Strategies of improvement of marketing mix in the sicilian market oriented wine entrerprises*

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Abstract

The present work follows the research line which examines the implementation of the marketing, through the development of empiric investigations on processing enterprises, on the basis of recent theoretical theories which consider the enterprises as aggregations (sets) of value generatrix activity, by the use of resources and capacity.
The main point in this study is in fact represented by the marketing mix, in which many variables converge in order to achieve the aims pre-defined in the objective market, to realize some competitive advantages.
This work has allowed to identify and analyse the critical factors of success of the Sicilian vine-growing and wine-producing enterprises (market-oriented).

Key words: Competitiveness, sicilia region, wine sector, marketing

Résumé

Cet article s'insère dans le sillon de recherches qui examinent la réalisation du marketing par le biais d'enquêtes empiriques concernant les industries de transformation sur la base de théories suivant lesquelles les entreprises sont des agrégations d'activités produisant de la valeur à travers l'utilisation de ressources et de compétences.
Le point central de cette étude est représenté par le marketing mix dans lequel convergent plusieurs variables afin d'atteindre le but prédéfini par le marché et un avantage compétitif.
Ce travail a permis d'identifier et d'analyser les facteurs critiques de succès des entreprises vinicoles et viticoles siciliennes.

***Mots Clés**: Compétitivité, region Sicilia, filière vinicole, marketing*

1. Preface

The present paper is part of a line of research which analyzes market implementation through the use of empiric surveys on processing industries based upon recent theories which consider enterprises as aggregates which create value through the use of resources and capacity (Stampacchia, 2003).

The theoretic prospective of the "enterprise outline" could represent a key to reading the currently used marketing concepts; more precisely, this theory deals, on one hand, with the content and the hypothetical changes in marketing analysis and, on the other, with management sensibility in respect to those themes already developed and strengthened in theoretic studies such as those relating to resources and capacity.

The work has been divided into two parts. The first focuses on the evolution during the period between the industrial and post-industrial era (until today) concerning marketing mix trademarks, the Sicilian wine enterprises which also implemented their own activity. And this particularly for those highly market-oriented enterprises.

The second part of this work starts from a survey carried out in 2001–2002 by the CORERAS and the Sicilian councillorship of Agriculture and Forestry on the market–oriented Sicilian agriculture and food industries[1]. The present research wants indeed to update and thoroughly examine the above-mentioned survey results, extending it until 2003–2004. For this purpose it has focused only on highly market-oriented wine industries (a total of 19) and a questionnaire was used in order to acquire detailed information on market activities as well as on the main structural and managerial aspects of the enterprises, making use of the *marketing mix* instrument.

Once the acquired data has been processed, selected, ordered and written in tables and figures, it will be necessary to further develop the interpretation of results in order to know the market orientation grade of these enterprises, its evolution in the last three years and over the next three years. This will imply some evaluations on the market orientation evolution of these enterprises.

Even though these enterprises represent just a small part of the total Sicilian wine industries, the analysis carried out will show the results obtained by some enterprises that will grow in the future years thanks to the implementation of marketing strategies, by increasing the influence range on the Sicilian wine-growing sector and on the market of the same products.

From the empirical survey carried out on some Sicilian wine industries some really important factors came out. The marketing aspect is well-conceived and realized considering its cultural and operative dimensions, although there are different kinds of interpretation and implementation. The evolution in the wine enterprise marketing activities of the examined enterprises have shown a concrete approach to the client and the market. The aim of developing a more customer-oriented enterprise doesn't seem to be supported by

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[1] Cfr. BACARELLA A. (2003): *Le imprese agroalimentari "marketing oriented" in Sicilia*, CORERAS, Palermo.

the adoption of a logic based on processes for marketing activities and by the management and development of company skills.

There is still time to wait till the evolution trend started in Sicily about ten years ago and that has seen an increasing implementation of the marketing activities in the wine enterprises, further increases in the future also under the impulse of public initiatives; the latter cannot but take part in the evolution process that has concerned (and will even more so in the future) the entire Sicilian wine production sector, in particular that of high-quality ones.

2. Survey on sicilian highly market-oriented wine enterprises

2.1.Survey methodology

Wine surely is one of the most important agricultural and food products of Sicily, that manages to convey, in Italy and abroad, some intrinsic values of this land or of the main production areas. Wine is able to convey images of culture, folklore, culinary and tourism tradition.

But there's more. Nowadays we can talk of "*wine economy*" (Pastore, 2002), thus referring not only to the world of wine and to its traditions but also to the several activities connected to wine production.

"*Wine economy*" is already a well-known reality in Italy in general and particularly in Sicily following what has happened and still happens in countries with wine tradition, for example France, which has focused on enhancing its wine industry through a scrupulous quality policy based on quality and origin trademarks.

Since the beginning of the 90's, Sicily has also been moving towards this evolution aiming at the well-known Mediterranean diet and the *made in Sicily*. These two trends are already famous abroad as a recent survey on consumer markets carried out in Canada demonstrated[2]. The present work is connected to the above-mentioned study, analyzing just the wine industry which, following the CORERAS results on the agricultural and food industry, had a "high rate of market orientation", therefore market-oriented.

We selected 19 enterprises, equivalent to 24% of those belonging to the total wine industry, analyzed in the above-mentioned survey in 2001 and 2002 (the enterprises were 79 in total).

The work is therefore an effort to trace the main causes which have pushed the Sicilian industry to model its own behaviour according to the *market–oriented* scheme. An *ad hoc* survey, based on marketing analysis technique, has been then carried out, we repeat, to update and to examine closely the CORERAS survey[3]. This kind of survey has been carried out in two different complementary and superimposable phases.

The first analysis consists of acquiring all the documentation relating to the general marketing characteristics, mainly examining those marketing mix elements which a firm adopts in order to make its own strategic choices according to its marketing plan. Such a plan is really important to improve competitiveness in a market, like the one of wine, always in evolution. This will help to realize, for each firm, its own corresponding chain of values, thanks to the integration of the different production cycle (production, processing, transformation, packaging) where most of the value added to the production cycle can be defined and providing occupation and income in the area where the firm is located together with the promotion of a development process, consisting in industrial activities and/or services (marketing research, applied research, tourism, artisanship, etc.).

The second phase of the survey, which is the longest and required a lot of effort, has been carried out using a specific methodology. For this purpose we used a questionnaire which we gave to a sample group of wine firms having strong market orientation and located in the main Sicilian wine areas. These enterprises (15 in total) were chosen from the 19 firms examined by the Coreras survey in 2001-2002, also considering their willingness to take part in the survey and also other factors.

In fact, this part of the research is dedicated to the method and results of the above-mentioned survey which was carried out during the second semester in 2004.

The study was carried out to understand the different strategic choices of the firms and their corresponding selling prices. We then proceeded with open interviews, trying to recognize the marketing mix elements which the firm uses to develop a competitive advantage over its competitors as well as the corresponding structural and managerial factors of the enterprises here in exam.

