

WINE CLUSTERS IN THE PERCEPTIONS OF BULGARIAN RESIDENTS

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Abstract

Wine is a cultural phenomenon and a central point of a global industry. The wine sector has long history within Europe. During the last few decades international competition among emerging new actors on the wine market is increasing. Clusters are playing an important role in wine sector as being the major possibility for the industry to promote to foreign markets and to develop a strategy for a successful internationalization and distribution abroad. The aim of this paper is to explore among Bulgarian residents the feasibility for the sector to develop wine clusters based on different criteria. The research is an empirical study based on online survey with 5 groups of questions among residents of different age, education and life status. The main conclusion is that wine clusters in Bulgaria are a viable construct. Creation of wine clusters has the potential to make sense for customers in Bulgaria. Wine clusters to be created should be both regionally based and built around traditional grape variety processing.

Keywords

Wine clusters, Bulgarian wine, grape variety, consumer perceptions in Bulgaria.

JEL Classification

D12, M31, O13, Q17.

Introduction

Wine industry in Bulgaria is experiencing new challenges due to changes in demand - taste of customers and of everyday life habits.

In last three decades, vineyards of traditional grapes in Bulgaria are diminishing in favor to more recognizable grape varieties, the worldwide renowned, mostly of French and German origin (i.e. "Cabernet Sauvignon", "Merlot", "Traminer" etc.).

One possible way to boost the popularity of local wines is to create wine clusters, an area which is still underdeveloped in Bulgaria. There is a growing interest in wine clusters in Bulgaria (Markov, 2013; Kirechev, 2012), the notion of a cluster is well-known also in other areas (Dimitrova, Lagioia and Gallucci, 2013). But although there are some attempts to establish wine clusters - several wine clusters do exist since the mid 2010s (i.e. "The antique path of the Thracian wine", "Danube wines", "The path of Dionissos", "The path of Orpheus" etc., some of them are part of a touristic cluster), these clusters didn't gain enough popularity until now.

The aim of our study is to explore the perceptions of potential customers to wine clusters in Bulgaria, we use an own developed survey among Bulgarian residents. The rest of the paper is organized as follows: section two is a literary review, section three presents the instrument, in section four there are the results of the study and the discussion, section five concludes.

Literature review

According to common practices, a cluster is a “geographically proximate group of interconnected companies, suppliers, service providers and associated institutions in a particular field, linked by externalities of various types” (Porter 2003, p. 562). Clusters have been recognized as important triggers of innovation and corporate performance due to simultaneous cooperative and competitive relations between the different companies within. On the one hand, through cooperation geographically concentrated participants in the clusters can benefit from shared access to information, financial and human resources, markets, suppliers and distribution channels. On the other hand, competition makes companies strive for quality improvement, price reduction and search for new market opportunities. Porter (1998) emphasizes the importance of location for building competitive advantage in a global economy. Economists agree on the key role of the clusters in increasing efficiency, productivity and return to investment (Enright and Roberts, 2001; Porter, 2003; Morosini, 2004; Delgado, Porter, Stern, 2014).

Porter (1998) has chosen as a good illustration of his cluster concept California wine cluster as “a geographic concentrations of interconnected companies and institutions”. Dana et. al. (2013) point out recent shift of the wine sector from “an emerging oligopoly composed by multinational large size firms” to “strongly fragmented sector with numerous small and medium-sized enterprises (SMEs) in competition within both the domestic market, and increasingly in international markets”. Overcoming economic challenges, value creation, reaching economies of scale and economies of scope for SMEs in the wine sector is much more feasible at cluster-level than at a company-level. According to Fensterseifer and Rastoin (2013) wine clusters provide companies with resources, crucial for their existence and development, which can be classified in five types – natural, technical, institutional, social and reputational capital. Cluster approach is applied in wine industry studies in Argentina and Brazil (Alderete, 2014), Brazil and Chile (Mattia et. al., 2015), USA (Hira and Swartz, 2014), New Zealand (Dana et. al., 2013), etc.

