

## FINDING COMMON GROUND: THE NEED FOR COOPERATION AND COLLABORATION IN THE SPANISH NATURAL WINE INDUSTRY

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### INTRODUCTION

Natural wines represented an emerging wine segment that appeared to be growing in popularity among the Generation Y (Millennials) and Generation Z, demographic groups that tended to be health and environmentally conscious consumers. Natural wines were loosely defined as those made from grapes grown by small, independent farms and harvested by hand from sustainable, organic, or biodynamic vineyards. These wines typically contained no additives or sulfites, and therefore were believed to be a healthier alternative to their mass-produced counterparts.

For growers and producers, natural wine was a philosophy, a way of life, a route “chosen out of conviction and a desire to nurture the most fundamental force of all—Life” (Legeron, 2017: 95). Traditional wine-making techniques (pre-WWII) were a time-honored and essential part of what makes a wine “natural.” Many of these wine-making techniques were passed down from generation to generation. Additionally, the vineyards themselves tended to have very old vines. As such, the European Union (EU) appeared to be on the forefront of producing natural wines since many small, traditional wine businesses were located there.

Wine consumption trends showed that consumers were increasingly drinking less wine, but at the same time were more health conscious, and this philosophy was impacting their purchasing decisions (IWSR, 2019; Sorvino, 2019). This was a significant trend for the natural wine segment. However, natural wine producers faced many challenges: limited resources, geographic isolation, lack of consumer education, and difficult growing conditions. Given this context, this paper explores the benefits for small, individual, natural wine producers to engage in cooperative and collaborative relationships, which would be significant for industry growth and value creation.

In order to explore how cooperative and collaborative relationships might be achieved, we present a case study of five natural wine producers in Spain and illuminate their real-life

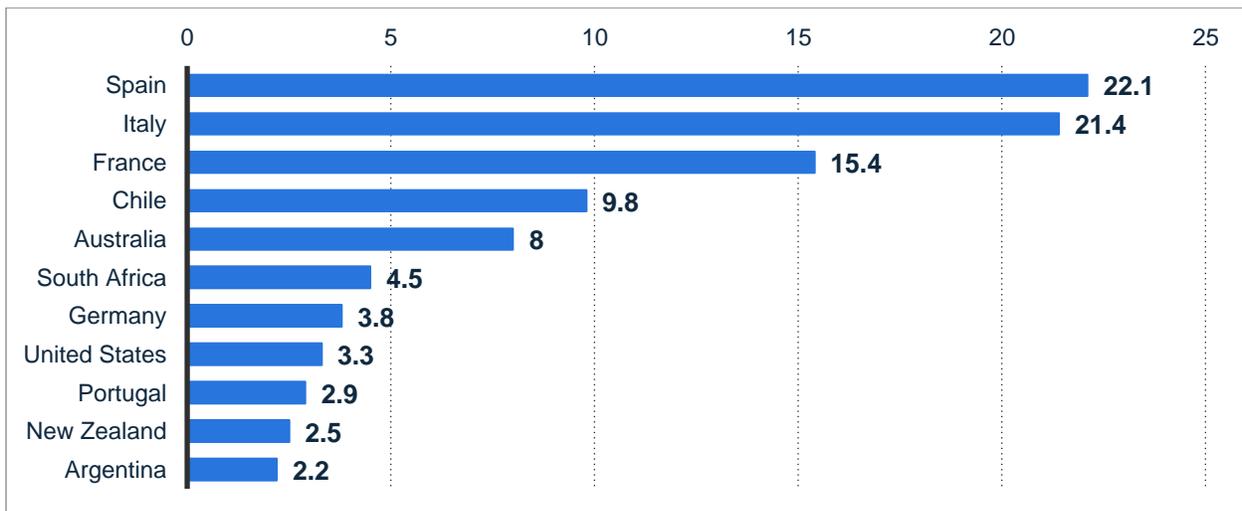
challenges and goals. We argue that the application of cooperative relationships might contribute to industry growth and value creation, while creating shared competitive advantages. As these niche producers weigh how to come to a consensus about pooling resources and working together to educate the prospective natural wine consumer, doing so may well lead the next wave of entrepreneurial, innovative activity in an industry that is ripe for changes. There is much still to be learned about the producers and their desire for connection with the product and the consumer.

We first turn to an overview of the Spanish wine industry in 2019, followed by a discussion of the natural wine segment of the global wine industry. We then present a methodology, findings, and conclude with recommendations for practitioners and future research directions.

### THE SPANISH WINE INDUSTRY IN 2019

The global wine trade was largely dominated by Spain, Italy, and France, which together represented 50.7 percent of the world market in volume in 2018, equating to 54.8 million hectoliters (mhl).<sup>1</sup> This market share appeared to have fallen slightly compared with 2017, when these three countries represented 55.1 percent of the world market. Based on data from the International Organization of Vine and Wine (OIV), during the second decade of the 2000s, France, Italy, and Spain jockeyed for position as the world’s largest volume producer of wines. By 2017, Spain had become the world’s largest exporter of wine by volume, as shown in **Exhibit 1**.

**Exhibit 1**  
**Leading countries in wine export worldwide in 2017, by volume (million hectoliters)**



Source(s): Ministry of Agriculture, Food and Environment; ID 463996

Yet in 2018, total Spanish wine sales by volume declined while sales by value increased, according to Euromonitor. See wine shipments statistics by category of wine sold in Spain in

**Exhibits 2 and 3.** Premiumization of Spanish wine was considered to be the major driver behind increased value, with consumers preferring to drink less wine in order to lead a healthier life.

**Exhibit 2**  
**Volume of wine sold in Spain by category, 2013–2018**

<i>(million liters)</i>						
Category	2013	2014	2015	2016	2017	2018
Wine	937.8	941.8	955.0	966.7	972.9	970.4
Fortified Wine and Vermouth	44.8	45.1	47.7	50.4	52.7	55.2
Port	-	-	-	-	-	-
Sherry	11.2	10.6	11.3	11.7	11.5	11.5
Vermouth	30.7	31.8	33.9	36.3	38.7	41.3
Other Fortified Wine	2.8	2.7	2.6	2.5	2.4	2.4
Non-Grape Wine	-	-	-	-	-	-
Sparkling Wine	38.5	38.0	39.2	39.9	41.8	40.8
Champagne	2.7	2.5	3.0	3.1	3.2	3.1
Other Sparkling Wine	35.8	35.5	36.3	36.8	38.6	37.7
Still Light Grape Wine	854.5	858.7	868.1	876.4	878.5	874.3
Still Red Wine	475.9	472.2	473.2	473.7	470.4	462.0
Still Rosé Wine	141.9	135.5	128.8	125.0	120.7	117.3
Still White Wine	236.7	251.1	266.0	277.7	287.4	295.0

Source: Euromonitor Passport, *Alcoholic Drinks: Euromonitor* from trade sources/national statistics, accessed September 8, 2019.

