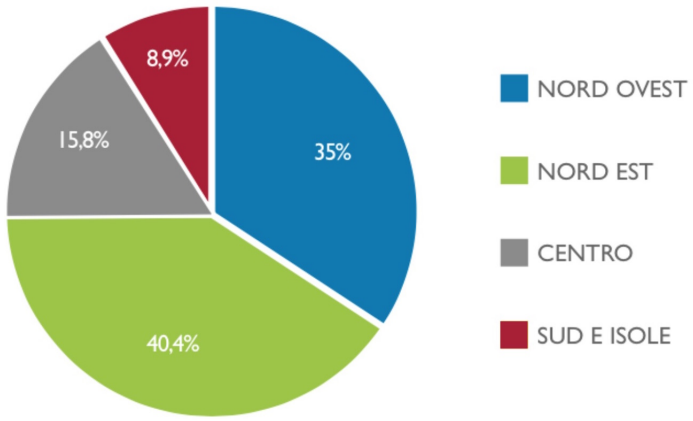
Anno	Export bottiglie
2010	-
2011	153.449
2012	293.928
2013	323.197
2014	352.049
2015	430.424
Var. % 2011/15	180,5

Source: Annual Report Distretto Conegliano - Valdobbiadene DOCG; 2017

first place when it comes to DOCG consumption. As one could expect, this wine finds in its area of origin also its first market in relative terms when compared to the other areas of the country. As for many other sectors, the North East and North West generate the highest returns. As we can see from the pie-chart 4.6, the larger area which includes the regions of Veneto and Friuli, in which we have seen there is a century-old tradition that links these places to Prosecco, accounts for 40%.

The macro-area of the North West which includes Lombardy and Piedmont accounts for 35%. These two macro-regions which represent Northern Italy together account for over 75% of total Prosecco DOCG consumption. We need to consider that this area is highly populated when compared to the rest of the country. Furthermore, Italy as the world's leader in production of wine also holds a leading position when it comes to varieties of grapes and

Figure 4.6: National distribution of Prosecco DOCG



Source: Corriere dei Vini Spumanti

wines produced. Each region contributes to the success of Italian wine on world's market, as the production of wine in all the areas of the country date back to ancient times. Nevertheless, this great importance of the Northern part of Italy is still worth of notice. Since 2003 Prosecco has gained the trust of consumers nation-wide, as in all these areas the consumption of Prosecco DOCG has shown a progress of about 100%, the only exception again has been the North East with a stunning increase of 151%.

Having seen the geographical distribution of sales for this wine, it is now interesting to focus on distribution channels to better understand where this success has been established, the mechanisms behind the market and the different strategies followed by different size wineries.

Tables 4.3 and 4.4 show the different distribution channels and their weight for different size wineries in the Prosecco DOCG industry. The pie-chart 4.7 instead shows the relative weight of each distribution channel and its share in percentage in comparison to the total market for Sparkling DOCG

Table 4.3: Turnover per distribution channel

Year	Direct sales	GPO	On trade	Off Trade	Other
2003	1.165.661	6.026.246	12.030.499	0	0
2004	1.245.888	6.116.175	12.866.620	0	0
2005	1.261.950	6.032.121	11.938.047	4.744.932	1.261.950
2006	1.262.682	9.680.562	10.999.363	4.798.192	1.318.801
2007	1.531.172	8.325.749	11.930.383	9.218.932	893.184
2008	1.627.196	9.796.383	11.589.619	8.700.516	1.494.364
2009	1.342.746	10.610.969	11.495.216	8.285.726	1.015.247
2010	1.506.361	12.891.646	11.034.969	7.706.963	1.891.709
2011	1.335.833	13.037.668	10.641.426	7.913.549	2.619.708
2012	2.216.210	12.841.195	9.412.001	8.624.206	1.305.970
2012	2.085.542	14.879.462	10.098.888	9.772.910	1.183.245
2014	2.549.030	15.862.013	11.592.905	10.370.200	1.073.494
2015	2.163.478	17.676.524	13.171.480	12.190.146	1.175.189
2016	3.121.434	18.000.826	14.510.319	12.948.842	778.184

Source: Annual Report Conegliano-Valdobbiadene; 2017

Table 4.4: Weight of each distribution channel per dimension class of the wineries in 2016

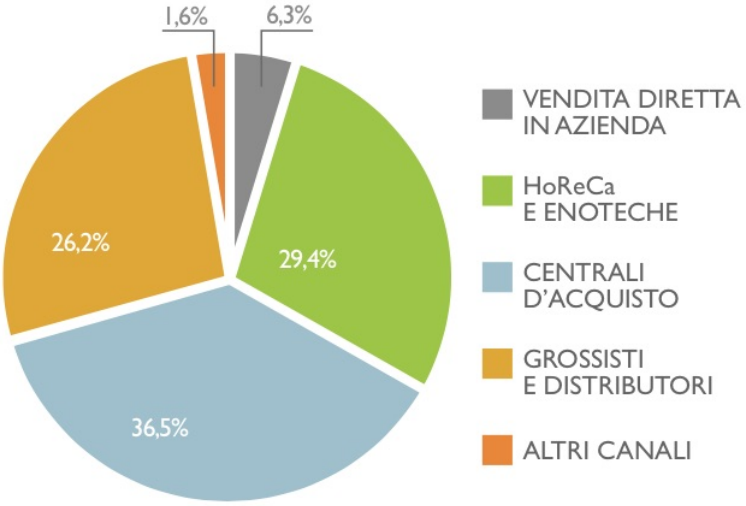
	Direct sales	GPO	On trade	Off Trade	Other
Small size firms	29.6%	4.8%	0.0%	0.9%	14.1%
Medium size firms	26.8%	13.2%	0.1%	8.0%	1.7%
Large size firms	17.5%	16.8%	1.6%	12.7%	21.5%
Very large size firms	26.1%	65.2%	98.3%	78.4%	62.7%
Total	100%	100%	100%	100%	100%

Source: Annual Report Conegliano-Valdobbiadene; 2017

Prosecco.

