

IMPROVING TERRITORIAL COMPETITIVENESS IN WINE AREAS: APPROACHES, EXPERIENCES AND PROPOSALS IN THREE PROTECTED DESIGNATIONS OF ORIGIN IN THE PROVINCE OF ZARAGOZA (SPAIN)

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I. INTRODUCTION

The economic globalisation process is affecting certain specialised rural areas, such as the traditional wine-growing areas. The wine market has expanded geographically with the inclusion of new producer and consumer countries. Producer countries are in areas with climates similar to Mediterranean Europe (Australia, New Zealand, the USA, South America and South Africa), have less rigid legislation, have invested heavily in technology and have different production methods, enabling them to compete successfully in exporting wines in the middle and high-middle price segments and to focus on certain niche markets. At present these countries provide 30% of world production. This has had an impact on aspects of supply and demand. The traditional producer countries of Mediterranean Europe mostly face surplus production, due to various factors including lower domestic wine consumption, making exports essential. To deal with this complex situation, the European Union has introduced several measures, such as varietal renewal and improvements in mechanisation. However, some of the rulings adopted in the common organisation of the wine market in 2008 have been criticised for using a single European production model and favouring restrictive measures such as uprooting vineyards rather than proactive ones, such as encouraging consumption, incentivising improvements to quality, promoting communications in the internal market of the European Union, or providing aid for actions outside it.

This article presents the results of research on current and future territorial and business development strategies in the traditional winegrowing areas affected by these processes. The research centred on the three Protected Designations of Origin (PDO) in the province of Zaragoza (Aragón, Spain).

II. THEORETICAL FRAMEWORK AND METHODOLOGY

There are two theoretical frameworks suitable for interpreting the business and territorial strategies thrown up by production globalisation processes: convention theory and the new rural paradigm.

Convention theory is based, on one hand, on considering the economy as a collective production and consumption process, and on the other, on the relationship between the behaviour of the different agents and a similar or coinciding perception of the economic context. According to this theory, a list is presented of business practices which respond to the current restructuring of production. These practices are presented in order according to the types of convention identified by the theory: commercial, industrial, domestic, ecological, public and civic. These are important aspects for the quality and competitiveness of the products, and are consistent with the expectations of businesses regarding the current preferences of consumers and the markets. Examples of these practices are: orientation to certain niche markets, distribution control or improving brand image and design; the use of specific production techniques; the use of local raw materials; establishing organic product lines and conserving the environment; looking for recognition in the media and specialized competitions; providing information about the wine on the label, and creating healthy products.

The new rural paradigm proposes policies focusing on the new opportunities offered to rural areas by the globalisation of the economy or other factors. According to this paradigm, territorial competitiveness can be reached by leveraging, among other factors, the specific heritage, environment or production of the territories. Equally important is the move from a sectorial approach, focused on subsidising declining activities, to a multi-sectorial approach consisting of investment in the different activities considered to be strategic for the territory. The historic link of the PDO territories with wine-growing makes this activity the main driver invigorating the local society and economy. As well as leading to other business activities, thus contributing to improving the economic competitiveness of the territories, it contributes to conserving an important cultural landscape which can now be revalued and which is the basis of wine tourism. All of this is sufficient reason for wine-making activities to continue playing a fundamental role in the framework of new rural development models, especially in the case of the companies whose strategies make the territories more competitive.

In all cases, businesses play a key role and because of this, their perception and experience are very valuable when creating suitable policies. To explore this perception, a survey was carried out of company owners in the wine-producing PDO areas of Zaragoza province, taking into account different aspects of the current competitive models in the wine-growing sphere, the business strategies which would be expected according to convention theory in the current production restructuring process, and the principles of the new rural paradigm. The survey was carried out by telephone using a closed questionnaire, obtaining a response rate of 41% of the wine-making companies in the three PDO areas of Zaragoza province.

III. THE PDO AREAS OF ZARAGOZA PROVINCE

The PDO of Cariñena, consisting of 14 municipal areas, is the largest in Aragón and one of the oldest in Spain, created in 1932. The PDOs of Campo de Borja and Calatayud originate in 1980 and 1989 respectively; the former includes 16 municipal areas, and the

latter 46 municipal areas. The history of the three areas demonstrates how their economic and territorial development seems to be closely linked to that of wine-growing. There is a notable tradition and development of cooperativism, which goes back to the late 1940s: cooperatives are still important today, and represent more than 95% of wine production in the three PDOs. Cariñena is the 11th Spanish PDO in terms of cultivated area, giving it a degree of national relevance. Campo de Borja and Calatayud are mid-sized PDOs.