**Exhibit 3**  
**Growth rates of wine sold in Spain by category, 2013–2018**

	2013–2014	2014–2015	2015–2016	2016–2017	2017–2018
<b>All Wines</b>	<b>0.4</b>	<b>1.4</b>	<b>1.2</b>	<b>0.6</b>	<b>-0.3</b>
Fortified Wine and Vermouth	0.8	5.7	5.7	4.5	4.9
Non-Grape Wine	-	-	-	-	-
Sparkling Wine	-1.4	3.4	1.7	4.7	-2.3
Still Light Grape Wine	0.5	1.1	1.0	0.2	-0.5

Note: Blank cells indicate no data available.

Source: Euromonitor Passport, *Alcoholic Drinks: Euromonitor* from trade sources/national statistics, accessed September 8, 2019.

During 2018, Spain’s wine industry experienced the following trends:

- Wine depletions (sales of inventories) declined slightly, reaching 970 million liters in total volume sales;

- Premium and more sophisticated wines experienced somewhat higher growth in sales;
- Fortified wine and vermouth experienced the highest volume growth of five percent;
- Unit prices increased by three percent, due to the premiumization trend;
- J. García Carrión became the market share leader with a 10 percent volume share;
- Total wine volume sales, forecasted by a consensus of industry analysts, grew on a compound annual basis (CAGR) of -0.9 percent, reaching 929 million liters in 2023;
- According to Euromonitor, white wines such as the Vernaccia variety, as well as lower alcohol wines, with an alcohol by volume (ABV) of around five percent performed best in 2018; and,
- White wine consumption was expected to continue growing in near term as Spain was a hot country and consumers were increasingly looking for more refreshing drinks.

However, consumers desired those wines that were not only more sophisticated, but also from niche, organic producers or selected wineries, according to industry analysts from Euromonitor and Fitch Solutions. More than 90 percent of Spanish wines sold were via off-premises accounts such as supermarkets and hypermarkets as shown in **Exhibit 4**.

**Exhibit 4**  
**Trade outlets for wines sold in Spain by category, 2013–2018**

<b>Category</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Store-Based Retailing	98.0	98.0	98.0	98.0	98.0	97.5
Grocery Retailers	96.8	97.0	97.0	97.0	97.2	96.8
Discounters	4.3	4.4	4.5	4.5	4.6	4.6
Food/Drink/Tobacco Specialists	6.1	6.1	6.1	6.1	6.2	6.2
Hypermarkets	20.1	20.1	20.1	20.2	20.2	19.8
Small Grocery Retailers	5.7	5.7	5.7	5.7	5.8	5.4
Convenience Stores	2.0	1.9	2.0	2.0	2.1	2.1
Forecourt Retailers	0.2	0.2	0.2	0.2	0.2	0.2
Independent Small Grocers	3.5	3.5	3.5	3.5	3.6	3.1
Supermarkets	59.6	59.7	59.8	59.6	59.1	59.3
Other Grocery Retailers	1.1	1.0	1.0	1.0	1.3	1.5
Non-Grocery Specialists	0.5	0.4	0.3	0.3	0.0	-
Drugstores/Pharmacies	-	-	-	-	-	-
Other Non-Grocery Alcoholic Drinks Specialists	0.5	0.4	0.3	0.3	0.0	-
Mixed Retailers	0.7	0.6	0.7	0.7	0.7	0.7
Department Stores	0.7	0.6	0.7	0.7	0.7	0.7
Mass Merchandisers	-	-	-	-	-	-
Variety Stores	-	-	-	-	-	-
Warehouse Clubs	-	-	-	-	-	-
Non-Store Retailing	1.9	2.0	2.0	2.0	2.0	2.5
Direct Selling	-	-	-	-	-	-
Home Shopping	0.8	0.8	0.7	0.6	0.6	0.6
Internet Retailing	1.1	1.2	1.3	1.4	1.4	1.9
Vending	-	-	-	-	-	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: Blank cells indicate no data available.

Source: Euromonitor Passport, *Alcoholic Drinks: Euromonitor* from trade sources/national statistics, accessed September 8, 2019.

In terms of recent innovations, some Spanish wine producers invested in premium packaging, accompanied by increased wine quality and brand repositioning, i.e., using distinctive labels and creating new brand names. For example, in 2017 Bodegas Marco Real launched Homenaje. Its colorful label showcased different cities through their emblematic icons with messaging such as “Tribute to those who travel” or “Live the moment.” Bodegas Hispano Suizas relaunched its Impromptu Rosé in a see-through bottle that revealed the wine’s pale pink color. Freixenet launched a premium prosecco made with Glera grapes from the Italian region of Veneto.

The future performance of cava (sparkling wine), primarily produced in the Catalonia region, remained uncertain due to the pro-independence political turmoil present in the region and consumer boycotts against Catalonian-produced wines by the rest of Spain, which could benefit other sparkling wine segments. Spanish cava sales, which had been growing steadily during the previous five years, experienced volume sales decline in 2018. Increasing

competition from other sparkling wines, such as prosecco (from Italy), negatively impacted sales of cava in 2018.

In 2018 the two leading cava producers (by volume) were acquired by foreign firms. Henkell, the Oetker Group's German branch for sparkling wine, acquired Freixenet. A North American investment firm, the Carlyle Group, acquired Codorníu. Freixenet was likely to take advantage of the synergies with its acquirer Henkell, which was one of the largest sparkling wine producers in Europe. Henkell was expected to invest strongly in innovation, while the Carlyle Group was expected to focus on exports and on the brand's premium status in global markets.