The questionnaire has been split up into 5 coordinating sections to obtain a better knowledge of the analysed market.

These 5 parts focused mainly on: 1) defining the firm's functional position within the Sicilian wine industry; 2) obtaining information on the different range of wines produced by the surveyed firms, the selling strategy of these wines and marketing plans, speed of sales and consumer purchasing reasons, by means of specific questions on the main factors that favour the selling of their own wines; 3) as well as acquiring information about preferences, motivations and future conditions concerning the wine production in the areas here analyzed.

During our interviews we tried to establish an informal relationship with the interviewee, so additional questions were asked in order to go more into depth concerning some aspects of the survey. However, we tried not to be too intruding, sometimes noticing reserve and sometimes refusal to answer.

In this paper we analyzed a sample of 15 wine firms located in different Sicilian provinces, concentrated mostly in the western part of the country, especially in the Trapani

[2] Cfr. BELLIA C. (2004): *Produzioni agroalimentari "made in Italy" e "made in Sicily" sui mercati di consumo canadesi: analisi della domanda e strategie di marketing*, CORERAS, Palermo.
[3] BACARELLA A. (2003): *Le imprese agroalimentari "marketing oriented" della Sicilia*, Op. cit.

province. However, these records just outline the true wine production distribution and its enhancement in the region.

Hence we may notice that among the wine firms in analysis, there are none from the Catania and Ragusa provinces. That is why none of these provinces belong to the 19 strongly market-oriented firms studied by the CORERAS survey in 2001–2002.

The survey has been carried out through a face to face method, using the questionnaire briefly explained beforehand and the new means of communication (e–mails, web sites, etc.). In this way we managed to acquire additional and more precise information in order to define the survey field of observation.

Given that this survey's main purpose was to verify the market-oriented firms' behaviour in relationship to the characteristics of the constant changes in the retailing market and its user, we then tried to closely examine the characteristics of quality wine.

The Sicilian market-oriented firms we examined are examples of different management and organization realities. Thanks to this survey we managed to gain data on the different social-economic and cultural aspects, the policy for the raw material supply and distribution of the wine, the promotional strategy of the renowned Sicilian wines, the quality perception and the decision on the selling price.

Before taking a look at the survey results, it is necessary to repeat that we found some resistance among the interviewees especially when asked about business costs, and more precisely when speaking about promotional strategy cost. This difficulty in obtaining such personal information is directly linked to the problem of the survey, when dealing with management and economic aspects of wine firms, at times there can be someone who mistrusts the interviewer, not only for fiscal and administrative reasons, but also not wanting to disclose personal and important economic data to competitors.

Within these limits, this survey becomes really interesting because it shows aspects and problems of the Sicilian wine market which could be useful to those surveyed firms. Furthermore, it might also be useful as a tool of knowledge and interpretation by the entire Sicilian wine sector for its future development.

2.2. Survey main results analysis

Concerning the data survey carried out on a sample of 15 strongly market – orientated wine enterprises, we can state that they increased their sales by 45% in the four years (2001-2004) from 10.6 million Euro in 2001, to more than 15.4 million in 2004, as shown in table 1. Hence, we may say that this performance, considering only the period analyzed and the region of Sicily, was the best among the market-oriented agricultural and food industry.

The table also shows the minimum and maximum profit for the period in question. This data is quite variable especially in relation to the consistency of production and to the different size of the surveyed enterprises. Minimum profits have been registered from 1.1 - 2.3 million Euro and a maximum of 30.0–43.0 million. Moreover, we can notice how, from 2001 to 2004, there was a completely different dynamic between the minimum profit (more than doubled going from 1.1 million Euro to 2.3 million) and the maximum (although it increased, it didn't exceed 43%, going from 30 million to 43 million). Consequently, profit range of the examined enterprises has notably reduced going from around 1:27.3 to 1:18.7.

Tab. 1 - *Average sales and relative variation of the wine enterprises in analysis (2001-2004)* (*)

INDICATION	2001	2002	2003	2004
Average sales	10.630 **100**	12.492 **118**	13.938 **131**	15.408 **145**
Min	1.098 **100**	2.100 **191**	2.200 **200**	2.300 **209**
Max	30.000 **100**	36.000 **120**	40.000 **133**	43.000 **143**

(*) - Our elaboration on data find directly. The survey has been limited to 13 of the 15 analyzed firms, because of the lack of some 2001 and 2002 data relating to two firms. 2004 profits are the results of evaluation.

For better understanding the changes in the 15 firms, the analysis should have also been extended to the wine production and its relating dynamics, but this was not possible, given that just some of the total firms (8 out of 15) provided the information on the 2001–2004 production.

Since the dynamics we observed in the wine firm profit didn't correspond to an increase in wine production, but seemed to depend more on high prices, we thought it could be more useful to develop a comparative analysis between the profit dynamics and the production ones, just taking into consideration only the 8 firms which provided the necessary data.

As shown in tab. 2, together with an average profit increase between 2001 and 2004 of 41%, in the same period wine average production rose by 29%. In 2002 we also registered evident differences between profit dynamics and production, in favour of the first. This may happen because of the high price

Tab. 2 - *Comparative analysis between dynamics of wine productions and the correspondent sales in the wine enterprises examined (2001-2004)* (*)

GUIDELINES	2001	2002	2003	stima 2004 (estimate)
-Average sales (thousands of euro)	12.500 **100**	13.570 **109**	15.685 **125**	17.600 **141**
-Average production (thousands of hl)	64,0 **100**	57,6 **90**	58,0 **91**	82,8 **129**

(*) - Our elaboration on data find directly. The analysis has been limited to eight of the 15 examined enterprises, because seven of them have not supplied their medium wine production realized between 2003 and 2004.

policy during the analyzed period, together with a high degree of development and differentiation of the final product on the market and due to the firms commercial strategies.

Although it is not possible to extend these results also to the other Sicilian market-oriented wine firms, we can probably state that, thanks to other information, the data in tab. 2 is sufficient to show an evolution in progress whereby the range of high quality bottled wines of renowned firms producing quality and origin trademarks grows.

Another interesting result which emerged from this survey shows how the wine production of the surveyed firms is not exclusively launched on national market (in Sicily and in other Italian regions), but also on foreign markets, within the EU countries and or outside, in the so-called third countries, in particular North America (USA and Canada), and recently on the Asian market (Japan).

Between 2001–2003, 40.3 % of the surveyed firms average profit was made on foreign markets, compared to the 33.2% gained on national ground and 26.5% on the Sicilian market (with just 6% gained on the local market).