Worth noting is that over 92% of Prosecco DOCG is sold through 3 distribution channels. The remaining 8% is obtained from direct sales (6%), meaning consumers who directly purchase wine at the wineries, and e-commerce which accounts for only 1% of the total. Both these phenomenons record however growing interest and increasing rates. About three quarters of the wine that transits through Proup Purchasing Organizations (GPO) is then re-directed to supermarkets (GDO). GPOs exploit a quantitative factor when going on the market, big volumes mean leverage on suppliers which will likely offer a more competitive price in order to gain an important client. Examples of GPOs present in Italy are Esselunga, COOP, Conad, Auchan. These subjects, among many others, search for suppliers that can grant very large quantities. Lower prices are just one advantage, although very important, originating from this aim and capacity to create aggregation and leverage throughout a company's supply chain. In consequence of the presence of very large purchasing subjects, one can furthermore expect that an addi-

Figure 4.7: Italian distribution channels of Prosecco DOCG



Source: Annual Report 2017 Distretto Conegliano - Valdobbiadene DOCG

tional aim of GPOs is flexibility. The demand for flexibility along the supply chain and for competitive purchasing prices, constitute a powerful engine in the market. These factors help us in understanding the growing importance of cooperative wineries that make of their high production capacity a key element. In 2016 the sales of Prosecco DOCG in this channel have grown to 18 million bottles, a 2% increase on 2015, which generated nearly 90 million €in aggregate turnover for the industry, as shown by the chart this represents a share of 36,5% in the market. In 2016 GPOs based their supply of Prosecco DOCG on 35 wineries, as expected the number of companies able to supply very large quantities at low prices is limited to few subjects. This organization of GPOs supply chain is a key factor in the success of Prosecco in big supermarket chains. This has been achieved in many cases also through private labels granting an additional mean to exploit the high quality recognized to a specific supermarket chain or supplier, which could use its brand thus absorbing an increasing percentage of added value vis-a-vis its

suppliers. On-trade sums up to about 30% of market share, this percentage represents the wine sold to hotels, restaurants and catering (as per the abbreviation HoReCa) together with wine shops. On-trade sales have reached 13 million bottles, with an increase in 6% in volume. An 11% increase in the value has meant that this distribution channel has generated almost 70 million €. This channel characterized by the presence of about 100 large and very large wineries. Again, one must consider that wineries present on more than one distribution channel need to study carefully their strategy as being present with the same brands, lines and products will create confusion within consumers, thus negatively affecting the brands image and sales. Different distribution channels must be dealt with different products and a focused strategy, thus the great challenge faced by wineries which hold leading positions both on the on-trade and the off-trade. As said, direct sales accounted in 2016 for just above 6% of total sales of DOCG on the domestic market. The direct contact between the wineries and the final customer generated a turnover of 20 million €, with an average price of almost 6,50 €. This distribution channel has shown great progress in the years, with an increase in quantity that has been calculated by the DOCG Consortium of 168%. Although direct sales account for almost 50% of small companies production, over 90% of the DOCG wineries now offer this purchasing experience.

4.3.2 E-commerce

Internet has certainly represented a disruptive element with the past, there has been a before and an after. The digital age is seen by scholars as a actual revolution that has changed the daily lives of billions of people all over the world. To the first phase of innovation, a phase of understanding and adaptation followed, companies that were able to grasp the scope of innovation

were able to reap immense benefits; among these, we can include all the companies of the "new economy" that base their very essence on the web. At the same time, internet has become increasingly important even for "old economy" companies. Digital strategy is now an essential element for companies wishing to promote their brand and reach new potential customers around the world; cost reduction and containment, and the possibility of reaching an almost unlimited pool of people are two of the objectives achievable through a careful digital strategy. We have to consider that the speed and borderless of internet represents also a challenge, as to identify the correct way and the organization in charge of putting into place rules that regulate the correctness of what is today on the net. Counterfeiting and dissemination of untruthful news are two examples of what should be better controlled and regulated, we hear more and more often talking about fake news and how to fight this phenomenon. The speed and diffusion of news on internet is a positive element when properly used; it allows consumers to be informed and provided with the most suitable tools to make their evaluations and purchasing decisions in a conscious way. These elements underline the need for companies to control what is said about them on the net, hence the importance of a well structured presence on social networks. Initiatives of all kinds are presented and developed on platforms such as Facebook and Twitter. In the technology sector, it is often said that Italy is behind other European countries and if different paths have been taken, example of which can be considered the optical fibre and the aim to increase the speed and the quality of the general state of internet connection, the gap to be filled is considerable and much remains to be done. Brand and product promotion, traceability, e-commerce platforms are just some of the elements that make it very important for companies in the Prosecco sector to be present wisely on internet.

There is an ever-increasing demand for information from consumers who are increasingly aware of their purchasing choices. This is even more true for all that concerns the agri-food sector, which already undergoes controls of all kinds and which, however, is subject to a demand for products that are ever more respectful of health and the environment. In consideration of this we can better understand the success of organic products in these years and the growing demand for traceability along the entire supply chain. The rules set by the Consortium of Prosecco DOCG understands this emerging demand, at the same time promoting it by imposing on vine growers the use of specific products that used in the prescribed doses do not pose any risk to the health of consumers. These rules set minimum standards, but at the same time they leave decisional capacity to the individual local authorities that make up the Prosecco area to take a further step, setting limits and giving indications on the products and methods to be followed, which will necessarily have to comply with the specifications of the DOCG denomination. Other than local authorities, strict rules can be set also by private and cooperative wineries in the area, which require their suppliers to certify that their indications are followed in the production processes; if this is not the case, vine growers might risk being excluded from the supply chain of that winery. There is a continuous monitoring of the land and production, winegrowers are more and more required to provide tools to geolocate their land through equipment provided by the Consortia or the cooperative winery, this allows the most precise traceability of the finished product. By simply photographing the QR code or other codes available on the bottle, consumers can see where the grapes that were at the base of their Prosecco came from. As described, one can see how the world of Prosecco has moved towards digital. Especially for typical and traditional products such as wine, the desire of consumers

to understand and be informed must be taken into consideration, as it can be turned into a key factor for the success of a company. Concepts such as story-telling, company visits and the willingness to follow companies on social networks become more important and become, in turn, tools that, if correctly used and advertised by the wineries, can make an important contribution to the value added perceived by the consumer. The introduction of a specific customs nomenclature for Prosecco should also be considered as part of this trend of the market, as this novelty grants more precise data on the volumes exported and the countries of destination. The rate of digitization of companies varies greatly depending on the propensity of the individual wineries, as well as the perceived advantage and the vision of their administrators. In the following analysis we must bear in mind that although the world of Prosecco DOCG is relatively small, made up of a limited number of producers, the choices and development of the wineries depends a lot on factors such as their size, the propensity to innovate and their history. We can therefore expect that the companies that make of innovation a strategic characteristic of their approach to business, present themselves to the public with a vision oriented towards novelty, basing their perspective on the most advanced methodologies with concerns to their communication strategy. This is the case of Bellenda, a winery known for its Prosecco DOCG produced through the classic method. As previously mentioned, the Charmat method is the method adopted by the vast majority of producers, this because it is considered more suitable to enhance the quality of the glera, it also guarantees a faster transformation phase and therefore allows to contain costs. Nevertheless some producers have chosen to include within their own lines also classic method sparkling wines obtaining a good response in terms of appreciation from the market. Starting from the over 160 wineries of the

DOCG Consortium, we tried to investigate the opening of the sector towards internet and digital means of communication, in particular we analyzed three factors considered relevant for this analysis:

- the presence / absence of the wineries on the web through a website directly ran by the company
- the presence / absence of the wineries on major social networks, in particular the research was done on Facebook and Twitter
- whether the wineries offer the possibility of buying wine directly online through e-shop platforms directly connected to the company website

These three elements of analysis have been chosen because they are considered significant to evaluate to what extent the digital tool is used by producers to promote themselves and become known, as well as an instrument to offer a simpler shopping experience that meets consumers desire to have goods delivered directly to their homes.