## NATURAL WINE

While this category of wines did not have a commonly accepted definition, “natural” wines typically used little to no commercial additives and preservatives during the fermentation and bottling processes. The grapes used were often farmed with the full ecosystem and minimal winemaker intervention in mind. Labels on bottles of natural wines often referred to biodynamic farming certifications or organic grape certifications. Sometimes labels listed the additives they avoided, like sulfites, common but controversial preservatives included by most modern winemakers in order to prevent oxidation and spoilage as wines aged in barrels and later in bottles or other packaging.<sup>2</sup>

One industry observer commented that natural winemaking was capturing a growing segment of consumers in the EU:

Organic, biodynamic, natural—in general—sustainable wine market in the EU is growing despite rather negative changes observed on the conventional wine market....The growing segment of consumers of organic wines is proof [of] a heightened awareness of the issue of sustainable consumption and the importance of ‘consuming consciously.’ Natural winemaking is often based on trust, with biodynamic producers creating real social networks to support and observe each other’s methods and ensure proper quality of the final product.<sup>3</sup>

Many natural wine producers marketed their products to Millennials because this demographic tended to be preoccupied with health and were familiar with and receptive to key words like “organic” and “natural.”<sup>4</sup> Consumer data recorded the spending habits of 11,367 German wine consumers and confirmed that consumers of wine with sustainability characteristics tended to be of a younger age.<sup>5</sup> Industry researchers opined that, the younger the age of the head of household, the greater the probability of spending a greater wine budget share on organic wine.<sup>6</sup>

### Natural Wine Detractors

According to McCoy (2018), “despite badly made examples, natural wine has arguably been the major movement of the 21st century wine world.”<sup>7</sup> Nevertheless, as natural wine has grown as a

niche production product, it has made its share of enemies. Writing in the *Guardian*, wine critic Stephen Buranyi noted:

To its many detractors, it is a form of luddism, a sort of viticultural anti-vax movement that lauds the cidery, vinegary faults that science has spent the past century painstakingly eradicating...natural wine is a cult intent on rolling back progress in favor of wine best suited to the tastes of Roman peasants. *The Spectator* has likened it to “‘lawed cider or rotten sherry’ and the *Observer* to ‘an acrid, grim burst of acid that makes you want to cry.’

...Among wine critics, there is a deep suspicion that the natural wine movement is intent on tearing down the norms and hierarchies that they have dedicated their lives to upholding. The haziness of what actually counts as natural wine is particularly maddening to such traditionalists. ‘There is no legal definition of natural wine,’ Michel Bettane, one of France’s most influential wine critics, told me. ‘It exists because it proclaims itself so. It is a fantasy of marginal producers.’ Robert Parker, perhaps the world’s most powerful wine critic, has called natural wine an ‘undefined scam.’<sup>8</sup>

Other critics have detected flavor profiles in natural wines that are sufficient to destroy a wine. Esther Mobley, a wine critic for the *San Francisco Chronicle*, commented,

Mousiness is an off-flavor that can infect natural wines. The presence of mouse completely ruins a wine. Depending on whom you ask, it tastes like a dead mouse, or a caged mouse, or ‘dog halitosis.’ Confusingly, it can also taste like crackers or corn chips...The fact that so many more people are making wine with extremely low levels of sulfur, or entirely *sans soufre*, is certainly part of it. Sulfur, a preservative, is known to eliminate the chemical compounds that can cause mouse. (Sulfur is also thought to remove some of a wine’s innate personality, which is why natural wine producers eschew it.)<sup>9</sup>

Most critics and sommeliers acknowledged that there are good natural wines and bad natural wines, just as there were good and bad conventional wines. Evidently, natural wine’s philosophy was infiltrating the highest levels of the industry. Château Palmer’s CEO Thomas Duroux has converted the estate, which is in Bordeaux, France, to biodynamic agriculture. This involved eliminating chemical fertilizers and pesticides and applying Steiner’s theories of biodiversity and herbal treatments in their place.

### **Markets for Natural Wine**

Although the natural wine segment of the global wine industry remained small as of 2019, it was growing rapidly. Organic wine sales in France grew at a 20 percent compound annual rate from 2010 to 2017.<sup>10</sup> By 2017, about 90 percent of natural wines sold was produced in France. Natural wines accounted for an estimated 2.8 percent of total wine sales worldwide, and sales of those particular wines were growing at an estimated 20 percent annual rate in the five-year period from 2012 to 2017.<sup>11</sup> The six leading markets for organic wines included France, Germany, USA, Italy, and Austria.<sup>12</sup> For example, by 2017, about 4.1 percent of vineyards in the U.S. had

already been certified organic.<sup>13</sup> Global consumption of organic still wine was forecasted to exceed one billion bottles annually by 2022, up from 349 million bottles sold in 2012, according to the IWSR wine and spirits consultancy.<sup>14</sup> In the USA alone, consumption was expected by IWSR to rise 14 percent over that period.<sup>15</sup>

In a March 2019 survey, Spanish wine consumers nevertheless expressed different degrees of awareness and preferences for natural, biodynamic, organic, and other special categories of table wines, as shown in **Exhibit 5**.

**Exhibit 5**  
**Spanish Wine Consumers' Awareness of and Affinity**  
**for Emerging Table Wine Segments, March 2019**

<b>Category</b>	<b>Awareness</b>	<b>Affinity</b>
Ecological wine	56	62
Natural wine	41	70
Non-alcoholic wine	36	24
Sustainably produced wine	35	61
Lower alcohol wine	34	35
Sulfite-free wine	33	50
Fair Trade wine	31	57
Organic wine	28	48
Preservative-free wine	21	59
None of the above	14	17
Wine from a carbon neutral winery	8	58
Vegan wine	8	38
Orange/skin contact wine	7	30
Biodynamic wine	6	35
Vegetarian wine	5	38
Pet Nat (Petillant Naturel)	4	48

Source: Data from Wine Intelligence, Spain surveys. March 2019 with a sample of n = 1,000 regular wine consumers in Spain.

**PRIOR RESEARCH INTO COOPETITION**

Coopetition has been defined as intra-industry collaboration (Brandenburger & Nalebuff, 1996). Contrary to the long-standing tradition in business and economics based on competition, coopetition theory posited that the simultaneous pursuit of both competition and cooperation within and between business organizations could yield higher benefits than the pursuit of competition or cooperation alone (Lado et al., 1997). Similarly, the advantages and disadvantages of country branding strategies (as opposed to company branding) in the wine industry were inconclusive, according to Beverland & Lindgreen (2002); Gnoth (2002); Kotler & Gertner (2002); and Papadopolous & Heslop (2002). Subsequently, the niche strategies of small-to-medium companies proved to be more successful in export markets (Dhanaraj & Beamish, 2003).

Some of the benefits of coopetition were resource pooling, risk-sharing, and the ability to develop innovations that may otherwise be impossible for each firm (Gnyawali & Park, 2011). The simultaneous pursuit of both cooperation and competition has been conceptualized as a paradox because these two strategies were contradictory and opposed to each other (Lado et al., 1997). However, more recent studies argued that competition and cooperation are more interrelated than previously thought and that competition and cooperation were “mutually rooted and promoted by each other” (Peng et al., 2012, p. 548). The pros and cons of coopetition were summarized in **Exhibit 6**.

