Wine Business Management – Dissertation

Name: Jacqueline Schneider Harris

Student no: SCHJAC010

Date: November 2009

Topic: Clustering as a strategy for developing the global competitiveness of small wine producers in South Africa
PLAGIARISM DECLARATION

UNIVERSITY OF CAPE TOWN

GRADUATE SCHOOL OF BUSINESS

DATE

DECLARATION

1. I know that plagiarism is wrong. Plagiarism is to use another's work and pretend that it is your own.

2. I have used a recognised convention for citation and referencing. Each significant contribution and quotation from the works of other people has been attributed, cited and referenced using the APA system.

3. I certify that this submission is all my own work.

4. I have not allowed and will not allow anyone to copy this essay with the intention of passing it off as his or her own work.

Signature: Date:
ABSTRACT

The environment, in which wine businesses operate, is the global wine arena. This environment is increasingly complex, competitive and fraught with challenges (Rabobank International, 2003).

In addition to managing the changes in supply and demand, the competition is mounting and the challenges are increased by a structural and long-term oversupply that has caused falling prices and margins all round the globe (Rabobank International, 2006).

The four recognised and accepted drivers of change for the wine industry are shifting demand; increasing retail power; the increasing impact of brands and increasing competition between wine countries and companies.

Clarifying and fine tuning strategies is now more important than ever for wine businesses.

The South African wine industry has a history that spans over 350 years, with the first wine being made in the Cape in 1659 (WOSA, 2009).

Currently, there is approximately 103 000 hectares under vine. Wine production in 2008 amounted to 1089 million litres. According to SAWIS March 2009 estimates, 1007.5 million litres are projected for 2009. (SAWIS, 2009) South Africa is ranked as the 9th largest producer in the world (SAWIS, 2009).

Since 2004, various reports have been written assessing the competitiveness of the South African wine industry. It is generally accepted that the South African wine industry needs strong premium brands to improve its competitiveness in the global arena.

Since domestic consumption is based on basic wine and is in a state of decline, this market cannot sustain the South African wine industry. It is dependent on exports. The future viability of the South African wine industry is dependent on its ability to compete internationally and thus the development of strong premium brands is integral to its success.

The wine industry, including tourism, contributes R22 549 million to the annual GDP of the country. The wine industry has its roots in the Western Cape and it is estimated that 70% of the industry’s activities have a direct impact on the Western Cape’s economy (Conningarsh consultants, 2004).

According to an industry study conducted in 2003, the wine industry supports employment opportunities for 256 908 people including tourism (Conningarsh consultants, 2004). The Cape wine lands is said to draw 43% of all tourists to South Africa (Ewert, 2005). SAWIS statistics indicate that the industry has grown significantly in terms of production and in terms of exports. By implication it is accepted that the contribution to the annual GDP of the country, in terms of employment opportunities and in terms of tourism and other businesses has increased significantly too. With collapse of the mining industry, the agricultural sector is becoming increasingly important as a contributor to the national GDP.

The lack of globally competitive South African premium wine brands is affecting the feasibility and sustainability of the South African Wine industry. The effects of which are particularly tangible in the challenging economic environment today.

The development and growth of such large brands has largely been retarded by the high level of fragmentation that characterises the South African Wine industry. While there are large wine
businesses in existence in South Africa, very few are large enough to singularly produce quantities of ‘global’ proportion. Not only are large quantities required, large quantities of premium quality wine is required. A critical mass of premium quality wine producers will be required in order to develop a global wine brand.

Consolidation and brands go hand in hand as brands require critical mass to succeed (Rabobank International, 2006). While various attempts have been made to achieve such ‘critical mass’ brands – as in the case of First Cape, Arniston Bay, and Namaqua. Success has varied, indicating that in addition to having the critical mass, there is a further need, specifically regarding branding. To date, the inability of wine companies to sufficiently leverage branding has also hindered the development of globally competitive South African premium wine brands.

There are two dimensions involved – on the one hand it is about creating and managing the required critical mass and on the other, it is about the function of branding. Essentially, it is a question about the organisational structure required to develop a globally competitive South African premium wine brand and the function of branding within that organisation i.e. what needs to be in place in order to successfully develop a globally competitive South African premium wine brand?

The research undertaken has resulted in the development of the concept of a ‘Wine Cluster brand’ which deals with creating and managing the critical mass requirement. The critical success factors of such an arrangement between wine businesses have been identified.

In order to ensure maximum leverage of branding, Stafford Beer’s Viable Systems Model has been used to incorporate the function of branding within the greater organisation.

The end result is an integrated model which deals both with issues of fragmentation and issues of branding – the recognised hindrances to success of the South African Wine industry in the global arena to date. This model provides a practical foundation on which globally competitive South African premium brand may be developed.

With global premium brands in place, the image of South Africa as a quality wine producer will be secured. Higher prices will be justified, higher margins secured and the long term feasibility and sustainability of the South African wine industry will be secured.

Since the research context is South Africa, it is applicable for wine businesses based in this country. Since the research involved a regional body brand as well as that of a wine product, the approach can be adopted for both such entities however the products concerned will vary. In the case of the regional body it will include outputs such as brochures, maps, wine routes and wine events.

The competitiveness of wine countries in the global arena is determined by the ability to acquire shelf space and demand higher prices, and this is linked to the development of successful premium wine brands. Since the global wine industry is characterised with fragmentation, this model can be applied to all wine industries struggling to develop large premium brands.
Contents

Chapter 1 .................................................................................................................. 5
  The research subject and the position of the researcher ........................................ 5
  The layout of the dissertation ............................................................................... 5
Overview of the global wine arena ........................................................................ 6
  Statistical overview and the drivers that influence this arena ................................. 6
  Strategies in the global wine arena ....................................................................... 18
  The role of branding ............................................................................................ 19
Overview of the South African Wine Industry ......................................................... 22
  Statistical overview and history of this industry ................................................... 22
  Competitiveness of the South African wine industry ........................................... 27
  Consolidation in the South African wine industry .............................................. 33
  Branding in the South African wine industry ...................................................... 35
How to create and manage critical mass and effectively manage the function of branding? .... 40
  Wine cluster brands ............................................................................................ 41
    Introducing the concept .................................................................................... 41
    How this promotes the creation of premium brands ........................................... 44
Chapter 2: Literature Review ................................................................................. 46
  The concept of ‘Clusters’ .................................................................................... 46
  The concept of ‘Brands’ ....................................................................................... 48
The five core concepts of the study ....................................................................... 50
  Partnership advantages ....................................................................................... 50
  Relationship quality ............................................................................................ 51
  Top brand mindset .............................................................................................. 52
  Effective production system ............................................................................... 53
  Competent implementers .................................................................................... 54
  The concept of ‘Viability’ .................................................................................... 55
Chapter 3: Research Framework ........................................................................... 57
  Ontology: Critical Realism (CR) ......................................................................... 57
  Epistemology: SYSTAL Approach ...................................................................... 60
    Linking the SYSTAL approach with Critical Realism ....................................... 63
  Research Methodology ....................................................................................... 64
    The Grounded Theory Method ........................................................................ 64
    The Meta-synthesis Method: .......................................................................... 69
# TABLE OF FIGURES:

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Price quality segments</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Trend 1991-2005 World area under vine</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>World total wine production trend</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>World wine production trend - Selected countries 1994-2008</td>
<td>12</td>
</tr>
<tr>
<td>5</td>
<td>Production vs. Consumption trend 1996-2005</td>
<td>14</td>
</tr>
<tr>
<td>6</td>
<td>Old World Wine Exports 2000-2005</td>
<td>15</td>
</tr>
<tr>
<td>7</td>
<td>New World Wine Exports 2000-2005</td>
<td>16</td>
</tr>
<tr>
<td>8</td>
<td>Value imports by country: Top 10: 1961-2004</td>
<td>16</td>
</tr>
<tr>
<td>9</td>
<td>Volume imports: Top 10 countries 1961-2004</td>
<td>17</td>
</tr>
<tr>
<td>10</td>
<td>Drivers of change in the global wine arena</td>
<td>18</td>
</tr>
<tr>
<td>11</td>
<td>Rabobank key success factors for the wine industry</td>
<td>19</td>
</tr>
<tr>
<td>12</td>
<td>Key success factors for the wine industry</td>
<td>20</td>
</tr>
<tr>
<td>13</td>
<td>the overlap between the Rabobank models</td>
<td>21</td>
</tr>
<tr>
<td>14</td>
<td>Total Hectares under vine 1996-2007</td>
<td>22</td>
</tr>
<tr>
<td>15</td>
<td>Plantings vs. Uprootings</td>
<td>22</td>
</tr>
<tr>
<td>16</td>
<td>Age of vines in RSA vineyards</td>
<td>23</td>
</tr>
<tr>
<td>17</td>
<td>Total Exports 1992-2007</td>
<td>24</td>
</tr>
<tr>
<td>18</td>
<td>Rabobank SWOT of the South African wine industry</td>
<td>29</td>
</tr>
<tr>
<td>19</td>
<td>RSA Wine company size by volume</td>
<td>34</td>
</tr>
<tr>
<td>20</td>
<td>Relationship between the core variables</td>
<td>43</td>
</tr>
<tr>
<td>21</td>
<td>Linking the answer to the Rabobank pyramid of success</td>
<td>44</td>
</tr>
<tr>
<td>22</td>
<td>The concept: “wine cluster brand”</td>
<td>46</td>
</tr>
<tr>
<td>23</td>
<td>A depiction of a Cluster VSM</td>
<td>55</td>
</tr>
<tr>
<td>24</td>
<td>The branding function in cluster VSM</td>
<td>56</td>
</tr>
<tr>
<td>25</td>
<td>A depiction of social structures</td>
<td>59</td>
</tr>
<tr>
<td>26</td>
<td>Real learning - interaction between theory and application</td>
<td>61</td>
</tr>
<tr>
<td>27</td>
<td>The Deming wheel or PDSA cycle</td>
<td>61</td>
</tr>
<tr>
<td>28</td>
<td>how PDSA is real learning</td>
<td>62</td>
</tr>
<tr>
<td>29</td>
<td>the SYSTAL model</td>
<td>62</td>
</tr>
<tr>
<td>30</td>
<td>how PDSA links to SYSTAL</td>
<td>63</td>
</tr>
<tr>
<td>31</td>
<td>Linking SYSTAL to the Critical Realism ontology</td>
<td>63</td>
</tr>
<tr>
<td>32</td>
<td>An illustration of the GTM process</td>
<td>66</td>
</tr>
<tr>
<td>33</td>
<td>an illustration of the meta-synthesis method</td>
<td>72</td>
</tr>
<tr>
<td>34</td>
<td>Maxwell's Qualitative Research design - the components of the research framework</td>
<td>73</td>
</tr>
<tr>
<td>35</td>
<td>conceptual framework of study 1</td>
<td>76</td>
</tr>
<tr>
<td>36</td>
<td>interrelationships between core variables</td>
<td>83</td>
</tr>
<tr>
<td>37</td>
<td>Linking the core variables to contentious issues</td>
<td>83</td>
</tr>
<tr>
<td>38</td>
<td>joint problem solving mechanism effects business owner relationships</td>
<td>85</td>
</tr>
<tr>
<td>39</td>
<td>how the answer deals with the concern</td>
<td>85</td>
</tr>
<tr>
<td>40</td>
<td>answer causal loop diagram for study 2</td>
<td>86</td>
</tr>
<tr>
<td>41</td>
<td>answer causal loop diagram for study 3</td>
<td>87</td>
</tr>
<tr>
<td>42</td>
<td>Answer model for Study 4</td>
<td>87</td>
</tr>
<tr>
<td>43</td>
<td>synthesising the answer in a causal loop diagram</td>
<td>89</td>
</tr>
<tr>
<td>44</td>
<td>Linking the answer to the Rabobank pyramid of success</td>
<td>93</td>
</tr>
<tr>
<td>45</td>
<td>conceptual framework of study 2</td>
<td>111</td>
</tr>
</tbody>
</table>
Chapter 1

The research subject and the position of the researcher

The aim of the research was to find ways of enhancing and managing consolidation and branding in the South African wine industry. It sought to identify what needs to be in place to develop competitive South African premium brands. This dissertation is a presentation of the research results.

Drawing on 14 years experience in the South African wine industry and my involvement in two consolidated wine company brands, the focus of the research has been on identifying and overcoming hindrances to successful implementation of wine cluster brands.

The layout of the dissertation

This dissertation is comprised of five chapters.

Chapter one offers and overview of the global wine arena and the factors that influence and determine competitiveness. An overview of the South African wine industry follows, with an emphasis on its competitiveness in the global arena. Consolidation and branding in the context of the South African wine industry is assessed. Details of the consolidated wine companies involved in the research process are provided. The concern regarding the future viability of the South African wine industry is raised. The concept of ‘wine cluster brands’ is introduced. The research findings are detailed and considered in terms of its usefulness in addressing consolidation and branding to improve the competitiveness of the South African Wine Industry.

Chapter two contains the literature review. It occurs on three levels. The concept of wine cluster brand is considered in relation to the existing body of knowledge around the theories of clusters and branding. Five core concepts, the product of the research process, are considered in terms of the existing body of knowledge. Finally, viability is addressed in the form of Stafford Beer's viable systems model.

Chapter three concerns the research framework. It describes the ontology, the epistemology and the methodology applied. As such, aspects of critical realism, the SYSTAL approach, Grounded Theory Method and Meta-synthesis are described.

Chapter four contains the research results. First the application of the Grounded Theory Method is illustrated in the case of one of the studies conducted. (Summaries of the other three studies are provided as appendices at the end of this thesis.) Then a meta-synthesis of the four studies is provided. The outcome of the research is considered in terms of how it deals with the overall research question.
Chapter five is the evaluation of the dissertation. It includes general conclusions and suggestions for further research. The dissertation is assessed in terms of relevance, utility and trustworthiness. The ethical implications of the research results are assessed.

**Overview of the global wine arena**

**Statistical overview and the drivers that influence this arena**

The environment, in which wine businesses operate, is the global wine arena. This environment is increasingly complex, competitive and fraught with challenges (Rabobank International, 2003).

The dynamics of the global wine industry are better understood with knowledge of the history of wine and the multidimensional nature of wine product itself.

Wine has been part of Western history since the Neolithic Period (8500-4000 BC) (Orth, Lockshin, & d'Hauteville, 2007). Roman Imperialism helped to spread the production of wine across most of the countries in the Empire, which included most of North Africa and Southern Europe. The use of wine as part of Christian religious practices aided the spread of wine production and wine consumption across Europe after the collapse of the Roman Empire, eventually spreading throughout the world with the European Imperialism of the 15th-19th centuries (Silverman, Castaldi, Baack, & Sorlien, 2000).

Wine business has been dominated through most of the 20th century by Western Europe. “Old World” countries such as France, Spain, Italy, Portugal and Germany accounted for the majority of grapes and wines produced. Most of the consumption was also concentrated in these markets since wine was considered part of the traditional way of life. In the last decade, rising “New World” wine countries such as Australia, USA, Chile, Argentina, South Africa and New Zealand, have been challenging the stronghold of the traditional producers (Orth, Lockshin, & d'Hauteville, 2007).

Originally rooted in production agriculture, the wine business has become more commercial and global in the last decades.

However, wine is still a product defined by its place of production. Information on the origin of the grapes generates inferences about its quality and style. On one end of the spectrum are single-vineyard designations, on the other end, international wine brands which originate in a specific country (Orth, Lockshin, & d'Hauteville, 2007).

Greek and Roman records, referring to vintage dates and specific vineyards as superior to others, are seen as the beginnings of the wine quality system linked to the concept of “terroir” i.e. climate, soil, aspect of a vineyard site. This system developed further in the middle ages and became entrenched in the 19th century (Orth, Lockshin, & d'Hauteville, 2007).
After appellation (the area in which the wine is produced), the distinguishing wine factor is varietal. 'Varietal' refers to the type of grape used to make the wine - each with unique flavours, and each exhibiting unique flavours when grown in a different place (Silverman, Castaldi, Baack, & Sorlien, 2000). As a product category, wine is probably one of the most complicated to manage.

The core product can be red, white or blush, sparkling or still, with different levels of residual sugar, tannins, acid or other ingredients of interest. Add packages in various sizes and shapes (e.g. bottle, barrel, can, box) a brand name, sub-brand name, price, grape variety or blend, a vintage year, a country, region or other place of origin and a winemaker (Orth, Lockshin, & d'Hauteville, 2007).

Then there is the price segmentation. Wine prices vary significantly, both within individual countries and in international markets, based primarily on appellation and grape varietal differences, the perceived quality associated with those varieties and appellations, and marketing factors such as brand name (Schneplf, 2003). The segments with higher prices are very fragmented and show considerable product differentiation. The lowest price segments, with the lowest quality, are more homogenous related to demand for human consumption as well as for industrial uses (Agri/evaluation, 2002). This price/quality segmentation has lead to the development of recognised price/quality categories depicted in the illustration below.

Figure 1 Price quality segments
Each segment represents a price category that exists across the market. Linked to this, is the expectation that consumers in this category demand from wine at that price. In the table that follows, the expectations and requirements of each segment and the corresponding price point of each category is offered.

<table>
<thead>
<tr>
<th>Category</th>
<th>Expectation / Requirement</th>
<th>Retail price: Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>Low price, sweet</td>
<td>&lt;3.50</td>
</tr>
<tr>
<td>Popular premium</td>
<td>Varietal, fruit driven, accessible, clear branding.</td>
<td>3.50-5.50</td>
</tr>
<tr>
<td>Premium</td>
<td>Character, accessible, recognisable variety and origin characteristics, clear branding.</td>
<td>5.50-10</td>
</tr>
<tr>
<td>Super-premium</td>
<td>Brand name, brand awareness, authenticity of origin, full bodied, more character, richness, typical of varietal</td>
<td>10-15</td>
</tr>
<tr>
<td>Ultra-premium</td>
<td>Typical, varietal or good blend, more complexity, origin, image, quality brand. Image, cellaring potential, critical acclaim.</td>
<td>15-150</td>
</tr>
<tr>
<td>Icon</td>
<td>Long-term image. Complexity, cellaring potential, high scores.</td>
<td>&gt;150</td>
</tr>
</tbody>
</table>


Table 1 Characteristics and prices per quality segment

Along with the complexity in wine as a product category, comes the complexity in production and marketing. Wine can be made in many different ways in many different styles. Gravity flow vs. using pumps, fermentation in stainless steel tanks vs. oak barrels, malo-lactic fermentation or not, machine harvesting vs. picking by hand, different trellis systems vs. bush vines, irrigation vs. non-irrigated vines (Orth, Lockshin, & d'Hauteville, 2007).

The wine sector includes a large variance in company types ranging from large global corporations to small family-owned and operated firms. Wine is being sold directly from wineries as part of a tourism experience, to local shops and restaurants, to agents or distributors who take the product to market, or via the Internet (Orth, Lockshin, & d'Hauteville, 2007).

In order to provide a snapshot of the global wine market, tables and graphs depicting the area under vine, wine production, wine consumption, wine exports and wine imports are provided. The
information underlying substantiating these graphs was derived from the South African Wine Information Services website (www.sawis.co.za) and is based on the universal statistics provided by OIV (International Organisation of Vine and Wine).

AREA UNDER VINES

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Spain</td>
<td>1180000</td>
</tr>
<tr>
<td>2</td>
<td>France</td>
<td>894000</td>
</tr>
<tr>
<td>3</td>
<td>Italy</td>
<td>842000</td>
</tr>
<tr>
<td>4</td>
<td>Turkey</td>
<td>555000</td>
</tr>
<tr>
<td>5</td>
<td>China</td>
<td>485000</td>
</tr>
<tr>
<td>6</td>
<td>USA</td>
<td>399000</td>
</tr>
<tr>
<td>7</td>
<td>Iran</td>
<td>338000</td>
</tr>
<tr>
<td>8</td>
<td>Portugal</td>
<td>248000</td>
</tr>
<tr>
<td>9</td>
<td>Argentina</td>
<td>219000</td>
</tr>
<tr>
<td>10</td>
<td>Romania</td>
<td>217000</td>
</tr>
<tr>
<td>11</td>
<td>Chile</td>
<td>193000</td>
</tr>
<tr>
<td>12</td>
<td>Australia</td>
<td>167000</td>
</tr>
<tr>
<td>13</td>
<td>Moldavia</td>
<td>147000</td>
</tr>
<tr>
<td>14</td>
<td>South Africa</td>
<td>134000</td>
</tr>
<tr>
<td>15</td>
<td>Greece</td>
<td>113000</td>
</tr>
</tbody>
</table>

Table 2 Top 15 Countries (2005) Area under vine (Ha)
After sustained growth until 1980, worldwide areas planted under vines decreased under the effect of EU measures encouraging vine uprooting.

![World Area under Vine (x 1000 Ha)]

Figure 2 Trend 1991-2005 World area under vine

Africa continues to show growth. In America, the biggest growth area is Argentina. Asia is the main growth point for world vineyards with China taking the lead. In Iran, Turkey and Syria a significant part of the vineyards are intended for the production of non-vinified products. The area under vine in Europe has stabilised. The main growth point in Oceania is Australia (SAWIS, 2009).