Anderson proposes two ways of wine industry SMEs development – through volume of production and product differentiation. The concept of “Terroir” defined by Seguin (1988) as “an interactive ecosystem, in a given place, including climate, soil and the vine” can be used for collective differentiation. Gilby (2018) adds wine-making expertise and the human factor to the characteristics of the place as basic elements of the “terroir”. Riviezzo et. al. (2016) accentuate its role as a powerful branding tool which can be applied in managing wine consumers’ authenticity and quality perceptions. Authors like Ditter (2005), Bélibergouignan (2011), Riviezzo et. al. (2016) are combining the two concepts considering “terroir” a proper basis for setting boundaries between separate wine clusters.

In Bulgaria the concept of “terroir” is still not very popular, mainly due to the fact that the shift in the wine sector, from few large size firms to numerous SMEs still hasn’t occurred.

The survey

In order to assess the perspectives for wine clusters creation in Bulgaria, we explore the perceptions of Bulgarian residents about some of the main characteristics of wines.

Our instrument is an online survey with 5 groups of questions. First, we try to monitor how our respondents identify the traditional Bulgarian sorts of vines, next we ask about

traditional wine producing regions in Bulgaria, another important question is the potential to use local grape varieties. Further we explore whether respondents distinguish between small and big wineries and the wines they produce. The last group of questions is about the impact of wine clusters on demand of wine.

We use a survey consisting of a mix of Likert-type scale items (see Likert, 1931), combined with questions of closed type answers. The former we use to study the potential to introduce wine clusters in Bulgaria, and the latter - to assess the prospects for practical implementations of local wine clusters.

For the main scales our respondents were asked to fill out a 5-point Likert scale survey. In the construction of our survey, we follow the common prescriptions for creating a Likert scale from scratch (see Croasmun and Ostrom, 2011). First, we define the focus, next we generate the potential scale items and further we narrow down the items keeping items that are good discriminators.

We opted for a Likert scale (1-5) with a neutral type of response - SD (Strongly disagree, 1), D (Disagree, 2), U (Undecided, 3), A (Agree, 4), SA (Strongly agree, 5) with a mid-point (3). We motivate this choice by the aim to not force our responders to be obliged to give definitive answers, i.e. to favor one response over others. In our case, a Likert scale with mid-point may reduce possible response bias, because if a neutral response option exists, responders are not required to decide one way or the other on an issue (for discussion see Fernandez and Randall, 1991). Although this concerns mainly socially sensitive matters, given that in our survey we study also some historically motivated facts, avoiding biased answers seems suitable.

We define three scales, consisting of 10, 12 and 10 items each, organized in multi-item statements.

Results and discussion

With Likert-type scales, it is essential that the researcher calculates and reports Cronbach's alpha coefficient for internal consistency reliability. Our interpretations of internal consistency follow the traditional views (see Webb et. al., 2006), where coefficients close to or above 0.80 are considered sufficiently reliable to make decisions about the appropriateness of the test uses. Aside from alpha, following Gliem and Gliem (2003) we conduct also a factor analysis to determine the dimensionality of the scales.

First, we ask about grapes - a block of 10 questions, forming our first scale. Do the respondents distinguish between local grape sorts and the ones of foreign origin? Cronbach's alpha for this group of 10 questions (the standardised alpha based upon the correlations) is 0.77, which is a reasonably high value (acceptable - for details see Gliem and Gliem, 2003).

Our first scale "Grapes", is defined by 10 items - names of grape varieties, with "Mavrud", "Gamza", "Dimyat", "Pamid" and "Misket" being local, and "Sangiovese", "Cabernet", "Merlot", "Muscat" and "Rkatsiteli" being global or of foreign origin. The term "Sangiovese" does not appear in the names of wines, marketed in Bulgaria, unlike the rest of the foreign origin grapes. The question we ask is: "Which of the following grape varieties you think are Bulgarian?"

The respondents distinguish well between local and global grapes.

Differences by sex of the respondents exist only for two of the grapes - "Muscat" and "Misket", differences by age exist for the grapes "Mavrud" and "Pamid". Education, work status and taste preferences do not influence the scorings - ANOVA tests (one-way) do not reject the null for all of the grapes.