Table 4.5: Internet within the DOCG wineries

	Website	Facebook and/or Twitter	E-shop linked to website
Number of wineries	151	123	28
Percentage	93%	76%	17%

Source: DOCG wineries' websites; 2018

As can be seen from table 1.3[1], there is high rate of direct presence of the wineries on internet through a website designed to offer information to the

[1] Analysis carried out on the 162 wineries of the Consorzio Tutela Conegliano Valdobbiadene Prosecco Superiore

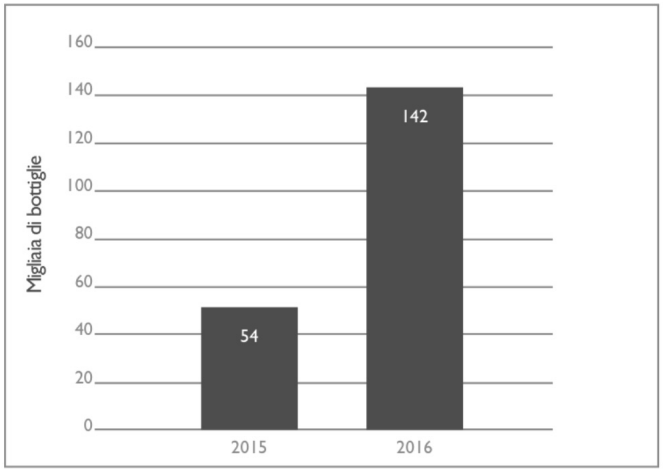
public. Of these 162 companies analyzed, there are 151 companies that own a website, this number represents the 93% of the total. In some cases these sites are quite basic and only provide information about producers' contacts, while in other cases they offer a multitude of information available in several languages concerning the product, the history of the winery, the evolution of the market. In this analysis, however, we chose to observe if the wineries already embraced the digital path, we are therefore not going to enter into details about the content and the mission of the different website; however it is interesting to note how many of these companies offer what can be considered as additional services: in many cases, wineries work in parallel to Bed & Breakfast that offer overnight stays to visitors, as well as company visits and tastings. At a first glance we can see how the organization of the company for producers who also offer B&B services is simpler, as this is often the case of smaller size, family-driven businesses, that try to offer a more complete experience to the public. This can be considered a collateral phenomenon with respect to the reality of the wine analyzed in this thesis. As mentioned in the previous chapters, Prosecco has contributed to making the hills of Valdobbiadene known to the world, with its landscapes and hills that are now a destination for travelers and visitors which constitute actual flows of people which are increasing along with the growth in the interest towards Prosecco, and will increase even further should these territories be included among the UNESCO world Heritage Sites. As seen, there are many wineries that have a website used to provide different information. The second point of analysis concerns instead a more specific point, the use of social networks: even in this case, table 3.1 describes a situation with high presence of the wineries on Facebook and Twitter. These tools on the one hand are almost costless, and on the other hand offer the possibility of keeping customers and "follow-

ers" updated about all the promotional activities, such as participation in events and advertising campaigns, launch of new products, information on occasions in which the winery can be visit by the public and so on. Facebook and Twitter are social networks used by many all over the world, regardless of age, however younger generations are the ones that spend the most time on them, sharing pictures, comments, suggestions with their friends. The average user must be well identified just as the target consumer, as this is the first step from which one must start to organize a strategy. With a good price/quality rate, to be consumed fresh, suitable for festive and gathering contexts, Prosecco has a younger target than many competitors that can be found on the market, among which we can place Champagne. In consideration of this, we can therefore expect that a careful digital strategy that focuses on social media can positively affect Prosecco wineries more than the competition. Analyzing the results of the third point taken into consideration, which investigates whether the DOCG wineries offer the possibility to purchase its wines from an e-shop platform directly managed by these wineries or at least accessible through the company's website, it is necessary to anticipate that it is not necessary to consider this datum as an index of absolute value or of immediate interpretation regarding a lack of interest or an evaluation of relative utility. In some cases, these may certainly be factors that help to explain the choice of companies. We must also consider the implications of adopting a platform for online purchase: the costs are certainly higher than the use of Facebook or Twitter, an e-shop implies the need to manage transactions on the Internet, being able to offer a courier delivery service through this platform, having employees who actively follow the website, that can offer solutions, answer questions and deal with complaints from customers. A further but certainly not less important evaluation

concerns a perhaps more delicate aspect of the company, that is the strategy that the managers want to achieve and the path they want to follow for the development of the brand, of the various lines and of the products. This specification is intended only to highlight how the absence of a directly managed e-commerce platform can be due to the choice of relying on third parties for the management of the online business using the experience of those who have more experience with this distribution channel and can therefore reach a wider pool of possible consumers. They will rely on a well structured website that manages a wider range of products, not limited to the products offered by a single winery. At the same time it can also be seen as a choice that concerns the commercial sphere of the company. Managers could for example consider an e-commerce platform too risky as it may create confusion in the mind of consumers that might be offered same products at different prices. Therefore, it will be necessary to carefully evaluate the use of e-commerce in relation to the presence of Prosecco DOCG's offer both on the on trade and off trade distribution channels. However, the percentage of companies that provide an online sales service compared to the total number of wineries that are part of the Consortium of DOCG, is in fact something worth of interest, especially if compared to the average company size of the sector. There are 28 companies of the Consortium that have a platform directly connected to their website, which represents 17% of the total 162 companies.

The Economic Report of the Consortium, published in 2017, describes a situation in which e-commerce represents an instrument that is still very little exploited, representing less than 1% of sales of Prosecco Superiore in Italy. In this case together with the individual wineries, all online sales have been examined, also including other platforms not directly managed by the producers. From the analysis carried out by the Consortium in the two-year

Figure 4.8: Sales through the e-commerce channel in 2016



Source: Annual Report 2017 Distretto Conegliano - Valdobbiadene DOCG

period 2015-2016, sales have increased by over 220% in value and by 165% in volume, as shown in table 3.6, resulting in an average selling price of over 7 €per bottle. The percentage of sales of this channel which is still very low compared to the total, however, leaves great room for improvement and is expected to grow at an increasing pace over the next few years. There is no doubt that the Internet is destined to be used more and more as a purchasing channel for the wine sector as for many other sectors of our economy.