WORLD SUPPLY: PRODUCTION VS. CONSUMPTION:

WORLD PRODUCTION

Italy is the world leader in terms of volume production.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Italy</td>
<td>5402100000</td>
</tr>
<tr>
<td>2</td>
<td>France</td>
<td>5210500000</td>
</tr>
<tr>
<td>3</td>
<td>Spain</td>
<td>3615800000</td>
</tr>
<tr>
<td>4</td>
<td>USA</td>
<td>2288800000</td>
</tr>
<tr>
<td>5</td>
<td>Argentina</td>
<td>1522200000</td>
</tr>
<tr>
<td>6</td>
<td>Australia</td>
<td>1430100000</td>
</tr>
<tr>
<td>7</td>
<td>China</td>
<td>12000000000</td>
</tr>
<tr>
<td>8</td>
<td>Germany</td>
<td>915300000</td>
</tr>
<tr>
<td>9</td>
<td>South Africa</td>
<td>840600000</td>
</tr>
<tr>
<td>10</td>
<td>Chile</td>
<td>788600000</td>
</tr>
</tbody>
</table>

Table 3 Top 10 countries (2005) Wine production (litres)
Until 1995, there was a decline in world production. Since then there has been a reversal. Despite occasional unfavourable weather conditions, world wine production has not dropped under the level recorded in 1998 (SAWIS, 2009).

![Graph showing world total wine production trend]

**Figure 3 World total wine production trend**

According to the findings of a VINEXPO study conducted by the International Wine & Spirit Record (IWSR), worldwide wine production grew by 1.78% to reach a total of 2.828 billion 9-litre cases between 2003 and 2007. And it is estimated that production will continue to grow by 3.38% between 2008 and 2012 to reach 3.022 billion cases (Winenews, 2009).

However, a FAS (Foreign Agricultural Service) report dated April 2009 negates these figures and indicates that world wine production is expected to continue trending downward to 250 million hectolitres, down about 5% in 2009 (Foreign Agricultural Service, 2009).

EU production is expected to dip as a result of waning consumption and agricultural policy reform aimed at eliminating its oversupply and removing inefficient vineyards. Australian production is forecast down due to drought, low prices and high stock levels (Foreign Agricultural Service, 2009).

Figures from the ‘Market Insight Report’ of January 2009 indicate that there has been a downward trend in world wine production following its peak in 2004. France and Italy are seen as the drivers of this downward trend. The graph below, based on the figures from this report, indicate that while there has been a decrease in the Old World, New World wine production has increased (Global wine supply monitor, 2009).
WORLD WINE CONSUMPTION

During the 1980’s there was a drop in world wine consumption. The 1990’s was relatively unstable. 2001 saw the start of the increasing trend (SAWIS, 2009). Traditional wine producing areas have either seen stabilisation or decrease in individual consumption. New producer countries continue to grow individual consumption. Countries which do not produce wine (or only marginally) continue to grow (SAWIS, 2009).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>France</td>
<td>3353000</td>
</tr>
<tr>
<td>2</td>
<td>Italy</td>
<td>2701600</td>
</tr>
<tr>
<td>3</td>
<td>USA</td>
<td>2511000</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>1984800</td>
</tr>
<tr>
<td>5</td>
<td>Spain</td>
<td>1368600</td>
</tr>
<tr>
<td>6</td>
<td>China</td>
<td>1350000</td>
</tr>
<tr>
<td>7</td>
<td>UK</td>
<td>1200000</td>
</tr>
<tr>
<td>8</td>
<td>Argentina</td>
<td>1097200</td>
</tr>
<tr>
<td>9</td>
<td>Russia</td>
<td>1050000</td>
</tr>
<tr>
<td>10</td>
<td>Romania</td>
<td>580000</td>
</tr>
</tbody>
</table>

Table 4 Top 10 countries consumption (2005) x 1000 litres
According to the findings of a VINEXPO study conducted by the International Wine & Spirit Record (IWSR), the consumption growth rate will accelerate. In 2007, more than 31 billion bottles of wine were consumed around the world and the overall trend to 2012 indicates that consumption will increase by 6% over the 5-year period to reach a total of 2.816 billion cases (Winenews, 2009).

This however is negated by a Datamonitor report, which indicates that wine consumption in 2008 reported a decrease of 2 million hectolitres versus 2007, mainly due to the continuous fall in the traditional European producing countries i.e. France, Italy, Spain and Germany. Consumption increases in the US, Australia and the Czech Republic have counterbalanced the overall effect. Consumption in South Africa, Chile and New Zealand has stabilised (Datamonitor, 2009).

This is substantiated by a USDA report indicates that despite deteriorating global economic conditions, world demand for wine is likely to ease only marginally in 2009 as consumers shift to lower cost brands rather than significantly reducing their consumption (Foreign Agricultural Service, 2009).

**PRODUCTION VS. CONSUMPTION:**

The difference between production and consumption determines the level of oversupply. The graph below illustrates the gap that exists between production and consumption i.e. the extent of the oversupply.
Figure 5 Production vs. Consumption trend 1996-2005

Source: (Wittwer & Rothfield, 2004)

Although the outlook is better than it was a few years ago, the worldwide wine industry is set to remain in a state of oversupply.

More up to date figures indicate that as of 2008, worldwide per capita consumption has fallen for three consecutive years and is projected to fall even further. This is largely attributed to the mature wine markets in the European Union where lifestyle changes have been a major factor in the decline particularly in France and Italy, where wine has traditionally been consumed with meals (Wine Spectator, 2009).

INTERNATIONAL WINE TRADE: EXPORTS AND IMPORTS

According to a Rabobank report published in 2007, world trade in wine had risen by more than 80% over the last twenty years to 78.7 million hl and a total value in excess of USD 20 billion. Exports then accounted for 28% of world production and 33% of world demand (Rabobank International, 2007).

EXPORTS:

The Old World wine producers dominate world wine exports -with France, Italy and Spain particularly dominant. According to OIV figures illustrated in the graph below, Spain has shown the most significant growth in exports, France has declined and Italy has grown again following a slump in 2003 (SAWIS, 2009). According to the USDA report, the EU accounts for about half of the world’s wine trade (Foreign Agricultural Service, 2009).
Exports from the New World wine producers are dominated by Australia. According to the USDA report, Australia is now the second largest exporter, making up 15% of the world’s exports, despite only accounting for 5% of global production. However, exports are forecast to remain flat due to increased competition, lower demand and the strengthening Australian dollar (Foreign Agricultural Service, 2009).

The situation until 2004 in terms of volume imports and value imports is reflected in the graphs that follow.
By Value: US$ million

![Chart showing value imports by country: Top 10, 1961-2004](chart)

**Figure 8 Value imports by country: Top 10: 1961-2004**

Source: (Wittwer & Rothfield, 2004)

In terms of value, the UK has dominated since the second half of the 1990's, when it took over from Germany as the top value importer. The USA became increasingly important in the same period and has subsequently overtaken Germany too. A GAIN report of 2008 confirms the positioning of the UK as the biggest and the USA as the second largest importer of wine in the world (Office of Global Analysis, 2008).

By Volume: Million litres

![Chart showing volume imports: Top 10 countries, 1961-2004](chart)

**Figure 9 Volume imports: Top 10 countries 1961-2004**

Source: (Wittwer & Rothfield, 2004)
In terms of volume, there has been a big shift between France and Germany. Where France dominated volume imports in the 1960's, Germany has steadily increased while France has steadily decreased, to a point where Germany dominated overall in terms of volume imports. Growth in UK imports has also been significant especially in the period 1995-2004.

Since the publication of the statistics used for the graphs above, the situation has changed. According to a January 2009 report published by the Telegraph, Britain has become the world’s largest wine importer, overtaking Germany for the first time (Wallop, 2009). The position of Germany has also been usurped, by the USA. A GAIN report of 2008 confirms this positioning (Office of Global Analysis, 2008).

It is important to note that as two-way trade continues to grow in the New World countries, the relative importance of the Old World countries is decreasing (Agri/evaluation, 2002).

**THE GLOBAL ARENA:**

The world wine market is characterised by tradition and dynamic development. Key words for describing the global wine arena include globalisation; increasing importance of brands; changes in demand behaviour and market balance (Agri/evaluation, 2002).

Rabobank International has developed the following model depicting the drivers of change in the global wine arena and their interrelationship with each other.

![Wine industry drivers diagram](source: Rabobank, 2006.)

**Figure 10 Drivers of change in the global wine arena**

Euromonitor’s description of the world wine market in 2006, confirms this depiction.

The growth in consumer sophistication is resulting in a shift towards premium, high-quality wines. This is underpinned by increasing consumer knowledge about the products themselves, fuelled by the
international media, wine clubs, samples and in-store tastings. (Shifting demand) Off-trade and on-trade wine sales have both grown, but off-trade dominates as at-home consumption of competitively-priced supermarket-bought New World wines has grown significantly. (Increasing retail power) The global wine market is characterised by greater consolidation as regional and national players position themselves as global wine producers and capitalise on growing demand for wine in developed and developing markets. (Increasing competition) Brands appeal to consumers who are unfamiliar with wine products. Branding strategies are becoming increasingly influential. (Creating brand value) More effective attempts to combat drink-driving has resulted in an increase in at-home consumption (Legislation). (Euromonitor, 2006).

Since the consolidation of retailers has resulted in the consolidation of wine companies, Rabobank International has identified the increasing retail power as the strongest wine industry driver. However, it could be argued that the power ultimately lies with the consumer and that shifting demand is the strongest driver, especially in an industry characterised by oversupply.

Both the wine industry and the retail industry are dependent on the consumer for continued survival. Consumer loyalty is fickle - the inability to deliver and meet the shifting demands of the consumer will result in them going somewhere else to find what they want.

**Strategies in the global wine arena**

In an increasingly competitive global wine arena, the challenge is for wine businesses to develop strategies for success. Rabobank International has developed a model representing the elements of winning strategies in the wine industry.

![Key success factors for the wine industry](image)

**Source:** Rabobank, 2006.

**Figure 11 Rabobank key success factors for the wine industry**

Distribution power, at the top of the pyramid, refers to access to distribution channels. All wine companies need to strengthen access to the distribution channels. Wine companies build distribution
power in different ways – through building a range of attractive brands; through innovations; through cost leadership. The greater the consumer interest and demand for the brand, the more inclined distribution channels will be to list the product (Rabobank International, 2006).

The base of the pyramid concerns financial power and business management. The wine market is characterised by price and margin squeeze, making cost control and financial power increasingly important not only for survival in the down cycle, but also in terms of investing in innovations and making strategic acquisitions (Rabobank International, 2006).

The heart of the pyramid is knowledge. This is a culmination of an understanding of the quality segments of the industry, the drivers of the wine industry and the strategic positioning of the wine company, as illustrated in the following figure (Rabobank International, 2006).

Within this model, three components are represented namely that of market success, financial success and organisational success.

![Diagram](image)

**Key success factors for the wine industry**


**Figure 12 Key success factors for the wine industry**

The premise is that market success drives financial success and organisational success.

**The role of branding**

The importance of ‘branding’ is highlighted when one considers the two Rabobank models in conjunction with each other. See figure below. The area of overlap is that of ‘creating brand value’ and ‘brands’. This is significant, in an arena which appears beyond the control or influence of wine businesses.
Figure 13 the overlap between the Rabobank models

‘Branding’ strategies – which wine businesses overtly manage – determine the industry driver of ‘creating brand value’. It is the only industry driver that wine businesses can directly influence to effect change in the status quo of the global arena.

According to the model, an improvement in ‘brand value’ will lead to an improvement in the competitiveness of wine companies and wine countries involved; consumers will demand the brand and the position of the wine company in relation to that of the retailers will be improved.

For clarification, it should be noted that the concept of ‘branding’ is used to indicate the process of building a brand i.e. creating brand value. The two most important components of creating brand value are brand awareness and perceived quality (Wilcox, Laverie, Kolyesnikova, Duhan, & Dodd, 2008). Brand awareness is defined as the ability of the individual to recall a brand name in a product category. Perceived quality is defined as the consumer’s perception of a brand’s quality (Wilcox, Laverie, Kolyesnikova, Duhan, & Dodd, 2008).

It is widely recognised that brands can provide value and strength in the market well beyond that which is provided by the intrinsic characteristics of the products (Wilcox, Laverie, Kolyesnikova, Duhan, & Dodd, 2008).
Research indicates that while perceived quality is important, the main driver of brand value in the wine industry is brand awareness. “Without brand awareness there is no brand equity – awareness is a necessary condition for brand familiarity, brand preference, brand loyalty also for a trial of a wine or a visit to the winery” (Wilcox, Laverie, Kolyesnikova, Duhan, & Dodd, 2008). In a wine market with a brand mortality rate of over 50% in sixteen years, brand awareness has to form an integral part of the brand building process.

Brand awareness is the process of exposing the brand to potential consumers and can be achieved in various ways, ranging from advertising, third party media endorsements, sponsorships, direct communication etc. Linked to this, is the availability and accessibility of the product which has a volume implication.

Despite the increasing importance of brand awareness and brand value across the segments, brand loyalty across the segments in wine is not strong. In the large popular premium segment it seems easier to realise as most consumers in this segment lack any kind of wine knowledge and well-known brands give them some security. In the premium segment, consumers want choice, want to be surprised in a positive way and like to experiment (Rabobank International, 2003).

Wine brands need to be deliberately built to create consumer loyalty. In so doing they generate a price premium or at least a buying preference over wines without a clear brand (Rabobank International, 2003).

The segmentation of the wine industry means that a given brand is unlikely to achieve success in all segments, from basic to ultra premium, since each segment has specific and different requirements. A brand should target a specific market segment in which it can build recognition and increase market share. Brand ladders can be utilised at a later stage to encourage consumers to trade up within the existing brand (Rabobank International, 2003).

Strong brands lead to strong companies, consumer loyalty and to an overall strong industry (Vrontis & Papasolomou, 2007). By having a strong brand a company can enjoy cost effective marketing campaigns, greater trade leverage, higher margins, ease of extending lines, stand out of competition and defence against price competition (Vrontis & Papasolomou, 2007).

Rabobank identifies the main challenge for wine companies is achieving the critical mass needed to create significant brands, coupled with the limited budgets available for reaching the right consumers (Rabobank International, 2003).

In the next section, an overview of the South African wine industry is presented, together with an assessment of the competitiveness of this industry.
Overview of the South African Wine Industry

Statistical overview and history of this industry
The South African wine industry has a history that spans over 350 years, with the first wine being made in the Cape in 1659 (WOSA, 2009).

INDUSTRY SNAPSHOT:
Currently, there is approximately 103 000 hectares under vine.

![Graph showing Total Hectares under vine 1996-2007.](image)

Figure 14 Total Hectares under vine 1996-2007
Source: www.wosa.co.za

Since 1995 there has been extensive uprooting and replanting of vineyards in an endeavour to improve vine quality and improve the balance in terms of varieties.

![Graph showing Plantings vs. Uprootings.](image)

Figure 15 Plantings vs. Uprootings
Source: www.wosa.co.za

There have been significant increases in red grape varieties planted. Chenin blanc, the workhorse of the South African wine industry, has been replaced with more commercial and viable varieties like Chardonnay and Sauvignon blanc.
<table>
<thead>
<tr>
<th></th>
<th>1990%</th>
<th>2000%</th>
<th>2007%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chenin blanc</td>
<td>32</td>
<td>24</td>
<td>19</td>
</tr>
<tr>
<td>Chardonnay</td>
<td>2</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Sauvignon blanc</td>
<td>4</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Viognier</td>
<td></td>
<td></td>
<td>0.7</td>
</tr>
<tr>
<td>TOTAL WHITE</td>
<td>84</td>
<td>64</td>
<td>56</td>
</tr>
<tr>
<td>Cabernet Sauvignon</td>
<td>4</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Merlot</td>
<td>1</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Pinotage</td>
<td>2</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Shiraz</td>
<td>1</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL RED</td>
<td>16</td>
<td>36</td>
<td>44</td>
</tr>
</tbody>
</table>

Table 6 Wine grapes as % of Total Hectares

Source: www.wosa.co.za

The lifespan of vines in South Africa are limited to approximately 25 years. Generally, wine is made from vines four years and older. The current situation regarding the age of vine is depicted in the graph below.

![Figure 16 Age of vines in RSA vineyards](source)

Source: www.wosa.co.za
Wine production in 2008 amounted to 1089 million litres. According to SAWIS March 2009 estimates, 1007.5 million litres are projected for 2009 (SAWIS, 2009).

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008 (est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wine</td>
<td>712.7</td>
<td>696.6</td>
<td>628.5</td>
<td>709.7</td>
<td>730.4</td>
<td>787.2</td>
</tr>
<tr>
<td>Rebate</td>
<td>50.5</td>
<td>85.4</td>
<td>82.9</td>
<td>82.1</td>
<td>101.5</td>
<td>88.2</td>
</tr>
<tr>
<td>Juice</td>
<td>70.7</td>
<td>87.8</td>
<td>64.6</td>
<td>73.2</td>
<td>65.2</td>
<td>68.8</td>
</tr>
<tr>
<td>Distilling wine</td>
<td>122.2</td>
<td>145.8</td>
<td>129.2</td>
<td>147.9</td>
<td>146.4</td>
<td>156.9</td>
</tr>
</tbody>
</table>

Table 7 RSA Production figures 2003-2008

Source: www.wosa.co.za

South Africa is currently ranked as the 9th largest producer in the world. Italy is ranked as the largest producer with 5 402.1 million litres recorded in 2007. France, Spain, USA and Argentina are included in the top 5 (SAWIS, 2009).

![Millions Litres](image)

Figure 17 Total Exports 1992-2007

The UK is the most important market for South Africa in terms of volume. Germany, Netherlands and Sweden follow, as indicated by the table that follows.
<table>
<thead>
<tr>
<th></th>
<th>2007%</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>28</td>
</tr>
<tr>
<td>Germany</td>
<td>19</td>
</tr>
<tr>
<td>Netherlands</td>
<td>9</td>
</tr>
<tr>
<td>Sweden</td>
<td>8</td>
</tr>
<tr>
<td>Africa</td>
<td>5</td>
</tr>
<tr>
<td>Denmark</td>
<td>4</td>
</tr>
<tr>
<td>Canada</td>
<td>4</td>
</tr>
<tr>
<td>USA</td>
<td>4</td>
</tr>
<tr>
<td>Belgium</td>
<td>3</td>
</tr>
<tr>
<td>Australia</td>
<td>2</td>
</tr>
<tr>
<td>All other</td>
<td>14</td>
</tr>
</tbody>
</table>

Table 8 Exports around the world 2007

Source: www.wosa.co.za

The table below illustrates the export growth trends since 2001.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>139</td>
<td>105</td>
<td>85</td>
<td>106</td>
</tr>
<tr>
<td>Sweden</td>
<td>107</td>
<td>136</td>
<td>116</td>
<td>112</td>
</tr>
<tr>
<td>Netherlands</td>
<td>123</td>
<td>103</td>
<td>70</td>
<td>93</td>
</tr>
<tr>
<td>Germany</td>
<td>120</td>
<td>131</td>
<td>91</td>
<td>107</td>
</tr>
<tr>
<td>Canada</td>
<td>113</td>
<td>137</td>
<td>108</td>
<td>102</td>
</tr>
<tr>
<td>Belgium</td>
<td>101</td>
<td>126</td>
<td>107</td>
<td>100</td>
</tr>
<tr>
<td>USA</td>
<td>161</td>
<td>159</td>
<td>96</td>
<td>100</td>
</tr>
<tr>
<td>Denmark</td>
<td>130</td>
<td>123</td>
<td>128</td>
<td>117</td>
</tr>
<tr>
<td>TOTAL</td>
<td>131</td>
<td>114</td>
<td>93</td>
<td>108</td>
</tr>
</tbody>
</table>

Table 9 Total wine exports - growth trends (volume)

Source: www.wosa.co.za

WINE INDUSTRY HISTORY

The history of this industry can be seen in two parts, pre-1993 and post-1993. Pre-1993 the South African wine industry was not active in the global arena. Embargos on South African products were in place. The wine industry was highly regulated, supply driven and dependent on a weak domestic market for survival. Post-1993, the wine industry is characterised by local industry deregulation, internationalisation and the politics of democratisation and legal reform (Ewert, 2005).
Key to understanding the nature of the South African wine industry is understanding the role of the Kooperatiewe Wijnbouwers Vereniging van Zuid-Afrika Bpkl (KWV) in the industry from 1918 until 1993; the role of the distilling industry and co-operative wineries.

Following grape growers demands for a regulatory system to prevent the destabilising effects of periodic surpluses, the KWV was formed in 1918, armed with statutory power to manage the South African wine industry. Planting quotas, minimum prices and mechanisms for surplus removal were introduced. The KWV became the biggest wine producer and the sole exporter of South African wine. A KWV statute barred independent cellars from trading in international markets (Ewert, 2005). (The first steps towards deregulation of the wine industry were taken in 1989 in the wake of deregulation of the agricultural sector in general, starting with the abolition of the quota system and culminating in the removal of minimum prices. The KWV was converted into a company in 1998.)

The distilling industry, supplying the South Africa’s brandy market, had a strong position. Not only did the distillers aid the removal of wine surplus, they offered lucrative returns for producing wholesalers (Ewert, 2005).

Co-operative cellars, operating on a ‘pool system’ dominated the industry. Farmers were paid according to variety, in terms of number of tons delivered and in terms of the selling price realised for the pool as a whole (Ewert, 2005).

The result was an industry, pre-1993, focussed on supply, characterised as a low quality, high volume industry, with much of the production going to distillation.

Post-1993, the shape of the industry has changed.