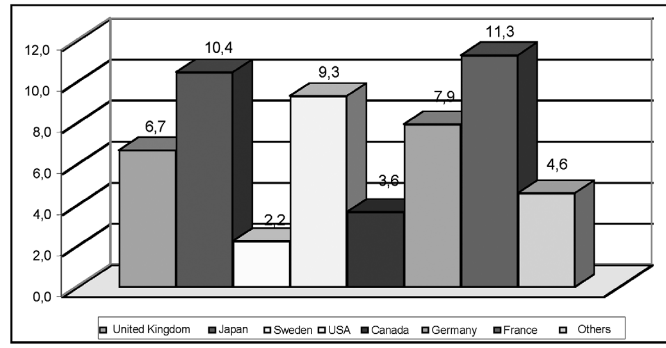
This data allows us to make some useful conclusions, which will be analyzed more in depth later, about the importance of our high quality wine production dependent on foreign export markets. As a matter of fact, recently, wine has gained a good share on foreign markets, also thanks to its connection with the tourist and gastronomic image which well market-oriented firms are able to express, as well as through the good reputation gained over time by the Made-in-Sicily quality wines and the Mediterranean diet. It is not by chance that wine represents one of the main items in the export of Sicilian agricultural and food products, and more in general, in the agricultural and food balance.

The possibility of placing Sicilian wine on international markets has increased steadily over the last 10-15 years. This is because of: **a)** gradual reduction of institutional and economic barriers in trade; **b)** the exchange in real time of necessary trade information **c)** the advent of faster and faster carriers, with a wider range of services. In other words, we may state that the integration and unification processes between the different market areas have stepped up even in the wine trade market. Thus creating an epochal change which has been defined, since the beginning of the 80's as "market globalization".

In connection to this subject, fig. 1 shows the volumes of Sicilian wine export (2001–2003) of the surveyed firms on the main foreign markets. The graphic shows how the European countries represent the highest percentage of Sicilian wine export. The leading countries are France (11.3%), Germany (7.9%) and UK (6.7%), however, we cannot underrate Asian countries (in particular Japan with 10.4% is one of the main import markets) that constitute an important market for the wines of the surveyed firms.

We should then consider North American markets that have steadily increased over the last 10-15 years and will continue growing over the years to come. It is not by chance that the USA and Canada make up 13% of relative

Fig. 1 - *Wine exports on principal foreign countries, as final market of the productions obtained in the examined enterprises (2001-2003)* (*)



(*) - Our elaboration on data find directly.

export, placing themselves among the first of the importing countries.

A good sample of Sicilian market-oriented wine firms together with an integrated documentation obtained through other sources, have enriched the survey helping with important information on product, process and organizing innovation. Concerning the diffusion of this technology, tab. 3 shows how some surveyed firms have introduced all the new technologies such as e-mail, ISDN Internet connection (Integrated Services Digital Network) and the web site followed by other technologies connected to the video-informatics world, such as Intranet. This wide use of technology by the firms in question demonstrates how they are increasingly influenced by the technological changes in an always more digitized market.

Tab. 3 - *Level of innovative technologies used by the examined enterprises (2004)* (*)

TECHNOLOGIES	ENTERPRISES	
	N.	%
Numerical control of pieces	7	*46,7*
E – mail	15	*100,0*
Intranet	13	*86,7*
Extranet	11	*73,3*
ISDN	15	*100,0*
ADSL	11	*73,3*
Videoconference	2	*13,3*
Web page	15	*100,0*
E–commerce	4	*26,7*

(*) - Our elaboration on data find directly.
The meaning of the words ISDN and ADSL, these are the acronym of *Integrated services Digital network* (ISDN) and *Asymmetric Digital Subscriber Line* (ADSL).

This use of modern video-informatics technology has become essential to firms with the aim of gaining competitive advantages as it allows them to break down the barriers to enter a highly differentiated, such as agriculture and food market in general and wine in particular. Furthermore, it helps facilitate supply-demand relations which become more direct and faster bypassing intermediaries. That's why, as shown in tab. 4, the surveyed wine firms have adopted a growing number of new technologies: 66.6% of all firms adopted between 6 and 7 technologies out of 9 shown in the tab.

Tab. 4 - *Distribution of the transformation enterprise examined according to the number of the used innovative technologies (2004)* (*)

CLASSES	ENTERPRISES	
	N.	%
up to 3	1	*6,7*
from 4 to 5	3	*20,0*
from 6 to 7	10	*66,6*
beyond 7	1	*6,7*
TOTAL	**15**	***100,0***

(*) - Our elaboration on data find directly.

Concerning the total use of new technologies introduced (considering also product and organization technologies), the survey has highlighted how, in the last 4 years, the surveyed wine firms were greatly influenced by 2 or more innovation groups (product and/or process and/or organization) as shown in tab 5.

It fact 73.3% of firms have introduced new products, and the same for new processes, while two thirds introduced new organization methods.

Tab. 5 - *Main groups of innovations introduced by the examined wine enterprises in the last quadrennium (2001-2004)* (*)

GROUPS	INNOVATION		% EXAMINED ENTERPRISES
	N.	%	
– new products	11	34,4	73,3
– new processes	11	34,4	73,3
– new organization methods	10	31,3	66,7
TOTAL	**32**	**100,0**	**213,7**

(*) - Our elaboration on data find directly.

Regarding information sources used by the wine firms in order to gain the necessary know-how of the type of innovations to introduce and the relative impact on enterprises, most of the interviewees stated that they had found information through ad hoc consultant offices, and/or Research and Development project results and of course not forgetting the importance of specialized magazines.

Concerning the competitive market positioning of the Sicilian highly market-oriented wine firms, we asked ad hoc questions in order to underline which of the strategic factors have been used to develop competitive advantages for a better wine production positioning.

As regards to what has been analyzed, we may say that: all the surveyed firms operate on the market with their own trademarks, and concerning wine sales they mainly use, wholesalers for national markets (35.1%), followed by the Large Organized Distributors (LOD) distributors (29.7%) and wholesalers on foreign markets (27.7%), while other distribution channels are not of great importance ("traditional retailer" and "on-trade channels"). However, the importance of the different channels is bound to evolve involving a more widespread use of LOD and on-trade channels.

Another interesting fact arises in tab. 6 where firms have been analyzed on the basis of the distribution channels that use the most. According to results, two thirds of the surveyed firms use at least 3 different distribution channels for placing their wine on the market, thus assuming sales policies focused on a differentiation of markets and distribution channels to place their own products.

Tab. 6 - *Distribution of the examined wine enterprises, according to the number of distributive channel used (2004)* (*)

CLASSES	ENTERPRISE	
	N.	%
1	2	*13,3*
2	3	*20,0*
3	9	*60,0*
> 3	1	*6,7*
TOTAL	**15**	***100,0***

(*) - Our elaboration on data find directly.