4.4 Acquisitions in the Marca Trevigiana

The effect of the success of Prosecco can be analyzed under both an internal and an external perspective. In fact, the trend of this wine obviously had a great impact on people and companies which were part and made up this world as a consequence of the growing business, interest and influence of the industry. New employees with new expertise were hired, not only in the wine sector but also in all those sectors somehow connected and involved because

of this positive trend, as for banks which were asked to loan money in order to create and increase machinery used by the wineries, sale force, real estate companies and owners which greatly benefit from these areas' renaissance. However, as one could imagine, the success of Prosecco could hardly pass unnoticed by external subjects, the interest in this phenomenon has prompted specialized newspapers, television broadcasts, tourist magazines and many other sources of information of various kinds, to further investigate the hills of Treviso. Valdobbiadene has become and is becoming more and more a tourist destination for those groups of American, English, German and other visitors who, during their holidays spent visiting the North East, include this destination in their itinerary. Others like the tv show Report, have brought to the public attention the complaints of those who criticize the methods of cultivation of grapes, underlining the harmfulness of the treatments used and pushing for greater sustainability. To be fair, one must however recognize that a lot has been done also under this point of view, and many people have expressed their disagreement with this kind of journalistic investigation which directly focuses its attention on a single area, while it has been pointed out that a more general approach would have been equally if not more appropriate to face a general issue as this one represents. Journalists specializing in SMEs instead come to Valdobbiadene and write about how fragmented the land is in the areas of DOCG, about the stories of the people who live in these areas and they investigate the factors that have made Prosecco what it is today. All these subjects were certainly driven by further reasons than their personal curiosity that however was not lacking, the notoriety of the Prosecco phenomenon is one of these reasons. Sharing with the public news, updates, information while also writing about the different aspects that surround this industry so spoken of, finds on the

other side consumers willing to listen and read about Prosecco. There is perhaps a more interesting consequence that directly meets the purposes of this elaborate: the interest created by Prosecco towards companies and more generally Italian and foreign investors. In fact, more and more frequent news of acquisitions of different subjects come into the world of Prosecco, thus aiming at gaining access to what was called by the newspaper Repubblica in an interesting article by Eleonora Vallin as "Prosecco Golden Valley", with reference to the most famous Silicon Valley in California, mentioned earlier. In these years the Prosecco phenomenon is really seen as a breaking point by many, both among those who previously did not work in the sparkling wine sector, and those who instead looked at the Charmat-method sparkling wines as a second choice if not with a certain superiority, many decided to take the opportunity presented to them and to enter the world of Prosecco. The market and the operators of the sector have put growing attention in this product and so a new phase has begun. Among those who have undertaken this entrepreneurial challenge, to name a few, for example the Cantine Ferrari that acquired Bisol winery in Valdobbiadene; we can think of Masi Agricola from Verona which acquired Canevel winery; furthermore, there was the arrival of the Russians of Jsc Igristie Vina who bought Contarini winery; the Americans of Constellation Brands that through their subsidiary Ruffino have inserted Prosecco into their Portfolio. Among many other cases that could be mentioned, it is worthwhile focusing and analyzing some more closely. Freixenet and Rotkaeppchen-Mumm in particular are two giants of European wine production, both protagonists of the sparkling wine sector, with a tradition and a presence in the market that dates back over 150 years. These two historic companies that have made their fortune through the production of classic method sparkling wines, from the past year have another

element in common between them: 2017 was in fact the year that represented for both the entry in the world of Prosecco. However, the modalities and expectations linked to these two events are certainly different, as are the effects they have or could have more generally on the sector. Freixenet was born in Catalonia in 1861 and like many other wineries in this region, its success at least in the first phase was certainly linked to the production of Cava, the Spanish sparkling wine par excellence. Starting from this product, the company has been able to expand its business and offers today a wide range of wines, including Champagne and Bordeaux. It has over 20 branches worldwide and it merchandise its wines in over 100 countries. Last years Prowein was the occasion for Freixenet to present to the public two new products that would soon be launched on the market: Prosecco DOC and Prosecco DOCG. The Spanish company relies for the production of its Prosecco not on just any winery, but on the cooperative La Marca which, with its over 5.000 winemakers, is one of the major producers of Prosecco. This combination thus unites one of the largest European sparkling wine producers to one of the major producers of Prosecco. The choice of relying on a third party for production can have various implications and motivations, to name a few: the supplier holds the risk of production, the initial investment is certainly lower compared to what would be in the case of an acquisition, the company that holds the rights on the Private Label or the property mark can concentrate its efforts on those aspects of the activity that guarantee a higher margin such as, for example, marketing. If properly managed, acquisitions often lead to cost optimization, as we have seen in the previous chapters the effect of this managerial decision affect the supply chain, thus the consequent economies of scale can be exploited. A significant increase in sales volumes can be used as leverage on suppliers which will be more propense to give better rates in

order to gain further business. In the case of Freixenet, however, the reasons behind the choice of relying on a powerful brand instead of acquiring a local winery, can be associated to the former, rather than the latter. Freixenet however can count on one of the biggest Prosecco producers, therefore the large volumes of the cooperative winery certainly allow for a competitive price compared to competitors, consequently guaranteeing to their Spanish contractor both quantity and accessible prices. Moreover, the Spanish giant's network is obviously considered to be sufficiently consolidated to offer the market a trendy product, without the need for a more direct presence in the industry. Freixenet would therefore seem to point to a disruptive entry into the Prosecco market, looking at this sector as an important opportunity to consolidate its position in the sparkling wine market. If it is true that the impact of the agreement with La Marca will be better evaluated over the next few years, however, we can make some reflections about it already now. The choice made to present itself on the market with a Prosecco brand named Freixenet, represents a clear statement that the company relies on its reputation and appreciation on the market. Many consumers already know the brand and associate a great value to this name. The company therefore presents itself on the market with a trendy product, a well-known brand and great flexibility in terms of supply. The acquisition of Cantina Ruggeri by the Rotkaeppchen-Mumm in 2017 has little in common with comparisons to the approach of Freixenet. Rotkaeppchen-Mumm is another major player in the European wine market. Its turnover in 2016 was of 986 million €(source company website) originating from over 270 million bottles of alcohol sold, 178 million of which are sparkling wine. What differentiates the investment choice of the Spanish company from the German one? Following the acquisition of Ruggeri, Rottkaeppchen has effectively become a player in the