While there has been a decrease in the number of co-operatives and primary producers since 1991, there has been an increase in the number of independent cellars and producing wholesalers (WOSA, 2009).

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered growers</td>
<td>4786</td>
<td>3999</td>
</tr>
<tr>
<td>Independent cellars</td>
<td>212</td>
<td>560</td>
</tr>
<tr>
<td>Co-operatives</td>
<td>70</td>
<td>59</td>
</tr>
<tr>
<td>Producing wholesalers</td>
<td>6</td>
<td>20</td>
</tr>
</tbody>
</table>

Table 10 RSA wine producers
South Africa is ranked as the 8th biggest exporter of wines in the global arena. Italy is ranked top, followed by Spain, France, Australia, Chile, United States and Germany. South Africa exports more wine than Portugal and Argentina (SAWIS, 2009).

The top ten importers of South African wine, by volume, are United Kingdom; Germany; Sweden; Netherlands; Angola; Russia; Denmark; United States; Canada andBelgium (SAWIS, 2009).

Of the 1089 million litres produced in 2008, 70.5% was used for wine production, 6.5% for the production of cognac style brandy, 7.5% for grape concentrate and grape juice production and the balance (15.5%) was used for distilling (SAWIS, 2009).

According to the SAWIS commissioned macro-economic study of the wine industry on the Western Cape in 2003, the total turnover of the South African wine industry in 2003 amounted to R10 675, 27 million. Of that amount R3 153, 40 million was exported directly. An additional amount of R 4 198.37 million was generated indirectly through wine tourism (Conningarth consultants, 2004).

At the time of the study, an attempt was made to estimate what the effect would be on the country’s economy if the wine producing activities in the Western Cape would cease to exist – it was concluded in broad terms that local businesses would lose R 7 521, 87 million for supplying raw material to this industry (Conningarth consultants, 2004).

The wine industry, including tourism, contributes R22 549 million to the annual GDP of the country. The wine industry has its roots in the Western Cape and it is estimated that 70% of the industry’s activities have a direct impact on the Western Cape’s economy (Conningarth consultants, 2004).

The wine industry supports employment opportunities for 256 908 people including tourism (Conningarth consultants, 2004). The Cape wine lands is said to draw 43% of all tourists to South Africa (Ewert, 2005).

Although up-to-date information regarding the financial contribution of the industry is not available, SAWIS statistics indicate that the industry has grown significantly in terms of production and in terms of exports. By implication it is accepted that the contribution to the annual GDP of the country, in terms of employment opportunities and in terms of tourism and other businesses has increased significantly too. A follow-up report has been commissioned and is expected to be made available to the industry in 2010.

**Competitiveness of the South African wine industry**

Since 2000, various reports have been written assessing the competitiveness of the South African wine industry. The most widely recognised are those by Rabobank International. Other reports include
a USDA GAIN report and a study commissioned by the now defunct South African Wine and Brandy Company. In the part that follows, a summary of these reports is offered.

The USDA GAIN report of 2002 focuses on statistical information such as area planted, percentage white vs. red grapes, total production, exports and imports (USDA Foreign Agricultural Service, 2002).

It indicates that the wine industry is becoming increasingly market-focused and producing wines that are acceptable to the world market at prices that are offering value. It reports on its international market share growth. It does not offer conclusions or opinions.

Of more value, is the SWOT analysis of the South African wine industry, published by Rabobank in 2004. See following page.

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ideal climate, with many different regions</td>
<td>Highly fragmented industry structure</td>
</tr>
<tr>
<td>Overall good image</td>
<td>No strong companies or brands in the premium segment; in UK only 2.5% sold</td>
</tr>
<tr>
<td>Different wine styles; elements of Old and New World.</td>
<td>above GBP 5 per bottle.</td>
</tr>
<tr>
<td>Attractive varieties eg. Shiraz; Sauvignon blanc.</td>
<td>Only 2 brands with 1 million+ cases, only in popular premium segment.</td>
</tr>
<tr>
<td>Strength in basic and popular premium segments and wines in super premium</td>
<td>Not enough red wine</td>
</tr>
<tr>
<td>and ultra premium segments</td>
<td>Not consistent enough</td>
</tr>
<tr>
<td>Low-cost producer, land and labour is inexpensive.</td>
<td>Too many ‘me-too’ brands.</td>
</tr>
<tr>
<td>Strong position in a few markets eg. UK, Netherlands.</td>
<td>Recognised as producer of ‘cheap’ wines</td>
</tr>
<tr>
<td>Flexibility.</td>
<td>Hardly in USA.</td>
</tr>
<tr>
<td>Less in need-to-sell situation than some other countries.</td>
<td>Capital scarce and expensive.</td>
</tr>
<tr>
<td></td>
<td>Not involved in global consolidation process.</td>
</tr>
</tbody>
</table>
Figure 18 Rabobank SWOT of the South African wine industry

Based on this analysis, Rabobank International proposed the following strategic options:

1. Internal improvements – investment of profits into optimising branding strategy rather than paying out profits to members – especially in the case of co-operatives.
2. Consolidate in South Africa – to develop a 2-3 million case brand in the premium segment.
3. Seek an international partner – access to finance and international experience. Hopefully this will trigger further international investment.

"An inquiry into the competitiveness of the South African wine industry", was commissioned by the Wine & Brandy Company (SAWB) and published in October 2005 (Esterhuizen & van Rooyen, 2005). This report highlights the major 'enhancements' and 'constraints' of competitiveness of the wine industry in South Africa and concludes with four proposed strategies.

The five major enhancements include the intense competition in the local and international market; the availability of unskilled labour; the regular entry of new competitors into the market; the production of affordable high quality products; the production of environmentally friendly products.

Other factors that are rated as positive are economies of scale; strategies by wine firms to utilise quality technology in the vineyards and cellars; the availability of competitive local suppliers of primary outputs; the high level of trust and ethics in the production process; continuous innovation, research and development; investment in human resources; scientific research and stringent regulatory standards in the industry.
Only three major constraints are listed: The strong Rand; the fluctuation in the exchange rate; and the low trust in political support to drive a sound economic agenda. Other constraints include the difficulty of starting a new business in the industry, the competence of the bureaucracy in the public sector and the burdensome administrative regulations, crime factors and aspects of South Africa’s labour policy.

Uncertainty on matters related to South Africa’s Black Economic Empowerment and transformation policies and the impact of the tax system were also noted as constraints. Together with cost of finance, the quality of skilled labour, the land issue and the size and growth of the local market.

Based on this study, the following strategies were proposed:

1. The development of ‘Brand South Africa’ to portray the uniqueness of the country as a wine producing region.
2. Introducing measures and approaches to combat the sectors reliance on a weak Rand value.
3. The promotion of successful BEE activities.
4. The establishment of a sound industry government partnership to stimulate growth, investment and development of the sector.

Linked to the report on the ‘Changing competitiveness in the wine industry: the rise and fall of wine countries’ (2007) Rabobank analysed the competitiveness of South Africa again, this time comparing it to the competitiveness of other wine producing countries like Chile, Argentina, France, Italy etc.
In terms of production factors, strengths and weaknesses are listed as follows:

<table>
<thead>
<tr>
<th></th>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geography</td>
<td>Same time zone as EU</td>
<td>Long distance to markets</td>
</tr>
<tr>
<td>Climate</td>
<td>Mild to warm, many microclimates</td>
<td>Annual quality shifts;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High disease pressure</td>
</tr>
<tr>
<td>Land</td>
<td>Numerous terroirs</td>
<td>Increasingly expensive</td>
</tr>
<tr>
<td></td>
<td>Limited space for development</td>
<td></td>
</tr>
<tr>
<td>Raw materials</td>
<td>All modern grape varieties</td>
<td>Virus-infected vines</td>
</tr>
<tr>
<td></td>
<td>Pinotage unique</td>
<td>Too much white</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Water availability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High cost of technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Glass supplier monopoly</td>
</tr>
<tr>
<td>Labour</td>
<td>Skilled management</td>
<td>Farm labour unskilled</td>
</tr>
<tr>
<td></td>
<td>Low, but increasing labour costs</td>
<td>Vineyards not mechanised</td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td>Expensive and scarce</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Limited foreign investment</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Good roads</td>
<td>Capacity at ports limited in season</td>
</tr>
<tr>
<td>Knowledge structure</td>
<td>System being built</td>
<td></td>
</tr>
</tbody>
</table>

Table 11 Rabobank table of RSA strengths and weaknesses

Source: (Rabobank International, 2007)

In terms of the industry structure, it is noted that the fragmentation is high and the number of smaller wineries continues to grow. The top 10 wine companies account for 55% of the total exports. The level of consolidation is comparable to Chile and is low – making it difficult for foreign companies to invest in strong premium brands.

In terms of marketing, branding and style, the major weakness is the absence of strong (popular) premium brands. Despite the success of brands like Kumala (2.4 million cases) and Kaapse Pracht (1
million cases) South Africa is perceived primarily as a supplier of cheaper wines. As yet, no distinct South African wine style exists and to date, no ‘icon’ wines have emerged (Rabobank International, 2007).

In terms of the domestic demand, most of the domestic wine market is based on basic wine and does not stimulate and drive innovation. However, wine tourism is well developed.

The government is regarded as reluctant to provide structural support since its focus is on transformation, land ownership and black empowerment.

In terms of economic variable, the interaction between companies and the exchange of knowledge is recognised and said to be increasing. The high cost of capital appears to be hindering entrepreneurial activity in the industry, while the fluctuation of the rand remains a challenge.

In summary, the report indicates that South Africa is on the verge of a second repositioning – having moved into the market in the 90’s as a new world producer, it is now carving out its own position. However, without consolidation and the development of strong premium brands, it is feared that South Africa will continue to be regarded as a producer of ‘cheap’ wines (Rabobank International, 2007).

The most recent report addressing the areas that are challenging the competitiveness of the South African wine industry, was published by WOSA in January 2009. Eight problem areas were identified while researching ways of ‘Trading up South African wines in the Netherlands’.

1. The structure of the wine industry is highly fragmented and comprised of many small producers – resulting in a weak structure.
2. The domestic market is not strong and is declining resulting in a weak domestic profit pool and limited demand for innovation.
3. Although some strides have been made in the popular premium segment, there is a lack of strong brands in the premium segment resulting in the lower cost image that prevails. SA brands seem to lack provenance; integrity and authenticity, required in the premium segment. While the estates do well at this level, their volumes limit visibility.
4. Lack of clear icon brand – every country needs an icon brand that represents the national ambition for quality.
5. Lack of clear USP’s for the country category. The lack of clarity reduces the impact of communications with consumers.
6. Value of the rand is volatile and effects margins dramatically, especially on exports.
7. Transformation of the industry in terms of land reform and black economic empowerment scorecards is not as straightforward as with other industries creating uncertainties.
8. Cleaning up the vineyards to eradicate leaf roll virus and mistakes made in matching varieties to suitable terroir.

(van Casteren & Heijbroek, 2009).

Incorporating these issues in an affinity diagram results in the emergence of three broad categories, namely that of fragmentation, branding and domestic issues.

<table>
<thead>
<tr>
<th>FRAGMENTATION</th>
<th>BRANDING</th>
<th>DOMESTIC ISSUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure of wine industry</td>
<td>Lack of strong premium brands</td>
<td>Weak domestic market</td>
</tr>
<tr>
<td></td>
<td>Lack of icon brands</td>
<td>Volatility of ZAR</td>
</tr>
<tr>
<td></td>
<td>Lack of clear country USP’s</td>
<td>Complicated transformation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vineyard state</td>
</tr>
</tbody>
</table>

Table 12 Affinity diagram of Rabobank issues

The conclusion drawn from the studies is that the South African Wine industry has the potential to improve its competitiveness through a strategy that combines consolidation and branding. The domestic issues involve long-term investment and government support to effect change. The fragmentation and branding issues can be addressed by industry immediately and by the industry participants themselves.

The next part includes an overview of Consolidation in the South African wine industry, followed by an overview of Branding in the South African wine industry.

**Consolidation in the South African wine industry**

Euromonitor International keeps track of the top 10 South African wine companies. Distell is by far the largest South African wine company. The relative sizes of the wine companies are illustrated in the following graph.
Distillers merged with Stellenbosch Farmers Winery to form Distell, the largest wine company in South Africa, in 2001. Distell Group Limited is South Africa’s leading producer and marketer of fine wines, spirits, ciders and ready-to-drinks (RTDs). The Group is listed on JSE Limited. Distell employs over 4 200 people and has an annual turnover in excess of R7.9 billion (www.distell.co.za). Brands include Nederberg, Zonnebloem, Pongraz, Fleur du Cap, Two Oceans, Chateau Libertas, JC le Roux and Durbanville Hills.

The KWV co-operative converted to a private company in 1997 and is listed on the JSE. It has a 30% shareholding in Distell. Brands include Cathedral Cellar, Roodeberg, Laborie, KWV and Golden Kaan (www.kvw.co.za).

DGB (Pty) Ltd. owns the brands of Douglas Green, Bellingham, Boschendal, Tall Horse and Beach House. In January 1999 there was a change in shareholding whereby a consortium consisting of Bradt Private Equity and DGB Management acquired 80% shareholding from the previous owner. International businessman, Graham Beck under Kangra Holdings retained a 20% shareholding in the company (www.dgb.co.za).

Company of Wine People is the name that has been adopted by the company previously known as Omnia Wines. Omnia Wines was formed in 2004 when Vinfruco merged with Stellenbosch Vineyards. Vinfruco was founded in 1992 as a partnership between a group of wine growers, and Capespan, the largest exporter of fruit at the time. Stellenbosch Vineyards was formed 1997 following the merger of four local wineries. Brands include Arniston Bay, Versus, Kumkani and Thandi (www.thecompanyofwinepeople.co.za).
Boland Kelder is a co-operative winery – owned by its 96 producing shareholders. Export brands include Boland Cellar, Lindenhof and Montestell (Platter's South African Wines, 2009).

Established in 1848, Edward Snell and Co. are presently the largest family-owned wine and spirit business in South Africa. They only have one wine brand in their portfolio, that of Craighall (www.esnell.co.za).

Backsberg is located in Paarl and owned by Michael Back. Annual production is approximately 90 000 cases per annum (Platter's South African Wines, 2009).

Buitenverwachting is located in Constantia and owned by Richard and Sieglinde Mueller and Lars Maack. Annual production is approximately 90 000 cases per annum (Platter's South African Wines, 2009).

Landzicht Wine Cellar is owned by GWK, which is the third largest agricultural co-operative in South Africa. Based in the Northern Cape, GWK is owned by 2 500 commercial and 179 upcoming farmers as shareholders. GWK also owns Douglas Wine Cellar (www.landzicht.co.za).

Graham Beck Wines is comprised of two cellars – one based in Robertson and the other in Franschhoek. Together they are responsible for processing on average 2 750 Tons per annum (Platter's South African Wines, 2009).

Delheim, located in Stellenbosch and owned by the Sperling family, produces 60 000 cases per annum (Platter's South African Wines, 2009).

**Branding in the South African wine industry**

It is important to reiterate that until the lifting of trade sanctions, South Africa did not compete in the international wine market and the only brands exported were those of the KWV.

Branding of the South African wine industry as a whole is managed by Wines of South Africa (WOSA). Branding of the wine regions within the country and wine tourism is undertaken by regional bodies representing wine businesses located in their areas such as the Stellenbosch Wine Route; Robertson Wine Valley; Franschhoek Vignerons and the Hermanus Winegrowers Association.

Branding of individual wine companies and labels is undertaken by the wine companies themselves.

Using brand awareness as the measure of brand value, there are two ways of ascertaining the top South African wine brands. One way is based on critical acclaim and linked to the quality perception of the wine; the other is based on market value and linked to volume/value achieved in the market place.
In terms of volume/value in the market place, the rankings vary according to markets, since different brands focus on different markets.

In the UK market – the biggest export destination for South Africa, the brand leaders, all in the Top 20 Retailers list, are Kumala, FirstCape and Namaqua (SouthAfrica info, 2009).

In the US market – brand leaders are Sebeka (imported by Gallo) Goats do Roam, Kumala and Golden Kaan. Indaba, Excelsior and Two Oceans are also strong sellers (Wine Business.com, 2009).

In terms of critical acclaim and linked to quality perception, according to the ‘Grape’ poll conducted in 2006, the Top 20 South African brands, ranked in order are as follows:

Vergelegen; Boekenhoutskloof tied with Hamilton Russell Vineyards; Rustenberg; Thelema Mountain Vineyards; Steenberg Vineyards; Kanonkop Estate; Jordan Winery; Fairview; Hartenberg Estate; Meerlust Estate; Cape Point Vineyards; Neil Ellis; Springfield; Sadie Family; Flagstone Winery; De Trafford Wines; Rudera Wines; Graham Beck; Paul Cluver Wines (Grape, 2006).

It is interesting to compare the Top 20 brands above and the South African brands that are making inroads abroad with those that dominate in the domestic market.

Paarle Perle, KWV, Autumn Harvest Crackling, Overmeer, Sedgewicks Old Brown Sherry, Drostdy-Hof, Oom Tas, Cellar Cask, JC le Roux, Nederberg, Virginia, Saints, Tassenberg, Graca, Versus, Multana, Bellingham, Ship Sherry, Grunberger and Craighall. If the two sherries that feature in the this ranking are removed and replaced with the next ranking wines, then Two Oceans and Douglas Green also feature (Euromonitor International, 2009).

The research underlying this study involved two different ‘consolidations’ of wine companies, both focussed on developing a brand – the one was a regional wine body and the other a partnership brand. Details of each are provided in the part that follows.

**Consolidation and branding of a regional body: The case of Hermanus Winegrowers Association**

In an increasingly competitive global arena, prudent wine business owners recognise the need for collaboration to develop a regional brand, and co-ordinate marketing and promotional efforts. The desire to improve the competitiveness of the wine area and the individual businesses in relation to emerging wine areas like Elim and Elgin; and established wine areas like Robertson, Constantia, Stellenbosch and Franschhoek; motivated wine producers from the Hermanus area to form the Hermanus Winegrowers Association.
This regional association, made up of vineyard owners and wineries located in the Hemel-en-Aarde Valley near Hermanus, was formed in 2004. While the branding of individual labels remained the responsibility of the brand owners, the development of the regional brand was deemed the responsibility of all wine businesses located in the area.

Through a series of interactive communications, facilitated meetings and workshops, the mission statement of the winegrowers association was developed. Through the association, the winegrowers of Hermanus strive to set new standards of wine quality and integrity of origin in South Africa, in terms of the product, the associated service and experience for consumers and visitors, by developing and promoting the people involved in the wine industry of the area. The winegrowers have the vision to be recognised as a unique wine destination in South Africa offering the most superlative product, service and wine experience in the country.

The operational structure of the association has the CEO of the association, overseen and guided by a Executive Committee, delivering the main outputs of the organisation – this includes managing the wine route, managing public relations and media communications, managing the development forums, and representing the group at various industry forums. The CEO develops strategies and implementation in conjunction with working committees made up of representatives of participating wine businesses. Only plans approved by the BOD may be implemented.

A funding structure has been designed for remuneration of the CEO and association activities. The association formally adopted a constitution, which details the mission, vision, objectives, membership structure, funding structure etc. in August 2007; and officially appointed a CEO in September 2007.

Happening concurrently to the process of sorting out the detail of the association structure, interactive marketing workshops have been conducted to develop a regional brand strategy for the area. The group has identified their target audience and key differentiators. They have also clarified their brand proposition, personality and attitude.

Everything appears to be in place for an effective regional brand strategy – yet implementation is hindered.

Two studies involving this regional association were undertaken and form part of the research results detailed in Chapter 4 of this dissertation.

Despite the inroads that this association made, at the time of writing (May 2009) the Hermanus Winegrowers Association no longer has a CEO in place to implement strategies and disagreement between members regarding the official boundaries of the area continue.
Consolidation and branding of a consolidated wine company: The case of Slowine

Slowine could be classified as 'partnership brand'. It was formed in 2005, when four wine companies consolidated to create a company separate and different from their own. Slowine did not replace any existing brands, but rather, added to what was already in place.

A shareholders agreement was drawn up defining the shareholding and the responsibilities of partners involved.

The four partners have different shareholding capacities, with the controlling shareholders owning 45% each. In terms of operation, one of the main shareholders managed the marketing functions, while the other main shareholder took responsibility for production and administration. A technical committee, made up of the winemakers from each participating wine company, was put in place to manage the selection of wine and production decisions such as blending component percentages, oak maturation, etc. A Board of Directors, representative of the members involved, would be responsible for making operational and strategic decisions pertaining to Slowine. It should be noted that Slowine owns no assets other than stock – the vineyards and wineries are owned by the partners and form part of their individual business operations.

It was agreed that generated profit would remain in the company and used for development and growth of rather than be paid out as dividends.

At the time of creating Slowine, a strategic planning session, involving all the stakeholders was held. The brand plan was developed and partner expectations discussed.

The objective was to develop a lifestyle brand that could be associated with the quality of the Overberg in terms of lifestyle and in terms of origin. Although size was not fixed, it was recognised that through the production partner, a co-operative, the brand could potentially grow to be 250 000 cases (±3 million litres) in the future.

By 2008 production had grown from 2500 cases to 15 000 cases. Each partner had its own brand in place already which took priority over Slowine. Subsequently the Board of Directors decided to employ a marketing and sales manager who would be dedicated to drive sales and develop the brand further. The marketing person would be managed by the partner responsible for marketing. All marketing strategies had to be approved by the Board before being implemented.