Regarding wine sales dynamics in the years 2001–2003, different situations have been highlighted: 8 firms out of 15 declared high growth performance (53.3%), 6 firms a slight growth (40%) and only one of the total remained stationary. Really different are the interviewees' wine sales outlooks for the next three years, slightly higher in 14 out of 15 firms (93.3%) and very much higher for the rest (6.7%), as shown in tab. 7. This is why they forecast, not only a rise in pro capita consumptions in all net wine importing countries (USA, Canada, Japan, etc.), but also in those countries which do not produce it at all (UK, Sweden, the Middle East, etc.).

Another important element which characterizes the competitive positioning of these firms concerns the fact that they produce large quantities of high quality wine with recognition for denomination of origin and geographical indication (DOC, DOCG, IGT). For many years now quality wines are an important component of the Sicilian balance of trade.

In order to have a better understanding of the elements on which market-oriented wine firms have centred upon over the last three years (2001–2003) and those on which they are going to focus upon in the next (2004-2006) to develop their competitive advantage, we drew up fig.2. Here both answers refer-

Tab. 7 - *Course of the sales of the examined wind enterprises (2004)* (*)

TREND	last three years		next three years	
	N.	%	N.	%
– strongly increase	*8*	**53,3**	*1*	**6,7**
– light increase	*6*	**40,0**	*14*	**93,3**
– stationary	*1*	**6,7**	*0*	**0,0**
– light decrease	*0*	**0,0**	*0*	**0,0**
– strongly decrease	*0*	**0,0**	*0*	**0,0**
Total	**15**	**100,0**	**15**	**100,0**

(*) - Our elaboration on data find directly.

ring to the last three years and the next were analyzed, using a method where the interviewee has to express a synthesis judgement divided into "irrelevant", "not very relevant", "quite relevant" and "very relevant".

Based upon the interviewee's opinions, we managed to state some conclusions regarding those elements characterizing the competitive advantage of the surveyed firms taking into consideration the products (cf. fig. 2, I) and other factors (cf. fig. 2, II).

As far as products are concerned, eight elements were considered: product quality, innovation, design, reliability, standard of customer service, large range, distribution channels protection and marketing communication.

The competitive advantages related to the products are shown in fig. 2 I and the results are as follows.

Concerning *product quality*, the judgement was very relevant in 93.3 % of interviewees in 2001-2003 and 100% in the following (2004-2006); on *product innovation* judgements are very relevant in 53.3% and quite relevant in 33.3% in 2001-2003, while in the following three years (2004-2006) we passed to very relevant (73,3%) and quite relevant (23,3%) judgements.

As for the *product design* the judgement is as follows: "Very relevant" in 46.7% of cases both in the last and next three years; "quite relevant" in 46.7% in 2001-2003 while it decreases to 33.3% in the following three-year period (2004-2006). As for the *product reliability*, the interviewees have answered as follows: a "very relevant" in 60% of cases and "quite relevant" in 40% in 2001-2003, while in the following three years (2004-2006) percentage changes with a 13.3% increase of the "very relevant" judgment and a 20% decrease of the quite relevant.

Another important element is the *service standards to clients* where the "very relevant" judgement is the prevailing opinion both in the last three years (2001-2001) with a 80% percentage and in the following ones (2004-2006) with 86.7%. As for the *variety and range of products* the judgement is "quite relevant" in 66.7% of cases, "very relevant" in 20% and "little relevant" in 13.3% in 2001-2003, while in the following period (2004-2006) the judgement is "quite relevant" in 80% of cases and "very relevant" in 20%.

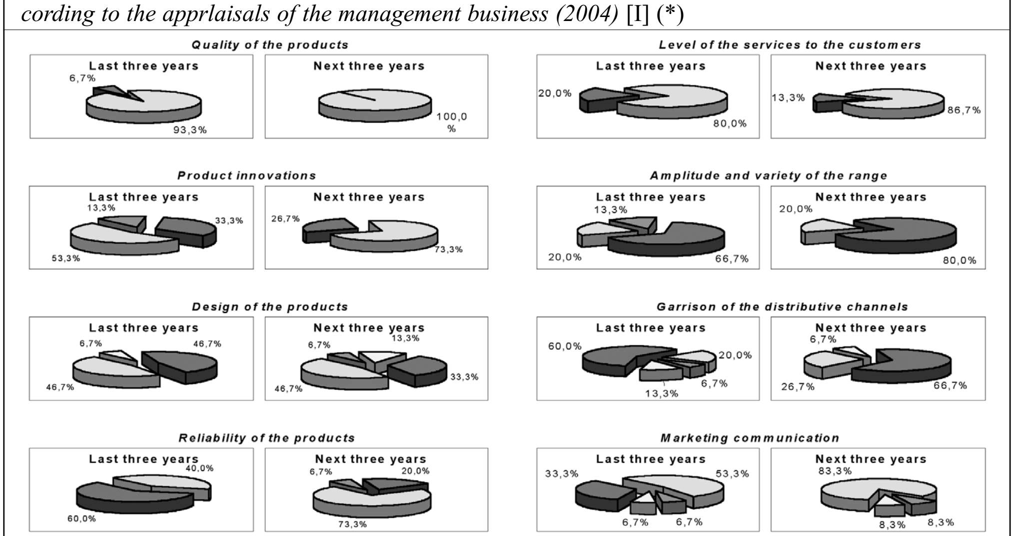
The judgment for the protection of the distribution channels expressed by the interviewees in the surveyed Sicilian wine enterprises is as follows: "quite relevant" in 60% of cases, "very relevant" in 20% and "little relevant" in 13.3% in 2001-2003, while in 2004-2006 the judgment is "quite relevant" in 66.7% of cases and "very relevant" in 26.7; as for marketing communication there is a very relevant judgment in 53.3% of cases, a "quite relevant" one in 33.3%, a "little relevant" and "irrelevant" in 6.7% in the 2001–2003 period, while it is "very relevant" in 83.3% of cases, "little relevant" and "irrelevant" in 8.3% of cases in 2004-2006.

As for competitive advantages concerning other factors (see fig. 2, II), the opinion of the managers in the surveyed wine enterprises can be summarized as follows, specifying, however, that the other factors taken into consideration are: *production costs, human resources skills, quality and updating of production technology, working environment security, the environmental impact problems, the firm image, location and process innovation*. Concerning *production costs*, the judgement is "quite relevant" in 66.7% of cases, "very relevant" in 20% and "little relevant" in 13.3% in the first three years (2001–2003) taken into consideration, while in the following period (2004–2006) the percentage changes only for the "quite relevant" judgment in 73.3% of cases and "little relevant" in 6.7% of cases; as for the *human resources skill* the judgment is as follows: "quite relevant" in 53.3% of cases, "very relevant" in 40%, "little relevant" in 6.7 in the first period (2001–2003), while in the following three-years (2004–2006) the "quite relevant" judgement increases to 66.7% and the "very relevant" decreases to 33.3%.

