

## Editor's Note & Policies

# The Wine Industry & the COVID-19 Pandemic

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Keywords: innovation, pandemic, wine industry, wine industry disruption, disaster management, wine industry pandemic

<https://doi.org/10.26813/001c.22054>

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## Wine Business Journal

Vol. 4, Issue 2, 2020

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When faced with extreme uncertainty and disruption, firms with superior knowledge and skills can not only identify more opportunities, but they can also envision how they will successfully exploit them. Firms that have developed the relevant knowledge, skills, and capabilities are more likely to act on perceived opportunities because they possess the expert schemas needed to focus on the most relevant information in the environment, process this information faster and more efficiently, and make decisions based on industry best practices. Despite the benefits of prior knowledge, deep expertise can also cause cognitive entrenchment leading experts to dismiss radically innovative and possibly disruptive ideas that fall outside the industry's dominant paradigms.

Welcome to this special issue of the *Wine Business Journal* (WBJ) focused on COVID-19 and its effect on the wine industry. From the start, the pandemic had a devastating effect on the wine industry, decimating wineries' on-premise sales and forcing down projected industry revenue for 2020 by 14 percent (Lu, 2020). The devastating effects of the pandemic were compounded by other crises, particularly the unprecedented damages caused by climate change and the occurrence of wildfires in some of the world's top wine producing regions. While Burgundy experienced its earliest harvest season in history this year, Australia's 2019/2020 brushfire season was the fifth deadliest in the country's history, and four of the five largest fires in California since 2003 occurred in 2020.

In line with the mission of the WBJ to advance wine business theory, teaching, and practice through the generation, cumulation, and dissemination of knowledge with strong practical and theoretical implications, our first initiative as an editorial team was to send out a call for research studies on the effects of COVID-19. Although we knew this was an important initiative, we never envisioned it would generate such enthusiasm and support from wine industry academicians and executives.

The contributions in this special issue cover a variety of challenges faced by industry stakeholders and propose alternative approaches to address these challenges. Coyne (2020) studied wineries' radical shift in revenue streams away from tasting rooms and restaurants towards online and retail store sales. Focusing on Three Sticks Wines, Coyne (2020) documented how the loss of traditional distribution channels pushed wine producers to drastically increase their focus on digital marketing, including converting their hospitality operations to digital platforms.

The decline in wine producers' sales had a rippling effect on the income of other sectors in the wine industry, including non-profit organizations and industry associations. The article by DeYoung (2020) illustrates how non-profit organizations in the wine industry have found it necessary to tran-

sition from non-profit to hybrid social enterprise business models. DeYoung (2020) concluded that non-profit organizations in the wine industry can help mitigate the financial distress caused by the pandemic by diversifying their revenue streams beyond traditional sources such as government grants and industry association subsidies (DeYoung, 2020).

The pioneering contribution by Carmer et al. (2020) fills a gap in the literature by studying the disruptive effect of the pandemic on another group of wine industry stakeholders: wine instructors. Reflecting on the challenges faced and solutions attempted by a group of about 120 wine instructors teaching wine courses online, Carmer et al. (2020) concluded that the main challenge lies not so much in coming up with new solutions, but in moving away from old models and assumptions about how students learn and how to best deliver sensory perception experiences in a virtual setting. Wine business instructors have found communities of learning extremely resourceful in triggering creative new ways of thinking about digital wine education and experiences.

It is tempting to examine the crises affecting the wine industry in isolation, yet crises have occurred more often in recent years. Recently, wildfires have increased in frequency and severity in some of the world's top wine producing regions, and these fires are increasingly difficult to contain and last longer. According to the World Wildlife Fund, between 1979 and 2013 the average length of fire seasons around the world increased 19 percent and the average number of global fire alerts has increased 13 percent worldwide between 2019 and 2020 (Lu, 2020). This suggests that the future of the industry will depend on its commitment to sustainable practices and finding creative ways to address challenges and disruptions caused by past and future crises.