Prosecco sector. Ruggeri has a rather limited production compared to other important players in the Conegliano-Valdobbiadene area, which in fact stands steadily around one million bottles (source company website). However, its Prosecco is highly appreciated by the market and by wine specialists, and many are the awards that it has earned since 1950, year of its foundation. Among the various awards, certainly noteworthy is the "Tre Bicchieri" of Gambero Rosso, won for the ninth time in 2018, which makes of Ruggeri the most awarded winery of the whole denomination as regards to this important recognition. This winery has always focused on the highest quality and its land is recognized as within the best areas for the cultivation of glera, from the hills of Santo Stefano towards Saccol. The acquisition by a German multinational company can therefore be seen as a way for Rottkaepchen to gain access into the Italian market, while at the same time representing an opportunity for expanding the horizons and the abroad markets of the Ruggeri winery which was already exporting over 35% of its production before 2017. Rottkaeppchen has decided to take advantage of the experience of the Bisol family, whose members remain within the management of the winery, which can now lean on an extended network that has decided to invest in Ruggeri and should represent also an aim to increase the perceived quality within the German group.

Chapter 5

Mionetto

5.1 History and evolution

Mionetto has been reserved a separate chapter of this paper. Whilst reconnecting to the previous chapter through the acquisition in 2008 by German Henkell & Co. Sektkellerei, a domestic competitor of Rotkaeppchen-Mumm which has been explored earlier, this chapter is also the result of interviews and non-informal talks that I had with my colleagues both from Mionetto and Henkell, as well as Sergio Mionetto. Mionetto has a turnover that certainly makes it a reference winery both for the DOC and for the DOCG. The history of Mionetto winery began in 1887 from the passion of the founder Francesco Mionetto. Since then, not only has it been able to gain the trust of consumers worldwide, but it is certainly among the companies that have contributed the most to the success of the industry of Prosecco as a whole. Mionetto understood before others the importance of being present abroad, promoting its brand, continuously renewing and aiming at a young public while transmitting its characteristic values: Prosecco is a wine that easily adapts to all occasions and pairs well with different meals, non-expensive

and with a pleasant taste, a wine that is perfect for social occasions and which has made the most of the link between the aperitif and the Italian lifestyle as a winning tool. Prosecco owes much of its becoming ambassador of Made in Italy to the Mionetto winery, which has been able to broaden its horizons with great ability and pragmatism. These characteristics certainly can be found in the last descendant of the Mionetto family who held managerial positions before the transfer of ownership to external investors. Sergio Mionetto, whom I personally had the pleasure of meeting and the luck of interviewing, is one of the people who have contributed to making Prosecco the product we all know today. Sometimes seen with diffidence from the wineries competing in Valdobbiadene because of the choice that has been made since its foundation of not owning any land and basing its entire activity on the transformation of the base wine purchased directly on the market from the vine growers, Mionetto has been able to exploit this element of distinction. Operating with greater flexibility, not being exposed as other wineries to the variability of the harvest, to the climatic events, to the variations of the price and many other factors related to the ownership of the land, thus being able to focus all its efforts and its expertise on the transformation phase of the base wine into sparkling and semi sparkling wine. Its expert winemakers have always offered innovative and at the same time traditional cuvees with great ability to interpret a market in continuous evolution such as that of wine. An example of this is the "Sergio", a cuvee created by Sergio Mionetto and which sums up very well the desire to find a point of union between tradition and innovation. Innovative cuvee because "Sergio" is not a Prosecco, or at least not as we intend it today and as defined by current regulations. Through this cuvee, Mionetto aimed at offering a product which represented the origin of the connection between his family and Prosecco.

Following the guidelines of his grandfather which he found in an old diary of his, Sergio made up this cuvee still bringing together the typical grapes of Valdobbiadene, but blending together the different varieties as suggested by his grandfather. Back in those days in fact, there was no provision set by any regulatory body regarding the use of specific quantities and compliance with specific proportions of different grapes for the composition of the wine, to be followed in order to recognize the wine as Prosecco. The cuvee was created using what the territory offered, which means that in addition to the glera grapes, other grapes that still can be found in Prosecco, such as verdiso, perera and bianchetta. The Sergio represented therefore an experiment on the one hand and a desire to express and underline the tradition on the other. An experiment certainly successful, considering that still today, many years after the introduction of the cuvee on the market, this product is still one of the most recognized and appreciated products offered by Mionetto. However romantic in its own way, because of its origin and desire to replicate the past of the industry, the cuvee "Sergio" at the same time is the result of a desire for diversificating the winery's offer on the market. The wine owes most of its success to Prosecco and the heart of the company's strategy is far from changing. The history of success of Mionetto came along with a continous improvement in the quality of the product and the effectiveness of a focused advertising strategy. The cuvee Sergio represents an effective mean to further exploit the know-how and expertise created in the sparkling wine industry. Mionetto in fact nowadays produces different sparkling wines which are intended to cover different segments of the market. The success that Prosecco has been able to gain beyond national borders owes much to the intuition of people like Sergio. There are many stories about those years, many are the anecdotes about how the products were presented on new markets and

to new customers in a mix of strategy and improvisation. In this sense it is worth recalling the book written by the former sales agent of Mionetto for the British market, Luigi Bolzon; in his book "Gli Alfieri del Prosecco" he describes what it meant in those years to carry on such a project, to present the product to potential customers and to talk about this unknown wine to them. Prosecco is therefore not a phenomenon born out of nowhere in recent years, but a product that has been able to gain recognition and appreciation gradually throughout the world, starting from London and New York, two cities which are filled with innovation and which set trends destined to be followed worldwide.