As for the *quality and update of production technology* the judgement is as follows: "very relevant" in 53.3% of cases, "quite relevant" in 40% in the first triennium 2001–2003, while in the following period (2004–2006) it is "very relevant" in 53.3% of the cases, "quite relevant" in 33.3% and "not very relevant" in 13.3%; concerning *working environment safety* the opinion was "very relevant" in 46.7% in the two trienniums (2001–2003 and 2004–2006), and "quite relevant" (26.7%).

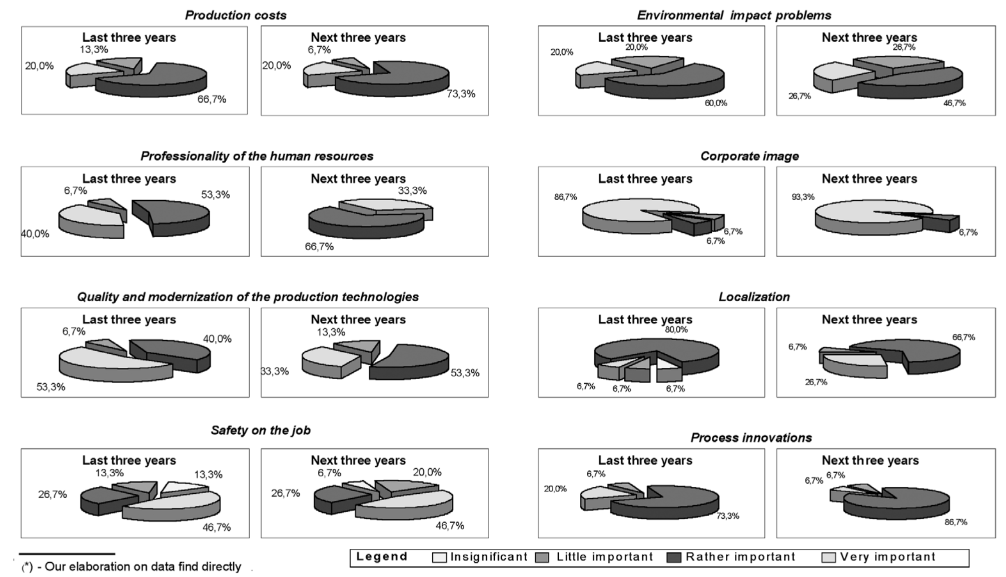
Another important element is the *environmental impact issue* that has the following results: "quite relevant" prevails with 60%, followed by "very relevant"

I Fig. 2 - *Characterizing elements the competitive advantage of the transformation enterprises, according to the apprlaisals of the management business (2004)* [I] (*)



(*) - Our elaboration on data find directly.

Fig. 2 - *Characterizing elements the competitive advantage of the transformation enterprises, according to the appraisals of the management business (2004)* [II] (*)



(*) - Our elaboration on data find directly

management in exam is certainly interesting. This confirms that these firms have a strong interest in developing competitive advantages from both a product point of view and from all the other factors too. In our survey we consider the main factors (16 in total), but they are not the only elements which a firm might take into consideration.

However, if we analyze just the main ones, we can find that "very relevant" and/or "quite relevant" prevail both for the first triennium (2001–2003) and even more in the second one (2004–2006).

In conclusion, the group of surveyed wine firms, according to the expressed evaluations would follow strategies aimed at developing and /or preserving competitive advantage in order to place their product on the market more easily. This behaviour clearly shows the main characteristics of these medium-large and strongly market-oriented enterprises, not only towards the national market but also to the foreign one, which represent the main export markets.

and "not very relevant" with the same percentage (20%) for the first period (2001–2003), while in the following period (2004–2006) the "quite relevant" opinion decreases to 46.7% and then the "very relevant" and "not very relevant" both go up to 26.7%. Regarding *company image*, the interviewees in the surveyed wine enterprises are as follows: "very relevant" (86.7%), "quite relevant" and "not very relevant" (6.7%) in 2001–2003, while in the following period "very relevant" (93.7%) and "quite relevant" (6.7%). Concerning the *Localization factor*, "quite relevant" prevails with 80%, another three judgments have the same percentage (6.7%) in the first triennium (2001–2003), compared to the following period (2004–2006), where "quite relevant" decreases in percentage (66.7%) as compared to the "very relevant" with (26.7%). As for process innovation, the results are as follows: "quite relevant" (73.3%), followed by "very relevant" (20%) and "not very relevant" (6.7%) in the first triennium 2001–2003, while in the following period (2004–2006) we registered "quite relevant" (86,7%) and "very relevant" and "not very relevant" have both a percentage of 6.7%.

The picture we have from the comparative analysis of synthesis judgment expressed by the Sicilian wine firms

2.3. Use of the "marketing mix" frameworks in the surveyed Sicilian wine enterprises

On the basis of the results presented in the previous paragraphs, it is possible to assert that Sicilian wine firms give importance not only to the organization activities of production processes and services, but also to the marketing plan, and in particular to *marketing mix*[4].

Given the real importance of these policies , the second part of the questionnaire has been created in order to underline which marketing factors the wine firms mainly use.

Starting from the product policy, a question was asked about the importance that the firm gives to the main attributes of the obtained product and, on the basis of the answer tab. 8 was drawn up, that provides some useful information about it. What firms consider the most important factor is the *quality* of the product which they consider "very relevant" (93%); quality concept is analyzed in its total formulation, from raw material acquisition, to its manipulation through production processes and finally to the stage where services are incorporated to the obtained products.

Other important attributes of this selection are: *shape*, *colour*, *design* and *packaging* which have won approval from 73.3%, and finally the *brand* registered 53.3%.

Moving the analysis approach and adding together the two positive answers (quite relevant and very relevant) the previous scenarios would spread a lot and other important attributes would become relevant to the analysis: warranty

[4] For a better analysis of the marketing mix concept, we need to spend just some words on its constitutional elements: Product planning: all the decisions an enterprise must take concerning the product they want to launch on the market.

Distribution: all those decisions an enterprise must take in order to transfer the product from the place (and/or from the time) where it was obtained to the end user location.

Promotional strategy: all those strategies enterprises must undertake to differentiate the end product and increase the perceived value, analyzing the demand (also considering its different components) and generate a positive response to the consumer.

Pricing: all those decisions enterprises must take concerning the product demand and its components, placing the product on the market, possible profits and etc, with the effects on final consumers, commercial intermediaries, public institutions and on the producer himself.