**Exhibit 6**  
**Pros and cons of coopetition strategies**

Prospective benefits of coopetition strategies	Potential drawbacks of coopetition strategies
<ul style="list-style-type: none"> <li>• Shared know-how &amp; best practices</li> <li>• Shared tangible resources</li> <li>• Pooled negotiating power</li> <li>• Coordinated strategies</li> <li>• Vertical integration</li> <li>• Combined business creation</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of proprietary knowledge &amp; competitive advantage</li> <li>• One or more partners may be more or less “equal” than the other</li> <li>• Time-consuming &amp; difficult to achieve consensus</li> <li>• Actual costs often outweigh perceived benefits(s)</li> </ul>

Source: Compiled by author from Brandenburger & Nalebuff, 1996; Benson-Rea et al., 2003; Gnyawali & Park, 2011.

A growing body of literature explored the success factors needed to reap the benefits of coopetition. Chin et al. (2008) suggested that top management buy-in and effective communication were crucial elements for successful coopetition. More recent developments have emphasized the role of integration mechanisms in enabling successful coopetition. For example, Gnyawali and Park (2011) identified coopetition mindsets, coopetition experience, and resources and capabilities as key factors. Leaders also needed to be aware of the sources of tension as well as the benefits from coopetition, executional capabilities, or the ability to design, put in place, and leverage “inter-firm relationship” routines in effectively managing the coopetition paradox (Gnyawali et al., 2016: 14).

The ability of managers to recognize and manage tension and conflicts inherent in coopetition was a paramount factor in managing coopetition. According to Fernandez et al. (2014) tension could arise at multiple levels, including the inter-organizational, intra-organizational, and inter-individual levels. Some of the biggest sources of tension were the common creation yet private appropriation of value and the possibility of revealing proprietary information and other trade secrets key to gain competitive advantage (Le Roy & Fernandez, 2015). Le Roy and Fernandez

(2015) underscored the importance of physical, functional, and temporal separation in effective coopetition management at the working-group level.

### **Coopetition in the global wine industry**

Wine industries across the world were considered by some industry observers to be both highly cooperative and competitive.<sup>16</sup> For example, in the Old World, most French appellations practiced coopetition to a greater or lesser degree through “Unions des Producteurs,” which shared promotional activities and established joint technical standards. In one case, coopetition was directly responsible for five, small appellations combining under an “umbrella” appellation, called the Union des Côtes de Bordeaux. Using both horizontal and vertical cooperation, the Union des Côtes de Bordeaux introduced a new product to the market. In January 2019, five Spanish cava producers broke from the Penedès Denominación de Origen (DO) to form Corpinnat, “a collective Union brand established with the aim of distinguishing great sparkling wines made in the heart of the Penedès from 100 percent organic grapes harvested by hand and entirely vinified on the premises of each winery.”<sup>17</sup>

In New World wine regions, such as in New Zealand, the owner–managers of vineyards and wineries (as well as the other members of their management teams and their employees) maintained strong relationships with their competitors. Although recent research developments have studied coopetition within the wine industry, we were not aware of any research studying new product development from a coopetition framework. The New Zealand wine industry has been described as employing a form of coopetition to increase its producers’ share in global markets (Benson-Rea et al., 2003). Dana et al. (2013) studied coopetition in the wine industry through a case study of the Waipara wine cluster in New Zealand. The Waipara wine cluster was similar to an industry-level association with a geographical span limited to the Waipara region; it was built with the objective of providing education, marketing capabilities, raising the profile of the region in the wine industry, and bringing greater closeness and integration to cluster organizations. The study found that the cluster increased the competitiveness of wine producers in the region, helped peers appreciate the value of each other’s businesses, and adjust their offerings to complement other players’ capabilities. The cluster was so successful in increasing cooperation between wineries in the region that some wineries were concerned it had reduced the competitiveness of wineries in the cluster. Disagreements within the cluster included domestic market growth and international expansion strategy. A key finding of the study was the importance of hiring an independent manager who had never worked in any of the wineries in the cluster to supervise the coopetition activities and efforts.

Garcia et al. (2007) examined coopetition by Australian and New Zealand wineries to facilitate the diffusion of screw caps as a resistant innovation in the wine industry. Wineries converged upon a common goal of educating customers on the benefits of screw caps. Screw caps helped avoid the “cork taint” problem and, consequently, preserved the quality of their wines longer than did corks. While US wineries had heretofore engaged in vertical cooperation throughout the supply chain, New Zealand and Australian wineries had focused on horizontal cooperation among rivals. In Australia, coopetition had taken the form of an initiative to market screw caps, known as “Riesling with a Twist.” The initiative, launched by 15 Australian wineries in 2000,

involved wine media critics, wine writers, and other online and print marketing materials. In New Zealand, 27 wineries came together to found the New Zealand Wine Seal Initiative in 2001; by 2005, the initiative included 50 wineries, including the leading brands. The New Zealand cooperation initiative had a wider focus and allowed wineries to exchange knowledge about marketing costs related to screw caps education, best practices, and information about research and development (R&D). Furthermore, cooperation among New Zealand wineries was motivated by two goals which were, first, to overcome consumers' resistance to screw caps, and second, to increase the profile of New Zealand wineries in the world market. Garcia et al. (2007) found that Australian and New Zealand wineries were far more successful than US wineries in reducing consumers' resistance to screw caps, partly because of their cooperation efforts. Factors for successful cooperation included shared goals and resources, low specificity of knowledge, and previous collaboration experiences.

Other research studies have examined cooperation by wine producers in marketing-related activities. For example, through in-depth interviews with owners and managers of New Zealand and Australian wineries, Beverland (2008) found that cooperation was an effective strategy for wineries trying to increase awareness of the quality of their wines as they tried to increase their export sales to China. However, after successfully educating overseas consumers through cooperation, wine producers then focused back on developing vertical cooperative relationships with distributors in order to reach consumers. Similarly, in their study of New Zealand wineries, Chetty and Wilson (2003) found that cooperation was most effective for success in export markets, while cooperation with vertical partners was more relevant for success in domestic markets. Cooperation helped wineries acquire the reputational and organizational resources as well as bargaining power essential for success in export markets (Chetty & Wilson, 2003). Taplin (2010) studied how early winery entrants in Napa used cooperation through dense and decentralized network structures during the 1970s to: (1) exchange knowledge about best practices in both winemaking and grape growing; and, (2) benchmark their wines against one another. Taplin (2010) observed that although cooperation by the mid-2000s occurred through more centralized and formal networks, cooperation remained a priority among Napa wine producers, primarily because of their interest in upholding the reputation of the Napa region for quality wine production. To examine the formal networks used for and the benefits from cooperation in marketing, Lewis et al. (2015) conducted in-depth interviews with winery owners and top managers in Tasmania and discovered that cooperation through formal networks helped increase knowledge sharing, establish industry norms, and create mutual trust among participants. Formal networks through which cooperation between wine producers occurred helped increase their region's wine tourism traffic and bargaining power over government agencies.