The weaknesses in the organisational structure of Slowine started emerging soon after the appointment of the marketing person. With two finished wines deemed sub-standard for the market, it became clear that the problem lay with production. The need for a production protocol, and a clear market-orientated product outline was recognised and subsequently developed. In the process of
addressing the problems, the fragility of the partnership was revealed and linked back to the difference in original expectations.

Two studies related to Slowine were undertaken and form part of the research results detailed in Chapter 4 of this dissertation.

At the time of writing, (May 2009) the original Slowine partnership status quo is in the process of changing. The future and the nature of the brand will be determined by the new partnership arrangement that develops.

THE CONTINUED FEASIBILITY AND SUSTAINABILITY OF THE SOUTH AFRICAN WINE INDUSTRY IS IN JEOPARDY

Since domestic consumption is based on basic wine and is in a state of decline, this market cannot sustain the South African wine industry. It is dependent on exports.

New World wine producers enjoyed remarkable growth in market share since the 1990’s, growing from 2 to 27% (Rabobank International, 2006). However, this growth appears to have stabilised, with exports from Old World wine producers picking up again.

While the South African wine industry has enjoyed a certain amount of success in the global arena, this success is tempered when compared to other competitors and when considering the segment in which this success has occurred.

Exports nearly tripled between 1995 and 2002, growing from a small base. Since then, exports have grown at 7.5% per year, slower than its other New World competitors. Exports account for approximately 38% of total ‘drinking’ wine production in South Africa, below the export quota of most its competitors. Bulk wine exports have increased to 32%, higher than that of Chile and Australia, but not offering good returns (van Casteren & Heijbroek, 2009).

South Africa has gained some strength in the basic and popular premium segments. While this does generate volume sales, this segment does not offer good margins and has resulted in South Africa being seen as a supplier of basic quality wine. As a higher cost producer, most of South African wine producers cannot afford to operate in this segment long term (van Casteren & Heijbroek, 2009).

As indicated in the preceding section, based on the affinity diagram of reports on the industry, the answer for the South African wine industry lies in a strategy that combines consolidation and branding, specifically for developing strong premium brands. Since it is difficult to attract foreign investment when the country is characterised by political instability and a high level of crime, the solution has to come from within.
It should be emphasised that there is a need for a big *premium* South African brand rather than another basic or popular premium brand. As a high cost producer, it is imperative that South Africa is recognised as a provider of quality wines rather than basic wines, which justify higher prices. The long-term feasibility of the South African wine industry depends on this.

In addition to the consolidation, access to lots of premium quality wine is required. Consolidation is hampered by fragmented nature of the wine industry. Access to lots of premium quality wines is hampered by the dominance of co-operative wineries in the industry.

While there is a wine cluster in place, it lacks trust and co-ordination and is not promoting competitiveness through new business, innovation and information sharing as it could. The lack of trust is historical: between the co-operative sector and producing wholesalers regarding price; between co-operatives and private cellars regarding marketing and production; between white owners/employers and black employees regarding land reform and black economic empowerment (Ewert, 2005).

Co-operative wineries are currently responsible for 80% of the countries wine production. Many of the co-operative wineries and their members have found it very difficult to re-gear themselves away from the industry’s historic orientation of bulk production and the majority still operate on a ‘pooling’ system which promotes volume rather than quality production (Ewert, 2005).

The lack of globally competitive South African premium wine brands is affecting the feasibility and sustainability of the South African Wine industry. The effects of which are particularly tangible in the challenging economic environment today.

The development and growth of such large brands has largely been hampered by the high level of fragmentation that characterises the South African Wine industry. While there are large wine businesses in existence in South Africa, very few are large enough to singularly produce quantities of ‘global’ proportion. Not only are large quantities required, large quantities of premium quality wine is required. A critical mass of premium quality wine producers will be required in order to develop a global wine brand.

**How to create and manage critical mass and effectively manage the function of branding?**

There are two dimensions involved – on the one hand it is about creating and managing the required critical mass and on the other, it is about the function of branding. To date, the inability of wine companies to sufficiently leverage branding has also hindered the development of globally competitive South African premium wine brands.
Consolidation and brands go hand in hand as brands require critical mass to succeed (Rabobank International, 2006). While various attempts have been made to achieve such ‘critical mass’ brands – as in the case of First Cape, Arniston Bay, and Namaqua - success has varied, indicating that in addition to having the critical mass, there is a further need, specifically regarding branding.

Essentially, it is a question about the organisational structure required to develop a globally competitive South African premium wine brand and the function of branding within that organisation i.e. what needs to be in place in order to successfully develop a globally competitive South African premium wine brand?

With strong premium brands in place, in the premium segment, the competitiveness of South Africa as a wine country is set to be enhanced. South African wines will be able to demand higher price points – ensuring the feasibility of the industry as a whole – and growth in the world market share, ensuring the sustainability of the industry as a whole.

The importance of finding an answer to this question is realised when considering the influence on the success of the South African wine industry, especially in terms of the productivity of the Western Cape and the livelihood of the many people involved.

Wine cluster brands

Introducing the concept
The research undertaken has resulted in the development of the concept of a ‘Wine Cluster brand’ which deals with creating and managing the critical mass requirement. The critical success factors of such an arrangement between wine businesses have been identified.

In order to ensure maximum leverage of branding, Stafford Beer’s Viable Systems Model has been used to incorporate the function of branding within the greater organisation.

The end result is an integrated model which deals both with issues of fragmentation and issues of branding – the recognised hindrances to success of the South African Wine industry in the global arena to date. This model provides a practical foundation on which globally competitive South African premium brands may be developed. As such it is a key to the future feasibility and sustainability of the South African Wine industry.

The research and studies underpinning this dissertation lead to the identification of five fundamentals that need to be in place for a cluster brand to succeed. These can be seen as the precedents of a successful wine cluster brand. (Details of which are included in Chapter 4.)

The fundamentals of wine cluster brand success include partnership advantages; relationship quality; top-brand mindset; effective production systems and competent implementers
'Partnership advantages' emerged as the main driver and refers to the benefits gained by partnering with another business in a particular venture. In broader terms, it forms part of the process of partner assessment associated with developing a strategic alliance. It entails the sharing of risks and profits, utilising collective expertise, leveraging off one association with another. The more there is to be gained through the partnership, the greater the level of commitment to the relationship. Business relationships that do not offer clear advantages do not warrant investment in terms of time or money.

'Relationship quality' refers to the nature of relationship between parties, more particularly, between the business owners/decision makers. In broader terms it is as an aspect of relationship management, on strategic level. It depends on what has gone before (history) and the potential of what lies ahead (partnership advantages). The quality of the relationship determines the functionality of the partnership. The relationship between business owners/decision makers must be good to ensure the effectiveness of the partnership.

'Top-brand mindset' refers to the business approach of the partnership. In broader terms, it is related to the concept of corporate culture, which is put in place by top management. It is a way of thinking that sets the 'tone' of the business – providing direction and governing the decisions and actions related to the development of the partnership brand. The greater the focus on achieving top-brand status, the more in line decisions and actions will be on achieving this. Top-brand parameters – for the appointment of staff, to guide vineyard, cellar and marketing functions – should be developed to promote top-brand success.

'Effective production system' refers to the ability of the vineyard, cellar and marketing departments to collectively deliver a competitive (or 'top-brand') product that delivers a return on investment. The competitiveness of the product is determined by the degree to which the product suits the price point positioning and the degree to which it is differentiated from other products at that price point. Competitive products promote brand success. A clear understanding of consumer expectations at particular price points must be developed in order to ensure that a competitive product is developed. It is an extension of the corporate culture, on operational level, of developing a top brand.

'Competent implementers' refers to the core competencies of the people assigned with the task of implementing the production system. In broader terms, it is related to personnel selection, which is a function of human resources. In the case of developing a wine brand it will involve the vine growers/vineyard manager; the winemaker / winemaking team and the marketing department. The core competencies of the individuals involved, coupled with their teamwork ability and their commitment to developing a competitive or top-brand product, will determine the success of the brand. Without the right people on board, a top-brand cannot be developed. Get rid of the wrong people.
The relationship between these variables is illustrated in the causal loop diagram below.

![Causal Loop Diagram](image)

Figure 20 Relationship between the core variables

Since the goal of the research is to develop knowledge that can be applied, the five core variables or concepts are considered in terms of the Viable Systems Model (VSM). For a more detailed description of VSM see Appendix 1.

The intention is to identify where, in terms of the VSM, these concepts should be applied in the organisation.

Partnership advantages are a pre-cursor to forming the cluster. It will occur on the S4 level of each of the wineries included in the cluster i.e. within S1 – but on a lower level – reflecting the recursive nature of the VSM. Prior to forming the cluster, careful consideration has to be given to with whom the partnership will be formed.

Relationship quality at strategic level i.e. between business owners has to be specifically managed. Clear lines of communication have to be established, conflict resolution policies put in place and contracts clarifying the position of each in relation to the other drawn up. These are S2 level functions.

Top brand mindset, linked to the development of corporate culture and corporate values, forms part of the S5 function, which filters through the rest of the organisation and sets the tone of all decisions and practises.
The market orientated production system – although linked to the operational functions and technically S3, it is an extension of the tone set at S5 level and infiltrates down to S1 level.

Competent implementers, is linked to the human resource function on the S2 level in terms of training and performance measurement. It is linked to the S4 level in terms of outsourcing skills and employing new skills-sets.

**How this promotes the creation of premium brands**

Wine cluster brands deal directly with the issues of consolidation and of branding. The two issues recognised as integral to the competitiveness of the South African wine industry.

In order to facilitate the design of a wine cluster brand, Stafford Beer’s viable systems model is utilised. It is also used to explain where the five crucial elements or precedents of the wine cluster brand fit into the organisational structure.

With an effective wine cluster in place, a premium South African brand can be developed successfully.

With global premium brands in place, the image of South Africa as a quality wine producer will be secured. Higher prices will be justified, higher margins secured and the long term feasibility and sustainability of the South African wine industry will be secured.

This answer can be linked to the Rabobank pyramid of success in the wine industry. Consolidation provides the base of the pyramid. Branding is related to the middle section. VSM is the tool for the successful integration of the branding function within the consolidated organisation. This link is illustrated in the following figure.

![Diagram](image)

*Figure 21 Linking the answer to the Rabobank pyramid of success*
It should be noted that the focus of this study has been on achieving consolidation and branding. Improving wine quality standards was not the focus, but as evidenced in the answer that emerged, it is inextricably linked to branding and manageable through consolidation.

Through wine cluster brands, the foundation for developing big premium brands has been laid. Developing big premium brands will enhance the competitiveness of the South African wine industry, preventing its demise and ensuring its future viability.
Chapter 2: Literature Review

The purpose of a literature review is to offer an overview of significant literature published on topics relevant to the research report and indicate where the undertaken research fits in terms of the broader body of knowledge.

This study introduces the concept of a “wine cluster brand”. It is the combination of concepts – namely that of “clusters”; “branding” and “wine”. In this study, “clusters” refers to the organisational structure; “brand” refers to the function of branding i.e. the activities involved in building a brand; “wine” provides the context i.e. the South African wine industry.

![Diagram showing the concept of a wine cluster brand](image)

Figure 22 The concept: "wine cluster brand"

In the part that follows, “clusters” and “branding” are considered in terms of the greater body of existing knowledge pertaining to these concepts and a definition for the concept of “wine cluster brand” is presented.

**The concept of ‘Clusters’**

The concept of ‘clusters’ is associated with the writings of Marshall (1890/1920). However, the term is linked to the work of Michael E. Porter, who defines clusters as “geographic concentrations of interconnected companies, specialised suppliers, and service providers, firms in related industries and associated institutions in a particular field that compete but also cooperate” (Porter, 2000).

Clusters are a worldwide phenomenon that appears in Japan, the USA, Germany and Netherlands, Finland and Sweden among others (Oliver & Porta, 2006). The scope of a cluster relates to the distance over which informal, incentive and other efficiencies occur (Porter, 2000).

A large and growing body of literature exists providing theoretical and empirical evidence of the benefits derived by firms belonging to a cluster or an industrial district – all leading to the development of sustainable competitive advantages and to the stimulation of regional economic development (Fensterseifer, 2007).
According to Porter, clusters affect competition in three broad ways – by increasing the productivity of companies in the area; by driving the direction and pace of innovation; and by stimulating the formation of new business (Porter, 2000).

Ecotec Research and Consulting report for the DTI in the UK emphasise the increased levels of expertise; the complementary skills; the economies of scale; the stimulation of new ideas and new businesses; the enhanced information flow and the development of infrastructure of professional, legal, financial and other specialist services (Ecotec Research & Consulting, 2004).

It should be noted that a cluster approach is not the only way of encouraging regional economic growth – informal networking, developing supply chains and improving workforce skills also contribute to improving competitiveness and creating growth (Ecotec Research & Consulting, 2004). However, it could be argued that clusters provide the platform for developing and accelerating the above. It is this stance that this study adopts together with the premise that building regional clusters is the way to compete globally.

The cluster analysis fits the wine industry well and as such, many clusters have been mapped and assessed such as the Californian wine cluster (Porter & Bond, 2004) and the Australian Wine Cluster (Porter & Solvevell, 2003). Wine clusters have also been studied in other world regions including Aquitaine in France; Victoria in Australia; Cape Town in South Africa; Chile; Zealand; Canada; Canary Islands in Spain etc. (Larreina & Aguado, 2008).

The clusters studied in this research are strictly speaking clusters within the greater South African wine cluster. The theory is that the success of individual clusters will drive the success of the greater cluster and influence the development of the regional economy as a whole. This reflects the approach of Larreina & Aguado who assessed the relationship between wine cluster performance and regional economic development in Rioja, Spain. They conclude that since an increase in wine sales in this region has stimulated the spread of welfare among the local population, wine can be seen as a driving force for regional development (Larreina & Aguado, 2008).

Using these ‘cluster maps’ as a foundation, a schematic representation of the positioning of the two wine clusters central to this study, within the greater South African Wine Cluster, has been developed. The Hermanus wine cluster included grape growers, vineyard owners, wineries and wine business owners located in the geographical area of Hermanus; the Overberg wine cluster included grape growers and wineries located in the Overberg area. The purpose of the Hermanus cluster was to promote the area as a wine growing area to stimulate awareness and sales of wines from individual wine businesses. The purpose of the Overberg cluster was to create a collective brand though which surplus wines could be channelled and sold.
There is a limited amount of literature available on the design and development of clusters, most noteworthy and useful being a report to the Department of Trade and Industry and the English RDA’s, compiled by Ecotec Research and Consulting (Ecotec Research & Consulting, 2004). That report attempts to fill the gap, and this study adds to it too.

The concept of ‘Brands’

Brands and brand equity are the basis of competitive advantage and long-term profitability. They are regarded as strategic assets. Brands facilitate the identification of products, services and businesses and differentiate them from competition (Kotler & Pfoertsch, 2007). It is widely recognised that brands can provide value and strength in the market well beyond that which is provided by the intrinsic characteristics of the products (Wilcox, Laverie, Kolyesnikova, Duhan, & Dodd, 2008). Companies can benefit tremendously from a vibrant brand and its implicit promise of quality since it can provide them with the power to command a premium price among customers and a premium stock price among investors (Kotler & Pfoertsch, 2007). A brand is an entity that offers customers added value based on factors over and above its functional performance. These values – called brand value – differentiate the offer and provide the basis for customer preference and loyalty (Knox, 2004). Strong brands lead to strong companies, consumer loyalty and to an overall strong industry (Vrontis & Papasolomou, 2007).

The increasingly competitive nature of the wine industry has resulted in the need for wineries to place a greater emphasis on the development of a strong brand identity (Mowle & Merrilees, 2005).

However, there is controversy with respect to what the term “brand” refers to (Whitelock & Fastoso, 2007).

Since it is such an intangible concept, the concept of ‘brand’ is often misunderstood or disregarded and equated with the more tangible marketing communications elements that are used to support it – eg. advertising, logos, a jingle or even a spokesperson (Dunn & Davis, 2004).

Keller describes a brand as “a singular idea or concept that a product owns inside the mind of the prospect. It usually comes in the form of a name, term, sign symbol or design, or a combination of them and is intended to identify the goods or services of one seller or group and to differentiate them from those of competitors” (Keller K. L., 2000).

Branding is much more than just putting a brand name and logo on a product or service – it is a promise; a totality of perceptions; it holds a distinctive position in the customers’ minds based on past experience, associations and future expectations; it is a short-cut of attributes, beliefs and values that differentiate, reduce complexity and simplify the decision making process (Kotler & Pfoertsch, 2007).
Brands are a set of expectations and associations evoked through experience with a company or product – how customers think and feel about what the business or product does (Dunn & Davis, 2004).

A brand can be multidimensional, simultaneously having both functional and symbolic appeal. Functional values associated with a brand relate to the tangible, rationally assessed product performance benefits that satisfy the consumer’s practical needs. Symbolic values associated with the brand relate to the intangible feelings and symbolic benefits that satisfy the consumer’s self-expression needs. Wine brands have both - when developing wine brands, equal importance has to be placed on both the functional differences and symbolic values of wine brands (Mowle & Merrilees, 2005).

Many conceptualisations of brand equity have been developed – broadly it is viewed as the assets and liabilities associated with a brand that either add to or subtract from the value provided to customers and to the brand owner. Aaker proposes five components of brand equity – brand awareness; brand associations; brand loyalty; perceived quality and other brand proprietary assets. This conceptualisation is also common in the wine marketing literature. (Wilcox, Laverie, Kolyesnikova, Duhan, & Dodd, 2008).

Based on the elements of the seminal work and writings of Aaker and Keller, Thode and Maskulka developed a model of the dimensions of brand equity for fine wines. Their model identifies brand image, brand associations, brand familiarity and perceived quality as the building blocks of brand equity (Thode & Maskulka, 1998).

In the context of this study, the term ‘brand’ is inextricably linked to the concept of ‘branding’ i.e. “building a brand in the mind of the prospect”. The objective is to differentiate the product from others creating in the mind of the prospect the perception that there is no other product like it (Ries & Ries, 2002).

Like Mowle and Merrilees, it is seen as multidimensional, including both function and symbolic aspects. Like Vrontis and Papasolomou, brand building is linked to brand equity – since a powerful brand can dictate high brand equity (Vrontis & Papasolomou, 2007). Like Thode and Maskulka, branding building, like brand equity includes the elements of brand image, brand associations, brand familiarity and perceived quality.

DEFINING THE CONCEPT “WINE CLUSTER BRAND”

From the understanding of the existing body of knowledge, the following definition of the concept “wine cluster brand” has been developed.
It is seen as an intangible, strategic asset – with both functional and symbolic aspects – used to differentiate a wine product from others, owned by a group of wine businesses in geographic proximity to each other.

Evidence from reports by Rabobank International indicates that consolidation and the development of large premium brands are key to the success of this wine industry. Since “Wine cluster brands” involve consolidation and the building of brands, they can be seen as the way forward for the South African wine industry.

The five core concepts of the study
With the answer in place, the focus of this study has been on the ‘how’ of building a South African wine cluster brand. The research undertaken resulted in the emergence of five core variables or concepts that collectively can be seen as the precedents, the critical success factors or fundamentals of developing a South African wine cluster brand. These include the concepts of ‘partnership advantages’; ‘relationship quality’; ‘top brand mindset’; ‘effective production systems’ and ‘competent implementers’.

In the part that follows, each concept is considered in terms of the existing body of knowledge.

Partnership advantages
The concept of ‘partnership advantages’ is linked to the concept of strategic alliance formation and partnerships.

Strategic alliances include capital partners, channel partners, licensing partners, co-marketing and co-development partners (Tamer, 2005). They are purposive inter-organisational relationships between two or more organisations that share compatible goals, strive for mutual benefits and acknowledge a high level of dependence. Strategic alliances differ from other types of collaborative arrangements because they occur in the context of a company’s long term plans and seek to improve a company’s competitive position in the either domestic or international markets (Pansiri, 2005).

Co-operating with and working with other organisations enables companies to go beyond their weaknesses and limitations (Zineldin, 2004). 

Common to strategic alliances are the commitment of the involved organisations to develop technology, market products cooperatively, share costs, access assets, resources and competencies, thereby strengthening their competitiveness in the market place (Pansiri, 2005).

A partnership is a tailored business relationship based on mutual trust, openness, shared risk and shared rewards that reap rewards that yield a competitive advantage, resulting in business performance greater than it would be achieved by the firms individually (Vlachopoulou, Manthou, &
Folina, 2005). The objective of the partnership is to maximise benefits while minimising costs (Vlachopoulos, Mantou, & Folina, 2005).

A cluster brand can be classified as a strategic alliance and as a partnership. In this study, ‘partnership advantages’ emerged as the most important of the concepts. It specifically refers to the recognition of partner strengths and the benefits of strategic alliance formation, prior to forming the cluster.

This approach is in line with that of Pansiri, who indicates that strategic partner selection has been cited as one of the reasons that account for the successful implementation of strategic alliances (Pansiri, 2005). Strategic alliance research identifies four Cs (compatibility, capability, commitment and control) as criteria for successful pre-selection of alliance partners. In addition many authors have also identified trust as an important determinant of alliance continuity (Pansiri, 2005). When a firm enters into an alliance with a partner, it needs to be wary of its partner’s attitude, regardless of its own behaviour (Das, 2005).