The internal structure of this block of question proved to be bifactorial, with the first factor closely mapping the "local - foreign" dimension. The second factor seems to reflect the

overall knowledge of our respondents to the grape varieties, and can be interpreted as a “known - unknown” dimension - see Fig. no. 1.

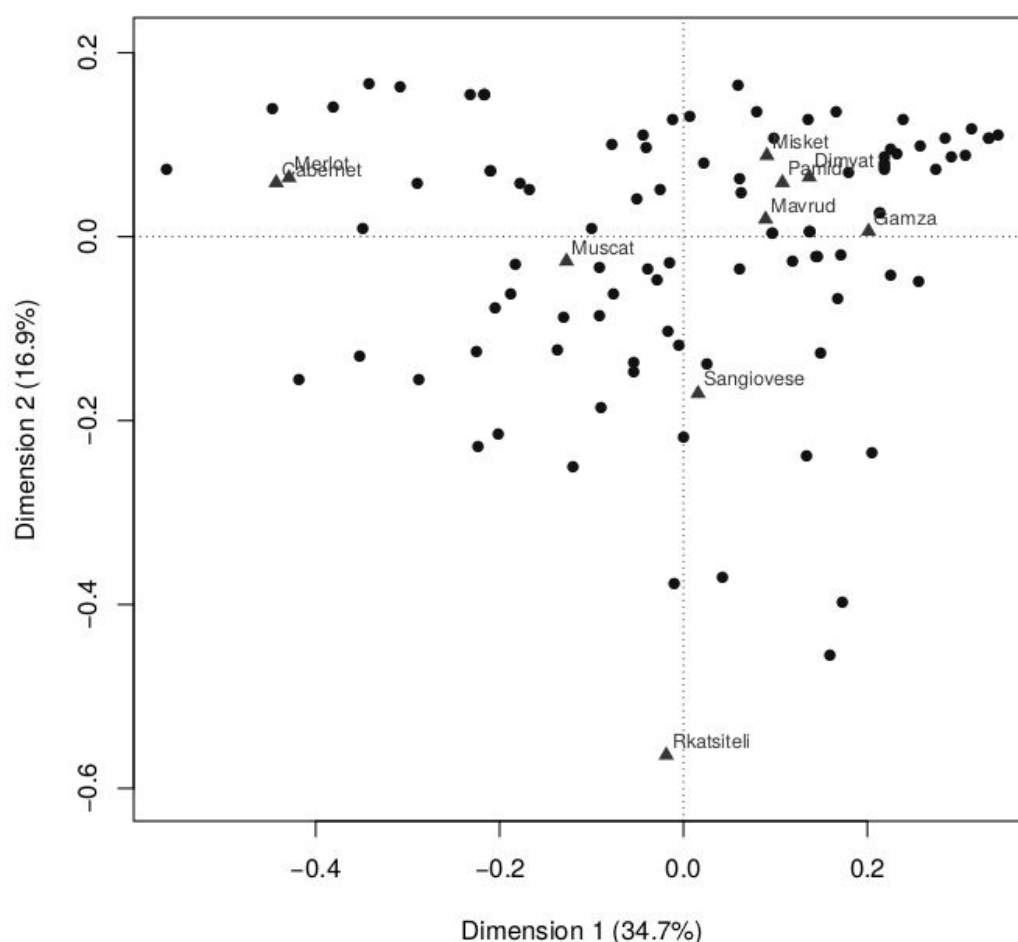


Fig. no. 1 Factors (dimensions) in “Grapes-scale”

Source: Authors' calculations

Scale “Regions” consists of 12 items about locations - “Which of the following regions do you consider as the ‘most winery’?”, with scores for 12 Bulgarian regions. Cronbach’s alpha is also high - 0.86 (total). The factor analysis does not suggest that of more than one factor exists - the scale can be regarded as unidimensional.