Somewhat more recent research has gone beyond cooperation in marketing to focus on cooperation in production. One example was a case study about value creation and appropriation in cooperation in the wine industry in South Africa (Volschenk et al., 2016). From interviews with executives in six wine producers that are members of The Glass Recycling Company, a multi-industry initiative between competitors who engage in glass packaging in the food and beverage industry, Volschenk et al. (2016) concluded that there were two main types of value

that were created through coopetition: knowledge and economic value. Furthermore, they found that most of the value that could be appropriated by coopectitors was economic rather than knowledge. Additionally, they discovered that the largest and most diversified wine producer was able to extract more value than the other five smaller and less diversified wine producers that participated in the coopetition initiative. Another example of coopetition in production was the agreement to bottle wines for each other established between Treasury Wine Estates in Australia and Accolade Wines in the UK (Christ et al., 2017). Through this collaboration, competing wine producers had been able to reduce CO<sub>2</sub> emissions through the transportation of bulk as opposed to bottled wine as well as to reduce idle capacity for their bottling plants during a period of long-term decrease in financial returns for the global wine industry.

Although the aforementioned studies of coopetition in marketing and production between competing wine producers had enriched our understanding of the motivations, benefits, methods, and challenges associated with coopetition in the wine industry, research on coopetition in new product development in the wine industry remained very limited. We sought to fill this gap in the literature through the present dilemma shared by the five natural wine producers in Spain: whether or not to enter into new coopetition strategies to jointly develop new product markets, pursue a “go-it-alone” strategy, or some hybrid between the two seemingly polar approaches to market development.

## METHODOLOGY

The best way to determine how natural wine producers view their opportunities and challenges was to ask them. In the words of Sigglekow (2007: 21), “An open mind is good; an empty mind is not. It is true that one wants to retain the capacity to be surprised, but it seems useful (and inevitable) that our observations be guided and influenced by some initial hunches and frames of reference.” Using interview transcripts to provide frames of reference for building theory was well established in the management literature (Murray, 1996; Eisenhardt & Graebner, 2007; Lawrence, 2010). Typically, this process involved identification of key words and phrases in the interview data to determine areas of convergence and gaps that remain to be filled.

According to Patton (2002), a content analysis using and comparing structured case studies referred “to any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings,” (Patton, 2002: p. 453). These core meanings were called patterns or themes. An advantage of content analysis stated by Weber (1990) was its direct focus on the products of human communication (i.e. the interview transcripts themselves).

The comparative case method applied in this investigation derived from Eisenhardt (1989), Yin (1994), and Sigglekow (2007), scholars that had promoted theory building via grounded field research using structured case studies. Prior investigations into the resources and capabilities in the global wine industry had employed this methodology (Pellicanó & Deluca, 2016; Signori et al., 2017). Inasmuch as most organizations operate in dynamic environments, in which entities evolve, nearly all were compelled to be prepared for or respond to symmetric and asymmetric

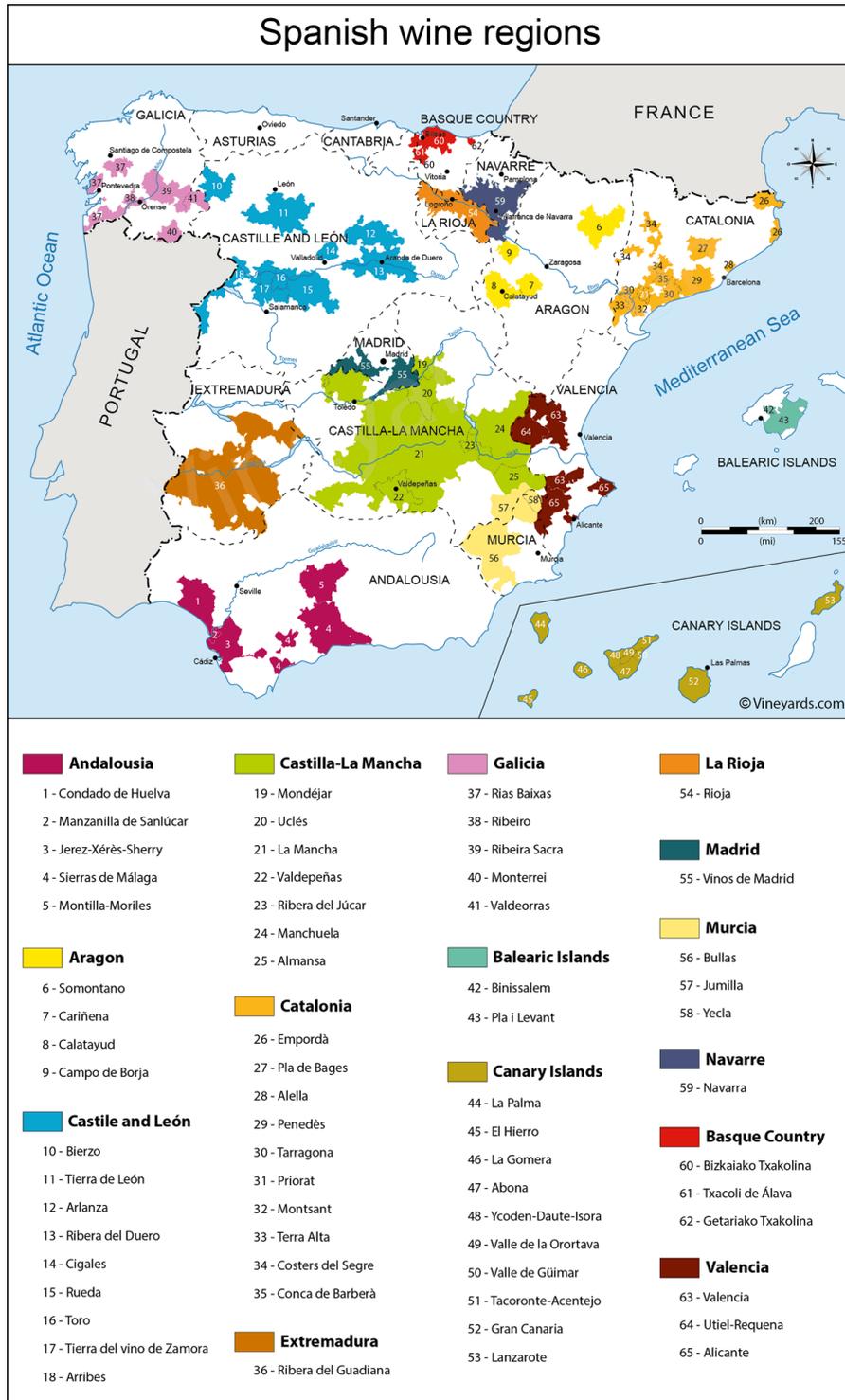
threats, or at worst, disappear entirely. Unlike event-based, cross-sectional surveys, case studies were able to provide robust qualitative and longitudinal data for comparing organizational responses to dynamic (and often unanticipated) change.