Relationship quality

The concept of ‘relationship quality’ is linked to the concept of relationship management. In this study, ‘relationship quality’ is considered at strategic level i.e. between the owners of the businesses involved in the cluster brand.

The most significant obstacle in developing confidence in partner cooperation in strategic alliances is the potential for deceit. It is accepted that all alliance members have potential for deceitful behaviour to some degree (Das, 2005).

It is accepted that quality of the partnership relationship is based on the objectives and scope of the relationship; joint commitment and trust; information exchange; technology infrastructure and capabilities, involved business divisions, technology and process integration (Vlachopoulos, Mantou, & Folina, 2005). The most important of which is arguably trust. Many authors have identified trust as an important determinant of alliance continuity (Pansiri, 2005).

It is accepted that the essence of any relationship is communication and interaction (Zineldin, 2004).

In the context of this study, while the level of trust between business owners influenced the quality of relationships, it was the ability to resolve contentious issues and conflict that determined the continuity of the alliance. It is accepted that the ability to resolve contentious issues and conflict will be enhanced by improved levels of communication and interaction.

Alliances have failed at high rates owing to deceitful behaviour of the member firms. Withholding or distorting information and shirking; or failing to fulfil promises or obligations are examples of
deceitful behaviour. It destroys inter-partner trust and confidence, injects uncertainties about alliance performance and eventually leads to alliance termination (Das, 2005).

Structures or mechanisms for enhancing confidence in partner cooperation include contracts, governance structure, mutual hostages, monitoring, participatory decision making, staffing and training (Das, 2005). The conflict resolution template qualifies as a mechanism for enhancing confidence in partner cooperation.

**Top brand mindset**

The concept of ‘Top brand mindset’ is a reflection of the underlying approach or attitude adopted by the organisation. A successful campaign has to be built and launched from the organisation’s strategic platform – its mission, vision and core values. The mission, vision and core values are fundamental to a company’s culture. They inspire, serve as a compass for individual and organisational behaviour, catalyse the organisation’s people, align the entire enterprise with a common purpose and aspiration, attract and retain the best and the brightest (Brenner, 2008).

It is linked to the concept of ‘corporate culture’, specifically the development and communication of corporate culture. It is also linked to the concept of brand management, specifically, ‘internal branding’. Internal branding is considered as a means to create powerful corporate brands – it allows an organisation to align internal processes and corporate culture with those of the brands. In order to ensure consistency in branding decisions such as corporate design and corporate communications, employees need to develop a shared understanding of what their brand stands for (Vallaster, 2004).

It starts with top level management’s decision to commit to and support the creation of a superior brand and forms part of the organisation’s policy and purpose. For the process of successfully developing a shared brand understanding, the leader is considered to play a crucial role (Vallaster, 2004). The mission, vision and core values lay the foundation for motivating an entire organisation by focusing on key fundamentals (duty, commitment, passion and lofty goals) and using them as a catalyst to affect the willingness of the people to change and stretch their performance expectations of themselves, their team and their enterprise (Brenner, 2008).

This mindset governs and guides all decisions. The central idea is that only if team members hold common or overlapping cognitive representations of task requirement procedures and role responsibilities, is coordinated action possible. A group mind, developing through a process of social process, marked by negotiation and argument, is the basis for consensus. This in turn, is the departure point for establishing a brand –nurturing organisational culture and structure to which employees are committed and so contributes to ensure coordinated branding activities as regards to corporate design corporate behaviour and corporate communication (Vallaster, 2004).
The development of a shared brand understanding is based on interaction. Verbal and non-verbal forms of communication between group members are used to exchange thoughts and attitudes that may result in the sharing of the brand’s promise (Vallaster, 2004).

**Effective production system**

‘Effective production system’ refers to the ability of the vineyard, cellar and marketing departments to collectively deliver a ‘top-brand’ product i.e. the production system must be brand orientated. It ties in with the concept of “operationalising the brand” (Dunn & Davis, 2004).

Without great products or services and an organisation that can sustain them, there can be no successful brand (Kotler & Pfoertsch, 2007). Without the systems to deliver high quality products and services, a customer orientation is nothing more than aspirational. Marketing effectiveness depends upon the means as much as the goals. Without building up its core processes, the company is unlikely to be agile enough to provide fast, high quality solutions for the customer’s emerging needs (Knox, 2002).

It agreed with the stance that the organisation should be managed as a brand to ensure that customer value can be delivered consistently (Knox, 2004). Branding is not a small subset of marketing management – since a brand is reflected in everything the company does (Kotler & Pfoertsch, 2007).

Initiatives that improve marketing’s relationship with sales, engineering, manufacturing and finance are integral for building a stronger overall marketing programme. Marketing should take the lead in making sure that relations with other departments remain on solid ground and all of the teams are pulling in the same direction at the same time (Kotler, 2004).

Traditionally marketers use the marketing mix, the 4Ps of product, price, place and promotion to position the brand and to create brand value. The context of the brand has to change to embrace culture, know-how and organisational systems and processes as well as products (Knox, 2004).

Building, championing, supporting and protecting strong brands is everyone’s job, starting with the CEO (Kotler & Pfoertsch, 2007). The brand is the responsibility of every employee – everyone in the organisation needs to understand the benefits of a brand driven approach as well as their individual role in bring the brand’s promise to life (Dunn & Davis, 2004). The success of a brand is the work of everyone in the organisation (Vrontis & Papasolomou, 2007).

The challenge is to ensure that each function is compatible to the others and that all functions are mutually reinforcing (Zineldin, 2004).
Competent implementers

‘Competent implementers’ refers to the core competencies of the people assigned with the task of implementing the production system. In the case of developing a wine brand, it will include the vine growers/vineyard manager; the winemaker / winemaking team and the marketing department.

The premise is that key people without the required set of competencies will hinder the development of a top brand. It is linked to idea of ‘getting the right people on the bus’ (Collins, 2001).

The core competencies of the individuals involved, coupled with their teamwork ability and their commitment to developing a competitive or top-brand product, will determine the success of the brand. The organisation’s effectiveness in developing its systems and implementing strategy depends upon the commitment and skills of its employees. Sustainable growth is based upon the capabilities and attitudes of the people within the company (Knox, 2002).

The concept of competence can be traced back to medieval guilds in which apprentices learned skills by working with a master and were awarded credentials when they reached the standards of workmanship associated with those jobs (Horton, 2000).

In the USA, the term ‘competency’ or plural ‘competencies’ was adopted by Richard Boyatzis in 1982 following research into successful managers to identify their attributes and features. It is described as “an underlying characteristic of an individual that is causally related to effective or superior performance in a job” (Horton, 2000).

Sustainable competitive advantage is seen to arise from the superior ability to identify, build and leverage new competencies (Horton, 2000).

In the UK, ‘competence’ or plural ‘competences’ – indicate the range of standards linked to occupational performance – an action, behaviour or outcome which the person should be able to demonstrate. The ability to apply knowledge, understanding, practical and thinking skills to achieve effective performance to the standards required in employment (Horton, 2000).

The UK definition does not differentiate between superior and less effective performance (Horton, 2000).

The US focus is on the “inputs”, the abilities, aptitudes and talents that a person brings to the job – the emphasis is on potential rather than demonstrated proficiency (Horton, 2000). It is this approach that is adopted in this study.

Human resources are seen as the key to organisational success (Horton, 2000). Personnel selection and training determine organisational efficiency and effectiveness (Knox, 2002)
The concept of ‘Viability’

Essentially, this study is concerned with viability – the future viability of the South African wine industry. The Viable Systems Model (VSM) as developed by Stafford Beer, offers a useful lens through which to assess an organisation for increased viability.

VSM considers an organisation as a whole system which must be in balance with its environment – as the environment changes, the organisation must respond. VSM can be used to design an organisational structure to enable the cluster to function with increased efficiency, especially with regards to brand building (Walker, 2001).

In the part that follows, the organisation i.e. the wine cluster is viewed in terms of the VSM, with an emphasis on the function of branding.

The literature abounds with descriptions of the VSM and illustrations of the application of VSM in the form of case studies. Literature negating the usefulness of VSM does not appear to exist. VSM has been successfully applied in the steel industry, textile manufacture, ship builders, paper manufactures, insurance companies, banks, transportation, education and a plethora of small businesses including manufacturing and retailing (Walker, 2001).

In VSM terms, the individual businesses that make up the cluster, qualify as operational units or S1’s. In keeping with the recursive nature of VSM, each operation unit is also regarded as a viable system on its own – “composed of smaller viable systems, embedded in a larger viable system” (Walker, 2001).

The Cluster VSM can be illustrated in VSM terms are follows:

![Figure 23 A depiction of a Cluster VSM](image)

55
Marketing is brand building – the two concepts are inextricably linked. Since everything a company does can contribute to the brand-building process, marketing is not a function that can be considered in isolation (Ries & Ries, 2002).

If branding is seen as marketing, and about differentiating oneself from the competition, in VSM terms it forms part of S4. The link with the external environment in which it operates is of vital importance and is the link with the S3 part of the organisation.

Figure 24 The branding function in cluster VSM
Chapter 3: Research Framework

A research paradigm is the overall conceptual framework within which research occurs. The three elements of this paradigm are ontology, epistemology and methodology. Ontology is the “reality” that researchers investigate, epistemology is the relationship between that reality and the researcher, and methodology refers to the techniques used by the researcher to investigate that reality. (Healy & Perry, 2000).

For this study, the ontology that has been adopted is that of Critical Realism (CR). The epistemology is based on the SYSTAL approach and the techniques employed include the Grounded Theory Method (GTM) and the Meta-synthesis method. Details of each element of the research paradigm follow.

Ontology: Critical Realism (CR)

The development of CR is credited to the writings of British philosopher Roy Bhaskar – it started as a movement in the philosophy of science and was later developed for and employed in social theory, from which an explanatory worldview has developed (Wikgren, 2005, p.11).

CR can be roughly situated somewhere between post-positivist methodologies and social constructivism. CR represents a duality of philosophical approaches: transcendental realism and critical naturalism (Farmer & Gruba, 2004).

I do not make an attempt at a deep analysis of CR philosophy but offer a general short introduction to some central tenets of CR – with particular reference to the social theory.

The core claim of CR is that the world and the universe exist independent of our knowledge of it. CR insists that being has precedence over any possible knowledge of being (Connelly, 2000).

According to CR, reality can be decomposed into three distinct levels: the empirical level which consists of observations, phenomenal experiences and perceptions; the actual level which consists of events and actions; and the real or ‘deep’ level which consists of causal mechanisms, structures, relationships and the powers (Farmer & Gruba, 2004); (Wikgren, 2005); (Brown, 2007); (Connelly, 2000).

<table>
<thead>
<tr>
<th>Empirical</th>
<th>Observations, experienced &amp; perceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Actions &amp; events</td>
</tr>
<tr>
<td>Real</td>
<td>Structures, powers, relationships, causal mechanisms.</td>
</tr>
</tbody>
</table>

Table 13 The 3 domains of the Critical Realism ontology
The empirical level is where the researcher is positioned – the platform from which actions and events are observed, experienced and perceived, at a particular point in time.

The actual level is the level on which events and actions occur. The timeline of an action or event consists of a past, a present and a future. Not all parts of an event or action are observed.

The real level is where the underlying causes of that which occurs on the actual level operate.

<table>
<thead>
<tr>
<th>Empirical</th>
<th>Observations, experienced &amp; perceptions</th>
<th>The researcher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Actions &amp; events</td>
<td>EVENT</td>
</tr>
<tr>
<td>Real</td>
<td>Structures, powers, relationships, causal mechanisms</td>
<td>Past</td>
</tr>
</tbody>
</table>

A → B → C

(cause of the event)

Table 14 The 3 domains of the Critical Realism ontology cont.

It should be re-iterated that what the researcher observes, experiences and perceives of an event or action, is merely a ‘slice’ of the whole.

Causal mechanisms only exist in the real domain and can be unknown and unquantifiable. Events occur in the actual domain and are due to causal mechanisms. However, not all events are observed. Experiences are the result of observing some event triggered by causal mechanisms and as such can be real, actual and empirical (Farmer & Gruba, 2004).

Causality, and the identification of causal mechanisms in social phenomena, is central to CR (Wikgren, 2005). As such, it is important to elaborate on the concepts of power, agent and structure.

The concept of ‘power’

Power refers to the capacity, the ability or potential of an object to act, to do, to make a difference. An object possesses power by virtue of its intrinsic structure. This power either facilitates or constrains action (A bicycle has the power to facilitate a ride by virtue of its intrinsic structure of wheels, pedal, chain, etc.) (Brown, 2007).
A power can exist unactualised. A power is unactualised when it is unexercised or nullified by another power (Brown, 2007). What is important in CR terms is that unexercised or nullified, it still exists. It exists on a ‘deeper’ level, the real level.

**The concept of ‘agent’**

Agents (humans) have social status, social resources (material, intellectual, normative) and they have personhood (needs, capacities, powers and consciousness). They have uniqueness and self-determination. Their potential i.e. their power, is determined by their status, resources and personhood (Connelly, 2000).

**The concept of ‘structure’**

Social structures can be social institutions (families, civil society, states); social facts (rates, norms, stratification); or social objects (bicycles, cars, roads i.e. objects that ‘agents’ use). Social structures provide an arena for action (Connelly, 2000).

Analysing social structures, it becomes apparent that social structures are actually ensembles of social relationships between agents, such as that of husband-wife; landlord-tenant; wage labour - capital (Brown, 2007).

Rather than seeing structures as relationships between individuals, CR sees social relationships existing between social positions. The reasoning is that individuals ‘slot’ into pre-existing positions such as husband, wife, tenant, landlord, with associated rules and resources, when interacting with each other. The nature of the social relationship determines the respective powers of their relata (Brown, 2007). The conclusion is that social structures also possess power by virtue of the power of the agents involved in the relationship.

Social structures depend on human agency – only if individuals continue to slot into pre-existing social position can the social relationship continue to exist (Brown, 2007). Once they exist, social structures have the power to facilitate and constrain human agents, causally influencing their activities. Social structures have history (Brown, 2007).

![Diagram of social structures](image)

**Figure 25** A depiction of social structures
These concepts form the basis of the CR social theory. Society is seen as consisting of ‘agents’ and ‘structures’. Of particular importance and interest are the underlying relationships between agent and agent; and agent and structure, occurring in the real domain, which give rise to activity, occurring in the actual domain.

Bhaskar developed a model called the Transformational Model of Social Activity (TMSA) based on this understanding. (Brown, 2007) The premise is that underlying social structures influence, and are unintentionally reproduced by purposeful human activities (Brown, 2007). It is important to note the concept of ‘transformation’. Social structures, which exist in the real domain, are transformed by human activity (not created, but re-created) in the actual domain (Brown, 2007).

<table>
<thead>
<tr>
<th>Empirical</th>
<th>Observations, experienced &amp; perceptions</th>
<th>The researcher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Actions &amp; events</td>
<td>EVENT</td>
</tr>
<tr>
<td>Real</td>
<td>Structures, powers, relationships, causal mechanisms.</td>
<td>Structures on this level drives Action on level above.</td>
</tr>
</tbody>
</table>

Table 15 The TMSA concept linked to Critical Realism

Through studying social relationships we may discover generative mechanisms which give rise to the patterns of observations that we live with, use and change. The totality of these observations and our activities in generating them, using them and changing them, is our social reality (Connelly, 2000).

The purpose of the research underpinning this dissertation, was to identify the generative powers underlying and giving rise to the observed situation i.e. identifying the cause of the problems with consolidation and branding in the South African wine industry. The objective is to identify solutions for the problem so that action can be taken to change this social reality.

Epistemology: SYSTAL Approach

The epistemology that has been adopted is called the SYSTAL approach, which is based on systems thinking and action learning. Before elaborating on how knowledge is constructed using this approach, the principles of systems thinking and action learning are explained.
The first ideas of systems were proposed by Norbert Weiner and Ludwig von Bertalanffy in their respective books, Cybernetics (1947) and General Systems Theory (1954). The premise is that everything forms part of a greater system.

A system is a whole that consists of a set of two or more parts. Each part affects the behaviour of the whole, depending on the parts interaction with the other parts of the system. Once we take the system apart, it loses its defining characteristic. A system is not the sum of its parts, but rather the product of the interactions of its parts.

This way of thinking introduces the concept of synthesis. Synthesis involves identifying the larger system of which something is a part and developing an understanding of the larger system as a whole. The premise is that by understanding the larger system and the role or function of the smaller system within it, an understanding of that smaller system is developed.

Synthesis is the opposite of analysis – which involves taking things apart and examining how the parts fit together. Analysis is useful for culminating knowledge and know-how about a system. Through analysis, how a system works and details about its structure are revealed. Synthesis reveals why a system works the way it does. Analysis contributes to knowledge, synthesis contributes to understanding (Scholtes, 1998); (Jackson, 2007).

The premise of action learning is that theory by itself teaches nothing and application by itself teaches nothing. Instead, learning is seen as the result of dynamic interaction between theory and application.

![Figure 26 Real learning - interaction between theory and application](image)

Source: Scholtes, 1998.

Dr. W. Edwards Deming developed the PDSA cycle – also known as the Shewhart cycle or the Deming wheel - a continuous cycle of learning and improvement which reflects this stance.

![Figure 27 The Deming wheel or PDSA cycle](image)
‘Plan’ refers to the formulation of theory in order to achieve goals and putting measures and plans for action in place. ‘Do’ refers to the execution of plans i.e. undertaking activities, introducing interventions, applying best knowledge in pursuit of goals. ‘Study’ refers to the monitoring of progress and assessing validity of the theory. Look for new problems to solve. ‘Act’ refers to the integration of lessons learned; the reformulation of theory, adjustment of methods, identification of other knowledge gaps (Scholtes, 1998).

The following figure illustrates the connection between PDSA and the nature of true learning.

![Figure 28: how PDSA is real learning](image)

Source: Scholtes, 1998.

The SYSTAL approach is comprised of three stages – the sense making stage, the decision making stage and the action taking stage. It is illustrated in the form of a model, as follows:

![Figure 29: the SYSTAL model](image)

During the sense making phase, the problem situation or context is studied and explanations sought. The decision making phase entails the design of an intervention to solve the problem. The Action taking phase is the implementation of the intervention. The outcome of the sense making phase is a hypothesis or theory. The outcome of the decision making phase is new practices or policies. The outcome of the action taking process is a changed situation or context.

The SYSTAL approach reflects the stages of the PDSA cycle. The sense making stage incorporates Deming’s ‘study’ and ‘act’ components; the decision making incorporates the ‘plan’ and action taking incorporates the ‘do’ component.
Linking the SYSTAL approach with Critical Realism

An explanation of how the SYSTAL approach fits into the Critical Realism ontology follows:

The sense making process is an empirical process which entails observation of phenomena in the actual domain. It results in the development of a hypothesis or theory, which explains the causal mechanisms, structures or processes in the real domain that are generating the observed phenomena occurring in the actual domain.

The decision making process is guided by the developed theory. New practices and policies are introduced in the actual domain. Once implemented, changes occur in the actual domain and the results are an indication of the validity of the theory.
Research Methodology

The Grounded Theory Method

Introduction to the method:

The Grounded Theory Method (GTM) as conceptually by founders Barney Glaser and Anselm Strauss, refers to a highly systematic set of procedures used to develop substantive theories of psychosocial phenomena (Drauher et al, 2007). It is so named, because the information pertinent to the emerging theory comes directly from the data. The generated theory remains connected or grounded in the data. GTM has been used extensively in the discipline of sociology (Struweber & Carpenter, 1999).

The methodology was developed by Glaser and Strauss as a reaction against extreme positivism that has permeated most social research (Suddaby, 2006). They argued that scientific truth results from both the act of observation and the emerging consensus within a community of observers as they make sense of what they have observed (Suddaby, 2006).

What most differentiates GTM from other research methods is that the resulting theories are explicitly emergent. It does not test a hypothesis. Its aim, as Glaser states it, is to discover the theory implicit in the data (Esteves, Ramos, & Carvalho).

Corbin and Strauss proposed eleven canons of GTM. Some of these are not critical and some are contested. Four canons are undisputed and as such should be reflected in any application of GTM.

The first canon concerns the nature of data collection and analysis. In GTM, it is an iterative process, data collection and analysis should occur simultaneously (Gurd, 2008). The second canon concerns the closure of theory building. A process of theoretical sampling must be applied, which entails seeking out comparison groups as theory develops and the collection of new data based on the emerging categories (Gurd, 2008). The third canon regards constant comparison of category similarities and differences to allow for the integration of categories and their properties (Gurd, 2008). And the final undisputed canon concerns the description of the coding and theory building process (Gurd, 2008).

Before considering the details of the GMT process, there are a few aspects of the process that should be emphasised. In particular, the role of the research question in GTM; sampling in GTM; literature searches in GTM; the role of the researcher in GTM and ethical considerations in GTM.

The research question should be defined narrowly enough so that the research is focussed and broad enough to allow for flexibility and serendipity (Pandit, 1996).

The assumption is that all of the concepts pertaining to a given phenomenon have not yet been identified, at least not in this population or place; or if so, then the relationship between the concepts
is poorly understood or conceptually undeveloped. A truly accurate research question is impossible to ask before beginning any grounded research study (Struebert & Carpenter, 1999).