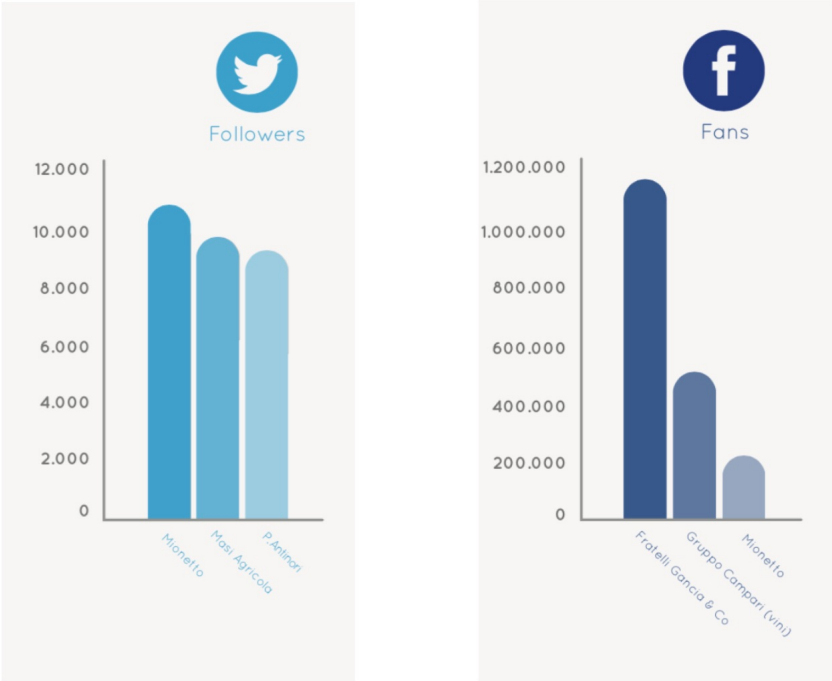
5.2 Recent turnpoints and present development of the winery

London and New York play as well an important role in the history of Mionetto: London for the challenge that it represented, the first step to overcome in such an important market. The UK bases the large majority of its alcoholic consumption on the imports from Continental Europe, making of the UK a strategic target market for European producers. New York instead represents the intuition of businessmen who have accepted the challenge of presenting themselves with their product before anyone else has: Mionetto USA was founded in 1998. Twenty years after, we can now say that this adventure has paid off as the farsighted executives of those years were able to understand the strategic importance of this market. Initially born to bring forward ideas that could better fit this market and promotion strategies that could suit American consumers, Mionetto USA has become the operational branch of the company overseas. Starting from New York, Mionetto set the

foundations of the future success of Prosecco in the United States. First Prosecco producer to open a branch in America and among the first ones in general to have understood the necessity to look abroad and widen the horizons of this wine. The opening of the American branch set a milestone in the future of the company and a turning point in its development. Advertising and networking had a great impact and played an important role in the development of this market. The importance of setting out proper marketing strategies that could focus on the growth of the brand value are also witnessed by the relavant results that Mionetto has been able to achieve throughout these years. The social networks in particular are a strategic mean to reach new consumers and get them more and more involved into the winery's life. Figure 5.1 shows how Mionetto has been able to establish itself in an important way in major social networks, it is in fact the most followed winery on Twitter and the third winery with most "Fans" on Facebook. In general as we will see later on, Mionetto has been able to establish its online network and is now within the 10 wineries with the highest rates of presence on the internet.

Year after year, Mionetto was able to establish its brand across the United States, reaching new consumers through the support of well established distributors that could supply the wine imported across the country. In 2018, the CEO of Mionetto USA, Enore Ceola announced the enlargement of their distribution agreement with Southern Glazer's Wine & Spirits, the largest distributor of wine across the United States, which covers over 44 markets across nationwide. This big news represents very well the strategy of the group which focuses on a continous enlargement of its markets both in Old and New World. Just one year after Mionetto USA was created, in 1999 Mionetto was sold to the Zanin family. Aldo Zanin and his brothers were

Figure 5.1: List of the most present wineries on major Social Networks in 2016

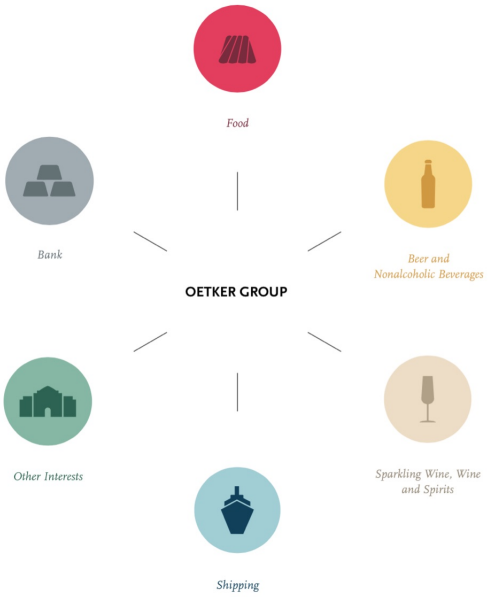


Source: "Il gusto digital del vino italiano" 2017; website `http://cdn.fleishmanhillard.it/`

well known entrepreneurs already back then, in fact they were the first ones to open a mall in the Treviso province, the "Rallye" of San Biagio di Callalta which has changed its name to "Tiziano" in recent years. This very important step for sure came along with important investments which for sure were also required to bring the company with its newly established branch even further. From the opposite point of view, the Zanin family could invest in a fascinating fast developing environment in a promising industry. That phase in the company's history was for sure very fascinating for businessmen and entrepreneurs who were up to the challenge of this evolving situation and that could bring new energies, new ideas and fresh capitals into the company. In the about 10 years during which Mionetto was ran by the Zonin family, the winery went through soft reorganizations in which it focused its strategy on a few major products as the development of the brand across Europe and America, the portfolio of products and lines went through a transformation and ad hoc lines were created in order to present the Company in a coherent way both on the on trade and off trade channel. After this intense decade which saw the direct involvement of the entire Zonin family into the Company's business, Mionetto was sold in 2008 to German sparkling wine producer Henkell & Co. Sektkellerei. Henkell's 692 million turnover is the result of a sub-consolidated budget. The company is in fact owned by Dr. Oetker, a real giant that in 2016 closed the consolidated financial statements with over 11.7 billion €. Dr. Oetker controls over 400 companies and has over 32,000 employees working in 6 different businesses, as can be seen from figure 5.2.

The acquisition of Mionetto has certainly represented a turning point in the history of Henkell as well. Through this operation, it acquired both Mionetto S.p.A. and Mionetto USA, gateway to the very important Amer-

Figure 5.2: Dr. Oetker industry portfolio



Source: Dr. Oetker financial statement 2016

ican market. At the same time, thanks to the experience acquired in the sparkling wine sector and its expanded network with a worldwide salesforce coverage, the contribution of the German parent company to the growing success and business of Mionetto was also great. In 2006, before the acquisition, Mionetto's turnover was around 41 million euro, 70% of which originating from sales on the domestic market. Ten years later in 2016, Mionetto's turnover was over 72.5 million €, which means that the turnover of the company has increased of 77% in just a decade. In 2016 foreign markets accounted for over 55% of the business of Mionetto, with an evident trend that reflects the international approach of Henkell.