Tab. 8 - *Analysis of the importance that wine enterprises examined attribute to the characteristics of the products, according to the interviewd's judgement (2004)*

Attribute	Insignifican		Little important		Rather important		Very important		Total	
	N.	%	N.	%	N.	%	N.	%	N.	%
– Shape, color, design	0	*0,0*	1	*6,7*	3	*20,0*	11	*73,3*	**15**	*100,0*
– Dimension, weight	1	*6,7*	7	*46,7*	6	*40,0*	1	*6,7*	**15**	*100,0*
– Functionality	1	*6,7*	4	*26,7*	9	*60,0*	1	*6,7*	**15**	*100,0*
– Quality	0	*0,0*	0	*0,0*	1	*6,7*	14	*93,3*	**15**	*100,0*
– Packaging	0	*0,0*	0	*0,0*	4	*26,7*	11	*73,3*	**15**	*100,0*
– Accessorial services	0	*0,0*	1	*6,7*	9	*60,0*	5	*33,3*	**15**	*100,0*
– Brand	0	*0,0*	1	*6,7*	6	*40,0*	8	*53,3*	**15**	*100,0*
– Guarantee	0	*0,0*	1	*6,7*	8	*53,3*	6	*40,0*	**15**	*100,0*

(*) - Our elaboration on data find directly.

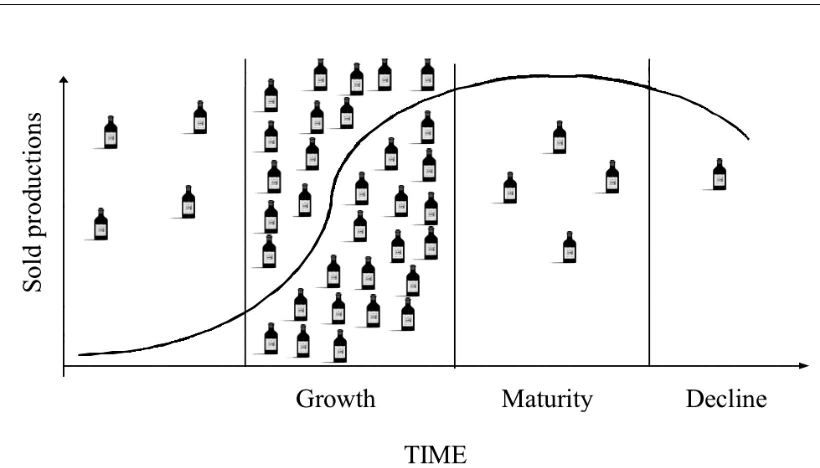
(93.3%), Accessories and Services (93.3%) and Functionality (66.7%). This would result in a higher approval of the previous attributes.

Another kind of analysis which is used by enterprises for their product policy, is related to The product life Cycle. This method is really useful to understand the progression of the product through its life cycle (Introduction, Growth, Maturity and decline)and the best marketing strategy to adopt for each phase.

As the product progresses through its life cycle, changes in the marketing mix are usually required in order to adjust to the evolving challenges and opportunities.

Thanks to the results obtained during our survey carried out by strongly market-oriented Sicilian wine enterprises fig. 3 has been developed. This compares the products of the surveyed firms with the *life cycle model* of such products. According to the information acquired, most of products of the Sicilian wine firms (32 out of 41, equal to approximately 80%) would be in the *growth phase* of their relative selling cycle.

Fig. 3 - *Indications of the life cycle model of such products obtained of the examined wine enterprises (2004)* (*)



(*) - Our elaboration on data find directly.

The growth stage is a period of demand growth, where market share and, consequently, profit increase. During this phase, the goal is to build or strengthen brand image and preference. It is also possible to incentive a trademark change by means of comparative advertising.

Our survey has also registered a certain number of wines in their *introduction stage* (about 10%). During this phase, sales and consequently profits are low.

During the *introduction stage*, the primary goal is to establish a market and build brand awareness for the new product or for new applications of a pre-existing product. The marketing strategy may include: "penetration pricing strategy" (that means "low prices") in order to gain market share rapidly, or on the other end, "skim pricing strategy" which consists in higher prices, compared to the competitors' ones, to recover costs.

Another 10 % of Sicilian wine firms is in its *maturity stage* where sales and profits become stable. During this stage brand awareness is strong, so the firm should place effort into avoid losing a share of the market to competitors. The marketing strategy should focus on brand loyalty and on the convenience of buying the product.

In order to establish the marketing strategies that the surveyed wine firms use to improve their product positioning, we used another section of the survey dedicated to these market-oriented wine enterprises.

Tab. 9 shows the hypothetical strategies aimed at improving wine positioning, according to the firms efficiency degree estimated by the manager.

According to the Table, the best strategy seems to be the one aimed at entering new segments of market. This method represents 93.3% of the approval ("very relevant" (66.7%) and "quite relevant" (26.7%) although it is not always put into action because of high costs.

However, it is obvious anyway that these choices are especially related to the firm size and organization system, its external relations, both short and long term objectives and to the type of goods and services in which the firm itself is engaged in the relative location on other market segments.

Another relevant strategy, which is linked to the previous one, is *Entering new distribution channels* with 93.3% of approval opinion (very relevant" (53.3%) and "quite relevant" (40%).

If we proceed to a combine analysis of the two best possible answers ("very relevant and "quite relevant) we get

Tab. 9 - *Analyses of the possible strategies in order to improve the position on the market of the wine produced from the examined enterprises, according to the efficiency degree (2004)* (*)

STRATEGIES	Insignificant		Little important		Rather important		Very important		Total	
	N.	%	N.	%	N.	%	N.	%	N.	%
Improve the characteristics of the product	1	*6,7*	1	*6,7*	10	*66,7*	3	*20,0*	**15**	100,0
Enter in new segments of the market	0	*0,0*	1	*6,7*	4	*26,7*	10	*66,7*	**15**	100,0
Enter in new distributive channels	0	*0,0*	1	*6,7*	6	*40,0*	8	*53,3*	**15**	100,0
Increase the number of the users	1	*6,7*	2	*13,3*	8	*53,3*	4	*26,7*	**15**	100,0
Act on the consumption for user	1	*6,7*	5	*33,3*	6	*40,0*	3	*20,0*	**15**	100,0
Eliminate the weak segments of market and weak products	1	*6,7*	10	*66,7*	3	*20,0*	1	*6,7*	**15**	100,0
Strengthening of the investments in the profitable nichel	0	*0,0*	2	*13,3*	8	*53,3*	5	*33,3*	**15**	100,0