McDermaid & Newton (2020) document the increasingly common phenomenon of wine producers facing new crises while still recovering from previously devastating events. Paradise Ridge, a Northern California winery decimated by

the 2017 wildfires, had significantly more experience dealing with crises when the COVID-19 pandemic started (McDermaid & Newton, 2020). Managers should be aware of opportunities to reposition their brand and enlist the support of the community when faced with losses and disruptive events. When communicating with customers and the community, wineries should strive to convey a message of mutual support that is true, honest, and vulnerable.

Fuentes-Fernández (2020) studied the case of *Grandes Vinos*, a cooperative of over 700 Spanish winegrowers that launched a campaign to raise over EUR 250,000 to fund vaccine development and the health care sector within less than a month after the pandemic began. *Grandes Vinos* benefited from its previous experience successfully creating new product offerings exclusively to raise funds for social causes in partnership with other organizations. Because of the human capital gained through prior experience with socially responsive projects, *Grandes Vinos* perceived the pandemic both as a responsibility to help society and as an opportunity to strengthen their brand by creating a campaign similar to the ones they had successfully launched and completed in previous years. Thus, the notion that companies can do well (financially) by doing good (for the community) can be extended to incorporate the observation that firms can do well (financially) when they do good (for the community) by doing what they do best.

When faced with extreme uncertainty and disruption, firms with superior knowledge and skills can not only identify more opportunities, but they can also envision how they will successfully exploit them. Firms that have developed the relevant knowledge, skills, and capabilities are more likely to act on perceived opportunities because they possess the expert schemas needed to focus on the most relevant information in the environment, process this information faster and more efficiently, and make decisions based on industry best practices. Despite the benefits of prior knowledge, deep expertise can also cause cognitive entrenchment leading experts to dismiss radically innovative and possibly disruptive ideas that fall outside the industry's dominant paradigms. Future research should examine whether there is a collective cognition, or mindset, that is holding back creativity and innovation in the wine industry.

Collectively, the studies in this special issue emphasize the wine industry's critical need to revamp its personnel recruitment practices to include applicants from outside the wine industry in order to increase the diversity of ideas and the adoption of best practices from fields and industries other than the wine industry. Increasing the number of new

hires from industries outside of the wine business may influence the proliferation of innovative ideas and processes. The largest producers, in particular, may benefit from hiring candidates not employed with other large wine producers, and perhaps, that are working in another industry entirely. Recent initiatives, such as the partnership between O'Neill Vintners & Distillers and Charles Woodson to recruit and provide scholarships for members of underrepresented groups interested in pursuing a career in the wine industry, represent a step in the right direction (O'Neill Vintners & Distillers, 2020). Undoubtedly, the decision to hire personnel from outside of the wine trade as well as individuals from traditionally underrepresented groups are both powerful agents for inspiring innovation within an organization.

The wine industry will also have to consider different ways to use the human capital of their labor force. For example, despite the wide availability of workers fluent in both English and Spanish, US wineries have failed to establish a significant presence in Latin American wine markets. Similarly, many of the skills that wineries will need in order to convey their stories in the digital marketplace are likely found in candidates without much experience in the wine industry. Creativity entails combining two previously unrelated knowledge domains. Forming projects with employees from varied backgrounds, including some without any wine industry experience is another way to encourage creativity because "when you don't know what you're doing, anything is possible" (Magee, 2012, p. 82).

We would like to thank the reviewers who served as referees for the articles in the special issue for their invaluable feedback and commitment to improving the quality of research published in the WBJ. Congratulations to the winner of the 2020 WBJ reviewer of the year award, Dr. Linda Swayne, for her extraordinary dedication to providing thoughtful and relevant feedback to authors. We would also like to recognize the effort and dedication of the authors who contributed to this special issue and made it possible to create an issue fully dedicated to this relevant topic. Congratulations to Matthew Coyne for winning the best paper award in this special issue as voted by the board of directors of the Wine Business Institute (WBI) at Sonoma State University. We are very grateful for the engagement, guidance, and support of the members of the WBI board of directors. Never before had research of best business practices been more crucial for the wine industry than today.

Sincerely,

The Editors,

Sergio Canavati, Matthew Bauman, and Damien Wilson



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