A convenience sample of five Spanish producers of natural wine were interviewed in fall 2018 and late spring 2019. This sample was chosen based on referrals from the Spanish wine association. A standard interview questionnaire was used to explore the potential of incorporating cooperative relationships to help these producers grow their businesses, share farming and wine-making techniques, and educate consumers about natural wines.

## **FINDINGS**

As the 2019 harvest approached, five Spanish natural wine producers pondered the need to improve consumer awareness and understanding of natural wines, the appeal of their wines, their respective regional and collective national reputations, and how to ensure that other individual vineyards and wineries would not become “rogue producers” and destroy their reputations as natural wine producers. These Spanish natural wine producers represented five different growing regions in Spain: Alfredo Maestro (Peñafiel), Bodegas Garay (La Palma del Condado), Constantina Sotelo (Rías Baixas), MicroBio (Segovia), and Puerta del Viento Organic Wines (Bierzo).<sup>18</sup> A map of Spain’s wine growing regions is shown in **Exhibit 7**.

## Exhibit 7 Map of Spain's Wine Regions



Source: Vineyards.com, <https://vineyards.com/wine-map/spain>, accessed September 8, 2019.

## **History of the five natural wine producers**

*Alfredo Maestro.* Alfredo Maestro was a winemaker in Peñafiel (Valladolid region). Since 1998 he had been making his own wines in a natural way and giving maximum respect to the vineyard and its surroundings.

My main interest was that each plot, each area where there were grapes, be destined to make wine that offers its particularities and special connotations. The wine was not made with any interventionist or ‘chemical’ oenology. In my elaborations I did not use any type of ‘chemistry.’ That is to say, the grapes fermented with their own yeasts. Every plot [was farmed] without the use of sulphur, without chemical correctors of any kind. All this led us to focus on putting all our efforts every year in the care of the vineyard, to find the balance in the vine, and that this transmits to the grape. This could only be obtained through a bio-natural viticulture. That is to say, the vines were not treated with chemical compounds. All the fertilizers, protectors, and complements were the result of nature and plants of the environment that surrounds the vineyard. I had vineyards mainly in the area of Castilla y León, specifically in the provinces of Valladolid, Segovia, and Burgos. All these areas were close to the Peñafiel winery. Among them, I had vineyards ranging from 10 years to the oldest of 101 years. The varieties that I had were: Tempranillo, Garnacha, Merlot, Cabernet Sauvignon, and Albillo. Also, since 2008, I had been controlling a vineyard in Titulcia (Madrid) for more than 70 years that was made up of Tempranillo and Garnacha vines.

*Bodegas Garay.* At Bodegas Garay in Andalusia, Mario Garay, the owner/winemaker felt it was destiny that had led him to natural winemaking. All of the work at his winery was carried out by his wife, Ana, and him:

Our winery appeared because of destiny. Ana and I met thanks to wine. We had the wine engraved in our DNA. Our grandparents dedicated themselves to wine, and our towns were ‘Cities of Wine.’ Today, we had five hectares of our own vineyard in La Palma del Condado, all ecologically certified. We had two grape varieties, Zalema and Listán del Condado.

*Constantina Sotelo.* Constantina Sotelo took over her family’s vineyards in 1985, which were free-standing vines planted in the Salnés Valley, a few meters from the Ría de Arousa, in Castrelo (Cambados).

With 2.5 hectares of Albariño vineyard, in 1999 we made the leap and created a small garage where we began to make wines under the protection of the D.O. Rias Baixas. We used a variety of storage containers for aging wines such as chestnut barrels in the cellar for more traditional elaborations. We also began to work with *dépositos* [containers] of different shapes and textures such as terracotta amphorae, stoneware amphorae, white earth spherical amphorae, terracotta bottles, concrete egg. These unique elaborations were marked by each wine, so the choice of each [tank] and the time spent in them was marked by the wine itself.

*MicroBio*. Ismael Gozalo co-founded of Ossian winery, which became one of the most respected wineries in the D.O. of Rueda. He left eventually Ossian so that he could focus his energy on his own project called MicroBio. MicroBio referred to the biological processes central to the character of the wines, focusing on the pure expression of the variety and beautiful *terroir*. In Segovia, MicroBio winery represented the fifth generation of farmers from the municipality of Nieva. The vineyards consisted of pre-phylloxera, ungrafted Verdejo vines, dating back to 1748. They were planted on mixed soils of sand, limestone, slate, and clay from a prehistoric mountain. Ismael related:

‘Nature and Progress’ was our mantra. We farmed organically with as little intervention as possible, following the philosophy of Biosinergias, which believed in destiny and balance between soil, plant, and fruit (a movement that predates Steiner’s biodynamics by 2,000 years). Using many methods of winemaking for [our] different wines (stainless steel, barrels, foudres, amphorae, demijohns, skin contact, and oxidative aging, among others), we used only minimal doses of sulfur, with no fining and filtering, to create wines that were magical and represented the future of great natural winemaking in Spain. In addition to our white wines in Nieva, we worked with Mencia from Bierzo, Rufete from Sierra de Salamanca, and Garnacha from Sierra de Gredos. And with three reds (Tempranillo, Merlot, and Syrah) from his vineyards in Nieva, Issé (Verdejo aged in amphorae), Sin Nombre (Verdejo), Rufian (Rufete), and Rosado Correcaminos (Tempranillo).

*Puerta del Viento*. Jorge Vega, owner and winemaker of Puerta del Viento in Bierzo, a region in Leon, recalled that he had started with a small vineyard in 2007, and by 2013, his winery officially launched its first bottles:

Our family winery was born in 2009 like a lifestyle because we like nature, healthy food, and overall, we wanted to preserve our fields for our kids. I work as an independent “*vigneron*” and my wife is our public relations and communication expert. Starting our business was difficult because nobody knew natural wine in the local market and nobody in the national and international market knew about us. Soon, though, the national market (Barcelona, Madrid, and Cádiz) and then the international market (USA and Belgium) began to trust and purchase our wines.