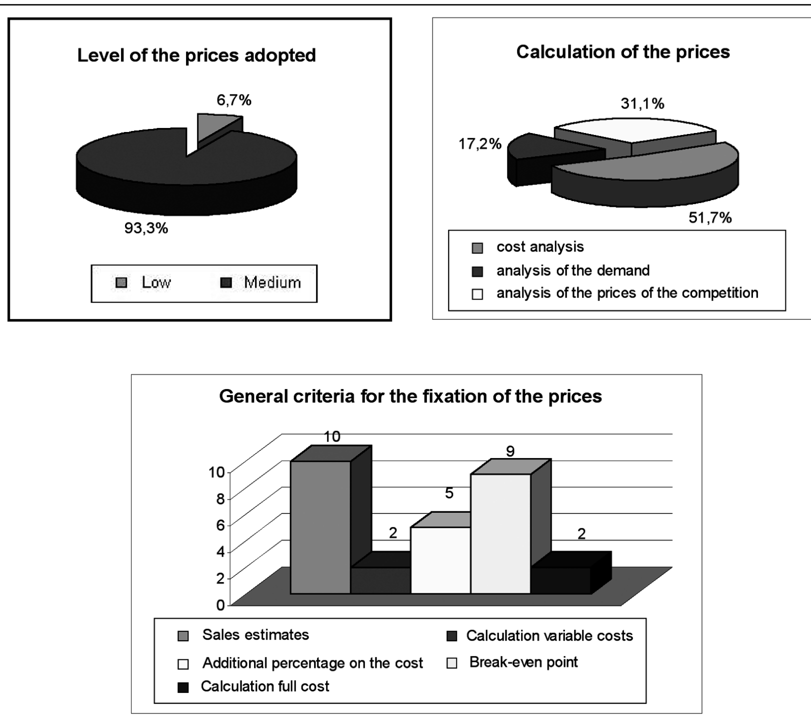
(*) - Our elaboration on data find directly.

important results also for the other strategies such as product characteristic improvement with 86.7% of consent and investment reinforcement within profit niches (86.7%).

Other strategies may be: *increase the number of end users* and *operate on the consumption*. Both of them have great consent with 80% for the former and 60 % for the latter. With these strategies, demand increases and the firm gains new consumer niches. This is not always that easy, in the wine market especially, given that wine is not always seen as a healthy product or it is considered a more niche product, according to age and health.

Considering the pricing strategy now, it would be useful to touch on the sequence of steps that might be followed for developing the pricing of the product. These are the following: a) *survival;* b) *profit maximization*, when the firm seeks to maximize short-term profits, rather than lower the long-one; c) *market share leadership*, when the firm decides to position smaller quantities if wine demand is expected to be relatively flexible and big quantities if wine demand is expected to be relatively inflexible; d) *quality leadership*, the wine firm uses relatively high prices standing for high quality in an attempt to position the product as the quality leader and to recover costs due to the product high standard services.

Fig. 4 - *Level of the prices of wine and general criteria followed by wine enterprises during their formulation (2004)* (*)



(*) - Our elaboration on data find directly.

As regards to these objectives the interviewees answered questions about the pricing policy. We have to say that most of the interviewees were clearly suspicious and reticent about discussing their business. However, despite this difficulty, we managed to state some remarks on (results are shown in fig. 4: a) the wine *price level* set by the surveyed firms; b) the factors that influence firms when they determine pricing c) the *analysis method* (general methods) followed, when developing the product price.

Concerning *price level* we registered that 93.3% use lower prices in response to competition.

As for the *analysis methods*, 51.7% of the interviewees make use of analysis schemes based on their own costs, another sample (31.1%) set the price on the competitors' strategy and finally, the rest (17.2%) considers the wine demand analysis and its development.

Finally, the surveyed wine firms stated they set their prices according to prospective sales, followed by the *break–even point*, also called: "balance point", "flight point", "critical point".

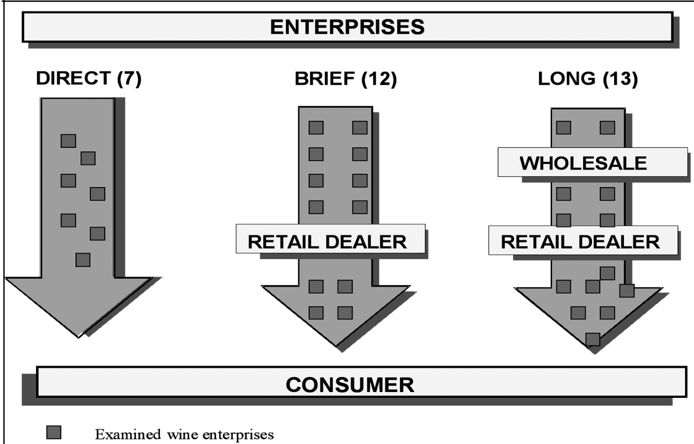
As for the distribution decisions, it is important to analyze the most strategic channels convenient to the firms. Distribution channels are used to transfer goods, services and information starting from the planning-production stage, to the intermediate use and finally to the end consumption stage.

Another important element is to know the distribution channel length immediately, through which the product reaches the customer as product/service.

We then asked the wine operators to reveal the distribution channel they use, infact the surveyed enterprises mainly use the *long* distribution channel (40%), followed by the *brief* channel (36.7%) and finally the long one (23.3%).

Anyway, we have to consider that each firm may use two or more channels at the same time,

Fig. 5 - *Information on the typologies of distributive channels from the examined wine enterprises (2004)* (*)



(*) - Our elaboration on data find directly. Since the same enterprise uses at least two distributive channel typologies, the total consistency of the channels in game amounts to 32, against the 15 examined enterprises.

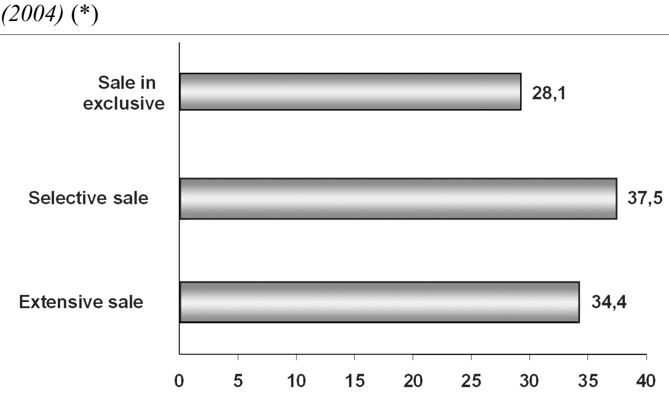
according to their export market. fig. 5 shows the distribution channels wine firms prefer, where the highest consent is for the long channel, followed by the brief and then the direct channel.

Besides the care and efficiency of the sales personnel , another important element is related to the size of the distribution network, which depends on the number and localization of sales points and on the commercial intermediaries.

Fig. 6 better shows the differences of the existing methods, and states how favourite selling strategy of management is the *selective* one (37.5%), which consists in positioning their own production through some intermediaries-retailers, chosen in advance. And that is why, wine, and above all high quality ones (*speciality goods*), cannot be sold through the selling channel of *convenience goods*.

Another selling method is the *inclusive strategy* (34.7%) where management does not make neither any introductory selection on the type of used channels, nor on intermediaries-retailers. The third method is the *exclusive distribution* (28.1%), mainly used for the so called “important” wine table. These are valuable bottled wines made by renowned

Fig. 6 - *Mode of sale of the wines in the examined wine enterprises (2004)* (*)



(*) - Our elaboration on data find directly.

firms which use quality and origin brands, as shown in fig. 6.