Scale “Perspective grape varieties” consists of 10 items, a mix of existing (“Asenovgrad mavrud”, “Vraza misket”, “Varna misket”, “Suhindol gamza”, “Vidin gamza”, “Varna dimyat”) and non-existing (“Silistra dimyat”, “Dobrich mavrud”, “Nessebar pamid”, “Pomorie mavrud”) grape names. The question: “Do you link the following wines to a certain producer?” The factor analysis suggests the existence of one factor, the scale is unidimensional. Respondents do distinguish well between existing and non-existing grape varieties - “Asenovgrad mavrud” (3.05), “Vraza misket” (2.47), “Varna misket” (2.76),

"Silistra dimyat" (1.85), "Suhindol gamza" (2.60), "Vidin gamza", (2.04), "Varna dimyat" (2.80), "Dobrich mavrud" (1.79), "Nessebar pamid" (1.67), "Pomorie mavrud" (2.45).

Our next two questions are: "Which of the following wineries do you think are big?" and "Which of the following wineries do you think are small?" with "Varna", "Leventa" and "Magura" being small, and "Katarzhina", "LVK Suhindol" and "LVK Targovishte" - big ones. Factor analysis suggests that both scales are unidimensional. We "mirrored" the answers of the first question (whether the winery is big), subtracting the answers from 6, i.e. if the answer was 1 (strongly disagree), it became 5 (strongly agree), in order to compare answers to both questions. By juxtaposing the answers we are able to discover statistically significant differences (t-tests for all 6 wineries have p-value below 0.01). The respondents are not confident in their knowledge about existing wineries in Bulgaria. This fact reflects on the one hand the existing multitude of wineries, and on the other hand the small volume of information, Bulgarian customers are searching about wine producers.

To the question: "Which wineries make better wine?" two thirds of the respondents (66.3%) choose "the small wineries", and one third (33.7) - "the big ones". The public in Bulgaria is aware of the advantages of artisanal wine making, there is a sound ground for wine clusters. Our next question is: "Which is the most quality wine?" (in bottles, in boxes or draft), with "in bottles" overwhelming as answer (98%). The question makes sense, because there is a long tradition in Bulgaria of making homegrown wines, from privately owned, small vineyards. In the last decades the tradition goes down gradually, but it still does exist. Despite the poor quality in most cases, "home wines" are regarded as "more natural" than the professional ones, with "box" or "draft" seen a possible replacement (see Boshnakov and Marinov, 2013).

Our next question is whether the region matters in wine production (for the same grape variety), or the modern technologies erase the differences. The respondents (91.6%) consider the region being very important.

To the question "Potential Bulgarian wine clusters will make more sense for the customers mainly..." with possible answers "abroad (in Europe)", "abroad (outside Europe)" and "in Bulgaria", 47.4% of the respondents opt for "abroad (Europe)" and 21.1% for "abroad (outside Europe)" with only 31.5% emphasizing the importance of wine clusters for local customers. We consider that this is due to the lack of experience and the underdevelopment of the local market.

Next, we ask three questions about some global wine clusters: "What is Beaujolais?" - 75.8% identify it as "a wine", and 10.5% as "a cluster" (for this question, multiple answers were allowed); "A wine from USA you connect to..." with "Napa valley" as the prevailing answer (88.4%) and "A wine from Italy you connect to ..." with "Tuscany" as the prevailing answer (89.5%).

Our respondents do link the wines with the most popular regions from the respective country.

The last question is about an often used idea for wine clusters - "Do you think that 'A wine route' or similar, a route of several dozens of kilometers would make sense for Bulgaria?". Most answers are affirmative, with 56.8% "of course" and another 14.7% "in Bulgaria there are such things already", scepticism is 9.5%, and the rest 18.9% is "I don't know".

Conclusions

Results of our research show that wine clusters in Bulgaria are a viable construct. Bulgarian residents do distinguish between artisanal and big factory wines and among different grape varieties. Our research supports the view that creation of wine clusters has the potential to make sense for customers in Bulgaria.

At the same time the underdevelopment of the local wine market, especially in the premium segments, does not allow to the respondents to distinguish between different types of market players.

Results from our research show that wine clusters which are to be created on both regional basis and traditional grapes seem to have a better potential.

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