**Exhibit 8** presents a table highlighting the major similarities and differences among the producers.

**Exhibit 8**  
**Comparisons among five respondents from Spain's natural wine industry**

<b>Company</b>	<b>Alfredo Maestro</b>	<b>Bodegas Garay</b>	<b>Constantina Sotelo</b>	<b>Microbio</b>	<b>Puerta del Viento</b>
<b>Year founded</b>	1998	2007	1985	1748	2009
<b>Year of first natural wine</b>	1998	2013	1999	2004	2010
<b>Location</b>	Peñañiel	La Palma del Condado	Rías Baixas	Segovia	Bierzo
<b>Definition</b>	Clean food, clean wine, from the ground to the bottle	Protect nature by providing an honest, authentic, & unique product	No intervention: linked to a way of life, a culture that each family of winemakers has inherited from their ancestors, & lacking any standardization	No chemicals, no additives	No additives or chemical products, no filtering with indigenous yeast, organic or biodynamic grapes
<b>Goals</b>	Stabilize production but expand capacity to meet high demand	Continue expanding vineyard acreage; expand equipment & storage space in the winery	Perform viticulture with minimum intervention; achieve <i>négociant</i> status	Expand to new export markets	Introduce new products; attain biodynamic certification
<b>Greatest challenge</b>	Remain faithful to the principles of winemaking; reach more clients	Inform and educate Spanish on-premises (trade) & consumers that products are authentic	Combatting diseases & mildew in the vineyards	Overcoming consumer misconceptions; lack of knowledge about natural wines	Obtain a good harvest without sulphites due to wet weather conditions
<b>Primary markets</b>	National metropolitan areas (Madrid, Barcelona)	Export markets that accept Andalusian wines	International markets; national market suspicion about natural wines due to distrust and ignorance	90 percent of production exported to 23 countries	Spanish distributors; one export company specializing in organic, natural, & biodynamic wines
<b>Intra-industry collaboration</b>	<i>Garnachas de Gredos</i> Association to promote national or international wines from Sierra de Gredos	In Huelva, not only are we the only ones to make natural wine, we are also the only ones to make it organic	In our area no consensus has been reached	[No response]	Not yet; is member of PNV (Natural Winemakers of Spain)

Source: Casewriters' compilation and analysis from interview data, 2018 and 2019.

## **Common challenges**

In July 2019, the beginnings of a consensus began to emerge among the five natural wine producers in Spain regarding the challenges that they faced. These producers voiced commonality in geographic isolation, lack of consumer understanding of natural wine, and high farming costs. They wondered if any form of cooperation and collaboration might help to overcome those challenges.

## **Consumer confusion about Spanish natural wine**

In addition to the lack of shared, common geography, the five Spanish natural winemakers agreed that an even greater challenge was the lack of a common definition of what natural wines should be, not to mention widespread consumer confusion (and in many cases, rejection) of natural wines.

Constantina Sotelo lamented about consumer skepticism and nescience concerning her wine:

Our main problem at the moment was the introduction of our products in the national market, where due to distrust and perhaps ignorance, there was a lot of suspicion about the introduction of natural wines.

Ismael Gozalo concurred: “Some people had so many *a priori* (assumptions) about natural wines and judged those as inferior before even tasting them.”

Mario Garay echoed the sentiments of his natural wine compatriots and pointed to the significance of educating everyone in the distribution chain as an important way of changing attitudes. He emphasized:

The general public needed to know a little more in depth what a natural wine was and know how to appreciate it. The challenge was to defend your product in front of the distributor and the hotelier. When you had a consumer visit your winery, you had to explain what you do, so that they understood it perfectly and they went back home totally convinced that they were buying something authentic.

Alfredo Maestro felt that it was significant to go beyond the label of “natural wines” and not let the category limit his wine-selling potential. He elaborated: “My biggest challenge in making natural wines had been not to identify my wines as simply ‘natural.’ People chose my wines because they were quality wines and not just because they were natural.”

Mario Garay hypothesized that a common, shared philosophy, or talking points, about the natural wine-making process and organic grape farming would only benefit sales and help grow the market. He summarized:

We still needed a lot of information [standardization] so that in Spain, and even more here in Andalusia, people would bet on natural wines. In our case we were a bit lonely in Huelva. Not only were we the only ones to make natural wine, we were also the only ones to make it organically. However, I believed that distances were not important today,

and [our] union was always strong. The more wineries shared a philosophy and made it public, the more people would discover that way of working and become their consumers.

### **Growing challenges for the natural wine producers**

Natural wine producers adhered to a specific philosophy for grape growing and winemaking. The aim was to minimize the impact of winegrowing on nature. Therefore, growers relied on organic and sustainable farming practices and stayed away from the use of industrially synthesized products such as fertilizers, pesticides, or fungicides for treatments of vines and soils. Natural wines were often made with natural yeasts without lactic bacteria, enzymes, and sulfites. Their growing ideology followed the belief that the environment would provide the necessary substances to defend harvests against pests and fertilized plants substances.

Natural wine producers also respected and followed the farming techniques that had been used by their ancestors for centuries. The philosophy as articulated by Puerta del Viento Organic Wines summarized this well: “Respect the environment and continue the Bierzo’s ancestral traditions.” These ancestral farming techniques were carried out without herbicides. Wine growers, like Puerta del Viento, did this with mechanical tillage. Moreover, in winter, a vegetation cover was planted between the vines in order to stimulate greater distribution of soil nutrients. Additionally, natural compost, manure, or crushed branches were applied to the soil to amend it. Pests and diseases that appeared were treated using traditional cultural methods or biological methods (sexual confusion) or treated only with natural minerals.

While natural wine producers had the protection of the environment in mind, it came with a financial burden. As Jorge Vega pointed out,

It was quite risky making ageing wines without sulfites. In our appellation there were few organic vineyards because organic viticulture was very labor intensive and, hence, expensive. The main reasons were because our vines were really old, about 60–80 years old with a small vine spacing (1.50 x 1.50 m) and a goblet training system.

Since the natural wine producers used little chemical additives to enhance their yields or pesticides to fight diseases, they were more reliant on favorable weather conditions. With the onset of intense climate variability, these producers had become increasingly vulnerable. Jorge Vega explained:

Each year we had a great challenge because our wine was free of sulfites and other chemical additives, no filtration, no added yeast, and our grapes were organically farmed in a very rainy province. It made producing natural wine and obtaining a good harvest quite difficult.

Constantina Sotelo sympathized with the difficulties of organic farming in an unfavorable climate:

Our biggest challenge in the production of natural wines was in the vineyards. In Cambados (Rías Baixas) we were located in an area with a very favorable climate for the development of different diseases, especially mildew, so every year we faced a different challenge to be able to prevent it.

### **Cooperation and collaboration**

The five Spanish producers were aware of a moderately successful marketing collaboration among five winery owners in the Priorat region of Spain that had assisted those wineries to collectively assemble resources and/or capabilities. These assets were difficult to procure in an individualistic business model and enabled the Priorat producers to improve their wine tourism offerings.<sup>19</sup>

Unlike the Priorat wineries, the five natural wine producers had yet to reach a conclusion or a consensus on the benefits of cooperative relationships. This indecision hampered progress. Constantina Sotelo expressed her frustration,

We could find hundreds of families here that would start to love natural wine, and we could possibly discover real hidden gems, but currently in our area no consensus had been reached despite some meetings among producers that we had heard about or seen in the press.