The challenge of the leaders at that time was largely repaid. Today, Mionetto USA is one of the most valuable assets of Henkell group, as it is the gateway to the United States, an extremely important market for the

group. Mionetto's story is characterized and defined by few very important steps, as the opening of the American branch, and by fundamental turn points in the evolution of the company. These important moments are in some way linked by a direct line, that describes the desire to set the evolution of the market, rather than to keep up to it, a desire to express new ideas, to push the industry always a little further. This explosion of ideas has given rise to an infinite number of initiatives that have sometimes proved to initiate important successes, such as precisely Mionetto USA, and some other times to intermediate points, necessary to reach the next steps. The "Proseccheria" Mionetto is among the initiatives of undoubted fascination carried out in those years and which can be considered part of this second intermediate steps, that have helped widening the strengths of the Company in an attempt to reach new customers following an innovative strategy and proposing to the market a new format. The Proseccheria Mionetto consisted of a set of shops operating under a franchising agreement that had the objective of developing the Prosecco brand throughout the country. While this experiment has contributed in this sense, on the other hand, with this kind of agreement Mionetto has delegated part of the promotion of its brand to subjects external to the company which may or may not have shared the same values and farsight of the people who ran the company back then. Those years of ups and downs have required an equally remarkable investment in human and personal capital and efforts. Also due to these reasons Sergio Mionetto talks about the present of the company founded by his ancestors with serenity. He took the company as far as he could, then decided to leave it to those who had the means to take it even further, because according to him this was the only way the company could face the challenges of a new phase characterized by greater expansion especially towards the foreign mar-

kets driven by a new wave of globalization, while keeping its leading position gained over those years. Indeed, in recent years Mionetto has become an even more central player in the market: among the many awards collected in these years, in 2016 the company was included in the list of top 50 Made in Italy excellent Small and Medium-Sized Enterprises (SMEs) by ICM Advisors in the their research "Fashion, food and furniture - The value of the 3F brands". The companies that appear on this list have been chosen as representatives of "Made in Italy" among 1112 companies with a turnover included in the range between 30 and 300 million euro. Several elements have been taken into account by ICM advisors, as financial factors, innovation, brand enhancement, the results and the importance of foreign markets for these companies. The 3Fs represent the industrial soul of Italy, along with the machinery sector covering a huge share of the country's economy. This is to underline once again the merits of Mionetto that has become in recent years one of the ambassadors of the Italian agro-food industry in the world. The successes that the company has been able to obtain abroad are due to several factors and the strategy adopted when promoting the company had to reflect the different characteristics of the target market. Mionetto has been able to performe very well in these years, aiming at a harmonic growth both on the on-trade and off-trade channel. This effort requested a careful analysis of consumer preferences and a strategy that could grant clarity in customers' perception in consiration of the wide range of products and collections offered by the winery. An example of this can be found in figure 5.3 that shows how products are dedicated to specifi distribution channels.

Each market has its own peculiarities, each country has its own regulations, and furthermore consumers have different tastes and consumption habits. With the aim of focusing on the most important developments in

Figure 5.3: Distribution channels

Source: Mionetto website: `www.mionetto.it`

the history of Mionetto abroad, it is important to anticipate that the three most important markets for the company are certainly the United Kingdom, the United Stated and Germany, which are also the three most important markets for the industry in general. With reference to Germany, its geographic position in the heart of Europe and the large market it represents, make of this country an objective from which anyone who wants to succeed in Europe can certainly not disregard. Germany is mostly associated to great beer consumption and production, however it is interesting to observe how some within the largest wine companies in the Old continent were founded and are still based in Germany, as Henkell and Rotkaeppchen. Founded in 1832 in Wiesbaden from Adam Henkell, Henkell company began its business as a simple French wine retailer, to become a sparkling wine factory only in 1856. Today Henkell is present in 20 countries through its subsidiaries

and exports its products to over 100 countries worldwide. In its portfolio, Henkell has important brands in the wine and liquor sector in general, such as Wodka Gorbachev, Champagne Alphred Gratien, Cavas Hill, Torley, and many others. Though surely among all these very important brands, the acquisition of Mionetto in 2008 was a milestone in the German's company story. In fact, it allowed for a greater integration within the entire group. Since Henkell's has acquired complete ownership over Mionetto in 2010, the growth has been remarkable. As shown in table 5.1, the turnover has passed from 53,2 mln in 2011 to 78,5 in 2017, a 48% growth in the 7 year period analyzed.

Table 5.1: Mionetto turnover 2011-2017 (mln €)

Year	Turnover
2011	53,2
2012	57,4
2013	58,4
2014	58,8
2015	67,2
2016	72,2
2017	78,5

Source: Mionetto winery

That said, it should also be considered that the contribution to the turnover of the parent company is much greater as the company now operates under Henkell. Precisely because of the structure with which Henkell is organized, acquired companies operate as importers for the other members of the group within the respective market. Mionetto is within those sister

companies which are also wine producers, while others focus on commercial aspects only, importing wine from other sister companies and reselling it on the market. Mionetto's production plants have a productive capacity of about 30 milions per year, from production the bottles are brought over to the Logistics department and from there finally sent to the different markets. Mionetto has 2 production plants capable of producing almost 30 million bottles a year, all the bottles that come out of the two plants, Valdobbiadene and Crocetta, are then transferred to the warehouse from where dozens of trucks daily start their journey to bring to destination the wine produced. The company operates in foreign markets through the local "sister companies" or a third party importer. In 2017 the domestic market accounted for about 33 million €, while foreign markets accounted for almost 40. In reality though the contribution of Mionetto to Henkell's consolidated turnover of 692 million €in 2016 is much higher, as Mionetto is one of the best selling brands in the group, meaning that all the wine sold to the local sister company/importer is then sold to a final client or distributor depending on the specific market organization.

Conclusions

Describing the evolution in the global wine industry, we have seen how the market has been experiencing a globalization wave characterized by a new approach brought by an enlarging public of young people in important consumer markets. This new approach can be also associated with emerging wine producing economies oriented towards consumers that value the grape variety and a competitive quality/price rate over the origin of the grapes and the tie between a specific terroir to its final wine. This second approach however is still very present in the market, and it is far from dissolving. This latter sentiment towards the wine industry can be found not only in old European consumer markets, but also in those segments of the international arena that are acquainted with and have the means to appreciate the high quality typical of European producers. These two phenomenons are therefore only partially competing over the global market. They rather represent an interesting two-way evolution in the industry. This situation needs to be analyzed and dealt with by traditional and new producers as the scenario depicts a fast evolving wine industry which has concurred to the creation of few very large multinationals that operate as financial entities looking for opportunities to expand their businesses. Sparkling wines have been gaining market share and much of the recent evolution in the industry can be linked to this typology of wine. Furthermore, sustainability is playing an important