In the territories under study, wine-making activities are undergoing a continuous transformation, which affects the wine-growing sector and subsequent wine production in wineries: the incorporation of new cultivation methods, especially trellis growing and irrigation, new grape varieties and various improvements in harvesting are notable aspects, to which we can add innovations in the production process (equipment, barrels, qualified personnel, and others). But this transformation differs from one PDO to another: Cariñena tends to diversification and the renewal of grape varieties, while in Calatayud and Campo de Borja the traditional Garnacha grape still occupies most of the vineyards. While different, both strategies seem to have been successful in the international market: Cariñena is currently the 6th Spanish PDO in terms of export volume, while the best Garnacha wines of the other two PDO are distinguished every year by prizes in international competitions and mentions in the most prestigious guides.

The recent production problems have led to adjustments both in the area under cultivation and in employment, in line with what can be observed throughout Aragón and Spain. As the recession has affected the number of wine-growers more than the area under cultivation, the average size of the vineyards has increased significantly.

IV. THE PERCEPTION OF THE COMPANIES: SURVEY RESULTS

The questionnaire was structured in three blocks, the first of which centred on the characterisation of the company. The second block explored the nature of the business strategies and confirmed the existence of practices consistent with the expectations arising from the overall restructuring of wine-growing; we asked the winery owners about the recent progress of the business, the organisation of production and its evolution, the sales channels used and the quality segments of the products. The third and final block tried to establish the viability of the new rural paradigm, and more specifically, of development strategies based on wine-growing. For this, we asked the company owners to describe their perception of the future of the activity in the territory, the strategies they considered necessary in the context of a global economy, their assessment of the aid given by public administrations, and their proposals for improving various aspects.

Regarding the characteristics of the companies, they are all small, as is typical of traditional Spanish agricultural areas. The dominant legal forms are cooperatives and limited liability companies. Family businesses have a relatively high weight, and half of these have been maintained over more than one generation, showing their rootedness in the territory. The pace of business creation, which has remained steady even in recent years, bodes well for the future of the activity.

Regarding business strategies, the survey clearly shows that the companies have launched interesting initiatives relating to technological innovation, marketing and product image, management and administration and training human resources. With these they hope to adapt to the new demands of consumers by committing to quality wine. There are notable

innovations in sales and marketing, relating to the export strategy adopted by many of the wineries to compensate for lower consumption and sales in the domestic market. The wineries are also making an effort to incorporate personnel who are well prepared in the different aspects of production and business management. The search for unique, quality products, which are becoming more appreciated by consumers, is behind the innovations introduced in the normal range and the introduction of new wines to the market, obtained by a *coupage* of traditional and imported grape varieties, or by using special procedures. There are many companies which, to distance themselves from an old, generic and pejorative image and publicise their products, hope to find recognition for their wines at prestigious fairs and competitions and specialized publications in Spain and abroad.

Expectations of better sales and marketing have led companies to increase their presence in the markets they consider most attractive. Exporting is a channel which is clearly well established among the companies surveyed: three quarters of them are already present in international markets. In the century so far, the proportion of wine exported has reached 57 % of the wine sold by Cariñena, 68% for Campo de Borja and 48% for Calatayud. The European Unión is the traditional and most important destination for exports; recently more countries have been added, with the USA in the lead, as well as some emerging markets such as Russia and India.

The third block of the survey centred on testing the hypothesis that wine-growing can be a tool for the development of the area under study, as postulated by the new rural paradigm. More than two thirds of the wineries surveyed state that wine-making can continue to be a key sector for the local economy and development. The survey also made clear the opinion of the business owners that the Public Administrations must improve their functions, and provide help, mainly in the sphere of promotion and finding new markets.

One of the questions we asked the wineries was about the advantages of belonging to a protected designation of origin. The answers reflected contrasting opinions: for two thirds of the wineries, forming part of a PDO is a positive factor, but the remaining third see no advantage in it. However, most wineries support promoting the image of the wines in association with the territory. This confirms that the wineries are aware that their activity generates benefits for the territory, but also that the territory and its history have a positive influence on the promotion of the wines, because they give it an identity, an «exclusive» character and an emotional value which helps to create customer loyalty.

V. CONCLUSION

In conclusion, the research carried out enables us to verify the interest and efforts of these mostly small companies to adapt their processes, and above all their products, to the competitive context marked by globalisation, and to help their wines become consolidated in their markets and enter new ones. This interest takes the form of actions oriented to covering, to a greater or lesser degree, the various fields established by convention theory, especially finding new markets, incorporating new grape varieties, recovering other traditional varieties, and participation in prestigious competitions.

The article concludes by offering sufficient evidence to affirm that wine production, which gives the areas studied a unique character, can fully play the role which the new rural paradigm assigns to territorial specificities, reaffirming the potential of wine-growing to continue improving the development of the three PDOs studied.