Unlike sampling done in quantitative investigations, theoretical sampling cannot be planned before embarking on a grounded theory study (Pandit, 1996). Sampling is related to the findings of the study and where those findings take the researcher (Esteves, Ramos, & Carvalho). Sampling in grounded theory begins with selective sampling and moves into theoretical sampling when concepts begin to emerge. The researcher decides when to shift from selective to theoretical sampling (Drauker et al, 2007).

At the start of a GTM project, a broad literature review is undertaken, rather than an in depth literature review. The real danger of prior knowledge in grounded theory is not that it will contaminate a researcher’s perspective but rather that it will force the researcher into testing hypotheses, rather than directly observing (Suddaby, 2006).

In GTM, the researcher is an integral part of the investigation and consequently, must recognise the intimate role with the participants and include the implications of that role in the actual investigation and interpretation of the data. Strauss and Corbin have emphasised the importance of certain research skills - the ability to step back and critically analyse situations, to recognise and avoid bias, to obtain valid and reliable data and to think abstractly (Struebert & Carpenter, 1999).

In the GTM, where researchers seek to reach closeness and empathy with participants, ethics plays a relevant role (Esteves, Ramos, & Carvalho). Obtaining informed consent, maintaining confidentiality and handling sensitive information are issues that must be addressed. Since the research process is emergent, the researcher can’t anticipate what sensitive issues may arise, so it is necessary to be prepared for unexpected concerns (Struebert & Carpenter, 1999).

The GTM process

Stern identifies five stages in the GTM process - the collection of empirical data; concept formation; concept development; concept modification & integration; production of the research report (Struebert & Carpenter, 1999).

If one considers the outputs of the GTM, the process can be divided into two parts where the first part focuses on emerging the BSP’s (Basic Social Psychological processes) and the second part focuses on emerging the core variable.
Figure 32 An illustration of the GTM process

The first part involves data generation, data analysis and concept formation and results in the emergence of BSP’s. The second part involves concept development and results in the emergence of a core variable. The details of each part are described next.

Part 1 – Empirical observation:

It is important to stress that during the conduct of a grounded theory investigation, the processes of data collection, coding and analysis occur simultaneously (Struebert & Carpenter, 1999). It is an iterative process (Pandit, 1996).

Data sources

The GTM approach advocates the use of multiple data sources (Pandit, 1996). In GTM researchers may collect grounded theory data from interview, observation, or documents or from a combination of these sources. Daily journals, participant observation, formal or semi-structured interviews and informal interviews are valid means of generating data (Struebert & Carpenter, 1999).
Conversational interviews are semi-structured interviews. Interviews can range in style from completely structured to completely unstructured. Semi-structured interviews fall near the end point in this range. In the conversational interview, the interviewer pursues predetermined themes and is free to pursue and probe for additional meaning (Lee, 1999). This form of interview is useful for generating theory, thus well suited to GTM.

Participant observation is a data gathering technique which is central to all the social sciences (Vidich, 1955). Participant observation involves both observation and participation. Participant observations are recorded by writing field notes (Vidich, 1955).

**Data analysis**

As soon as data is generated, data analysis begins. Data analysis involves the generation of concepts through a process of coding (Pandit, 1996).

There are three types of coding: open coding, axial coding and selective coding (Pandit, 1996).

**Open coding**

Open coding deals with the labelling and categorising of phenomena as indicated by the data. The product of open coding is concepts (Pandit, 1996). This level of coding is also referred to as Level I coding. In Level I coding, the codes are called substantive codes because they codify the substance of the data and often use the words participants themselves have used (Struebert & Carpenter, 1999).

**Axial coding**

Axial coding refers to the process of developing main categories and their sub-categories (Pandit, 1996). Axial coding is also known as Level II coding or categorising. It requires the constant comparative method in the treatment of data. Researchers code the data, compare them with other data, and assign the data to clusters or categories according to obvious fit. Researchers then compare categories to each other to ensure that they are mutually exclusive (Struebert & Carpenter, 1999).

**Selective coding**

The final level of coding is Level III coding or selective coding. It involves the process of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development (Esteves, Ramos, & Carvalho). It describes BSP's which essentially compose the title given to central themes that emerge from the data (Struebert & Carpenter, 1999). It involves the integration of the categories to form the initial theoretical framework (Pandit, 1996).
The underlying characteristic of the GTM coding process is that of constant comparison (Struebert & Carpenter, 1999).

**Part 2 – Theory development: Theory of the Real domain**

The core variable is the pivotal point for the theory (Fernandez, 2004). Having completed the first part of the GTM process, the second part - getting to the core variable - can commence. It entails a process of reduction, selective sampling of the literature and selective sampling of the data (Struebert & Carpenter, 1999).

**Reduction**

This involves further examination of the emerged categories and BSP’s to ascertain if further clustering of categories can occur to form a category of broader scope (Struebert & Carpenter, 1999). The objective is to reach a higher level of abstraction (Pandit, 1996).

**Selective sampling of literature**

The objective of this process is to help researchers become familiar with works published on the concepts under study and fill in the missing pieces in the emerging theory (Struebert & Carpenter, 1999). The literature is read as a source of more data to be compared with existing grounded data and improve construct definitions (Fernandez, 2004).

**Selective sampling of the data**

The objective of this process is to further develop the hypotheses and identify the properties of the main categories. Through selective sampling, saturation of the categories occurs (Struebert & Carpenter, 1999). Saturation is reached when a full description and explanation of the core variable has been developed and further sampling fails to add any significant value (Fernandez, 2004).

The core variable is the variable that most other categories relate to. It is the variable that accounts for most of the variation in pattern and behaviour (Fernandez, 2004).

**DEMANDS AND RISKS OF GTM**

Every methodology poses particular demands. Fernandez lists Glaser’s advice (p.91):

*Tolerate confusion – there is no need to know a priori and no need to force the data.*

*Tolerate regression – researchers may get ‘lost’ before finding their way.*

*Trust emerging data without worrying about justification – the data will provide the justification if the researcher adheres to the rigour of the method.*
Have someone to talk to – grounded theory demands moments of isolation to get deep into data analysis and moments of consultation and discussion.

Be open to emerging evidence that may change the way the researcher thought about the subject matter, and to act on the new evidence.

Be able to conceptualise to derive theory from data.

Be creative – devising new ways of obtaining and handling data, combining the approach of others, or using a tested approach in a different way.

(Fernandez, 2004).

THE SUITABILITY OF GTM IN TERMS OF THE ADOPTED ONTOLOGY AND EPISTEMOLOGY

The development of theory or hypothesis to explain observed phenomena makes GTM well related to the Critical Realism ontology and SYSTAL epistemology that has been adopted.

Through the GTM, researchers develop explanations of key social processes or structures that are derived from or grounded in empirical data (Struebert & Carpenter, 1999). Theory is generated from observation (Calloway & Knapp, 1995). In Critical Realism terms, it entails observation of phenomena in the actual domain and the development of a hypothesis or theory that explains the occurrence of the phenomena. In SYSTAL terms, GTM is a method applied in the sense making stage.

The Meta-synthesis Method:

INTRODUCTION TO THE METHOD:

Researchers promoting systemic reviews have often excluded qualitative studies from evidence based reviews. However, the potential contribution of qualitative research, especially for the purpose of informing policy and practice is now recognised, resulting in the development of a wide range of techniques for synthesising studies. These techniques have been developed and tested across a range of disciplines including management, public health, social care and education (Denyer & Tranfield, 2006).

According to Denyer & Tranfield, 12 qualitative approaches to research synthesis were identified by Dixon-Woods et al in 2004. These include narrative synthesis, grounded theory, meta-ethnography, meta-synthesis, meta-study, logical analysis, data analysis techniques, metaphorical analysis, domain analysis; hermeneutical analysis, discourse analysis and analytic induction. Each of these approaches
have been used to produce qualitative research synthesis, however, in most cases details of their application are limited (Denyer & Tranfield, 2006).

Meta-synthesis is a research method used to produce interpretive translations, ground narratives or theories by integrating and comparing the findings or metaphors of different studies (Siau & Long, 2005).

Stern and Harris (1985) were the first to coin the phrase ‘qualitative meta-synthesis’ with reference to the amalgamation of a group of qualitative studies (Walsh & Downe, 2005).

Meta-synthesis generates an interpretive synthesis, rather than an aggregative summary of the findings. In contrast to the quantitative meta-analysis approach which relies on quantitative data from literature and strict statistical approaches, meta-synthesis focuses on qualitative studies which might not necessarily involve a large literature base (Siau & Long, 2005). Meta-synthesis is driven by interpretation, and not by analysis (Denyer & Tranfield, 2006).

Unlike meta-analysis, the meta in meta synthesis does not refer to overall generalisations but to translations of qualitative studies with one another together with the researcher’s profound understanding. The translations not only maintain the uniqueness of individual interpretations but also reveal the differences between varied accounts at the same time, which enable researchers to simultaneously understand how various studies are related to each other (Siau & Long, 2005).

The process of meta-synthesis, attempts to produce a higher order interpretation which is grounded in the findings of the primary studies. It involves abstracting (Denyer & Tranfield, 2006).

Since the research and writings of Noblit and Hare, associated with meta-ethnography, are often quoted in descriptions of meta-synthesis, it is clear that the similarities between the two methods are great (p.4). The steps involved overlap too. (Siau & Long, 2005).

Noblit and Hare utilise a 7-step approach which includes: getting started; deciding what is relevant to the initial interest; reading the studies; determining how the studies are related; translating the studies into one another; synthesising translations and expressing the synthesis (p.4) (Siau & Long, 2005).

The stages of meta-synthesis include, framing the exercise; locating relevant papers; deciding what to include; appraisal of the studies; analytic technique (which includes determining how the studies are related through comparing and contrasting and translating the studies into one another) and synthesis of translation (Walsh & Downe, 2005).

The major weakness of meta-synthesis is that any interpretation is only one possible reading of the studies and it is quite feasible for another investigator to have an entirely different reading (Denyer & Tranfield, 2006).
The Meta-synthesis process

Five stages of the meta-synthesis process have been identified and are described below.

Framing the exercise

A research question is used to frame the meta-synthesis exercise. The issue of framing is crucial, since it brings focus to the process and ensures that relevant studies are synthesised (Walsh & Downe, 2005).

Locating relevant papers

No guidance on locating or selecting studies is readily available in the literature, however there is some guidance regarding the screening of inappropriate studies (Denyer & Tranfield, 2006).

Deciding what to include

This stage is linked to the purpose of the meta-synthesis

Analytic technique

This stage consists of two parts and is the core of the meta-synthesis process (Siau & Long, 2005). The first part entails determining how studies are related and the second part entails translating the studies into each other (Walsh & Downe, 2005).

The first part involves the creation of a grid (Walsh & Downe, 2005). Key metaphors, phrases and ideas and/or concepts are listed in this grid (Denyer & Tranfield, 2006).

Through a compare and contrast exercise, (Walsh & Downe, 2005) similarities and differences between papers are identified (Siau & Long, 2005).

The second part entails the development of metaphors and concepts that can be applied to studies involved in the meta-synthesis process (Walsh & Downe, 2005).

Synthesis of translation

The final stage of the meta-synthesis process is the ‘synthesis of translation’. In this stage, metaphors are linked across the studies interpretively. Core themes emerge (Walsh & Downe, 2005). A new interpretation, based on the sum of the individual studies is provided (Denyer & Tranfield, 2006). This can be presented both in text and in diagrams. (Siau & Long, 2005).

The core stages of the meta-synthesis process are illustrated in the following diagram – starting with the creation of the grid of key concepts.
SUITABILITY OF THE META-SYNTHESIS METHOD IN TERMS OF THE ADOPTED ONTOLOGY AND EPISTEMOLOGY

As a tool that facilitates theory-building, (Siau & Long, 2005) meta-synthesis suits the critical realism approach adopted for this research. As a tool for producing an actionable knowledge base, (Denyer & Tranfield, 2006) it suits the SYSTAL approach adopted too and also forms part of the sense making process.

It should be added that since meta-synthesis is analogous to a grounded theory approach in so far as it uses open coding and identifies categories from the data as well as making constant comparisons between individual accounts, (Denyer & Tranfield, 2006) it is well suited for synthesising papers that have been generated through the application of GTM.

Research validity:

Maxwell’s Qualitative Research Model regards the ‘methods’ and ‘validity’ components of this model as part of the research framework. Where ‘methods’ are the approaches and techniques used to collect and analyze the data, ‘validity’ considers threats to validity and the plan to deal with these (Maxwell, 2005).
Specific procedural steps were set in place for the implementation of the Grounded Theory Method, based on those utilised by Pandit in his research titled "The creation of theory: a recent application of the grounded theory method" (1996).

**Data collection phase**

The development of a data collection protocol for setting up and managing conversation interviews ensures traceability. A checklist and a list of open ended questions for use when conducting interviews ensures that every ethical consideration is taken especially regarding informed consent and the guarantee of confidentiality.

A case study database further enhances the reliability of the data collection process and increases the construct validity of the research results (Pandit, 1996). By employing multiple data collection methods the grounding of theory is strengthened. Triangulation of evidence enhances internal validity (Pandit, 1996).

**Data analysis phase**

GTM data analysis involves three stages of coding. All forms of coding enhance internal validity (Pandit, 1996).

An important activity during coding is the writing of memos. According to Corbin and Strauss writing theoretical memos is an integral part of doing grounded research. Since the analyst cannot readily keep track of all the categories, properties, hypotheses and generative questions that evolve from the analysis process, there must be system for doing so. The use of memos constitutes such a system.
Memos are not simply ideas. They are involved in the formulation and revision of theory during the research process (Pandit, 1996).

**Literature comparison phase**

During the literature comparison phase, conflicting frameworks and similar frameworks are considered in relation to the emergent theory. Conflicting frameworks improves construct definitions – therefore internal validity (Pandit, 1996). Comparisons with similar frameworks – improves external validity by establishing the larger ‘knowledge domain’ in which the study’s findings can be generalised (Pandit, 1996).

**Ethics in the research process**

In the GTM, where researchers seek to reach closeness and empathy with participants, ethics plays a relevant role (Esteves, Ramos, & Carvalho). Key ethical principles should underlie the research endeavour, specifically to protect the participants involved in the process.

Obtaining informed consent, maintaining confidentiality and handling sensitive information are issues that must be addressed. Since the research process is emergent, the researcher can’t anticipate what sensitive issues may arise, so it is necessary to be prepared for unexpected concerns (Struebert & Carpenter, 1999).

**Ethics in the implementation of small wins**

Velasquez’s approach (Velasquez, Andre, Shanks, & Meyer, 1996) was chosen to govern action. The questions that are posed are as follows:

- Does the action, as far as possible, maximise social benefits and minimize social injuries?
- Is the action consistent with the moral rights of those whom it will affect?
- Will the action lead to a just distribution of benefits and burdens?
- Does the action exhibit appropriate care for the well-being of those who are closely related or dependant on oneself?

If the answer to any of these questions is ‘NO’, then the planned action or intervention cannot be taken in good faith.
Chapter 4: Research Results

INTRODUCTION

It is evident from the various reports concerning the competitiveness of the South African wine industry, the feasibility and success of the South African wine industry hinges on the development of big premium brands. In the absence of large wine companies, a strategy involving consolidation as well as branding is needed.

Since we know what needs to be done, the focus of the research was on the ‘how’ of the solution. The overall research question is “What needs to be in place to promote successful consolidation of wine companies in South Africa to enable the building of strong premium brands?”

In order to develop an answer to this question, four studies were conducted involving an existing consolidation of wine businesses. Two studies involved the Hermanus Winegrowers Association and two studies involved Slowine. The Hermanus Winegrowers Association is a regional wine body, made up of wine businesses located in the area, created specifically to promote the regions wineries. Slowine is a partnership wine brand, owned by four wine businesses, each with their own brands.

Each study focussed on a problem situation within the consolidation. The objective of each study was to improve understanding of what does not work and why, in order to design something better and more effective instead.

Having identified the problem situation, Maxwell’s Qualitative Design Model was utilised to clarify the goals, conceptual framework and research question for each study. The Grounded Theory Method was applied for conducting the research for each study.

With the four studies completed, the Meta-synthesis Method was applied to assimilate the research. This culminated in the development of a model which provides an answer to the research question that was posed above.

This chapter focuses on the first of the research studies conducted, with an emphasis on the application of the Grounded Theory Method as outlined in the previous chapter. A summary of the other three studies is included in Appendix 2, Appendix 3 and Appendix 4 respectively.

The emerged answers of each study are provided here, as a precursor to the meta-synthesis of the four studies.

The final part of this chapter presents the overall answer to the central research question and offers an explanation of how this answer deals with that question.
Application of the Grounded Theory Method

The problem area was identified as the low level of co-operation between wine business owners which was resulting in limited support for the winegrowers association, especially in terms of financial support.

The goal of the research was to clarify the key drivers and retainers of co-operation between wine business owners in order to change the situation.

A conceptual framework illustrating the situation, in particular the cause of the low levels of co-operation was developed in the form of a causal loop diagram.

Figure 35 conceptual framework of study 1

Notes regarding causal loop diagrams:    .    

A causal loop diagram is a systems tool used to develop an understanding of a problem situation. It starts by identifying variables that are causing the current situation and then identifying the relationship between these variables.

Causal loop diagrams illustrate the variables involved and the relationship between them, providing a theoretical explanation for the observed situation.
Variables or drivers are contained in the ‘boxes’. The arrows linking the variables indicate that the variables are related. The direction of the arrow indicates which variable is the driver i.e. if the arrow flows from variable A to variable B, variable A is the driver of variable B. Indicators ‘s’ or ‘o’ explain the effect the driver has on the following variable. If ‘s’ is indicated, it implies that an increase in the driver variable will lead to an increase in the following variable. If ‘o’ is indicated, it implies that the opposite effect is achieved i.e. an increase in variable A leads to a decrease in variable B. A reinforcing loop is created when a grouping of variables effect each other in the same way – all increasing or all decreasing. Reinforcing loops are indicated with an arrow shaped around the letter ‘R’.

The research question:

‘What must be put in place to aid the resolution of contentious issues in a cluster?’

THE APPLICATION OF GTM

The application of GTM is detailed as it was applied in study 1. The same approach was used for the three other studies too.

VALIDITY CONSIDERATIONS FOR PAPER 1

In GTM, the researcher is an integral part of the investigation and, consequently, must recognise the intimate role with the participants and include the implications of that role in the actual investigation and interpretation of the data (Struebert & Carpenter, 1999). Having worked in the wine industry in the Hermanus area for more than a decade before getting involved in the Hermanus cluster, meant that as researcher, I had a certain amount of knowledge and experience of and with the participants engaged in the research process. To ensure validity, I had to commit to the rigorous application of the GTM and constantly check against personal bias when conducting interviews.

In keeping with the ethical principles of research, obtaining informed consent, maintaining confidentiality and handling sensitive information, (Struebert & Carpenter, 1999) a protocol, in the form of a checklist, for setting up interviews and conducting interviews was developed.

<table>
<thead>
<tr>
<th>SET UP INTERVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone/ email to make appointment</td>
</tr>
<tr>
<td>Inform of nature and purpose of research</td>
</tr>
<tr>
<td>Request 1 hour for conversational interview</td>
</tr>
</tbody>
</table>

Table 16 Checklist for setting up interviews
<table>
<thead>
<tr>
<th>AT INTERVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confirm consent</td>
</tr>
<tr>
<td>Guarantee confidentiality</td>
</tr>
<tr>
<td>Sign off notes from interview</td>
</tr>
</tbody>
</table>

**Table 17 Checklist for validity and ethics**

Since the conversational interviews were recorded by taking notes, it was imperative for validity to ensure that the notes correctly reflected the participants view. At the end of each interview, the notes were read back to the participant for ‘editing’.

Anonymity was achieved by assigning dates and numbers to each interview. Eg. 2008-08-20/1 - indicating the date and the number of the interview of that day. This linked to a personal diary of appointments which was kept, linking the dates and numbers to the people involved.

During the research process, there was a real threat of divergence as new insights or questions unrelated to the original topic or research question emerged, which may have resulted in unnecessary sampling and a waste of effort with each study. Regular progress reporting with other researchers and the research supervisor helped keep the process focussed and on track.

**Part 1 of GTM - Empirical observation:**

**Sampling:**

In GTM, sampling is related to the findings of the study and where those findings take the researcher (Esteves, Ramos, & Carvalho). As such it was determined that each study sample would be lead by the research, but to start the process, the sample was determined by the research question itself.

In the case of the first research paper the initial sample focus was ‘wine business owners’ only.

The first conversational interview was conducted with a participant that I had identified as key to the association’s success. This qualification was based on historical involvement in the area, wine business success, as well as the nature of his personality. In the process of the interviews, the participants were asked to indicate who they believed were hampering co-operation and the next interview was set up with that candidate. If the candidate had been interviewed already, other candidates were asked for. Once the core candidates were interviewed, other members of the cluster were considered.

Following the first round of interviews, new insights and new questions had arisen, indicating that the initial sample approach had to be adapted to include another dimension. Business managers were
questioned in addition to business owners, since they had other insights to offer regarding existing conflict.

Sampling continued until a point of saturation was reached – i.e. no new insights were emerging, so no new questions were arising.

**Data generation:**

The GTM approach advocates the use of multiple data sources (Pandit, 1996). In GTM researchers may collect grounded theory data from interviews, observation, or documents or from a combination of these sources. For the first research project, the main source of data was conversational interviews and participant observation notes and to a lesser extent documentary research.

Documents researched included minutes from meetings and emails that had been sent between members of the cluster.