She pointed to fear of competition as a leading factor that headed cooperation.

Perhaps because of distrust, maybe ego, we did not see collaboration with other producers as a short-term strategy, although we were working on a small project that aimed to work collaboratively but with a different approach and from another angle.

However, other producers, like Jorge Vega and Ismael Gozalo, viewed cooperative relationships among competitors as a great way to grow their networks of distributors and ultimately customers. Jorge Vega iterated,

In our province we were almost alone making natural wine and for us was a mistake because the wine of the group will be the same with little differences. We think [it would be] better to work with winemakers from different provinces or groups like PNV (Nature winemakers of Spain), since the group invited us to go to their fairs in Barcelona and Madrid and we obtained good results.

Networking proved to be the principal reason for considering collaboration for Ismael Gozalo.

My wines were already sold in 23 different countries and 90 percent of our wines were exported. I participated in many natural wine expositions around the world to have opportunities to meet people from the industry in those markets as well as their customers. The key for us was to find good distributors that had a portfolio of natural wines. My winemaker friends could tell me about the relationship they had [already established]. I think it was working pretty well as most of our wines were completely sold out.

Moreover, some of the natural wine producers, like Alfredo Maestro, had already found success in regional cooperative relationships. Alfredo Maestro elaborated,

We had created a *Garnachas de Gredos* association that is the union of many winemakers and processors in the area to promote national or international wines from Sierra de Gredos. It was having a great media impact and, of course, the result had been very positive.

### **Goals and objectives**

There were no easy solutions for the five producers, but there appeared to be opportunities. According to Rob McMillan, a leading wine industry pundit who was the founder of Silicon Valley Bank's wine division, "There's no good data [on natural wines] because there's no good definition for natural wine. I believe we will see a revolution. You have a whole population of young people who want natural, organic, and local."<sup>20</sup> For two of our Spanish natural wine producers, that translated into the need to pursue stable production and slow, organic company growth.

*Alfredo Maestro:* My short-term goals were to stabilize my production according to limited infrastructure, yet I would ultimately need to expand facilities to avoid imbalances between the supply and demand of my wines, since international demand had doubled in the last two years.

*Bodegas Garay:* Our objectives were the same in the near- and long-term. Follow the line we carried. We had a product that was already known in the area. We had opened a gap and continued taking steps forward, little by little. We were still small, but every year, a little bigger. While we continued to grow slowly and, with firm foot, everything would be fine. There was nothing easy to achieve. Everything costs, mainly money. We wanted to continue expanding vineyard area, which would imply expanding storage space in the winery. All the benefits we got were used to invest, one year in the field, another year in equipment. I thought the main problem of natural wines was the Spanish administration.

*Puerta del Viento:* In near-term we wanted to keep our clients and improve with new products like "Pan y Carne" variety. And in long-term, we would like to obtain biodynamic certification. Now we have organic certification and we would like to be famous in natural wine.

For the remaining two producers, expansion appeared to be a more distant, "stretch" goal:

*Constantina Sotelo:* Within purely business terms, we wanted to make an important commitment and international presence, but it required an important development of economic resources, personnel, and, above all, time to attend fairs and events in other countries.

*MicroBio:* To continue the expansion in new markets and to have the opportunity to show my wines around the world.

In this vein, Granata et al. (2018) conducted grounded field research into collaboration and competition using the case study methodology in the Pic Saint Loup area in south-eastern France. They posit that competition can be “a relevant strategy for micro-firm competitiveness and growth. [345] ...in micro-firms, a competition mindset is not shared/developed across several people involved; rather, it depends on a single person and his or her ability to integrate the paradox of cooperation and competition.” [346]

## CONCLUSIONS

This applied research could be used to broach a discussion about the benefits and limits of collaborations among competitors, including the potential benefits of strategic alliances and the different “cooperative arrangements” such as mutual service consortia, joint ventures, and licensing agreements (Wheelen et al., 2018). Our study explored the many challenges facing the natural wine producers of Spain and what, if any, benefits cooperative relationships would bring to these producers. Extensive interviews with natural wine producers illuminated several key challenges: lack of consumer knowledge/understanding of natural wines, difficulties in growing natural wine grapes, high costs associated with natural winemaking, and brand awareness in Spain and internationally. While wine consumption and purchasing data pointed to positive trends for natural wines, it was not yet clear whether or not these small, individual producers could reap the benefits.

### Limitations

This study was not without limitations, inasmuch as generalizations from a sample comprised of five companies could not be made, nor could we claim that there were not inherent biases in the responses of the winery owners we interviewed in person. Williamson (2012) and Kohr (2017) had, however, made a case for grounded field research in the wine industry that was based on limited sample sizes. We might have caught the five wine companies during a time when the Spanish wine industry was contracting, or when political uncertainty clouded the future of wine exports from and wine tourism in certain Spanish wine regions.

### Future directions

It was hoped that future research would further develop our understanding of the pros and cons of cooperative relationships among small wine producers and illuminate new and innovative ways in which these producers could grow their businesses. Future research with larger datasets and possibly across also multi-country jurisdictions could also confirm the need for cooperative relationships between natural wine producers. There might also be cultural differences that facilitate competition among wine producers in the “New World” regions noted in the earlier studies about Australia and New Zealand and Napa (Chetty & Wilson, 2003; Garcia et al., 2007; Taplin, 2010; Lewis, 2015; Crick, 2018) but that might impede competition among the “Old World” producers, which had been previously documented by researchers in France (Duquesnois et al., 2010) and Spain (Alonso & Liu, 2012).

Collaboration and cooperation would allow these Spanish natural wine companies to share resources, networks, and farming technology and know-how. Shared resources would increase

promotion to enhance the image and reputation of natural wine in Spain and internationally. Connecting with each producer's network could help grow the natural wine segment as a whole and work to introduce natural wines to more distributors in off-premises retail channels (such as supermarkets and wine shops) as well as to the on-premises hotel/restaurant/café (HORECA) segment. Sharing in farming technology would reduce costs, as producers may learn new techniques to produce high yields and deal with pests and disease in a more cost-effective way.

Could the five Spanish natural wine producers take advantage of the positive trends in their emerging wine segment? What strategic value could a cooperative relationship bring to each of their businesses? The review of natural wine producers in Spain has highlighted the difficulties of being a small, independent producer in an emerging market. While cooperative relationships in wine business are not new, research into the many factors that persuade small companies to band together and its ultimate effectiveness has yet to be fully realized.

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## Endnotes

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