role in the evolution of this industry as in many others, giving an important impulse to organic cultivations which find growing interest in consumer preferences. In this situation, Italy has been able to hold to its leading position when it comes to the production of wine which still sees our country as the major world producer with a share of about 20% of the global outcome. However when we consider the average price as an indicator of the appreciation received by our wine vis-a-vis French production, we see that there is still an important gap between the two in favor of the second one. This is true for the wine industry when considered as a whole, and it is also true when considering the sparkling industry in particular. The sparkling market has been recording a downward trend in the average price in recent years also due to an increasing supply that has witnessed the booming phenomenon of Prosecco which has gained important shares of the market putting pressure on important competitors such as Spanish Cava, and in different measure also French Champagne. Taking a step further from a macroeconomic level to a firm level, we have seen how important players are competing in the European arena and major players are increasing their control over the industry. Freixenet, the leader in the production of Cava which over the years has been able to establish its name also in the Champagne industry as in many others, after entering the Prosecco industry in 2017, was bought over by Henkell just a year later. This acquisition consolidated and enhanced Henkells position as one of the major sparkling wine producers worldwide. The development strategy of this German company had its recent focus on the establishment and acquisition of leading wineries and strategic importers in Europe's most important markets. We have seen how the acquisition of Mionetto in 2008 in particular has given a strong impulse to the Group's business. Mionetto represents one of the biggest Prosecco wineries, which

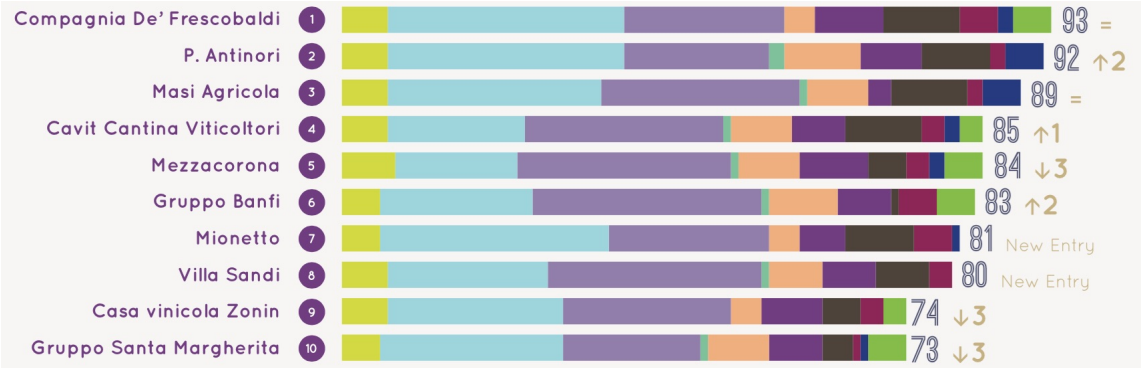
has made of innovation a strategic element in its history. Moreover, this acquisition took place in a very important period for Prosecco industry as 2009 set a turning point in the evolution of its market. In this year the collective will of the historical area of production of this wine has been concretized in the establishment of the three Denominations of Controlled Origin. The role of these specifications has been officially formalized with the change of name of the grapes from "Prosecco" to "glera". This apparently formal transition, has had the practical effect of enhancing and underlining the historical link between Prosecco and its territory of origin, representing a strategic element that has contributed to giving vision and direction to the sector in recent years. As we have seen, the success of this wine has attracted the attention of both Italian and foreign investors. International investors' interest has often materialized in a flow of foreign capitals towards the North East of Italy. However, the type of investment chosen by these operators is of primary importance in order to evaluate their actual contribution to the sector in a medium-long term context. Within the Prosecco industry other then Mionetto, two more cases have been analyzed: the acquisition of Ruggeri winery in 2017 by German Rotkaeppchen-Mumm, and the partnership between the Spanish Freixenet and La Marca winery also in 2017. In reference to the access of Freixenet into the world of Prosecco, it must be considered that these kinds of partnerships in the long run risk weakening the historical link between the Prosecco wine and its territory of origin. The connection between a product and its producer and therefore its geographic origin, is in fact lost when we consider private labels; these have the effect of a switch of the focus towards a specific brand which often represents an external subject to that specific industry. As the wineries have made of this territoriality an element that contributes with great value to the perception of the product,

the Consortia need to keep promoting and presenting the reality of the area. This is just one step to guarantee a sustainable future for these wineries. The further step needs to take into consideration the two different development patterns present in the wine industry as a whole. We have seen that there is a need to keep promoting the link between Prosecco with Northern Italy, as this element will contribute to the recognition and continuity with consumers in traditional markets. Furthermore, Prosecco can count on a younger target in comparison to many European wines thanks to an accessible average price and to the attention paid by producers. We have seen how the history of the success of Champagne can hardly be replicated, however the structure of the industry consitutes an important example of how the different elements of this world have come together and created a well established network of offices in the most important markets. This element is definately worth of attention as it grants a direct involvment of the industry in strategical markets. Another important source of sustainability for Italian wineries comes from a renewed awareness and presence in global value chains. Within the many, we have analyzed three cases of Italian wineries which have been able to benefit from an enlarged arena and have now achieved important results thanks to a careful internationalization approach which has focused on the production side. Masi, Zonin and Antinori embraced the new globalization wave in the wine industry in a proactive way, with a new awareness towards the turns of the industry which brought them to balance their past experience with the current evolutions of the market. In fact they have been able to take advantage of their know-how to create and propose something new to the market in a mixture of international and Italian grape varieties. This approach will most likely represent a key element in this fast evolving scenario and could generate an important comparate advantage as it is based on

a further exploiting of skills already very present within the Italian wineries.

Appendix

Figure 5.4: List of the most present wineries on the web



Source: "Il gusto digital del vino italiano" 2017; website `http://cdn.fleishmanhillard.it/`

Table 5.2: Grape prices euro/kg.

	2016 Harvest	Var. % 2016/2015
Flat land		
Verduzzo IGT	0,43	4,9
Pinot bianco, Chardonnay IGT	0,43	-8,6
Riesling, Sauvignon IGT	0,55	10,0
Pinot grigio IGT	0,55	0,0
Rosso comuni, Merlot, Malbeck	0,45	20,0
Cabernet, Manzoni, Marzemino	0,48	5,6
Pinot nero IGT	0,50	-4,8
Raboso	0,53	16,7
Tai IGT	0,38	-11,8
Glera atta a Prosecco DOC	1,13	15,4
Complementary to Prosecco DOC	1,00	29,0
Hill		
Pinot bianco, Chardonnay	1,20	20,0
Cartizze DOCG	2,50	4,2
Glera atta a Prosecco Superiore DOCG	1,50	9,1

Source: Borsa merci della Camera di Commercio di Treviso; 2018

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