Conversational interviews largely occurred in person. Two interviews were conducted on the phone. Notes were taken during the interviews as participant observation.

A list of open ended questions was drawn up prior to conducting interviews to guide the process rather than to direct the process.

The conversations were recorded in writing as the interviews proceeded. A concerted effort was made not to interrupt the flow of conversation – as is my nature. At the end of each ‘conversation flow’, the recorded comments were verified with the interviewee to ensure correctness.

The interviews conducted via telephone were managed similarly. Following the same introduction regarding the purpose and nature of the interview, and the guarantee of anonymity, the conversations were recorded in writing as the interview proceeded. Again, careful attention was paid not to interrupt the flow of conversation. At the end of each ‘conversation flow’, the recorded comments were verified with the interviewee to ensure correctness.

During the conversational interviews, observations were recorded on the side. These observations were largely comments about body language and tone of voice e.g. Irritated, disinterested, confused. They also included comments that participants did not want ‘on record’.

**Data analysis:**

In GTM data analysis and coding occurs simultaneously to data generation (Pandit, 1996). This was managed utilising Excel spreadsheets.
Open coding:

The initial level of coding – open coding - was managed by transcribing the interviews line by line and then condensing the lines into a representative concept or concepts according to my interpretation. Notes taken during the interview were also considered in conjunction with the concepts. This level of coding is also referred to as Level 1 coding. In Level I coding, the codes are called substantive codes because they codify the substance of the data and often use the words participants themselves have used (Struebert & Carpenter, 1999).

The example below represents open coding as applied to a conversational interview which was conducted. The first column contains the actual words of the interviewee. The second column contains notes and observations made by the interviewer. The third column is the first level of coding.

<table>
<thead>
<tr>
<th>Until the issue of naming Ward 3 has been fought through, I sadly think there is too much miss-trust between the producers in the actual Valley and the Ward 3 producers, for us to risk inclusion in a body which has the Hemel-en-Aarde Valley as part of its name.</th>
<th>Mistrust in valley and beyond. To be included in such a body is a risk? With that name?</th>
<th>The level of mistrust determines the quality of relationship.</th>
</tr>
</thead>
<tbody>
<tr>
<td>You will recall that for this reason I proposed the name “The Hermanus Winegrowers Association”.</td>
<td>As long as the name is not H-A Valley association he will join?</td>
<td>The degree to which the relationship meets needs determines the level of commitment to the relationship</td>
</tr>
<tr>
<td>There have already been numerous subtle and less subtle attempts by Ward 3 producers to imply location in the Valley despite the ruling of the Demarcation Committee.</td>
<td>Valley boundaries important to him. Demarcation Committee authority important to him.</td>
<td></td>
</tr>
<tr>
<td>The whole appellation system around which integrity of origin is built is designed to protect consumers from being misled by producers.</td>
<td>Integrity of origin. Protection of consumers.</td>
<td></td>
</tr>
<tr>
<td>There is a concerted and methodical attempt by Ward 3 to blur the whole issue of them</td>
<td>Blurring the real issue. What is the real issue? They are in a different valley?</td>
<td>The level of understanding/knowledge determines the quality of the relationship.</td>
</tr>
</tbody>
</table>
being in another valley.

<table>
<thead>
<tr>
<th>Until the Wine and Spirit Board has stopped them trading on the Hemel-en-Aarde name the miss-trust will continue.</th>
<th>Responsibility of the W&amp;S board. i.e. not the responsibility of producers to settle argument!</th>
<th>The management style determines the way in which conflict is managed.</th>
</tr>
</thead>
<tbody>
<tr>
<td>What a pity! All the best.</td>
<td>Implies disinterest in getting involved? Yet with clear knowledge, having analysed the situation?</td>
<td></td>
</tr>
</tbody>
</table>

Table 18 Open coding example

**Axial coding:**

Once a few interviews had been conducted and condensed into concepts, the next level of coding could start. Axial coding is also known as Level II coding or categorising, requires the constant comparative method in the treatment of data. (Struebert & Carpenter, 1999) The result is the development of main categories and their sub-categories. (Pandit, 1996)

Below is an excerpt of the categorising list that was developed. Similar concepts were grouped together.

<table>
<thead>
<tr>
<th>A</th>
<th>The level of competitiveness determines the level of conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The degree to which wine businesses are perceived to do their own thing determines the degree to which new guys will approach them.</td>
</tr>
<tr>
<td>A</td>
<td>Co-operation is determined by the need of the business to co-operate.</td>
</tr>
<tr>
<td>A</td>
<td>The need to co-operate is determined by the stage of development of the business.</td>
</tr>
<tr>
<td>A</td>
<td>The level of success determines the need to co-operate.</td>
</tr>
<tr>
<td>A</td>
<td>The size of the commitment/investment determines the degree to which others co-operate with you.</td>
</tr>
<tr>
<td>A</td>
<td>The level of success determines the level of participation.</td>
</tr>
<tr>
<td>A</td>
<td>The degree to which the long term plans of the business overlaps with the long term vision of the association determines the level of involvement.</td>
</tr>
<tr>
<td>A</td>
<td>The level of commitment to the association will determine the level of co-operation between members.</td>
</tr>
<tr>
<td>B</td>
<td>The degree of focus determines the level of commitment.</td>
</tr>
</tbody>
</table>
The level of knowledge and understanding determines the level of involvement.

The length of time spent doing own things determines the level of co-operation.

The level of commitment determines the level of focus.

The degree to which the association accommodates personal agendas is an indication of the degree to which that person is able to manipulate the members of the association.

The degree of transparency determines the level of co-operation.

The degree to which the association considers/addresses/is seen to consider/address the interests of all members will determine the level of commitment to the association and the level of co-operation between members.

Table 19 Axial coding of concepts from level 1 coding

Selective coding:

The final level of coding, is Level III coding or selective coding. It involves the process of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development (Esteves, Ramos, & Carvalho). Causal loop diagrams were developed to illustrate and define the relationship between emergent categories and facilitated the identification of core categories. Following is the list of core categories, based on the categories of the level 2 coding process.

<table>
<thead>
<tr>
<th>Business strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competency of owner</td>
</tr>
<tr>
<td>Level of support/participation in association</td>
</tr>
<tr>
<td>Level of trust</td>
</tr>
<tr>
<td>Quality of information / Degree to which information is shared</td>
</tr>
<tr>
<td>Potential of the area?</td>
</tr>
<tr>
<td>Quality of relationship</td>
</tr>
<tr>
<td>Communication - level of</td>
</tr>
<tr>
<td>Degree to which association benefits the wine business</td>
</tr>
<tr>
<td>Leadership Behaviour</td>
</tr>
</tbody>
</table>

Table 20 Core categories from level 2 coding
Part 2 of GTM: Theory development / Theory of Real domain

This part of GTM is described by Stern as ‘Concept Development’ and entails a process of reduction, selective sampling of the literature and selective sampling of the data (Struebert & Carpenter, 1999).

Reduction

The core categories that emerged included ‘quality communication’; ‘information exchange’; ‘level of trust’ and ‘unresolved issues’. The understanding of the interdependencies between the first three categories in relation to the quality of relationship between business owners is illustrated in the form of a causal loop diagram as follows:

---

**Figure 36: Interrelationships between core variables**

The category labelled ‘unresolved issues’ was linked to the quality of relationship between business owners as follows: In the absence of good quality relationships, a reluctance and inability to address issues exists. Unresolved issues escalate into contentious issues which negatively impacts the quality of relationships.

---

**Figure 37: Linking the core variables to contentious issues**
Selective sampling of the literature:

A literature search was conducted around the core categories that had emerged, as illustrated in the causal loop diagram above.

The focus was on the concept of conflict resolution. The express aim was to enrich what had been developed or adapt what had been developed.

The conflict management approaches of Pruitt, Filley, Lewicki and Litterer, as interpreted by Mark Anstey were studied in detail. As well as the Burton’s concept of conflict ‘provention’. Adam Kahane’s “Solving tough problems” proved particularly useful too (Kahane, 2004); (Anstey, 2006).

These works confirmed that the understanding that had been developed and led to the development of a joint problem solving mechanism which was implemented as a small wins. Small wins provide information that facilitates learning and adaption and are useful for testing developed theories.

Small win 1: Development of a joint problem solving mechanism

The small win for this paper was the development of a conflict resolution framework to deal with unresolved issues that split the group. Through the application of Ackhoff’s Interactive Planning, stakeholders were given an opportunity to participate in developing a ‘joint problem solving’ mechanism, which resulted in a flowchart representing the agreed steps of action that should be taken to deal with issues that qualify as contentious.

Contentious issues were defined by the group as issues and behaviour that a) negatively affect the functioning of the association and b) have the potential to cause division among association members.

The framework promotes interaction to find the best solution. It includes recognised ‘joint problem solving’ steps which reflect a combination of the conflict management approaches of Pruitt, Filley, Lewicki and Litterer, as interpreted by Mark Anstey. It also provides for conflict ‘provention’ (Anstey, 2006)

The combination of the learning acquired through the implementation of the small win and the continuation of the GTM process, culminated in the research answer which is illustrated in the diagram below.

The usefulness of the structure of the framework and the related templates lies in the guidance it offers parties new to the joint problem solving process. It provides a means of tempering emotions and raising objectivity.

Its effectiveness lies in its ability to affect the quality of relationship between business owners on two levels. Firstly, by improving current levels of trust, since the process involves quality communication
and information exchange. Secondly, by improving the current ability of business owners to address and resolve contentious issues.

Figure 38 joint problem solving mechanism effects business owner relationships

The success of this system depends on the degree to which it is actually applied. It depends on the ability of parties to agree to work together to find a solution. Without the existence of mutual respect and recognition, as well as recognition of the importance of co-operation, conflicting parties are unlikely to participate in the process.

The mechanism provides the means to improve association success. Through improved levels of co-operation, a brand strategy, which adds value to wine businesses of the area and justifies association membership, can be developed.

Figure 39 how the answer deals with the concern
ANSWERS RELATED TO THE OTHER STUDIES:

Answer to Research Study 2:

The core concepts that emerged in this study were the ‘quality of relationships’ and the ‘ability to develop loyalty’. In a market as competitive as the wine industry, where relationship between restaurants and wineries are fickle and usually based on what the restaurant can get from the wineries, the ability to develop a quality relationship is essential.

The concept common to both groups was that of ‘recognition of partnership benefits’. If the benefits of partnership are great, the degree to which the relationship is invested in will be higher and the greater the potential of mutual success.

The interdependencies between the emergent variables and their influence on the level listing and sales, investment in service strategies, the effectiveness of service strategies and ultimately on the level of loyalty, is illustrated as follows:

![Figure 40 answer causal loop diagram for study 2](image)

Answer to Research Study 3:

A high level of market awareness is an organisational characteristic that is common to all of the top 20 South African Wine brands. Linked to this market awareness, is the ability of the organisation to respond to market demands. The level of market responsiveness will determine the degree to which the organisation will succeed in creating a top wine brand. Structures and funding have to be in place allowing for innovation and new product development.
Linked to the competence of the people involved, is the notion of ‘top brand mindset level’. Without this characteristic driving the decisions and actions of the brand, the brand is set to fail.

Figure 41 answer causal loop diagram for study 3

Answer to Research Study 4:

The successful implementation of an effective production system is vital for maintaining the quality price point suitability of the product. Especially in the case of a brand like Slowine, where there is no control of the volume of supply of the desired quality of grapes.

The relationships between the variables affecting the product/price point suitability were identified and a model developed to illustrate the situation.

Figure 42Answer model for Study 4
Meta-synthesis of the four studies

APPLICATION OF THE METHOD

Framing the exercise

The research question used to the meta-synthesis exercise is the overall strategic question linked to the situation and concern outlined in the first chapter. It concerns the feasibility and sustainability of the South African wine industry and is framed as "What needs to be in place to promote successful consolidation of wine companies in South Africa to enable the building of strong premium brands?"

The issue of framing is crucial, since it brings focus to the process and ensures that relevant studies are synthesised (Walsh & Downe, 2005).

Locating relevant papers

One of the challenges in locating relevant papers is different research methods applied and differences in approaches. In the case of this meta-synthesis, it was rather simple, since all papers included were written by the same person, who had applied the same research methods i.e. the author; and GTM.

Deciding what to include

As above, the decision regarding what to chose was simplified. All the papers generated in the process of conducting this research were included. A total of four papers were synthesised.

Analytic technique

This stage involves the core steps of the meta-synthesis process and is comprised of two parts – determining how studies are related and translating the studies into each other (Walsh & Downe, 2005).

The grid lists the key metaphors, phrases and ideas and/or concepts linked to the various studies (Denyer & Tranfield, 2006). Below is the grid of key concepts linked to the studies which formed part of this meta-synthesis.

<table>
<thead>
<tr>
<th>Study 1</th>
<th>Study 2</th>
<th>Study 3</th>
<th>Study 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of relationships determines co-operation.</td>
<td>Benefits of working together determines commitment.</td>
<td>Top brand mindset drives the success of the brand.</td>
<td>Effective production systems are critical for brands.</td>
</tr>
<tr>
<td>Quality of relationship determines support of consolidation.</td>
<td>Strategies require investment.</td>
<td>International exposure drives top brand mindset.</td>
<td>The importance of production systems increases when there is</td>
</tr>
<tr>
<td>Ability to deal with issues determines relationship quality.</td>
<td>Wineries need to take the initiative.</td>
<td>Benchmarking against other greats drives top brand mindset.</td>
<td>The product must fit the market expectation at that price point.</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>-------------------------------------</td>
<td>----------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Interaction opportunities promotes quality of relationships.</td>
<td>You need the right people to make great brands.</td>
<td>Protocols are only as effective as the people utilising them.</td>
<td></td>
</tr>
</tbody>
</table>

Table 21 Grid of concepts

Through a compare and contrast exercise, similarities and differences between papers are identified (Siau & Long, 2005). Following this, the last part of the analytic stage entails the development of metaphors and concepts that can be applied across the studies (Walsh & Downe, 2005).

The following metaphors and concepts (variables) were developed: partnership advantages; relationship quality; top-brand mindset; effective production system; competent implementers.

Synthesis of translation

This is the final stage of the meta-synthesis process. Metaphors are linked across the studies interpretively. A new interpretation, based on the sum of the individual studies is provided (Denyer & Tranfield, 2006). Since this can be presented both in text and in diagrams, (Siau & Long, 2005) it was chosen to develop a causal loop diagram which illustrates how the variables are linked and interact with each other.

Figure 43 synthesising the answer in a causal loop diagram
The answer to the research question

The concept of a “wine cluster brand” has been developed – it involves consolidation and branding. The research and studies underpinning this dissertation lead to the identification of five fundamentals that need to be in place for a cluster brand to succeed. These can be seen as the precedents of a successful wine cluster brand.

The fundamentals of wine cluster brand success include partnership advantages; relationship quality; top-brand mindset; effective production systems and competent implementers

‘Partnership advantages’ emerged as the main driver and refers to the benefits to be gained by partnering with another business in a particular venture. In broader terms, it forms part of the process of partner assessment associated with developing a strategic alliance. It entails the sharing of risks and profits, utilising collective expertise, leveraging off one association with other. The more there is to be gained through the partnership, the greater the level of commitment to the relationship. Business relationships that do not offer clear advantages do not warrant investment in terms of time or money.

‘Relationship quality’ refers to the nature of relationship between parties, more particularly, between the business owners/decision makers. In broader terms it is as an aspect of relationship management, on strategic level. It depends on what has gone before (history) and the potential of what lies ahead (partnership advantages). The quality of the relationship determines the functionality of the partnership. The relationship between business owners/decision makers must be good to ensure the effectiveness of the partnership.

‘Top-brand mindset’ refers to the business approach of the partnership. In broader terms, it is related to the concept of corporate culture, which is put in place by top management. It is a way of thinking that sets the ‘tone’ of the business – providing direction and governing the decisions and actions related to the development of the partnership brand. The greater the focus on achieving top-brand status, the more in line decisions and actions will be on achieving this. Top-brand parameters – for the appointment of staff, to guide vineyard, cellar and marketing functions – should be developed to promote top-brand success.

‘Effective production system’ refers to the ability of the vineyard, cellar and marketing departments to collectively deliver a competitive (or ‘top-brand’) product that delivers a return on investment. The competitiveness of the product is determined by the degree to which the product suits the price point positioning and the degree to which it is differentiated from other products at that price point. Competitive products promote brand success. A clear understanding of consumer expectations at particular price points must be developed in order to ensure that a competitive product is developed. It is an extension of the corporate culture, on operational level, of developing a top brand.
‘Competent implementers’ refers to the core competencies of the people assigned with the task of implementing the production system. In broader terms, it is related to personnel selection, which is a function of human resources. In the case of developing a wine brand it will involve the vine growers/vineyard manager; the winemaker / winemaking team and the marketing department. The core competencies of the individuals involved, coupled with their teamwork ability and their commitment to developing a competitive or top-brand product, will determine the success of the brand. Without the right people on board, a top-brand cannot be developed. Get rid of the wrong people.

Since the goal of the research is to develop knowledge that can be applied, the five core variables or concepts are considered in terms of VSM. The intention is to identify where, in terms of the VSM, these concepts should be applied in the organisation.

Partnership advantages are a pre-cursor to forming the cluster. It will occur on the S4 level of each of the wineries included in the cluster i.e. within S1 – but on a lower level – reflecting the recursive nature of the VSM. Prior to forming the cluster, careful consideration has to be given to with whom the partnership will be formed.

Relationship quality at strategic level i.e. between business owners has to be specifically managed. Clear lines of communication have to be established, conflict resolution policies put in place and contracts clarifying the position of each in relation to the other drawn up. These are S2 level functions.

Top brand mindset, linked to the development of corporate culture and corporate values, forms part of the S5 function, which filters through the rest of the organisation and sets the tone of all decisions and practises.

The market orientated production system – although linked to the operational functions and technically S3, it is an extension of the tone set at S5 level and infiltrates down to S1 level.

Competent implementers, is linked to the human resource function on the S2 level in terms of training and performance measurement. It is linked to the S4 level in terms of outsourcing skills and employing new skills-sets.
The table that follows illustrates the five core concepts in terms of the VSM, within a cluster.

<table>
<thead>
<tr>
<th>VSM</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Function</td>
<td>Within S1, Partnership advantages is located at a recursive level, at S4 level of each unit i.e. each winery within the cluster.</td>
</tr>
<tr>
<td>Stability Function</td>
<td>Relationship management.</td>
</tr>
<tr>
<td>Synergy Function</td>
<td>Effective / market orientated production system</td>
</tr>
<tr>
<td>Strategy Function</td>
<td>Competent implementers (in terms of sourcing competent implementers)</td>
</tr>
<tr>
<td>Policy Function</td>
<td>Top brand mindset</td>
</tr>
</tbody>
</table>

Table 22 Core concepts in terms of cluster VSM

How the answer deals with the research question

HOW THIS WILL PROMOTE THE CREATION OF PREMIUM BRANDS?

Wine cluster brands deal directly with the issues of consolidation and of branding. The two issues recognised as integral to the competitiveness of the South African wine industry.

In order to facilitate the design of a wine cluster brand, Stafford Beer's viable systems model is utilised. It is also used to explain where the five crucial elements or precedents of the wine cluster brand fit into the organisational structure.

With an effective wine cluster in place, a premium South African brand can be developed successfully.

With global premium brands in place, the image of South Africa as a quality wine producer will be secured. Higher prices will be justified, higher margins secured and the long term feasibility and sustainability of the South African wine industry will be secured.

This answer can be linked to the Rabobank pyramid of success in the wine industry. Consolidation provides the base of the pyramid. Branding is related to the middle section. VSM is the tool for the successful integration of the branding function within the consolidated organisation. This link is illustrated in the figure that follows.
Figure 44 Linking the answer to the Rabobank pyramid of success

It should be noted that the focus of this study has been on achieving consolidation and branding. Improving wine quality standards was not the focus, but as evidenced in the answer that emerged, it is inextricably linked to branding and manageable through consolidation.

Through wine cluster brands, the foundation for developing big premium brands has been laid. Developing big premium brands will enhance the competitiveness of the South African wine industry, preventing its demise and ensuring its future viability.
Chapter 5: Evaluation

General conclusions
Co-operatives have long been part of the structure of the South African wine industry and currently account for 80% of the countries wine production (Ewert, 2005). However, despite the critical mass in terms of production, this form of wine consolidation has not provided the platform for developing strong premium brands.

There is a need for new organisational structures that can both deliver the critical mass and the branding required for creating and growing strong premium South African wine brands.

The new organisational structure proposed is that of ‘wine cluster brands’, designed according to the principles of Stafford Beer’s Viable Systems Model, incorporating the elements of partnership advantages, relationship quality, top-brand mindset, effective production systems and competent implementers.

The biggest challenge and the main driver of wine cluster brand success, lies with the choosing of partners – the case of this study, it entails the concept of ‘partnership advantages’.

In broader terms, it forms part of the process of partner assessment associated with developing a strategic alliance. It entails the sharing of risks and profits, utilising collective expertise, leveraging off one association with other. The more there is to be gained through the partnership, the greater the level of commitment to the relationship. Business relationships that do not offer clear advantages do not warrant investment in terms of time or money.