It is important to state that even for this strategy, wine firms do not implement just one kind of selling method to position their production on the market, but on the contrary they use at least two methods, depending on the destination market and the end user targets.

In the context of *marketing mix*, *marketing communication* represents the heart of the market-oriented wine firm strategies. This has the goal of evaluating the demand evolution in order to arrange the necessary offer adjustments.

Effective *marketing communication* relies on a careful blend of all the communication mix elements: a) *advertising*, which is, as it is already known, a non personal pay sales presentation; b) *sales promotion* is aimed at arousing intermediary and end user behavioural answers, but also focuses on pricing and distribution policy; c) *public relations* are any kind of communication with customers, dealers, and others involved in the marketing mix for the purpose of enhancing the image that the consumers have of the product; d) *sponsorship*, expressed by financing events of private and/or public interest; e) *communication to wholesalers*, that involve sales policies and therefore the intermediaries; f) *internal communication* that represents the expression of those communication actions aimed at arousing behaviour and attitude in the concerned personnel according to the pursued policies (*internal marketing*).

The combination of different communication strategies carried out by firms, and by the surveyed forms in particular, depend on different factors. Most of these take into consideration, besides future objectives, also the market and the end user target, the firm strategies and the available financial resources.

For this marketing strategy we also created an *ad hoc* section in our questionnaire to have a better understanding of the communication strategies wine firms use. According to the answers received, we can understand that the firms use, in order to spot the consumers’ needs, the councelling of specialised agencies.

If we have a look at fig. 7 we see how the commonest communication methods is *sales promotion* (29.7%), together with all the promotional activities aiming at positioning the wine on the market, increasing its perceived value and developing product new consumption methods.

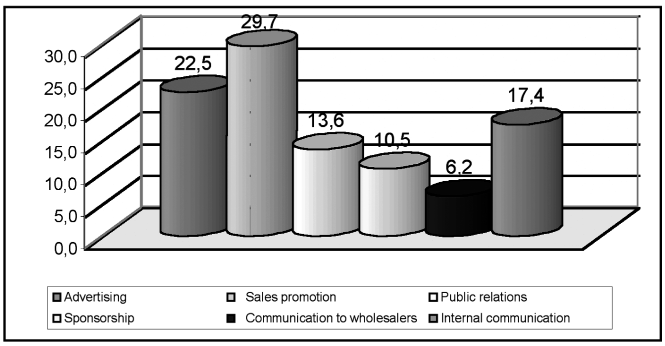
Another means of communication, very common among wine firms, is *advertising* (22.5%), aimed at developing wine brand equity. The brand can add significant value, contribute in differentiating the product from that of competitors (with a high quality product and a well-conceived warranty) and finally can lead the end user to an alternative selection process.

Less important is *internal communication* (17,4%), *public relations* (13.6), *sponsorship* (10.5%) and *communication to wholesalers* (6.2%).

It is important that also for the communication policy mix firms do not use a single method, but two or more, according to the their products and market targets.

Fig. 7 - *Importance relative clause of the main communication actions used by the examined wine enterprises (2004)* (*)

(per cent value)

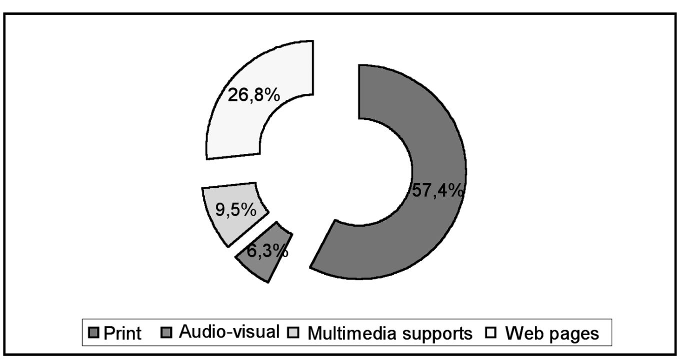


(*) - Our elaboration on data find directly.

The last method of the communication policy that surveyed wine firms make use of is the different ways of giving out information. fig 8 shows that different sized printed matter (for example, *brochures* which describe the product) represent the most common method of divulgation (57.4%).

In an already computerized area, where the globalization process considers international marketing a strategic factor for global economy competition, where the well known

Fig. 8 - *The different ways of giving out information used by the examined wine enterprises (2004)* (*)



(*) - Our elaboration on data find directly.

concept of "death of the distance" and with the advent of *E-Commerce*, an abundant use of the *Web Page* (26.8%), among the surveyed wine firms, has been disclosed. This allows the product to be known outside of the firm's own market boundaries, with the possibility of placing the product on different markets and on different end user targets. Also in this specific case the strategies that wine firms use, together with the main methods, are different according to the firms marketing policy and to the number of market targets.

3. Conclusion

Over the last 10-15 years, changes in the wine industry concerning consumption behavioural evolutions and purchasing motivation, have been quite fast in Sicily too, sometimes even unexpected. For this reason, nowadays, wine marketing is a crucial element, not only for wine firms, but also for business and distribution enterprises. Marketing must not be ignored by the organization and management of the production units and, above all, for their market relations.

The core of the analysis is the *marketing mix* which represents different parameters that the marketing manager can control to order to reach objectives within the target market (Kotler, 2002) and realize competitive advantages.

Marketing experts judge *marketing mix* components as essential tools in order to organize the firm's strategies well. A good marketing plan, above all when based on the *marketing mix* strategies, can be the firm's key to success.

The present work managed to uncover the critical success factors within Sicilian wine firms (those *market-oriented*). The choice of such a sector can be explained if we consider the special aspect of the product and if we take into consideration also the target consumer. The wine industry is a sector where its products are gaining more and more fame on both national and international markets and where wine firms are increasingly implementing marketing tools.

The wine market with its corresponding marketing strategies, should not be considered in a simplistic way because the true meaning stands behind a *business* philosophy which is both end user and target market oriented. Furthermore, an industry which takes into consideration both the development of new products and, finally, the levers of the *marketing mix* which support firms when placing their products on the market.

This main goal of this work is to outline the scenario where the Sicilian wine firms (already *market-oriented*) operate and yet not scorn the strategies and policies which different wine firm management uses in order to manage its competitive advantage. The survey results show how Sicilian wine firms thirst for a predominant role in the market, thanks to lasting competitive advantages, that is to say a value differential that wine firms can offer their customers. Although this is not always possible, due to existing competition and wine market high differentiation in the situation of time and place, according to wine supply and demand, to its organization, entrance degree (*entrance barrier*) and market transparency.

In spite of difficulties, the survey has been carried out focusing on some key aspects showing what can be called the first approach to the marketing system of the firms in analysis: the meaning, objectives, strategies, skill and, above all, the ability for coping with any changes.

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