Strategic partner selection has been cited as one of the reasons that account for the successful implementation of strategic alliances (Pansiri, 2005). Strategic alliance research identifies four Cs (compatibility, capability, commitment and control) as criteria for successful pre-selection of alliance partners. In addition many authors have also identified trust as an important determinant of alliance continuity (Pansiri, 2005). When a firm enters into an alliance with a partner, it needs to be wary of its partner’s attitude, regardless of its own behaviour (Das, 2005).

The research provides a model or and a checklist for developing a successful South African wine brand. Since the research context is South Africa, it is applicable for wine businesses based in this country. Since the research involved a regional body brand as well as that of a wine product, the approach can be adopted for both such entities, however the products concerned will vary. In the case of the regional body it will include outputs such as brochures, maps, wine routes and wine events.

The competitiveness of wine countries in the global arena is determined by the ability to acquire shelf space and demand higher prices, and this is linked to the development of successful premium wine
brands. The global wine industry is plagued with fragmentation. Technically, this model or checklist can be applied to all wine industries struggling to develop large premium brands.

In order to measure the usefulness of this model, the next step would be to test and compare this model in relation to case studies of existing successful wine cluster brands. Such research would result in the fine tuning of the model.

Relevance, Utility and Trustworthiness

Relevance

As indicated in chapter one, the South African wine industry contributes significantly to the GDP of the Western Cape. It supports employment opportunities, directly and indirectly to an increasing number of people.

According to the SAWIS commissioned macro-economic study of the wine industry on the Western Cape in 2003, the total turnover of the South African wine industry in 2003 amounted to R10 675, 27 million. Of that amount R3 153, 40 million was exported directly. An additional amount of R 4 198.37 million was generated indirectly through wine tourism (Conningarth consultants, 2004).

At the time of the study, an attempt was made to estimate what the effect would be on the country’s economy if the wine producing activities in the Western Cape would cease to exist – it was concluded in broad terms that local businesses would lose R 7 521, 87 million for supplying raw material to this industry (Conningarth consultants, 2004).

The wine industry, including tourism, contributes R22 549 million to the annual GDP of the country. The wine industry has its roots in the Western Cape and it is estimate that 70% of the industry’s activities have a direct impact on the Western Cape’s economy (Conningarth consultants, 2004).

The wine industry supports employment opportunities for 256 908 people including tourism (Conningarth consultants, 2004). The Cape wine lands is said to draw 43% of all tourists to South Africa (Ewert, 2005).

Although up-to-date information regarding the financial contribution of the industry is not available, SAWIS statistics indicate that the industry has grown significantly in terms of production and in terms of exports. By implication it is accepted that the contribution to the annual GDP of the country, in terms of employment opportunities and in terms of tourism and other businesses has increased significantly too.

For the first time since the 1800’s, the agricultural sector in South Africa is larger than that of mining. Agriculture has become a significant contributor to the national GDP. It is argued that the agriculture sector will create more jobs for every R1 million of investment than any other sector. Economic
development initiatives – especially around tourism – are of increasing importance to the government (Cape Times, 2009).

The competitiveness in the global arena is intensifying – especially in the wake of legislation and government campaigns to limit alcohol consumption (Wine Business.com, 2009).

Compared to other wine producing countries, South Africa is losing position in the global arena. In terms of the industry structure, it is noted that the fragmentation is high and the number of smaller wineries continues to grow. The top 10 wine companies account for 55% of the total exports. The level of consolidation is comparable to Chile and is low – making it difficult for foreign companies to invest in strong premium brands.

In terms of marketing, branding and style, the major weakness is the absence of strong (popular) premium brands. Despite the success of brands like Kumala (2.4 million cases) and Kaapse Pracht (1 million cases) South Africa is perceived primarily as a supplier of cheaper wines. As yet, no distinct South African wine style exists and to date, no ‘icon’ wines have emerged (Rabobank International, 2007).

The ability to compete on the export market, in the global arena is crucial for the South African wine industry since it cannot depend on the domestic market for survival. The domestic market is weak and based on basic wine. It does not stimulate and drive innovation (Rabobank International, 2007).

The success of the South African wine industry influences the success of the agricultural sector and the tourism sector, particularly in the Western Cape. As the importance of agriculture and tourism as a contributor to the national GDP grows, the importance of the South African wine industry grows too.

The aim of the research was to find ways of enhancing and managing consolidation and branding in the South African wine industry to ensure its future viability. It sought to identify what needs to be in place to develop competitive South African premium brands, having recognised that this is the way forward for the industry in the global arena.

UTILITY

This study introduces the concept of a “wine cluster brand”. It is the combination of concepts – namely that of “clusters”; “branding” and “wine”. In this study, “clusters” refers to the organisational structure; “brand” refers to the function of branding i.e. the activities involved in building a brand; “wine” provides the context i.e. the South African wine industry.

From the understanding of the existing body of knowledge, the following definition of the concept “wine cluster brand” has been developed. It is seen as an intangible, strategic asset – with both
functional and symbolic aspects – used to differentiate a wine product from others, owned by a group of wine businesses in geographic proximity to each other.

Wine cluster brands deal directly with the issues of consolidation and of branding. The two issues recognised as integral to the competitiveness of the South African wine industry (Rabobank International, 2007).

The five crucial elements or precedents for the developing successful wine cluster brand are provided.

In order to facilitate the design of a wine cluster brand, Stafford Beer’s viable systems model is utilised. It is also used to explain where the five crucial elements fit into the organisational structure.

With an effective wine cluster in place, branding strategies for building premium South African brands can be implemented successfully.

With global premium brands in place, the image of South Africa as a quality wine producer will be secured. Higher prices will be justified, higher margins secured and the long term feasibility and sustainability of the South African wine industry will be secured.

This answer can be linked to the Rabobank pyramid of success in the wine industry. Consolidation provides the base of the pyramid. Branding is related to the middle section. VSM is the tool for the successful integration of the branding function within the consolidated organisation.

TRUSTWORTHINESS

Credibility

The need for a large premium brand to improve the competitiveness of South Africa in the global wine arena is evident following a triangulation of studies conducted by Rabobank International and by Conningarth consultants and by Ewert. An affinity diagram of the weaknesses of the industry, according to these studies, was developed. It emerged that ‘fragmentation’; ‘branding’ and ‘domestic issues’ were the core hindrances to developing a large premium brand.

The conclusion drawn from the studies is that the South African Wine industry has the potential to improve its competitiveness through a strategy that combines consolidation and branding. The domestic issues involve long-term investment and government support to effect change. The fragmentation and branding issues can be addressed by industry immediately and by the industry participants themselves.

As indicated in chapter 3, Maxwell’s Qualitative Research Design was used to develop the research questions of each study conducted. The Grounded Theory Method was adopted as the research
method. Conversational interviews were the main source of data collection, in conjunction with participative observation during the interviews. Documentary research was also used.

The meta-synthesis method was used to assimilate the research, resulting in the emergence five core concepts or variables that were regarded as the fundamentals or precedents for developing a wine cluster brand.

The concept of a wine cluster brand is based on the existing concepts and theories of 'clusters' and 'brands'. The link with these theories is described in detail in the literature review. Here it is important to reiterate that both clusters and branding are recognised as mechanisms for enhancing competitiveness.

The five core variables that emerged in the research process were each considered in terms of existing theories and concepts. 'Partnership advantages' was linked to strategic alliance formation. 'Relationship quality' was linked to relationship management. 'Top-brand mindset' was linked to corporate culture development and internal branding. 'Effective production systems' was linked to internal branding. 'Competent implementers' was linked to human resource management. Details of which are provided in the literature review.

In order to facilitate the development of the wine cluster and illustrate how the five core variables can be integrated in the design of the organisational structure, Stafford Beer's viable system model (VSM) was utilised. The literature abounds with descriptions of the VSM and illustrations of the application of VSM in the form of case studies. Literature negating the usefulness of VSM does not appear to exist. VSM has been successfully applied in the steel industry, textile manufacture, ship builders, paper manufactures, insurance companies, banks, transportation, education and a plethora of small businesses including manufacturing and retailing (Walker, 2001).

**Dependability**

Dependability considers appropriateness of and the rigour of the data gathering process, inquiry methods, concepts and theories used - the degree to which they are adapted for the problem context.

What most differentiates GTM from other research methods is that the resulting theories are explicitly emergent. It does not test a hypothesis. Its aim, as Glaser states it, is to discover the theory implicit in the data (Esteves, Ramos, & Carvalho).

The objective of the research was to develop theory – not test it. And as such, the GTM was appropriate. Furthermore it suited the ontology and epistemology that was adopted.

Through the GTM, researchers develop explanations of key social processes or structures that are derived from or grounded in empirical data (Struebert & Carpenter, 1999). Theory is generated from
observation (Knapp). In Critical Realism terms, it entails observation of phenomena in the actual domain and the development of a hypothesis or theory that explains the occurrence of the phenomena. In SYSTAL terms, GTM is a method applied in the sense making stage.

As a tool that facilitates theory-building, (Siau & Long, 2005) meta-synthesis suits the critical realism approach adopted for this research. As a tool for producing an actionable knowledge base, (Denyer & Tranfield, 2006) it suits the SYSTAL approach adopted too and also forms part of the sense making process.

The meta-synthesis method used to assimilate the studies was appropriate since meta-synthesis is analogous to a grounded theory approach in so far as it also uses open coding and identifies categories from the data as well as making constant comparisons between individual accounts (Denyer & Tranfield, 2006).

Transferability

The main output of the research is a model for developing a South African wine cluster brand.

Since the research context is South Africa, it is applicable for wine businesses based in this country. Since the research involved a regional body brand as well as that of a wine product, the approach can be adopted for other wine entities too.

The competitiveness of wine countries in the global arena is determined by the ability to acquire shelf space and demand higher prices, and this is linked to the development of successful premium wine brands. The global wine industry is plagued with fragmentation. Technically, this model or checklist can applied to all wine industries struggling to develop large premium brands.

Confirmability

Specific procedural steps were set in place for the implementation of the Grounded Theory Method, based on those utilised by Pandit in his research titled “The creation of theory: a recent application of the grounded theory method” (1996).

The development of a data collection protocol for setting up and managing conversation interviews ensures traceability. A checklist and a list of open ended questions for use when conducting interviews ensures that every ethical consideration is taken especially regarding informed consent and the guarantee of confidentiality.

A case study database further enhances the reliability of the data collection process and increases the construct validity of the research results (Pandit, 1996).
By employing multiple data collection methods the grounding of theory is strengthened. Triangulation of evidence enhances internal validity (Pandit, 1996).

GTM data analysis involves three stages of coding. All forms of coding enhance internal validity (Pandit, 1996).

An important activity during coding is the writing of memos. According to Corbin and Strauss writing theoretical memos is an integral part of doing grounded research. Since the analyst cannot readily keep track of all the categories, properties, hypotheses and generative questions that evolve from the analysis process, there must be system for doing so. The use of memos constitutes such a system. Memos are not simply ideas. They are involved in the formulation and revision of theory during the research process (Pandit, 1996).

During the literature comparison phase, conflicting frameworks and similar frameworks are considered in relation to the emergent theory. Conflicting frameworks improves construct definitions – therefore internal validity (Pandit, 1996). Comparisons with similar frameworks – improves external validity by establishing the domain which the study’s findings can be generalised (Pandit, 1996).

**Ethical implications**

The approach of Velasquez is used to consider the ethical implications of developing wine cluster brands in the South African wine industry.

**Will the action maximise social benefits and minimise social injuries?**

Implementing organisations that have the capacity to improve the competitiveness of the industry and subsequently the economic development of the region will have a positive effect on the social development of the area too. By enhancing profitability, additional funds are available for investing in projects that focussed on social up-liftment. When times are tough, funds are channelled into areas that have a direct influence on production and social development projects become secondary.

**Is the action consistent with the moral rights of those whom it will affect?**

The implementation of wine cluster brands is aimed at enhancing the viability of an industry and the continued growth of the economy. New business, innovation and entrepreneurship – characteristics of strong clusters – will lead to the creation of new employment opportunities and the generation of wealth.

**Will the action lead to a just distribution of benefits and burdens?**

Although the wine industry is part of the agricultural sector, it has a significant influence on the tourism sector too. As agriculture increases in importance of the national GDP, the wine industries
influence on the economic development of the country as a whole increases. It is anticipated that the benefits of the prosperity of the wine industry will have a spill over effect on the country as a whole. Does the action exhibit appropriate care for the well-being of those who are closely related to or dependant on the implementers? Ultimately, the prosperity of the wine industry will contribute to the well-being of all involved in the industry. The ethical question really is, how can one not look at finding ways of ensuring the future viability of the South African Wine Industry, knowing that so many people are affected directly and indirectly by this sector. It would be unethical to stand by and let this sector lose international market share.
Bibliography:


Drauker et al. (2007). Theoretical sampling and category development in grounded theory. *Qualitative health research*, 1137-1148.


105


USDA Foreign Agricultural Service. (2002). *South Africa Wine Competition Annual*. USDA.


Appendix 1: Viable Systems Model

The Viable Systems Model (VSM) of Stafford Beer – is a tool for organisational diagnosis and design – for enhancing the organisation’s potential for strategy adaption and realisation. Its history goes back into the late 1950’s. Beer created it in the context of the earlier work in cybernetics by Norbert Wiener, Warren McCulloch and Ross Ashby (Espejo, 2003).

Espejo differentiates VSM from other methods as follows: “Most approaches used in designing or re-structuring organisations are focussed on improving value chain processes without a clear understanding of how these businesses processes interact with a myriad of organisational processes producing together with them the emergent organisation. We need a holistic framework to relate business and organisational processes as well as local and global processes. This is what the VSM is all about.” (Espejo, 2003).

The VSM considers an organisation as a number of operational units and the systems needed to ensure they cohere or work together as an integrated, harmonious whole. The three basic elements are the Operation, the Metasystem and the Environment. All three are in continuous interaction (Walker, 2001).

The figure below, illustrates the basic VSM. The arrows indicate the many and various ways that the three parts interact (Walker, 2001).

The Operation does all the basic work (production, distribution, earning the money) and is called System 1. The Metasystem provides a service to the Operation by ensuring that whole organisation works together in an integrated way (scheduling, accounts, strategic planning...) and is comprised of
System 2, System 3, System 4 and System 5 (Walker, 2001). The five systems describe the various functions within the organisation.

In the next section, the five systems of VSM are described.

S1: Operations

System 1 entails the entire collection of interacting operational units (Walker, 2001). It can be referred to as implementation (S1) (Assimakopoulos & Dimitriou, 2006). The VSM is a recursive model. The principle of recursion applies at all levels throughout the VSM. Consequently, each operational unit is composed of smaller viable systems and is embedded in a larger VSM (Walker, 2001). S1 operations communicate with one another, sharing information and sometimes inter-process stock. Much of this communication channel is informal. They also monitor communications within their environments to understand what is required of them (Leonard, 1999).

S2: Stability

System 2 entails the functions responsible for stability / resolving conflict between operational units (Walker, 2001). It is the supervisory system, which prioritises and co-ordinates activities or operational units in real time. It is responsible for the co-ordination of subsystems, attenuation of oscillation between them (Schwaninger, 2006). It can be referred to as co-ordination (S2) (Assimakopoulos & Dimitriou, 2006). S2 implements routine decision and protocols for S1 units - such as internal control, safety procedures, routine training requirements, IT protocols and use of common resources. Many aspects of S2 today are automated. The lines of communication from S2 connect to S3 (Leonard, 1999).

S3: Synergy

System 3 entails the functions responsible for optimisation / generating synergy between operational units. It represents the tactical management system which manages the operations of the system 1’s. It is the operative management of a collective of subsystems (Schwaninger, 2006). It can be referred to as control (S3). S3 communicates with S1 along two channels – the command channel and the resource bargaining channel (Leonard, 1999).

S1, S2, S3 take care of the ‘inside and now’ of an organisation. If the management functions stopped here, the organisation would be able to react to stimuli but would not be able to anticipate or evaluate circumstances as a conscious and reflective entity (Leonard, 1999).
S4: Strategy

System 4 entails future plans and strategies – adaption to the environment. It is the developmental system which concerns itself with the external environment and therefore the future. Its focus is on improvement. It entails management for the long term, relationship with the overall environment (Schwaninger, 2006). It can be referred to as intelligence (S4) (Assimakopoulos & Dimitriou, 2006). S4 is concerned with the ‘outside and then’. It has direct links with the outside environment (Leonard, 1999).

The ‘inside and now’ relates to doing things right, while the ‘outside and then’ relates to doing the right thing (Leonard, 1999).

S5: Policy

System 5 entails policy. This system sets the direction, the policy and strategy of the organisation. It is normative management, corporate ethos (Schwaninger, 2006). It can be referred to as policy (S5) (Assimakopoulos & Dimitriou, 2006). S5 is responsible for balancing the homeostat between S3 and S4, maintaining a coherent identity and providing closure (Leonard, 1999).
Appendix 2: Research study 2

This study was conducted with the Hermanus Winegrowers Association.

The problem was identified as the lack of local restaurant support for local wine brands.

The goal was to develop and implement a joint marketing and promotion strategy to enhance sales of Hermanus wines in the town of Hermanus.

A conceptual framework illustrating the probable cause of the existing situation was developed in the form of a causal loop diagram, included below.

![Diagram showing causal loop relationships]

Figure 45 conceptual framework of study 2

The research question:

‘What are the components of a successful restaurant-winery strategy?’

The answer to the research question:

The core concepts that emerged in this study were the ‘quality of relationships’ and the ‘ability to develop loyalty’. In a market as competitive as the wine industry, where relationship between restaurants and wineries are fickle and usually based on what the restaurant can get from the wineries, the ability to develop a quality relationship is essential.

The concept common to both groups was that of ‘recognition of partnership benefits’. If the benefits of partnership are great, the degree to which the relationship is invested in will be higher and the greater the potential of mutual success.
The interdependencies between the emergent variables and their influence on the level listing and sales, investment in service strategies, the effectiveness of service strategies and ultimately on the level of loyalty, is illustrated as follows:

**Figure 46 answer causal loop diagram for study 2**

**Small win: The development of three joint restaurant strategies:**

Armed with the information gleaned through the conversational interviews, a marketing workshop was set up to develop joint strategies for implementation to boost support and sales of local wineries in Hermanus. Three strategies were developed for three different types of restaurants as classified at the start of the project.

“Information provision strategy” for ‘owner/manager with limited knowledge’ type restaurants.

“Customised waiter training strategy” for ‘owner/manager with keen wine interest’ type restaurants.

“Community spirit strategy” for ‘corporate wine lists / franchise’ type restaurants.
Appendix 3: Research study 3

This study was conducted with the Overberg cluster brand i.e. Slowine.

The problem situation was identified as the lack of brand equity of Slowine.

The goal of the research was to improve the level of understanding of the concept of 'wine brand'.

As a starting point, a causal loop diagram was developed which reflected the existing level of understanding. This is illustrated below.

![Causal Loop Diagram](image)

**Figure 47 conceptual framework of study 3**

**The research question:**

What are the antecedents that need to be in place to raise the status of a wine name to that of a wine brand?

**The answer:**

A high level of market awareness is an organisational characteristic that is common to all of the top 20 South African Wine brands. Linked to this market awareness, is the ability of the organisation to respond to market demands. The level of market responsiveness will determine the degree to which the organisation will succeed in creating a top wine brand. Structures and funding have to be in place allowing for innovation and new product development.

Linked to the competence of the people involved, is the notion of 'top brand mindset level'. Without this characteristic driving the decisions and actions of the brand, the brand is set to fail.
Small win: Template for measuring a brand compared to top brands.

The model that emerged through the research process was used to assess Slowine and resulted in the direction of the follow on study. This model aided the identification of the problem area i.e. quality of the product and competence of the people involved.
Appendix 4: Research study 4

This study followed on directly from the previous study. Having established a better understanding of the antecedents of a wine brand, the Slowine situation was considered in greater detail.

The goal was to compare the Slowine situation to the ideal and then set about rectifying the situation to ensure that the brand could be developed further.

A causal loop diagram illustrating the existing situation with the proposed intervention point was developed.

![Causal Loop Diagram](image)

Figure 49 Conceptual framework of study 4

The research question:

'What needs to be in place to ensure the product /price point suitability of the brand?'

The answer:

The successful implementation of an effective production system is vital for maintaining the quality price point suitability of the product. Especially in the case of a brand like Slowine, where there is no control of the volume of supply of the desired quality of grapes.

The relationships between the variables affecting the product/price point suitability were identified and a model developed to illustrate the situation.
Figure 50 answer model for study 4

Small win: The introduction of protocols, clarification of roles and responsibilities

Three small wins, all linked to the development and implementation of an effective production system, were implemented as a result of the research done. In addition to this, a change was made in the original Slowine partnership agreement and the role of the technical committee was clarified- all contributing to a better system for managing the quality of Slowine production in the future.

1. One of the Slowine partner was given the responsibility of managing the wine process from blending to bottling and as such would be accountable to partners if the wine was deemed substandard and unsuitable for selling under the Slowine brand.

2. The role of the technical committee was defined as being advisory in nature and as such not responsible for the action of individual winemakers. This was a topic for discussion at Board level and recorded in the minutes of the meeting.

3. A checklist was developed for the ‘unskilled’ winemaker handling the blending and the bottling of the wines.

4. Wine profiles were developed for each of the wines in the Slowine range to ensure that the winemakers were clear about the wine that had to be made.

Wine production recommendations were drawn up linked to the wine profiles of each wine to ensure that the ‘unskilled’ winemaker knew what had to be done to achieve the desired style of wine.